CYMAO HOLDINGS BERHAD
Registration No: 199701030432 (445931-U)

2019 annual report

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About CYMAO

Cymao Plywood & Lumber Co. Ltd., ("CLPC") was part of Taiwan's largest privately owned corporation before relocation to Sabah under the name of Cymao Plywood Sdn. Bhd. CLPC was established in 1960, with a long history of producing quality and innovative wood products. CLPC's manufacturing facility in northern Taiwan's Taipei city together with its 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 downstream processing industry.

Our Vision

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

Our Mission

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

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Dato' Seri Mohd Shariff Bin Omar
Chairman/Independent Non-Executive Director
Lin, Kai-Min
Managing Director
Lin, Kai-Hsuan
Executive Director
Hiew Seng
Independent Non-Executive Director
Syed Ibrahim Bin Syed Abd.Rahman
Independent Non-Executive Director

AUDIT COMMITTEE

Hiew Seng
Chairman, Independent Non-Executive Director

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

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

REMUNERATION COMMITTEE

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

Hiew Seng
Member, Independent Non-Executive Director

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

NOMINATION COMMITTEE

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

Hiew Seng
Member, Independent Non-Executive Director

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

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)
Vimalraj A/L Shanmugam (MAICSA 7068140)

REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +6(03) 2298-0263
Fax : +6(03) 2298-0268

CORPORATE OFFICE

8.7 KM, Jalan Batu Sapi
Locked Bag No. 13
90009 Sandakan, Sabah
Tel: +6(89) 612-233
Fax: +6(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

Boardroom Share Registrars Sdn Bhd
(Formerly known as Symphony Share Registrars Sdn Bhd)
11th Floor, Menara Symphony
No 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
Tel: +6(03) 7890-4700
Fax: +6(03) 7890-4670

STOCK EXCHANGE LISTING

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

GROUP **STRUCTURE**

CYMAO

100% **CYMAO PLYWOOD SDN. BHD.**
(Registration No.: 199001004746 (196313-M))

100% **INOVWOOD SDN. BHD.**
(Registration No.: 200201017946 (585609-D))

100% **BILLION APEX SDN. BHD.**
(Registration No.: 200501006050 (683097-U))

100% **POLY-PLY INDUSTRIES SDN. BHD.**
(Registration No.: 197701000919 (31892-A))

100% **SYABAS MUJUR SDN. BHD.**
(Registration No.: 200601008392 (728141-A))

DIRECTORS' **PROFILE**

Dato' Seri Mohd Shariff Bin Omar
(Chairman/Independent Non-Executive Director)
Male, Aged 73, Malaysian

Chairman of Nomination Committee and Remuneration Committee
Member of Audit Committee

Dato' Seri Mohd Shariff 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)
Male, Aged 50, Malaysian

Lin, Kai-Min was appointed to the Board of Cymao on 13 November 2003. He graduated from Fu-Jen University, Taiwan, with a Bachelor of Science majoring in Accounting in 1993. He joined CPSB in 1994 as a Production Line Foreman and was given extensive production training. He became the Log Purchasing Manager from 1997 to 1998 in Cymao Plywood Sdn. Bhd. and subsequently headed its Finance Department. He was 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)
Male, Aged 52, Malaysian

Lin, Kai-Hsuan 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 Cymao Plywood Sdn. Bhd. in 1994 as the Quality Controller. He then took over the post of Factory Manager in 2000 and in the same year he was promoted to the Research & Development Director. He was then promoted to the Vice President of CPSB in 2001.

Hiew Seng
(Independent Non-Executive Director)
Male, Aged 69, Malaysian

Chairman of Audit Committee
Member of Remuneration Committee and Nomination Committee

Hiew Seng 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 then promoted to Manager of Organization & 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. He retired from public practice at the end of year 2018.

Director's Profile (cont'd)

Syed Ibrahim Bin Syed Abd.Rahman
(Independent Non-Executive Director)
Male, Aged 77, Malaysian

Member of Audit Committee, Remuneration Committee and Nomination Committee

Syed Ibrahim 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 who in charge of unit trust management and investment for Majlis Amanah Rakyat ("MARA") unit trusts scheme group of companies from 1971 to 1974. His responsibilities were 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 for Mr Lin, Kai-Min and Mr Lin, Kai-Hsuan who are siblings, none of the other Directors has any family relationship with any Directors and/or major shareholders of the Company.

Conflict of Interest

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

Directorship in Public Companies and Listed Issuers

None of the Directors hold directorships in any other public companies and listed issuers in Malaysia.

Convictions of Offence

Other than traffic offences, if any, 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.

KEY **SENIOR MANAGEMENT**

LEE, MING-CHE
Marketing Manager
Aged 79, Male, Taiwanese

Lee, Ming-Che 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.

LIEW TZUN TZET
Operations Manager
Aged 36, Male, Malaysian

Liew Tzun Tzet joined Poly-ply Industries Sdn Bhd since June 2019 as operations manager.

He graduated from University Malaysia Sabah in 2007 after completed a degree in Forestry majoring in wood technology and industry.

He commenced his plywood manufacturing operation as an assistant Quality Control Manager in Sinora Plywood Sdn Bhd and worked his way from Production Manager to General Manager from 2013-2015. He worked as the General Manager for Asiatic Eco Wood Sdn Bhd from 2016 to 2019 before he joined Polyply Industries Sdn Bhd.

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.

CHAU KUI LEE
Production Manager
Aged 51, Male, Malaysian

Chau Kui Lee joined Inovwood Sdn Bhd as the Production Manager in November 2019.

He graduated in College Vokasional, Likas in 1987 majoring in machinery repairs and maintenance.

He started his career as a Technician in an engineering firm before joining a Taiwanese plywood factory as a trainer in 1991. He underwent training in Taiwan and worked himself to be promoted as the Factory Manager. In 2004, he joined Prima Union Sdn Bhd as the Factory Manager. In 2006, he joined Sinora Plywood Sdn Bhd as the Factory Manager and in 2015 he joined Asiatic Eco Wood as the Factory Manager before he joined Inovwood Sdn Bhd as the Production Manager in October 2019.

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 2019.

FINANCIAL PERFORMANCE

The Group registered revenue of RM46.3million for the year as compared to RM88million for last year. This represents a decrease of RM41.7million amid a very challenging operating environment. The Group also registered a loss before tax of RM11.958 million as compared to a loss of RM4.392million last year representing a deterioration of RM7.566 million. The loss was due partly to the impairment loss on assets of RM6.682million, stock written off of RM1.917million, and slow-moving stock provision of RM0.794million. The loss was made lesser due to a gain in the disposal of Cymao land and buildings of RM9million for the year.

INDUSTRY OVERVIEW

The financial year under review was a very tough and challenging year for the plywood industry in Malaysia. The initial benefits from the determination made by US Commercial Department that plywood from China are subsidized and US is switching to other supplier countries has tapered, this is a result of the effect of increased supply to the US market dampening the price and demand substantially.

For Cymao, the demand has reduced substantially and coupled with the reduction in price, the export market has impacted the performance very negatively. The demand for the first six months was virtually negligible and some demand picked up slowly in the second half.

The local market was even more negative due to low demand and competition from plywood imported from Indonesia and Vietnam which are dumping their cheap plywood to the Malaysian market. Apart from a very low price, there was negligible demand for the whole year especially the first six months with very little demand at all.

Despite the challenges, the Group is pleased that there is continued support from the customers both internationally and domestically even at a reduced scale. 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.

The continued declining supply of logs from the natural forest can lead to shortages and irregular supply of logs in Sabah even the new government imposed an export ban on Sabah logs. Logs supply for the year was stable with the support of the long-established logs suppliers and from the Group's own timber supply area. It is expected the supplies will be more competitive as some logs suppliers have reduced production due to lower logs prices. Management will have to address this logs supply issue.

OPERATIONAL REVIEW

As the merger of the two mills in Sandakan had been completed and Jengka operation was stopped, the Group operations are focused in Sandakan and Klang.

Sandakan which operates Inovwood is producing plywood for export and local markets. The production level is still below budget as there are still ongoing repair and upgrade to the machinery. On top of that, there were changes in the production team as the quality and production processes are still being improved. The team employed at the beginning of the year was changed and a new production manager was employed in September and the result has improved and it is hoped that the improvement will sustain. Logs supply has been steady from the well-established logs suppliers and the Group's own timber supply area.

The operation in Klang is a lamination operation under Polyply Industries and a plywood trading operation under Cymao Plywood Sdn Bhd.

Polyply apart from the lamination service is also doing a small volume of export laminated products. The operation is fairly stable with a smaller operation workforce and overheads.

Cymao Plywood took over the products of the Jengka operation and is focused on plywood trading for the West Malaysian local market. Cymao also sourced the local grade plywood from Inovwood in Sandakan to sell in Klang. It is a more straight forward operation with a much smaller work force and overheads.

Chairman's Statement (cont'd)

The Board is therefore positive that despite the very sluggish demand and the low prices in plywood this year as never experienced before, Sandakan operation has shown improvement in quality so it can still capture the export market which is the focus as the local market is very less with low pricing. Klang is stabilized as the lamination operation is profitable and the challenge is to expand the local trading by expanding the network.

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 be volatile for the next financial year as the World Bank forecasted GDP growth globally declined to negative territory in 2020 with the covid 19 pandemic threat.

As Jengka operation had been stopped, the Group is focusing on operating in two key areas-Sandakan and Klang.

The operation strategy is for Sandakan to focus on getting fresh and cheaper logs to improve the plywood quality for the export market as the production team is more stabilized. Klang is focusing on expanding the trading network to get more customers to improve local sales and the laminated products as the machines are reliable to produce quality products.

Amidst the uncertain global economic environment, it is expected that the Group will face 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 in Sandakan mill and to improve on its quality and recovery.

The Group will also look into the possibility of expanding the Polyply Industries lamination operation as it is profitable. Cymao Plywood will focus on more plywood trading and to explore the synergy with Sandakan operation with their plywood produced.

In the short and medium term, the Group will focus on Sandakan and Klang operations with no plan to expand into other operations.

THE EFFECT OF COVID-19 PANDEMIC

The ongoing Covid-19 pandemic is pushing the global economy into its deepest recession in a century accordingly to the International Monetary Fund (IMF). The crisis could get worse and the GDP of most of the countries will go to negative territory to up to three percent including that of Malaysia.

IMF also warned that there are severe risks of a worst outcome due to extreme uncertainty around the strength of the recovery.

Cymao group will face tough challenges ahead due to the effect of the shutdown which disrupted the operation and the fulfillment of sales and the fixed cost incurred. Looking forward, as most of the other countries are also picking up the economy activities, the market may take a longer time to pick up and thus affecting the operations of the Group.

So far, apart from the Movement Control Order shutdown of the mill, the customers are still placing orders so after shutdown, and the group has started running the mill to meet the orders. Management will have to work on designing some strategies to navigate the Group out of this very difficult global challenge.

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

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

MANAGEMENT DISCUSSION **AND ANALYSIS**

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. ISB is in the business of producing plywood and veneer while CPSB is in plywood trading only. Poly-Ply Industries Sdn. Bhd. ("PPISB") is the third operating subsidiary based in Klang producing laminated plywood and lamination servicing.

As CPSB and ISB are based in Sandakan, Sabah where the sources of timber logs come from, the Group is strategically placed to capture the logs availability for its plywood production. 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 can source for the 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 (IHPAC 2000) by the International Wood Products Association, U.S. ("IWPA").

To maintain and enhance the competitive edge, the Group will further penetrate into the existing markets to capture higher margin sales especially exports 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 focusing on reducing the average cost of production per unit.

KEY FINANCIAL POSITION

	2019 (RM'000)	**2018 (RM'000)**
Shareholders' fund	47,162	58,266
Revenue	46,282	88,034
Loss for the year	(11,104)	(4,287)
Net current assets	27,196	27,811
Cash and bank balances	1,374	3,306
Borrowings	9,694	11,446
Net borrowings	8,320	8,140
Net assets per share	RM0.64	RM0.80

Management Discussion and Analsyis (cont'd)

FINANCIAL PERFORMANCE

The Group registered revenue of RM46.282 million for the Year 2019 as compared to RM88.034 million for Year 2018, representing a decrease of RM41.752 million amid a very challenging operating environment for the plywood industry.

The Group registered a loss before tax of RM11.958 million as compared to a loss of RM4.392 million last year representing an increase of loss of RM7.566 million due mainly to operating loss of RM14.276million after an impairment loss on assets of RM6.682million and offset by a gain in the disposal of Cymao land and buildings of RM9 million in Sandakan.

2019 has been a challenging year as the performance was affected significantly by the substantial drop in demand for plywood and the drop-in pricing for both export and local market. The 2018 bullish US market had resulted in over supply and competitive pricing driving down the 2019 demand and pricing which affected the Group performance very significantly.

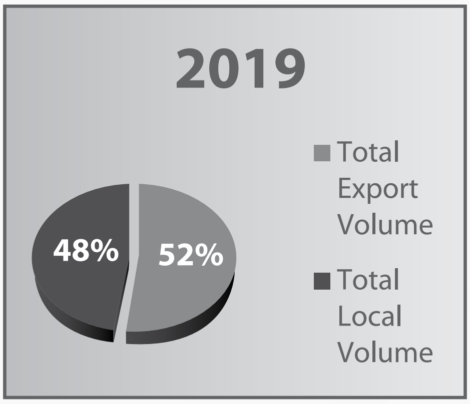
The production for 2019 has dropped as there were less demand so the cost of production has not gone down as the fixed cost were not absorbed with less volume of production. This also contributed to the loss in 2019.

