CYMAO

ANNUAL REPORT 2017

STRENGTH | WISDOM | LIFE

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>>About CYMAO

Cymao Plywood & Lumber Co, Ltd., (CPLC) 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. CPLC'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 world class supplier of construction materials, through sound business practices, that is profitable, sustainable and socially responsible to all our stakeholders.

>> OUR Mission

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

CORPORATE INFOMATION

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

8.7 KM, Jalan Batu Sapi
Locked Bag No. 13
90009 Sandakan, Sabah
Tel: +06(89) 612-233
Fax: +06(89) 612-607
Email: cymao@cymao.com
Website: www.cymao.com

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

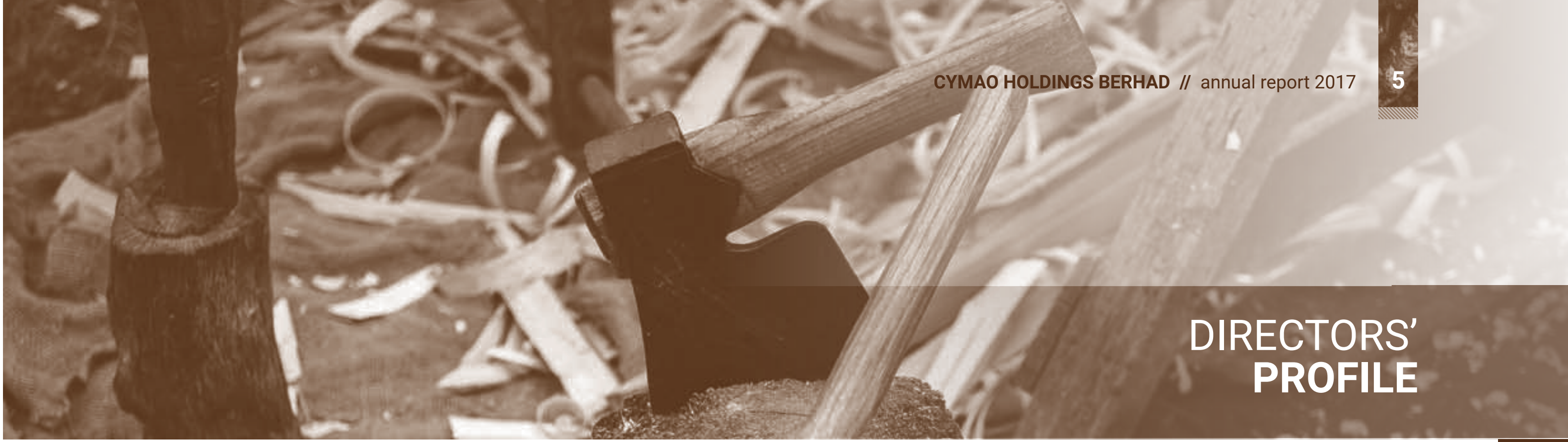
100% CYMAO PLYWOOD SDN. BHD.
(Company No.: 196313-M)

100% INOVWOOD SDN. BHD.
(Company No.: 585609-D)

100% BILLION APEX SDN. BHD.
(Company No.: 683097-U)

100% POLY-PLY INDUSTRIES SDN. BHD.
(Company No.: 31892-A)

100% SYABAS MUJUR SDN. BHD.
(Company No.: 728141-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 71, 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 48, 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 Cymao Plywood Sdn. Bhd. ("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 50, was appointed to the Board of Cymao on 13 November 2003. He graduated from University of California Los Angeles, U.S., 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, U.S. 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.

HIEW SENG
(Independent Non-Executive Director)

Chairman of Audit Committee
Member of Remuneration Committee and Nomination Committee

Malaysian, aged 67, 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 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 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 years. Thereafter, he joined an advertisement production house as a financial consultant for four years before he joined Messrs. SK Hiew & Associates in 1996, where he became the Principal-In-Charge of the Kajang Branch of the firm.

DIRECTORS' **PROFILE**
(cont'd)

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

Member of Audit Committee, Remuneration Committee and Nomination Committee

Malayisan, aged 75, 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 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 110 of this Annual Report.

KEY SENIOR MANAGEMENT

LEE, MING-CHE
Marketing Manager

Taiwanese, aged 77, 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 years.

LEE, CHIA-HUI
Production Manager

Taiwanese, aged 65, 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 years.

CHEN, CHUNG-MING
Purchasing Manager

Taiwanese, aged 61, 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 years.

WANG, JIAN-JUN
Purchasing Manager

Hails from China, aged 50, 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 years.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Cymao Holdings Berhad, it is my pleasure to present to you the financial statements of Cymao Holdings Berhad ("Cymao" or the "Company") and its subsidiaries (the "Group") for the financial year ended 31st December 2017.

FINANCIAL PERFORMANCE

The Group registered revenue of RM93.089 million for the year as compared to RM115.561 million for last year. This represents a decrease of RM22.472 million amid a challenging operating environment but it is still considered respectable to achieve RM93.089 millon revenue. The Group also registered a loss before tax of RM7.552 million as compared to a loss of RM7.652 million last year representing a slight improvement of RM0.100 million due to drop in production and thus less sales but with an improved export prices and gross margin.

INDUSTRY OVERVIEW

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

As for the plywood market, locally, the demand is slow but stable. Internationally, the final determination made by the U.S. Commercial Department that plywood from China are subsidised and dumped in the U.S. market and it set anti-dumping and anti-subsidy duties for plywood imported from China. This has the result of U.S. plywood buyers switching to buying from Malaysia. The Group is tapping this prospect and is benefitting from the development as the sales to U.S. are fetching a higher price.

As the Middle East economy is much dependent on oil revenue, the increase in oil price will spur the demand for plywood products in that region. The Group will take note of the development and work to benefit from that.

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

The conscious effort to take preventive measures to minimize the adverse effects on the operations had resulted in the merger of the two mills in Sandakan as a cost rationalization measure which was completed during the year. 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 man power resulting in substantial cost cutting and enhanced operation efficiency.

By January 2017 the Cymao mill has stopped operation altogether, the production of Sandakan plywood is now concentrated at Inovwood. The production level at Inovwood has not achieved the combined production volume as there is acute logs shortage in Sandakan for 2017 due to persistent rainfall in Sabah but the results keep improving partly due to better export prices.

CHAIRMAN'S STATEMENT (cont'd)

Klang operation is more stable and despite lower volume of sales achieved in 2017, management is focusing to capture more sales volume to achieve higher profit.

In July 2017, the Group has leased a plywood factory in Jengka, Pahang to tap into the more reliable logs supply from Peninsula Malaysia. The Group spent the first six months repairing and adding machinery to the Jengka factory. The production is now more stable after December 2017. Apart from selling some veneer in the local market, the bulk of the veneer production will be shipped back to Sandakan to help in the plywood production.

With the merger, the Cymao mill is released and it is in the process of being disposed of to raise fund failing which the mill is turning into a warehousing facility to secure rental income.

The Board is therefore positive that after the merger of the two mills and with the reduction in cost and the enhanced operational efficiency and the expansion in Jengka, 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 products is expected to remain stable for the next financial year as the World Bank forecasted GDP growth globally remains at about 3%.

The final determination made by the U.S. Commercial Department that plywood from China are subsidised and dumped in the U.S. market and it set anti-dumping and anti-subsidy duties for plywood imported from China. This has the result of U.S. plywood buyers switching to buying from Malaysia. The group is tapping this prospect and is benefitting from the development as the sales to U.S. are fetching a higher price.

The strategy of the Group is to focus on rationalization the operations of the Group. The foremost plan to merge the two Sandakan mills is now fully implemented and it is expected that by 2018, the benefit of the merger will be more evident to turn around the performance of the Sandakan operations. The merger has reduced 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.

As a further diversification to tap logs supply in Peninsula Malaysia, the Group has leased a plywood factory in Jengka, Pahang as there is still adequate logs supply in Pahang. Apart from selling to the local market, some of the veneer produced in Jengka is shipped back to Sandakan to help in the production of plywood as Sandakan is facing logs shortage problem. The Jengka operation is now more stabilized and is starting to contribute to the Group's overall performance.

Amidst the improved global economic condition, 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 engaging on a cost and efficiency rationalization arising from the merging of the two mills in Sandakan. 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. With the Jengka operation, the Group will tap into the more reliable logs supply in Pahang for the production of plywood for the Group.

Please note the above matters will be discussed in more detail under the Management Discussion & Analysis Statement to be followed after my Statement.

CHAIRMAN'S STATEMENT (cont'd)

DIVIDEND

The Board has taken a prudent view that as a result of the losses suffered by the Group, the Board is of the opinion that the Group is not in a position to pay dividend and therefore proposed that no dividend will be paid for the year under review.

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 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
18 April 2018

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

OVERVIEW

Cymao Holdings Berhad ("Cymao or the Company") has three wholly-owned operating subsidiaries and two 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. CPSB has ceased its plywood production during the year and is in plywood trading only. 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. During the year, the Group leased a plywood mill in Jengka in Pahang, the strategy is to tap logs supply in Pahang which is still consistent and adequate to produce veneer to complement Sandakan operations and eventually to produce plywood itself. PPISB is located close to the port facilities to supply to the expanding market for plywood and laminated plywood in Peninsular Malaysia and overseas. Apart from plywood supplied from Sandakan, PPISB source its plywood from other countries as well for the laminated plywood production to capture the local market. The Group with its strategic locations of its mills has the flexibility in maximizing the utilization of its resources to secure the highest profitability advantage to the Group.

Business Objective

The Group strives to be a high quality plywood producer in Malaysia. Both CPSB and ISB are CARB Certified Manufacturer with formaldehyde emission of the plywood below 0.05 parts per million. In the plywood manufacturing process, CPSB and ISB also adopt the product standard for imported wood veneer and platform (IHPA"C 2000)"C by the International Wood Products Association, U.S. ("IWPA").

To maintain and enhance our competitive edge, our Group will further penetrate into existing markets to capture higher margin sales especially the export sales to the US market and to expand the local customers' base. The objective of the Group is also to improve profitability and apart from improving our products quality and to expand marketing, the Group is also focusing on reducing the average cost of production per unit.

Key Financial Position

	2017 (RM'000)	2016 (RM'000)
Shareholders' fund	62,554	70,086
Revenue	93,089	115,561
Loss for the year	(7,469)	(7,473)
Net current assets	30,060	36,131
Cash and bank balances	5,458	4,275
Borrowings	8,241	9,239
Net borrowings	2,783	6,073
Net assets per share	RM0.83	RM0.93

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (cont'd)

FINANCIAL PERFORMANCE

The Group registered revenue of RM93.089 million for the year 2017 as compared to RM115.561 million for year 2016, representing a decrease of RM22.472 million. Amid a challenging operating environment, it is still considered respectable for the Group to achieve RM93.089 million turnover. However, the Group registered a loss before tax of RM7.552 million as compared to a loss of RM7.652 million last year representing a slight improvement in a reduction of loss of RM0.100 million.

2017 has been a challenging year as the performance was mainly affected by the shortage of raw material supply due to persistent rainfall in Sabah and soft market for demand of plywood locally.

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

The export market had picked up in the second half of the year which improved the results on the second half year.

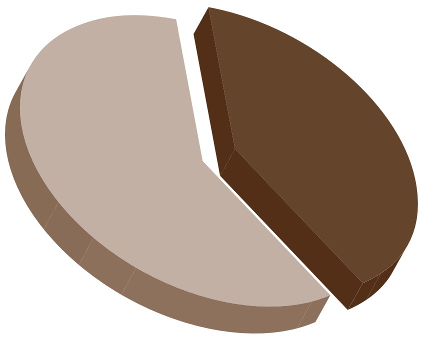
Turnover

The turnover for the financial year under review registered a decrease of RM22.472 million to RM93.089 million from RM115.561 million as compared to year 2016. The decrease in sale was due to decrease in production volumes and the drop in sales. The overall sales volumes of the Group are as below:

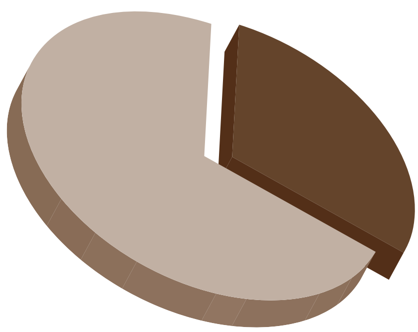
Sales Analysis (Group)

