2013
Annual Report

CYMAO

CYMAO HOLDINGS BERHAD

(445931-U)

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VISION & 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")

Dato' Seri Mohd Shariff 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

Dato' Seri Mohd Shariff Bin Omar
Member, Independent Non-Executive Director

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

REMUNERATION COMMITTEE

Dato' Seri Mohd Shariff 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

Dato' Seri Mohd Shariff 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
Public Bank Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) 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

Group Structure

CYMAO HOLDINGS BERHAD
(Company No.: 445931-U)

- **CYMAO PLYWOOD SDN. BHD.** (Company No.: 196313-M) — 100%
- **INOVWOOD SDN. BHD.** (Company No.: 585609-D) — 100%
- **BILLION APEX SDN. BHD.** (Company No.: 683097-U) — 100%
- **SYABAS MUJUR SDN. BHD.** (Company No.: 728141-A) — 100%
- **POLY-PLY INDUSTRIES SDN. BHD.** (Company No.: 31892-A) — 100%
- **MALSA WOOD PRODUCTS SDN. BHD.** (Company No.: 238949-T) — 100%

Chairman's Statement

It is my pleasure to present to you the financial statements of Cymao Holdings Berhad ("Cymao" or the "Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2013.

Financial Performance

Amid the challenging economic and operating environment, the Cymao Group managed to deliver operational efficiency that helped contribute to the Group's registered revenue amounting to RM115 million. The current year recorded a loss before taxation of RM6.2 million compared with RM17.7 million suffered in the preceding year. An improvement in the gross profit margin of 5% was mainly due to improve in the efficiency and productivity in production.

The fluctuating and upward trending of the USD vis-à-vis the Malaysian Ringgit has also contributed a better margin to the Group's bottom line.

Operations Review

The Board anticipated the financial year 2013 to be challenging, and has managed to take preventive measures to minimize these negative effects. The management carefully assessed each area of the business operation and identified the areas that are most vulnerable. Actions were taken to reduce the impacts of those uncontrollable forces and we felt that our efforts have minimised the losses suffered by the Group given the unfavourable conditions faced by the Group during the financial year 2013.

Dividend

The Board has decided to take a conservative position in maintaining the cash reserves of the Group and has therefore resolved that no dividend will be paid for the year under review.

Outlook and Prospects

The global economic conditions and consumers' sentiments generally continue to dictate the demand of the products. The Group is consciously endeavouring to strengthen its competitive advantage in term of quality, recovery rate and operational efficiency to improve the margin of our products. The Group has signed a logs supply agreement with a timber concessionaire on the supply of logs to the Group at a fixed price for the next few years. The price contracted is more favourable as compared with sourcing the logs externally.

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

Appreciation

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

I also wish to express my gratitude to valued customers, suppliers and business associates for their confidence us and their continuous supports.

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

DATO' SERI MOHD SHARIFF BIN OMAR
Chairman

Dated: 17 May 2014

Directors' Profile

DATO' SERI MOHD SHARIFF BIN OMAR
(Chairman/Independent Non-Executive Director)

Chairman of Nomination Committee and Remuneration Committee
Member of Audit Committee

Malaysian, aged 67, was appointed to the Board of Cymao on 22 November 2013. He graduated from University of Malaya in 1972 with a Bachelor Degree in Economics majoring in rural development. He began his civil service in 1972 as the Assistant District Officer of Pekan, Pahang and continued to serve the state of Perak and Penang until 1982. His political career started when he won the state seat of Sungai Dua in the 1982 General Election. He served the Penang State Legislative Executive Council (EXCO) from 1982 until 1990. He then served as the Parliamentary Secretary for Ministry of Agriculture from 1990 until 1995. He held the position as Deputy Chief Minister of Penang from 1995 to 1999. He was a Member of Parliament from 1999 until 2008 and during that stint he was appointed a Deputy Minister of Agriculture and Agro-based Industry.

LIN, TSAI-RONG
(Managing Director)

Taiwanese, aged 78, 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 44, 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 46, 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.

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

Member of Audit Committee
Member of Nomination Committee and Remuneration Committee

Taiwanese, aged 71, 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 63, 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 pages 74 to 75 of this Annual Report.

Corporate Governance Statement

The Board of Cymao recognises that good corporate governance practice is an on-going process and is committed to observe the principles and best practices as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and financial performance of the Cymao Group.

The Corporate Governance Statement is to provide an overview of the Company's corporate governance practices for the financial year ended 31 December 2013 and the extent of compliance with the principles and best practices with the Code.

THE BOARD

Board Composition and Balance

The present Board comprises of members drawn from a wide spectrum of experience in relevant fields such as production, engineering, economics, accounting, finance, marketing, management and business administration. Together they bring a broad range of skills, experience and knowledge required to successfully direct, supervise and manage the Group's business, and enhancement of long term shareholders' value.

The Board currently has six (6) Directors, comprises of two (2) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Non-Independent Non-Executive Director. The Board composition complies with Paragraph 15.02 of the Main Market 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 Directors and their other information are set in "Directors' Profile" and "Other Information of Directors".

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 that could materially interfere with the exercise of their independent judgement and play an important role in ensuring that the strategies proposed by the management are objectively evaluated, thus provide a capable check and balance for the Executive Directors.

Roles and Responsibilities

The Board recognized that the importance to set out the strategic intent, key values, principles and ethical standards of the Company as policies and strategies are developed based on these considerations. The Board has formalized the Board Charter of the Company subsequent to financial year 2013. The Board Charter has defined the roles, duties and division of responsibilities between the Board and those delegated to the management and the Board Committees.

The role and responsibilities of the Board is to oversee the business and affairs of the Company with responsibilities and duties stipulated in the Company's Articles of Association, the Companies Act, 1965, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any applicable rules, laws and regulations. The Board is responsible for the overall performance of the Company by setting the directions and objectives, formulating the policies, strategic action plans and stewardship of the Company's resources. The Board regularly reviews the Company's business operations identifying risks and ensuring the existence of adequate internal controls and management systems to measure and manage risks and maintains full and effective control over management of the Company.

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

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

Tenure of Independent Director

The Code recommends that the tenure of an Independent Director should not exceed a cumulative period of nine (9) years and such director should be re-designated as Non-Independent Director. The Code further recommends that if the Board desires to retain such director as an Independent Director, it may justify and seek the shareholders' approval.

The Board is of the view that the length of tenure should not be a criterion affecting a director's independence. As a long serving director, he or she has proven that the working experiences, networking and familiarization with the business operations and is able to contribute actively in the Board or Committee Meetings without compromising his or her independent judgement. The Independent Director will undertake an assessment to ascertain the level of independent issue of such director objectively and hence recommendation is made whether he or she be retained as an Independent Director.

During the financial year, Mr Hiew Seng has satisfied the test of independent based on the Main Market Listing Requirements. The Board would like to propose to the shareholders at the forthcoming Annual General Meeting on the retention of Mr Hiew Seng as Independent Director of the Company.

Gender Diversity

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

Re-election of Directors

In accordance with the provisions of the Company's Articles of Association, at least one-third (1/3) of the Directors, including Managing Director are subject to retirement by rotation at each Annual General Meeting and that all Directors shall retire and be eligible for re-election at least once in three (3) years.

In addition, a Director who is over seventy (70) years of age is required to submit himself or herself for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Meetings

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

During the financial year under review, there were a total of six (6) Board Meetings held and the attendance of the Directors is as follows:

Name of Directors	No. of Meetings Attendance	%
Datuk Mohd Zain Bin Omar*	5/5	100
Lin, Tsai-Rong	6/6	100
Lin, Kai-Min	6/6	100
Lin, Kai- Hsuan	6/6	100
Lin Hsu, Li-Chu	5/6	83
Hiew Seng	6/6	100
Dato' Seri Mohd Shariff Bin Omar**	1/1	100

* The late Datuk Mohd Zain Bin Omar passed away on 27 October 2013.

** Dato' Seri Mohd Shariff Bin Omar was appointed to the Board on 22 November 2013.

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 summary composition, terms of reference and activities of the Audit Committee are presented in the Audit Committee Report 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 2013 to deliberate on the nomination of a new Director, the retirement by rotation, the eligibility for re-election and re-appointment of retiring Directors, to review the size composition in reference to mix of skills of the Board, to assess the effectiveness of the Board as a whole, its committees and the core competencies of each Director.

