CYMAO HOLDINGS BERHAD

(Company No: 445931-U)

ANNUAL REPORT **2016**

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About CYMAO

Cymao Plywood & Lumber Co, Ltd., was part of Taiwan's largest privately owned corporation before relocation to Sabah under the name of Cymao Plywood Sdn. Bhd. CPLC was established in 1960, with a long history of producing quality and innovative wood products. Cymao Plywood & Lumber Co. Ltd.'s manufacturing facility in northern Taiwan's Taipei city together with it's sister company Sunrise Plywood Corporation's facilities in Central, and Southern Taiwan represented one of Taiwan's major player in wood based primary, secondary and down stream processing industry.

OUR VISION

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

Vision & MISSION STATEMENT

OUR MISSION

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Seri Mohd Shariff Bin Omar
Chairman/ Independent Non-Executive Director

Lin, Kai-Min
Managing Director

Lin, Kai-Hsuan
Executive Director

Hiew Seng
Independent Non-Executive Director

Syed Ibrahim Bin Syed Abd.Rahman
Independent Non-Executive Director

AUDIT COMMITTEE

Hiew Seng
Chairman, Independent Non-Executive Director

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

Syed Ibrahim Bin Syed Abd.Rahman
Member, Independent Non-Executive Director

REMUNERATION COMMITTEE

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

Hiew Seng
Member, Independent Non-Executive Director

Syed Ibrahim Bin Syed Abd.Rahman
Member, Independent Non-Executive Director

NOMINATION COMMITTEE

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

Hiew Seng
Member, Independent Non-Executive Director

Syed Ibrahim Bin Syed Abd.Rahman
Member, 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

PKF
Chartered Accountants
Lot 23-1 & 25-1
1st Floor, Lintas Plaza
Lorong Lintas Plaza
88300 Kota Kinabalu, Sabah

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Public Bank Berhad
RHB Bank Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : +06(03) 7841-8000
Fax : +06(03) 7841-8008

STOCK EXCHANGE LISTING

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

GROUP STRUCTURE

CYMAO

100%

CYMAO PLYWOOD SDN. BHD.
(Company No.: 196313-M)

100%

BILLION APEX SDN. BHD.
(Company No.: 683097-U)

100%

INOVWOOD SDN. BHD.
(Company No.: 585609-D)

100%

SYABAS MUJUR SDN. BHD.
(Company No.: 728141-A)

100%

POLY-PLY INDUSTRIES SDN. BHD.
(Company No.: 31892-A)

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 70, 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, KAI-MIN
(Managing Director)

Taiwanese, aged 47, 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 was in-charge of the Finance and Marketing Department prior to his promotion in 2016 to take over the role of Managing Director.

LIN, KAI-HSUAN
(Executive Director)

Taiwanese, aged 49, was appointed to the Board of Cymao on 13 November 2003. He graduated from University of California Los Angeles, USA, with a Bachelor of Science in Applied Mathematics and a minor in economics in 1991. He subsequently obtained a Master of Science in Forest Science with emphasis in Expert System from Texas A & M University, USA in 1993. He joined CPSB in 1994 as the Quality Controller, then took on the post of Factory Manager in 2000 and in the same year he was made the R&D Director. He was made the Vice President of CPSB in 2001.

DIRECTORS' **PROFILE** (CONT'D)

HIEW SENG
(Independent Non-Executive Director)

Chairman of Audit Committee
Member of Remuneration Committee and Nomination Committee

Malaysian, aged 66, 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-Charge of the Kajang Branch of the firm.

SYED IBRAHIM BIN SYED ABD.RAHMAN
(Independent Non-Executive Director)

Member of Audit Committee, Remuneration Committee and Nomination Committee

Malayisan, aged 74, was appointed to the Board of Cymao on 29 June 2016. He is a lawyer by profession with a Degree of Barrister-at-Law by the Honourable Society of Inner Temple, London in 1970 and also an Associate of Malaysian Institute of Chartered Secretaries and Administrators.

He was the General Manager in charge of unit trust management and investment for MARA unit trusts scheme group of companies from 1971 to 1974. His responsibilities was to oversee MARA's portfolio management, savings and investments, management of overnight money markets, joint venture negotiations, capital and stock market management. He was appointed as a Director in Kelantan State Economic Development Corporation from 1996 to 2003. He is the Founder of Syed Ibrahim & Co, Advocates & Solicitors in 1975 and actively ran his legal firm until he retired in 2012.

OTHER INFORMATION OF DIRECTORS

Family Relationship of Directors

Save as disclosed for Mr Lin, Kai-Min and Mr Lin, Kai-Hsuan are brothers, 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.

Convictions of Offence

Other than traffic offences, none of the Directors has been convicted of any offence within the past five (5) years or public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Shareholdings

The particulars of the Directors' shareholdings are set out on page 113 of this Annual Report.

KEY SENIOR **MANAGEMENT**

LEE, MING-CHE
Marketing Manager

Taiwanese, aged 76, male. He joined Cymao Plywood Sdn. Bhd. since 1992 as the Marketing Manager.

He graduated from Ton-Shie Senior High School, Taiwan and he was with Cymao Plywood & Lumber Co. Ltd in Taiwan as Factory Manager in 1973 prior to taking up the offer from Cymao Plywood Sdn. Bhd. in 1992.

He does not hold any directorship in the Company or other public companies.

He has no relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and he has no conviction of any offences within the past five (5) years.

LEE, CHIA-HUI
Production Manager

Taiwanese, aged 64, male. He joined Cymao Plywood Sdn. Bhd. in 1992 as Technical Support Logistic and Warehousing Supervisor and subsequently became the Production Manager.

He graduated from Ton-Shie Senior High School and moved on to Technical Training Centre in Tai San, Taiwan for training as a Lathe Machine Operator. Prior to joining Cymao Plywood Sdn. Bhd., he was with Cymao Plywood & Lumber Co. Ltd since 1977 started as Supervisor in pre-finishing department then involved in other sections such as log handling, cross cutting, flooring UV coating, technical support and logistics, warehousing and material storage.

He does not hold any directorship in the Company or other public companies.

He has no relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and he has no conviction of any offences within the past five (5) years.

CHEN, CHUNG-MING
Purchasing Manager

Taiwanese, aged 60, male. He joined Cymao Plywood Sdn. Bhd. in 1994 as Purchasing Manager.

He graduated from Shie-Ho Senior High School and started his early career in Cymao Plywood & Lumber Co. Ltd. as Factory Supervisor.

He does not hold any directorship in the Company or other public companies.

He has no relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and he has no conviction of any offences within the past five (5) years.

KEY SENIOR **MANAGEMENT**
(CONT'D)

WANG, JIAN-JUN
Purchasing Manager

Hails from China, aged 49, male. He is the Purchasing Manager of Poly-Ply Industries Sdn. Bhd. since 2012.

He graduated from Finance and Trade Secondary School, China in 1983. He was an Engineer with Railway Furniture from 1984 until 1987. He worked as a freelancer for a number of years prior to joining Cymao Plywood Sdn. Bhd. as the Supervisor in 2006 and was transferred to Poly-Ply Industries Sdn. Bhd. to lead the Purchasing Section in 2012.

He does not hold any directorship in the Company or other public companies.

He has no relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and he has no conviction of any offences within the past five (5) years.

CHAIRMAN'S STATEMENT

It is my pleasure to present to you the audited financial statements of Cymao Holdings Berhad ("Cymao" or the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2016.

FINANCIAL PERFORMANCE

The Group registered revenue of RM115 million for the year as compared to RM132 million for last year. This represents a decrease of RM17 million amid a challenging operating environment but it is still considered respectable to achieve RM115 million revenue. The Group also registered a loss before tax of RM7.652 million as compared to a loss of RM1.234 million last year representing a deterioration of RM6.418 million due to the sluggish demand and suppressed prices.

INDUSTRY OVERVIEW

The financial year under review was a more challenging year for the plywood industry which has not rebounded from the previous year that showed signs of improvements. The continued declining supply from the natural forest can lead to shortages and irregular supplies of logs in Sabah. The industry will have to manage this constraint in the coming years.

In addition to the logs issue, the Group has to deal with cost inflation due to the implementation of minimum wages and a strong Dollar effect on other related costs leading to an increase in the production costs.

As for the plywood market, locally the demand is slow but stable. Internationally, the downturn in oil prices caused demand to soften especially from the Middle East when economy is much driven by oil revenue. The depreciation of the Russian Ruble made Russian products including plywood attractively priced to capture some demand internationally.

Despite the challenges, the Group is pleased that there is continued support from the customers both internationally and domestically. The Group will continue to focus on its core competency to produce quality plywood for the existing customers and to look for additional market going forward.

OPERATIONAL REVIEW

While there is always a conscious effort to take preventive measures to minimize the adverse effects on the operations, the Group has since the second quarter taken more aggressive measures to reduce the production costs. The Board is of the opinion that the measures have reduced the negative impacts of the adverse factors and have reduced the losses which would have otherwise been more serious for the Group especially the second half year onwards.

Arising from the cost reduction efforts and assessments, the Group has conducted a cost rationalization study and the Board has endorsed the merging of the two (2) mills in Sandakan which are 500 meters apart. The rationale mainly is as a result of reduced logs supply, the production level of the combined mills can be achieved by operating a single mill with the combining of logs, resources and manpower resulting in substantial cost cutting and enhanced operation efficiency.

The merging process has started in November 2016 and by January 2017, Cymao Plywood Sdn. Bhd.'s mill has stopped operation altogether and it is hoped that by April 2017, the combined mill located at Inovwood Sdn. Bhd.'s will achieve the production level of the two (2) mills before the merger. Also, with the merger, the mill of CPSB is released and it is in the process of being disposed of to raise fund failing which the mill can be turned into a warehousing facility to secure rental income.

The Board is therefore positive that after the merger of the two (2) mills and with the reduction in cost and the enhanced operational efficiency, the Group is looking forward to a better performance and is more nimble to face the challenges ahead.

STRATEGY AND PROSPECTS

The global economic conditions and consumers' sentiments continue to dictate the demand of the products. The demand and the pricing of plywood

CHAIRMAN'S **STATEMENT** (CONT'D)

products is expected to remain stable for the next financial year as the forecasted GDP growth globally remains at about 2% to 3%. Malaysian plywood millers may be able to benefit from the still uncertain trade policies of the United States with looming trade wars especially with China and Mexico. The Group has received more enquiries from the US plywood buyers in the last few months which can be encouraging for the Group to sell more to the USA market.

The strategy of the Group is to focus on rationalization the operations of the Group. The foremost plan to merge the two (2) Sandakan mills is almost fully implemented and it is planned that by April 2017, the benefit of the merger will be more evident to turn around the performance of the Sandakan operations. The merger will reduce the operating cost substantially as compared to operating two mills. The lamination and trading activities based in Klang have been profitable for the past few years and the Group is putting more efforts to expand the Klang operation after the merger in Sandakan.

Despite the uncertain global economic conditions, it is expected that the Group will face some headwinds amidst a challenging timber industry landscape. The Group will continue to work towards turning around the performance by first engaging on a cost and efficiency rationalization arising from the merging of the two (2) mills in Sandakan. The Group will focus on the plan after the merger to achieve cost and production efficiency and enhanced quality control. The Group will also look into expanding the Klang operations as it is profitable and to explore the synergy with Sandakan operation with their plywood produced.

DIVIDEND

As a result of the current year losses incurred and past losses accumulated, the Company is unable to declare dividends for the year. The Board is therefore not recommending any dividend to be paid.

CORPORATE SOCIAL RESPONSIBILITY

The Group acknowledges the importance of Corporate Social Responsibility ("CSR") and believes that CSR is the integral part to the sustainable development of the Group. The Group has continued to undertake activities consistent with good corporate practices and social responsibility with initiatives on human resource development, health and safety and community support.

APPRECIATION

On behalf of the Board, I wish to extend my sincerest appreciation to the founder of Cymao Group, Mr Lin, Tsai-Rong who after 26 years of service has retired at the conclusion of the last Annual General Meeting. The Board is especially thankful for his commitment, guidance and dedication throughout the years with Cymao Group. We wish him all the very best on his retirement.

On behalf of the Board, I wish to extend my sincere appreciation to the Directors, management and employees of the Group for their continued diligence and dedication especially during this challenging period.

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

Lastly, to our valued 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

20 April 2017

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

Background

Cymao Holdings Berhad ("Cymao or the Company") has three (3) wholly-owned operating subsidiaries and two (2) of dormant status.

Cymao Plywood Sdn. Bhd. ("CPSB") and Inovwood Sdn. Bhd. ("ISB") are both active subsidiaries located in Sandakan, having the similar business activity of producing plywood and veneer. Poly-Ply Industries Sdn. Bhd. ("PPISB") is the third operating subsidiary situated in Klang producing laminated plywood and carrying on general trading of plywood products.

As CPSB and ISB are based in Sandakan where the source of timber logs come from, the Group is strategically placed to capture the logs availability for its plywood production while PPISB is located close to the port facilities. Having the expanding market for plywood and laminated plywood in Peninsular Malaysia, PPISB can source for the plywood from the Sandakan mills for the laminated plywood production to capture the local market. The operation arrangements vice versa, offer flexibility in maximizing the utilization of its resources to secure the highest cost and profitability advantage to the Group.

<u>Key Financial Position</u>

	2016 (RM'000)	2015 (RM'000)
Shareholders' fund	70,086	77,558
Revenue	115,561	131,649
Loss for the year	(7,473)	(2,069)
Net current assets	36,131	42,268
Cash and Bank balances	4,275	7,766
Borrowings	9,239	8,661
Net borrowings	4,964	895
Net assets Per Share	RM0.93	RM1.03

FINANCIAL PERFORMANCE

2016 has been a challenging year as the performance was mainly affected by the shortage of raw material supply due to depletion of nature forest and soft market for demand of plywood.

The Group is prepared for this handicap by securing its own timber rights to hedge the price and also relying on the very long and strong relationship built-up with a few established and regular suppliers.

Apart from facing the shortage in logs supply from the second quarter of year under for review, the demand for plywood has turned sluggish, for both domestic and export market which further compounded on the unfavorable results for the Group.

The Group registered revenue of RM115.561 million for the year 2016 as compared to RM131.649 million for year 2015, representing a decrease of RM16.088 million. Amid a challenging operating environment, it was still considered respectable for the Group to achieve RM115.561 million turnover. However, the Group registered a loss before tax of RM7.652 million as compared to a loss of RM1.234 million last year representing deterioration with additional loss of RM16.088 million.

MANAGEMENT DISCUSSION AND **ANALYSIS STATEMENT**
(CONT'D)

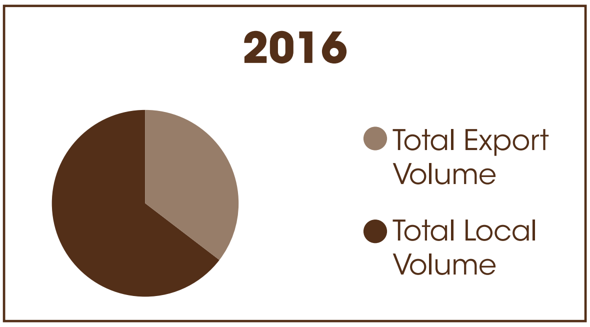
FINANCIAL PERFORMANCE (CONT'D)

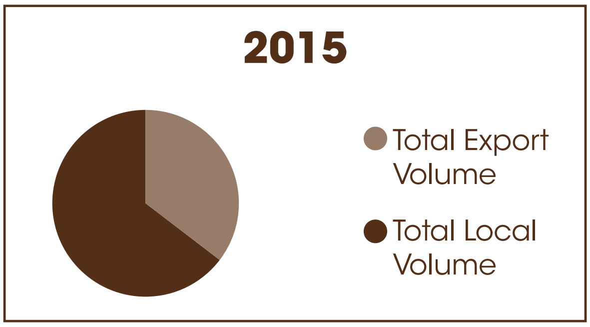
Turnover

The turnover for the financial year under review registered a decrease of RM16.088 million to RM115.561 million from RM131.649 million as compared to year 2015. The decrease in sale was due to decrease in volumes and the drop in average selling prices for plywood. The overall sales volumes of the Group are as below:

Sales Analysis (Group)

	2016 (m^3)	**2015 (m^3)**
Export	21,737	22,915
Local	40,944	42,497
	62,681	65,412



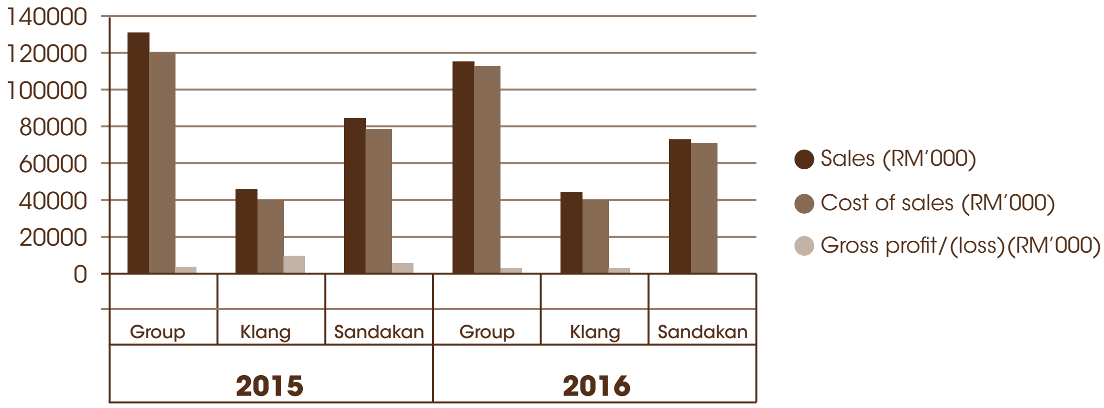


Loss before Tax

The loss before tax for the year under review increased by RM6.418 million to RM7.652 million as compared to a loss of RM1.234 million last year. The increase in loss was mainly due to a decrease in gross margin from 8.8% last year as compared to 3% this year. The detailed analysis is as follows:

	Sales		**Cost of sales**		**Gross profit/(loss)**			
	2015 (RM'000)	**2016 (RM'000)**	**2015 (RM'000)**	**2016 (RM'000)**	**2015 (RM'000)**	**Margin %**	**2016 (RM'000)**	**Margin %**
Sandakan operation	84,688	71,843	79,646	71,604	5,042	5.95	239	0.33
Klang operation	46,961	43,718	40,400	40,160	6,561	13.97	3,558	8.13
Group operation	131,649	115,561	120,046	111,764	11,603	8.81	3,797	3.28

FINANCIAL PERFORMANCE (CONT'D)



For Sandakan operation, the analysis per m³ based on volume of sale:

	2016	2015
Average selling price per m³	1,826	1,878
Direct production cost per m³	1,820	1,766
Other cost per m³	192	188
(Loss) per m³	(186)	(76)

The Group recognized that the quality issue will have a bearing an impact on the price and is taking steps to improve quality to fetch a higher price.