	2017 (m3)	2016 (m3)
Export	17,441	21,737
Local	29,559	40,944
	47,000	62,681

2017



2016



Total Export Volume Total Local Volume Total Export Volume Total Local Volume

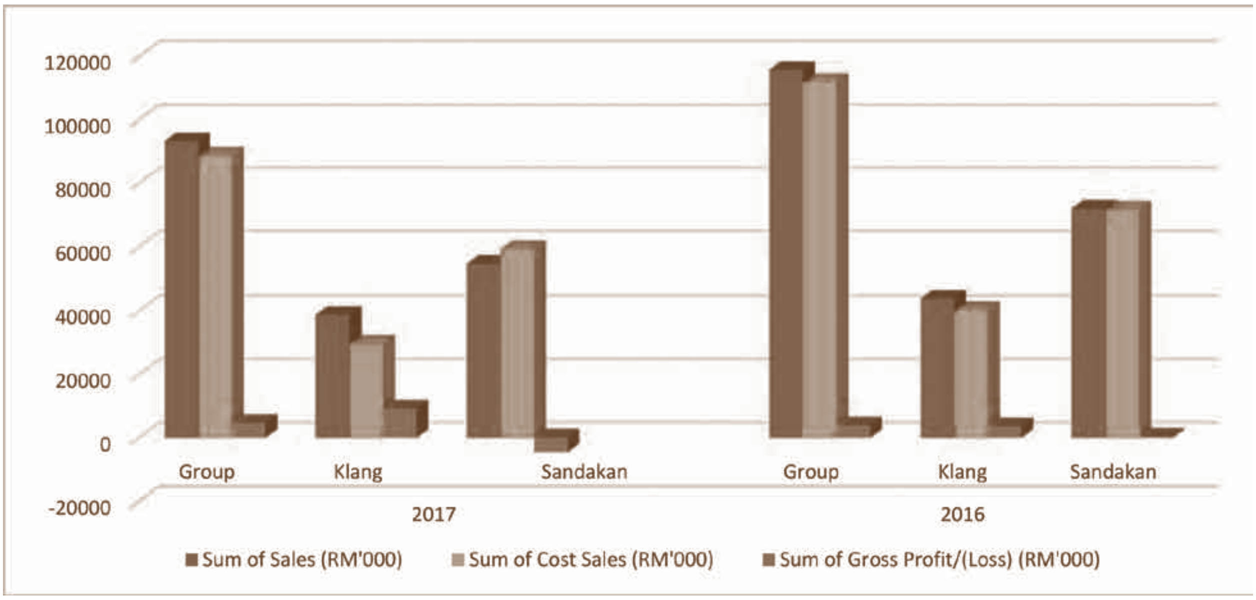
MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (cont'd)

Loss before Tax

The loss before tax for the year under review decreased by RM0.100 million to RM7.552 million as compared to a loss of RM7.652 million last year. The decrease in loss was mainly due to the increase in gross margin from 3.28% last year as compared to 5.0% this year. The detailed analysis is as follows:

	Sales		Cost of Sales		Gross Profit/(Loss)			
	2017 (RM'000)	2016 (RM,000)	2017 (RM'000)	2016 (RM'000)	2017 (RM'000)	%	2016 (RM'000)	%
Sandakan operation	54,432	71,843	58,948	71,604	(4,516)	(8.30)	239	0.33
Klang operation	38,657	43,718	29,485	40,160	9,172	23.73	3,558	8.14
Group operation	93,089	115,561	88,433	111,764	4,655	5.00	3,797	3.28

For Sandakan operation, the analysis per m3 based on sales volumes:



	2017	2016
Average selling price per m3	1,905	1,826
Direct production cost per m3	2,062	1,820
Other cost per m3	270	192
Loss per m3	(427)	(186)

The direct cost of production is comprised of logs cost, glue, labor, depreciation and factory overheads. The management is taking steps to reduce cost especially labor and factory maintenance cost after the merger of the two mills. The increase in direct production cost for 2017 is mainly due to increase in logs price and plant and machinery repairs and maintenance. The increase in other cost which comprised of selling, general and administrative and finance charges is due to increase in selling expenses on increased export sale.

The logs cost has increased from RM406 in 2016 to RM413 in 2017 while the recovery maintained at 38% for both years so the major timber logs cost is being managed at industry average.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT
(cont'd)

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

	2017	**2016**
Average selling price per m3	2,099	1,875
Direct production cost per m3	1,600	1,720
Other cost per m3	197	130
(Loss)/Profit per m3	302	25

The gross profit for Klang has increase due to the increase of selling price.

<u>The Group operation:</u>

From the above analysis, the increase of RM0.858 million from the gross profit contribution from the operation is mainly due to export volume at higher price sold for 2017.

Apart from the increase in gross profit contribution of RM0.858 million, the other expenses are compatible in both years. The main factor for the loss in 2017 can be attributable to the decrease in production as explained above. The loss is also due substantially to a depreciation charge of RM3.904 million even it is an expense not involving movement of fund.

The continual loss before tax for year 2017 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 decreased from RM3.063 million to a surplus of RM2.292 million. The increase is mainly due to the more timely collection from debtors as the amounts due from debtors have reduced by RM7.868 million in 2017.

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 2017. It is expected that these facilities will be maintained in 2018 and the Group will manage its cash flow without additional bank borrowings.

Additionally, the net current assets of the Group were RM30.060 million as at 31 December 2017 and the Group therefore does not have a working capital deficit 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 forecasted to grow by 6.48% annually to 2020. 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.

The final determination made by the U.S. Commercial Department that plywood from China is subsidised and dumped in the U.S. market and it set anti-dumping and anti-subsidy duties for plywood imported from China. This has the result of U.S. plywood buyers switching to buying from Malaysia. The Group is tapping this prospect and is benefitting from the development.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (cont'd)

OPERATIONS REVIEW

Apart from the merging of the two mills as mentioned above, the Group is also embarking aggressively on the cost rationalisation 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.

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 by disposing of surplus plant and machinery as a result of the merged operation in Sandakan to improve the cash flow for the operation.

The Cymao mill which has stopped operations is put in the market either for sale or for lease. So far, a portion of the mill has been leased for RM35,000.00 per month. There is a serious potential buyer under negotiation to buy the mill.

RISKS AND UNCERTAINTIES

Operation risk

The Group has taken steps to minimise 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 from established and reliable timber logs suppliers;
- Securing long term supply from Forest Management Unit holders;
- 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.

Production risk

Plywood production is a labour intensive operation. For the Sandakan operation, the labour force had been reduced by 40% 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.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (cont'd)

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 surplus land and buildings in Sandakan;
- Pursue cost cutting exercise after the merger of the two mills; and
- To put on hold of capital expenditure unless absolutely necessary.

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 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 and less reliance on single customer threat.

BUSINESS LOOKING- STRATEGY AND PROSPECTS

2018 will offer the Group an opportunity to turnaround as the cost rationalisation of merging into one mill in Sandakan is completed. Also, the leased mill in Jengka is stabilised and the machines installation is almost complete.

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. With the addition of Jengka mill in Pahang, it is expected plywood production will be improved. The other important focus is to bring up the value chain by improving the quality of its products to fetch a higher price especially to focus on capturing the U.S. market.

In the medium term, the Group will focus on expanding the Klang operation after the rationalisation exercise in Sandakan. PPISB will be expanded to produce plywood from veneer to be 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 being 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 operation in view of the declining supply of natural timber logs in Sabah.

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.

SUSTAINABILITY STATEMENT

The Group has always considered sustainability as a key partner in its business strategy and development. The Group adopts a long term approach on sustainability, with continuous improvement and refinement annually. Sustainability strategies are embedded into the Group's business strategies where possible and are assessed and reviewed every year.

The Group is committed to ensure attention is given to environmental, social and governance aspects as an integral part of its business strategy and operations. The Group's approach towards sustainability covers three broad areas as follows:

- Economic
- Environment
- Social

1. ECONOMIC

(i) Product quality operational efficiency

The Group has invested in advanced machineries to increase production capacity, to improve the quality of our product and to enhance the efficiency of the manufacturing process. Better production efficiency increases the recovery of logs resulting in lower production cost. Using smaller logs has also resulted in lower cost of raw material and broadens the source of log supply for its production.

(ii) Supply chain management

All potential suppliers are treated equally and there is an open system of vendor selection. There are guidelines in our procurement process whereby suppliers are selected based on specified criteria, including the extent of vendors' resources and skills, quality and composition of requested resource. Furthermore, our procurement process is governed by internal controls, based on preset limits of authority and approval to ensure fair practices.

(iii) Governance and ethics

The Group is committed to good corporate governance and ethical practices at the workplace. The governance practices are guided by the recommendations of the MCCG 2017, Bursa Malaysia's Listing Requirements and other regulatory requirements. Management and staff are made aware to observe and comply with all relevant legislation, regulations and codes of practice and inculcate good ethical standards in business dealings.

SUSTAINABILITY STATEMENT (cont'd)

2. ENVIRONMENT

(i) Waste Management

The Group is committed to reduce environmental impact of its operation and firmly believes in adopting waste management and recycling programs such as the wood waste of which generated from the manufacturing process are used as material for the biomass power plant for regeneration of electricity supply for its operation. We are also committed to be in compliance with the relevant laws relating to sustainable forestry, emission standards and plant effluent management. The Group has complies the following legislation in reducing the environment impact.

(a) Lacey Compliance Verification (LCV) Program in affirming the legality of sourced forest products used in the manufacture of our products, which will give a high level of confidence to our customers of our fulfilment of the requirements of the Lacey Act for the U.S. market.

(b) The Group is certified as a CARB Certified Manufacturer by Professional Service Industries, Inc. (which is known as Benchmark Holdings in 2011). The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished good for sale in California.

(ii) Emissions

We monitor our boiler emissions via the Continuous Emissions Monitoring Systems ("CEMS"), which is implemented as part of local environmental regulations. The system monitors and concurrently updates the DOE on the contents of our emissions. We take effort to ensure we comply with the local regulations.

3. SOCIAL

(i) Occupational Safety and Health

The Group has the responsibility to provide and maintain a safe and healthy working environment for all its employees. There are regular checks and upgrades on facilities, such as kitchen and sewerage, to ensure cleanliness and proper maintenance. Safety and health standards are applied in the workplace.

A Safety and Health Committee has been established to ensure a safe and conducive working environment for its employees.

(ii) Diversity

The Group practices a Diversity Policy which will provide equal opportunities in respect to employment and for its workplace in regardless of age, gender, ethnicity, cultural background or other personal factors. This is to ensure that the Group has a diverse mix of skills and talent among employees in order to enhance Company performance.

(iii) Local Communities

The Group has been contributing to the community by donating to the needy and contributing to the charitable events organised by the governmental and private organisation.

Understanding the impact and importance of sustainability initiatives, the Group will continuously refine and improve on sustainability issues and matters.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Cymao Holdings Berhad (“Cymao” or “the Company”) presents the Corporate Governance Overview Statement that provides an overview of the Company’s corporate governance practices for the financial year ended 31 December 2017 on how the Company has applied the principles and the extent of compliance with best practices as set out in the Malaysian Code on Corporate Governance 2017 (“the Code”).

This statement is prepared in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad and it takes guidance from the key principles and best practices as set out in the Code.

The Board 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 Code as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and financial performance of the Cymao Group.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board is always mindful of its responsibility 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. They put together their skills, experience and knowledge to direct, supervise and manage the Group’s business and enhancement of long-term shareholders’ value.

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 to support the Board and report their proceedings and recommendations. However, the Board makes the final decision on all matters in the best interest of the Company.

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 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 strategies are objectively evaluated by the management. The Independent Non-Executive Directors are actively involved in the Board Committees of the Company and thus provide the necessary check and balance to the Board’s decision making process, safeguarding the interest of shareholders and stakeholders and ensure that the recommended standard corporate governance are applied.

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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT** (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

Separate Position of the Board Chairman and Managing Director

The positions of Chairman and Managing Director of the Company are held by separate individuals to ensure a balance of power, authority and accountability at the Board level. The Chairman primarily leads the Board with the responsibility to ensure effective functioning of the Board as a whole, engaging active participation amongst members of the Board and inculcating good corporate governance practices and the overall conduct of the Group.

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 Managing Director together with the Executive Director 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 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.

Board Charter
Code of Ethics and Conduct
Whistleblowing Policy

The Board Charter adopted by the Board provides the principle guidelines for the existing and/or new members of Board alike, Board Committee and management to achieve the objectives of the Company.

The Board Charter defines the roles, duties, the division of responsibilities and power between the Board and those delegated to the management, the Board Committees and Managing Director. It sets out the Board structure, the Board's 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. The Charter is available on the Company's website at www.cymao.com.

The Code of Ethics and 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.

The Whistleblowing Policy is to assists and ensures that the Company's business and operations are conducted in an ethical, moral and legal manner. The Whistleblowing Policy is designed to encourage employees or external parties to disclose suspected malpractice or misconduct and to provide protection to employees or external parties who report allegations of such practices.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT** (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

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 forty-eight to seventy-five 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 policy on gender diversity or setting any target on women participation on the Board.

II. BOARD COMPOSITION

The Board of Directors of the Company presently comprises five members, namely

Members of the Board	Designation
Dato' Seri Mohd Shariff Bin Omar	Chairman, Independent Non-Executive Director
Mr Lin, Kai-Min	Managing Director
Mr Lin, Kai-Hsuan	Executive Director
Mr Hiew Seng	Independent Non-Executive Director
Tuan Syed Ibrahim Bin Syed Abd.Raham	Independent Non-Executive Director

The present members of the Board 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. The Board views that the present composition of Directors is appropriate in terms of its size and membership as compared to the size of the Group.

The Independent Non-Executive Directors which made up more than half of the Board fulfills the MMLR of having more than one-third of the Board Members to be independent and the Code practice of more than half the Board members to be independent.