The Nomination Committee noted that the Independent Director has satisfied with the test of independence based on the guidelines as set in the Main Market Listing Requirements.

(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 2013 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) except Dato' Seri Mohd Shariff Bin Omar. Subsequent to the financial year end, Bursa Malaysia Securities Berhad has granted an extension of time to Dato' Seri Mohd Shariff Bin Omar to attend the MAP upon request of extension of time beyond the timeframe of four (4) months from the date of his appointment as Director. As of the date of this Annual Report, Dato' Seri Mohd Shariff Bin Omar has completed his MAP.

During the financial year, all Directors attended seminars and training programmes as part of their obligation to update with current issues and changes, except for the late Datuk Mohd Zain Bin Omar.

The seminars/courses attended by the Directors are shown as follows:

Name of Directors	Title of Seminars	Duration (Day)
Lin, Tsai-Rong	Seminar on 2014 Budget, Recent Tax Development & GST	½
Lin, Kai-Min	Seminar on 2014 Budget, Recent Tax Development & GST	½
Lin, Kai-Hsuan	BioBorneo 2013: Conference	1½
	Biomass is the Best Way	1
Lin Hsu, Li-Chu	Seminar on 2014 Budget, Recent Tax Development & GST	½
Hiew Seng	2014 Malaysian Budget Proposals	1

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

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 2013, are categorized into appropriate components as disclosed under Note 10 of the Audited Financial Statements.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of the financial results to shareholders as well as the Chairman's statement and review of the operations in this Annual Report.

Directors' Responsibility Statement for preparing the Financial Statements

The Directors are responsible to ensure the Group and of the Company keep proper accounting records that disclose with reasonable accuracy on the financial position of the Group and of the Company.

In preparing the financial statements of the Group and of the Company, the Directors are of opinion that the Group and of the Company have adopted appropriate accounting policies consistently supported by reasonable and prudent judgements and estimates. The Directors also believe that all applicable approved accounting standards have been applied in accordance with the Financial Reporting Standards and confirm that the financial statements have been prepared on a going concern basis.

It is the Directors' responsibility to ensure the Group and of the Company that the financial statements for each financial year are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year.

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

Risk Management and Internal Control

The Board acknowledges its responsibility for the Group's system of internal controls which cover not only financial controls but also controls in relation to operations, compliance and risk management.

During the financial year, the Company outsourced the internal audit function whose role is to report directly to the Audit Committee. The internal audit function assists the Audit Committee in monitoring risks with independent review. Independent systematic assessments are carried out to ensure adequacy of internal controls, providing objective feedback and reports the Audit Committee to ensure compliance with the systems and standard operating procedures in the Group.

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

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

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

SHAREHOLDERS AND INVESTORS

The Board always recognises the importance of communications with shareholders and institutional investors. In this respect, the Company disseminates information to its shareholders and investors through its Annual Report, timely public announcements and the quarterly financial results are released to the Bursa Malaysia Securities Berhad 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 to channel queries on matters relating to the Group may email to info@cymao.com.

Audit Committee Report

The Audit Committee of Cymao is pleased to present the Audit Committee Report for the financial year ended 31 December 2013.

Composition

The Audit Committee has three (3) members comprising of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The composition of the Audit Committee is shown in the Corporate Information of page 3 in this Annual Report.

Mr Hiew Seng has been the Chairman Audit Committee since 26 February 2004 and that he has satisfied the test of independence based on the Main Market Listing Requirements. Accordingly, the composition of the members of Audit Committee fulfilled the requirement of paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements.

The Board evaluates the performance of members of the Audit Committee and reviews the terms of office once in every three (3) years. The assessment is carried out annually to ensure the Audit Committee members are able discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee to meet the objectives amongst others, in providing assistance to the Board in fulfilling its fiduciary responsibilities in the Group.

Key Functions and Roles of Audit Committee and Attendance

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

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

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

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

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

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

5. the internal audit function,
   - review the adequacy of the scope, functions, competency and resources of the internal audit functions and the necessary authority to carry out its work;
   - review the internal audit programme and results of the internal audit processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
   - review any appraisal or assessment of the performance of members of the internal audit function;
   - approve any appointment or termination of senior staff members of the internal audit function; and
   - take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

6. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
   - changes in or implementation of major accounting policy changes;
   - significant adjustment arising from audit and unusual events;
   - the going concern assumption; and
   - compliance with accounting standards and other legal requirements;

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

8. any other duties and responsibilities as may be prescribed by the Board from time to time.

During the financial year under review, there were six (6) Audit Committee meetings held. The attendance record of the Audit Committee members is as follows:

Name of Members	Designation	No. of Meetings Attended	%
Mr Hiew Seng	Chairman	6/6	100
Mdm Lin Hsu, Li-Chu	Member	5/6	83
Datuk Mohd Zain Bin Omar *	Member	5/5	100
Dato' Seri Mohd Shariff Bin Omar **	Member	1/1	100

* The late Datuk Mohd Zain Bin Omar passed away on 27 October 2013

** Dato' Seri Mohd Shariff Bin Omar was appointed as member of Audit Committee on 22 November 2013.

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

During the financial year, the Audit Committee met the partner or senior manager of External Auditors at least on two (2) occasions of the committee meeting to review the Audit Planning Memorandum and the audited financial statements. The External Auditors were also invited to raise with the Audit Committee any significant matter for the attention of Audit Committee. The Audit Committee Chairman presented the recommendation of the Committee to the Board for approval on the quarterly financial reports and annual audited financial statements. Any significant matters raised by the External Auditors or Internal Auditors would be conveyed to the Board.

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

Summary Activities of the Audit Committee

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

- reviewing the audit plan, scope and nature of audit for the Cymao Group with the external auditors;
- discussing and recommended the audited financial statements of the Company and of the Group for the Board's approval;
- reviewing the external auditors' report in relation to the audit for the year ended 31 December 2013;
- recommending the re-appointment of external auditors;
- reviewing, discussing and recommending the unaudited quarterly results of the Group to be presented to the Board of Directors for approval;
- reviewing the Internal Audit Plan and the scope of internal audit;
- reviewing the Internal Auditors' Reports and discuss on the matters highlighted by Internal Auditor;
- reviewing the Statement on Risk Management and Internal Control and the Audit Committee Report in respect of the financial year ended 31 December 2013 and presented to the Board's approval.

Internal Audit Activities

The activities carried out by the internal auditor during the financial year ended 31 December 2013 are as follows:

- conducted internal audit reviews according to the approved internal audit plan and presented the results of the audit reviews to the Audit Committee at the quarterly meetings; and

- followed up on the implementation of audit recommendations and management action plans, and reported to the Audit Committee the status of their implementation at the quarterly meetings of the Audit Committee.

The total cost incurred for the Group's internal audit function amounted to approximately RM8,000.

Statement on Risk Management and 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 2013 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 2013. 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.

The group also received assurance from the Director who is in charge of finance that the internal control system is operating adequately and effectively, in all material aspects, based on the current internal control system.

Additional Compliance Information

(a) Utilisation of Proceeds

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

(b) Share Buy-Back

During the financial year ended 31 December 2013, a total of 408,500 ordinary shares were purchased and retained as treasury shares. The details of the shares purchased were as follows:

Month	No. of shares purchased and retained as treasury shares	Purchase price per share (RM) Lowest	Purchase price per share (RM) Highest	Average cost per share (RM) *	Total cost (RM)
27 June 2013	1,000	0.32	0.33	0.33	330
26 November 2013	10,000	0.38	0.40	0.40	4,000
30 December 2013	397,500	0.35	0.35	0.35	139,125
	408,500				143,455

* Inclusive of transaction charges

As at 31 December 2013, the total number of shares held as treasury shares was 444,500. None of the treasury shares were resold of 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 2013 and the unaudited results released for the quarter ended 31 December 2013 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, substantial shareholders or persons connected with such Directors or substantial shareholders during the financial year.

Corporate Social Responsibility Statement

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

1. The Workplace

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

2. The Community

The Group plays its role actively in creating employment and job opportunities for fresh graduates and other skill workers which help the government in reducing the unemployment, and contribute construction material to the Sabah Rugby club.