The direct cost of production is comprised of logs cost, glue, labour, depreciation and factory overheads. The management is taking steps to reduce cost especially labour and factory maintenance cost after the merger of the two (2) mills. The increase in direct production cost for 2016 is mainly due to increase in logs price and plant and machinery repairs and maintenance. The increase in other cost is due to lower volume produced thus a lower absorption rate on fixed cost.

The logs cost has increased from RM395 in 2015 to RM406 in 2016 while the recovery maintained at 43.5% for both years so the major timber logs cost is being managed to industry average.

The other cost comprised of selling, general and administration and financial charges which have reduced in 2016.

For Klang operation, the analysis per m³ based on sale is as follows:

	2016	2015
Average selling price per m³	1,875	2,312
Direct production cost per m³	1,720	1,989
Other cost per m³	130	204
Profit per m³	25	119

The reduction in Klang profit is mainly due to drop in profit of RM94 per m³ of sale as even both the raw material and production cost have dropped, the sales price have dropped by a bigger margin.

MANAGEMENT DISCUSSION AND **ANALYSIS STATEMENT** (CONT'D)

FINANCIAL PERFORMANCE (CONT'D)

<u>The Group operation:</u>

From the above analysis, the decrease of RM8.096 million from the gross profit contribution from the operation is mainly due to drop in price and volume sold for 2016.

Apart from the reduction of gross profit contribution of RM8.096 million, the other expenses are compatible in both years. In fact, the administrative and general expenses have reduced by RM1.542 million in 2016. The main factor for the increase in loss in 2016 can be attributable to the decrease in gross profit as explained above. The loss is also due substantially to a depreciation charge of RM4.827 million even it is an expense not involving movement of fund.

The increase in loss before tax for year 2016 was a setback with the business plan to turnaround the performance of Cymao. However, the management is embarking on other measures to improve the performance of the Group as stated below under operation review.

<u>Cash Flow Management</u>

The net cash deficit has increased from RM0.89 million to an increased deficit of RM4.964 million representing a decrease in cash flow of RM4.069 million in 2016. The decrease was partly due to the acquisition of a 4.2 acres industrial land next to ISB for RM3.4 million. As CPSB's mill was merged under ISB, the acquisition was necessary for the expanding operation at one mill. The funding of the acquisition was entirely from internally generated fund from the Group.

The banking facilities available to the Group are maintained at RM14 million comprising of trade facilities of RM10 million, overdraft of RM2 million and long term loan of RM2 million and reducing as at 31 December 2016. It is expected that these facilities will be maintained in 2017 and the Group will manage its cash flow without additional bank borrowings.

Additionally, the net current assets of the Group were RM36.1 million as at 31 December 2016 and the Group therefore does not have a working capital deficient situation.

INDUSTRY OVERVIEW

Plywood is one of the most widely used wood products. The global economic conditions and consumers' sentiments continue to dictate the demand of the products. Primarily, about 70% of plywood is used for construction and furniture globally.

The market for plywood is mainly driven by increasing demand from housing market. North America is the leading region for plywood market, followed by Europe. The Asia Pacific region is expected to be the fastest growing market for plywood driven by Japan, India and China. The Malaysian construction sector is expected to grow by 8% in 2017. It is therefore expected that the plywood market in terms of demand is encouraging and improving and the demand and the pricing of plywood products are expected to remain stable for the next financial year.

There is an opportunity for the Malaysian plywood millers to benefit from the still uncertain trade policies of the United States with looming trade wars especially with China and Mexico.

OPERATIONS REVIEW

Apart from the merging of the two (2) mills as mentioned above, the Group is also embarking aggressively on the cost rationalization exercise as follows:

- To improve the efficiency and to reduce the cost of the production, the Group has stopped the practice of allowing workers working overtime which costs the Group 1.5 times of the normal wages, any extra work will be paid as contract wages based on production. This has shown some positive results so far.

- There is a freeze on the employment of any staff, manual or office. Staff is put on multi-tasking and are being informed of the present difficult trading situation of the Group and everyone is encouraged to contribute to overcome this present situation.

- All repairs and maintenance and order of spare parts are being closely monitored to avoid unnecessary spending while the smooth running of the machinery is not compromised either.

The Klang operation is also embarking on cost saving measures as from the analysis under profit before tax, both the direct raw material and production cost have reduced by 13.5% and 36% respectively. Both the export and local sale are expected to improve in 2017 as Klang has built up a customer centric network and the sale will benefit from this network. It is expected also the Klang operation with the cost saving measures will further contribute to the profitability of the Group.

Fund Raising

As a result of the negative results of the Group which is depleting the cash reserve, the Board is taking concerted efforts to raise fund from disposing of surplus plant and machinery as a result of the merged operation in Sandakan to improve the cash flow for the operation.

So far the Group has disposed of some machinery raising RM1.42 million and will continue the efforts to dispose of surplus machinery to raise fund.

RISK MANAGEMENT

Operation risk

The Group has taken steps to minimize the operation risk as follows:

- Securing timber rights and engaging reliable contractors to extract the logs for the Group's use;
- Securing long term supply agreements from established and reliable timber logs suppliers;
- Securing long term supply agreements from Forest Management Unit holders;
- Merging of two mills to save operational cost.
- In the case of the Klang operation, more reliance is placed on souring plywood from other plywood producers both in Malaysia and overseas for trading and value added production as Klang has the port facilities; and
- Klang operation will source veneer as an intermediary product to produce plywood and therefore will not rely on timber logs as the raw material to hedge the Sandakan operation which relies on timber logs supplies.

MANAGEMENT DISCUSSION AND **ANALYSIS STATEMENT**
(CONT'D)

RISK MANAGEMENT (CONT'D)

Production risk

Plywood production is a labour intensive operation. For the Sandakan operation, the labour force had been reduced by 35% following the merger of two mills. The saving in manpower cost has cushioned the impact on minimum wage requirement. Regular maintenance is performed on plant and machinery to ensure no major breakdown.

The senior management staff has been with the Group since the inception of CPSB in 1992 and their continued service will ensure no production disruption in the mills.

Financial risk

The management is aware that the cash reserve of the Group is depleting due to historical losses. Measures have to be taken to address the following

- Raising fund by disposing idle plant and machinery and landed;
- Pursue cost cutting exercise after the merger of the two mills;
- To put on hold of capital expenditure unless absolutely necessary;
- Focusing more export market to take advantage of a strong US Dollar exchange; and

Marketing risk

As plywood and laminated boards are the commodities being traded in the international market, it is subject to demand and competition. The Group has been long established with good business relationship with its overseas customers for more than two (2) decades by mitigating the risk as follows:

- Build up a customer centric sales network over the years by associating with the vast number of customers who have established customer loyalty with the Group;
- Establish customers after sales service and engaging customers' feedback for improvement on the quality of products; and
- Expand customers base network.

LOOKING FORWARD- STRATEGY AND PROSPECTS

In the short term, the Group will focus on maximizing its core competency of producing plywood and laminated plywood to improve profitability of the Group. The other important focus is to bring up the value chain by improving the quality of its products to fetch a higher price.

In the medium term, the Group will focus on expanding the Klang operation after the rationalization exercise in Sandakan. PPISB will be expanded to produce plywood from veneer sourced from various countries as the machinery for the composing and finishing part will be transferred from CPSB mill. PPISB will also focus more on trading as it has the advantage of near to Port Klang and more accessible to local market.

In the long term, with the turnaround and the positive cash flow, the Group can plan for diversification if the business opportunity arises. It is not expected there will be expansion of the Sandakan operations in the short and medium terms in view of the declining supply of natural timber logs.

The management of Cymao remains resilient and committed to executing the strategies to strengthen the business operations and processes. The management is therefore cautiously optimistic that the Group will turn around and will look forward to enhancing the shareholders' value in the near future.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Cymao Holdings Berhad ("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 2016 and the extent of compliance with the principles and best practices with the Code.

BOARD OF DIRECTORS

Board Composition and Balance

The present Board composition comprises of the following:
- An Independent Non-Executive Chairman
- Two (2) Independent Non-Executive Directors;
- A Managing Director; and
- An Executive Director.

The Independent Non-Executive Directors are made up of more than one-third (1/3) of the Board Members which fulfilled the Main Market Listing Requirements ("MMLR"). The profile of Directors and their other information are set in "Directors' Profile" and "Other Information of Directors" section of the Annual Report.

On 29 June 2016, Syed Ibrahim Bin Syed Abd.Rahman was appointed to the Board as an Independent Non-Executive Director of the Company.

The Board views that the present composition of Directors is appropriate in terms of its size and membership. They are drawn from diverse professional backgrounds with a good mixed of skills and experience in relevant fields such as production, engineering, economics, law, finance, accounting, marketing, management and business administration. Together they put these skills, experience and knowledge required to direct, supervise and manage the Group's business, and enhancement of long-term shareholders' value.

Board Charter

The Board has adopted the Board Charter in 2014. The Board Charter defines the roles, duties and division of responsibilities between the Board and those delegated to the management and the Board Committees as reference to the new and existing Board members. It sets 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 Charter covers the following key areas:

- Company's goals and objective
- Board structure
- Board Appointment and Election of Directors
- Roles and responsibilities of the Board, the Chairman, Managing Director and management, outlining the division of the responsibilities and powers between Board and management
- Power Delegation
- Board Diversity
- Annual review of Directors
- Stakeholder management

The Board will periodically review the Board Charter to ensure it is in tandem with the Board's objectives and within the applicable laws and regulations. An abridged version of the Charter is available on the Company's website at www.cymao.com.

CORPORATE GOVERNANCE **STATEMENT**
(CONT'D)

BOARD OF DIRECTORS (CONT'D)

Roles and Responsibilities

The responsibilities of the Board are to oversee the business and affairs of the Company on behalf of the shareholders as stipulated in the Company's Articles of Association, the Companies Act 2016, the MMLR and any applicable rules, laws and regulations.

The Board is responsible for the overall performance of the Company by setting the directions and objectives, formulation policies, development of 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 apart from discharging its fiduciary duties, leadership function and responsibilities, has also delegated specific responsibilities to the Board Committees within their respective defined Terms of Reference and report to the Board with their proceedings and recommendations. However, the Board makes the final decision on all matters in the best interest of the Company.

The Board Meetings are presided by the Chairman whose roles and responsibilities are clearly separated from the roles and responsibilities of the Managing Director to ensure a balance of power, authority and accountability at the Board level. 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 Independent 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 are objectively evaluated by the management, thus provide a necessary check and balance to the Board's decision making process.

The Board regularly undertakes duties, which broadly includes:

- reviewing and adoption of the overall strategic plan for the Company and the Group;
- assessing and monitoring the cash flow requirements of the Group;
- overseeing the conduct of the Company's business operations;
- identifying principal risks and ensuring the existence of adequate internal controls and management systems to measure and manage the risks;
- overseeing the succession planning of senior management;
- monitor compliance with all relevant statutory and legal obligations; and
- maintaining full and effective control over management of the Company.

The Managing Director being the key personnel is responsible to develop and put the operation plan into actions. He monitors actual results on a weekly basis with the senior management team from various departments and where planned performance are not met, strategies are re-assessed and remedial actions taken to address the variances. Both domestic and export marketing strategies are discussed at the weekly meetings.

The Directors are required to notify the Chairman before accepting any new directorship and indication of time that will spend on the new appointment, in fostering commitment to the Board that the Directors devote sufficient time to carry out their responsibilities effectively.

BOARD OF DIRECTORS (CONT'D)

Tenure of Independent Director

The Code recommends that the tenure of an Independent Directors should not exceed a cumulative period of nine (9) years and such director shall be re-designated as Non-Independent Director. The Board is mindful of the Code that further recommends, 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 referred as sole criterion in determining a director's independence. The spirit, intention, purpose and attitude should be taking into account in assessing the independence of a Director. The Company may derived benefits from retaining such long serving director who has proven with his positive contributions in the Board and Committee meetings, working experiences, networking and familiarization with the Group's business operations as a whole.

Subsequent to the financial year end, the Nomination Committee conducted an appraisal on the independence of Mr Hiew Seng who has served more than thirteen (13) years as an Independent Director. He has fulfilled the independence criteria as prescribed in the MMLR. The appraisal concluded that he is free from any business/other relationship that could compromise him in exercising unbiased or objective judgement and the ability to act in the best interest of the Company. Mr Hiew Seng has maintained his independence in carrying out his duties and responsibilities through objective and unbiased participation in the Board and Committee's deliberations.

The Board viewed that Mr Hiew Seng is able to continue with his positive contributions to the Board as an Independent Director and hence, the Board will seek for the shareholders' approval at the forthcoming Annual General Meeting to retain him in this position.

Board Diversity

The Board values the diversity of gender, ethnicity and age. The Board is of the view that appointment of directors should refer on merit rather than through positive discrimination. The Board believes that in order to maintain an appropriate balance in the Board spectrum, a diverse mix of skills, experience, knowledge and background is of paramount importance.

The age of the Directors of the Company ranges from 47 to 74 and having the diversified backgrounds of the Board members, each generation brings different skills, experience and talents to the Board. Therefore, the Board is not establishing a diversity policy on gender, ethnicity and age or setting any target.

Ethical Standards

The code of conduct of the Company is set up to enhance the good corporate governance and behavior and to uphold the spirit of social responsibility and accountability. The code includes principles relating the Board ethical, communication channel and conflict of interest.

Presently there are whistleblowing provisions in the operational procedures and the Company will formalize the Whistleblowing Policy in 2017.

CORPORATE GOVERNANCE **STATEMENT**
(CONT'D)

BOARD OF DIRECTORS (CONT'D)

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.

The Directors who are standing for re-election at the forthcoming Annual General Meeting of the Company are set out in the Notice of the Nineteenth Annual General Meeting.

Board Meetings

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

During the financial year under review, the Board met on (6) occasions and the attendance of the Board is as follows:

Name of Directors	Attendance
Dato' Seri Mohd Shariff Bin Omar	6/6
Lin, Kai-Min	6/6
Lin, Kai- Hsuan	4/6
Hiew Seng	6/6
Syed Ibrahim Bin Syed Abd.Rahman *	2/2
Lin, Tsai-Rong #	2/2
Lin Hsu, Li-Chu #	2/2
Lin, Kai-Wen ^ (Alternate to Lin Hsu, Li- Chu)	Nil

Note: * Appointed on 29 June 2016
Retired at the last Annual General Meeting on 28 May 2016
^ Vacated office on 28 May 2016

Each Director has complied with the minimum 50% requirement on attendance at the Board meetings as stipulated by MMLR. During the year under review, they deliberated on amongst others:

- the strategic business plan and directions of the Group;
- business development and cost rationalization exercise;
- performance of the Company and its operating subsidiaries;
- the quarterly and year end financial results;
- communications with shareholders; and
- compliance with the principles of corporate governance.