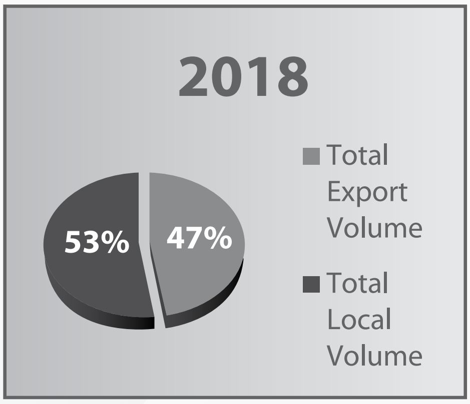
Turnover

The turnover for the financial year under review registered a decrease of RM41.752 million to RM46.282 million from RM88.034 million as compared to Year 2018. The decrease in sale was due to a very significant drop in demand and prices. The overall sales volumes of the Group are as below:

Sales Analysis (Group)

	2019 (m3)	**2018 (m3)**
Export	10,534	17,856
Local	9,581	19,742
	20,115	37,598





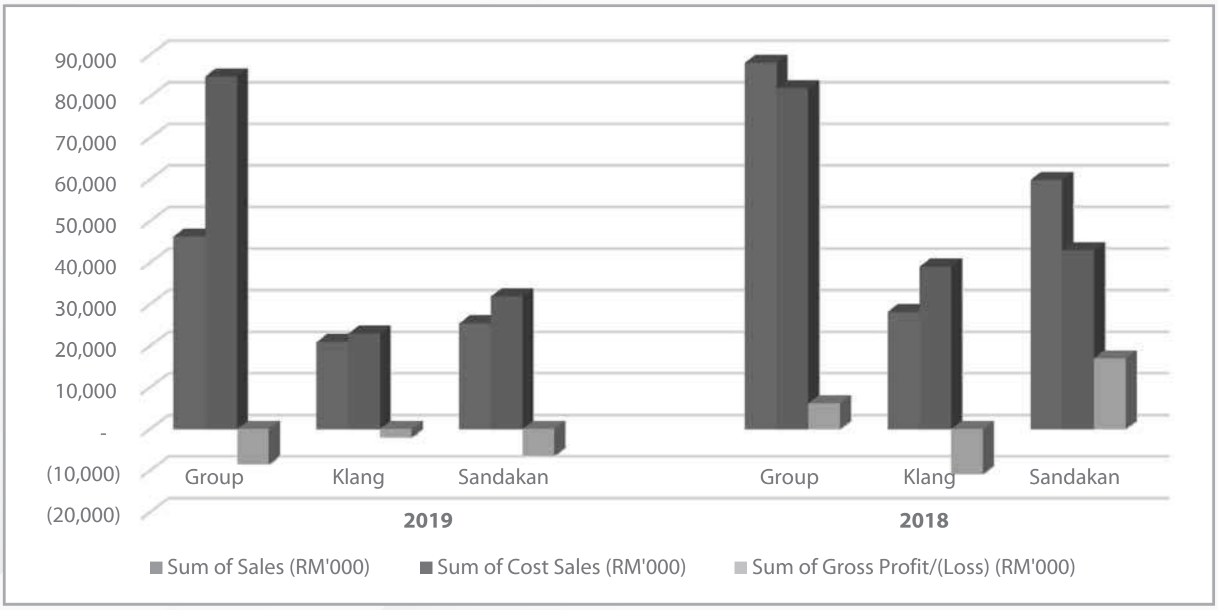
Management Discussion and Analsyis (cont'd)

Loss before Tax

The loss before tax for the year under review increased by RM7.566 million to RM11.958 million as compared to a loss of RM4.392 million last year. The increase in loss was mainly due to the decrease in gross margin from 6.99% last year as compared to a gross loss of 18.9% this year, impairment loss on assets of RM6.682million and stock write off and provision of RM2.712 million and after gain of RM9 million on the sale of land and buildings.

The detailed analysis of the gross margin of Sandakan and Klang operations is as follows:

	Sales		Cost of Sales		Gross Profit/(Loss)			
	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	2018 (RM'000)	2019 (RM'000)	%	2018 (RM'000)	%
Sandakan operation	25,395	59,877	31,851	42,894	(6,456)	(25,42)	16,983	28.36
Klang operation	20,887	28,157	22,913	38,985	(2,026)	(9.70)	(10,828)	(38.46)
Group operation	46,282	88,034	54,764	81,879	(8,482)	(18.33)	6,155	6.99



For Sandakan operation, the analysis per m3 based on sales volume is as follows:

	2019	2018
Average selling price per m3	2,160	2,574
Direct production cost per m3	2,709	2,296
Gross (loss)/profit	(549)	278
Other cost per m3	(370)	(264)
Operating (Loss)/Profit per m3	(919)	14

The gross loss per M3 for 2019 deteriorated to RM549 from a gross profit of RM278 in 2018 due mainly to lower selling price and higher production cost.

Management Discussion and Analsyis (cont'd)

The direct cost of production is comprised of logs cost, glue, labor, factory overheads and depreciation. The management is taking steps to reduce cost especially labor and factory maintenance cost as only one mill is operating in Sandakan. The increase in production cost for 2019 is mainly due to increase in stock write down as selling price has dropped substantially. The increase in other cost which comprised of selling, general and administrative and finance charges is due to reduced volume so the unit cost of production has increased.

The average logs cost has decreased from RM534 in 2018 to RM473 in 2019 while the net recovery is maintained at 38% as the Group is endeavoring to maintain the major timber logs cost at industry average.

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

	Poly-Ply		**Cymao**
	2019	**2018**	**2019**
Average selling price per m3	2,301	1,981	2,254
Direct production cost per m3	1,848	1,867	2,855
Gross profit/(loss)	453	114	(601)
Other cost per m3	(994)	(190)	24
Loss per m3	(541)	(76)	(577)

The gross profit for Klang Polyply operation in 2019 was increased by RM339 per M3 as compared to 2018. The increase is attributable to higher selling prices as production cost is maintained. The other cost for 2019 was higher due to reduced sale volume for laminated board of 2000M3 as compared to 2018 which included plywood sale totaling 11,591M3. Also, all the other cost was absorbed by Polyply for the Klang operation and Cymao trading operation carried very little trading cost overall.

The loss for Cymao trading is due to lower selling price on the higher stock value carried.

The Group operation:

From the above analysis, the increase in the gross loss from the operation is mainly due to less export volumes and a substantial drop in selling prices for the year under review.

Apart from the increase in gross loss, the other expenses have increased due to lesser production volume as compared to 2018. Apart from the main factor for the loss in the Year 2019 which is attributable to very much less sale and the substantial drop in pricing thus the gross loss situation, the loss is also due to a depreciation charge of RM2.965 million even it is an expense not involving movement of fund, stock write down of RM1.917 million, a slow moving stock provision of RM0.794 million and, impairment loss on property, plant and machinery of RM6.682 million. The loss was made lesser as a result of the gain in the disposal of Cymao land and buildings amounting to RM9 million.

The continual loss before tax for the year under review is a setback with the business plan to turnaround the performance of Cymao. The management is embarking on measures to improve the performance of the Group under operation review.

Cash Flow Management

The cash has decreased from RM2.296 million to RM1.085 million representing a decrease in cash flow of RM1.211 million in the Year 2019. The cash flow maintained is due mainly to the disposal of Cymao land and buildings of RM12 million to compensate for the operating loss of the year.

The banking facilities available to the Group are maintained at RM12 million comprising of trade facilities of RM10 million and overdraft of RM2 million as at 31 December 2019. It is expected that these facilities will be maintained in 2020 and the Group will manage its cash flow without additional bank borrowings.

Additionally, the net current assets of the Group were RM27.196 million as at 31 December 2019 and the Group therefore does not have a working capital deficit situation.

Management Discussion and Analsyis (cont'd)

INDUSTRY OVERVIEW

2019 has been a very challenging year for the plywood industry. The initial benefits of the anti-dumping policies by US against China had tapered off after its peak since May 2018 as there were increase supply to the US market driving down both the demand and the price. As a result, in 2019 both the export volume to US and the price have deteriorated greatly and thus the losses suffered by the Group. On the local front, there was competition from Indonesia and Vietnam on the cheaper local demand thus affecting both the sales and pricing on the local plywood sales. Overall, 2019 was one of the most if not the most challenging year for the Group in its 17 years of plywood operation since listed.

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, China and Korea. The housing construction sector in Malaysia has initially forecasted to grow in 2020 from 1.7% in 2019 back by a forecasted GDP growth of 3.7% in 2020. However, these forecasts will be substantially scaled down due to the adverse effect of the ongoing covid-19 pandemic which is being felt as it will impact the economic growth further.

Looking forward, it is expected that the plywood market in terms of demand is challenging with uncertain demand and pricing for the next financial year. With the looming trade war between the US and China and the Covid-19 pandemic faced by the world globally, it is still very uncertain at this juncture to know the full effect of the damage to the world economy.

The plywood industry is heavily dependent on logs supply being the main raw material for the manufacturing. Forestry Department of Sabah controls the volumes that can be harvested and this will determine the availability of logs and the fluctuation in price which is beyond our control. Weather conditions can affect the logs supply and the price. The logs supply is critical to the industry as it affects cost of production. So far, the supply is steady but the coming year may see more competition as some loggers have reduced production of logs due to lower prices.

There is growing competition from Southern Asian plywood producers especially Indonesian producers with lower production cost than us creating a competitive market. It is crucial that we can maintain and improve on our production cost and the quality to compete. Factors such as raw materials, energy, labor and the ability to maintain production and quality will affect our performance.

OPERATIONS REVIEW

As Sandakan is operating one mill now at ISB, the Group is also continuing to embark on the cost rationalization exercise as follows:

- As a counter measure to the shutdown of the operations due to Movement Control Order, except the factory workers, all management and administrative staff are taking unpaid leave during the MCO period and also take a drop-in pay according to the scale.

- The Group has stopped the practice of allowing workers working overtime. The administrative staff and senior staff are put on shorter working weeks also to reduce cost.

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

    - All repairs and maintenance and order of spares parts are being closely monitored while the smooth running of the machinery is not compromised either.

The Group is also focusing on improving the quality of its products. With the engagement of a new production team in Sandakan, this has shown results in the past few months and this has helped in the marketing of the products.

Management Discussion and Analsyis (cont'd)

Fund Raising

As a result of the negative performance of the Group which is depleting the cash reserve, the Board is taking concerted efforts to raise fund by disposing of surplus land and buildings, plant and machinery as a result of the merged operation in Sandakan to improve the cash flow for the operation. The sale of Cymao land and buildings was completed during the year raising RM12million in the process. The full proceeds were received in May during the year and this has helped the Group to overcome the difficult period due to the operating losses incurred.

The Board is also evaluating the possibility of disposing the land and buildings at Polyply Klang factory or Polyply Industries Sdn Bhd itself while retaining the lamination operation to further raise fund to cushion the expected difficult operating and trading environment of the plywood industry.

RISK AND UNCERTAINTIES

Operation risk

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

- Securing timber logs supplies and engaging reliable contractors to extract the logs for the Group's use;
- Securing long term supply from reliable timber logs suppliers and the Forest Management Unit holders;
- In the case of the Klang operation, more reliance is placed on sourcing plywood from plywood producers both in Malaysia and overseas for trading and value-added production as Klang has the port facilities under Cymao Klang; and
- Klang operation will source plywood to produce laminated 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 labor-intensive operation. For the Sandakan operation, the labor force had been reduced by 35% following the merger of two mills. The saving in manpower cost has cushioned the impact on minimum wage requirement.

- Regular maintenance is performed on plant and machinery to ensure no major breakdown.

- The maintenance staff who has been with the Group since the inception of CPSB in 1992 will ensure no production disruption in the mills.

Financial risk

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

- Raising fund by disposing idle plant and machinery and surplus land and buildings;
- Pursue cost cutting exercise after the merger of the two mills operating one mill only;
- To put on hold of capital expenditure unless absolutely necessary; and
- Focusing more export market to take advantage of a better export prices and a strong US Dollar exchange.

Management Discussion and Analsyis (cont'd)

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.

The effect of COVID-19 pandemic

The ongoing coronavirus pandemic is pushing the global economy into its deepest recession in a century accordingly to the International Monetary Fund (IMF). The crisis could get worse and the GDP of most of the countries will go to negative territory to up to three percent including that of Malaysia.

IMF also warned that there are severe risks of a worst outcome due to extreme uncertainty around the strength of the recovery.

Cymao group will face tough challenges ahead due to the effect of the shutdown which disrupted the operation and the fulfillment of sales and the fixed cost incurred. Looking forward, as most of the other countries are also picking up the economy activities, the market may take a longer time to pick up and thus affecting the operations of the Group.

Apart from the shutdown of the mill due to enforcement of the Movement Control Order, customers are still placing orders to the group. Starting from June, the group has started running the mill to fulfil the orders. Management will have to work on designing some strategies to navigate the Group out of this very difficult global challenge.

BUSINESS STRATEGY AND PROSPECTS

Taking into effect of Covid-19 pandemic as mentioned above,2020 will offer the Group an opportunity to turnaround as the cost rationalization exercise had completed in Sandakan and with a new production team which showed improvement in the quality of the products. Klang operation is stabilizing and it is expected to contribute in Year 2020 as Jengka operation had stopped and its stock are taken over by Cymao Klang operation to cater for local market.

In the short term, the Group will focus on maximizing its core competency of producing plywood and laminated plywood and trading of plywood to improve profitability of the Group. The other important focus is to bring up the value chain by improving the quality of its products to fetch a higher price specially to focus on capturing the US market. This is possible with the engagement of an experienced new team as the quality and production process have improved significantly.

In the medium term, the Group will focus on expanding the Klang operation after the rationalization exercise in Sandakan. PPISB will be expanded to produce laminated plywood from plywood to be sourced from various countries. Cymao Klang 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 plywood operations 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 cautiously optimistic even with reservation and with so much uncertainty that the Group will be in a better footing with the new production team and will look forward to enhancing the shareholders' value in the near future.

SUSTAINABILITY **STATEMENT**

INTRODUCTION

Sustainability is becoming a key component for companies to promote value creation, and demand for increased transparency on listed companies' economic, environmental, social ("EES") and corporate governance practices have been growing among investors.

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:

1. Economic
2. Environment
3. Social

REPORTING SCOPE

This Sustainability Statement covers the reporting period from 1 January 2019 to 31 December 2019. The scope of this statement covers our Group's business operations and has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements in relation to the Sustainability Statement in Annual Report of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad.

CORPORATE PROFILE

Cymao Holdings Berhad has five wholly-owned operating subsidiaries and two was in 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 and are currently involved 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.

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. 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 sources its plywood from other countries as well for the laminated plywood production to capture the local market.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Board of Cymao is responsible for the oversight of embedding sustainability into the Group and its business strategy, and that adequate resources, systems and processes are in place for managing sustainability matters. The Board is supported by the management in overseeing the implementation of sustainability strategy and considers input of all business divisions in sustainability processes.

Sustainability Statement (cont'd)

STAKEHOLDERS ENGAGEMENT

The Group recognises the importance of effective communication to ensure that our stakeholders understand our business, governance, financial performance and prospects. An important starting point in our sustainability journey is to identify our stakeholders and the material aspects relevant to our business.

Our stakeholders profile has been determined based on ongoing stakeholder dialogue and a review of issues that are critical to Cymao. We define our stakeholders as those impacted by our business activities, who have direct and indirect involvement and whose interest may have positive or negative consequences due to our business activities. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to, principals, financiers, employees, customers, government/regulators and investors.

The Group is committed to engaging all of our stakeholders as part of our continued sustainability endeavors. We view stakeholder engagement as a continual process and not a one-off event. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships. The following table represents the stakeholder engagement methods which the Group adopts in its sustainability practices to meet the EES requirements.