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. Furthermore, Cymao has also assisted the Sepilok Orang Utan Sanctuary and the newly established Bornean Sun Bear Conservation Center in preparing the near natural bedding material for these endangered species. As an on-going contribution, the Group is actively involved with the Forestry Research Centre in identifying commercially viable timber species for the forest plantation project. The Group has put in efforts to reduce the usage of fumigant in export packaging material by working closely with the Agricultural Department and adopting the Heat Treatment System by utilizing recycled waste steam generated from the production process.

4. The Marketplace

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

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

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

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

FINANCIAL STATEMENTS

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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principle activities of the subsidiaries are stated in Note 15 to the financial statements.

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	(6,436,418)	(7,322,786)

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 impairment loss on investment in subsidiary companies and amount due from subsidiary companies amounting to RM3,293,759 and RM3,741,679 respectively which resulting in an increase in loss, net of tax of the Company by RM7,035,438.

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:

Lin, Tsai-Rong
Lin, Kai-Min
Lin, Kai-Hsuan
Lin Hsu, Li-Chu
Hiew Seng
Dato Seri Mohd Shariff Bin Omar (Appointed on 22 November 2013)
Datuk Mohd Zain Bin Omar (Deceased on 27 October 2013)

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, except as disclosed in Note 24 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			
	1.1.2013	**Acquired**	**Sold**	**31.12.2013**
Direct Interest:				
Lin, Tsai-Rong	21,100,000	–	–	21,100,000
Lin, Kai-Min	7,573,750	400,000	–	7,973,750
Lin, Kai-Hsuan	3,330,500	1,000,000	–	4,330,500
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 interests 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.

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

TREASURY SHARES

During the financial year, the Company repurchased 408,500 of its issued ordinary shares from open market at an average price of RM0.35 per share. The total consideration paid for the repurchase including transaction costs was RM143,455. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2013, the Company held as treasury shares a total of 444,500 of its 75,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM183,593 and further relevant details are disclosed in Note 22 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 there were no known bad debts 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.

OTHER STATUTORY INFORMATION (CONTINUED)

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

(i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the company; 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.

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 19 April 2014.

Lin, Kai-Min **Lin, Kai-Hsuan**

Statement by Directors

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

We, **Lin, Kai-Min** and **Lin, Kai-Hsuan**, 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 25 to 73 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 32 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 19 April 2014.

Lin, Kai-Min

Lin, Kai-Hsuan

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 25 to 73 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 16 April 2014

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 statements of financial position as at 31 December 2013 of the Group and of the Company, and 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 information, as set out on pages 25 to 73.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the 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.

(c) 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 31 on page 73 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 requirements 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
2944/01/15 (J)
Chartered Accountant

Sandakan, Malaysia
28 April 2014

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	4	115,266,428	120,335,855	–	–
Cost of sales		(109,874,388)	(120,948,846)	–	–
Gross profit/(loss)		5,392,040	(612,991)	–	–
Other items of income					
Interest income	5	55,955	57,533	–	31
Other income	6	2,624,162	757,782	176,024	304,109
Other items of expense					
Selling and marketing expenses		(5,704,554)	(5,851,226)	–	–
Administrative expenses		(7,260,693)	(8,304,247)	(456,529)	(463,102)
Finance costs	7	(317,108)	(208,090)	–	–
Other expenses		(886,543)	(3,579,138)	(7,042,281)	(10,425,256)
Loss before tax	8	(6,096,741)	(17,740,377)	(7,322,786)	(10,584,218)
Income tax expense	11	(339,677)	(1,584,716)	–	–
Loss net of tax		(6,436,418)	(19,325,093)	(7,322,786)	(10,584,218)
Other Comprehensive Expense:					
Item may recycled subsequently to profit or loss					
Foreign currency translation		(10,018)	(100,404)	–	–
Total comprehensive loss for the year		(6,446,436)	(19,425,497)	(7,322,786)	(10,584,218)
Loss attributable to owners of the Company		(6,436,418)	(19,325,093)	(7,322,786)	(10,584,218)
Total comprehensive loss attributable to owners of Company		(6,446,436)	(19,425,497)	(7,322,786)	(10,584,218)
Loss per share attributable to owners of the Company (sen):					
Basic	12	(8.59)	(25.78)		
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 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	50,001,827	57,995,214	62,945	84,790
Land use rights	14	1,015,430	1,068,660	–	–
Investments in subsidiaries	15	–	–	89,331,597	92,933,356
Deferred tax assets	16	1,700,000	1,700,000	–	–
Other receivables	17	1,629,792	509,630	–	–
		54,347,049	61,273,504	89,394,542	93,018,146
Current Assets					
Inventories	18	30,721,139	33,510,664	–	–
Trade and other receivables	17	18,764,841	24,079,284	13,526,661	13,540,626
Tax refundable		50,214	7,465	–	–
Cash and bank balances	19	6,976,304	5,149,515	32,118	62,033
		56,512,498	62,746,928	13,558,779	13,602,659
Total Assets		**110,859,547**	**124,020,432**	**102,953,321**	**106,620,805**
EQUITY AND LIABILITIES					
Current Liabilities					
Income tax payable		76,853	3,108	–	–
Loans and borrowings	20	4,473,154	4,993,482	–	–
Trade and other payables	21	7,133,219	13,209,435	14,752,155	10,953,398
		11,683,226	18,206,025	14,752,155	10,953,398
Net Current Assets/(Liabilities)		44,829,272	44,540,903	(1,193,376)	2,649,261

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-Current Liabilities					
Deferred tax liabilities	16	1,776,337	1,731,139	–	–
Loans and borrowings	20	1,681,054	1,774,447	–	–
		3,457,391	3,505,586	–	–
Total Liabilities		15,140,617	21,711,611	14,752,155	10,953,398
Net Assets		**95,718,930**	**102,308,821**	**88,201,166**	**95,667,407**
Equity attributable to owners of the Company					
Share capital	22	75,000,000	75,000,000	75,000,000	75,000,000
Share premium	22	17,374,387	17,374,387	17,374,387	17,374,387
Treasury shares	22	(183,593)	(40,138)	(183,593)	(40,138)
Other reserves	23	–	10,018	–	–
Retained earnings		3,528,136	9,964,554	(3,989,628)	3,333,158
Total Equity		95,718,930	102,308,821	88,201,166	95,667,407
Total Equity and Liabilities		**110,859,547**	**124,020,432**	**102,953,321**	**106,620,805**

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 2013

		← Attributable to owners of the Company →				
	Equity, Total RM	Share Capital RM	Share Premium RM	Treasury Shares RM	Distributable Retained Earnings RM	Foreign Currency Translation Reserve RM
2013						
Group						
Opening balance at 1 January 2013	102,308,821	75,000,000	17,374,387	(40,138)	9,964,554	10,018
Foreign currency translation	(281,968)	–	–	–	–	(281,968)
Transfer to profit and loss	271,950	–	–	–	–	271,950
Total other comprehensive loss	(10,018)	–	–	–	–	(10,018)
Loss for the year	(6,436,418)	–	–	–	(6,436,418)	–
Acquisition of treasury shares	(143,455)	–	–	(143,455)	–	–
Closing balance at 31 December 2013	95,718,930	75,000,000	17,374,387	(183,593)	3,528,136	–
2012						
Group						
Opening balance at 1 January 2012	121,734,318	75,000,000	17,374,387	(40,138)	29,289,647	110,422
Foreign currency translation	(100,400)	–	–	–	–	(100,400)
Total other comprehensive loss	(100,400)	–	–	–	–	(100,400)
Loss for the year	(19,325,093)	–	–	–	(19,325,093)	–
Closing balance at 31 December 2012	102,308,821	75,000,000	17,374,387	(40,138)	9,964,554	10,018

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

	Equity, Total RM	← Non-Distributable Share Capital RM	Share Premium RM	Treasury Shares RM →	Distributable Retained Earnings RM
2013					
Company					
Opening balance at 1 January 2013	95,667,407	75,000,000	17,374,387	(40,138)	3,333,158
Total comprehensive loss for the year	(7,322,786)	–	–	–	(7,322,786)
Acquisition of treasury shares	(143,455)	–	–	(143,455)	–
Closing balance at 31 December 2013	88,201,166	75,000,000	17,374,387	(183,593)	(3,989,628)
2012					
Company					
Opening balance at 1 January 2012	106,251,625	75,000,000	17,374,387	(40,138)	13,917,376
Total comprehensive loss for the year	(10,584,218)	–	–	–	(10,584,218)
Closing balance at 31 December 2012	95,667,407	75,000,000	17,374,387	(40,138)	3,333,158