The Board members participated in full during the deliberations in the Board meetings. The Board discussed by exchanging of views and opinions across the board table and prior to putting the matter to vote. Decisions were arrived by the majority of votes. The Board's decision in the meetings are recorded in the minutes of Board meeting and the draft minutes are made available to all Board members prior to the confirmation of minutes at the next meeting.

The Directors are aware that they should disclose at the Board meeting of their interest in contract which is in conflict with the interest of the Company or as soon as they are aware of the conflict of interests.

BOARD OF DIRECTORS (CONT'D)

Board Meetings (Cont'd)

The Directors also observe the requirements that they shall not participate in the deliberation on matters of which they have interest and hence abstention from voting on the matters.

Alternatively in between Board meetings, the Board may approve matters by way of Directors' Resolution In Writing circulated to the Directors for approval.

Board Committees

The Board is assisted by Audit Committee, Nomination Committee and Remuneration Committee in discharging its fiduciary duties, addressing issues and risks that will affect the operation of the Group and to recommend measures to the Board to mitigate such risks. Each Board Committee is operated within the defined Terms of Reference which have been approved by the Board.

(i) Audit Committee

The summary on 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 is comprised of three (3) Independent Non-Executive Directors.

The Nomination Committee met twice in the financial year 2016 with full attendance of all members. The Nomination Committee discharged its duties as follows:

- Reviewed the suitability of new candidates to the Board;
- Reviewed on the Directors' retirement by rotation and nominate the re-election and re-appointment of retiring Directors;
- Reviewed the composition of the Board in reference to its size and mix of skills;
- Evaluated the effectiveness of the Board as a whole and the Board Committee;
- Appraised the core competencies and contribution of each individual Director;
- Reviewed the training programmes attended by the Directors, and recommend where necessary;
- Reviewed the independence appraisal on Independent Director; and
- Reviewed the revised the Terms of Reference.

During the year under review, the Board had conducted a number of and the criteria of assessment made are set out but not limited to the following:

- Directors Self Assessment
  - ✓ The competencies assessed are integrity & ethics, governance, strategic prospective, business acument, judgement and decision making, teamwork, communication and leadership.

- Assessment of Independence of Independent Director
  - ✓ The assessment were based on the role of Independent Directors and if there were any relationship with the Executive Directors, related or acting as nominee for major shareholder. It also assessed on the ability to continue to exercise independent judgement during the Board's deliberation and acting in the Company's best interest.

BOARD OF DIRECTORS (CONT'D)

Board Committees (Cont'd)

(ii) Nomination Committee (Cont'd)

During the year under review, the Board had conducted a number of and the criteria of assessment made are set out but not limited to the below (Cont'd):

- Assessment of Board as a Whole
  - ✓ Assessment on Adding Value includes the Board actively demonstrate and promote the values of transparency, accountability and responsibility, review on the Company's goals, values, core business and the strategy to achieve its purpose, the regular monitoring and evaluation on implementation and success of strategies, policies and business plans, the meeting of targets agreed in plans and budget and monitoring of results against Key Performance Indicators.
  - ✓ Assessment on Conformance includes compliance with relevant laws and regulations, consistently meet reporting deadlines and requirements and regular monitoring on the impact of actual and potential conflict of interest.
  - ✓ Assessment on Stakeholder Relationship includes the Board communicate effectively with its stakeholders and if the Board maintaining good relationship with internal and external stakeholders.
  - ✓ Assessment on Performance Management that includes the continuous assessment on its own performance and effectiveness of individual Directors and the Chairman, implementation of effective induction process or orientation programme for the newly appointed Director, conduct or arrange training programme for the newly appointed Director, conduct or arrange training programme for Directors' continuous development, development and implementation on appropriate succession plan, review performance of management team, ensure adequate training for management and employee and regular identification and monitoring of key risk areas.

- Review on Audit Committee
  - ✓ Review on policies, procedures and processes of the internal control function and risk assessment.
  - ✓ Assessing on the internal audit function including its scope, function and resources.
  - ✓ Appraise the function of External Auditors that including the scope of audit plan, the independent and objective of external auditors, the related party transaction that may arise within the Company and the channel of communication.
  - ✓ Review the adequacy and assessment of the internal audit function.
  - ✓ Review the term of office and performance of Audit Committee.

- Review on Remuneration Committee
  - ✓ Appraise on the participation of Executive Directors in discussion on remuneration.
  - ✓ Seeking professional advice, when necessary.
  - ✓ Review the remuneration package that consists of short-terms and long-term rewards.
  - ✓ Review the employment/service contract of Executive Directors and termination benefits with competitive compensate package.

- Review on Nomination Committee
  - ✓ Recommendations to propose or identify suitable candidates for appointment.
  - ✓ Ensure assessments of the Board and Committees are in place.
  - ✓ Review on succession plan for Executive Directors.
  - ✓ Recommendation on re-election for Directors.

The Secretary was in attendance to record the proceedings of the meetings.

BOARD OF DIRECTORS (CONT'D)

Board Committees (Cont'd)

(iii) Remuneration Committee

The Remuneration Committee is made up of three (3) Independent Non-Executive Directors.

The Board has established remuneration policies and procedures which provide for:

- periodic review;
- competitive compensation package for Executive Directors that reflects market rate, individual's performance, job responsibilities and at levels that are sufficient to attract and retain the Executive Directors needed to run the Group successfully; and
- Non-Executive Directors are paid a basic fee as ordinary remuneration and additional allowances for attendance at meetings.The Chairman of the Board and Chairmen of Committes are provided with additional fees.

The primary duty of the Remuneration Committee is to carry out annual review of the Directors' remuneration to ensure the remuneration packages are sufficiently attractive to retain Directors and if necessary, drawing from outside advice. The Remuneration Committee upon annual review will recommend to the Board as a whole to determine the remuneration packages for the Directors.The Director concerned is not allowed to participate or deliberate in discussion of his own remuneration.

The remuneration for the Non-Executive Directors is dependent on the experience and level of responsibilities undertaken, which covers a basic Directors' fee based on the responsibilities in the Board Committee, meeting attendance allowance and reimbursement of reasonable expenses incurred in the course of their duties.

For the Executive Directors, the remuneration packages are structured so as to link rewards to corporate, duties and performance. The current remuneration packages of the Executive Directors include a monthly salary, Directors' fees and meeting attendance allowance that they attended.

The Remuneration Committee met once during the financial year 2016 to review the remuneration packages for Executive Directors and Non-Executive Directors.

The Secretary was in attendance to record the proceedings of the meeting.

Directors' Remuneration

The Directors' remuneration packages are determined at the Board's level taking into consideration of the individual Director's contributions, the relevant experience and expertise to assist in managing the Group effectively.

The details of Directors' remuneration received by the Directors from the Company and its subsidiaries for the financial year ended 31 December 2016 are categorized in Note 11 of the Audited Financial Statements.

BOARD OF DIRECTORS (CONT'D)

Supply of Information

The Notice of meetings, setting out the agenda and accompanied by the Board and/or Committee meeting papers are given to the Directors/members of Board Committee prior to the meeting. This is to enable the Directors and members of Board Committee to have sufficient time to peruse, obtain further information and/or seek further clarification on the matters to be deliberated either from the management or the Company Secretary. Urgent matters that need to be discussed by the Board/members of Board Committee will be presented and tabled under supplemental agenda. The Directors will be provided with additional financial-related information on operational, development and performance of the Group, explanation of pertinent issues and recommendations by the management. The matter will then be deliberated and discussed in detail by the Board before making decision that is favourable to the Company.

All information within the Group is accessible to the Directors in discharge of their duties. Every Director has unhindered to the advice and services of the company secretary. They are also permitted to seek independent professional advice as and when deemed appropriate, at the Group's expense.

Qualified and Competent Secretary

The Board is supported by a professionally qualified Company Secretary who has experience in handling public listed companies. She is accountable to the Board on all matters connected with the proper functioning of the Board and her responsibility includes:

- assisting the Chairman and the Chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders,
- acting as liaision to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;
- advising on matters of corporate governance and ensuring the Board policies and procedures are adhered to;
- monitoring compliance with the Companies Act, 1965, the MMLR and the Articles of Association of the Company;
- facilitating orientation of new director;
- disseminating suitable training courses and arranging for Directors to attend such courses when requested.

Every Director has full access to the advice and services of the Company Secretary. The Company Secretary and the senior management proactively monitor and guide the Board on the corporate disclosure requirements stipulated in the MMLR to ensure the Company is in compliance and make timely disclosures.

BOARD OF DIRECTORS (CONT'D)

Directors' Training

All the Directors had fulfilled the Mandatory Accreditation Programme ("MAP") stipulated by Bursa Securities. The Board holds the view that continuous training is vital in broadening their perspectives to aid them in discharging their duties and responsibilities more effectively. The Board evaluates and determines on the training needs deemed appropriate to keep abreast with updates from time to time on new statutory and regulatory requirements and the business environment. The Board does not intend to set a training budget as it may limit the type of training courses which the Directors can participate in. The Directors are encouraged to attend trainings to develop their skills and competencies.

The seminars/courses attended by the Directors during the year under review are detailed below:

Name of Directors	Title of Seminars	Duration (Day)
Dato' Seri Mohd Shariff Bin Omar	Fraud Risk Management Workshop Programme	½
Lin, Kai-Min	(i) CG Breakfast Series with Directors "The Strategy, the leadership, the stakeholders and the Board"	½
	(ii) 2017 Budget and Tax Conference	½
Lin, Kai-Hsuan	2017 Budget and Tax Conference	½
Hiew Seng	(i) Fraud Risk Management Workshop Programme	½
	(ii) CG Breakfast Series with Directors "The Strategy, the leadership, the stakeholders and the Board"	½
	(iii) Companies Act 2016: Key Changes affecting Accountants and Auditors	1
Syed Ibrahim Bin Syed Abd.Rahman *	MAP	1½
Lin, Tsai-Rong #	–	–
Lin Hsu, Li-Chu #	–	–
Lin, Kai-Wen ^	–	–

Note: * Appointed on 29 June 2016
Retired at the last Annual General Meeting on 28 May 2016
^ Vacated office on 28 May 2016

The Directors were also regularly updated on the regulatory requirements, industry developments, changes in laws and accounting standards from the management, auditors and Company Secretary.

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 for ensuring the Group and of the Company that the financial statements for each financial year are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, 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.

In preparing the financial statements the Group and of the Company, the Directors have:

(a) adopted appropriate accounting policies and applied them consistently;
(b) made judgments and estimates that are prudent and reasonable; and
(c) adhered to the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The Directors are responsible for ensuring that the Company and the Group maintain proper accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

The Directors are also responsible for taking such steps that are reasonably available 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 systems 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 to the Audit Committee to ensure compliance with the systems and standard operating procedures in the Group.

The internal auditors 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 system of internal controls within the Group presented in the Annual Report.

ACCOUNTABILITY AND AUDIT (CONT'D)

Relationships with Auditors

The Company has established a formal and transparent relationship with the auditors in line with the auditors' professional requirements ensuring compliance with the accounting standards in Malaysia. One of the many functions of the Audit Committee especially with regard to the external auditors is highlighted in "the Audit Committee Report" of this Annual Report.

Prior to the provision of any engagement of non-audit services by the external auditor, the Audit Committee will review and approve the acceptance of such engagements. Non-audit services provided by the external auditors for the financial year under review were in respect of the services rendered for the review of the Statement of Risk Management and Internal Control (as required under the MMLR) and joint venture company's accounts.

During the financial year under review, the Audit Committee in consultation with the Board, had established a questionnaire form setting out the criterions that would be employed to assess the external auditor's suitability and independence. The criterions set out in questionnaire covered areas such as:

- calibre of external audit firm in terms of standing, international capabilities, technical expertise and knowledge;
- size and expertise of audit team in terms of ability to provide effective audit service;
- audit scope and planning in terms of adequate geographical coverage and significant areas;
- understanding of audit expectations;
- audit communications in terms of availability, quality, control and timeliness;
- quality processes/performance in terms of independence, quality, efficiency and timeliness of service delivery;
- audit fees in terms of reasonableness and sufficiency; and
- independence and objectivity in terms of performance, limit on engagement term, cooling off period of engagement partner and non-audit services rendered, in absolute terms and/or as a percentage of audit fee

The Audit Committee had reviewed the suitability and independence of Messrs PKF based on the criterions established by the Board and had recommended their re-appointment as external auditors of the Company for the financial year ended 31 December 2016. The Board, having considered the Audit Committee's recommendation, was satisfied with the competency, performance and independence of Messrs PKF and recommended their re-appointment as the Company's external auditors for shareholders' approval at the forthcoming Annual General Meeting.

During the financial year under review, the Audit Committee also relied on the written assurance obtained from the external auditors confirming their independence throughout the conduct of the audit engagement.

SHAREHOLDERS AND INVESTORS

1. Relationship with 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 which 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.

2. General Meeting

The Annual General Meeting and Extraordinary General Meeting serve as a platform for the shareholders to seek more information on the audited financial statements and other matters of interest. The Board at all times encourages attendance and participation of shareholders at the Company's general meetings. The Company sends out the notice of general meeting and related papers to the shareholders at least twenty-one (21) days before the meeting.

The special business in the Notice of Annual General Meeting is accompanied with a full explanatory of the effects of the proposed resolutions to facilitate full understanding and to help shareholders make informed decision at the general meeting.

The Code recommends putting substantive resolutions to vote by poll at Annual General Meeting and encourages electronic poll voting. The Board is of the view that the Company will not implement electronic poll voting as the cost out weights the benefits.

AUDIT COMMITTEE **REPORT**

The Audit Committee of Cymao Holdings Berhad ("Cymao") is pleased to present the Audit Committee Report for the financial year ended 31 December 2016.

The Audit Committee was established to act as a Committee of the Board with the principle objective of assisting the Board in discharging its fiduciary responsibilities on areas of corporate governance, internal control system, risk management and financial reporting of the Group.

The Audit Committee has clear written Terms of Reference defining its functions, qualification for membership, scope of duties and responsibilities, governing the manner in which the Committee operates and how decisions are made. The Terms of Reference are available at the Company's website.

Membership

The Audit Committee presently comprises of the following members:

Chairman	:	Hiew Seng	(Independent Non-Executive Director)
Members	:	Dato' Seri Mohd Shariff Bin Omar	(Independent Non-Executive Director)
	:	Syed Ibrahim Bin Syed Abd.Rahman	(Independent Non-Executive Director)

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**	**%**
Hiew Seng	Chairman	6/6	100
Dato' Seri Mohd Shariff Bin Omar	Member	6/6	100
Syed Ibrahim Bin Syed Abd.Rahman *	Member	3/3	100
Lin Hsu, Li-Chu #	Member	2/2	100

Note: * Appointed on 29 June 2016
Retired at the last Annual General Meeting on 28 May 2016

The Secretary was in attendance to record the proceedings of the meetings.

AUDIT COMMITTEE **REPORT**
(CONT'D)

KEY FUNCTIONS AND ROLES OF AUDIT COMMITTEE

Apart from main role of Audit Committee in assisting the Board to discharge its fiduciary duties, the Committee also acts as focal point of communication between the Board, external auditors, internal auditors and management.

The duties and responsibilities 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 systems of internal control 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.

KEY FUNCTIONS AND ROLES OF AUDIT COMMITTEE (CONT'D)

Summary Activities of the Audit Committee

During the financial year, the Audit Committee discharged its duties as follows:

Financial Reporting

- reviewed and discussed the unaudited quarterly financial results and the audited financial statements of the Company and the Group to ensure in compliance with the requirements of financial reporting and disclosures of the relevant authorities and recommended to the Board for approval.
- reviewed and discussed the audit findings and accounting issues arising from the audit together with the external auditors' recommendations and management's responses, consideration on management's response on impairment assessment, corrected and uncorrected misstatement and unadjusted audit differences.
- reviewed with the external auditors on new accounting standards that are applicable to the Company.
- reviewed the external auditors' report in relation to the audit for the financial year ended 31 December 2016.

External Auditors

- reviewed the Audit Planning Memorandum for the financial year ended 31 December 2016 for the Group focusing areas of audit emphasis, impairment assessment, audit engagement team and audit timeline prior to the commencement of audit.
- reviewed the external auditors' confirmation of independence and was satisfied that the non-audit services rendered were immaterial to impair their independence.
- discussed on matters highlighted by the External Auditors on audit and internal control during the course of audit and the recommendations by External Auditors on the evaluation of the internal control system and the management comments.
- reviewed the External Auditors' report on the Statement of Risk Management and Internal Control to ascertain that the disclosure are consistent with the system of risk management internal control in the Company.
- met with the External Auditors twice during the year under review without the presence of Executive Directors and/or senior management to enquire about the management's co-operation with the external auditors, sought clarification on certain issues arising from the final audit and to discuss significant weakness in the internal control and any fraud were noted during the course of audit.
- discussed the evaluation on performance of External Auditors on suitability, objectivity and independence prior to making recommendation to the Board for re-appointment of the External Auditors.