Stakeholder Group	Areas of focus	Engagement initiatives
Customers	• Commodity pricing • Product quality	• Visit and networking with customers to understand their needs on our products • Continuous engagement with customers for better customer experience • Customer feedback channel
Shareholders/Investors	• Group financial performance • Business strategy and governance	• Annual general meeting • Company website • Annual Reports
Suppliers	• Service delivery • Payment schedule • Pricing of services • Services/products quality	• Purchasing contract • Purchasing policy
Employees	• Career development • Employee welfare and health & safety	• Training • Meeting / discussion • Informal or festival gathering
Government/Regulators	• Regulatory Compliance • Labour practices • Environmental emissions	• Active engagement with agencies/ associations • Attend seminars on related regulatory issues
Community/Association	• Community living issue	• Donations • Charitable event

Sustainability Statement (cont'd)

MATERIALITY ASSESSMENT

Material sustainability matters were identified to prioritise subjects that would be of utmost concern and have impact on our stakeholders. The table below provides an overview of the material subjects and their grouping under the three sustainability pillars namely, the Economic, Environmental and Social:

Pillars	Material Sustainability Matters
Economic	• Economic Performance • Research and Development • Supply Chain Management • Distribution Network and Customers • Business Conduct
Environmental	• Compliance to Environmental Laws and Regulations • Waste Management and Recycling
Social	• Occupational Health and Safety • Employee Training and Talent Development • Diversity and Equal Opportunity • Employee Welfare and Benefits • Local Community Engagement

MANAGING SUSTAINABILITY

ECONOMIC

i. Economic Performance

The Group is committed to achieving economic sustainability growth for our shareholders. We conduct our business in compliance with applicable laws and regulations and in accordance with high ethical business practices and good corporate governance.

The Group's financial review and outlook are elaborated in the Management Discussion and Analysis section of this Annual Report.

ii. Research & Development ("R&D")

Cymao undertakes R&D activities which provides Cymao with advantages for business sustainability, growth and profitability. R&D plays a critical role in creating competitive advantages for Cymao in the following manner:

a. sustainable business growth through development and marketing of new and better quality products and products with desired characteristics;

b. continuous cost reductionto ensure sustainableprice competitivenessand increased profitability; and

c. minimising the impact of competitive pressure through new products where competition is less intense.

iii. 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.

Sustainability Statement (cont'd)

iv. Distribution Network and Customers

We are customer centric and aim to provide products/services which meet customers satisfaction. We encourage our customers' feedback and input. These are then reviewed and relevant follow-up actions are performed to improve customer satisfaction. While meeting our customers' satisfaction and requirements, the Group is also mindful that an equilibrium needs to be achieved with the appropriate strategies in sustaining our business. In managing our customers, the Group has implemented policies to ensure that credit sales of products and services are made to customers with an appropriate credit standing or with an appropriate credit history.

The Group's distribution channel strategy is through direct channels, using our own internal sales and marketing force. Customers tend to make large volume purchases and, due to market forces, the prices of plywood tend to fluctuate. Hence, in view of these factors, customers prefer to deal directly with Cymao to obtain the best possible price for their large volume purchases

v. Business Conduct

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.

ENVIRONMENT

i. Compliance to Environmental Laws and Regulations

The Group places importance to ensure compliance with the various laws and regulations pertaining to sustainable forestry, emission standards and plant effluent management. The Group has complied with 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 US 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.

c. JAS Certification for General Plywood under the Law Concerning Standardization and Proper Labeling of Agriculture and Forestry Products (Law No. 175 of 1950) which is granted by Benchmark Holdings (BMH).

d. Monitoring of 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. In 2019, there was no incidents of non-compliance with laws and regulations resulting in significant fines or sanctions, and we endeavor to maintain this track record.

Sustainability Statement (cont'd)

ii. Waste Management

Being in the timber industry, the Group is aware and 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.

To help reduce smoke emission, the Group has undertaken the following:

a. ensure that optimum combustion by installing chipping machines that converts bulk wood waste chips. Wood chips have larger surface area as comparedto bulkwood which makes for better burning, thus minimizing smoke emission; and

b. minimise the use of green log waste

For better waste management. the Group reuses waste in the manufacture of:

a. wood-based filler or putty made from sawdust; and
b. engineering flooring and use of waste timber as the core of the plywood.

Cymao has a centralised suction and air-filtration system to minimize sawdust in the air for a lean and better working environment. In addition, Cymao use water based paint and varnishes to eliminate volatile organic compound in the environment.

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.

There have been no reported workplace incidents for 2019.

ii. Employee Training and Talent Development

Every employee plays an essential role in the Group. We focus on attracting and retaining talent and then helping them to develop their skills to drive our Group's success. We believe that learning and training is an important, continuous and life-long process so that employees are equipped with the competencies needed to meet current and future business needs. This includes workshops, seminars, conferences, in-house company training and on-the-job training. During the year, the Group has conducted several in-house trainings to upgrade their skills and knowledge. Staff were also sent for external training and development programmes relevant to their job, for enhancement of skill sets and advancement. Cymao paces emphasis on its staff development programmes.

iii. Diversity and Equal Opportunity

Building and retaining talent are both critical in growing the Group as the continuous growth of the Group needs talented employees. We pledge to the principle of equal opportunity in hiring, promoting and rewarding our employees. Having a diverse workforce with equal opportunity regardless of age, race and gender is one of the ways to build and retain talent.

Sustainability Statement (cont'd)

iv. Employee Welfare and Benefits

Our work environment is aimed at providing a fair performance-based work culture that is diverse, inclusive and collaborative. We also encourage our people to reach their fullest potential and provide them with a fulfilling and meaningful career. We have structured attractive remuneration packages to ensure employees are justly rewarded and to ensure that we remain competitive to attract strong talent.

An employee handbook is in place covering the policies, benefits, procedures and code of conducts that have to be abided by the employees under the Group. As for employees' benefits, apart from complying with the statutory requirements in Malaysia, benefits such as staff uniform, company transport, meal allowance and Group Hospitalisation insurance are also provided to all employees.

v. Local Community Engagement

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.

SUSTAINABLE JOURNEY

The Group has set up a Sustainability Governance Structure. With better understanding the impact and importance of sustainability initiatives, the Group will continuously refine and improve on sustainability issues and matters. The Group will further embed sustainable practices within our businesses so as to improve our overall sustainability performance.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

INTRODUCTION

The Board of Directors ("Board") of Cymao Holdings Berhad (the "Company" or "Cymao") remains committed in maintaining an adequate standards of corporate governance ("CG") within the Company and the Group, adhering to the principles and best practices of CG, through observing and practising the core values of Malaysian Code on Corporate Governance 2017 ("MCCG") and the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities"). The commitment from the top paves the way for Management and all employees to ensure the Company's businesses and affairs are effectively managed in the best interest of all stakeholders.

The Board is pleased to present an overview on the application of the principles as set out in the MCCG and the extent to which the Company and the subsidiaries ("Group") have complied with the three (3) key principles of the MCCG during the financial year under review.

This statement should be read together with the CG Report 2019 of the Company which is available on the Company's website at www.cymao.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board's Leadership

1.1 Strategic Aims, Values and Standards

The Board is responsible for the overall performance of the Group in achieving its objectives and long-term goals, of the Group. The Group's values and standards and the Board's responsibilities are set out in the Board's Charter. Corporate strategies as well as the annual plan are presented to the Board as part of the ongoing review and monitoring, with focus on its core values and standards through the vision and mission of the Group.

The Board focuses mainly on the strategic management, performance monitoring and measurement, risk management and internal controls, standards of conduct, shareholders' communication and critical business decisions. The matters reserved for the collective decision of the Board are listed in the Board Charter which is available on the corporate website.

The Board implements a strategy planning process to oversee the matters delegated to Management and ensures the goals and targets are in line with the Company's strategic plan and long-term objectives.

The key responsibilities of the Board include:

- reviewing and adopting the overall strategic plan for the Company and Group;
- overseeing the conduct of the Company's and Group's business operations;
- monitoring Board composition, processes and performance including establishment of Board committees and delegate authorities;
- monitoring and ensuring the compliance with regulatory requirements and ethical standards;
- supervision of the overall risk management functions, ensuring adequate risks identification and mitigation of principal risks through the existence of adequate internal controls and risk management systems;
- overseeing the succession planning of senior management;
- overseeing the development and implementation of a shareholders' communication policy; and
- reviewing and ratifying the internal control systems to ensure its effectiveness to mitigate the business risks.

Corporate Governance Overview Statement (cont'd)

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

1. Board's Leadership (Cont'd)

1.1 Strategic Aims, Values and Standards (Cont'd)

The Board acknowledges it is essential that the Group's strategies also promote sustainability. As in the timber industry, the Board is strongly aware of the importance of balancing the environmental, social and governance aspect with the interest of various stakeholders, which is important to enhancing investors' perception and public trust. The actions taken by the Group in protecting the environment while striking to achieve a better performance towards the goal at sustainable development are stated under the Sustainability Statement under pages 17 to 22.

The Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board delegates and confers some of the Board's authorities and discretion on the Executive Directors as well as on properly constituted Committees comprising Non-Executive Directors which operate within clearly defined terms of reference. This provides 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 of corporate governance is applied.

1.2 Chairman

The Chairman of the Company leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. Together with the other Independent Non-Executive Directors, he leads the discussion on the strategies and policies recommended by Management. He chairs the meetings of the Board and the shareholders, and thus ensuring effective communication with the shareholders as well as the relevant stakeholders.

1.3 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 continuing 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 operations plan into action. 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.

All decisions of the Board are made unanimously or by consensus. The Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest. 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 Constitution, the Companies Act 2016 ("the Act"), the Main Market Listing Requirements ("MMLR") of Bursa Securities and any applicable rules, laws and regulations.

Corporate Governance Overview Statement (cont'd)

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

1. Board's Leadership (Cont'd)

1.4 Qualified and Competent Secretaries

The Board is supported by two suitably qualified and competent Company Secretaries. Every Director has ready and unhindered access to the advice and services of the Company Secretaries. Both Company Secretaries are qualified to act as company secretary and meet the requirement under Section 235 of the Act. The Company Secretaries play an advisory role to the Board particularly with regard to the Company's Constitution, Board policies and procedures, corporate governance issues and Directors' responsibilities in complying with regulatory requirements, codes, guidance and legislation. The Company Secretaries also regularly update the Board on changes to statutory and regulatory requirements and advise the Board on the impact, if any, to the Company and the Board. The Company Secretaries attend all Board and Board Committees meetings as well as meeting of members and ensure that deliberations and decisions are well documented and kept, and subsequently communicated to the relevant Management for appropriate actions.

1.5 Access to Information and Advice

The Board recognises that decision making process is highly dependent on the quality of information furnished. As such, the Board expects and receives adequate, timely and quality information on an ongoing basis to enable the effective discharge of its duties. The Board receives updates from the Management on the Group's operations and performance as well as the status of implementation of the Board's policies and decisions during the Board meetings. Prior to a meeting, a formal agenda and the relevant proposal papers together with supporting documents are provided to the Board members not less than seven (7) business days or a shorter period, where deliberations involve price-sensitive information in accordance with the listing requirements, before the relevant Board and Board Committee meetings to ensure that they have sufficient time to peruse, deliberate, obtain additional information and/or seek further clarification on the matters to be tabled at the meetings.

The Board has direct access to Senior Management staff and has full and unrestricted access to all information pertaining to the Group's businesses and affairs, whether as a full Board or in their individual capacity. The Directors may, if necessary, obtain independent professional advice in the furtherance of their duties from external consultants at the Company's expense.

2. Demarcation of Responsibilities

2.1 Board Charter

The Board has established a Board Charter which sets out the composition, principal roles and responsibilities of the Board, its various Board Committees, individual directors and Management. The Board Charter also outlines the processes and procedures for the Board and its Committees to be effective and efficient.

The Board will review the Board Charter as and when necessary to ensure it is in tandem with the Board's objectives and within the applicable laws and regulations. The Board Charter is available on the Company's website at www.cymao.com.

Corporate Governance Overview Statement (cont'd)

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

3. Promoting Good Business Conduct and Corporate Structure

3.1 Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The ethical standards are formalised through the Directors' Code of Conduct and Corporate Disclosure Policy, which requires all Directors and Employees to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.

The Directors' Code of Conduct and Corporate Disclosure Policy are available on the Company's website at www.cymao.com.

3.2 Whistleblowing Policy

The Board has adopted a whistleblowing policy for the Group which outlines the avenues for all employees, suppliers, agents, contractors and customers of the Group to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively.

Any employee and member of public who has reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to their immediate superior or head of department; or to the Head of Human Resources; or to the Chairman of the Audit Committee, if the concerns remains unresolved or they feel that the matter is grave in nature that it can't be discussed with any of the first or second personnel mentioned earlier on through formal or informal channels.

Management will ensure that the identity of the whistle blower who raises a genuine complaint in good faith shall be kept confidential.

4. Strengthen Board's Objectivity

4.1 Board Composition

The Board currently consists of three (3) Independent Non-Executive Directors and two (2) Executive Directors, as follows: -

Members of the Board	Designation
Dato' Seri Mohd Shariff Bin Omar	Independent Non-Executive Chairman
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

The Board members have diverse backgrounds and experiences in various fields. Collectively, they bring a broad range of skills, experience and knowledge to direct and manage the Group's businesses. The Board is satisfied that, through the annual performance appraisal of the Board, the Board Committees and individual directors, the current board composition represents a mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively.

The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR and MCCG as more than half of its members are Independent Directors.

Corporate Governance Overview Statement (cont'd)

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

4. Strengthen Board's Objectivity (Cont'd)

4.2 Tenure of Independent Director

Subsequent to the financial year, the Nomination Committee and the Board conducted an appraisal and review on the independence of Mr Hiew Seng who has served more than fifteen 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 two-tier voting system at the forthcoming Annual General Meeting ("AGM") to retain him in this position.

4.3 Policy of Tenure of Independent Director

Practice 4.2 of MCCG 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 derive 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.

4.4 Diverse Board and Senior Management Team

The Board acknowledges the importance of diverse Board and Senior Management. The Group strictly adhered to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which including the selection of Board members.

The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

The Group endeavour to meet the diversity at the Senior Management level and the composition of the Key Senior Management of the Group comprises a mixture of both genders.

4.5 Gender Diversity

The Board recognises diversity, including the facet of gender, as an important criterion to determine board composition as it provides the necessary range of perspectives, experiences and expertise required to achieve effective stewardship and management of the Company and the Group. However, at present, the Board does not have any female Directors and has yet to formalise targets and measures on the aspect of gender diversity. Although the Board did not set any target for Board representation in its diversity policy, the Board will continue to take the necessary measures to gradually achieve at least 30% women Directors on the Board in line with the recommendation in Practice 4.5 of the MCCG. In its effort to promote gender diversity in the boardroom, the Board through its Nomination Committee will undertake several concerted steps to ensure that independent women candidates are sought from various sources including professional bodies as part of its recruitment exercise. The Nomination Committee will also consider candidates recommended by the existing Board members, Management or major shareholders, former Directors or Senior Management.