The profile of Directors and their other information are set out in the "Directors' Profile and Other Key Management" of the Annual Report.

Tenure of Independent Director

Practice 4.2 of the Code sets the tenure of an independent should not exceed a cumulative period of nine years and such director shall be re-designated as Non-Independent Director. If the board intends to retain an independent director beyond nine years, it should justify and seek the shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

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. As such the Company does not have a policy to limit the tenure of an Independent Director.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Tenure of Independent Director (Cont'd)

Subsequent to the financial year end, the Nomination Committee conducted an appraisal and review on the independence of Mr Hiew Seng who has served more than twelve 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 view 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 deliberations in the decision-making process of the Board and Committees.

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 on a single tier basis at the forthcoming Annual General Meeting to retain him in this position.

Appointments to the Board

The Nomination Committee is made up of three Independent Non-Executive Directors of the Company. The Chairman of the Nomination Committee is the Independent Director.

The Nomination Committee is responsible for making recommendations to the Board on the suitability of candidates nominated for appointment to the Board and Board Committees. The Board may authorise the Nomination Committee to refer to independent sources, eg directors' registry, industry and professional associations or independent search firms to identify suitable qualified candidates for directorship, where required and necessary. However, the Nomination Committee having considered the present Board's size and balance, did not propose to the Board of potential candidature for additional non-executive director position.

The selection process for any suitable candidature of director involves first and foremost evaluation on the balance and composition including mix of skills, independence, experience and diversity (including gender diversity) of the Board. In making recommendation of suitable candidates, the Nomination Committee shall consider the following:

- skills, knowledge, expertise and experience;
- time commitment and contribution;
- honesty, integrity, professional conduct and business ethics/practices;
- number of directorships in other companies and other external obligations which may affect his/her commitment; and
- for position of independent non-executive directors, the candidate shall be evaluated at minimum in accordance with the definition of "Independent Director" as stipulated by the MMLR.

It is entirely the decision of the Board to consider and approve the appointment of a new director upon the recommendation from the Nomination Committee. The Company Secretary will ensure that all appointment process are properly recorded, all relevant information of the new director is disclosed as well as all legal and regulatory obligations are fulfilled. The Nomination Committee shall ensure all new directors participate in the board induction and training programmes as stipulated by the MMLR.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Appointments to the Board (Cont'd)

The Nomination Committee met once in the financial year 2017 with full attendance of all members. The Nomination Committee discharged its duties as follows:

- 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; and
- Reviewed the independence appraisal on Independent Director.

During the year under review, the Board had conducted the annual asssessment based on a number of criteria set out below 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.

- 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 maintaining good relationship with internal and external stakeholders.
  - ✓ Assessment on Performance Management 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Appointments to the Board (Cont'd)

During the year under review, the Board had conducted the annual asssessment based on a number of criteria set out below but not limited to the following: (Cont'd)

- 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 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.

Re-election of Directors

In accordance with the provisions of the Company's Articles of Association, at least one-third 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 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 Twentieth Annual General Meeting.

Board Meetings

The Board meets at least four 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 five occasions and the attendance of the Board is as follows:

Directors	Attendance
Dato' Seri Mohd Shariff Bin Omar	5/5
Lin, Kai-Min	5/5
Lin, Kai- Hsuan	3/5
Hiew Seng	4/5
Syed Ibrahim Bin Syed Abd.Rahman	5/5

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Board Meetings (Cont'd)

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.

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Directors' Training (Cont'd)

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	Driving Financial Integrity & Performance- Enhancing Financial Literacy	1
Lin, Kai-Min	(i) Audit Committee Leadership Track- Effective Oversight of IA Functions- Are Boards in Sync wit Regulatory Expectations? (ii) Bursa CG Breakfast Series for Directors: "Leading in a Volatile, Uncertain, Complex, Ambiguous World" (iii) 2018 Budget and Tax Conference	1 ½ ½
Lin, Kai-Hsuan	Adhesive improvement technology, methods and the industrial uses 2018 Budget and Tax Conference	1 ½
Hiew Seng	(i) Driving Financial Integrity & Performance- Enhancing Financial Literacy (ii) Bursa CG Breakfast Series- Board Excellence: "How to Engage and Enthuse Beyond Compliance with Sustainability" The Strategy, the leadership, the stakeholders and the Board"	1 ½
Syed Ibrahim Bin Syed Abd.Rahman	Driving Financial Integrity & Performance- Enhancing Financial Literacy	1

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.

Information and Support for Directors

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 at least one week 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 the 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Responsibilities of the Company 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, 2016, 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.

III. REMUNERATION

Remuneration Policy

The Board recognises that the level and composition of remuneration of Directors and senior management should take into account the Company's desire to attract and retain the right talent in the Board and Senior Management to drive the company's long-term objectives.

The Company has in place policies and procedures to determine the remuneration of Directors and senior management, 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 Committee are provided with additional fees.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT** (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. REMUNERATION (CONT'D)

Remuneration Policy (Cont'd)

In the case of Executive Directors and senior management, the components of the remuneration package are structured to link rewards to corporate, duties and performance to corporate and individual performance. The current remuneration packages of the Executive Directors include a monthly salary, Directors' fees and meeting attendance allowance that they attended. Furthermore, the salaries payable to the Executive Directors do not include a commission or percentage of turnover which is in line with the MMLR.

For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities undertaken which covers a basic Directors' fee of a fixed sum based on the responsibilities in the Board Committee, meeting attendance allowance and reimbursement of reasonable expenses incurred in the course of their duties. In compliance with the provisions of the Companies Act 2016, the fees and any benefits payable to Directors are subject to annual approval at general meetings.

The Remuneration Committee is currently made up of three Independent Non-Executive Directors. The process of reviewing and recommending matters relating to the remuneration of the Board is undertaken by the Remuneration Committee.

The Remuneration Committee met once during the financial year 2017 to carry out the annual review the remuneration packages for Executive Directors and Non-Executive Directors 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 the discussion of his own remuneration.

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

Disclosure of Remuneration

The Board acknowledges that disclosure of remuneration of the Directors and senior management on an individual basis provides transparency and enable the stakeholders to assess whether the remuneration commensurate with their individual performance, taking into consideration of the Company's performance. However, the Board also understand that such disclosure at employee level for senior management have to be considered in terms of how its affect the dynamics of the workforce internally which may yield unintended outcome among the employees, who themselves are part of the Company's stakeholders, and for this reason has not adopted any disclosure of such employees' remuneration.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. REMUNERATION (CONT'D)

Disclosure of Remuneration (Cont'd)

The details of remuneration of the Directors for services rendered to the Company and the Group are as follows:

Directors	Company			
	Directors' Fees (RM)	Salaries (RM)	Meeting Allowance (RM)	Total (RM)
Executive Directors				
Lin, Kai-Min	12,000	12,000	5,000	29,000
Lin, Kai-Hsuan	36,000	–	3,000	39,000
Non-Executive Directors				
Dato' Seri Mohd Shariff Bin Omar	60,000	–	5,000	65,000
Hiew Seng	48,000	–	4,000	52,000
Syed Ibrahim Bin Syed Abd.Rahman	36,000	–	5,000	41,000
Total	192,000	12,000	22,000	226,000

Directors	Group			
	Directors' Fees (RM)	Salaries (RM)	Meeting Allowance (RM)	Total (RM)
Executive Directors				
Lin, Kai-Min	12,000	383,800	5,000	400,800
Lin, Kai-Hsuan	36,000	486,000	3,000	525,000
Total	48,000	869,800	8,000	925,800

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I AUDIT COMMITTEE

The present Audit Committee comprised wholly of Independent Non-Executive Directors. The chairman of the Committee is not the Board Chairman and none of the members of the Audit Committee was a former key audit partner of the Company. Further details on the composition, terms of reference and activities of the Audit Committee can be found in the "Audit Committee Report" of the Annual Report.

External 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

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 in accordance to the terms of all relevant professional and regulatory requirements.

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 2017. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I AUDIT COMMITTEE (CONT'D)

Risk Management and Internal Control Framework

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.

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

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

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

PRINCIPLE C:INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION 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 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 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.

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.

In addition, the Board is required to provide a statement explaining the Directors' responsibilities in preparing the audited financial statements as set in the "Directors' Responsibolity Statement for Preparing the Financial Statements" in the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE C:INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II. CONDUCT OF GENERAL MEETINGS

The Board recognises the use of the general meeting as a principal forum for dialogue and to communicate with shareholders. Extraordinary General Meetings are held as and when required. The Board at all times encourages attendance and participation of shareholders at the Company's general meetings.

In an effort to encourage greater shareholders' participation at general meeting, the Board takes cognisance in serving longer than the required minimum of at least twenty-one days' notice for general meeting by giving at least twenty-eighty days' notice prior to the meeting. To further promote participation of the members, the Chairman of the meeting will brief the members, corporate representatives or proxies present at the meeting of their rights to speak and vote on the resolutions set forth in the general meeting.

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

The shareholders are given the opportunity to seek clarification on any matters pertaining to the business and financial performance of the Company. The Board endeavors to ensure that all Board members including the chair of the Board Committees, the Chief Financial Officer and the external auditors are present at the Company's Annual General Meetings to answer questions raised at the meeting. Extraordinary General Meetings are held as and when required and if necessary, the financial advisors will also be present to attend to shareholders' queries at these meetings.

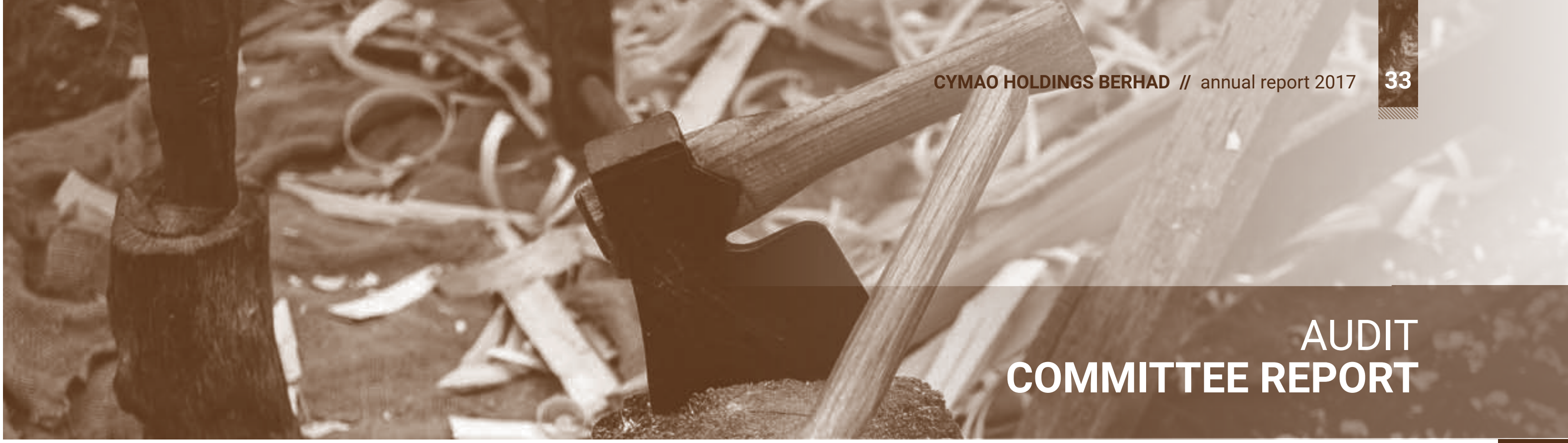
Voting

Pursuant to MMLR, any resolution set out in the notice of any general meetings, or in any notice or resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll for all general meetings. Hence, voting for all resolutions set out in the forthcoming and future general meetings will be conducted as such. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

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.

CORPORATE GOVERNANCE REPORT

This Corporate Governance Overview Statement is to be read together with the Corporate Governance Report 2017 of the Company which is available on the Company's website on how the Company has applied each practices as set out in the Code where practical and appropriate during the financial year ended 31 December 2017.



AUDIT COMMITTEE REPORT

The Audit Committee of Cymao Holdings Berhad ("Cymao") is pleased to present its Audit Committee Report for the financial year ended 31 December 2017.

The Audit Committee was established to act as a Committee of the Board with the principal 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 five 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	4/5	80
Dato' Seri Mohd Shariff Bin Omar	Member	5/5	100
Syed Ibrahim Bin Syed Abd.Rahman	Member	5/5	100

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

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 are 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 assessment of suitability, independence and performance of external auditors;

6. oversight of 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.

AUDIT COMMITTEE REPORT
(cont'd)

Key Functions and Roles of Audit Committee (Cont'd)

7. 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 matters highlighted including financial report issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
   - the going concern assumption; and
   - compliance with accounting standards and other legal requirements.

8. 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.