Internal Audit

- reviewed and adopt the Internal Audit Plans that covered the reasonable systematic methodology on selected audit areas and the selected group of companies targeted for audit review.
- reviewed and discussed the Internal Audit Reports which highlighted the audit findings, recommending corrective measures and management response in addressing the weaknesses.
- enquired with the internal auditors and was satisfied that they received full information and co-operation from the management during the audit review.
- reviewed the adequacy and competency of the Internal Audit function and carry out the annual assessment of competency and effectiveness of the internal auditors and was satisfied that internal audit teams have the relevant qualification, adequate expertise and experience to conduct the audit competently.

AUDIT COMMITTEE **REPORT**
(CONT'D)

KEY FUNCTIONS AND ROLES OF AUDIT COMMITTEE (CONT'D)

Related Party Transaction

- reviewed the related party transactions entered by the Group.

Others

- reviewed pertinent issues which had significant impacts on the results of the Group, investment and strategic operations of subsidiaries in relation to the cost rationalization study.
- reviewed the Audit Committee Report in respect of the financial year ended 31 December 2016 and presented to the Board for approval.
- reviewed the Statement of Risk Management and Internal Control and recommended to the Board for approval.

Summary Activities of Internal Audit Function

The Company outsourced its Internal Auditor function to two (2) service providers to separately conduct the internal audit reviews on the Group's operations at different locations, ie. Sandakan and Klang.

The role of Internal Audit Function is to assist the Audit Committee in discharging its duties and responsibilities by providing assurance on the adequacy and effectiveness of the system of internal control, systematic review of the procedures, identifying risks and recommending corrective actions to the management to address the weakness.

The activities carried out by the Internal Auditors during the financial year under review are as follows:

- conducted internal audit reviews according to the approved internal audit plan by assessing-
  - the Group's compliance to its established policies, procedures and guidelines
  - reliability and integrity of financial and operational information
  - safeguarding of assets
  - operational effectiveness and efficiency and presented the internal audit findings together with the recommended improvement for the existing system of internal control and operational effectiveness.
- as an on-going internal control process, followed up on the implementation of audit recommendations and management action plans, and reported to the Audit Committee the status of the management implementation.

The Internal Audit Reports are presented by the Internal Auditors to the Audit Committee for discussion at the quarterly meetings.

The total cost incurred for the Group's Internal Audit Function amounted to approximately RM36,330.

Performance of Audit Committee

The assessment on members of Audit Committee was conducted through self-assessment. The results of assessment were reviewed by the Nomination Committee prior to reporting the Board. The Board is satisfied with the Audit Committee has discharged its function, duties and responsibilities in accordance to the Terms of Reference.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to present this Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. In presenting this Statement, the Board is guided by the Statement on Risk Management and Internal Control-Guides for directors of Listed Issuers. The Board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of risk management and internal control of the Group during the year.

Board's Responsibility

The Board acknowledged their responsibility for the Group's system of risk management and internal control including the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. However, in view of the limitations inherent in any system, it should be noted that such system of internal control is designed to manage, rather than to eliminate the risks of failure to achieve the Group's objectives. Accordingly, it can only provide reasonable but not absolute assurances against material misstatements, fraud, losses or breaches of law and regulations.

The Board through its Audit Committee regularly reviews the results of the process of identifying, evaluating and managing significant risks faced by the Group.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the significant risks faced and applying and monitoring appropriate internal controls to mitigate and manage these risks.

Risk Management Framework

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 Managing Director and Executive Director and supported by the senior management. Within the Group management team, the management organization structure and approval authority are defined by outlining the respective management areas of responsibility.

Apart from the Executive Directors who are actively involved in the day-to-day operations of the Group, the Managing Director and senior management team conduct meeting every week unless the Managing Director is travelling. 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 and discussed.

The above process has been in place for the year under review and up to the date of approval of this statement for inclusion in the Annual Report.

The Board undertakes review of key commercial and financial risks in the Group's business as well as general risks such as those relating to compliance with laws and regulations and considers the recommendations made by the Audit Committee and the External Auditors. The monitoring arrangements in place give reasonable assurance that the structure of controls and operations is appropriate to the Group.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL** (CONT'D)

Annual Assessment

It was reported in the previous Statement that the Group is to engage one of the internal auditors to review the risk management and internal control systems of the Group so as to determine its adequacy and effectiveness, and to recommend and assist in the implementation of any required improvements to the Group's risk management and internal control systems.

Management now is of the view that the current internal auditors may not be suitable for this exercise and is now in the process of identifying a competent person to perform this review. As a result of this delay, it is now expected that this review can only be completed in the following financial year.

This review falls part of the annual assessment highlighted in the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, and was to be the Group's first step in undertaking this assessment.

Internal Control System

The Board recognizes the need for continuous improvement to its system of internal control and has taken steps to formalize and enhance the Group's procedures and processes. The Board is of the view that the systems of internal control that have been implemented within the group are adequate considering its size and complexity although improvements need to be made.

Broadly, the Group's internal control system includes the following key elements:

- Organization structures with authority limits and responsibilities
- Defined functions and responsibilities of the various committees of the Board
- Formalized internal policies and procedures which are subject to regular review and improvement
- Review of material contracts and related party transactions, if any
- Comprehensive and timely information are provided to management, covering both financial and non financial performance and key business indicators
- Regular visits to operating units by Board members and senior management
- Continuous training and development program to ensure and maintain the competency and efficiency of the employees.

Group Internal Audit

The Group has in place an internal audit function, which provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance systems. This function is currently outsourced to independent professional firms.

The Group has engaged two independent professional firms to provide internal audit services to the Sandakan and Klang operations. Internal audit independently reviews the internal controls on the key activities of the Group's business. The Internal audit was to be carried out based on the Internal Audit Plan reviewed by the Audit Committee and approved by the Board. The two internal auditors engaged to perform the internal audit quarterly have completed their audit review for the four (4) quarters up to 31 December 2016.

The Audit Committee reviews the results of the risk monitoring and compliance procedure, and ensures that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Audit Committee reviews reports from Internal Auditors and management and make recommendations to the Board in strengthening the risk management, internal control and governance systems. The Committee presents its findings to the Board on a quarterly basis.

Assurance to the Board

The Managing Director and the Executive Director are responsible for ensuring that the Group's risk management and internal control processes are systematically assessed and continuously improved by means of independent and objective evaluations.

The Board has been assured by the Managing Director and Executive Director that these processes are adequately established and effectively implemented, and nothing has come to their attention which may render the financial results presented and information provided to be false and misleading in any material respects.

The Board had also received assurance from the Managing Director and Executive Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

This Statement on Risk and Internal Control Management is made in accordance with the resolution of the Board of Directors dated 20 April 2017.

CORPORATE SOCIAL **RESPONSIBILITY STATEMENT**

The Board of Directors of Cymao Holdings Berhad ("Cymao") 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 the Cymao Group is broadly divided into four (4) focal areas as follows:

1. The Workplace

Cymao Group places 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 that help the government in reducing the unemployment.

3. The Environment

The Group identifies the importance in preserving environment and has taken efforts on waste recycle. Cymao reuses its wood waste and combined with resin turn into composite material suitable for use as 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 Borneon 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 replantation 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 which 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 maintains the 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.

ADDITIONAL COMPLIANCE **INFORMATION**

(a) Utilisation of Proceeds

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

(b) Audit and Non-Audit Fees

The audit and non-audit fees incurred by the Company and the Group for services rendered by the External Auditors for the financial year under review are as follows:

	Company (RM)	Group (RM)
Audit Fees	42,000	127,000
Non-Audit Fees	8,000	37,500

(c) 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.

(d) Recurrent Related Party Transactions

There were no related party transactions of a revenue or trading nature during the financial year under review, except as disclosed in Note 25 to the financial statements.

FINANCIAL STATEMENTS

DIRECTORS' **REPORT**

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

There has been no significant change in the nature of these principal activities during the financial year ended 31 December 2016.

RESULTS

	Group RM	Company RM
Loss for the financial year	7,472,858	483,861

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend any dividends for the current financial year ended 31 December 2016.

DIRECTORS

Directors who served since the date of the last report are:

Dato' Seri Mohd Shariff Bin Omar
Lin, Kai-Min
Lin, Kai-Hsuan
Hiew Seng
Syed Ibrahim Bin Syed Abd.Rahman (Appointed on 29 June 2016)
Lin, Tsai-Rong (Retired on 28 May 2016)
Lin Hsu, Li-Chu (Retired on 28 May 2016)
Lin, Kai-Wen (Vacated office on 28 May 2016)

DIRECTORS' INTERESTS IN SHARES

The holdings and deemed holdings in the Ordinary Shares and warrants of the Company and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholding kept under Section 134 of the Companies Act, 1965 are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Direct interest:				
Lin, Tsai-Rong	21,100,000	–	(5,000,000)	16,100,000
Lin, Kai-Min	7,973,750	5,872,500	–	13,846,250
Lin, Kai-Hsuan	4,330,500	–	–	4,330,500
Lin, Kai-Wen	650,000	–	(650,000)	–
Lin Hsu, Li-Chu	222,500	–	(222,500)	–
Hiew Seng	62,500	–	–	62,500

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 holding office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 25 to the Financial Statements.

There were no arrangements during and at the end of the financial year, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

ISSUES OF SHARES AND DEBENTURES

There were no changes in the authorised and issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

TREASURY SHARES

As at 31 December 2016, the Company held as treasury shares a total of 1,464,500 of its 75,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM630,909 and further details are as disclosed in Note 24 to the financial statements.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

OTHER MATTERS

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

The CA 2016 introduces new statutory obligations that include, inter alia, no par value shares, solvency test, liberalization of financial assistance prohibition for company to purchase its own shares, continuing enhancement of Directors' duties and governance responsibilities, and share buyback regime amendments. The Directors do not expect any material financial impact to the Company's financial statements from compliance with these new statutory obligations, and the Company shall comply with the CA 2016 and make the appropriate disclosures at the appropriate time.

AUDITORS

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

LIN, KAI-MIN
Director

SYED IBRAHIM BIN SYED ABD.RAHMAN
Director

Kuala Lumpur

Dated: 22 April 2017

STATEMENT BY **DIRECTORS**

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the accompanying financial statements set out on pages 51 to 109 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 2016 and of their financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors, the supplementary information set out in Note 33 to the financial statements has 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, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

LIN, KAI-MIN
Director

SYED IBRAHIM BIN SYED ABD.RAHMAN
Director

Kuala Lumpur

Dated: 22 April 2017

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 to the best of my knowledge and belief, the accompanying financial statements set out on pages 51 to 109 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 Kuala Lumpur)
on 22 April 2017)

LIN, KAI-MIN
Before me,

COMMISSIONER FOR OATHS

YM TENGKU FARIDDUDIN BIN
TENGKU SULAIMAN
No. W533
205, Bangunan Loke Yew
4, Jalan Mahkamah Persekutuan
50050 Kuala Lumpur (W. P.)

INDEPENDENT **AUDITORS' REPORT**
TO THE MEMBERS OF CYMAO HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cymao Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 109.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF CYMAO HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Area of focus	How our audit addressed the key audit matter
Going concern	
As highlighted in the statements of profit or loss and other comprehensive income and statements of cash flows respectively, the Group's total comprehensive loss for the financial year had increased from RM2,068,791 in the previous financial year to RM7,472,858 for the current financial year while its net cash from operating activities of the Group deteriorated from a surplus of RM4,949,578 to a surplus of RM756,609. The judgements made by the Directors in assessing whether any material uncertainties exist which cast significant doubt as to the Group's ability to meet its liabilities and whether the mitigating actions identified by management are achievable, are therefore considered a matter of most significance.	We obtained and reviewed the going concern assessment prepared by management including the one year cash flow forecast. We additionally reviewed their log supply contracts to ascertain the sufficiency of logs to support the level of operations forecasted for the next financial year, and checked the Group's compliance with the borrowing terms and did not note any non-compliance.
Impairment of property, plant and equipment	
As highlighted before, the Group's losses for the current financial year had increased significantly, which is an indicator that its plant and machinery may be impaired.	We obtained the Group's impairment review performed for Two (2) of the subsidiary companies that most contributed to the losses, Cymao Plywood Sdn. Bhd. and Inovwood Sdn. Bhd. As highlighted in Note 2.2 (a), Significant accounting judgments and estimates, the recoverable amount which is based on the fair value as valued by independent professional valuers during the financial year is significantly higher than their carrying values, and therefore no impairment is required. Due to the extent of the surplus between fair values and carrying values, the valuation is not deemed sensitive to any change in variables.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Area of focus	How our audit addressed the key audit matter
Impairment of property, plant and equipment (Cont'd)	We additionally performed the following: (i) assessed the competence, capabilities, objectivity and qualifications of the Director's independent valuers; (ii) discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitation upon them; and (iii) reviewed and assessed the significant assumptions and estimates used by the valuers in determining their final numbers and found them to be reasonable, as well as tested the mathematical accuracy of all calculations included within the final valuation reports.
Valuation of receivables As highlighted in Note 18.2, other receivables of the Group amounted to RM5,840,122, of which RM352,916 has been outstanding for more than Six (6) months and RM1,097,596 for more than One (1) year, against an allowance for doubtful debts of RM184,887. Due to the significance of these balances, the judgements made by the Directors in assessing the adequacy of the allowance is therefore considered a matter of most significance.	Other receivables of the Group relate mainly to one of their subsidiary company, Cymao Plywood Sdn Bhd, whose total other receivables amounted to RM4,852,734, or approximately 83% of total Group other receivables. For those significant balances, we have checked subsequent receipts and for those long outstanding and without significant subsequent receipts, we have discussed with management their basis to support the recoverability of these amounts. Arising from this review, additional allowances for doubtful debts were made on certain debtors for which there are indications that these balances may not be recoverable in full.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CYMAO HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

i. Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii. Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

v. Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

vi. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF CYMAO HOLDINGS BERHAD (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 33 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements.The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PKF
AF 0911
CHARTERED ACCOUNTANTS

CHAU MAN KIT
2525/03/18(J/PH)
CHARTERED ACCOUNTANT

Kota Kinabalu

Dated: 22 April 2017

STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	4	115,560,808	131,649,220	–	–
Cost of sales		(111,763,848)	(120,045,588)	–	–
Gross profit		3,796,960	11,603,632	–	–
Interest income	5	104,372	3,096	–	–
Other income	6	1,371,213	1,553,765	5,313	284,784
Selling expenses		(4,598,008)	(4,379,839)	–	–
Administrative expenses		(7,254,610)	(9,357,699)	(489,174)	(525,718)
Other expenses	7	(474,882)	(350,182)	–	(16,390)
Finance costs	8	(397,304)	(306,808)	–	–
Share of loss of joint venture		(199,837)	–	–	–
Loss before taxation	9	(7,652,096)	(1,234,035)	(483,861)	(257,324)
Income tax expense	12	179,238	(834,756)	–	–
Loss for the financial year		(7,472,858)	(2,068,791)	(483,861)	(257,324)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the financial year		(7,472,858)	(2,068,791)	(483,861)	(257,324)
Total comprehensive loss attributable to owners of the Company		(7,472,858)	(2,068,791)	(483,861)	(257,324)
Loss per share attributable to owners of the Company (sen)					
Basic	13	(10.16)	(2.81)		

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

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	36,121,170	35,972,729	10,492	20,983
Land use rights	15	892,818	908,970	–	–
Investments in subsidiaries	16	–	–	79,066,937	79,066,937
Investments accounted for using the equity method	17	440,163	–	–	–
Other receivables	18	–	1,647,233	–	–
		37,454,151	38,528,932	79,077,429	79,087,920
Current assets					
Inventories	19	23,529,244	26,696,362	–	–
Trade and other receivables	18	23,396,877	26,585,381	11,066,704	11,195,822
Tax recoverable		494,468	–	–	–
Cash and bank balances	20	4,275,334	7,765,618	10,076	14,039
		51,695,923	61,047,361	11,076,780	11,209,861
TOTAL ASSETS		**89,150,074**	**99,576,293**	**90,154,209**	**90,297,781**
EQUITY AND LIABILITIES					
Current liabilities					
Loans and borrowings	21	7,447,433	7,174,881	–	–
Trade and other payables	22	8,117,405	11,308,900	11,639,521	11,299,232
Taxation		–	195,310	–	–
		15,564,838	18,679,091	11,639,521	11,299,232
Non-current liabilities					
Loans and borrowings	21	1,792,171	1,485,685	–	–
Deferred tax liabilities	23	1,707,559	1,853,153	–	–
		3,499,730	3,338,838	–	–
TOTAL LIABILITIES		19,064,568	22,017,929	11,639,521	11,299,232
NET ASSETS		**70,085,506**	**77,558,364**	**78,514,688**	**78,998,549**
Equity attributable to owners of the Company					
Share capital	24	75,000,000	75,000,000	75,000,000	75,000,000
Share premium	24	17,374,387	17,374,387	17,374,387	17,374,387
Treasury shares	24	(630,909)	(630,909)	(630,909)	(630,909)
Accumulated losses		(21,657,972)	(14,185,114)	(13,228,790)	(12,744,929)
Total equity		**70,085,506**	**77,558,364**	**78,514,688**	**78,998,549**
TOTAL EQUITY AND LIABILITIES		**89,150,074**	**99,576,293**	**90,154,209**	**90,297,781**