Corporate Governance Overview Statement (cont'd)

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

4. Strengthen Board's Objectivity (Cont'd)

4.6 Nomination Committee

The Nomination Committee comprises three (3) Independent Non-Executive Directors as follows:

Name	Designation
Dato' Seri Mohd Shariff Bin Omar	Chairman
Hiew Seng	Member
Syed Ibrahim Bin Syed Abd. Rahman	Member

The Nomination Committee is responsible for identifying and 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, for example 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 various criteria, such as:

- 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.

This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company. The Company Secretaries 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.

The Nomination Committee met once in the financial year 2019 with full attendance of all members.

The Nomination Committee has discharged its duties during the financial year 2019 as follows:

- Reviewed and assessed annual assessment of the performance and effectiveness of the Board as a whole, the committee of the Board, contribution of each individual director;
- Reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- Reviewed and assessed the independence of the Independent Non-Executive Directors;
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the forthcoming AGM of the Company;

Corporate Governance Overview Statement (cont'd)

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

4. Strengthen Board's Objectivity (Cont'd)

4.6 Nomination Committee (Cont'd)

The Nomination Committee has discharged its duties during the financial year 2019 as follows (Cont'd):

- Reviewed and assessed the term of office and performance of the Audit Committee;
- Reviewed and recommended the types of trainings suitable for the Board;
- Reviewed and assessed the level of financial literacy of the Audit Committee members; and
- Reviewed the revised Terms of Reference of the Nomination Committee to ensure its relevance to the Nomination Committee and recommended to the Board for approval.

During the financial year 2019, no new Directors were appointed to the Board.

5. Overall Board Effectiveness

5.1 Annual Evaluation

The Nomination Committee has a formal assessment in place to assess the effectiveness of the Board as a whole, the performance of its Committees and the contribution of each Individual Director on an annual basis by way of a set of customised self-assessment questionnaires. The evaluation process is led by the Chairman of the Nomination Committee and supported by the Company Secretaries. All assessments and evaluations carried out by the Nomination Committee are properly documented.

During the financial year 2019, the Board had conducted the annual assessment based on a number of criteria set out below but not limited to the following:

- Directors Self-Assessment
- Assessment of Independence of Independent Director
- Assessment of Board as a Whole

Based on the annual assessment conducted, the Nomination Committee was satisfied with the existing Board composition and concluded that each Directors has the requisite competence to serve on the Board and has sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board the re-election of retiring Directors at the Company's forthcoming AGM.

The attendance record of the Directors at Board and Board Committee meetings for the financial year ended 31 December 2019 is set out as follows:

Meeting Attendance	Board	AC	NC	RC	AGM
Dato' Seri Mohd Shariff Bin Omar	5/5	5/5	1/1	2/2	1/1
Lin, Kai-Min	4/5	Nil	Nil	Nil	1/1
Lin, Kai-Hsuan	5/5	Nil	Nil	Nil	1/1
Hiew Seng	5/5	5/5	1/1	2/2	1/1
Syed Ibrahim Bin Syed Abd Rahman	5/5	5/5	1/1	2/2	1/1

Corporate Governance Overview Statement (cont'd)

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

5. Overall Board Effectiveness (Cont'd)

5.2 Directors' Training

The Board fully supports the need for its members to continuously enhance their skills and knowledge to keep abreast with the developments in the economy, industry, technology and updates on regulations, amongst others to effectively carry out their duties and responsibilities as directors and to comply with continuous training as required by the MMLR.

During the financial year ended 31 December 2019, all the Directors have attended trainings, seminars, conferences and exhibitions which they considered vital in keeping abreast with the changes in laws and regulation, business environment, and corporate government development, as detailed hereunder:

Name of Directors	Title of Seminars	Duration (Day)
Dato' Seri Mohd Shariff Bin Omar	Transition to New Corporate Law And Practices	½
Lin,Kai-Min	2020 Budget and Tax Conference	½
Lin, Kai-Hsuan	2020 Budget and Tax Conference	½
Hiew Seng	Transition to New Corporate Law And Practices	½
Syed Ibrahim Bin Syed Abd Rahman	Transition to New Corporate Law And Practices	½

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

6. Level and Composition of Remuneration

6.1 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 Remuneration Committee together with the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders.

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 Committees are provided with additional fees.

The Remuneration Committee is chaired by an Independent Non-Executive Director and comprises all Independent Non-Executive Directors.

Corporate Governance Overview Statement (cont'd)

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

6. Level and Composition of Remuneration (Cont'd)

6.1 Remuneration Policy (Cont'd)

The Remuneration Committee reviews annually the Directors' Fees and the Directors' Remuneration (including Non-Executive Directors) to commensurate with the level of responsibility of its directors and senior management. There should be appropriate incentives to attract talent as well as nurture and retain high calibre directors and senior management, whilst taking into account the interests of other stakeholders, including shareholders and employees. In addition, the remuneration policy and procedures should also be aligned with the business strategy and long-term objectives of the Company.

7. Disclosure of Remuneration

7.1 Detailed Disclosure of Directors' 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.

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

	Company			
Directors	**Directors' fees (RM)**	**Salaries (RM)**	**Meeting Allowance (RM)**	**Total (RM)**
Executive Directors				
Lin,Kai-Min	24,000	–	5,000	29,000
Lin, Kai-Hsuan	24,000	–	5,000	29,000
Non-Executive Directors				
Dato' Seri Mohd Shariff Bin Omar	60,000	–	5,000	65,000
Hiew Seng	48,000	–	5,000	53,000
Syed Ibrahim Bin Syed Abd. Rahman	36,000	–	5,000	41,000
Total	192,000	–	25,000	217,000

Corporate Governance Overview Statement (cont'd)

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

7. Disclosure of Remuneration (Cont'd)

7.1 Detailed Disclosure of Directors' Remuneration (Cont'd)

Directors	Group			
	Directors' fees (RM)	Salaries (RM)	Meeting Allowance (RM)	Total (RM)
Executive Directors				
Lin,Kai-Min	24,000	273,000	5,000	302,000
Lin, Kai-Hsuan	24,000	444,000	5,000	473,000
Non-Executive Directors				
Dato' Seri Mohd Shariff Bin Omar	60,000	–	5,000	65,000
Hiew Seng	48,000	–	5,000	53,000
Syed Ibrahim Bin Syed Abd. Rahman	36,000	–	5,000	41,000
Total	192,000	717,000	25,000	934,000

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

8. Audit Committee

8.1 Effective and Independent Group Audit Committee

The Group's financial reporting and internal control system are reviewed by the Audit Committee of the Group which comprises all Independent Non-Executive Directors. The Chairman of the Audit Committee is an Independent Non-Executive Director and is not the Chairman of the Board. All Audit Committee members are financially literate and have sufficient understanding of the Group's businesses. The Group Audit Committee operates within its Terms of Reference which clearly define its functions and authority.

The Audit Committee meets not less than four times a year and always before the Board Meeting to ensure that all critical issues highlighted by the internal and external auditors can be brought to the attention of the Board on a timely basis. The key matters deliberated at the Audit Committee meetings will be reported to the Board by the Chairman of the Audit Committee. A summary of the activities of the Audit Committee in discharging its functions and duties including how it has met its responsibilities for the financial year 2019 are set out in the Audit Committee Report in this Annual Report.

8.2 Relationship with External Auditors

The Board maintains a transparent and professional relationship with the Company's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with the Auditors. The External Auditors, Messrs. PKF ("PKF"), are invited to attend the Audit Committee meetings at least twice a year to review the audit process and to discuss the Company's annual financial statements, the audit findings, the audit plan as well as problems and reservations arising from the final audit. The Audit Committee also meets with the External Auditors whenever it deems necessary. In addition, the External Auditors are invited to attend the Annual General Meeting of the Company and available to answer shareholders' questions relating to the conduct of the statutory audit and the preparation and contents of their audit report. The External Auditors will report to the Audit Committee and the Management on any weaknesses in the internal control systems and any non-compliance of accounting standards that come to their attention in the course of their audit.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

8. Audit Committee (Cont'd)

8.2 Relationship with External Auditors (Cont'd)

The Audit Committee is tasked with the authority from the Board to review any matters concerning the appointment and re-appointment, audit fee, resignation or dismissal of External Auditors. 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 criteria 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;
- understandingof 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 interms of reasonableness and sufficiency; and
- independence and objectivity in-terms of performance, limit on engagement term, coolingoff period of engagement partner and non-audit services rendered, in absolute terms and/or as a percentage of audit fee.

In this regard, the Audit Committee had on 9 October 2019, assessed the independence of Messrs PKF as the External Auditors of the Company as well as reviewed the level of non-audit services rendered by PKF to the Company for the financial year ended 31 December 2019.

The Audit Committee was satisfied with PKF's technical competency and audit independence and took note that the quantum of non-audit fee charged thereto was not material as compared to the total audit fees paid to PKF. Details of statutory audit, audit-related and non-audit fees paid/payable in the financial year ended 31 December 2019 to the External Auditors are set out in the Additional Information of this Annual Report.

The Audit Committee, having satisfied itself with the performance and fulfilment of criteria as set out in the Non-Audit Services Policy as well as received the assurance from PKF as stated above, recommended the reappointment of PKF as the External Auditors to the Board, upon which the shareholders' approval will be sought at the forthcoming AGM.

9. Risk Management and Internal Control Framework

9.1 Risk Management and Internal Control System

The Board is fully aware of their overall responsibility of continuously maintaining a sound system of internal control which covers not only financial controls but also operational and compliance controls as well as risk management and the need to review its effectiveness regularly in order to safeguard shareholders' investment and Group's assets. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The Board has been integrating the risk issues into their decision-making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.

The Group's internal audit function is outsourced to two independent professional firms namely, RCA Corporate Services Sdn Bhd and Jeta PLT to provide internal audit services to Klang and Sandakan operations respectively.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

9. Risk Management and Internal Control Framework (Cont'd)

9.1 Risk Management and Internal Control System (Cont'd)

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

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

The Statement on Risk Management and Internal Control provides an overview of the Company's risk management framework and the system of internal controls within the Group was also presented in the Annual Report at pages 39 to 41.

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

10. Communication with Shareholders and Investors

The Board recognises the importance of timely and equal dissemination of clear, relevant and comprehensive information on major developments of the Group to shareholders and investors, which is carried out by means of various disclosures, press releases and announcements to the stock exchange, taking into consideration the legal and regulatory framework governing the release of material and price-sensitive information. The Group's performance is reported quarterly to the stock exchange and on a yearly basis, the Annual Report is an important channel used by the Company to provide its shareholders and investors with information on its business, financial performance and other key activities.

The Company has, from time to time, held meetings and dialogues with investors and research or investment analysts to convey information regarding the Group's progress, performance and business strategies.

In addition, the Group maintains a website at www.cymao.com which is updated from time to time to provide shareholders and members of the public the current information and events relating to the Group.

11. Shareholder Participation at General Meetings

The AGM of the Company provides the principal forum of dialogue and interaction between the Board and the shareholders. The shareholders are given the opportunity to raise questions or to seek for clarifications of pertinent and relevant information of the Company. During the meeting, the Chairman, the Board members and the External Auditors are available to respond to the shareholders' queries.

The notices of the AGM and the Annual Report are sent out to shareholders at least twenty-eight (28) days prior to the meeting so that shareholders are given sufficient time to consider the resolutions that will be discussed at the AGM.

All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company at the AGM. The Directors and the External Auditors will be in attendance at the AGM to respond to the shareholders' queries.

Corporate Governance Overview Statement (cont'd)

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

11. Shareholder Participation at General Meetings (Cont'd)

In line with the MMLR, the Company will implement poll voting for all the proposed resolutions set out in the notice of AGM. Each item of special business included in the notice of AGM will be accompanied by an explanation of the said proposed resolutions. All shareholders or proxies will be briefed on the voting procedures prior to the poll voting by the Share Registrar. The Company will appoint independent scrutineers to validate the votes cast at the AGM.

The outcome of resolutions tabled and passed at the AGM are released to Bursa Securities on the same meeting day.

CONCLUSION

The Board is mindful of the need to regularly review the Group's corporate governance practices against the principles in the MCCG with the view of ensuring that they remain relevant in meeting with the challenges of its business environment. The Board is satisfied that the Company has substantially applied the principles and best practices prescribed in the MCCG to date.

This CG Overview Statement was approved by the Board on 23 June 2020.

AUDIT COMMITTEE **REPORT**

The Board of Directors ("the Board") of Cymao Holdings Berhad ("the Company" or "Cymao") is pleased to present the Audit Committee ("AC") Report for the financial year ended 31 December 2019 ("FY2019").

The main objectives of the AC is to provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in relation to the accounting and management controls and financial reporting of the Company and the Group; and also to serve as a focal point of communication between the Board, external auditors, internal auditors and the management by means of a forum for discussion which is independent of the management.

COMPOSITION AND ATTENDANCE

AC consists of the following three (3) members, all of whom are Independent Non-Executive Directors ("INED"), who meet the requirements of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"):-

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

MEETINGS AND ATTENDANCE

During FY2019, AC held a total of five (5) meetings. The attendance of the members of the AC as follows:-

Names	No. of meetings attended	Percentage of attendance (%)
Hiew Seng	5/5	100
Dato' Seri Mohd Shariff Bin Omar	5/5	100
Syed Ibrahim Bin Syed Abd Rahman	5/5	100

The Company's Managing Director, Executive Director, Internal Auditors, External Auditors and relevant responsible senior management are usually invited to attend the AC meetings to brief the AC on any matters of interest and to provide input and clarification to the relevant items on the agenda. The Company Secretaries act as Secretary at the meetings to record and maintain minutes of the proceedings of the meetings.

TERMS OF REFERENCE

The Terms of Reference of the AC is available on the Company's website at www.cymao.com.

INDEPENDENCE OF THE AUDIT COMMITTEE

The Company recognized the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the AC of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC was a key audit partner of the external auditors of the Group.

Audit Committee Report (cont'd)

FINANCIAL LITERACY OF THE AUDIT COMMITTEE MEMBERS

Collectively, the members of the AC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the AC. The qualification and experience of the individual AC members are disclosed in the Directors' Profiles on pages 5 and 6 of this Annual Report. During FY2019, all members of the AC had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties.

SUMMARY OF WORK OF THE AUDIT COMMITTEE

The summary of the activities carried out by the AC during FY2019 as follows:

1. **Financial Results**

   - Reviewed and discussed the quarterly financial results of the Group (including announcements) and the annual financial statements of the Group and of the Company to ensure compliance with the requirements of financial reporting and disclosure of the relevant authorities prior to the recommendation to the Board for approval.
   - Deliberated on significant matters raised by the External Auditors including financial reporting issues, significant judgements made by Senior Management, significant and unusual events or transactions and management's reports and updates on actions recommended by the External Auditors for improvement.
   - Deliberated on changes or implementation of major accounting changes and compliance with accounting standards and other legal requirements.