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 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Operating Activities					
Loss before tax		(6,096,741)	(17,740,377)	(7,322,786)	(10,584,218)
Adjustments for:					
Amortisation of land use rights	8	53,230	53,230	–	–
Depreciation of property, plant and equipment	13	9,793,799	11,954,715	21,845	23,891
Finance costs	7	317,108	208,090	–	–
Gain on disposal of property, plant and equipment		(436,703)	–	–	–
Gain on disposal of subsidiary company		(698,672)	–	–	–
Impairment loss on:					
- amount due from subsidiary companies		–	–	3,741,679	3,817,777
- investment in subsidiary		–	–	3,293,759	6,596,500
- property, plant and equipment	8	–	1,180,567	–	–
Interest income	5	(55,955)	(57,533)	–	(31)
Loss on disposal of property, plant and equipment	8	43,783	1,120,648	–	–
Net (gain)/loss of unrealised foreign exchange	8	(29,669)	89,105	–	–
Scrapped of property, plant and equipment	8	–	14	–	–
Reversal of impairment loss in investment in subsidiary company		–	–	–	(304,109)
Total adjustments		8,986,921	14,548,836	7,057,283	10,134,028
Operating cash flows before changes in working capital		2,890,180	(3,191,541)	(265,503)	(450,190)
Changes in working capital					
Decrease in inventories		2,789,525	6,351,820	–	–
Decrease/(increase) in trade and other receivables		4,210,072	(5,002,282)	(3,727,714)	974,180
(Decrease)/increase in trade and other payables		(6,076,216)	(3,973,904)	3,798,757	(559,959)
Total changes in working capital		923,381	(2,624,366)	71,043	414,221
Cash flows from/(used in) operations		3,813,561	(5,815,907)	(194,460)	(35,969)
Interest paid		(317,108)	(208,090)	–	–
Net tax (paid)/refunded		(263,483)	485,932	–	–
Net cash flows from/(used in) operating activities		3,232,970	(5,538,065)	(194,460)	(35,969)

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Investing Activities					
Purchase of treasury shares		(143,455)	–	(143,455)	–
Purchase of property, plant and equipment		(2,582,533)	(2,388,432)	–	–
Proceeds from disposal of plant and equipment		1,569,573	2,043,570	–	–
Capital return from investment in subsidiary company		308,000	–	308,000	–
Investment in short–term deposits with a licensed bank		(55,255)	(120,947)	–	–
Interest received		55,955	57,533	–	31
Net cash (used in)/from investing activities		(847,715)	(408,276)	164,545	31
Financing Activities					
Proceeds from bankers' acceptance		16,798,000	12,687,000	–	–
Repayment of bankers' acceptance		(17,447,000)	(9,902,000)	–	–
Repayment of term loan		(88,798)	(84,397)	–	–
Net cash (used in)/from financing activities		(737,798)	2,700,603	–	–
Net increase/(decrease) in cash and cash equivalents		1,647,457	(3,245,738)	(29,915)	(35,938)
Effects of exchange rate changes on cash and cash equivalents		–	3,000	–	–
Cash and cash equivalents at beginning of year		3,208,529	6,451,267	62,033	97,971
Cash and cash equivalents at end of year	19	4,855,986	3,208,529	32,118	62,033

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

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 stated in Note 15 to the financial statements.

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 Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127: Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10: Consolidated Financial Statements	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosure of Interests in Other Entities	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128: Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance	1 January 2013
Annual Improvements to MFRSs (2009 - 2011 Cycle)	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

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

Amendments to MFRS 101 - Presentation of Items of Other Comprehensive Income

The amendment to MFRS 101 introduce a grouping of items presented in Other Comprehensive Income. Items that could be reclassified ('recycled') to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affects presentation only and have no impact on the Group's financial position or performance.

MFRS 12: Disclosure of Interests in Other Entities

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

MFRS 127: Separate Financial Statements

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

Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments require additional information to be disclosed to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

2.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are listed below. This listing comprises standards and interpretations issued, which the Group and the Company reasonably expects to be applicable at a future date. The Group and the Company intends to adopt the relevant standards when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as discussed below:

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments to MFRS 132 clarified that a legally enforceable right to set off is a right of set off that must not be contingent on a future event; and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments further clarified that an entity will meet the net settlement criterion as provided in MFRS 132 if the entity can settle amounts in a manner that the outcome is, in effect, equivalent to net settlement.

MFRS 9: Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of this first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.4 Basis of Consolidation

Basis of consolidation from 1 January 2011

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 for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of Consolidation (continued)

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

<u>Basis of consolidation prior to 1 January 2011</u>

Certain of the above- mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2011, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2011 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2011 has not been restated.

Business Combinations

<u>Business combinations from 1 January 2011</u>

With the exception of business combinations involving entities under common control, acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of Consolidation (continued)

Business Combinations (continued)

Business combinations from 1 January 2011 (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability, will be recognised in accordance with MFRS 139 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of noncontrolling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquire (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.7 in instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in the income statement on the acquisition date.

Business combinations before 1 January 2011

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Foreign Currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign Currencies (continued)

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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. Freehold land are not amortised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, Plant and Equipment (continued)

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	10% - 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 indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of Non-Financial Assets (continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, 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 to determine whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.10 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.11 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

The Group and the Company do not have financial assets held-to-maturity and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments – initial recognition and subsequent measurement (continued)

a) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 17.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments – initial recognition and subsequent measurement (continued)

b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments – initial recognition and subsequent measurement (continued)

c) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 22.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, 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 recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments – initial recognition and subsequent measurement (continued)

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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.

2.15 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 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee Benefits

(i) 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 of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) 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 contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.18 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 in finance costs in the income statement.

A leased asset is depreciated over the 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 of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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.

2.20 Income Taxes

(a) Current income tax

Current income tax assets and liabilities for the current period 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, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or 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.

- 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Income Taxes (continued)

(b) Deferred tax (continued)

- When 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.

- 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 recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2.21 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.22 Share Capital and Share Issuance Expenses

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

2.24 Contingencies

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

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

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.

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 5 to 15 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key Sources of Estimation Uncertainty (continued)

(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	
	2013 RM	2012 RM	2013 RM	2012 RM
Sales of blockboard	525,529	11,595,359	–	–
Sale of decorative plywood	528,043	33,191	–	–
Sale of plywood	113,003,856	104,840,815	–	–
Sale of veneer	384,416	3,209,632	–	–
Barge hiring income	824,584	656,858	–	–
	115,266,428	120,335,855	–	–

5. INTEREST INCOME

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interest income from:				
Fixed deposits	55,955	57,533	–	31

6. OTHER INCOME

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Gain on disposal of property, plant and equipment	436,703	88,483	–	–
Gain on disposal of subsidiary	698,672	–	–	–
Handling charges	133,287	151,584	–	–
Gain on foreign exchange				
- realised	992,930	163,381	2,175	–
- unrealised	29,669	559	–	–
Insurance claim received	59,034	199,420	–	–
Miscellaneous	100,018	154,355	–	–
Reversal of impairment loss on investment in a subsidiary company	–	–	–	304,109
Bad debts recovered	173,849	–	173,849	–
	2,624,162	757,782	176,024	304,109

7. FINANCE COSTS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Interest expense on:				
Bankers' acceptance	141,728	81,908	–	–
Bank overdraft	83,014	18,266	–	–
Term loan	92,366	96,768	–	–
Others	–	11,148	–	–
	317,108	208,090	–	–

8. LOSS BEFORE TAX

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

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Auditors' remuneration				
- statutory audits				
- current year	104,800	104,800	30,000	30,000
- underprovision in prior year	3,000	8,800	3,000	–
- other services	31,600	53,700	3,600	9,100
Employee benefits expense (Note 9)	15,286,423	15,728,568	84,000	84,000
Non–executive directors' remuneration (Note 10)	87,000	96,000	87,000	96,000
Depreciation of property, plant and equipment (Note 13)	9,793,799	11,954,715	21,845	23,891
Property, plant and equipment written off (Note 13)	–	14	–	–
Loss on disposal of property, plant and equipment	43,783	1,120,648	–	–
Impairment loss on:				
- investment in subsidiaries	–	–	3,293,759	6,596,500
- amount due from subsidiary company	–	–	3,741,679	3,817,777
- property, plant and equipment (Note 13)	–	1,180,567	–	–
Amortisation of land use rights (Note 14)	53,230	53,230	–	–
Rental of warehouse	138,000	350,254	–	–
Rental of factory facilities	62,640	59,400	–	–
Loss on foreign exchange				
- realised	182,757	16,432	–	–
- unrealised	–	89,664	–	–

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Salaries, wages and allowances	15,049,572	15,267,606	84,000	84,000
Contributions to defined contribution plan	205,478	293,803	–	–
Social security contributions	31,373	167,159	–	–
	15,286,423	15,728,568	84,000	84,000

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,230,500 (2012: RM934,100) and RM84,000 (2012: RM84,000) respectively.