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 2016

	← Attributable to the owners of the Company →				
	← Non-distributable →			Distributable	
Group	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
At 1 January 2015	75,000,000	17,374,387	(630,909)	(12,116,323)	79,627,155
Loss for the financial year	–	–	–	(2,068,791)	(2,068,791)
At 31 December 2015	75,000,000	17,374,387	(630,909)	(14,185,114)	77,558,364
Loss for the financial year	–	–	–	(7,472,858)	(7,472,858)
At 31 December 2016	75,000,000	17,374,387	(630,909)	(21,657,972)	70,085,506
Company					
At 1 January 2015	75,000,000	17,374,387	(630,909)	(12,487,605)	79,255,873
Loss for the financial year	–	–	–	(257,324)	(257,324)
At 31 December 2015	75,000,000	17,374,387	(630,909)	(12,744,929)	78,998,549
Loss for the financial year	–	–	–	(483,861)	(483,861)
At 31 December 2016	75,000,000	17,374,387	(630,909)	(13,228,790)	78,514,688

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 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from operating activities					
Loss before taxation		(7,652,096)	(1,234,035)	(483,861)	(257,324)
Adjustments for:					
Allowance for slow moving inventories		–	227,005	–	–
Allowance for doubtful debts		84,887	–	–	–
Amortisation of land use rights		16,152	53,230	–	–
Bad debts written off		5,726	16,390	–	16,390
Depreciation of property, plant and equipment		4,810,623	7,442,798	10,491	20,981
Finance costs		397,304	306,808	–	–
Gain on disposal of property, plant and equipment		(668,763)	–	–	–
Interest income		(104,372)	(3,096)	–	–
Share of loss of share in joint venture		199,837	–	–	–
Operating cash flows before working capital changes		(2,910,702)	6,809,100	(473,370)	(219,953)
Change in inventories		3,167,118	4,483,085	–	–
Change in receivables		1,206,589	(7,657,912)	129,118	2,111,747
Change in payables		347,042	2,094,963	340,289	(2,056,042)
Cash generated from/ (used in) operations		1,810,047	5,729,236	(3,963)	(164,248)
Income tax paid		(665,434)	(540,943)	–	–
Income tax refunded		9,300	68,093	–	–
Interest paid		(397,304)	(306,808)	–	–
Net cash from/ (used in) operating activities		756,609	4,949,578	(3,963)	(164,248)

(forward)

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 2016 (CONT'D)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
(continued)					
Cash flows from investing activities					
Acquisition of property, plant and equipment		(5,709,629)	(1,537,385)	–	–
Decrease in short-term deposits with a licensed bank		885,573	–	–	–
Interest received		104,372	3,096	–	–
Acquisition of joint venture		(640,000)	–	–	–
Proceeds from disposal of property, plant and equipment		1,419,326	–	–	–
Net cash used in investing activities		(3,940,358)	(1,534,289)	–	–
Cash flows from financing activities					
Drawdown of bankers' acceptance		27,258,000	18,718,000	–	–
Drawdown of term loans		450,000	–	–	–
Repayment of bankers' acceptance		(27,485,000)	(17,324,000)	–	–
Repayment of foreign currency trade loan		–	(949,756)	–	–
Repayment of term loans		(102,547)	(94,271)	–	–
Net cash from financing activities		120,453	349,973	–	–
Net (decrease)/ increase in cash and cash equivalents		(3,063,296)	3,765,262	(3,963)	(164,248)
Cash and cash equivalents at beginning of financial year		6,229,957	2,464,695	14,039	178,287
Cash and cash equivalents at end of financial year	20	3,166,661	6,229,957	10,076	14,039

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

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

1. BASIS OF PREPARATION

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous financial year unless otherwise stated.

The financial statements of the Group and of the Company are prepared under the historical cost convention, other than as disclosed in the notes to the financial statements, and in accordance with Malaysian Financial Reporting Standards ("MFRSs") issued by Malaysian Accounting Standards Board, International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements are prepared in Ringgit Malaysia (RM) which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

1.1. Adoption of new and revised MFRSs

The following new and revised Standards and Interpretation have been adopted in the current year. Unless otherwise disclosed, their adoption has had no material impact on the amounts reported in these financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- Disclosure Initiative (Amendments to MFRS 101)

The main effect of the adoption of the above are summarised below:

<u>Accounting for Acquisitions of Interests in Joint Operations</u>

Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11) amends MFRS 11 such that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in MFRS 3, is required to apply all of the principles on business combinations accounting in MFRS 3 and other MFRSs with the exception of those principles that conflict with the guidance in MFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- measure most identifiable assets and liabilities at fair value;
- expense acquisition-related costs (other than debt or equity issuance costs);
- recognise deferred taxes;
- recognising any goodwill or bargain purchase gain;
- perform impairment tests for the cash generating units to which goodwill has been allocated;
- disclose information required relevant for business combinations.

1. BASIS OF PREPARATION (CONT'D)

1.1 Adoption of new and revised MFRSs (Cont'd)

Accounting for Acquisitions of Interests in Joint Operations (Cont'd)

The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business.

This amendment was applied in the Group's acquisition of GP Dynamic Venture Sdn Bhd as highlighted in Note 17.

Disclosure Initiative

Disclosure Initiative (Amendments to MFRS 101) made the following changes:

(i) Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

(ii) Statement of financial position and statement of profit or loss and other comprehensive income. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of Other Comprehensive Income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

(iii) Notes.The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of MFRS 101. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The adoption of this amendment has resulted in significantly reduced disclosures in certain sections of the financial statements of the Group and the Company.

1. BASIS OF PREPARATION (CONT'D)

1.2 Standards issued but not yet effective

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

Effective for annual periods commencing on or after 1 January 2017

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16, Leases

A brief description on the Amendments to MFRSs and new MFRSs above that have been issued is set out below:

<u>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)</u>

The amendments clarify the following aspects:

(i) Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

(ii) The carrying amount of an asset does not limit the estimation of probable future taxable profits.

(iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

(iv) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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

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

1. BASIS OF PREPARATION (CONT'D)

1.2 Standards issued but not yet effective (Cont'd)

MFRS 9, Financial Instruments

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

(i) Classification and measurement

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

(ii) Impairment

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

1. BASIS OF PREPARATION (CONT'D)

1.2 Standards issued but not yet effective (Cont'd)

MFRS 9, Financial Instruments (Cont'd)

(ii) Impairment (Cont'd)

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

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

MFRS 15, Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group.

1. BASIS OF PREPARATION (CONT'D)

1.2 Standards issued but not yet effective (Cont'd)

MFRS 16, Leases

Under MFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under MFRS 117 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with MFRS 16's predecessor, MFRS 117, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

Recognition exemptions: Instead of applying the recognition requirements of MFRS 16 described above, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- leases with a lease term of Twelve (12) months or less and containing no purchase options – this election is made by class of underlying asset; and

- leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group.

2. SIGNIFICANT ACCOUNTING JUDGMENTS 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 periods.

2.1 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.

However due to the history of losses of the Group, it is management's judgement that it is not yet probable that future taxable profits will be available against which the losses and capital allowances can be utilised, and accordingly have not recognised the deferred tax assets of the Group as disclosed in Note 23 to the financial statements.

2.2 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) Impairment of property, plant and equipment

The Group determines at each reporting date whether a trigger for an impairment review exist. If an impairment review is necessary, the Directors estimates the recoverable account of the asset by reference to the higher of value in use ("VIU") being the net present value of future cash flows expected to be generated by the asset, and fair value less costs to dispose ("FVLCD"). In estimating this recoverable amounts, the Directors use independent professional valuers and normally based on the FVLCD.

(b) 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 Five (5) to Ten (10) years. These are common life expectancies applied in the wood product 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 14.

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

2.2 Key sources of estimation uncertainty (Cont'd)

(c) 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 delays 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 27.

(d) Income taxes

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Consolidation and investments in associates and joint arrangements

Basis of consolidation

These financial statements are the consolidated financial statements of Cymao Holdings Berhad and entities controlled by it and its subsidiaries ("the Group").

Control is achieved when the investor:

- has power over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the investor shall reassess whether it controls the investee.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation and investments in associates and joint arrangements (Cont'd)

Basis of consolidation (Cont'd)

An investor can have power over an investee even if it holds less than a majority of the voting rights of an investee. All facts and circumstances are considered in assessing whether or not voting rights in an investee are sufficient to give it power, for example, through:

- contractual arrangements with other vote holders;
- rights from other contractual arrangements that indicate that the company has the current ability to direct the relevant activities of the investee;
- the size of the company's holding of voting rights relative to the size and dispersion of holdings of other vote holders; or
- potential voting rights held by the company that are substantive.

Investment in subsidiaries

Consolidation of a subsidiary begins from the date the investor gains control of an investee and ceases when the investor loses control of an investee.

The purchase, or acquisition, method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured as the fair value of assets transferred, equity instruments issued and liabilities incurred at the date of exchange.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Non-controlling interests in subsidiaries are presented in the consolidated statement of financial position separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest may initially be measured either at fair value or at the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on each acquisition individually. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions or disposals of non-controlling interests which do not affect the parent company's control of the subsidiary are accounted for as transactions with equity holders. Any difference between the fair value of the amount paid or received and the change in non-controlling interests is recognised directly in equity.

When the Group ceases to have control of a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost with the adjustment being recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (this may mean that these amounts are reclassified to profit or loss or transferred to another category of equity as specified by applicable MFRS).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation and investments in associates and joint arrangements (Cont'd)

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment in an associate is initially recognised at cost and adjusted for the Group's share of in the net assets of the investee after the date of acquisition, and for any impairment in value (equity method), except when the investment is classified as held-for-sale in accordance with MFRS 5 Non-current assets held-for-sale and discontinued operations. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The investment in a joint venture is initially recognised at cost and adjusted for the Group's share of in the net assets of the investee after the date of acquisition, and for any impairment in value (equity method), except when the investment is classified as held-for-sale in accordance with MFRS 5 Non-current assets held-for-sale and discontinued operations. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses.

When the Group loses joint control, it proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. If an investment remains, it is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises the following in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Goodwill

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.3 Business combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognised in profit or loss as incurred. Where a business combination is achieved in stages, previously held interests in the acquiree are re-measured to fair value at the acquisition date (date the Group obtains control) and the resulting gain or loss, is recognised in profit or loss. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss.

If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognised when new information about its existence is obtained during this period.

Non-measurement period adjustments to contingent consideration(s) classified as equity are not remeasured. Non-measurement period adjustments to other contingent considerations are remeasured at fair value with changes in fair value recognised in profit or loss.

3.4 Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight line basis over the estimated useful lives as follows:

Buildings	2% - 10%
Renovation	10%
Plant and machinery	10%
Motor vehicles	20%
Furniture, fixtures and equipment	20%

Leasehold lands are amortised over the remaining period of the lease. Freehold land has unlimited useful life and therefore is not depreciated. Assets under construction are not depreciated as these assets are not yet available for use.

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 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.

3.6 Impairment of non-financial assets

The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash generating unit to which the asset is allocated.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as revaluation decrease.

For goodwill, intangible assets that have an indefinite life, and intangible assets not yet available for use, the recoverable amount is estimated annually and at the end of each reporting period if there is an indication of impairment.

3.7 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs (which is recognised in profit or loss).

Equity instruments for which fair value is not determinable, are measured at cost and are classified as available-for-sale financial assets.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

Available-for-sale financial assets

Available-for-sale financial assets comprise equity investments. Subsequent to initial recognition, available-for-sale financial assets are stated at fair value. Movements in fair values are taken directly to equity, with the exception of impairment losses and foreign exchange gains or losses which are recognised in profit or loss. Fair values are based on prices quoted in an active market if such a market is available. If an active market is not available, the Group establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis. When an investment is disposed of, any cumulative gains and losses previously recognised in equity are recognised in profit or loss. Dividends are recognised in profit or loss when the right to receive payments is established.

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

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial assets at fair value through profit and loss comprise derivative financial instruments, namely interest rate swaps and forward exchange contracts. Subsequent to initial recognition, financial assets at fair value through profit and loss are stated at fair value. Movements in fair values are recognised in profit or loss, unless they relate to derivatives designated and effective as hedging instruments, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

The Group designates certain derivatives as hedging instruments in fair value hedges of recognised assets and liabilities and firm commitments, and in cash flow hedges of highly probable forecast transactions and foreign currency risks relating to firm commitments.

The effective portion of fluctuations in the fair value of interest rate swaps used to hedge interest rate risk and that qualify as fair value hedges are recognised together with finance costs. The ineffective portion of the gain or loss is recognised in other expenses or other income.

Fluctuations in the fair value of forward exchange contracts used to hedge currency risk of future cash flows, and the fair value of foreign currency monetary items on the statement of financial position, are recognised directly in other expenses or other income. This policy has been adopted as the relationship between the forward exchange contracts and the item being hedged does not meet certain conditions in order to qualify as a hedging relationship.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of Three (3) months or less is normally classified as being short-term. Bank overdrafts are shown within borrowing in current liabilities.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Bank overdrafts and interest-bearing borrowings

Bank overdrafts and interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Equity instruments

Equity instruments issued by the Group are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments.

Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in share premium.

Compound instruments

At the issue date, the fair value of the liability component of a compound instrument is estimated using the market interest rate for a similar non-convertible instrument. This amount is recorded as a liability at amortised cost using the effective interest method until extinguished upon conversion or at the instrument's redemption date. The equity component is determined as the difference of the amount of the liability component from the fair value of the instrument. This is recognised in equity, net of income tax effects, and is not subsequently re-measured.

Impairment of financial assets

All financial assets measured at amortised cost are assessed for indicators of impairment at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial guarantee contracts

Financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of (a) the amount determined in accordance with MFRS 137, Provisions, Contingent Liabilities and Contingent Assets, and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118.

3.8 Inventories

Inventories are valued at the lower of cost and net realisable value on a weighted average basis. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

3.9 Employee benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred.

The Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Revenue recognition

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

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

Rendering of services - Revenue from provision of barge hiring income is recognised when the services are performed.

Rental income - Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

Interest income - Interest revenue is recognised in the period in which interest is earned. The amount of revenue is measured using the effective interest rate method.

3.11 Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Other borrowing costs are expensed in the period in which they are incurred.

3.12 Taxation

Income tax for the period is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods. Income tax for the period is calculated using the current ruling tax rate.

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control of the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Taxation (Cont'd)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position 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 asset to be recovered.