2. **Internal Audit**

   - Reviewed and approved the Internal Audit Plan for year 2019 and the internal auditors' scope of work.
   - Reviewed and discussed with the Internal Auditors, their audit findings and issues arising during the course of their audit and ensure that the appropriate corrective actions are taken by the Management.
   - Reviewed the adequacy and competency of the internal audit functions via carried out the annual assessment of the Internal Auditors.
   - Met the Internal Auditors for a frank and candid dialogue, and to exchange free and honest views and opinions.

3. **External Audit**

   - Reviewed and approved the Audit Planning Memorandum in respect of FY2019 prior to commencement of the annual audit.
   - Reviewed and discussed with the External Auditors, the results of the audit, the audit report and findings noted in the course of their audit and reported the same to the Board.
   - Evaluated the independence and performance of the External Auditors and recommended their fees and re-appointment to the Board for approval.
   - Met the External Auditors with the presence of the Executive Directors and Management staff for a frank and candid dialogue, and to exchange free and honest views and opinions.

4. **Annual Report**

   - Reviewed the AC Report, Corporate Governance Overview Statement, and Statement on Risk Management and Internal Control to ensure adherence to the relevant statutory requirements and recommended the same to the Board for approval.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION

The Company engaged the services of two (2) independent professional firms namely, RCA Corporate Services Sdn Bhd ("RCA") and Jeta PLT ("Jeta"), to carry out the internal audit functions of the Group in order to assist the AC in discharging its duties and responsibilities. Both the internal audit functions are headed and lead by Mr. Clement Cheong, who is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Master in Business Administration from RCA and Mr. Jacob Pang, who is a Fellow of the Certified Practising Accountants of Australia, member of the Malaysia Institute of Accountants and Institute of Internal Auditors of Malaysia from Jeta respectively. There is a total of two (2) internal auditors who were deployed by RCA and a total of two (2) internal auditors deployed by Jeta for the internal audit works performed for the Group during the FY2019. All the personnel deployed by both RCA and Jeta are free from any relationships or conflict of interest in the Group, which could impair their objectivity and independence during the course of their work.

The Internal Auditors are empowered by the AC to provide objective evaluation of risks and controls in the auditable activities to ensure a sound system of internal controls. The Internal Auditors adopts a risk-based audit methodology to develop its audit plan and activities. The internal audit functions of the Group are carried out according to the internal audit plan as approved by the AC. Greater focus and appropriate review intervals are set for higher risk activities, material internal controls, including compliance with the Company's policies, procedures and regulatory requirements.

During FY2019, the Internal Auditors have performed the internal audit according to the approved internal audit plan. Internal Audit reports were issued to the AC in each quarter and tabled during AC meetings. The Internal Audit Reports were also issued to the respective operations management, incorporating audit recommendations and Management responses. The Internal Auditors conducted follow-up audits to ensure the recommendations were implemented appropriately. A summary of the work of the internal audit function FY2019 carried out by the respective internal audit firms are as follows:-

RCA

a) Procurement and Accounts Payables Management
b) Revenue and Accounts Receivables Management
c) Human Resources Management

Jeta

a) Sales, billings and collections;
b) Finance and treasury management;
c) Purchase of logs;
d) Property, plant and equipment;
e) Purchase function; and
f) Inventory control.

The cost incurred for the internal audit function in respect of the FY2019 was RM 30,000.00.

STATEMENT OF RISK MANAGEMENT **AND INTERNAL CONTROL**

INTRODUCTION

The Board Directors ("Board") of Cymao Holdings Berhad ("Cymao" or "the Company") is pleased to present its Statement on Risk Management and Internal Control which outlines the nature and scope of the risk management and internal control of the Group for the financial year ended 31 December 2019. This Statement has been prepared in accordance to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITY

The Board recognises the importance of sound framework for risk management and internal control as a platform to good corporate governance. The Board acknowledges its responsibility and re-affirms its commitment in maintaining sound systems of risk management and internal control to safeguard shareholders' investments and the Group's assets as well as for reviewing its adequacy and effectiveness of these systems.

The Group has in place an on-going process to identify, evaluate, monitor and manage any significant risks through the internal controls set out in order to attain a reasonable assurance that business objectives have been met. These controls are regularly reviewed by the Board and subject to continuous improvement.

RISK MANAGEMENT

Risk Management is regarded by the Board to be an integral part of business operations. Key Management staff and Heads of Department are delegated with the responsibility of identifying and managing risks related to their functions/ departments.

The Board has established and developed an Enterprise Risk Management ("ERM") framework to achieve the following objectives:

- communicate and disseminate across the organisation the vision, role and direction of the Group;
- provision of a structured and a more consistent approach to identifying, rating, mitigating, managing and monitoring principal risks;
- identify, assess, evaluate and manage the various principal risks which affect the Group's business;
- creating an environment where staff understand and assume responsibility for managing the risks for which they are accountable for as well as to be aware of the controls in place to mitigate those risks; and
- formulate a systematic process of review, tracking and reporting on key risks identified and corresponding mitigation procedures.

Risk analysis of the Group are conducted on a regular basis, including constantly reviewing the process in identifying, evaluating and implementing appropriate actions to assess and monitor the impact of the risks on key business areas. Significant risks identified are brought to the attention of the Board at their scheduled meetings. The Audit Committee, chaired by an Independent Non-Executive Director, meets periodically to discuss the risks faced by the Group and ensure that existing mitigation actions are adequate. Risks identified were prioritised in terms of likelihood of occurrence and the impact of such on the Group upon crystallisation. The Group continues to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the business changes and competitive environment.

In addition, external and relevant professionals would be drawn on to assist and provide advices to the management team when necessary. In order to ensure the objectivity of the review of the risk management and systems of internal controls in the Group, the Audit Committee is instituted by the Board to undertake this role.

The Audit Committee assists the Board to reviewing the adequacy and integrity of the internal control system and its compliance with the Group's policies and procedures.

Statement Of Risk Management And Internal Control (cont'd)

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 to provide internal audit services to Klang and Sandakan operations respectively. The Internal Auditors independently review the internal controls on the key activities and business areas 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 operations, the Internal Auditors have completed their audit review up to 31 December 2019 while for Sandakan operations, the review of internal controls has been completed up to 30 June 2019 and the review of the remaining two quarters is still ongoing. Follow up reviews were conducted to ensure that corrective actions have been implemented on a timely manner.

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.

KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

To complement and enhance the risk management and internal control systems, the Group also have in place the following practices / structures:

- The Group maintains clearly defined and structured lines of reporting and responsibilities including proper segregation of duties, appropriate authority limits, adequate review and approval procedures;
- Formal Standard Operating Policies and Procedures are in place and they are regularly reviewed and updated to ensure that it continues to support the Group's business activities as the Group continues to grow;
- Monthly monitoring of operational results against the budget for the Board's review and discussion;
- Regular and comprehensive information provided to the Board, covering financial performance and key business indicators;
- Active participation of executive members of the Board in the day-to-day running of the operations; and
- Regular managementmeeting with all key personnel of respective to address weaknesses and improve efficiency.

MANAGEMENT WITH RESPONSIBILITIES AND ASSURANCE

In accordance to the Bursa Securities' Guidelines, the Management is responsible to the Board for identifying risks relevant to the business of the Company's objectives and strategies; implementing and maintaining sound systems of risk management and internal controls; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Company's achievement of its objective and performance.

In producing this Statement, the Board has received assurance from the Managing Director and the Executive Director that, to the best of their knowledge the Group's risk management and internal control systems are in place for the financial year ended 31 December 2019 and are operating adequately and effectively, in all material aspects.

Statement Of Risk Management And Internal Control (cont'd)

BOARD ASSURANCE AND LIMITATION

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. The Board is of the view that the Group's risk management and internal control systems are satisfactory and has no significant internal control failures nor have any of the reported weaknesses that has resulted in material losses or contingencies during the financial year under review. The Board is satisfied that the existing level of systems of internal control and risk management are effective to enable the Group to achieve its business objectives.

The Board wishes to reiterate that risk management and systems of internal control would be continuously improved in line with the evolving business development, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group could only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the External Auditors have reviewed the Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 December 2019. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 included in the Annual Report, issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

The Board is aware and cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Group will continue to take measures to strengthen the risk management and internal control system with a view to further enhance their effectiveness and to ensure new and additional risk arising from changes in the business and operating environment are managed within tolerable limits and timely dealt with.

This Statement on Risk Management and Internal Control is made by the Board in accordance to its resolution dated 23 June 2020.

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	38,000	123,000
Non-Audit Fees	5,000	5,000

(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.

DIRECTOR'S RESPONSIBILITY **STATEMENT**

IN RESPECT OF AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Directors are required by the Companies Act 2016 ("the Act") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to prepare the financial statements for each financial year in accordance with applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards and requirements of the Act in Malaysia.

The Directors are responsible to ensure that the audited financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2019. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

In preparing the financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensure that all applicable accounting standards have been followed; and
- prepared financial statements on a "going concern" basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue operations for the foreseeable future.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board dated 23 June 2020.

FINANCIAL STATEMENTS

DIRECTORS' **REPORT**

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

RESULTS

	Group RM	Company RM
Loss for the financial year	11,104,291	32,578,041

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 2019.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the 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 in Malaysia, the Directors of subsidiary companies during the financial year and during the period from the end of the financial year to date of this report, who are not also Directors of the Company, are as follows:

Mohd Zulkifi Chow Abdullah
Pang Pah Loh @ Pang Pak Lok
Lin, Tsai-Rong

Directors' Report (cont'd)

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 of the Company and subsidiaries 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			
Direct interest:	**At 1.1.2019**	**Bought**	**Sold**	**At 31.12.2019**
Lin, Tsai-Rong	16,100,000	–	–	16,100,000
Lin, Kai-Min	14,335,250	–	–	14,335,250
Lin, Kai-Hsuan	4,330,500	–	–	4,330,500
Hiew Seng	62,500	–	–	62,500

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 RM1,149,000 and RM192,000 respectively.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

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 2019 was RM10,247.

There was no indemnity given to or insurance effected for the auditors of the Group and of the Company.

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

As at 31 December 2019, the Company held as treasury shares a total of 1,664,600 of its 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; 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 (12) months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 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.

Directors' Report
(cont'd)

AUDITORS

The auditors, 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 Group and the Company amounted RM123,000 and RM38,000 respectively.

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 23 June 2020

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 54 to 105 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 2019 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 23 June 2020

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 54 to 105 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed LIN, KAI-MIN)
at Sandakan in the state of Sabah)
on 23 June 2020)

LIN, KAI-MIN

Before me,

S069
Salbiah Binti Sulaiman
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 2019 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 54 to 105.

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 2019, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a gross loss of RM8,482,034, a total comprehensive loss of RM11,104,291 and negative net operating cash flows of RM11,291,153 during the financial year ended 31 December 2019, and the outbreak of coronavirus disease 2019 (COVID-19) and the Movement Control Order (MCO) imposed by the Government subsequent to the year end is likely to adversely impact the Group's cash flows. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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.

Independent Auditors' Report (cont'd)

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

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Area of focus	How our audit addressed the key audit matter
Reliance on management's experts	
The Group engaged independent valuer to value its property, plant and equipment to determine the recoverable amount of certain significant property, plant and equipment that are exhibiting impairment indicators due to the significant losses suffered by the Group. These independent valuers use industry/market accepted valuation methodology and approaches to determine the fair value of the underlying asset. Due to the measurement of fair value being inherently judgemental and the carrying value of these assets being material to the Group, we have considered this to be a key audit matter.	We have obtained the valuation reports prepared by the independent valuers engaged by the Group. We have reviewed these reports for appropriateness of the methodology used and the reasonableness of the assumptions used. We also assessed the competency, capabilities and objectivity of these independent valuers engaged by the Group.

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.

Independent Auditors' Report (cont'd)

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.

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

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

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

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

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

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

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

Independent Auditors' Report (cont'd)

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
AF 0911
CHARTERED ACCOUNTANTS

CHAU MAN KIT
02525/03/2022 J
CHARTERED ACCOUNTANT

Kota Kinabalu

Dated 23 June 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 As restated RM	2019 RM	2018 RM
Revenue	5	46,282,040	88,033,888	–	–
Cost of sales		(54,764,074)	(81,879,318)	–	–
Gross (loss)/profit		(8,482,034)	6,154,570	–	–
Other operating income	6	12,846,175	1,534,767	–	–
Other operating expenses	7	(1,300,247)	(568,018)	–	(1,307,824)
Selling expenses		(2,366,763)	(4,600,673)	–	–
Administrative expenses		(5,517,391)	(6,477,205)	(547,041)	(471,805)
Share of loss of joint venture		–	(11,145)	–	–
Impairment on property, plant and equipment	14	(6,682,090)	–	–	–
Impairment on investments in subsidiaries	15	–	–	(32,031,000)	–
Loss from operations	10	(11,502,350)	(3,967,704)	(32,578,041)	(1,779,629)
Finance costs	11	(455,460)	(424,262)	–	–
Loss before taxation		(11,957,810)	(4,391,966)	(32,578,041)	(1,779,629)
Income tax expense	12	853,519	104,818	–	–
Loss for the financial year		(11,104,291)	(4,287,148)	(32,578,041)	(1,779,629)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the financial year		(11,104,291)	(4,287,148)	(32,578,041)	(1,779,629)
Loss per share attributable to owners of the Company (sen per share)					
Basic and diluted	13	(15.14)	(5.85)		

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

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2019

		Group		Company	
			31.12.2018		
		2019	Restated	2019	2018
ASSETS	**Note**	**RM**	**RM**	**RM**	**RM**
Non-current assets					
Property, plant and equipment	14	22,212,892	30,971,897	–	1
Investments in subsidiaries	15	–	–	47,035,937	79,066,937
		22,212,892	30,971,897	47,035,937	79,066,938
Current assets					
Inventories	16	29,245,204	29,477,709	–	–
Trade and non-trade receivables	17	14,837,691	15,410,931	9,281	152,593
Tax recoverable		445,451	969,050	–	–
Cash and bank balances	18	1,373,534	3,306,457	6,241	24,858
		45,901,880	49,164,147	15,522	177,451
Assets classified as held for sale	19	–	2,926,576	–	–
TOTAL ASSETS		68,114,772	83,062,620	47,051,459	79,244,389
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	20	92,374,387	92,374,387	92,374,387	92,374,387
Treasury shares	21	(693,951)	(693,951)	(693,951)	(693,951)
Accumulated losses	22	(44,518,337)	(33,414,046)	(56,983,645)	(24,405,604)
Total equity		47,162,099	58,266,390	34,696,791	67,274,832
Non-current liabilities					
Loans and borrowings	23	1,583,122	1,918,148	–	–
Deferred tax liabilities	24	664,002	1,524,463	–	–
		2,247,124	3,442,611	–	–
Current liabilities					
Loans and borrowings	23	8,111,369	9,528,149	–	–
Trade and non-trade payables	25	10,594,180	11,825,470	12,354,668	11,969,557
		18,705,549	21,353,619	12,354,668	11,969,557
Total liabilities		20,952,673	24,796,230	12,354,668	11,969,557
TOTAL EQUITY AND LIABILITIES		68,114,772	83,062,620	47,051,459	79,244,389