10. DIRECTORS' REMUNERATION

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive:				
Fees	84,000	84,000	84,000	84,000
Salaries and other emoluments	1,146,500	850,100	–	–
Total executive directors' remuneration	1,230,500	934,100	84,000	84,000
Non-executive:				
Fees	87,000	96,000	87,000	96,000
Total directors' remuneration	1,317,500	1,030,100	171,000	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	
	2013	2012
Executive directors:		
RM200,001 - RM250,000	2	2
RM450,001 - RM500,000	–	1
RM500,001 - RM550,000	1	–
Non-executive directors:		
Below RM50,000	4	3

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current income tax:				
- Malaysian income tax	310,400	105,100	–	–
- Overprovided in prior years	(15,921)	(15,042)	–	–
	294,479	90,058	–	–
Deferred income tax (Note 16):				
- Origination and reversal of temporary differences	217,020	1,438,130	–	–
- (Over)/underprovided in prior years	(171,822)	56,528	–	–
	45,198	1,494,658	–	–
Income tax expense recognised in profit or loss	339,677	1,584,716	–	–

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Accounting loss before tax	(6,096,741)	(17,740,377)	(7,322,786)	(10,584,218)
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	(1,524,186)	(4,435,094)	(1,830,697)	(2,646,055)
Different tax rates in other country	(235,246)	239,844	–	–
Adjustments:				
Non–deductible expenses	1,037,345	2,894,649	1,830,697	2,722,082
Income not subject to taxation	(81,683)	(19)	–	(76,027)
Double deduction expenses	(64,362)	(576,783)	–	–
Deferred tax assets not recognised	1,395,552	3,420,633	–	–
(Over)/underprovision in prior years:				
- income tax	(15,921)	(15,042)	–	–
- deferred tax	(171,822)	56,528	–	–
Income tax expense recognised in profit or loss	339,677	1,584,716	–	–

Current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. The statutory tax rate will be reduced from the current year's rate of 25% to 24% with effect from the year of assessment 2016.

The changes in tax rates have no material effects on the computation of deferred tax as at 31 December 2013.

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 Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Group 2013	Group 2012
Loss net of tax attributable to owners of the Company (RM)	(6,436,418)	(19,325,093)
Weighted average number of ordinary shares in issue	74,960,321	74,964,000
Basic loss per share (Sen)	(8.59)	(25.78)

(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

Group	Land and buildings* RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures and equipment RM	Assets under construction RM	Total RM
Cost						
At 1 January 2012	42,874,695	148,782,010	6,173,280	2,180,443	150,064	200,160,492
Additions	204,193	1,950,373	62,298	34,176	137,392	2,388,432
Disposals	(141,906)	(2,400,424)	(716,742)	(567,092)	–	(3,826,164)
Written off	–	(37,955)	(8,000)	–	–	(45,955)
Reclassification	–	178,242	(80,715)	–	(97,527)	–
At 31 December 2012 and 1 January 2013	42,936,982	148,472,246	5,430,121	1,647,527	189,929	198,676,805
Additions	821,035	1,340,332	735,304	10,251	70,143	2,977,065
Disposals	(369,562)	(2,878,575)	(215,280)	(282,629)	–	(3,746,046)
At 31 December 2013	43,388,455	146,934,003	5,950,145	1,375,149	260,072	197,907,824

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Land and buildings* RM	Plant and machinery RM	Motor vehicles RM	Furniture, fixtures and equipment RM	Assets under construction RM	Total RM
Accumulated depreciation and impairment loss						
At 1 January 2012	14,455,520	107,373,565	5,064,366	1,360,745	–	128,254,196
Depreciation charge for the year	2,056,172	9,534,424	218,656	145,463	–	11,954,715
Impairment loss	292,958	749,316	2,507	135,786	–	1,180,567
Disposals	(12,808)	(357,936)	(179,153)	(112,049)	–	(661,946)
Written off	–	(37,942)	(7,999)	–	–	(45,941)
At 31 December 2012 and 1 January 2013	16,791,842	117,261,427	5,098,377	1,529,945	–	140,681,591
Depreciation charge for the year	1,068,119	8,451,689	252,441	21,550	–	9,793,799
Disposals	(369,562)	(1,849,659)	(147,968)	(202,204)	–	(2,569,393)
At 31 December 2013	17,490,399	123,863,457	5,202,850	1,349,291	–	147,905,997
Net carrying amount						
At 31 December 2012	26,145,140	31,210,819	331,744	117,582	189,929	57,995,214
At 31 December 2013	25,898,056	23,070,546	747,295	25,858	260,072	50,001,827

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

* **Land and buildings of the Group comprises:**

	Freehold Land RM	Leasehold Land RM	Buildings RM	Renovation RM	Total RM
Cost					
At 1 January 2012	2,386,800	15,999,826	23,789,876	698,193	42,874,695
Additions	–	–	9,150	195,043	204,193
Disposals	–	–	–	(141,906)	(141,906)
At 31 December 2012 and 1 January 2013	2,386,800	15,999,826	23,799,026	751,330	42,936,982
Additions	–	–	5,400	815,635	821,035
Disposals	–	–	(15,750)	(353,812)	(369,562)
At 31 December 2013	2,386,800	15,999,826	23,788,676	1,213,153	43,388,455
Accumulated depreciation and impairment loss					
At 1 January 2012	–	1,580,156	12,835,178	40,186	14,455,520
Depreciation charge for the year	–	256,346	1,701,165	98,661	2,056,172
Impairment loss	–	–	11,400	281,558	292,958
Disposals	–	–	–	(12,808)	(12,808)
At 31 December 2012 and 1 January 2013	–	1,836,502	14,547,743	407,597	16,791,842
Depreciation charge for the year	–	256,343	727,646	84,130	1,068,119
Disposals	–	–	(15,750)	(353,812)	(369,562)
At 31 December 2013	–	2,092,845	15,259,639	137,915	17,490,399
Net carrying amount					
At 31 December 2012	2,386,800	14,163,324	9,251,283	343,733	26,145,140
At 31 December 2013	2,386,800	13,906,981	8,529,037	1,075,238	25,898,056

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture, fixtures and equipment RM	Renovation RM	Total RM
Cost			
At 1 January 2012, 31 December 2012 and 2013	20,944	104,907	125,851
Accumulated depreciation			
At 1 January 2012	17,170	–	17,170
Depreciation charge for the year	2,910	20,981	23,891
At 31 December 2012 and 1 January 2013	20,080	20,981	41,061
Depreciation charge for the year	864	20,981	21,845
At 31 December 2013	20,944	41,962	62,906
Net carrying amount			
At 31 December 2012	864	83,926	84,790
At 31 December 2013	–	62,945	62,945

Land and building of the Group amounting to RM6,177,000 (2012: RM6,264,000) are mortgaged to secured bank borrowing as stated in Note 20 to the financial statements.

14. LAND USE RIGHTS

	Group 2013 RM	2012 RM
Cost		
At 1 January and 31 December	1,337,376	1,337,376
Accumulated depreciation		
At 1 January	268,716	215,486
Amortisation for the year (Note 8)	53,230	53,230
At 31 December	321,946	268,716
Net carrying amount	1,015,430	1,068,660
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 years	749,280	802,510

The land use rights are not transferable and have a remaining tenure of 20 years (2012: 21 years).

15. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RM	Company 2012 RM
Cost		
Unquoted shares, at cost	99,225,747	103,816,749
Less: Disposal	(2,774,245)	(4,591,002)
Capital return	(308,000)	–
	96,143,502	99,225,747
Accumulated impairment losses:		
At 1 January	(6,292,391)	(4,591,002)
Addition	(3,293,759)	(6,596,500)
Disposal	2,774,245	4,591,002
Reversal of impairment	–	304,109
At 31 December	(6,811,905)	(6,292,391)
Net carrying amount	89,331,597	92,933,356

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

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	Proportion of ownership interest 2012 %
Cymao Plywood Sdn. Bhd. *	Malaysia	Manufacturing and sale of veneer, plywood and decorative plywood, and provision of barge hiring services	100	100
Billion Apex Sdn. Bhd. *	Malaysia	Dormant	100	100
Inovwood Sdn. Bhd. *	Malaysia	Manufacturing and sale of veneer, plywood and trading of decorative plywood	100	100
Syabas Mujur Sdn. Bhd. *	Malaysia	Sales and extraction of log timbers operation temporarily ceased	100	100
Poly-Ply Industries Sdn. Bhd. *	Malaysia	Manufacturing of polyester-overlaid plywood	100	100
Malsa Wood Products Sdn. Bhd. *	Malaysia	Dormant	100	100
Hanswood Corporation Co. Ltd. ** +	Republic of China (Taiwan)	Manufacturing and sale of blockboard	-	100

* Audited by Ernst & Young, Malaysia
** Audited by firms other than Ernst & Young
\+ Strike off during the financial year.

16. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

	As at 1 January 2012 RM	Recognised in profit or loss (Note 11) RM	As at 31 December 2012 RM	Recognised in profit or loss (Note 11) RM	As at 31 December 2013 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	8,506,600	(1,579,144)	6,927,456	(1,588,654)	5,338,802
Deferred tax assets:					
Unutilised tax losses and unabsorbed allowances	(9,970,119)	3,073,802	(6,896,317)	1,633,852	(5,262,465)
	(1,463,519)	1,494,658	31,139	45,198	76,337

Presented after appropriate offsetting as follows:

	Group 2013 RM	Group 2012 RM
Deferred tax assets	(1,700,000)	(1,700,000)
Deferred tax liabilities	1,776,337	1,731,139
	76,337	31,139

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

	Group 2013 RM	Group 2012 RM
Unutilised tax losses	8,944,936	10,525,066
Unabsorbed capital allowances	37,630,587	33,851,173
Unutilised reinvestment allowances	8,489,630	5,258,302
	55,065,153	49,634,541

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

17. TRADE AND OTHER RECEIVABLES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current				
Trade receivables				
Third parties	10,685,608	15,907,077	–	–
Other receivables				
Amounts due from subsidiaries	–	–	17,245,039	17,335,252
Deposits for log supplies	4,830,428	3,909,126	–	–
Prepayments	390,311	527,752	6,129	6,129
Staff advances	275,609	173,087	–	–
Sundry deposits	965,651	1,038,415	950	950
Sundry receivables	1,617,234	2,523,827	16,222	16,072
	8,079,233	8,172,207	17,268,340	17,358,403
Impairment loss	–	–	(3,741,679)	(3,817,777)
	18,764,841	24,079,284	13,526,661	13,540,626

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-Current				
Other receivables				
Deposits for acquisition of machineries	1,629,792	509,630	–	–
Total trade and other receivables (current and non-current)	20,394,633	24,588,914	13,526,661	13,540,626
Less: Prepayments	(390,311)	(527,752)	(6,129)	(6,129)
Add:Cash and bank balances (Note 19)	6,976,304	5,149,515	32,118	62,033
Total loans and receivables	26,980,626	29,210,677	13,552,650	13,596,530

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 45 to 60 days (2012: 45 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2013 RM	2012 RM
Neither past due nor impaired	10,387,086	15,428,050
1 to 60 days past due not impaired	251,620	434,187
More than 121 days past due not impaired	46,902	44,840
	298,522	479,027
	10,685,608	15,907,077

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 RM298,522 (2012: RM479,027) 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 to be settled in cash.

At the reporting date, the Company has provided an allowance of RM3,741,679 (2012: RM3,817,777) for impairment of unsecured advance to a subsidiary company. This subsidiary company has been suffering financial losses for the current and past two financial years.

(c) Deposits for log supplies

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

18. INVENTORIES

	Group 2013 RM	Group 2012 RM
Cost		
Raw materials	10,062,879	11,603,750
Work-in-progress	8,205,200	8,029,460
Finished goods	6,683,818	3,423,786
Materials and supplies	3,034,429	2,802,399
Goods in transit	962,518	2,111,333
	28,948,844	27,970,728
Net realisable value		
Finished goods	1,772,295	5,539,936
	30,721,139	33,510,664

19. CASH AND BANK BALANCES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash on hand and at banks	5,169,006	3,397,472	32,118	62,033
Short-term deposits with licensed bank	1,807,298	1,752,043	–	–
Cash and bank balances	6,976,304	5,149,515	32,118	62,033

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 2013 for the Group were 3.15% (2012: 3.15%).

Short-term deposits with a licensed bank of the Group amounting to RM1,807,298 (2012: RM1,752,043) are pledged as securities for bank guarantees granted to a subsidiary.

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

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash and bank balances	6,976,304	5,149,515	32,118	62,033
Bank overdraft (Note 20)	(313,020)	(188,943)	–	–
Less: Short-term deposits with a licensed bank	(1,807,298)	(1,752,043)	–	–
Cash and cash equivalents	4,855,986	3,208,529	32,118	62,033

20. LOANS AND BORROWINGS

	Maturity	Group 2013 RM	Group 2012 RM
Current			
Secured:			
Bank overdrafts	On demand	313,020	188,943
Bankers' acceptances	2013	4,071,000	4,720,000
Term loan	2013	89,134	84,539
		4,473,154	4,993,482
Non-Current			
Secured:			
Term loan	2014 - 2026	1,681,054	1,774,447
Total loans and borrowings		6,154,208	6,767,929

The remaining maturities of the loans and borrowings as at 31 December 2013 are as follows:

	Group 2013 RM	Group 2012 RM
On demand or within one year	4,473,154	4,993,482
More than 1 year and less than 2 years	89,134	84,539
More than 2 years and less than 5 years	267,402	253,618
5 years or more	1,324,518	1,436,290
	6,154,208	6,767,929

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 3.35% to 3.50% per annum.

Term loan

The loan is repayable over 180 monthly instalment and bear interest at BLR - 1.5% per annum.

The loans and borrowings are secured by:

(a) a legal charge over freehold land, leasehold land and building belonging to the subsidiary companies (Note 13);
(b) a joint and several guarantee executed by two of directors of the Company; and
(c) a corporate guarantee issued by the Company.

21. TRADE AND OTHER PAYABLES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current				
Trade payables				
Third parties	3,294,800	5,650,825	–	–
Other payables				
Amount due to a director	–	1,476,360	–	–
Amounts due to subsidiaries	–	–	14,261,565	10,415,085
Accruals	2,275,260	2,755,954	201,000	210,000
Deposits received from customers	71,161	1,324,867	–	–
Other payables	1,491,998	2,001,429	289,590	328,313
	3,838,419	7,558,610	14,752,155	10,953,398
	7,133,219	13,209,435	14,752,155	10,953,398
Total trade and other payables	7,133,219	13,209,435	14,752,155	10,953,398
Add: Loans and borrowings (Note 20)	6,154,208	6,767,929	–	–
Total financial liabilities carried at amortised cost	13,287,427	19,977,364	14,752,155	10,953,398

(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 to be settled in cash.

22. 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 2013	75,000,000	(36,000)	75,000,000	17,374,387	92,374,387	(40,138)
Purchase of treasury shares	–	(408,500)	–	–	–	(143,455)
At 31 December 2013	75,000,000	(444,500)	75,000,000	17,374,387	92,374,387	(183,593)

	Number of Ordinary Shares of RM1 Each		Amount	
	2013	2012	2013 RM	2012 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.

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

Of the total 75,000,000 issued and fully paid ordinary shares as at 31 December 2013, 444,500 (2012: 36,000) are held as treasury shares by the Company. As at 31 December 2013, the number of outstanding ordinary shares in issue after the setoff is therefore 74,555,500 (2012: 74,964,000) ordinary shares of RM1 each.