3.13 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3.14 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities within the Group. Monetary items denominated in foreign currencies are retranslated at the exchange rates applying at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalisation to assets under construction;
- exchange differences on transactions entered into to hedge foreign currency risks (assuming all hedge accounting tests are met); and
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of a non-financial asset at fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods				
Block board	43,522,143	46,103,258	–	–
Plywood	71,622,370	84,744,055	–	–
Others	134,502	212,757	–	–
	115,279,015	131,060,070	–	–
Services rendered				
Barge hiring income	281,793	589,150	–	–
	115,560,808	131,649,220	–	–

5. INTEREST INCOME

	Group	
	2016 RM	2015 RM
Interest income from:		
Fixed deposits	104,372	3,096

6. OTHER INCOME

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Gain on disposal of				
- Property, plant and equipment	668,761	–	–	–
- Materials	–	2,550	–	–
Gain on foreign exchange				
- Realised	12,853	907,440	–	20,184
Liabilities no longer in existence written back	5,313	264,600	5,313	264,600
Miscellaneous	684,286	343,175	–	–
Rental income	–	36,000	–	–
	1,371,213	1,553,765	5,313	284,784

7. OTHER EXPENSES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Impairment loss				
- Bad debts written off	5,726	16,390	–	16,390
Loss on damaged of materials	153,263	–	–	–
Loss on disposal of materials	227,152	207,287	–	–
Others	88,741	126,505	–	–
	474,882	350,182	–	16,390

8. FINANCE COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Bankers' acceptance	289,475	211,236	–	–
Bank overdraft	19,348	6,980	–	–
Foreign currency trade loan	–	1,699	–	–
Term loans	88,481	86,893	–	–
	397,304	306,808	–	–

9. LOSS BEFORE TAXATION

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Loss before taxation is arrived at after charging/ (crediting):				
Allowance for doubtful debts	84,887	–	–	–
Allowance for slow moving inventories	–	227,005	–	–
Amortisation of land use rights (Note 15)	16,152	53,230	–	–
Auditors' remuneration				
- Statutory audit				
- Current year	127,000	123,000	42,000	38,000
- Under provision in prior year	–	9,500	–	5,000
- Other services	47,110	36,042	37,000	8,000
Bad debts written off	5,726	16,390	–	16,390
Depreciation of property, plant and equipment (Note 14)	4,810,623	7,442,798	10,491	20,981
Employee benefits expense (Note 10)	18,323,087	18,396,966	48,000	84,000
Gain on disposal of property, plant and equipment	(668,761)	–	–	–
Loss on disposal of materials	227,152	207,287	–	–
Loss on foreign exchange				
- Realised	71,807	436,702	–	–
Non-executive Directors' remuneration (Note 11)	96,000	75,000	96,000	75,000
Rental of factory	19,300	55,000	–	–
Rental of logyard	254,350	249,400	–	–
Rental of premises	33,525	19,500	–	–

10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Salaries and wages	18,015,075	18,110,923	48,000	84,000
Contributions to defined contribution plan	267,740	250,122	–	–
Social security contributions	40,272	35,921	–	–
	18,323,087	18,396,966	48,000	84,000

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM1,727,000 (2015: RM2,198,000) and RM48,000 (2015: RM84,000) respectively as further disclosed in Note 11 to the financial statements.

11. DIRECTORS' REMUNERATION

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Executive Directors				
- Fee -	48,000	84,000	48,000	84,000
- Salaries and other emoluments	1,679,000	2,114,000	-	-
	1,727,000	2,198,000	48,000	84,000
Non-executive Directors				
- Fee	96,000	75,000	96,000	75,000
Total Directors' remuneration	1,823,000	2,273,000	144,000	159,000

11. DIRECTORS' REMUNERATION (CONT'D)

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	
	2016	**2015**
Executive Directors:		
Below RM200,000	1	–
RM250,001 – RM300,000	1	1
RM300,001 – RM600,000	1	–
RM600,001 – RM650,000	1	2
RM650,001 – RM700,000	–	1
Non-executive Directors:		
Below RM50,000	3	3

12. INCOME TAX EXPENSE

Major components of income tax expense

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Current taxation	127,682	769,741	–	–
Deferred tax				
Relating to the origination and reversal of temporary differences (Note 23)	(145,594)	70,512	–	–
	(17,912)	840,253	–	–
Over provision in prior years				
- Current taxation	(161,326)	(5,497)	–	–
	(179,238)	834,756	–	–

12. INCOME TAX EXPENSE (CONT'D)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Loss before taxation	(7,652,096)	(1,234,035)	(483,861)	(257,324)
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	(1,836,505)	(308,509)	(116,126)	(64,331)
Adjustments:				
Non-tax deductible expenses	343,491	1,969,627	116,126	64,331
Non-taxable income	(134,325)	–	–	–
Double deduction expenses	(396,039)	(287,694)	–	–
Deferred tax assets not recognised	2,005,466	(533,171)	–	–
	(17,912)	840,253	–	–
Over provision in prior years - Current taxation	(161,326)	(5,497)	–	–
	(179,238)	834,756	–	–

13. LOSS PER SHARE

13.1 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 outstanding during the financial year.

	Group	
	2016	2015
Loss net of tax attributable to owners of the Company (RM)	(7,472,858)	(2,068,791)
Weighted average number of ordinary shares in issue	73,535,500	73,535,500
Basic loss per share (Sen)	(10.16)	(2.81)

13.2 Diluted

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* RM	Plant and machinery RM	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
Group – 2016					
Cost					
At 1 January 2016	39,009,763	107,180,274	142,830	4,905,234	151,238,101
Addition	3,772,046	1,915,266	22,317	–	5,709,629
Disposal	–	(2,585,123)	–	–	(2,585,123)
At 31 December 2016	42,781,809	106,510,417	165,147	4,905,234	154,362,607
Accumulated depreciation and impairment losses					
At 1 January 2016	17,343,750	94,003,775	112,141	3,805,706	115,265,372
Charge for the financial year	769,608	3,671,409	7,809	361,797	4,810,623
Written back	–	(1,834,558)	–	–	(1,834,558)
At 31 December 2016	18,113,358	95,840,626	119,950	4,167,503	118,241,437
Net book value					
At 31 December 2016	24,668,451	10,669,791	45,197	737,731	36,121,170
Group – 2015					
Cost					
At 1 January 2015	39,009,763	105,663,918	121,801	4,905,234	149,700,716
Addition	–	1,516,356	21,029	–	1,537,385
At 31 December 2015	39,009,763	107,180,274	142,830	4,905,234	151,238,101
Accumulated depreciation and impairment losses					
At 1 January 2015	16,470,105	87,834,862	106,751	3,410,856	107,822,574
Charge for the financial year	873,645	6,168,913	5,390	394,850	7,442,798
At 31 December 2015	17,343,750	94,003,775	112,141	3,805,706	115,265,372
Net book value					
At 31 December 2015	21,666,013	13,176,499	30,689	1,099,528	35,972,729

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

* Land and buildings of the Group comprises:

	Freehold land RM	Leasehold land RM	Buildings RM	Renovation RM	Total RM
Cost					
At 1 January 2015	2,386,800	12,880,120	22,529,690	1,213,153	39,009,763
Addition	–	–	–	–	–
At 31 December 2015	2,386,800	12,880,120	22,529,690	1,213,153	39,009,763
Addition	–	3,395,630	209,050	167,366	3,772,046
At 31 December 2016	2,386,800	16,275,750	22,738,740	1,380,519	42,781,809
Accumulated depreciation and impairment losses					
At 1 January 2015	–	1,848,511	14,352,316	269,278	16,470,105
Charge for the financial year	–	207,845	534,437	131,363	873,645
At 31 December 2015	–	2,056,356	14,886,753	400,641	17,343,750
Charge for the financial year	–	117,414	521,836	130,358	769,608
At 31 December 2016	–	2,173,770	15,408,589	530,999	18,113,358
Net book value					
At 31 December 2016	2,386,800	14,101,980	7,330,151	849,520	24,668,451
At 31 December 2015	2,386,800	10,823,764	7,642,937	812,512	21,666,013

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fittings and equipment RM	Renovation RM	Total RM
Company			
2016			
Cost			
At 1 January 2016/ 31 December 2016	20,944	104,907	125,851
Accumulated depreciation			
At 1 January 2016	20,944	83,924	104,868
Charge for the financial year	–	10,491	10,491
At 31 December 2016	20,944	94,415	115,359
Net book value			
At 31 December 2016	–	10,492	10,492
2015			
Cost			
At 1 January 2015/ 31 December 2015	20,944	104,907	125,851
Accumulated depreciation			
At 1 January 2015	20,944	62,943	83,887
Charge for the financial year	–	20,981	20,981
At 31 December 2015	20,944	83,924	104,868
Net book value			
At 31 December 2015	–	20,983	20,983

Freehold land, leasehold land and building of the Group amounting to RM11,603,404 (2015: RM11,954,406) are mortgaged to secured bank borrowing as stated in Note 21 to the financial statements.

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Recognised in profit or loss (Note 9)				
- Cost of sales	4,179,353	6,803,388	–	–
- Administrative expenses	607,625	605,067	10,491	20,981
- Selling expenses	23,645	34,343	–	–
	4,810,623	7,442,798	10,491	20,981

15. LAND USE RIGHTS

	Group	
	2016 RM	2015 RM
Cost		
At 1 January/31 December	1,337,376	1,337,376
Accumulated amortisation		
At 1 January	428,406	375,176
Charge for the financial year (Note 9)	16,152	53,230
At 31 December	444,558	428,406
Net book value		
At 31 December	892,818	908,970

The land use rights are not transferable and will expire on 31 December 2033.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
Cost		
Unquoted shares, at cost		
At 1 January/31 December	92,152,988	92,152,988
Accumulated impairment losses		
At 1 January/31 December	(13,086,051)	(13,086,051)
Net carrying amount	79,066,937	79,066,937

All of the subsidiaries held by the Company are incorporated in Malaysia, details are as follows:

Name of subsidiaries	Principal activities	Principal place of business	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
Cymao Plywood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood and provision of barge hiring services	Sandakan	100	100
Billion Apex Sdn. Bhd.	Dormant	Sandakan	100	100
Inovwood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood	Sandakan	100	100
Syabas Mujur Sdn. Bhd.	Sales and extraction of log timber operations. Operations temporarily ceased.	Sandakan	100	100
Poly-Ply Industries Sdn. Bhd.	Manufacturing of polyester-overlaid plywood	Klang	100	100

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Principal activities	Principal place of business	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
Joint venture				
GP Dynamic Venture Sdn. Bhd.	Producer of veneer, plywood and sawn timber	Kuala Terengganu	40	–

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D)

Summarised financial information in respect of the Group's material joint venture is set below.

The summarised financial information below represents amounts shown in the joint venture's financial statements.

	Joint Venture GP Venture Dynamic Sdn. Bhd. 2016 RM	2015 RM
Current assets	578,498	–
Non-current assets	693,241	–
Current liabilities	(88,318)	–
Non-current liabilities	(83,014)	–
The following amounts have been included in the amounts above		
Cash and cash equivalents	46,128	–
Current financial liabilities	(22,644)	–
Non-current financial liabilities	(83,014)	–
Revenue	–	–
Loss for the financial year	(504,695)	–
Other comprehensive income for the year	–	–
Total comprehensive income for the year	–	–
The following amounts have been included in the amounts above		
Depreciation	(21,284)	–
Interest income	11,853	–
Interest expense	(947)	–
Income tax expense	–	–
Dividend received from the joint venture during the financial year	–	–

Reconciliation of the summarised financial information to the carrying amount of the interest in the joint venture recognised in the Group's financial statements.

	Joint Venture GP Venture Dynamic Sdn. Bhd. 2016 RM	2015 RM
Net assets of the joint venture	1,100,407	–
Proportion of the Group's ownership interest in the joint venture	40%	–
Carrying amount of the Group's interest in the joint venture	440,163	–

There are no contingent liabilities or capital commitments related to the Group's investment in the joint venture.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
Trade receivables				
Third parties	17,599,324	17,465,027	–	–
Allowance for doubtful debts	(42,569)	(42,569)	–	–
	17,556,755	17,422,458	–	–
Other receivables				
Amounts due from subsidiaries	–	–	11,060,391	11,180,391
Deposits for log supplies	631,737	4,604,979	–	–
Prepayments	998,180	1,373,973	6,313	15,431
Staff advances	211,369	4,949	–	–
Sundry deposits	1,679,945	1,865,726	–	–
Sundry receivables	2,503,778	1,525,748	–	–
	6,025,009	9,375,375	11,066,704	11,195,822
Allowance for doubtful debts	(184,887)	(212,452)	–	–
	5,840,122	9,162,923	11,066,704	11,195,822
Total	23,396,877	26,585,381	11,066,704	11,195,822
Non-current				
Other receivables				
Deposits for acquisition of machineries	–	1,647,233	–	–
Total (current and non-current)	23,396,877	28,232,614	11,066,704	11,195,822

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

18. TRADE AND OTHER RECEIVABLES (CONT'D)

18.1 Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 30 to 60 days (2015: 45 to 60 days). 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 as at the reporting date is as follows:

	Gross amount RM	Individual impairment RM	Carrying value RM
Group			
2016			
Neither past due nor impaired	9,463,597	–	9,463,597
Past due			
Less than 60 days	6,782,656	–	6,782,656
Between 61 to 120 days	1,292,741	–	1,292,741
Between 121 to 365 days	17,121	–	17,121
More than 365 days	43,209	(42,569)	640
	8,135,727	(42,569)	8,093,158
	17,599,324	(42,569)	17,556,755
2015			
Neither past due nor impaired	7,314,767	–	7,314,767
Past due			
Less than 60 days	4,224,776	–	4,224,776
Between 61 to 120 days	5,882,235	–	5,882,235
Between 121 to 365 days	–	–	–
More than 365 days	43,249	(42,569)	680
	10,150,260	(42,569)	10,107,691
	17,465,027	(42,569)	17,422,458

18. TRADE AND OTHER RECEIVABLES (CONT'D)

18.1 Trade receivables (Cont'd)

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM8,093,158 (2015: RM10,107,691) that are past due but not impaired at the reporting date. These balances are unsecured in nature.

18.2. Other receivables

Ageing analysis of other receivables

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

	Gross amount RM	Individual impairment RM	Carrying value RM
Group			
2016			
Neither past due nor impaired	2,791,612	–	2,791,612
Past due			
Less than 60 days	1,454,403	–	1,454,403
Between 61 to 120 days	328,482	–	328,482
Between 121 to 365 days	352,916	–	352,916
More than 365 days	1,097,596	(184,887)	912,709
	3,233,397	(184,887)	3,048,510
	6,025,009	(184,887)	5,840,122
2015			
Neither past due nor impaired	4,309,849	–	4,309,849
Past due			
Less than 60 days	1,033,575	–	1,033,575
Between 61 to 120 days	908,839	–	908,839
Between 121 to 365 days	1,733,081	–	1,733,081
More than 365 days	1,390,031	(212,452)	1,177,579
	5,065,526	(212,452)	4,853,074
	9,375,375	(212,452)	9,162,923

18. TRADE AND OTHER RECEIVABLES (CONT'D)

18.3 Allowance for doubtful debts

The Group movement of the allowance for doubtful debts used to record the impairment are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Allowance for doubtful debts for trade receivables:				
At 1 January	42,569	42,569	–	–
Charge for the financial year	–	–	–	–
Reversal during the financial year	–	–	–	–
	42,569	42,569	–	–
Allowance for doubtful debts for other receivables:				
At 1 January	212,452	212,452	–	–
Charge for the financial year	84,887	–	–	–
Reversal during the financial year	(112,452)	–	–	–
	184,887	212,452	–	–
	227,456	255,021	–	–

Trade and other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

18.4 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.

18.5 Deposits for log supplies

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

19. INVENTORIES

	Group 2016 RM	Group 2015 RM
Cost		
Raw materials	7,319,908	10,709,301
Work-in-progress	6,755,028	7,464,047
Finished goods	3,790,800	951,686
Materials and supplies	1,971,651	2,344,387
Goods-in-transit	1,153,308	1,302,988
	20,990,695	22,772,409
Net realisable value		
Finished goods	2,765,554	4,150,958
	23,756,249	26,923,367
Less: Allowance for slow moving inventories	(227,005)	(227,005)
	23,529,244	26,696,362

The write-down of inventories to net realisable value recognised as an expense during the financial year amounted to RM209,098 (2015: RM171,580).

20. CASH AND BANK BALANCES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash in hand	45,686	44,047	–	–
Cash at banks	3,120,479	3,360,625	10,076	14,039
Deposits with licensed banks	1,109,169	4,360,946	–	–
Cash and bank balances	4,275,334	7,765,618	10,076	14,039
Bank overdraft (Note 21)	(608,673)	(150,088)	–	–
Less: Deposits with licensed banks with maturity of more than three months	(500,000)	(1,385,573)	–	–
Cash and cash equivalents	3,166,661	6,229,957	10,076	14,039

Deposits with licensed banks are made up for varying periods of between a few days 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 2016 for the Group was 2.95% (2015: 3.15%).

Deposits with licensed banks of the Group amounting to RM500,000 (2015: RM1,385,573) are pledged as securities for bank guarantees granted to a subsidiary.

21. LOANS AND BORROWINGS

	Group 2016 RM	Group 2015 RM
Current		
Secured:		
Bank overdrafts	608,673	150,088
Bankers' acceptance	6,699,000	6,926,000
Term loans	139,760	98,793
	7,447,433	7,174,881
Non-current		
Secured:		
Term loans	1,792,171	1,485,685
Total loans and borrowings	9,239,604	8,660,566

The remaining maturities of the loans and borrowings are as follows:

	Group 2016 RM	Group 2015 RM
On demand or within one year	7,447,433	7,174,881
Between one to two years	147,423	104,211
Between two to five years	492,567	348,186
More than five years	1,152,181	1,033,288
	9,239,604	8,660,566

<u>Bank overdrafts</u>

Bank overdrafts are denominated in Ringgit Malaysia (RM) and bear interest at BLR + 0.5% per annum.

<u>Bankers' acceptance</u>

These are used to finance purchases of the Group denominated in Ringgit Malaysia (RM) and are short term in nature. The effective interest rate ranges from 3.45% to 4.03% (2015: 3.45% to 3.95%) per annum.