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

Summary Activities of the Audit Committee

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

<u>Financial Reporting</u>

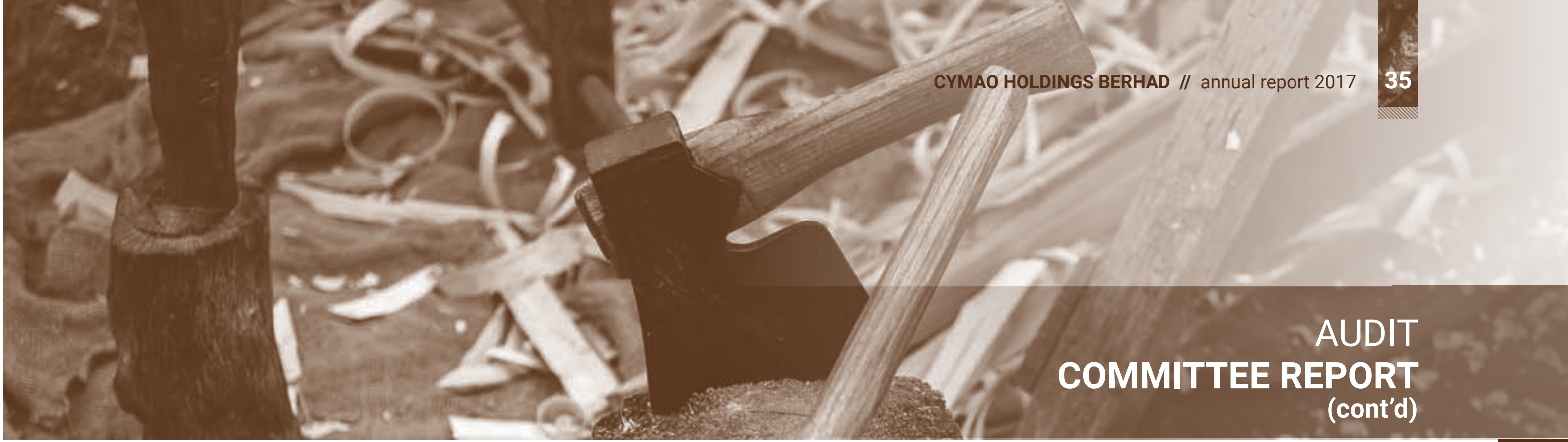
- reviewed and discussed the unaudited quarterly financial results and the audited financial statements of the Company and the Group to ensure in compliance with the requirements of financial reporting and disclosures of the relevant authorities and recommended to the Board for approval.
- reviewed and 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 2017.

<u>External Auditors</u>

- reviewed the Audit Planning Memorandum for the financial year ended 31 December 2017 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.

<u>Internal Audit</u>

- reviewed and adopted 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)

Summary Activities of the Audit Committee (Cont'd)

<u>Related Party Transaction</u>

- reviewed the related party transactions entered by the Group.

<u>Others</u>

- reviewed pertinent issues which had significant impacts on the results of the Group, investment and strategic operations of subsidiaries in relation to the cost rationalisation study.
- reviewed the Audit Committee Report in respect of the financial year ended 31 December 2017 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 independent professional firms namely, RCA Corporate Services Sdn. Bhd. and Jeta PLT (Formerly known as FS Chen & Associates) to separately conduct the internal audit reviews on the Group's operations at different locations, ie. Klang and Sandakan respectively.

Mr Clement Cheong from RCA Corporate Services Sdn. Bhd. is a member of the Malaysian Institute of Accountants with more than twenty years of experience in the banking and finance industry as well as internal auditing. Mr Henry Liau from Jeta PLT (Formerly known as FS Chen & Associates) is a Fellow Member of the Association of Chartered Certified Accountants having at least of thirty-eight years of experience in audit of listed companies and internal audit work. These professional firms are adequately resourced and the internal audit performed are in accordance with the recognised internal auditing framework.

The roles 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 weaknesses.

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 improvements 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.
- conducted review to enhance the Standard of Operating Procedures of system processes.

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 RM51,450.

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 to the Board. The Board is satisfied with the Audit Committee that has discharged its function, duties and responsibilities in accordance to the Terms of Reference.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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 acknowledges 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 organisation structure and approval authority are defined by outlining the respective management areas of responsibility.

Apart from the Executive Director who are actively involved in the day-to-day operations of the Group, the Managing Director or the Executive Director and senior management team conduct meeting every week. The weekly meetings serve as a monitoring tool and provide communication channel of reporting and feedback to all level of management, whereby, changes in business environment and operations are reviewed while operation performance is assessed with detailed corrective actions being identified 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 Internal Auditors. The monitoring arrangements in place give reasonable assurance that the structure of controls and operations is appropriate to the Group.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

ANNUAL ASSESSMENT

After reviewing the qualification and experience of one of the internal auditors, the management has engaged the said internal auditors in March 2018 to review the risk management and the 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.

This review falls part of the annual assessment highlighted in the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, and the review has been commenced in March 2018.

INTERNAL CONTROL SYSTEM

The Board recognises 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:

- Organisation structures with authority limits and responsibilities;
- Defined functions and responsibilities of the various committees of the Board;
- Formalised 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 the 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 two independent professional firms namely, RCA Corporate Services Sdn. Bhd. and Jeta PLT (Formerly known as FS Chen & Associates) to provide internal audit services to Klang and Sandakan operations respectively.

The Internal Auditors independently review the internal controls on the key activities of the Group's business. The Internal audit was carried out based on the Internal Audit Plan reviewed by the Audit Committee and approved by the Board. For Klang operation, the Internal Auditors engaged have completed their audit review for four quarters up to 31 December 2017 while for Sandakan operation, the review of internal control have completed for the first two quarters up to June 2017 and the review of the remaining two quarters is still ongoing.

The Audit Committee reviews the results of the risk monitoring and compliance procedures, 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 the 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.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

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 resolutions of the Board of Directors dated 18 April 2018.

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	5,000	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 other related party transactions of a revenue or trading nature during the financial year under review, except as disclosed in Note 26 to the financial statements.

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, the International Financial Reporting Standards and the requirements of the Companies Act 2016 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:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on a going concern basis.

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 and the Companies Act 2016.

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.

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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 2017.

RESULTS

	Group RM	Company RM
Total comprehensive loss for the financial year	7,468,926	531,290

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except 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 2017.

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

Pursuant to Section 253 of the Companies Act, 2016, the directors of subsidiary companies during the financial year and up to the date of this report are as follows:

Lin, Kai-Min
Lin, Tsai-Rong
Lin, Kai-Hsuan
Chow Chung Kong
Pang Pah Loh @ Pang Pak Lok (Appointed during the financial year)

DIRECTORS' INTERESTS IN SHARES

The holdings and deemed holdings in the ordinary shares 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 59 of the Companies Act, 2016 ("CA 2016") are as follows:

	Number of ordinary shares of RM1* each			
Direct interest:	**At 1.1.2017**	**Bought**	**Sold**	**At 31.12.2017**
Lin, Kai-Min	13,846,250	–	–	13,846,250
Lin, Kai-Hsuan	4,330,500	–	–	4,330,500
Hiew Seng	62,500	–	–	62,500

* Upon the date the Companies Act, 2016 became effective on 31 January 2017, the ordinary shares do not have any par value.

By virtue of the directors' interest in the ordinary shares of the Company, they are also deemed to have interest in ordinary shares of the subsidiary companies 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 26 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.

DIRECTORS' REMUNERATION

The remuneration paid to or receivable by the directors of the Group and Company during the financial year is amounted to RM1,282,800 and RM204,000 respectively.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company for the financial year ended 31 December 2017 amounted to RM11,493.

ISSUES OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

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.

TREASURY SHARES

During the financial year ended 31 December 2017, the Company repurchased 200,100 of its issued ordinary shares from the open market for total consideration paid, including transaction costs of RM63,042. The average price paid for the shares repurchased was approximately RM0.32 per ordinary share and was financed by internally generated funds. The ordinary shares repurchased are being held as treasury shares and treated in accordance with the requirements of Section 27(6) of the CA 2016.

As at 31 December 2017, the Company held 1,664,600 treasury shares out of total 75,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM693,951 and further relevant details are disclosed in Note 21 to the financial statements.

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, other than as disclosed in Notes 14 to the financial statements; 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.

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 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.

SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS

On 31 August 2016, the Companies Bill 2015 received Royal Assent and was gazetted as the Companies Act 2016 ("CA 2016"). 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.

AUDITORS

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

During the financial year, the total amount of fees paid to or receivable by the auditors as remuneration for their services as auditors of the Company amounted to RM90,000.

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

Sandakan

Dated 18 April 2018

STATEMENT BY **DIRECTORS**

Pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the accompanying financial statements set out on pages 51 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2017 and of their financial performance and cash flows for the financial year ended on that date.

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

Sandakan

Dated 18 April 2018

STATUTORY **DECLARATION**

Pursuant to Section 251(1)(B) of the Companies Act, 2016

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 108 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed LIN, KAI-MIN)
at Sandakan)
on 25 April 2018)

LIN, KAI-MIN

Before me,

No.S-029
RAMSAH BINTI HJ. MOHD. TAHA
No.3, Tingkat 2
Wisma Sandaraya
Sandakan, Sabah

COMMISSIONER FOR OATHS

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 2017 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 108.

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 2017, 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, 2016 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.

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, the Group reported a total comprehensive loss for the current and previous financial year amounting to RM7,468,926 and RM7,472,858 respectively. The Directors have assessed whether any material uncertainties exist which cast significant doubt as to the Group's ability to meets its liabilities and whether the mitigating actions identified by management are achievable. As these assessments involve significant judgement, this is therefore considered a matter of most significance.	We obtained and reviewed the going concern assessment prepared by management including a five-year cash flow forecast and the assumptions underlying the future cash flows. We additionally reviewed the Group's log supply contracts to ascertain the sufficiency of logs to support the level of operations forecasted for the next financial year. We further checked the Group's compliance with the terms of its borrowings and did not note any non-compliance.

INDEPENDENT AUDITORS' REPORT (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
Impairment of property, plant and equipment	
As highlighted in the preceding section, the Group had incurred significant losses for the current and previous financial year, which is an indicator that the Group's property, plant and equipment may be impaired.	We obtained management's review on the impairment of property, plant and equipment performed for three (3) of the subsidiary companies that contributed most to the losses, i.e. Cymao Plywood Sdn. Bhd., Inovwood Sdn. Bhd. and Poly-Ply Industries Sdn. Bhd. As highlighted in Note 2(b)(i) Significant accounting judgments and estimates, the recoverable amount is the higher of the fair value less costs to sell and the asset's value in use. The fair values of the assets as ascribed by independent professional valuers during the financial year are significantly higher than their carrying amounts, 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 the variables. We additionally performed the following: • Assessed the competence, capabilities, objectivity and qualifications of the Director's independent valuers; • 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 a scope limitation upon them; and • 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 19, non-trade receivables of the Group amounted to RM3,930,331, of which RM219,294 has been outstanding for more than Six (6) months and RM1,165,697 for more than One (1) year, against an allowance for doubtful debts of RM93,926. 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 RM1,518,545, or approximately 39% of other receivables of the Group. 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.

INDEPENDENT AUDITORS' REPORT (cont'd)

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors 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 do 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 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, 2016 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 going concerns, 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.

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.

INDEPENDENT AUDITORS' REPORT (cont'd)

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

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

(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.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

PKF	CHAU MAN KIT
AF 0911	02525/03/2020 J
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

Kota Kinabalu

Dated 25 April 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	4	93,089,145	115,560,808	–	–
Cost of sales		(88,433,568)	(111,763,848)	–	–
Gross profit		4,655,577	3,796,960	–	–
Interest income	5	41,117	104,372	–	–
Other operating income	6	717,402	1,371,213	–	5,313
Other operating expenses	7	(614,882)	(474,882)	–	–
Selling expenses		(5,149,664)	(4,598,008)	–	–
Administrative expenses		(6,481,119)	(7,254,610)	(531,290)	(489,174)
Share of loss of joint venture		(388,991)	(199,837)	–	–
Loss from operations	10	(7,220,560)	(7,254,792)	(531,290)	(483,861)
Finance costs	11	(330,963)	(397,304)	–	–
Loss before taxation		(7,551,523)	(7,652,096)	(531,290)	(483,861)
Income tax expense	12	82,597	179,238	–	–
Loss for the financial year		(7,468,926)	(7,472,858)	(531,290)	(483,861)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the financial year		(7,468,926)	(7,472,858)	(531,290)	(483,861)
Loss per share attributable to owners of the Company (sen per share)					
Basic	13	(10.16)	(10.16)		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

ASSETS	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current assets					
Property, plant and equipment	14	35,260,249	36,121,170	1	10,492
Land use rights	15	839,588	892,818	–	–
Investments in subsidiary companies	16	–	–	79,066,937	79,066,937
Investments accounted for using the equity method	17	51,172	440,163	–	–
		36,151,009	37,454,151	79,066,938	79,077,429
Current assets					
Inventories	18	21,658,375	23,529,244	–	–
Trade and non-trade receivables	19	15,434,706	23,396,877	10,675,102	11,066,704
Tax recoverable		790,336	494,468	–	–
Cash and bank balances	20	5,458,177	4,275,334	30,305	10,076
		43,341,594	51,695,923	10,705,407	11,076,780
TOTAL ASSETS		79,492,603	89,150,074	89,772,345	90,154,209
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	21	92,374,387	75,000,000	92,374,387	75,000,000
Share premium	21	–	17,374,387	–	17,374,387
Treasury shares	21	(693,951)	(630,909)	(693,951)	(630,909)
Accumulated losses	22	(29,126,898)	(21,657,972)	(13,760,080)	(13,228,790)
Total equity		62,553,538	70,085,506	77,920,356	78,514,688
Non-current liabilities					
Loans and borrowings	23	2,019,958	1,792,171	–	–
Deferred tax liabilities	24	1,637,581	1,707,559	–	–
		3,657,539	3,499,730	–	–
Current liabilities					
Loans and borrowings	23	6,220,821	7,447,433	–	–
Trade and non-trade payables	25	7,060,705	8,117,405	11,851,989	11,639,521
		13,281,526	15,564,838	11,851,989	11,639,521
Total liabilities		16,939,065	19,064,568	11,851,989	11,639,521
TOTAL EQUITY AND LIABILITIES		79,492,603	89,150,074	89,772,345	90,154,209