23. OTHER RESERVES

	Group	
	2013 RM	2012 RM
Foreign Currency Translation Reserve		
At 1 January	10,018	110,422
Addition	(281,968)	(100,404)
Transfer to profit and loss upon disposal	271,950	–
At 31 December	–	10,018

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.

24. 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:

	2013 RM	2012 RM
Group		
Sales of motor vehicles to a director, Lin, Kai-Min	–	324,211
Salaries and bonus paid to daughters of Managing Director, Lin, Tsai-Rong	254,150	60,000

(b) Compensation of key management personnel

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term employee benefits	1,571,650	1,090,100	171,000	180,000

25. CAPITAL COMMITMENT

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	114,545	805,372	–	–

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26. 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)	21
Loans and borrowings (current)	20
Loans and borrowings (non-current)	20

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 and borrowing at the reporting date.

27. 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit Risk (continued)

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 (2012: RM14,000,000) relating to a corporate guarantees provided by the Company to a bank for credit facilities granted to its subsidiaries.

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:

	2013		2012	
	RM	% of Total	RM	% of Total
By country:				
Malaysia	8,298,847	78%	12,812,342	80%
Republic of China (Taiwan)	121	–	345,597	2%
Singapore	494,083	4%	886,177	6%
Australia	1,284,006	12%	–	–
Middle East	699	–	728	–
United States of America	400,182	4%	1,544,090	10%
Other countries	207,670	2%	318,143	2%
	10,685,608	100%	15,907,077	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 73% (2012: 74%) of the Group's loans and borrowings (Note 20) will mature in less than one year based on the carrying amount reflected in the financial statements.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity Risk (continued)

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2013				
Financial assets:				
Trade and other receivables	18,374,530	–	–	18,374,530
Cash and cash equivalents	6,976,304	–	–	6,976,304
Total undiscounted financial assets	25,350,834	–	–	25,350,834
Financial liabilities:				
Trade and other payables	7,133,219	–	–	7,133,219
Loan and borrowings	4,565,184	724,656	1,313,439	6,603,279
Total undiscounted financial liabilities	11,698,032	724,656	1,313,439	13,736,498
Total net undiscounted financial assets/(liabilities)	13,652,802	(724,656)	(1,313,439)	11,614,336
2012				
Financial assets:				
Trade and other receivables	23,551,532	–	–	23,551,532
Cash and cash equivalents	5,149,515	–	–	5,149,515
Total undiscounted financial assets	28,701,047	–	–	28,701,047
Financial liabilities:				
Trade and other payables	13,209,435	–	–	13,209,435
Loan and borrowings	4,901,164	724,656	1,494,603	7,120,423
Total undiscounted financial liabilities	18,110,599	724,656	1,494,603	20,329,858
Total net undiscounted financial assets/(liabilities)	10,590,448	(724,656)	(1,494,603)	8,371,189

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity Risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Company				
2013				
Financial assets:				
Trade and other receivables	13,526,661	–	–	13,526,661
Cash and cash equivalents	32,118	–	–	32,118
Total undiscounted financial assets	13,558,779	–	–	13,558,779
Financial liabilities:				
Trade and other payables excluding financial guarantees*	14,752,155	–	–	14,752,155
Total undiscounted financial liabilities	14,752,155	–	–	14,752,155
Total net undiscounted financial liabilities	(1,193,376)	–	–	(1,193,376)
2012				
Financial assets:				
Trade and other receivables	13,540,626	–	–	13,540,626
Cash and cash equivalents	62,033	–	–	62,033
Total undiscounted financial assets	13,602,659	–	–	13,602,659
Financial liabilities:				
Trade and other payables excluding financial guarantees*	10,953,398	–	–	10,953,398
Total undiscounted financial liabilities	10,953,398	–	–	10,953,398
Total net undiscounted financial assets	2,649,261	–	–	2,649,261

* 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 MFRS 139 are not included in the above maturity profile analysis.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 4,976 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.

(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 44% (2012: 51%) 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	
	2013 RM	2012 RM	2013 RM	2012 RM
United States Dollars				
Cash and bank balances	3,272,636	641,098	27,923	52,490
Trade receivables	2,397,700	2,888,075	–	–
Trade and other payables	(409,437)	(399,879)	–	–

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign Currency Risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company'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	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Increase/(decrease) in loss net of tax:				
USD/RM				
- strengthened 5% (2012: 5%)	308,717	211,367	1,396	2,624
- weakened 5% (2012: 5%)	(308,717)	(211,367)	(1,396)	(2,624)

28. 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 2013 and 31 December 2012.

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	**2013 RM**	**2012 RM**	**2013 RM**	**2012 RM**
Loans and borrowings	20	6,154,208	6,767,929	–	–
Trade and other payables	21	7,133,219	13,209,435	14,752,155	10,953,398
Less: Cash and bank balances	19	(6,976,304)	(5,149,515)	(32,118)	(62,033)
Net debt		6,311,123	14,827,849	14,720,037	10,891,365
Equity attributable to the owners of the Company		95,718,930	102,308,821	88,201,166	95,667,407
Total Capital		95,718,930	102,308,821	88,201,166	95,667,407
Capital and net debt		102,030,053	117,138,670	102,921,203	106,558,772
Gearing ratio		6%	13%	14%	10%

29. SEGMENTAL INFORMATION

The Group is principally involved in manufacturing and sale of plywood products, which are principally carried out in Malaysia and the Republic of China (Taiwan). Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

Geographical information

Revenue and non-current assets information based on the geographical location of countries and assets respectively are as follows:

	Revenue		Non-current assets	
	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	114,740,899	107,615,428	51,017,257	56,773,187
Republic of China (Taiwan)	525,529	12,720,427	–	2,290,687
	115,266,428	120,335,855	51,017,257	59,063,874

	2013 RM	2012 RM
Property, plant and equipment	50,001,827	57,995,214
Land use rights	1,015,430	1,068,660
	51,017,257	59,063,874

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 19 April 2014.

31. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED EARNINGS/(ACCUMULATED LOSSES) INTO REALISED AND UNREALISED

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as at 31 December 2013 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries				
- Realised	21,031,779	33,179,107	(869,718)	9,929,658
- Unrealised	(1,448,126)	(5,103,176)	(3,119,910)	(6,596,500)
	19,583,653	28,075,931	(3,989,628)	3,333,158
Less: Consolidation adjustments	(16,055,517)	(18,111,377)	-	-
Retained earnings/(accumulated losses) as per financial statements	3,528,136	9,964,554	(3,989,628)	3,333,158

Shareholdings' Information

As At 16 May 2014

Authorised capital	:	RM100,000,000
Issued and fully paid capital	:	RM75,000,000
Class of shares	:	Ordinary shares of RM1.00 each
Treasury shares	:	1,464,500 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	69	2.94	3,054	0.00
100 to 1,000	824	35.05	283,128	0.39
1,001 to 10,000	1,042	44.32	4,848,318	6.59
10,001 to 100,000	372	15.82	11,729,050	15.95
100,001 to less than 5% of issued shares	40	1.70	19,532,900	26.56
5% and above of issued shares	4	0.17	37,139,050	50.51
Total	2,351	100.00	73,535,500	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest	%	Deemed Interest	%
1. Lin, Tsai-Rong	21,100,000	28.69	–	–
2. Lin, Kai-Min	7,973,750	10.84	–	–
3. Lin, Kai-Hsuan	4,330,500	5.89	–	–
4. Lembaga Tabung Haji	3,734,800	5.08	–	–

DIRECTORS' SHAREHOLDINGS

Name of Director	Direct Interest	%	Deemed Interest	%
Dato' Seri Mohd Shariff Bin Omar	–	–	–	–
Lin, Tsai-Rong	21,100,000	28.69	650,000*	0.88
Lin, Kai-Min	7,973,750	10.84	–	–
Lin, Kai-Hsuan	4,330,500	5.89	–	–
Lin Hsu, Li-Chu	222,500	0.30	650,000*	0.88
Hiew Seng	62,500	0.08	–	–

Note:

* *Indirect interest by virtue of the shares held by his/her daughther.*

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Lin, Tsai-Rong	21,100,000	28.69
2.	Lin, Kai-Min	7,973,750	10.84
3.	Lin, Kai-Hsuan	4,330,500	5.89
4.	Lembaga Tabung Haji	3,734,800	5.08
5.	Addeen Equity Sdn. Bhd.	2,000,000	2.72
6.	Hsu, How-Tong	1,854,000	2.52
7.	Zulkifli Bin Hussain	1,600,000	2.18
8.	Lim Kah Yam	1,443,175	1.96
9.	Chong Annie	1,300,375	1.77
10.	Public Nominees (Tempatan) Sdn Bhd *[Pledged securities account for Lee, Ming-Che]*	1,178,700	1.60
11.	MKW Jaya Sdn Bhd	1,062,400	1.44
12.	Henry Liang	1,044,000	1.42
13.	RHB Capital Nominees (Tempatan) Sdn Bhd *[Pledged securities account for Su Ming Ming]*	716,400	0.97
14.	Lin, Kai-Wen	650,000	0.88
15.	Hsu, Hao-Huang	630,000	0.86
16.	Chan Kai Lum	371,000	0.50
17.	Public Nominees (Asing) Sdn Bhd *[Pledged securities account for Chen Huang, Kuei-Liang]*	351,500	0.48
18.	Goh Beng Choo	234,700	0.46
19.	Kenanga Nominees (Tempatan) Sdn. Bhd. *[Pledged securities account for Ling Chuo Hua]*	324,100	0.44
20.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. *[Pledged securities account for Ting Yuet May]*	308,500	0.42
21.	Cheong Chee Hong	292,100	0.40
22.	Tay Ying Lim @ Tay Eng Lim	279,900	0.38
23.	Public Nominees (Tempatan) Sdn. Bhd. *[Pledged securities account for Chen Siong Ping]*	250,000	0.34
24.	Public Nominees (Tempatan) Sdn. Bhd. *[Pledged securities account for Cheah Chee Choong]*	250,000	0.34
25.	Willy Ming Chuang	246,000	0.33
26.	Wong Chik Lim	237,500	0.32
27.	Lee Wan Yean	230,000	0.31
28.	Ong Ong Lei	225,000	0.31
29.	Tan Chau Yan	225,000	0.31
30.	Lin Hsu, Li-Chu	222,500	0.30

List of Properties

As At 31 December 2013

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2013
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)	21	2,864,040
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)	21	533,079
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)	24	4,959,280
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)	24	3,697,644
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)	24	618,269
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)	–	2,516,575
7	ISB	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	10.32	Vacant	–	Leasehold 99 years (expiring 24.05.2034)	–	1,274,129

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2013
		Lease No:077521763 Lease No:077521772 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						

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2013
		Lease No:077522313 8.4Km, Jalan Batu Sapi 90000 Sandakan Sabah						
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)	25	943,009
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)	25	1,767,814
10	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	28	6,664,408

Notice of Sixteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company will be convened and held at the Amadeus I & II, Level 2, Sabah Hotel, KM1, Jalan Utara, Sandakan, Sabah on Saturday, 21 June 2014 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 2013 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 2013. **Resolution 1**

3. To re-elect Mr Hiew Seng who retires in accordance to Article 128 of the Company's Articles of Association. **Resolution 2**

4. To re-elect Dato' Seri Mohd Shariff Bin Omar who retires in accordance to Article 133 of the Company's Articles of Association. **Resolution 3**

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

   (i) "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**

   (ii) "THAT Mdm Lin Hsu, Li-Chu, 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 5**

6. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorize the Board of Directors to fix their remuneration. **Resolution 6**

7. As Special Business:

   To consider and if thought fit, pass the following resolutions:

   (a) Ordinary Resolution **Resolution 7**
   Authority to Issue Shares

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this Resolution in any one (1) financial year does not exceed ten percent (10%) of the total issued share capital of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

   (b) Ordinary Resolution **Resolution 8**
   Proposed renewal of authority for purchase of own shares by the Company

   "THAT subject always to the Companies Act, 1965 ("the Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules, regulations and the Company's Articles of Association, 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 upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, subject 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/or the share premium of the Company;

(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 or expedient to implement or to effect the purchase of its own Shares."

(c) Ordinary Resolution **Resolution 9**
Proposed Retention of Independent Director
- Mr Hiew Seng

"THAT subject to passing of Resolution 2 above, Mr Hiew Seng be and is hereby retained as an Independent Director of the Company until the conclusion of the next annual general meeting in accordance with the Recommendation 3.3 of the Malaysian Code on Governance 2012."

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

By Order of the Board

Katherine Chung Mei Ling
(MAICSA 7007310)
Company Secretary

Tawau

Dated: 29 May 2014

Notes:

1. 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.

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

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

4. 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.

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. Depositors who appear on the Record of Depositors as at 16 June 2014 shall be regarded as Members of the Company entitled to attend at the Sixteenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.

7. EXPLANATORY NOTE ON SPECIAL BUSINESS

   Ordinary Resolution 7

   The proposed Resolution 7 is the renewal of general mandate for the authority to issue shares pursuant to Section 132D of the Companies Act, 1965 if passed, will give the Directors of the Company, from the date of the above general meeting, authority to issue and allot shares from the unissued capital of the Company for such purpose as the Directors may deem fit and in the interest of the Company provided it does not exceed ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked and varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

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

   Ordinary Resolution 8

   The proposed Resolution 8 is in relation to proposed renewal of authority for purchase of own shares by the Company, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company pursuant to Section 67A of the Companies Act, 1965. The authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

   Please refer to Share Buy Back Statement dated 29 May 2014 for further information.

   Ordinary Resolution 9

   The proposed Resolution 9, if passed, will retain Mr Hiew Seng as Independent Director of the Company to fulfill the paragraph 3.04 of the Main Market Listing Requirements and in line with the Recommendation 3.2 of the Malaysian Code of Corporate Governance 2012.

   As of the date of this Notice of AGM, Mr Hiew Seng has served the Company for more than nine (9) years. Accordingly he has satisfied with the test of independence based on guidelines set out in the Main Market Listing Requirements. The Board, therefore, would like to recommend Mr Hiew Seng remains as Independent Director of the Company for the following reasons:

   (i) his networking, working experience and familiarization with the business operations will provide a check and balance to the Executive Directors and management team of the Company; and

   (ii) he has devoted sufficient time to carry out his duties and responsibilities as Independent Director and act in the interest of the Company and shareholders through active participation in deliberations with independent judgement free from being influenced by the operational management.

STATEMENT ACCOMPANYING THE NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

Dato' Seri Mohd Shariff Bin Omar who was appointed as a Director during the financial year will stand for election at the Sixteenth Annual General Meeting of the Company pursuant to Article 133 of the Company's Articles of Association (Resolution 3).

The details of Dato' Seri Mohd Shariff Bin Omar is set out in the Directors' Profile of the Annual Report.

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 Sixteenth Annual General Meeting of the Company to be held at the Amadeus I & II, Level 2, Sabah Hotel, KM1, Jalan Utara, Sandakan, Sabah on Saturday, 21 June 2014 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 Hiew Seng		
Resolution 3	Re-election of Dato' Seri Mohd Shariff Bin Omar		
Resolution 4	Re-appointment of Mr Lin, Tsai-Rong		
Resolution 5	Re-appointment of Mdm Lin Hsu, Li-Chu		
Resolution 6	Re-appointment of Auditors		
Resolution 7	Authority to Issue Shares		
Resolution 8	Proposed renewal of authority for purchase of own shares by the Company		
Resolution 9	Proposed retention of Mr Hiew Seng as Independent Director		

Dated this……….........…......day of ………...……....……..…, 2014

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

Notes:

1. *A Member of the Company entitled to attend and vote at the meeting is entitled to appoint 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.*
2. *Where a Member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
4. *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.*
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6. *Depositors who appear on the Record of Depositors as at 16 June 2014 shall be regarded as Members of the Company entitled to attend at the Sixteenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.*

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AFFIX
STAMP

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

Then fold here

CYMAO

CYMAO HOLDINGS BERHAD
(445931-U)

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

Tel : 6089 612 233 (5 Lines)
Fax : 6089 612 607 / 6089 606 489
website : www.cymao.com
email : info@cymao.com

CYMAO HOLDINGS BERHAD ANNUAL REPORT 2013