21. LOANS AND BORROWINGS (CONT'D)

Term loans

The loans are repayable over 180 and 120 monthly instalment ending in the year 2026, and bear interest at BLR – 1.5% per annum.

These loans and borrowings are secured by:

(i) a legal charge over freehold land, leasehold land and building belonging to the subsidiary companies as disclosed in Note 14 to the financial statements;

(ii) a joint and several guarantee executed by two of the Directors of the Company; and

(iii) a corporate guarantee issued by the Company.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade payables				
Third parties	4,853,093	5,818,064	–	–
Non-trade payables				
Amounts due to subsidiaries	–	–	11,401,607	11,056,138
Accruals	2,042,955	2,978,691	144,000	180,000
Deposits received from customers	–	36,938	–	–
Other payables	1,221,357	1,652,559	93,914	63,094
Sales receivable in advance	–	822,648	–	–
	3,264,312	5,490,836	11,639,521	11,299,232
	8,117,405	11,308,900	11,639,521	11,299,232

22.1 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.

22.2 Other payables

Other payables are non-interest bearing and normally settled on an average term of Six (6) months.

22.3 Amounts due to subsidiaries

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

23. DEFERRED TAX LIABILITIES

	Group 2016 RM	Group 2015 RM
At 1 January	1,853,153	1,782,641
Recognised in profit or loss (Note 12)	(145,594)	70,512
At 31 December	1,707,559	1,853,153

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

	Property, plant and equipment RM	Total RM
Group		
Deferred tax liabilities		
At 1 January 2016	1,853,153	1,853,153
Recognised in profit or loss	(145,594)	(145,594)
At 31 December 2016	1,707,559	1,707,559
At 1 January 2015	1,782,641	1,782,641
Recognised in profit or loss	70,512	70,512
At 31 December 2015	1,853,153	1,853,153

No deferred tax asset has been recognised for the following items:

	Group 2016 RM	Group 2015 RM
Capital allowance in excess of depreciation/ (depreciation in excess of capital allowance)	1,077,099	(327,412)
Unutilised tax losses	(26,169,670)	(21,162,293)
Unabsorbed capital allowance	(45,134,472)	(42,215,574)
Unutilised reinvestment allowance	(15,683,373)	(15,520,604)
	(85,910,416)	(79,225,883)

The unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances of the Group disclosed above are available indefinitely for offsetting against future taxable profits of the respective subsidiaries subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

These deferred tax asset is not recognised due to uncertainty of its recoverability.

24. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of Ordinary Shares of RM1 Each 2016	Number of Ordinary Shares of RM1 Each 2015	Amount 2016 RM	Amount 2015 RM
Authorised share capital				
At 1 January and 31 December	100,000,000	100,000,000	100,000,000	100,000,000

	Group and Company						
	Number of ordinary shares of RM1 each		Amount				
Issued and fully paid	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	Total excluding treasury shares RM
At 1 January 2016/ 31 December 2016	75,000,000	(1,464,500)	75,000,000	17,374,387	92,374,387	(630,909)	91,743,478
At 1 January 2015/ 31 December 2015	75,000,000	(1,464,500)	75,000,000	17,374,387	92,374,387	(630,909)	91,743,478

24.1 Share capital

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

24.2 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 2016, 1,464,500 (2015: 1,464,500) are held as treasury shares by the Company. As at 31 December 2016, the number of outstanding ordinary shares in issue after the setoff is therefore 73,535,500 (2015: 73,535,500) ordinary shares of RM1 each.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

25.1 Identities of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

25.2 Related party transactions

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 year:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries paid to wife of Managing Director, Lin, Kai-Min	30,000	–	–	–
Salaries and bonus paid to daughter of Director, Lin, Tsai-Rong	–	10,000	–	–
Transactions with a company in which a Director of the Company is also Director and has financial interest:				
- Purchase of plant and equipment	–	320,000	–	–

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

25.3 Compensation of key management personnel

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short-term employee benefits	1,823,000	2,273,000	144,000	159,000
Contributions to defined contribution plans	–	–	–	–
	1,823,000	2,273,000	144,000	159,000

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

The terms and conditions and prices of the above transactions are mutually agreed between the parties. Related party balances are unsecured, interest free and repayable on demand. Related party balances are disclosed in Note 18 and 22, and other than amounts due from and to subsidiary companies, there are no related party balances as at 31 December 2016 and 31 December 2015.

26. CONTINGENT LIABILITIES

In February 2015, the subsidiary company of the Company was served with writ of summons by a sub-contractor demanding repayment of amounts alleged owed to them totalling RM504,052 together with interest and other cost. The subsidiary company is disputing this claim and as at the date of this report, the court case is still in progress. Due to uncertainty of the eventual outcome, this amount is not recognised in the financial statements but disclosed as a contingent liability in accordance with the requirements of MFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

	2016 Carrying amount RM	2016 Loans and receivables RM	2015 Carrying amount RM	2015 Loans and receivables RM
Group				
Financial assets				
Trade and other receivables	22,398,697	22,398,697	25,211,408	25,211,408
Cash and bank balances	4,275,334	4,275,334	7,765,618	7,765,618
	26,674,031	26,674,031	32,977,026	32,977,026
Company				
Financial assets				
Trade and other receivables	11,060,391	11,060,391	11,180,391	11,180,391
Cash and bank balances	10,076	10,076	14,039	14,039
	11,070,467	11,070,467	11,194,430	11,194,430

	2016 Carrying amount RM	2016 Financial liabilities at amortised cost RM	2015 Carrying amount RM	2015 Financial liabilities at amortised cost RM
Group				
Financial liabilities				
Trade and other payables	8,117,403	8,117,403	11,308,900	11,308,900
Loans and borrowings	9,239,604	9,239,604	8,660,566	8,660,566
	17,357,007	17,357,007	19,969,466	19,969,466
Company				
Financial liabilities				
Trade and other payables	11,639,521	11,639,521	11,299,232	11,299,232
Loans and borrowings	–	–	–	–
	11,639,521	11,639,521	11,299,232	11,299,232

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 Categories of financial instruments (Cont'd)

A reconciliation of trade and other receivables in financial assets to the amounts reflected in the Statements of Financial Position is as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Trade and other receivables				
As reflected in the Statements of Financial Position (Note 18)	23,396,877	28,232,614	11,066,704	11,195,822
Less: Prepayments	(998,180)	(1,373,973)	(6,313)	(15,431)
Less: Non-refundable deposits	–	(1,647,233)	–	–
Loans and receivables	22,398,697	25,211,408	11,060,391	11,180,391

27.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Net gains/ (losses) arising on:				
Loans and receivables				
- Impairment loss	–	(16,390)	–	(16,390)
- Realised and unrealised gain/(loss) on foreign exchange	12,853	907,440	–	20,184
- Interest income	102,116	3,096	–	–
Financial liabilities at amortised cost				
- Interest expense	(397,304)	(306,808)	–	–
	(282,335)	587,338	–	3,794

27.3 Fair value of financial instruments

Trade and other receivables, trade and other payables and loans and borrowings are not carried at fair value but their carrying amounts are a reasonable approximation of fair value. The carrying amounts of these financial assets and liabilities are a 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.

27. FINANCIAL INSTRUMENTS (CONT'D)

27.4 Financial guarantees

The fair value of financial guarantees is determined based on probability weighted discounted cash flow method. The probability is estimated and assigned using the following key assumptions:

(i) The likelihood of the guaranteed party defaulting within the guaranteed period;
(ii) The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
(iii) The estimated loss exposure if the party guaranteed were to default.

Based on the above factors, as the requirement to reimburse is remote and the Group does not expect to incur material losses under the corporate guarantees it has issued, the fair value of these corporate guarantees are not considered material and therefore have not been recognised in the financial statements of the Group.

28. FINANCIAL RISK MANAGEMENT

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group's 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 does not apply hedge accounting.

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

28.1 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), 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. In addition, receivable balances are monitored on an ongoing basis.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.1 Credit risk (Cont'd)

Exposure to credit risk

As at the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

(i) the carrying amount of each class of financial assets recognised in the Statements of Financial Position; and

(ii) a nominal amount of RM10,000,000 (2015: RM10,000,000) relating to a corporate guarantee provided by the Company to a bank for credit facilities granted to its subsidiaries.

As disclosed in Note 18, the Group's trade and other receivables are not secured by any collaterals or credit enhancements.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 18 to the financial statements. Deposits with banks and other financial institutions, and short-term investment that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 to the financial statements.

Credit risk concentration profile

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

	2016		2015	
	RM	% of of total	RM	% of of total
Malaysia	12,754,998	73%	9,319,432	53%
Singapore	374,415	2%	462,353	3%
Australia	299,162	2%	1,003,758	6%
Middle East	911,219	5%	5,587,486	32%
United States of America	1,621,770	9%	744,797	4%
Other countries	1,595,191	10%	304,632	2%
	17,556,755	100%	17,422,458	100%

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.1 Credit risk (Cont'd)

The Group also has concentration of credit risk from 6 (2015: 7) individual counterparties totalling RM8,006,154 (2015: RM14,662,542), representing 34% (2015: 52%) of total trade and other receivables. Concentration of credit risk from individual counterparties is monitored based on individual balances above RM1,000,000.

28.2 Liquidity risk

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

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

<u>Analysis of financial instruments by remaining contractual maturities</u>

The following table sets out the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2016				
Financial assets				
Trade and other receivables	22,398,697	–	–	22,398,697
Cash and bank balances	4,275,334	–	–	4,275,334
Total financial assets	26,674,031	–	–	26,674,031
Financial liabilities				
Trade and other payables	8,117,403	–	–	8,117,403
Loans and borrowings	7,547,397	958,896	1,177,201	9,683,494
Total financial liabilities	15,664,800	958,896	1,177,201	17,800,897
Total net financial assets/ (liabilities)	11,009,231	(958,896)	(1,177,201)	8,873,134

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.2 Liquidity risk (Cont'd)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2015				
Financial assets				
Trade and other receivables	25,211,408	–	–	25,211,408
Cash and bank balances	7,765,618	–	–	7,765,618
Total financial assets	32,977,026	–	–	32,977,026
Financial liabilities				
Trade and other payables	11,308,900	–	–	11,308,900
Loans and borrowings	7,257,252	724,656	1,055,852	9,037,760
Total financial liabilities	18,566,152	724,656	1,055,852	20,346,660
Total net financial assets/ (liabilities)	14,410,874	(724,656)	(1,055,852)	12,630,366
Company				
2016				
Financial assets				
Trade and other receivables	11,060,391	–	–	11,060,391
Cash and bank balances	10,076	–	–	10,076
Total financial assets	11,070,467	–	–	11,070,467
Financial liabilities				
Trade and other payables	11,639,521	–	–	11,639,521
Loans and borrowings	–	–	–	–
Total financial liabilities	11,639,521	–	–	11,639,521
Total net financial liabilities	(569,054)	–	–	(569,054)

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.2 Liquidity risk (Cont'd)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Company				
2015				
Financial assets				
Trade and other receivables	11,180,391	–	–	11,180,391
Cash and bank balances	14,039	–	–	14,039
Total financial assets	11,194,430	–	–	11,194,430
Financial liabilities				
Trade and other payables	11,299,232	–	–	11,299,232
Loans and borrowings	–	–	–	–
Total financial liabilities	11,299,232	–	–	11,299,232
Total net financial liabilities	(104,802)	–	–	(104,802)

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 Financial Instruments: Recognition and Measurement are not included in the above maturity profile analysis.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from its loans and borrowings. All of the Group's and the Company's loans and borrowings are at floating rates and contractually re-priced at intervals of less than Six (6) months from the reporting date.

Sensitivity analysis for interest rate risk

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

	Group	
	2016 **RM**	**2015** **RM**
Effects on loss after taxation		
Increase of 100bp/45bp	(12,884)	(5,706)
Decrease of 100bp/45bp	12,884	5,706

The above sensitivity analysis is arising mainly as a result of its floating rate bank borrowings.

28.4 Foreign currency risk

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

The Group has transactional currency exposure 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 the United States Dollar (USD).

Approximately 43% (2015:42%) 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.

28. FINANCIAL RISK MANAGEMENT (CONT'D)

28.4 Foreign currency risk (Cont'd)

As 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	
	2016 RM	2015 RM	2016 RM	2015 RM
United States Dollar				
Financial assets				
Cash and bank balances	265,756	2,516,288	–	–
Trade receivables	3,115,947	2,625,940	–	–
	3,381,703	5,142,228	–	–
Financial liabilities				
Trade and other payables	(218,073)	(843,703)	–	–
Net financial assets held in non-functional currencies	3,163,630	4,298,525	–	–

Sensitivity analysis for foreign currency risk

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Effects on loss after taxation				
USD/ RM				
Strengthened by 20% (2015: 20%)	(62,871)	(897,890)	–	–
Weakened by 20% (2015: 20%)	62,871	897,890	–	–

29. CAPITAL MANAGEMENT

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

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 year ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio within an acceptable level.

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Loans and borrowings	21	9,239,604	8,660,566	–	–
Less: Cash and bank balances	20	(4,275,334)	(7,765,618)	(10,076)	(14,039)
Net debt		4,964,270	894,948	(10,076)	(14,039)
Equity attributable to owners of the Company		70,085,506	77,558,364	78,514,688	78,998,549
Gearing ratio		0.07	0.01	–	–

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

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

30. SEGMENT INFORMATION

30.1 Operating segment

The Group is principally involved in manufacturing and sale of plywood products, which are principally carried out in Malaysia and therefore only has one reportable segment. Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

30.2 Geographical information

The Group operates from Malaysia and therefore all revenues and assets are derived/ located in Malaysia. Revenues by the geographical location of the customers are as follows:

	Group	
	2016 **RM**	**2015** **RM**
Asia	11,249,334	4,770,042
Europe	1,871,251	2,295,424
Malaysia	65,901,066	75,772,935
United States of America	7,817,031	13,008,064
South-West Pacific	9,180,243	13,422,975
Others	19,541,883	22,379,780
	115,560,808	131,649,220

30.3 Major customers

Revenue from 23 (2015: 16) major customers amounted to RM64,657,467 (2015: RM72,666,418) arising from sale of wood products.

31. EVENT AFTER THE REPORTING PERIOD

In February 2016, the Group completed an internal restructuring merging the plymill operations of its subsidiary companies, Cymao Plywood Sdn Bhd and Inovwood Sdn Bhd into a single operation for cost savings and efficiency purposes. Following the merging of operations, management is now considering its options available on the resulting idle land, buildings and machineries with a carrying value totalling RM4,472,513, however no decision has yet been made on this matter.

32. CORRECTION OF ERROR

The breakdown of deferred tax liabilities in Note 23 was incorrect in the previous financial years.

	As restated RM	As previously stated RM
Deferred tax liabilities arising from:		
- Property, plant and equipment	1,853,153	3,998,476
- Unutilised tax losses and unabsorbed allowances	–	(2,145,323)
	1,853,153	1,853,153

The correction had no impact to the overall balance as it was only a classification error within deferred tax liabilities.

33. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at 31 December, into realised and unrealised profits/(losses), pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	(17,506,674)	(10,233,655)	(13,228,790)	(12,744,929)
- Unrealised	1,853,153	1,853,153	–	–
	(15,653,521)	(8,380,502)	(13,228,790)	(12,744,929)
Less: Consolidation adjustments	(6,004,451)	(5,804,612)	–	–
Total accumulated losses as per Statements of Financial Position	(21,657,972)	(14,185,114)	(13,228,790)	(12,744,929)

34. GENERAL

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

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

There has been no significant change in the nature of these principal activities during the financial year ended 31 December 2016.

The registered office and principal place of business of the Company are located at MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah, Malaysia and 9.1 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah, Malaysia respectively.

The financial statements are presented in Ringgit Malaysia.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 22 April 2017.