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 2019

		< -------- Attributable to owners of the Company -------- >			
		< --------- Non-distributable --------- >			
Group	**Note**	**Share capital RM**	**Treasury shares RM**	**Accumulated losses RM**	**Total equity RM**
At 1 January 2018		92,374,387	(693,951)	(29,126,898)	62,553,538
Total comprehensive loss for the financial year		–	–	(4,287,148)	(4,287,148)
At 31 December 2018		92,374,387	(693,951)	(33,414,046)	58,266,390
Total comprehensive loss for the financial year		–	–	(11,104,291)	(11,104,291)
At 31 December 2019		92,374,387	(693,951)	(44,518,337)	47,162,099
Company					
At 1 January 2018		92,374,387	(693,951)	(22,625,975)	69,054,461
Total comprehensive loss for the financial year		–	–	(1,779,629)	(1,779,629)
At 31 December 2018		92,374,387	(693,951)	(24,405,604)	67,274,832
Total comprehensive loss for the financial year		–	–	(32,578,041)	(32,578,041)
At 31 December 2019		92,374,387	(693,951)	(56,983,645)	34,696,791

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 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Loss before taxation		(11,957,810)	(4,391,966)	(32,578,041)	(1,779,629)
Adjustments for:					
Allowance for slow moving inventories		794,527	111,510	–	–
Bad debts written off		–	394,565	–	–
Depreciation of property, plant and equipment		2,964,312	3,671,341	1	–
Gain on disposal of property, plant and equipment		(160,584)	(20,000)	–	–
Gain on disposal of assets held for sale		(9,073,424)	–	–	–
Impairment on receivables		82,000	175,069	–	1,307,824
Impairment on investment in subsidiaries		–	–	32,031,000	–
Impairment on property, plant and equipment		6,682,090	–	–	–
Interest expenses		455,460	424,262	–	–
Interest income		(24,599)	(30,448)	–	–
Inventories written down		1,917,922	535,046	–	–
Liabilities no longer in existence written off		–	(9,079)	–	–
Loss on disposal of investment		–	10,830	–	–
Loss on damage of material		202,922	161,851	–	–
Property, plant and equipment written off		187,750	84,522	–	–
Reversal of impairment on receivables		–	(311,564)	–	–
Share of loss in joint venture		–	11,145	–	–
Operating (loss)/profit before working capital changes		(7,929,434)	817,084	(547,040)	(471,805)
Change in inventories		(2,682,866)	(8,627,741)	–	–
Change in receivables		491,240	(234,295)	143,313	348,790
Change in payables		(1,231,290)	4,773,844	73,141	(40,241)
Cash used in operations		(11,352,350)	(3,271,108)	(330,586)	(163,256)
Income tax paid		(471,449)	(429,869)	–	–
Income tax refunded		988,106	242,855	–	–
Interest paid		(455,460)	(424,262)	–	–
Net cash used in operating activities		(11,291,153)	(3,882,384)	(330,586)	(163,256)

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

Statements Of Cash Flows (cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,123,885)	(1,305,499)	–	–
Interest received		24,599	30,448	–	–
Proceeds from disposal of property, plant and equipment		209,322	20,000	–	–
Proceeds from disposal of assets held for sale		12,000,000	–	–	–
Proceeds from disposal of investment on joint venture		–	29,197	–	–
Net cash from/(used in) investing activities		11,110,036	(1,225,854)	–	–
Cash flows from financing activities					
Change in amount due to subsidiary		–	–	311,969	157,809
Net (repayment)/drawdown of		–	–	–	–
bankers' acceptance		(716,000)	2,236,000	–	–
Repayment of hire purchase		(156,808)	(143,583)	–	–
Repayment of term loans		(156,916)	(146,552)	–	–
Net cash (used in)/from financing activities		(1,029,724)	1,945,865	311,969	157,809
Net decrease in cash and cash equivalents		(1,210,841)	(3,162,373)	(18,617)	(5,447)
Cash and cash equivalents at beginning of financial year		2,295,804	5,458,177	24,858	30,305
Cash and cash equivalents at end of financial year	18	1,084,963	2,295,804	6,241	24,858

(i) Reconciliation of liabilities arising from financing activities

Group	1 January 2019 RM	Cash flows RM	Non-cash acquisition RM	31 December 2019 RM
Bankers' acceptance	8,211,000	(716,000)	–	7,495,000
Term loans	1,642,178	(156,916)	–	1,485,262
Hire purchase	582,466	(156,808)	–	425,658
	10,435,644	(1,029,724)	–	9,405,920

Statements Of Cash Flows (cont'd)

(i) Reconciliation of liabilities arising from financing activities (Cont'd)

Group	1 January 2018 RM	Cash flows RM	Non-cash acquisition RM	31 December 2018 RM
Bankers' acceptance	5,975,000	2,236,000	–	8,211,000
Term loans	1,788,730	(146,552)	–	1,642,178
Hire purchase	477,049	(143,583)	249,000	582,466
	8,240,779	1,945,865	249,000	10,435,644

Company	1 January 2019 RM	Cash flows RM	Non-cash acquisition RM	31 December 2019 RM
Amounts due to subsidiary companies	11,811,307	311,969	–	12,123,276

Company	1 January 2018 RM	Cash flows RM	Non-cash acquisition RM	31 December 2018 RM
Amounts due to subsidiary companies	11,653,498	157,809	–	11,811,307

(ii) Non-cash transactions

Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM1,123,885 (2018: RM1,554,499) of which Nil (2018: RM249,000) were acquired by means of hire purchase. Cash payments of RM1,123,885 (2018: RM1,305,499) were made to acquired property, plant and equipment.

NOTES TO **THE FINANCIAL STATEMENTS**
AT 31 DECEMBER 2019

1. GENERAL INFORMATION

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 15 to the financial statements.

The registered office and principal place of business of the Company are located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia and 8.7 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah, Malaysia respectively.

These financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors dated 23 June 2020.

2. 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 also prepared on the going concern basis. However, during the financial year ended 31 December 2019, incurred a gross loss of RM8,482,034, a total comprehensive loss of RM11,104,291 and negative net operating cash flows of RM11,291,153, and as highlighted in Note 33, the outbreak of coronavirus disease 2019 (COVID-19) and the Movement Control Order (MCO) imposed by the Government subsequent to the year end is likely to adversely impact the Group's cash flows.

The ability of the Group to continue as a going concern and meet its obligations is therefore dependent on the achievement of future profitable operations which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and in such an event, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

(i) MFRS 16 Leases

The Group and the Company has adopted MFRS 16 *Leases* ('MFRS 16") effective for the annual financial period beginning on or after 1 January 2019. The Group and the Company has elected not to restate comparatives for the financial year ended 31 December 2018 and recognise the cumulative effect of initial applying MFRS 16 as an adjustment to the opening balance of retained earnings. The Group and the Company has also elected not to reassess whether a contract is, or contains a lease at 1 January 2019 (date of initial application). Instead, the Company relied on its assessment made applying MFRS 117 *Leases* ("MFRS 117") and IC Interpretation 4 *Determining whether an Arrangement contains a Lease* for contracts entered into (or changed) before the date of initial application.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

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

(i) MFRS 16 Leases (Cont'd)

However, as all of the Group's and the Company's material operating leases are either short term leases or related to low value assets for which the Group and the Company elected to apply the recognition exceptions, the adoption of MFRS 16 had no material impact and therefore no adjustment were made to the opening balance of retained earnings.

For leases previously classified as finance leases applying MFRS 117, the carrying amount of the right-of-use assets and the leases liabilities as at 1 January 2019 are determined to be the same as the carrying amount of the lease assets and lease liabilities under MFRS 117.

(ii) IC Interpretation 23 Uncertainty over Income Tax Treatments

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

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

Under MFRS 112 Income Taxes, 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.

(iv) Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015-2017 Cycle)

The amendments are made on the borrowing costs eligible for capitalisation. MFRS 123 Borrowing Costs states that the capitalisation rate of borrowing costs shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period other than borrowings made specifically for the purpose of obtaining a qualifying asset. Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015-2017 Cycle) has extended the statement by stating that an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

(b) Standards issued but not yet effective

Certain new accounting standards and interpretation have been issued but not yet effective for 31 December 2019 reporting periods and have not been early adopted by the Company.

These standards are not expected to have a material impact on the Company in the current or future reporting periods.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

<u>Depreciation of property, plant and equipment</u>

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group and the Company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

<u>Income taxes</u>

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.

<u>Impairment of property, plant and equipment</u>

The Group and the Company 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 the recoverable amount of the assets in use, the Directors rely on independent professional valuers to determine FVLCD.

<u>Impairment of trade and non-trade receivables</u>

The Group makes provision for impairment loss for financial assets at amortised cost based on assumptions about risk of default and expected loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and impairment loss in the period in which such estimate has been changed.

<u>Allowance for inventories</u>

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.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

Investments in subsidiaries are measured in the Company's Statement of Financial Position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(b) Foreign currency transactions

Functional and presentation currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also 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.

Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

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

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

(i) Sale of goods

Revenue from sale of goods is recognised net of taxes and upon transfer of control of the assets to the customer, also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

(ii) Revenue from services

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

(d) 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.

(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 makes contribution 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.

(e) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Income taxes (Cont'd)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) 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.

(g) Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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-eight (78) 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.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property, plant and equipment (Cont'd)

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.

(h) Inventories

Inventories comprise raw materials, finished goods and work-in-progress.

Inventories are valued at the lower of cost and net realisable value on weighted average basis. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

(i) Financial instruments

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

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (Cont'd)

Financial assets (Cont'd)

The Group and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company only has financial assets at amortised cost.

Financial assets at amortised cost (debt instruments)

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade and other receivables and cash and bank balances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

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

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition (Cont'd)

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

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

Impairment of financial assets

The Group and the Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company applies a simplified approaches in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group and the Company applies the low credit risk simplification. At every reporting date, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Company reassesses the internal credit rating of the debt instrument. In addition, the Group and the Company considers that there has been a significant increase in credit risk when contractual payments are more than one year past due. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group and the Company considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial instruments (Cont'd)

<u>Financial liabilities</u>

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 9, 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:

<u>Financial liabilities at fair value through profit or loss</u>

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria.

Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company has no financial liabilities in this category.

<u>Financial liabilities measured at amortised cost</u>

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

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

Loans and borrowings ae recognised initially at fair, net of transaction cost incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group 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.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of non-financial assets

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

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

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

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

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

(k) 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.

(l) Assets classified as held for sale

Non-current assets (or disposal group) classified as held for sale are measure at the lower of carrying amount and fair value less cost to sell.

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This is the case, when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is considered to be highly probable.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Assets classified as held for sale (Cont'd)

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated. Further, the asset (or disposal group) has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one (1) year from the date that it is classified as held for sale.

(m) 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.

(n) 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.

(o) 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.

(p) Leases

The Group and the Company had applied MFRS 117 Leases until financial year ended 31 December 2018. From 1 January 2019, MFRS 16 Leases has been applied.

Current financial year

(i) *Initial recognition and measurement*

As a lessee

The Group and the Company recognised right-of-use asset and lease liability at the commencement date of the lease.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Leases (Cont'd)

Current financial year (Cont'd)

(i) *Initial recognition and measurement (Cont'd)*

As a lessee (Cont'd)

The right-of-use asset is initially measured at cost, which comprises as follows:

- the initial amount of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Group's and Company's incremental borrowing rate.

Variable lease payments that do not depends on an index or a rate are excluded from lease liability and right-of-use asset and recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group and the Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases for which the underlying asset is of low value. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

The Company does not have any transactions where they have acted as a lessor.

(ii) *Subsequent measurement*

As a lessee

The right-of-use asset is subsequently depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Group and the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses determined in accordance with Note 4(g) to the financial statements, if any, and adjusted for certain remeasurements of the lease liability.

The carrying amount of lease liability is subsequently increased by interest on the lease liability and reduced by lease payments made. It is remeasured when there is a change in lease term, assessment of an option to purchase the underlying asset, future lease payments arising from the change in an index or rate, the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee or in-substance fixed lease payments.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Leases (Cont'd)

Previous financial year

(i) *Classification*

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company 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 purpose of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property, is accounted for as if held under a finance lease; and
- 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 – 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 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 amounts 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 as an expense 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.

The depreciation policy for leased assets is in accordance with that for the depreciable property, plant and equipment as described in Note 4(g) to the financial statements.

(iii) *Operating Leases – as Lessee*

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

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 element 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.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) 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.

(r) 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.

(s) 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 Statement of Financial Position of the Company.

(t) Operating segments

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

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) 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.

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.