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 2017

		← Attributable to the owners of the Company →				
		← Non-distributable		→	Distributable	
Group	**Note**	**Share capital RM**	**Share premium RM**	**Treasury shares RM**	**accumulated losses RM**	**Total equity RM**
At 1 January 2016		75,000,000	17,374,387	(630,909)	(14,185,114)	77,558,364
Total comprehensive 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
Total comprehensive loss for the financial year		–	–	–	(7,468,926)	(7,468,926)
Share buy-back		–	–	(63,042)	–	(63,042)
Transition to no par value regime under Companies Act 2016**		17,374,387	(17,374,387)	–	–	–
At 31 December 2017		92,374,387	–	(693,951)	(29,126,898)	62,553,538
Company						
At 1 January 2016		75,000,000	17,374,387	(630,909)	(12,744,929)	78,998,549
Total comprehensive 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
Transactions with owners:						
Total comprehensive loss for the financial year		–	–	–	(531,290)	(531,290)
Share buy-back		–	–	(63,042)	–	(63,042)
Transition to no par value regime under Companies Act 2016**		17,374,387	(17,374,387)	–	–	–
At 31 December 2017		92,374,387	–	(693,951)	(13,760,080)	77,920,356

** The Companies Act 2016 ("the Act") which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM17,374,387 becomes part of the Group's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities					
Loss before taxation		(7,551,523)	(7,652,096)	(531,290)	(483,861)
Adjustments for:					
Allowance for doubtful debts		93,926	84,887	–	–
Amortisation of land use rights		53,230	16,152	–	–
Bad debts written off		184,887	5,726	–	–
Depreciation of property, plant and equipment		3,904,395	4,810,623	10,491	(10,491)
Gain on disposal of property, plant and equipment		(151,409)	(668,763)	–	–
Interest expenses		330,963	397,304	–	–
Interest income		(41,117)	(104,372)	–	–
Inventories written off		53,882	–	–	–
Reversal of allowance for doubtful debts		(184,887)	–	–	–
Share of loss of share in joint venture		388,991	199,837	–	–
Operating loss before working capital changes		(2,918,662)	(2,910,702)	(520,799)	(473,370)
Change in inventories		1,816,987	3,167,118	–	–
Change in receivables		7,868,245	1,206,589	391,602	129,118
Change in payables		(1,056,700)	347,042	212,468	340,289
Cash generated from/ (used in) operations		7,806,870	1,810,047	83,271	(3,963)
Income tax paid		(429,010)	(665,434)	–	–
Income tax refunded		145,761	9,300	–	–
Interest paid		(330,963)	(397,304)	–	–
Net cash generated from/ (used in) operating activities		5,092,683	756,609	83,271	(3,963)
Cash flows from investing activities					
Acquisition of property, plant and equipment	14	(2,542,321)	(5,709,629)	–	–
Decrease in short-term deposits with a licensed bank		–	885,573	–	–
Interest received		41,117	104,372	–	–
Acquisition of joint venture		–	(640,000)	–	–
Proceeds from disposal of property, plant and equipment		187,859	1,419,326	–	–
Net cash used in investing activities		(2,313,348)	(3,940,358)	–	–

STATEMENTS OF CASH FLOWS (cont'd)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash flows from financing activities					
Drawdown of bankers' acceptance		20,677,000	27,258,000	–	–
Drawdown of term loans		–	450,000	–	–
Purchase of treasury shares		(63,042)	–	(63,042)	–
Repayment of bankers' acceptance		(20,901,000)	(27,485,000)	–	–
Repayment of hire purchase		(60,550)	–	–	–
Repayment of term loans		(143,202)	(102,547)	–	–
Net cash (used in)/generated from financing activities		(490,794)	120,453	(63,042)	–
Net increase/(decrease) in cash and cash equivalents		2,291,516	(3,063,296)	20,229	(3,963)
Cash and cash equivalents at beginning of financial year		3,166,661	6,229,957	10,076	14,039
Cash and cash equivalents at end of financial year	20	5,458,177	3,166,661	30,305	10,076

Reconciliation of liabilities arising from financiing activities:

Group	1 January 2017 RM	Cash flows RM	Non-cash acquisition RM	31 December 2017 RM
Bankers' acceptence	6,699,000	(224,000)	–	5,975,000
Term loans	1,931,931	(143,201)	–	1,788,730
Hire purchase	–	(60,551)	537,600	477,049
	8,630,931	(427,752)	537,600	8,240,779

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

NOTES TO THE FINANCIAL STATEMENTS

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 on the historical cost convention, other than as disclosed in the notes to the financial statements, and in accordance with the Malaysian Financial Reporting Standards ("MFRS") issued by Malaysian Accounting Standards Board, International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 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.

(a) Adoption of new and revised MFRS

On 1 January 2017, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2017.

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

Disclosure Initiative (Amendments to MFRS 107)

The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the MASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The MASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

Since the amendments are being issued less than one year before the effective date, entities need not provide comparative information when they first apply the amendments.

This adoption does not have any impact on the financial statements of the Group and the Company.

1. BASIS OF PREPARATION (CONT'D)

(a) Adoption of new and revised MFRS (Cont'd)

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

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.

This does not have any impact on the financial statements of the Group and the Company as the Group and the Company did not incur any unrealised tax losses during the financial year.

(b) Standards issued but not yet effective

The Group and the Company have 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 2018

- MFRS 9, Financial Instruments
- MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 128 (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)

Effective for annual periods commencing on or after 1 January 2019

- Amendments to MFRS 3 (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- MFRS 16, Leases
- Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Long-term interests in Associates and Joint Ventures (Amendments to MFRS 128)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. BASIS OF PREPARATION (CONT'D)

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

Deferred

- Amendments to MFRS128, Investment in Associates and Joint Ventures

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

(i) **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 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 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)

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

(i) MFRS 9, Financial Instruments (Cont'd)

(iii) Hedge accounting

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.

(ii) 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.

(iii) Amendments to MFRS 128 (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)

The amendments are made on the exemptions from applying the equity method. MFRS 128 states that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investments through profit or loss in accordance with MFRS 9. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

Early application of these amendments is permitted provided that the entity discloses the fact.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

1. BASIS OF PREPARATION (CONT'D)

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

(iv) Amendments to MFRS 3 (Annual Improvements to MFRS Standards 2015 -2017 Cycle)

The amendments are made on the additional guidance for applying the acquisition method to particular types of business combinations. When a party to a joint arrangement (as defined in MFRS 11 Joint Arrangements) obtains control of a business that is a joint operation (as defined in MFRS 11), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

Early application of these amendments is permitted provided that the entity discloses the fact.

(v) Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015 -2017 Cycle)

The amendments are made on the accounting for acquisitions of interests in joint operations. It states that a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. In such cases, previously held interests in the joint operation are not remeasured.

Early application of these amendments is permitted provided that the entity discloses the fact.

(vi) 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:

1. BASIS OF PREPARATION (CONT'D)

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

(vi) MFRS 16, Leases (Cont'd)

- leases with a lease term of 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.

(vii) Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle)

Under MFRS 112, Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle), an entity shall recognise the income tax consequences of dividends as defined in MFRS 9 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Early application of these amendments is permitted provided that the entity discloses the fact. When an entity first applies these amendments, it shall apply them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(viii) Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments are made on the equity method. It states that an entity also applies MFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. In applying MFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying this Standard.

Early application of these amendments is permitted provided that the entity discloses the fact.

(ix) Amendment to MFRS 128, Investments in Associate and Joint Venture

The amendments address the inconsistency between the requirements of MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associate and Joint Venture and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. Full gain or loss is recognised when a transaction involves a business whether it is housed in a subsidiary company or not, as defined in MFRS 3 Business Combinations. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary company.

The Group plans to assess the potential effect of the adoption of the above new standards on their financial statements in 2018.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Judgements made in applying accounting policies

In the process of applying Group's and the Company's accounting policies, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) 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:

(i) 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.

(ii) 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 to the financial statements.

(iii) 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 to the financial statements.

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

(b) Key sources of estimation uncertainty (Cont'd)

(iv) 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.

(v) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgment and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and investments in associates and joint arrangements

(i) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) 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).

(iii) 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 equal or exceeds its interest in the associate, the Group discontinues recognising its share of further losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iv) 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.

(v) 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.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) 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.

(d) 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.

(e) Employee benefits

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Employee benefits (Cont'd)

(ii) 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.

(f) Income taxes

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.

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.

(g) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land (including long leasehold land with remaining unexpired lease term of 100 years and more) is not depreciated but is subject to impairment test if there is any indication of impairment.

Leasehold land with lease period of equal or less than fifty (50) years is classified as short leasehold land whereas leasehold land with lease period of more than fifty (50) years is classified as long leasehold land. Leasehold land is amortised over the period of the lease term, ranging from fifty-one (51) to seventy-one (71) years.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the property, plant and equipment over the term of their estimated useful lives.

The principal annual rates of depreciation used are as follows:

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

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the term of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(i) 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 of thirty (30) years.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Financial assets

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

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

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

The subsequent measurement of financial assets depends on their classification as follows:

(i) **Financial assets at fair value through profit or loss**

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

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

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

(ii) **Held-to-maturity investments**

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Financial assets (Cont'd)

(iii) Loans and receivables

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

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

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

(l) 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset of the Group and of the Company that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments. The probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- **Trade and non-trade receivables and other financial assets carried at amortised cost**

  To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

  For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based in similar risk characteristics.

  Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment (Cont'd)

(ii) Impairment of non-financial assets

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

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

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

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

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

(n) Equity instruments

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised as an appropriation of retained profits upon declaration, and are only taken up as liabilities upon the necessary approval being obtained.

(o) 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 equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Borrowings costs

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

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

(q) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, except land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases – the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating leases – the Group as lessee

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(h).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Financial liabilities

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

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

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) **Financial liabilities at fair value through profit or loss**

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

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

(ii) **Financial liabilities measured at amortised cost**

The Group's and the Company's financial liabilities measured at amortised cost include trade payables, non-trade payables and loans and borrowings.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Financial guarantee contracts

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

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

(t) Provisions

Provisions are recognised when the Group and the Company have present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made.

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

(u) Contingencies

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Contingent liabilities and assets are not recognised in the Statements of Financial Position of the Group.

(v) 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 presumption that the transactions to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

NOTES TO THE
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(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Fair value measurement (Cont'd)

The fair value of an asset or 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 fair value measurement of a non-financial asset 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 are available to measure fair value, maximising the use of relevant observable inputs and minimising the use 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:

(i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(ii) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
(iii) 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	
	2017	**2016**
	RM	**RM**
Sale of goods		
Block board	44,428,274	43,522,143
Plywood	47,432,048	71,622,370
Others	1,228,823	134,502
	93,089,145	115,279,015
Services rendered		
Barge hiring income	–	281,793
	93,089,145	115,560,808

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INTEREST INCOME

	Group 2017 RM	Group 2016 RM
Interest income from:		
Fixed deposits	41,117	104,372

6. OTHER OPERATING INCOME

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Gain on disposal of property, plant and equipment	151,409	668,761	–	–
Gain on foreign exchange				
- realised	21,180	12,853	–	–
- unrealised	104,943	–	–	–
Liabilities no longer in existence written back	–	5,313	–	5,313
Miscellaneous income	222,483	571,834	–	–
Rental income	32,500	–	–	–
Reversal of allowance for impairment on receivables (Note 19)	184,887	112,452	–	–
	717,402	1,371,213	–	5,313

7. OTHER OPERATING EXPENSES

	Group 2017 RM	Group 2016 RM
Bad debts written off	–	5,726
Farming expenses	2,130	–
Inventories written off	53,882	–
Loss on damaged of materials	23,391	153,263
Loss on disposal of materials	223,072	227,152
Loss on foreign exchange		
– Realised	143,958	–
– Unrealised	1,473	–
Others	166,976	88,741
	614,882	474,882

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries and wages	12,020,958	18,015,075	60,000	48,000
Contributions to defined contribution plan	212,644	267,740	–	–
Social security contributions	34,605	40,272	–	–
	12,268,207	18,323,087	60,000	48,000

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration consisting salaries and other emoluments and fee amounting to RM1,150,800 (2016: RM1,727,000) and RM60,000 (2016: RM48,000) respectively as further disclosed in Note 9 to the financial statements.

9. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors' remuneration (Note 8)				
- Fee	48,000	48,000	48,000	48,000
- Salaries and other emoluments	1,090,800	1,679,000	12,000	–
	1,138,800	1,727,000	60,000	48,000
Non-executive Directors' remuneration:				
- Fee	144,000	96,000	144,000	96,000
Total Directors' remuneration	1,282,800	1,823,000	204,000	144,000

The Directors' remuneration in the current financial year represents remuneration for Directors of the Group, the Company and its subsidiaries to comply with the requirements of Companies Act, 2016. The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

9. 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	
	2017	2016
Executive Directors:		
Below RM200,000	–	1
RM250,001 – RM300,000	1	1
RM300,001 – RM600,000	2	1
RM600,001 – RM650,000	–	1
Non-executive Directors:		
Below RM50,000	2	3
RM50,000 – RM100,000	1	–

10. LOSS FROM OPERATIONS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other than those disclosed in Note 5, 6, 7, 8 and 9, loss from operations have been arrived at after charging:				
Allowance for impairment on receivables (Note 19)	93,926	84,887	–	–
Amortisation of land use rights (Note 15)	53,230	16,152	–	–
Auditors' remuneration				
- Statutory audit	127,000	127,000	42,000	42,000
- Other services	66,980	47,110	48,000	37,000
Bad debts written off	184,887	5,726	–	–
Depreciation of property, plant and equipment (Note 14)	3,904,395	4,810,623	10,491	10,491
Rental of factory	–	19,300	–	–
Rental of logyard	87,124	254,350	–	–
Rental of premises	20,350	33,525	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. FINANCE COSTS

	Group	
	2017 RM	**2016 RM**
Interest expenses:		
- Bankers' acceptance	206,976	289,475
- Bank overdraft	12,498	19,348
- Hire purchase	13,989	–
- Term loans	97,500	88,481
	330,963	397,304

12. INCOME TAX EXPENSE

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Current taxation	–	127,682	–	–
Deferred liabilities (Note 24)	(69,978)	(145,594)	–	–
	(69,978)	(17,912)	–	–
Over provision in prior years	(12,619)	(161,326)	–	–
	(82,597)	(179,238)	–	–

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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Loss before taxation	(7,551,523)	(7,652,096)	(531,290)	(483,861)
Taxation at Malaysian statutory tax rate of 23% (2016: 24%)	(1,736,849)	(1,836,505)	(127,509)	(116,126)
Non-tax deductible expenses	521,423	343,491	127,509	116,326
Non-taxable income	(20,280)	(134,325)	–	–
Tax effect on double deduction expenses	(164,672)	(396,039)	–	–
Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets	1,330,400	2,005,466	–	–
	(69,978)	(17,912)	–	–
Over provision in prior years	(12,619)	(161,326)	–	–
	(82,597)	(179,238)	–	–

13. LOSS PER SHARE

(a) Basic

Basic loss per share amounts are calculated by dividing total comprehensive loss for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017 RM	**2016 RM**
Loss net of tax attributable to owners of the Company	(7,468,926)	(7,472,858)
Weighted average number of ordinary shares in issue	73,473,482	73,535,500
	2017 Sen	**2016 Sen**
Basic loss per share	(10.16)	(10.16)

(b) Diluted

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings* RM	Plant and machinery RM	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
Costs					
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
Addition	1,060,844	1,121,657	23,156	874,264	3,079,921
Disposal	–	(9,296)	–	(589,872)	(599,168)
At 31 December 2017	43,842,653	107,622,778	188,303	5,189,626	156,843,360
Accumulated depreciation					
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
Charge for the financial year	944,016	2,502,904	8,183	449,292	3,904,395
Written back	–	(9,300)	–	(553,421)	(562,721)
At 31 December 2017	19,057,374	98,334,230	128,133	4,063,374	121,583,111
Net book value					
At 31 December 2016	24,668,451	10,669,791	45,197	737,731	36,121,170
At 31 December 2017	24,785,279	9,288,548	60,170	1,126,252	35,260,249

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

* Land and buildings of the Group comprises:

Group	Freehold land RM	Leasehold land RM	Buildings RM	Renovation RM	Total RM
Costs					
At 1 January 2016	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
Addition	–	140,000	889,744	31,100	1,060,844
At 31 December 2017	2,386,800	16,415,750	23,628,484	1,411,619	43,842,653
Accumulated depreciation					
At 1 January 2016	–	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
Charge for the financial year	–	276,944	539,001	128,071	944,016
At 31 December 2017	–	2,450,714	15,947,590	659,070	19,057,374
Net book value					
At 31 December 2016	2,386,800	14,101,980	7,330,151	849,520	24,668,451
At 31 December 2017	2,386,800	13,965,036	7,680,894	752,549	24,785,279

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Company 2017 Costs	**Furniture, fittings and equipment RM**	**Renovation RM**	**Total RM**
At 1 January 2016/31 December 2016/31 December 2017	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
Charge for the financial year	–	10,491	10,491
At 31 December 2017	20,944	104,906	125,850
Net book value			
At 31 December 2016	–	10,492	10,492
At 31 December 2017	–	1	1

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

	Group		**Company**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Recognised in profit or loss				
- Cost of sales	3,047,719	4,179,353	–	–
- Administrative expenses	822,387	607,625	10,491	10,491
- Selling expenses	34,289	23,645	–	–
	3,904,395	4,810,623	10,491	10,491

Freehold land, leasehold land and building of the Group amounting to RM8,796,180 (2016: RM11,603,404) are pledged for banks for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.

Property, plant and equipment of the Group acquired under hire purchase arrangements are as follows:

2017	**Accumulated Cost RM**	**Net book depreciation RM**	**Net Book value RM**
Motor vehicles	1,494,803	(488,708)	1,006,095

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

2016	Accumulated Cost RM	Net book depreciation RM	Net Book value RM
Motor vehicles	–	–	–

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM3,079,921 (2016: RM5,709,629) of which RM537,600 (2016: RMNil) were acquired by means of hire purchase.

15. LAND USE RIGHTS

	Group	
	2017 RM	2016 RM
Cost		
At 1 January/31 December	1,337,376	1,337,376
Accumulated amortisation		
At 1 January	444,558	428,406
Charge for the financial year (Note 10)	53,230	16,152
At 31 December	497,788	444,558
Net book value		
At 31 December	839,588	892,818

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

16. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2017 RM	2016 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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

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 2017 %	Proportion of ownership interest 2016 %
Cymao Plywood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood and provision of barge hiring services	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 and sale of polyester-overlaid plywood and veneer.	Klang	100	100
Billion Apex Sdn. Bhd.	Dormant	Sandakan	100	100

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Group 2017 RM	Group 2016 RM
Cost		
Unquoted shares, at cost		
At 1 January/31 December	640,000	640,000
Accumulated impairment losses		
At 1 January	199,837	–
Impairment loss	388,991	199,837
At 31 December	588,828	199,837
Net carrying amount	51,172	440,163

Name of joint Venture	Principal activities	Principal place of business	Proportion of ownership interest 2017 %	Proportion of ownership interest 2016 %
GP Dynamic Venture Sdn. Bhd.	Manufacturing of plywood and sawn timber	Kuala Terengganu	40	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.

	GP Dynamic Venture Sdn. Bhd. 2017 RM	2016 RM
Current assets	1,248,279	566,108
Non-current assets	–	734,304
Current liabilities	(1,175,287)	(129,778)
Non-current liabilities	–	(75,329)
The following amounts have been included in the amounts above		
Cash and cash equivalents	1,578	34,128
Current financial liabilities	(75,329)	(17,940)
Non-current financial liabilities	–	(75,329)
Revenue	–	–
Loss for the financial year	(1,022,313)	(504,695)
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	(1,022,313)	(504,695)
The following amounts have been included in the amounts above		
Depreciation	(26,372)	(9,387)
Interest income	348	11,853
Interest expense	(5,574)	(947)
Income tax expense	(2,845)	–
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.

	GP Dynamic Venture Sdn. Bhd. 2017 RM	2016 RM
Net assets of the joint venture	72,992	1,095,305
Proportion of the Group's ownership interest in the joint venture	40%	40%
Carrying amount of the Group's interest in the joint venture	51,172	440,163

NOTES TO THE
FINANCIAL STATEMENTS
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17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT"D)

	GP Dynamic Venture Sdn. Bhd.	
	2017 RM	2016 RM
Commitments		
Capital expenditure as at the reporting date is as follows:		
Property, plant and equipment:		
Approved but not contracted for	3,467,997	2,280,000
Approved and contracted for	–	221,167

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

18. INVENTORIES

	Group	
Cost	2017 RM	2016 RM
Raw materials	7,029,329	7,218,551
Work-in-progress	3,807,018	6,705,181
Finished goods	1,222,362	3,774,343
Materials and supplies	2,650,951	1,971,651
Goods-in-transit	568,649	1,153,308
	15,278,309	20,823,034
Net realisable value		
Raw materials	249,961	–
Work-in-progress	3,400,547	–
Finished goods	2,788,902	2,765,554
	21,717,719	23,588,588
Less: Allowance for slow moving inventories	(59,344)	(59,344)
	21,658,375	23,529,244

The write-down of inventories to net realisable value recognised as an expense during the financial year amounted to RM1,620,421 (2016: RM209,098).

Included in work-in-progress are the following expenses incurred and capitalised during the financial year:

	2017 RM	2016 RM
Depreciation of property, plant and equipment	1,348,901	2,369,544
Employee benefits expense	50,861	43,074
Rental	23,524	255,036

19. TRADE AND NON-TRADE RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables				
Third parties	11,546,944	17,599,324	–	–
Less: Allowance for impairment	(42,569)	(42,569)	–	–
Trade receivables, net	11,504,375	17,556,755	–	–
Non-trade receivables				
Amount due from subsidiaries	–	–	10,670,391	11,060,391
Deposits for log supplies	642,469	631,737	–	–
Prepayments	911,594	998,180	4,711	6,313
Staff advances	599	211,369	–	–
Sundry deposits	1,312,302	1,679,945	–	–
Sundry receivables	1,157,293	2,503,778	–	–
	4,024,257	6,025,009	10,675,102	11,066,704
Less: Allowance for impairment	(93,926)	(184,887)	–	–
Non-trade receivables, net	3,930,331	5,840,122	10,675,102	11,066,704
Total trade and non-trade receivables	15,434,706	23,396,877	10,675,102	11,066,704

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

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 30 to 60 days (2016: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

They are recognised at their original invoice amounts which represent their fair values on initial recognition.

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balance due from 6 (2016: 7) customers representing 88% (2016: 91%) of total receivables.

19. TRADE AND NON-TRADE RECEIVABLES (CONT'D)

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
2017			
Not past due	6,580,363	–	6,580,363
Past due:			
- less than 60 days	3,967,377	–	3,967,377
- between 61 to 120 days	350,555	–	350,555
- between 121 to 365 days	656,184	–	656,184
- more than 365 days	(7,535)	(42,569)	(50,104)
	4,966,581	(42,569)	4,924,012
	11,546,944	(42,569)	11,504,375
2016			
Not past due	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

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.

The Group has trade receivables amounting to RM4,924,012 (2016: RM8,093,158) that are past due but not impaired at the reporting date. These balances are unsecured in nature.

The Directors have reviewed the recoverability of the receivables and are of the opinion that no provision is required in respect of these debts.

19. TRADE AND NON-TRADE RECEIVABLES (CONT'D)

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

	Gross amount RM	Individual impairment RM	Carrying value RM
2017			
Not past due	2,631,964	–	2,631,964
Past due:			
- less than 60 days	3,651	–	3,651
- between 61 to 120 days	3,651	–	3,651
- between 121 to 365 days	219,294	–	219,294
- more than 365 days	1,165,697	(93,926)	1,071,771
	1,392,293	(93,926)	1,298,367
	4,024,257	(93,926)	3,930,331
2016			
Not past due	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

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

	Group	
	2017 RM	**2016 RM**
Movement in allowance account for trade receivables:		
At 1 January	42,569	42,569
Charge for the financial year (Note 10)	–	–
At 31 December	42,569	42,569
Movement in allowance account for non-trade receivables:		
At 1 January	184,887	212,452
Charge for the financial year (Note 10)	93,926	84,887
Reversal during the financial year (Note 6)	(184,887)	(112,452)
At 31 December	93,926	184,887

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. TRADE AND NON-TRADE RECEIVABLES (CONT'D)

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 defaults on payments. These receivables are not secured by any collateral or credit enhancements.

Deposits for log supplies

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

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash in hand	41,661	45,686	58	–
Cash at banks	3,984,520	3,120,479	30,247	10,076
Deposits with licensed banks	1,431,996	1,109,169	–	–
Cash and bank balances	5,458,177	4,275,334	30,305	10,076
Bank overdraft (secured) (Note 23)	–	(608,673)	–	–
Less: Deposits with maturity of more than three (3) months	–	(500,000)	–	–
Cash and cash equivalents	5,458,177	3,166,661	30,305	10,076

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 2017 for the Group was Nil% (2016: 2.95%).

Deposits with licensed banks of the Group amounting to RMNil (2016: RM500,000) are pledged as securities for bank guarantees granted to a subsidiary.

21. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	No. of shares		Group/Company	
	2017 unit	2016 unit	2017 RM	2016 RM
Authorised:				
100,000,000 ordinary shares with no par value (2016: RM1 each)	–	100,000,000	–	100,000,000

21. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (CONT'D)

	Group/Company			
	Share capital		Share premium	Treasury shares
	unit	RM	RM	RM
Issued and fully paid:				
At 1 January 2016/ 31 December 2016	75,000,000	75,000,000	17,374,387	(630,909)
Share buy-back	–	–	–	(63,042)
Transition to no par value regime under Companies Act 2016	–	17,374,387	(17,374,387)	–
At 31 December 2017	75,000,000	92,374,387	–	(693,951)

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act, 2016 ("CA 2016"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished. Therefore, the share premium account now effectively forms part of the Company's share capital effective 31 January 2017 and at the end of the financial year.

Prior to 31 January 2017, the application of the share premium account was governed by Section 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of CA 2016, on 31 January 2017 any amount standing to the credit of the Group and the Company's share premium account has become part of the Group and the Company's share capital. Notwithstanding this provision, the Group and the Company may within 24 months from the commencement of the CA 2016, use the amount standing to the credit of its share premium account of RM17,374,387 for purposes as set out in Section 618 (3) of CA 2016.

(a) 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.

(b) Treasury shares

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

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

Of the total 75,000,000 issued and fully paid ordinary shares as at 31 December 2017, 1,664,600 (2016: 1,464,500) are held as treasury shares by the Company. As at 31 December 2017, the number of outstanding ordinary shares in issue after the setoff is therefore 73,335,400 (2016: 73,535,500) ordinary shares of RM1 each.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. ACCUMULATED LOSSES

The Company's policy is to treat all gains and losses that pass through the statement of comprehensive income (i.e. non-owner transactions or events) as revenue reserves. Other than retained profits, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders. Accumulated losses is the opposite of retained profits and when an entity is in an accumulated loss position, it is prohibited from distributing cash dividends to shareholders.

23. LOANS AND BORROWINGS

	Group	
	2017 RM	2016 RM
Non-current		
Obligations under finance leases	378,840	–
Term loans	1,641,118	1,792,171
	2,019,958	1,792,171
Current		
Bank overdraft	–	608,673
Bankers 'acceptance	5,975,000	6,699,000
Obligations under finance leases	98,209	–
Term loans	147,612	139,760
	6,220,821	7,447,433
Total loans and borrowings		
Bank overdraft	–	608,673
Bankers' acceptance	5,975,000	6,699,000
Obligations under finance leases	477,049	–
Term loans	1,788,730	1,931,931
	8,240,779	9,239,604
Maturity structure of loans and borrowings		
Within one year	6,220,821	7,447,433
Between one to two years	260,437	147,423
Between two to five years	794,348	492,567
More than five years	965,173	1,152,181
	8,240,779	9,239,604

23. LOANS AND BORROWINGS (CONT'D)

The interest rate structures are as follows:

	Nominal interest rate		Effective interest rate	
	2017	2016	2017	2016
Bank overdraft	–	BLR+0.5%	–	7.35%
Bankers' acceptance	3.45% - 3.83%	3.45% - 4.03%	3.45% - 3.83%	3.45% - 4.03%
Obligations under finance leases	2.56% - 3.63%	–	4.84% - 6.78%	–
Term loans	BLR - 1.5%	BLR - 1.5%	5.35%	5.35%

(a) Obligations under finance leases

The hire purchase shall be repaid in full by 2022.

(b) Term loans

The term loans are repayable over 180 and 120 monthly instalments ending in the year 2026.

(c) Bankers' acceptance

These are used to finance purchases of the Company denominated in RM and are short term in nature.

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 guarantees executed by two directors of the Company; and

(iii) a corporate guarantee issued by the Company.

24. DEFERRED TAX LIABILITIES

	Group	
	2017 RM	2016 RM
At 1 January	1,707,559	1,853,153
Recognised in profit or loss (Note 12)	(69,978)	(145,594)
At 31 December	1,637,581	1,707,559

NOTES TO THE
FINANCIAL STATEMENTS
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24. DEFERRED TAX LIABILITIES (CONT'D)

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

	Property, plant and equipment RM
At 1 January 2016	1,853,153
Recognised in profit or loss (Note 12)	(145,594)
At 31 December 2016	1,707,559
Recognised in profit or loss (Note 12)	(69,978)
At 31 December 2017	1,637,581

The Group and the Company measure a deferred tax liability/(asset) using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

In determining the rate to be applied for deferred tax measurement, the Company applies the average rate applicable to the Company, determined by dividing the current tax charge over the chargeable income, or if the Company has no chargeable income, at the lower rate.

The amount of temporary differences of the Group for which no deferred tax asset has been recognised in the statements of financial position is as follows:

	2017 RM	2016 RM
Capital allowance in excess of depreciation	1,341,736	1,077,099
Unutilised tax losses	(25,713,886)	(26,169,670)
Unabsorbed capital allowances	(47,338,195)	(45,134,472)
Unutilised reinvestment allowance	(15,683,373)	(15,683,373)
	(87,393,718)	(85,910,416)
Deferred tax assets at 23% (2016: 24%) not recognised in the financial statements	(20,100,555)	(20,618,500)

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.

25. TRADE AND NON-TRADE PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables				
Third parties	4,502,084	4,853,093	–	–
Non-trade payables				
Amount due to a Director	36,131	–	12,000	–
Amounts due to subsidiary companies	–	–	11,653,498	11,401,607
Accruals	1,206,947	2,042,955	120,000	144,000
Deposits received from customers	8,100	–	–	–
Other payables	1,307,443	1,221,357	66,491	93,914
	2,558,621	3,264,312	11,851,989	11,639,521
Total trade and non-trade payables	7,060,705	8,117,405	11,851,989	11,639,521

Trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 60 days (2016: 30 to 60 days).

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

Amounts due to a Director and subsidiary companies are unsecured, interest free and repayable on demand.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) 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.

The Group and the Company have related party relationships with its Directors, key management personnel, a person connected to a Director of the Company and entities within the same group of companies.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) The aggregate value of transactions and outstanding balances of the related parties of the Group and of the Company were as follows:

Group		**Transaction value**		**Balance outstanding as at 31 December**	
Name of related party	**Type of transaction**	**2017 RM**	**2016 RM**	**2017 RM**	**2016 RM**
With a person connected to a Director of the Company:					
Lin, Yu-Lin	Salaries	68,000	30,000	–	–

(c) The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		**Company**	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Short-term employee benefits	1,282,800	1,823,000	204,000	144,000
	1,282,800	1,823,000	204,000	144,000

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.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Group 2017 Financial assets	**Carrying amount RM**	**Loans and receivables RM**
Trade and non-trade receivables	14,523,112	14,523,112
Cash and bank balances	5,458,177	5,458,177
	19,981,289	19,981,289

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (Cont'd)

Group

2017 Financial liabilities	Carrying amount RM	Financial liabilities measured at amortised cost RM
Loans and borrowings	8,240,779	8,240,779
Trade and non-trade payables	7,060,705	7,060,705
	15,301,484	15,301,484

2016 Financial assets	Carrying amount RM	Loans and receivables RM
Trade and non-trade receivables	22,398,697	22,398,697
Cash and bank balances	4,275,334	4,275,334
	26,674,031	26,674,031

Financial liabilities	Carrying amount RM	Financial liabilities measured at amortised cost RM
Loans and borrowings	9,239,604	9,239,604
Trade and non-trade payables	8,117,403	8,117,403
	17,357,007	17,357,007

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (Cont'd)

Company 2017 Financial assets	Carrying amount RM	Loans and receivables RM
Trade and non-trade receivables	10,670,391	10,670,391
Cash and bank balances	30,305	30,305
	10,700,696	10,700,696

Financial liabilities	Carrying amount RM	Financial liabilities measured at amortised cost RM
Loan and borrowings	–	–
Trade and non-trade payables	11,851,989	11,851,989
	11,851,989	11,851,989

2016 Financial assets	Carrying amount RM	Loans and receivables RM
Trade and non-trade receivables	11,060,391	11,060,391
Cash and bank balances	10,076	10,076
	11,070,467	11,070,467

Financial liabilities	Carrying amount RM	measured at amortised cost RM
Loan and borrowings	–	–
Trade and non-trade payables	11,639,521	11,639,521
	11,639,521	11,639,521

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) 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 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade and other receivables				
As reflected in the Statements of Financial Position (Note19)	15,434,706	23,396,877	10,675,102	11,066,704
Less: Prepayments	(911,594)	(998,180)	(4,711)	(6,313)
Loans and receivables	14,523,112	22,398,697	10,670,391	11,060,391

(b) Net losses arising from financial instruments

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Net losses arising from:				
Loans and receivables				
- Gain on forex exchange				
- Realised	21,180	12,853	–	–
- Unrealised	104,943	–	–	–
- Loss on forex exchange				
- Realised	(143,958)	–	–	–
- Unrealised	(1,473)	–	–	–
- Reversal of allowance for impairment on receivables	(184,887)	(112,452)	–	–
- Liabilities no longer in existence written back	–	5,313	–	5,313
- Interest income	41,117	104,372	–	–
- Bad debts written off	184,887	5,726	–	–
Financial liabilities at amortised cost				
- Interest expense	(330,963)	(397,304)	–	–
	(309,154)	(381,492)	–	5,313

27. FINANCIAL INSTRUMENTS (CONT'D)

(c) 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 finance department overseen by an Executive Director. 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.

(i) 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 non-trade 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.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of Managing Director.

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

- the carrying amount of each class of financial assets recognised in the Statements of Financial Position; and
- a nominal amount of RM10,000,000 (2016: RM10,000,000) relating to a corporate guarantee provided by the Company to a bank for credit facilities granted to its subsidiaries.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 19 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.

27. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 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:

	2017		2016	
	RM	% of total	RM	% of total
Malaysia	8,059,318	70%	12,754,998	73%
Singapore	137,752	1%	374,415	2%
Australia	414,091	4%	299,162	2%
Middle East	–	–	911,219	5%
United States of America	1,439,533	12%	1,621,770	9%
Other countries	1,453,681	13%	1,595,191	10%
	11,504,375	100%	17,556,755	100%

The Group also has concentration of credit risk from 1 (2016: 6) individual counterparties totalling RM1,018,992 (2016: RM8,006,154), representing 7% (2016: 34%) of total trade and other receivables. Concentration of credit risk from individual counterparties is monitored based on individual balances above RM1,000,000.

(ii) 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. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

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27. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(ii) Liquidity risk (Cont'd)

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):

Group	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
2017					
Loans and borrowings	8,240,779	8,705,560	6,338,840	1,380,734	985,986
Trade and non-trade payables	7,060,705	7,060,705	7,060,705	–	–
	15,301,484	15,766,265	13,399,545	1,380,734	985,986
2016					
Loans and borrowings	9,239,604	9,683,494	7,547,397	958,896	1,177,201
Trade and non-trade payables	8,117,405	8,117,405	8,117,405	–	–
	17,357,009	17,800,899	15,664,802	958,896	1,177,201

Company	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
2017					
Trade and non-trade payables	11,851,989	11,851,989	11,851,989	–	–
	11,851,989	11,851,989	11,851,989	–	–
2016					
Trade and non-trade payables	11,639,521	11,639,521	11,639,521	–	–
	11,639,521	11,639,521	11,639,521	–	–

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.

27. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(iii) 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.

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/Company Increase/(Decrease)	
	2017 RM	2016 RM
Effects on loss after taxation		
Increase of 100bp	(5,651)	(12,884)
Decrease of 100bp	5,651	12,884

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

(iv) 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 46% (2016: 43%) 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.

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	
United States Dollar	2017 RM	2016 RM
Financial assets		
Cash and bank balances	1,231,590	265,756
Trade and non-trade receivables	2,986,333	3,115,947
	4,217,923	3,381,703
Financial liability		
Trade and non-trade payables	–	(218,073)
Net financial assets held in non-functional currencies	4,217,923	3,163,630

27. FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial risk management (Cont'd)

(iv) Foreign currency risk (Cont'd)

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	Increase/(Decrease) 2017 RM	2016 RM
Effects on loss after taxation		
USD/RM		
Strengthened by 20% (2016: 20%)	649,560	480,872
Weakened by 20% (2016: 20%)	(649,560)	(480,872)

(d) Fair value information

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable wiling parties in an arm's length transaction, other than in a force sale or liquidation.

The Group and the Company use the following fair value hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active market for identical assets or liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The fair values of obligations under finance leases and fixed rate term loan are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

The carrying amount of the variable rate term loan approximated its fair value as the instrument bears interest at variable rates.

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

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

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable wiling parties in an arm's length transaction, other than in a force sale or liquidation.

28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. The Group's strategies were unchanged from the previous financial year.

The gearing ratio of the Group and of the Company as at the end of the reporting period was as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Loans and borrowings	8,240,779	9,239,604	–	–
Less: Cash and cash equivalents	(5,458,177)	(3,166,661)	(30,305)	(10,076)
Net debt	2,782,602	6,072,943	(30,305)	(10,076)
Total equity	62,553,538	70,085,506	77,920,356	78,514,688
Gearing ratio	0.04	0.09	–	–

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

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.