LIST OF **PROPERTIES**
AS AT 31 DECEMBER 2016

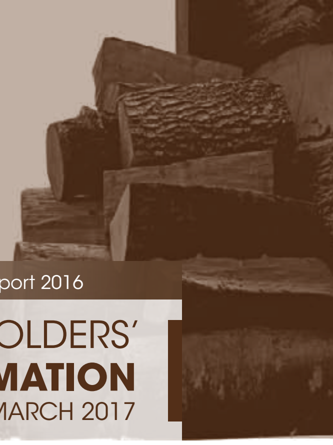
	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2016
1	CPSB	TL 077565434 9.1KM Jalan Batu Sapi 90000 Sandakan Sabah	8.1	Industrial land with plywood factory and ancillary buildings	352,713	Leasehold 99 years (expiring 31.12.2068)	24	2,513,384
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)	24	392,867
3	CPSB	TL 077523678 8.5KM, Jalan Batu Sapi 90000 Sandakan Sabah	1.52	Industrial land with plywood factory and ancillary buildings	65,990	Leasehold 99 years (expiring 31.12.2068)	28	1,385,591
4	CPSB	TL 077523687 8.5KM, Jalan Batu Sapi 90000 Sandakan Sabah	2.84	Industrial land with plywood factory and ancillary buildings	123,710	Leasehold 99 years (expiring 31.12.2068)	28	2,214,409
5	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)	27	4,301,403
6	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)	27	3,209,509
7	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)	27	536,708
8	ISB	TL 077537841 8.4KM Jalan Batu Sapi 90000 Sandakan Sabah	7.18	Industrial land with log conditioning shed	312,646	Leasehold 55 years (expiring 31.12.2033)	-	2,356,885

LIST OF **PROPERTIES**
AS AT 31 DECEMBER 2016 (CONT'D)

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2016
9	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 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	10.32	Vacant	-	Leasehold 99 years (expiring 24.05.2034)	-	1,198,776

LIST OF **PROPERTIES**
AS AT 31 DECEMBER 2016 (CONT'D)

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2016
		Lease No.077522055 Lease No.077522064 Lease No.077522073 Lease No.077522082 Lease No.077522091 Lease No.077522108 Lease No.077522117 Lease No.077522126 Lease No.077522135 Lease No.077522144 Lease No.077522153 Lease No.077522162 Lease No.077522171 Lease No.077522180 Lease No.077522199 Lease No.077522206 Lease No.077522215 Lease No.077522224 Lease No.077522233 Lease No.077522242 Lease No.077522251 Lease No.077522260 Lease No.077522279 Lease No.077522288 Lease No.077522297 Lease No.077522304 Lease No.077522313						
8	PPISB	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	31	6,484,719



SHAREHOLDERS' INFORMATION
AS AT 31 MARCH 2017

Issued capital	:	RM75,000,000
Class of shares	:	Ordinary shares
Treasury shares	:	1,464,600 ordinary shares
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Holdings	No. of Shareholders	%	Total Holdings	%
less than 100	70	3.25	3,029	0.01
100 to 1,000	812	37.79	273,871	0.37
1,001 to 10,000	891	41.46	4,052,425	5.51
10,001 to 100,000	327	15.22	10,286,950	13.99
100,001 to less than 5% of issued shares	46	2.14	24,642,375	33.51
5% and above of issued shares	3	0.14	34,276,750	46.61
Total	2,149	100.00	73,535,400	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest	%	Deemed Interest	%
1. Lin, Tsai-Rong	16,100,000	21.89	–	–
2. Lin, Kai-Min	13,846,250	18.83	–	–
3. Lin, Kai-Hsuan	4,330,500	5.89	–	–

DIRECTORS' SHAREHOLDINGS

Name of Shareholder	Direct Interest	%	Deemed Interest	%
Dato' Seri Mohd Shariff Bin Omar	–	–	–	–
Lin, Kai-Min	13,846,250	18.83	–	–
Lin, Kai-Hsuan	4,330,500	5.89	–	–
Hiew Seng	62,500	0.08	–	–
Syed Ibrahim Bin Syed Abd.Rahman	–	–	–	–

SHAREHOLDERS' INFORMATION
AS AT 31 MARCH 2017 (CONT'D)

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Lin, Tsai-Rong	16,100,000	21.89
2.	Lin, Kai-Min	13,846,250	18.83
3.	Lin, Kai-Hsuan	4,330,500	5.89
4.	Addeen Equity Sdn. Bhd.	2,000,000	2.72
5.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lee, Ming-Che]	1,988,800	2.70
6.	Hsu, How-Tong	1,854,000	2.52
7.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ting Yuet May]	1,621,500	2.21
8.	Zulkifli Bin Hussain	1,600,000	2.18
9.	Lim Kah Yam	1,443,175	1.96
10.	Chong Annie	1,300,375	1.77
11.	MKW Jaya Sdn Bhd	1,062,400	1.44
12.	Henry Liang	1,044,000	1.42
13.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ong Kok Thye]	1,023,300	1.39
14.	RHB Capital Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Su Ming Ming]	716,400	0.97
15.	Malsa Wood Products Sdn. Bhd.	699,100	0.95
16.	Hsu, Hao-Huang	630,000	0.86
17.	Sim Tze Yang	605,900	0.82
18.	Ooi Lee Peng	463,200	0.63
19.	Lai Thiam Poh	439,200	0.60
20.	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ong Kok Thye]	425,000	0.58
21.	Chan Kai Lum	371,000	0.50
22.	Public Nominees (Asing) Sdn Bhd [Pledged securities account for Chen Huang, Kuei-Liang]	351,500	0.48
23.	Goh Beng Choo	334,700	0.46
24.	Allaincegroup Nominees (Asing) Sdn. Bhd. [Pledged securities account for Junaidi Payne @ John Brian Payne]	297,925	0.41
25.	Cheong Chee Hong	292,100	0.40
26.	Tay Ying Lim @ Tay Eng Lim	279,900	0.38
27.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Chen Siong Ping]	250,000	0.34
28.	Willy Ming Chuang	246,000	0.33
29.	WCL Continuation Sdn. Bhd.	237,500	0.32
30.	Lee Wan Yean	230,000	0.31

NOTICE OF THE NINETEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Company will be convened and held at Sabah Hotel, Amadeus I & II, Level 2, KM1, Jalan Utara, Sandakan, Sabah on Saturday, 17 June 2017 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 2016 together with the Reports of the Directors and Auditors thereon.

2. To approve payment of Directors' fees of RM144,000 in respect of the financial year ended 31 December 2016. **Resolution 1**

3. To approve the Directors' fees of RM192,000 for the financial year ending 31 December 2017; **Resolution 2**

4. To approve the payment of meeting attendance allowance of RM1,000 per meeting day to each Director with effect from February 2017 until otherwise resolved. **Resolution 3**

5. To re-elect Mr Hiew Seng who retires in accordance to Article 128 of the Company's Articles of Association. **Resolution 4**

6. To re-elect Dato' Seri Mohd Shariff Bin Omar who retires in accordance to Article 128 of the Company's Articles of Association. **Resolution 5**

7. To re-elect Tuan Syed Ibrahim Bin Syed Abd.Rahman who retires in accordance to Article 133 of the Company's Articles of Association. **Resolution 6**

8. To re-appoint Messrs PKF as the Auditors of the Company and to authorize the Board of Directors to fix their remuneration. **Resolution 7**

9. As Special Business:

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

   (a) Authority to Issue Shares **Resolution 8**

   "THAT subject always to the Companies Act 2016 ("the Act'), the Articles of Association of the Company and the approvals of the regulatory authorities, the Directors be and are hereby empowered, pursuant to section 76 of the Act, 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 10% of the total number of issued shares 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."

NOTICE OF THE **NINETEENTH ANNUAL GENERAL MEETING** (CONT'D)

(b) Proposed Renewal of Authority for Purchase of Own Shares by the Company **Resolution 9**

"THAT subject always to the Companies Act 2016 ("the Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the provision of the Company's Articles of Association, all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorized to purchase the ordinary shares in the Company as determined by the Directors through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, subject to the following:

(i) the aggregate number of shares which may be purchased by the Company shall not exceed 10% of the total number issued shares of the Company 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 based on the latest audited financial statements and/or the latest management accounts of the Company available at the time of the purchase(s);

(iii) the Directors of the Company may decide the shares so purchased in the following manner:

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

THAT the authority conferred by this resolution will commence immediately upon passing of this resolution and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, unless earlier revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting.

AND THAT the authority be and is hereby given to the Directors of the Company to act and take all such steps as are necessary or expedient to implement, finalized and give full effect to the purchase(s) of the Company's own shares."

(c) Proposed Retention of Independent Director - Mr Hiew Seng **Resolution 10**

"THAT 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 Corporate Governance 2012."

10. 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: 28 April 2017

Notes:

1. *A Member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy/ proxies to attend and vote in his stead. A proxy may but need not be a Member of the Company. There shall be no restriction to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the Member to speak at the meeting.*

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 12 June 2017 shall be regarded as Members of the Company entitled to attend at the Nineteenth Annual General Meeting or appoint proxy/ proxies to attend and vote on his/her behalf.*

NOTICE OF THE **NINETEENTH ANNUAL GENERAL MEETING** (CONT'D)

7. *EXPLANATORY NOTE ON SPECIAL BUSINESS*

Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 December 2016

This agenda is meant for discussion only in reference to section 340(1)(a) of the Companies Act 2016. The audited financial statements do not require members' approval and hence, this Agenda is not put for voting.

Resolution 8 - Authority to Issue Shares

The proposed resolution if passed, will give the Directors flexibility to issue new shares without the need to seek members' approval at separate general meeting and hence saving of additional cost and time. The renewal of the mandate is for possible fund-raising exercises and placement of shares for purpose of funding the Company's current or future investment projects, working capital and/or acquisition.

This authority, unless revoked and varied at a general meeting of the Company, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of the Notice, the previous mandate sought from the members at the last Annual General Meeting held on 28 May 2016 was not utilized, and hence no proceeds were raised.

Ordinary Resolution 9 - Proposed Renewal of Authority for Purchase of Own Shares by the Company

The proposed resolution if passed, will empower the Company to purchase and/or hold up to 10% of the issued shares of the Company pursuant to section 127 the Companies Act 2016.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 28 April 2017 for further information.

Ordinary Resolution 10 - Proposed Retention of Independent Director, Mr Hiew Seng

The proposed resolution 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 3.3 of the Malaysian Code of Corporate Governance 2012.

As of the date of this Notice of Annual General Meeting, Mr Hiew Seng has served the Company for more than thirteen (13) 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 to be retained 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 NOTICE OF THE **NINETEENTH ANNUAL GENERAL MEETING**

The profile of the Director who is standing for election as per Agenda No. 6 of the Notice of Nineteenth Annual General Meeting is as follows:

Resolution 6
Tuan Syed Ibrahim Bin Syed Abd.Rahman (Independent Non-Executive Director)

Nationality	:	Malaysian
Age	:	74
Date of appointment	:	29 June 2016
Length of service	:	10 months
Date of last re-election	:	–
Academic/ Professional Qualification	:	(i) Degree of Barrister-at-Law by the Honourable Society of Inner Temple, London Bachelor of Laws (ii) Associate of Malaysian Institute of Chartered Secretaries and Administrators
Present other Directorship	:	Nil
Past Experience	:	General Manager (Unit Trust Management and Investment) of MARA Unit Trust Scheme Group of Companies (1971-1974) Director of Kelantan State Economic Development Corporation (1996-2003) Founder of Syed Ibrahim & Co, Advocates and Solicitors (1975-2012)

The above Director has no family relationship with any Directors and/or major shareholders of the Company, has no conflict of interest with the Company and has not been convicted of any offence within the past five (5) years or public sanction or any penalty imposed by the relevant regulatory bodies during the financial year.

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CYMAO

CYMAO HOLDINGS BERHAD
Company No. 445931-U
(Incorporated in Malaysia)

CDS Account No.
No. of ordinary shares held

PROXY FORM

I/We, ... NRIC No./Passport No./Company No. ....

of ....

....

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

Full Name:	NRIC No./ Passport No.	Proportion of Shareholdings	
		No. of ordinary shares	%
Address:			

*and/or

Full Name:	NRIC No./ Passport No.	Proportion of Shareholdings	
		No. of ordinary shares	%
Address:			

or failing him/her, *THE CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Sabah Hotel, Amadues I & II, KM1, Jalan Utara, Sandakan, Sabah on Saturday, 17 June 2017 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate space how you wish your proxy to vote. If there is no indication how you wish your proxy to vote on any resolution, the proxy shall vote at his discretion as he thinks fit or abstain from voting.

My/Our proxy is to vote as indicated below:

Resolution		For	Against
1	To approve payment of Directors' fees of RM144,000 in respect of the financial year ended 31 December 2016.		
2	To approve the Directors' fees of RM192,000 for the financial year ending 31 December 2017.		
3	To approve the payment of meeting attendance allowance of RM1,000 per meeting day to each Director with effect from February 2017 until otherwise resolved.		
4	To re-elect Mr Hiew Seng who retires by rotation in accordance to Article 128 of the Company's Articles of Association.		
5	To re-elect Dato' Seri Mohd Shariff Bin Omar who retires by rotation in accordance to Article 128 of the Company's Articles of Association.		
6	To re-elect Tuan Syed Ibrahim Bin Syed Abd.Rahman who retires in accordance to Article 133 of the Company's Articles of Association.		
7	To re-appoint Messrs PKF as the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.		
8	Authority to Issue Shares		
9	Proposed Renewal of Authority for Purchase of Own Shares by the Company		
10	Proposed retention of Mr Hiew Seng as Independent Director		

Dated this day of...................., 2017 ....

....
[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/proxies to attend and vote in his stead. A proxy may but need not be a Member of the Company. There shall be no restriction to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the Member to speak at the meeting.*
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 12 June 2017 shall be regarded as Members of the Company entitled to attend at the Nineteenth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.*

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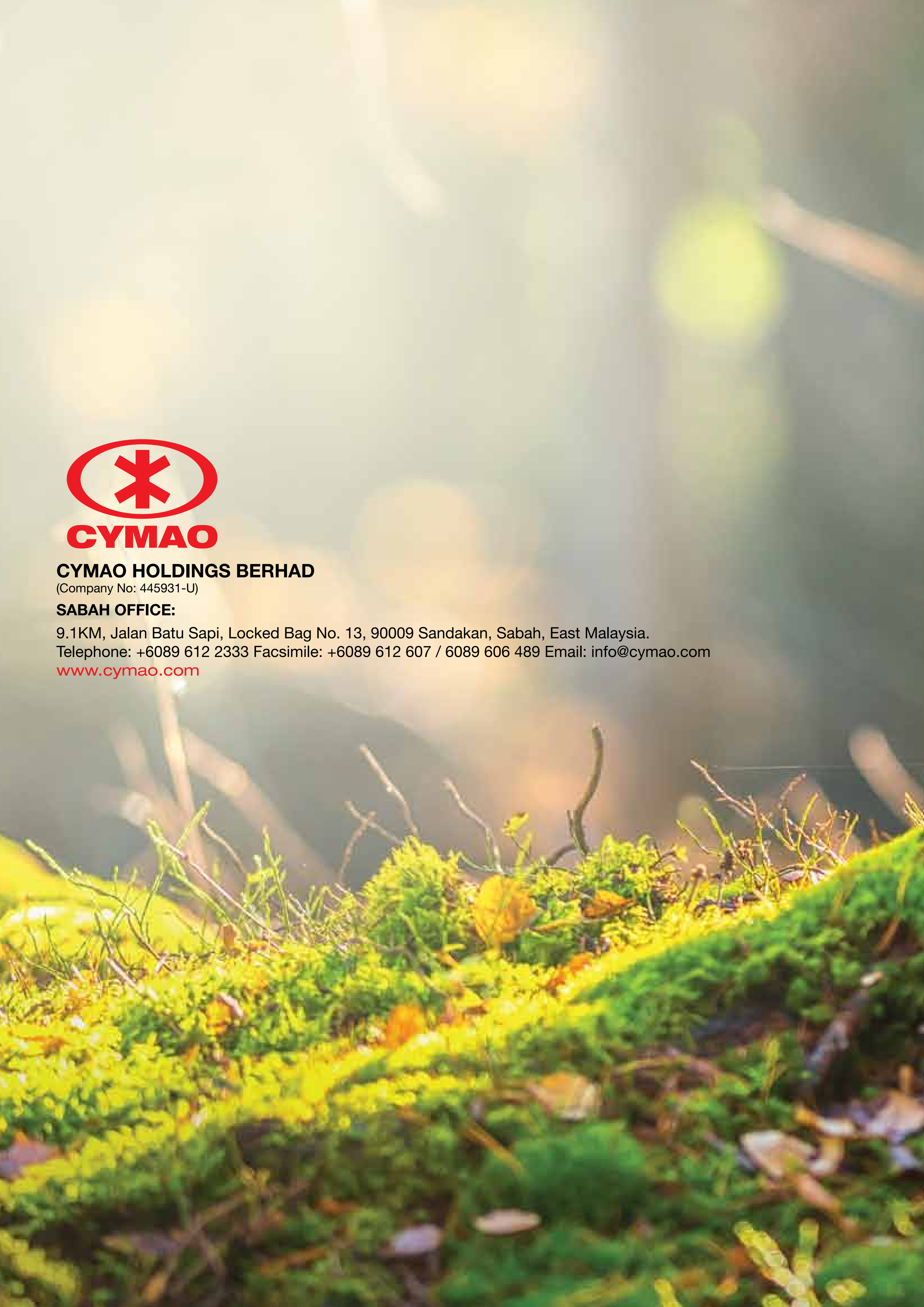
AFFIX
STAMP

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 HOLDINGS BERHAD
(Company No: 445931-U)

SABAH OFFICE:

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