Notes to the Financial Statements (cont'd)

5. REVENUE

	Group 2019 RM	2018 RM
Type of goods		
Logs	–	24,456
Plywood	44,568,592	86,916,892
Veneer	694,546	109,116
Other wood products	1,018,902	983,424
Total revenue from contracts with customers	46,282,040	88,033,888
Market of goods		
Export sales	25,552,993	52,385,074
Local sales	20,729,047	35,648,814
Total revenue from contracts with customers	46,282,040	88,033,888
Operation based revenue		
Klang	20,566,683	24,925,018
Pahang	–	2,537,517
Sandakan	25,715,357	60,571,353
Total revenue from contracts with customers	46,282,040	88,033,888
Timing of revenue recognition		
Goods transferred at a point in time	46,282,040	88,033,888
Total revenue from contracts with customers	46,282,040	88,033,888

Notes to the Financial Statements (cont'd)

6. OTHER OPERATING INCOME

	Group	
	2019 RM	2018 RM
Bad debts recovered	70,000	–
Gain on disposal of property, plant and equipment	160,584	20,000
Gain on disposal of assets classified as held for sale	9,073,424	–
Gain on foreign exchange - Realised	149,938	495,450
Insurance recovery	2,493,388	–
Interest income from fixed deposits	24,599	30,448
Liabilities no longer in existence written back	–	9,079
Miscellaneous income	307,468	130,254
Rental income	566,774	537,972
Reversal of allowance for impairment on receivables (Note 17)	–	311,564
	12,846,175	1,534,767

7. OTHER OPERATING EXPENSES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Allowance for slow moving inventories (Note 16)	794,527	111,510	–	–
Loss on damage of materials	202,922	161,851	–	–
Loss on disposal of investment	–	10,830	–	–
Loss on foreign exchange				
- Realised	–	4,394	–	–
Other expense	33,048	19,842	–	–
Property, plant and equipmen written off	187,750	84,522	–	–
Impairment on receivables (Note 17)	82,000	175,069	–	1,307,824
	1,300,247	568,018	–	1,307,824

Notes to the Financial Statements (cont'd)

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Contributions to defined contribution plan	264,757	290,898	–	–
Contributions to employment insurance system	1,580	2,305	–	–
Salaries and wages	9,726,487	15,106,848	48,000	24,000
Social security contributions	49,055	44,239	–	–
	10,041,879	15,444,290	48,000	24,000

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration consisting salaries and other emoluments and fees amounting to RM1,005,000 (2018: RM1,080,000) and RM48,000 (2018: RM24,000) 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors' remuneration (Note 8)				
- Fee	48,000	24,000	48,000	24,000
- Salaries and other emoluments	957,000	1,056,000	–	–
	1,005,000	1,080,000	48,000	24,000
Non-executive Directors' remuneration:				
- Fee	144,000	144,000	144,000	144,000
Total Directors' remuneration	1,149,000	1,224,000	192,000	168,000

The number of Directors of the Company and its subsidiaries whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors		Remuneration	
Group	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors:				
RM300,001 – RM600,000	3	3	1,005,000	1,080,000
Non-executive Directors:				
Below RM50,000	2	2	84,000	84,000
RM50,000 – RM100,000	1	1	60,000	60,000
			1,149,000	1,224,000

Notes to the Financial Statements (cont'd)

10. LOSS FROM OPERATIONS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other than those disclosed in Note 6 to 9, loss from operations have been arrived at after charging:				
Auditors' remuneration				
- statutory audit	123,000	127,000	38,000	42,000
- other services	5,000	40,000	5,000	40,000
Bad debts written off	–	394,565	–	–
Depreciation of property, plant and equipment (Note 14)	2,964,312	3,671,341	1	–
Rental expenses +	322,010	660,031	–	–
Share of loss in joint venture	–	11,145	–	–

\+ Expenses relating to short-term leases accounted for applying the recognition exception of MFRS 16, Leases. There are no material expense relating to low value assets.

11. FINANCE COSTS

	Group	
	2019 RM	2018 RM
Interest expenses:		
- Bankers' acceptance	293,640	270,974
- Bank overdraft	53,780	14,729
- Hire purchase	25,233	45,387
- Term loans	82,807	93,172
	455,460	424,262

Notes to the Financial Statements (cont'd)

12. INCOME TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current taxation	–	2,295	–	–
Deferred tax liabilities (Note 24)	(860,461)	(113,118)	–	–
	(860,461)	(110,823)	–	–
Under provision in prior years				
Current tax	6,942	6,005	–	–
	(853,519)	(104,818)	–	–

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Loss before taxation	(11,957,810)	(4,391,966)	(32,578,041)	(1,779,629)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	(2,869,874)	(1,054,072)	(7,818,730)	(427,111)
Non-tax deductible expenses	598,403	414,933	7,818,730	427,111
Non-taxable income	(2,217,449)	–	–	–
Tax effect on double deduction expenses	(86,628)	(78,720)	–	–
Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets	3,715,088	607,036	–	–
	(860,461)	(110,823)	–	–
Under provision in prior years	6,942	6,005	–	–
	(853,519)	(104,818)	–	–

Notes to the Financial Statements (cont'd)

13. LOSS PER SHARE

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	
	2019 RM	**2018 RM**
Loss net of tax attributable to owners of the Company	(11,104,291)	(4,287,148)
Weighted average number of ordinary shares in issue (excluding treasury shares)	73,335,400	73,335,400
	2019 Sen	**2018 Sen**
Basic and diluted loss per share	(15.14)	(5.85)

There is no dilution in the earnings per share of the current and previous year end as there are no dilutive potential ordinary shares outstanding at the end of the reporting period, and therefore the basic and diluted earnings per share is the same.

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 2018	45,180,029	107,622,778	188,303	5,189,626	158,180,736
Addition	440,060	883,268	21,951	209,220	1,554,499
Disposal	–	(7,226,429)	–	(12,801)	(7,239,230)
Written off	–	(8,113,984)	(12,900)	(621,379)	(8,748,263)
Transferred to assets classified as held for sale	(14,132,882)	–	–	–	(14,132,882)
At 31 December 2018	31,487,207	93,165,633	197,354	4,764,666	129,614,860
Addition	–	1,007,760	26,425	89,700	1,123,885
Disposal	–	(1,739,568)	–	(309,657)	(2,049,225)
Written off	–	(187,750)	–	–	(187,750)
At 31 December 2019	31,487,207	92,246,075	223,779	4,544,709	128,501,770

Notes to the Financial Statements (cont'd)

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

Group	Land and buildings* RM	Plant and machinery RM	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
Accumulated depreciation and impairment					
At 1 January 2018	19,555,162	98,334,230	128,133	4,063,374	122,080,899
Charge for the financial year	1,164,748	2,007,408	11,798	487,387	3,671,341
Written back on disposal	–	(7,226,429)	–	(12,801)	(7,239,230)
Written off	–	(8,029,865)	(12,497)	(621,379)	(8,663,741)
Transferred to assets classified as held for sale	(11,206,306)	–	–	–	(11,206,306)
At 31 December 2018	9,513,604	85,085,344	127,434	3,916,581	98,642,963
Charge for the financial year	921,282	1,728,488	14,419	300,123	2,964,312
Impairment losses	5,492,339	1,112,217	–	77,534	6,682,090
Written back on disposal	–	(1,739,568)	–	(260,919)	(2,000,487)
At 31 December 2019	15,927,225	86,186,481	141,853	4,033,319	106,288,878
Net book value					
At 31 December 2018	21,973,603	8,080,289	69,920	848,085	30,971,897
At 31 December 2019	15,559,982	6,059,594	81,926	511,390	22,212,892

* Land and buildings of the Group comprises:

Group	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Total RM
Costs					
At 1 January 2018	2,386,800	11,426,020	6,327,106	25,040,103	45,180,029
Addition	398,360	–	–	41,700	440,060
Transferred to assets classified as held for sale (Note 19)	–	(3,599,004)	–	(10,533,878)	(14,132,882)
At 31 December 2018/ 31 December 2019	2,785,160	7,827,016	6,327,106	14,547,925	31,487,207

Notes to the Financial Statements (cont'd)

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

* Land and buildings of the Group comprises:

Group	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Total RM
Accumulated depreciation and impairment					
At 1 January 2018	–	2,101,171	847,331	16,606,660	19,555,162
Charge for the financial year	–	196,074	147,700	820,974	1,164,748
Transferred to assets classified as held for sale (Note 19)	–	(838,374)	–	(10,367,932)	(11,206,306)
At 31 December 2018	–	1,458,871	995,031	7,059,702	9,513,604
Charge for the financial year	–	136,272	147,700	637,310	921,282
Impairment losses	–	2,944,456	–	2,547,893	5,492,339
At 31 December 2019	–	4,539,599	1,142,731	10,244,895	15,927,225
Net book value					
At 31 December 2018	2,785,160	6,368,145	5,332,075	7,488,223	21,973,603
At 31 December 2019	2,785,160	3,278,417	5,184,375	4,303,030	15,559,982

Company

	Renovation RM	Furniture, fittings and equipment RM	Total RM
Costs			
At 1 January 2018/31 December 2018/31 December 2019	104,907	20,944	125,851
Accumulated depreciation			
At 1 January 2018/31 December 2018	104,906	20,944	125,850
Charge for the financial year	1	–	1
At 31 December 2019	104,907	20,944	125,851
Net book value			
At 31 December 2018	1	–	1
At 31 December 2019	–	–	–

Notes to the Financial Statements (cont'd)

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Recognised in profit or loss (Note 10)				
- Cost of sales	2,332,611	2,642,115	–	–
- Administrative expenses	618,658	995,788	1	–
- Selling expenses	13,043	33,438	–	–
	2,964,312	3,671,341	1	–

Freehold land, leasehold land and building of the Group with net book value amounting to RM6,174,205 (2018: RM8,000,264) 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 under leases other than the right of use relating to short and long leasehold land already disclosed above are as follows:

	Cost RM	Accumulated depreciation RM	Net book value RM
2019			
Motor vehicles	942,484	(485,531)	456,953
2018			
Motor vehicles	942,484	(283,469)	659,015

Due to the presence of indicators of impairment, the Group has assessed the recoverable amount of material property, plant and equipment, which was determined based on valuation performed by independent experts using the market comparable approach for land and current replacement cost approach for building, plant and equipment. Arising from this review, and impairment loss on property, plant and equipment of the Group of RM6,682,090 was recognised during the current financial year.

15. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2019 RM	2018 RM
Cost		
Unquoted shares, at cost	92,152,988	92,152,988
Accumulated impairment losses	(45,117,051)	(13,086,051)
Net carrying amount	47,035,937	79,066,937

Notes to the Financial Statements (cont'd)

15. 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 2019 %	2018 %
Cymao Plywood Sdn. Bhd.	Manufacturing activities ceased and only involve in trading activities relating to the purchase and sale of veneer, plywood and decorativ plywood.	Sandakan and Klang	100	100
Inovwood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood.	Sandakan	100	100
Syabas Mujur Sdn. Bhd.	Dormant	Sandakan	100	100
Poly-Ply Industries Sdn. Bhd.	Manufacturing activities ceased and only involve in trading activities relating to the purchase and sale of plywood and decorative plywood.	Klang	100	100
Billion Apex Sdn. Bhd.	Dormant	Sandakan	100	100

The movement of the accumulated impairment losses on the investment in subsidiary companies as follows:

	Company 2019 RM	2018 RM
At 1 January	13,086,051	13,086,051
Charge for the financial year	32,031,000	–
At 31 December	45,117,051	13,086,051

Due to the presence of indicators of impairment, the Company had assessed the recoverable amount of these investment in subsidiaries based on the net tangible assets of these subsidiaries. Arising from this review, an impairment loss of RM32,031,000 was recognised during the current financial year.

Notes to the Financial Statements (cont'd)

16. INVENTORIES

	Group 2019 RM	Group 2018 RM
Cost		
Raw materials	2,027,051	8,299,727
Work-in-progress	–	4,418,211
Finished goods	10,971,396	9,786,383
Materials and supplies	2,465,896	2,399,601
Goods-in-transit	1,688,337	1,246,930
	17,152,680	26,150,852
Net realisable value		
Work-in-progress	3,622,338	3,497,711
Finished goods	9,435,567	–
	30,210,585	29,648,563
Less: Allowance for slow moving inventories	(965,381)	(170,854)
	29,245,204	29,477,709

The amounts of inventories recognised as an expense during the financial year amounted to RM54,764,074 (2018: RM81,879,318) while the write-down of inventories to net realisable value recognised as an expense during the financial year amounted to RM1,917,922 (2018: RM535,046).

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

	2019 RM	2018 RM
Employee benefits expense	693,145	1,032,966
Rental	172,799	80,826

The movement in the allowance for slow moving inventories is as follows:

	2019 RM	2018 RM
At 1 January	170,854	59,344
Charge for the financial year (Note 7)	794,527	111,510
At 31 December	965,381	170,854

Notes to the Financial Statements (cont'd)

17. TRADE AND NON-TRADE RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
Third parties	5,674,708	9,099,340	–	–
Non-trade receivables				
Deposit and prepayment for log supplies	1,491,993	1,909,531	–	–
Other prepayments	1,064,181	1,266,597	4,998	5,921
Staff advances	5,000	47	–	–
Sundry deposits	1,156,926	1,305,727	–	–
Sundry receivables	5,526,883	1,829,689	–	–
	9,244,983	6,311,591	4,998	5,921
Less: Allowance for impairment	(82,000)	–	–	–
Non-trade receivables, net	9,162,983	6,311,591	4,998	5,921
Amounts due from subsidiaries	–	–	10,178,002	10,320,391
Less: Allowance for impairment	–	–	(10,173,719)	(10,173,719)
	–	–	4,283	146,672
Total trade and non-trade receivables	14,837,691	15,410,931	9,281	152,593

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 30 to 60 days (2018: 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 8 (2018: 9) customers representing 67% (2018: 63%) of total net receivables.

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

Group **2019**	Gross amount RM	Expected credit loss RM	Carrying value RM
Not past due	4,599,875	–	4,599,875
Past due:			
- less than 60 days	875,038	–	875,038
- between 61 to 120 days	49,733	–	49,733
- between 121 to 365 days	150,062	–	150,062
- more than 365 days	–	–	–
	1,074,833	–	1,074,833
	5,674,708	–	5,674,708

Notes to the Financial Statements (cont'd)

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

2018	Gross amount RM	Expected credit loss RM	Carrying value RM
Not past due	6,056,970	–	6,056,970
Past due:			
- less than 60 days	2,328,128	–	2,328,128
- between 61 to 120 days	581,572	–	581,572
- between 121 to 365 days	19,686	–	19,686
- more than 365 days	112,984	–	112,984
	3,042,370	–	3,042,370
	9,099,340	–	9,099,340

Impairment for trade receivables is measured at an amount equal to lifetime excepted credit loss. The expected credit losses on trade receivables includes both individual impairment for those that show objective evidence of impairment (stage 3 loss) and collective impairment (stage 2 loss) based on a provision matrix. The expected credit losses is zero as the historical loss rates of its trade receivables is negligible and the Directors believe this would continue to be so based on the analysis of receipts subsequent to the year end up to the date of these financial statements.

For other receivables including amounts due from subsidiary companies, a lifetime expected credit loss is assessed for those counterparties that show significant increase in credit risk as at the end of the reporting period, and impairment made based on objective evidence of impairment.

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.

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

Movement in allowance account is as follows:

Group	Trade receivables RM	Non-trade receivables RM	Total RM
At 1 January 2018	136,495	–	136,495
Charge for the financial year (Note 7)	175,069	–	175,069
Reversal during the financial year (Note 6)	(311,564)	–	(311,564)
At 31 December 2018	–	–	–
Charge for the financial year (Note 7)	–	82,000	82,000
At 31 December 2019	–	82,000	82,000

Notes to the Financial Statements (cont'd)

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

Company	Amount due from subsidiaries RM
At 1 January 2018	8,865,895
Charge for the financial year (Note 7)	1,307,824
At 31 December 2018/31 December 2019	10,173,719

The allowance account in respect of receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Cash in hand	70,964	95,021	–	–
Cash at banks	1,252,445	1,064,395	6,241	24,858
Deposits with licensed banks	50,125	2,147,041	–	–
Cash and bank balances	1,373,534	3,306,457	6,241	24,858
Bank overdraft (secured) (Note 23)	(288,571)	(1,010,653)	–	–
Cash and cash equivalents	1,084,963	2,295,804	6,241	24,858

Included in deposits with licensed bank is an amount of Nil (2018: RM1,500,000) of money market placement, which are made up for varying periods of ranging from 5 to 14 days depending on the immediate cash requirements of the Company and earn interests at the respective short-term deposit rates at 2.7%.