29. SEGMENT INFORMATION

(i) **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.

29. SEGMENT INFORMATION (CONT'D)

(ii) **Geographical information**

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

	2017 RM	2016 RM
Asia	7,669,276	11,249,334
Europe	964,514	1,871,251
Malaysia	49,741,180	65,901,066
United States of America	19,473,710	7,817,031
South-West Pacific	9,979,614	9,180,243
Others	5,260,851	19,541,883
	93,089,145	115,560,808

(iii) **Major customers**

Revenue from 25 (2016: 23) major customers amounted to RM58,160,551 (2016: RM64,657,467) arising from manufacturing and sale of veneer, plywood, decorative plywood and polyester-overlaid plywood.

30. 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.

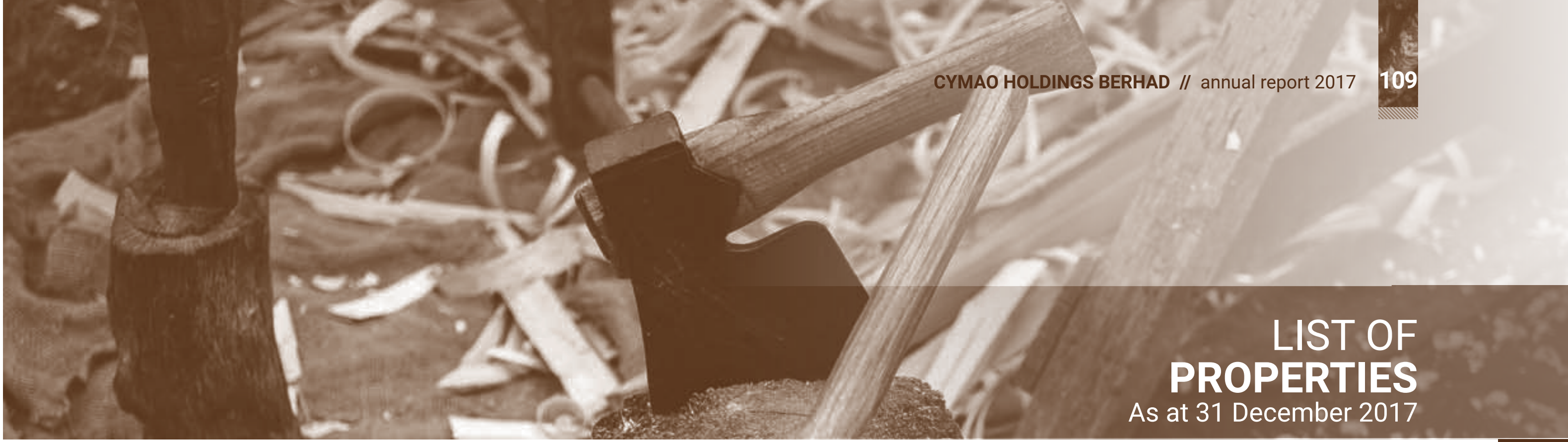
The principal activities of the subsidiaries are set out in Note 16 to the financial statements.

There has been no significant change in the nature of these principal activities during the financial year ended 31 December 2017.

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 Directors in accordance with a resolution of the Board of Directors dated 18 April 2018.



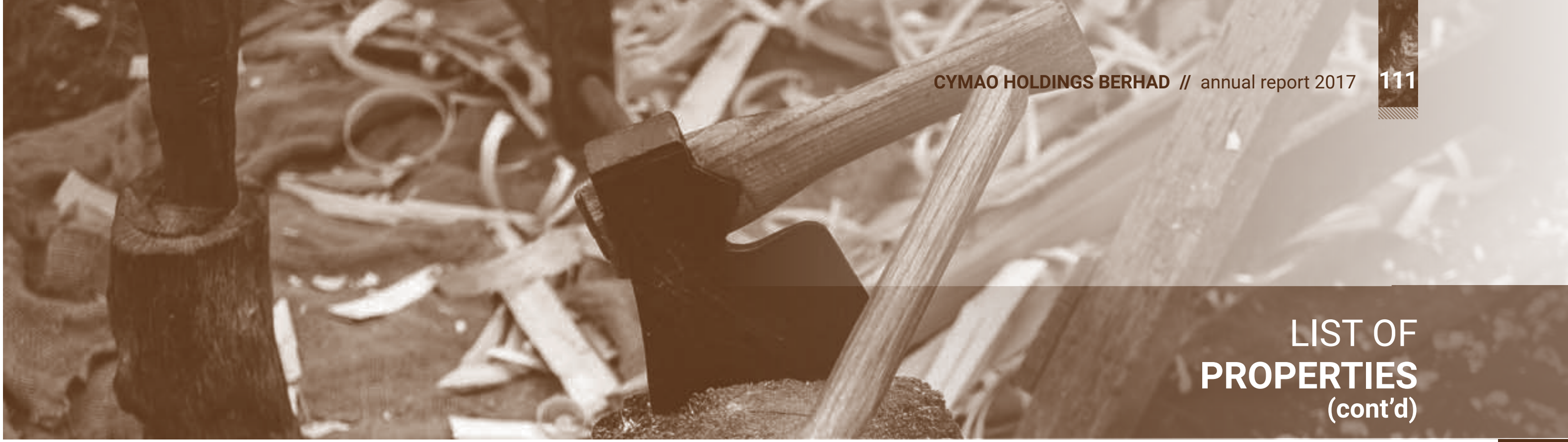
LIST OF PROPERTIES

As at 31 December 2017

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq.ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2017
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)	25	2,420,661
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)	25	356,399
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)	29	2,129,978
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)	29	2,239,743
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)	28	4,120,813
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)	28	3,075,418
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)	28	514,301
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)	–	2,303,655

LIST OF PROPERTIES
(cont'd)

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq.ft.)	Lease Tenure from/to	Approximate Age of Building	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)	–	1,173,642



LIST OF PROPERTIES
(cont'd)

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq.ft.)	Lease Tenure from/to	Approximate Age of Building	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						
10	PISB	GM460 GM460, Lot 740, Mukim of Kapar, District of Klang, Selangor Darul, Ehsan	4.36	Industrial land with plywood factory and ancillary buildings	189,952	Freehold land	32	6,373,295

SHAREHOLDERS' INFORMATION

As at 31 March 2018

Issued capital	:	RM75,000,000
Class of shares	:	Ordinary shares
Treasury shares	:	1,664,600 ordinary shares
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Holdings	No. of Shareholders	%	Total Holdings	%
less than 100	71	3.42	3,130	0.00
100 to 1,000	803	38.66	265,970	0.36
1,001 to 10,000	857	41.26	3,884,550	5.30
10,001 to 100,000	299	14.40	9,267,625	12.64
100,001 to less than 5% of issued shares	44	2.12	25,637,375	34.96
5% and above of issued shares	3	0.14	34,276,750	46.74
Total	2,077	100.00	73,335,400	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest	%	Deemed Interest	%
1. Lin, Tsai-Rong	16,100,000	21.95	–	–
2. Lin, Kai-Min	13,846,250	18.88	–	–
3. Lin, Kai-Hsuan	4,330,500	5.90	–	–

DIRECTORS' SHAREHOLDINGS

Name of Director	Direct Interest	%	Deemed Interest	%
Dato' Seri Mohd Shariff Bin Omar	–	–	–	–
Lin, Kai-Min	13,846,250	18.88	–	–
Lin, Kai-Hsuan	4,330,500	5.90	–	–
Hiew Seng	62,500	0.09	–	–
Syed Ibrahim Bin Syed Abd.Rahman	–	–	–	–

SHAREHOLDERS' INFORMATION (cont'd)

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Lin, Tsai-Rong	16,100,000	21.95
2.	Lin, Kai-Min	13,846,250	18.88
3.	Lin, Kai-Hsuan	4,330,500	5.90
4.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ting Yuet May]	2,240,000	3.05
5.	Addeen Equity Sdn. Bhd.	2,000,000	2.73
6.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lee, Ming-Che]	1,888,800	2.58
7.	Hsu, How-Tong	1,854,000	2.53
8.	Zulkifli Bin Hussain	1,600,000	2.18
9.	Lim Kah Yam	1,443,175	1.97
10.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ong Kok Thye]	1,323,300	1.80
11.	Chong Annie	1,300,375	1.77
12.	MKW Jaya Sdn Bhd	1,062,400	1.45
13.	Henry Liang	935,000	1.27
14.	RHB Capital Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Su Ming Ming]	716,400	0.98
15.	Malsa Wood Products Sdn. Bhd.	699,100	0.95
16.	Hsu, Hao-Huang	630,000	0.86
17.	Lai Thiam Poh	620,300	0.85
18.	Sim Tze Yang	605,900	0.83
19.	RHB Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ong Kok Thye]	503,300	0.69
20.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Cheah Chee Choong]	460,800	0.63
21.	Seet Jozen	381,600	0.52
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.	Chan Kai Lum	306,000	0.42
25.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Seet Joyi]	300,000	0.41
26.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Junaidi Payne @ John Brian Payne]	297,925	0.41
27.	Cheong Chee Hong	292,100	0.40
28.	Tay Ying Lim @ Tay Eng Lim	279,900	0.38
29.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Chen Siong Ping]	250,000	0.34
30.	Willy Ming Chuang	246,000	0.34

NOTICE OF THE TWENTIETH **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Twentieth 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, 30 June 2018 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 2017 together with the Reports of the Directors and Auditors thereon.

2. To approve payment of Directors' fees of RM192,000 in respect of the financial year ending 31 December 2018. **Resolution 1**

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

4. To re-elect Mr Lin, Kai-Hsuan who retires in accordance to Article 128 of the Company's Articles of Association. **Resolution 3**

5. To re-appoint Messrs PKF as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **Resolution 4**

6. As Special Business:

   To consider and if thought fit, to pass with or without modification, the following ordinary resolutions:

   (a) Authority to Issue Shares **Resolution 5**

   "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 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 TWENTIETH ANNUAL GENERAL MEETING (cont'd)

(b) Proposed Renewal of Authority for Purchase of Own Shares by the Company **Resolution 6**

"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 of 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 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 **Resolution 7**
- Mr Hiew Seng

"THAT Mr Hiew Seng who has served as an Independend Director of the Company for a cumulative term of more than twelve years, be and is hereby retained as an Independent Director of the Company until the conclusion of the next Annual General Meeting."

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

By Order of the Board

Katherine Chung Mei Ling
(MAICSA 7007310)
Company Secretary

Tawau

Dated: 30 April 2018

NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING (cont'd)

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 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 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 hours before the time set for holding the meeting or any adjournment thereof.*

6. *Depositors who appear on the Record of Depositors as at 26 June 2018 shall be regarded as Members of the Company entitled to attend at the Twentieth Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.*

7. *Item 1 of the Agenda- Audited Financial Statements for the financial year ended 31 December 2017*

   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 shareholders' approval and hence, this Agenda is not put for voting.

8. *EXPLANATORY NOTE ON SPECIAL BUSINESS*

   Resolution 5- Authority to Issue Shares

   The proposed resolution if passed, will give the Directors flexibility to issue new shares without the need to seek shareholders' 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 17 June 2017 was not utilised, and hence no proceeds were raised.

   Ordinary Resolution 6- 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 30 April 2018 for further information.

NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING (cont'd)

Ordinary Resolution 7- 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 Practise 4.2 of the Malaysian Code of Corporate Governance 2017, save that the resolution will be put to vote on a single tier basis.

As of the date of this Notice of AGM, Mr Hiew Seng has served the Company for more than twelve 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.

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CYMAO

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

PROXY FORM

CDS Account No.
No. of ordinary shares

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 Twentieth Annual General Meeting of the Company to be held at Sabah Hotel, Amadues I & II, KM1, Jalan Utara, Sandakan, Sabah on Saturday, 30 June 2018 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 the Directors' fees of RM192,000 for the financial year ending 31 December 2018.		
2	To re-elect Mr Lin, Kai-Min who retires by rotation in accordance to Article 128 of the Company's Articles of Association.		
3	To re-elect Mr Lin, Kai-Hsuan who retires by rotation in accordance to Article 128 of the Company's Articles of Association.		
4	To re-appoint Messrs PKF as the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.		
5	Authority to Issue Shares		
6	Proposed Renewal of Authority for Purchase of Own Shares by the Company		
7	Proposed retention of Mr Hiew Seng as Independent Director		

Dated this ....day of 2018

....
[Signature(s)/Common Seal of Shareholder]
[*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 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 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 hours before the time set for holding the meeting or any adjournment thereof.
6. Depositors who appear on the Record of Depositors as at 26 June 2018 shall be regarded as Members of the Company entitled to attend at the Twentieth 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

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CYMAO HOLDINGS BERHAD (Company No: 445931-U)

Sabah Office:
9.1KM, Jalan Batu Sapi, Locked Bag No. 13, 90009 Sandakan, Sabah, East Malaysia.
Telephone: +6089 612 2333 Facsimile: +6089 612 607 / 6089 606 489 Email: info@cymao.com

www.cymao.com