The remaining balance of RM50,125 (2018: RM647,041) is placed as fixed deposits with the interest rate of 2.95% (2018: 3.20%) per annum and with the maturity period of 1 month (2018: 3 months).

19. ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2019 RM	**2018 RM**
At 1 January	2,926,576	–
Transferred from property, plant and equipment (Note 14)	–	2,926,576
Disposal	(2,926,576)	–
At 31 December	–	2,926,576

Notes to the Financial Statements (cont'd)

20. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Group/Company Share capital	
	Unit	**RM**
Issued and fully paid		
Ordinary share		
At 1 January 2018/ 31 December 2018 31 December 2019	75,000,000	92,374,387

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.

21. TREASURY SHARES

	Group/Company	
	Unit	**RM**
Issued and fully paid		
At 1 January 2018/ 31 December 2018 31 December 2019	1,664,600	693,951

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.

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.

Notes to the Financial Statements (cont'd)

23. LOANS AND BORROWINGS

	Group 2019 RM	Group 2018 RM
Non-current		
Obligations under finance leases	264,135	430,650
Term loans	1,318,987	1,487,498
	1,583,122	1,918,148
Current		
Bank overdraft (Note 18)	288,571	1,010,653
Bankers 'acceptance	7,495,000	8,211,000
Obligations under finance leases	161,523	151,816
Term loans	166,275	154,680
	8,111,369	9,528,149
Total loans and borrowings		
Bank overdraft	288,571	1,010,653
Bankers' acceptance	7,495,000	8,211,000
Obligations under finance leases	425,658	582,466
Term loans	1,485,262	1,642,178
	9,694,491	11,446,297
Maturity structure of loans and borrowings		
Within one year	8,111,369	9,528,149
Between one to two years	358,720	324,782
Between two to five years	664,106	815,269
More than five years	560,296	778,097
	9,694,491	11,446,297

The interest rate structures are as follows:

	Nominal interest rate 2019	Nominal interest rate 2018	Effective interest rate 2019	Effective interest rate 2018
Bank overdraft	BLR + 0.5% -1.0%	BLR + 0.5% -1.0%	7.41% - 7.91%	7.41% - 7.91%
Bankers' acceptance	4.02% - 4.09%	4.02% - 4.09%	4.02% - 4.09%	4.02% - 4.09%
Obligations under finance leases	2.56% - 3.63%	2.56% - 3.63%	4.84% - 6.78%	4.84% - 6.78%
Term loans	BLR - 1.5%	BLR - 1.5%	5.40%	5.40%

Notes to the Financial Statements (cont'd)

23. LOANS AND BORROWINGS (CONT'D)

(a) Banking facilities

(i) Bank overdrafts

Bank overdrafts are denominated in RM and have a limit of RM2,000,000 (2018:RM2,000,000)

(ii) Bankers' acceptance

These are used to finance purchases of the Company denominated in RM and have a limit of RM10,050,000 (2018: RM10,050,000) and are short term in nature.

(iii) Term loans

The remaining maturities of the term loans are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Within one year	166,275	154,680
Between one to two years	175,148	163,259
Between two to five years	583,543	546,142
More than five years	560,296	778,097
	1,485,262	1,642,178

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

These bank borrowing are secured by:

(i) a legal charge over freehold land, leasehold land and buildings of the Group as disclosed in Note 14 to the financial statements; and

(ii) a joint and several guarantees executed by two Directors of the Company.

(b) Obligations under finance leases

Future minimum payments under hire purchase payables together with the present value of the net minimum payments are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Minimum hire purchase payments:		
Repayable within one year	182,040	182,040
Repayable between one to two years	194,463	182,040
Repayable between two to five years	87,903	282,367

Notes to the Financial Statements (cont'd)

23. LOANS AND BORROWINGS (CONT'D)

(b) Obligations under finance leases (Cont'd)

Future minimum payments under hire purchase payables together with the present value of the net minimum payments are as follows (Cont'd):

	Group 2019 RM	Group 2018 RM
Total future minimum hire purchase payments	464,406	646,447
Less: Future finance charges	(38,748)	(63,981)
Present value of hire purchase liabilities	425,658	582,466
Present value of hire purchase liabilities:		
Repayable within one year	161,523	151,816
Repayable between one to two years	183,572	161,523
Repayable between two to five years	80,563	269,127
	425,658	582,466

	Group 2019 RM	Group 2018 RM
Representing:		
Current	161,523	151,816
Non-current	264,135	430,650
	425,658	582,466

The hire purchase payables shall be repaid in full by 2023.

24. DEFERRED TAX LIABILITIES

	Group 2019 RM	Group 2018 RM
At 1 January	1,524,463	1,637,581
Recognised in profit or loss (Note 12)	(860,461)	(113,118)
At 31 December	664,002	1,524,463

Notes to the Financial Statements (cont'd)

24. DEFERRED TAX LIABILITIES (CONT'D)

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

	2019 RM	2018 RM
Property, plant and equipment	2,766,674	6,351,929
Tax rate	24%	24%
Deferred tax liabilities recognised	664,002	1,524,463

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:

	2019 RM	2018 RM
Property, plant and equipment	1,370,580	1,555,917
Unutilised tax losses	(36,423,438)	(26,356,034)
Unabsorbed capital allowances	(46,240,668)	(39,994,416)
Unutilised reinvestment allowance	(14,663,909)	(15,683,373)
	(95,957,438)	(80,477,906)
Deferred tax assets at 24% (2018: 24%) not recognised in the financial statements	(23,029,785)	(19,314,697)

Under the Malaysia Finance Act, 2018, which was gazetted on 27 December 2018, the Group's tax losses with no expiry period amounting to RM36,423,438 as at 31 December 2019 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for seven (7) consecutive years of assessment (i.e. from year of assessment 2019 to 2025). Any amount which is not deducted at the end of the period shall be disregarded. The unabsorbed capital allowances and unutilised reinvestment allowance can be carried forward indefinitely to be utilised against income from the same business source, subject to no substantial change in shareholders of the subsidiaries.

These deferred tax assets are not recognised due to uncertainty of its recoverability.

Notes to the Financial Statements (cont'd)

25. TRADE AND NON-TRADE PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables				
Third parties	3,646,996	6,078,322	–	–
Non-trade payables				
Other payables				
Third parties	1,025,789	2,234,769	135,392	7,250
Accruals	5,921,395	1,048,651	96,000	151,000
Deposits received from customers	–	1,003,600	–	–
	6,947,184	4,287,020	231,392	158,250
Amount due to subsidiaries	–	–	12,123,276	11,811,307
Amount due to a Director	–	1,460,128	–	–
Total trade and non-trade payables	10,594,180	11,825,470	12,354,668	11,969,557

Trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 60 days (2018: 30 to 60 days).

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

Included in the deposits is an amount of RMNil (2018: RM840,000), relating to the disposal of two (2) parcels of industrial land to a third party, as disclosed in Note 19 to the financial statements.

Amounts due to a Director and subsidiaries are unsecured and non-trade in nature. These balances are 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.

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**	**2019 RM**	**2018 RM**	**2019 RM**	**2018 RM**
With person connected to a Director of the Company:					
Lin, Yu-Lin	Salaries	120,000	78,000	–	–
Company					
With subsidiary companies:					
Cymao Plywood Sdn. Bhd.	Advances	(311,969)	(157,809)	(12,075,276)	(11,763,307)
	Impairment on cost of investment	32,031,000	–	–	–
Inovwood Sdn. Bhd.	Payment of account	142,389	350,000	4,283	146,672
	Impairment on financial asset	–	1,307,824	–	–
Poly-Ply Industries Sdn. Bhd.	–	–	–	(48,000)	(48,000)

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

	Group		**Company**	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Short-term employee benefits				
- Directors' remunerations (Note 9)	1,149,000	1,224,000	192,000	168,000
- Other senior management	217,787	726,350	–	–
	1,366,787	1,950,350	192,000	168,000

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 and senior management personnel of the Group and of the Company.

The terms and conditions and prices of the above transactions are mutually agreed between the parties.

Notes to the Financial Statements (cont'd)

27. FINANCIAL GUARANTEE

The fair value of financial guarantees provided by the Company to banks to secure obligations under finance lease granted to certain subsidiaries with nominal amount of RM10,000,000 (2018: RM10,000,000) are negligible because the actual interest charged by the banks are not materially difference from the borrowing costs of the subsidiaries and the outstanding borrowings are adequately secured by plant and equipment of the subsidiaries in which their market values upon realisation are expected to be higher than the outstanding borrowing amounts.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Financial assets				
Financial assets measured at amortised cost				
Trade and non-trade receivables	12,281,517	12,234,803	4,283	146,672
Cash and bank balances	1,373,534	3,306,457	6,241	24,858
	13,655,051	15,541,260	10,524	171,530
Financial liabilities				
Financial liabiltiies measured at amortised cost				
Trade and non-trade payables	10,594,180	11,825,470	12,354,668	11,969,557
Loans and borrowings	9,694,491	11,446,297	–	–
	20,288,671	23,271,767	12,354,668	11,969,557

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Trade and other receivables				
As reflected in the Statements of Financial Position	14,837,691	15,410,931	9,281	152,593
Less: Other prepayment (Note 17)	(1,064,181)	(1,266,597)	(4,998)	(5,921)
Less: Deposits and prepayments for log supplies (Note 17)	(1,491,993)	(1,909,531)	–	–
	12,281,517	12,234,803	4,283	146,672

Notes to the Financial Statements (cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) 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.

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.

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.

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 (2018: RM10,000,000) relating to a corporate guarantee provided by the Company to a bank for credit facilities granted to its subsidiaries.

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.

Notes to the Financial Statements (cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

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 **2019**	**Carrying amount RM**	**Contractual undiscounted cash flows RM**	**Within 1 year RM**	**1 – 5 years RM**	**Over 5 years RM**
Loans and borrowings	9,694,491	9,733,239	8,131,886	1,041,057	560,296
Trade and non-trade payables	10,594,180	10,594,180	10,594,180	–	–
	20,288,671	20,327,419	18,726,066	1,041,057	560,296
2018					
Loans and borrowings	11,446,297	11,861,611	9,643,417	1,423,303	794,891
Trade and non-trade payables	11,825,470	11,825,470	11,825,470	–	–
	23,271,767	23,687,081	21,468,887	1,423,303	794,891
Company					
2019					
Trade and non-trade payables	12,354,668	12,354,668	12,354,668	–	–
Financial guarantee*	–	10,000,000	10,000,000	–	–
	12,354,668	22,354,668	22,354,668	–	–
2018					
Trade and non-trade payables	11,969,557	11,969,557	11,969,557	–	–
Financial guarantee*	–	10,000,000	10,000,000	–	–
	11,969,557	21,969,557	21,969,557	–	–

* The maximum amount of the issued financial guarantee contracts is allocated to the earliest period in which the guarantee could be called.

Notes to the Financial Statements (cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

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 Increase/(Decrease)	
	2019	**2018**
	RM	**RM**
Effects on loss after taxation		
Increase of 100bp	(13,794)	(14,372)
Decrease of 100bp	13,794	14,372

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

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 55% (2018: 60%) of the Group's sales are denominated in foreign currencies whilst all the costs are denominated in the functional currency of the Group entities. The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

Notes to the Financial Statements (cont'd)

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

Foreign currency risk (Cont'd)

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

	Group	
	2019 RM	**2018 RM**
United States Dollar		
Financial assets		
Cash and bank balances	279,571	261,175
Trade and non-trade receivables	1,838,249	3,205,243
	2,117,820	3,466,418
Financial liability		
Trade and non-trade payables	–	–
Net financial assets held in non-functional currencies	2,117,820	3,466,418

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)	
	2019 RM	**2018 RM**
Effects on loss after taxation		
USD/RM		
Strengthened by 2% (2018: 2%)	47,796	100,636
Weakened by 2% (2018: 2%)	(47,796)	(100,636)

(c) Fair value information

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

Notes to the Financial Statements (cont'd)

29. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Loans and borrowings	9,694,491	11,446,297	–	–
Less: Cash and bank balances	(1,373,534)	(3,306,457)	(6,241)	(24,858)
Net debt	8,320,957	8,139,840	(6,241)	(24,858)
Total equity	47,162,099	58,266,390	34,696,791	67,274,832
Gearing ratio	0.18	0.14	–	–

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, where the auditors have highlighted a material uncertainty related to going concern, the Group is required to maintain a consolidated shareholders' equity of not less than the 50% of the issued and paid up capital (excluding treasury shares). The Group has complied with this requirement.

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

30. COMMITMENTS

The Company has entered into non-cancellable operating lease agreement for the sublease of land. The lease period run ranging for three (3) to four (4) years, but was disposed during the current year as disclosed in Note 19.

As at the end of the financial year, lease commitment in respect of sublease land is as follows:

	Group	
	2019 RM	2018 RM
Within one year	–	96,400
Between one to two years	–	34,650
	–	131,050

Notes to the Financial Statements (cont'd)

31. 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.

(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:

	2019 RM	2018 RM
Malaysia	20,729,047	35,648,814
Asia	3,111,053	3,120,819
Europe	405,026	1,237,833
United States of America	11,899,909	36,539,133
Australia	5,042,777	7,314,441
Others	5,094,228	4,172,848
	46,282,040	88,033,888

(iii) Major customers

Revenue from 4 (2018: 4) major customers, which contributed five percent or more of the revenue generated, amounted to RM10,296,973 (2018: RM24,838,502) accounting from 22% (2018: 28%) of total revenue.

32. CHANGES IN COMPARATIVE INFORMATION

Group	**As previously reported** **RM**	**Adjustment** **RM**	 **RM**	**As restated** **RM**
Statement of financial position		(i)	(ii)	
At 31 December 2018				
Property, plant and equipment	30,351,485	786,358	(165,946)	30,971,897
Land use right	786,358	(786,358)	–	–
Asset classified as held for sale	2,760,630	–	165,946	2,926,576

(i) The short leasehold land of RM786,358 was previously presented as land use right is now presented within short leasehold land in property, plant and equipment to conform current year presentation.

(ii) The building with a carrying value of RM165,946 (cost of RM10,533,878 and accumulated depreciation of RM10,367,932) relates to the land classified as assets held for sale in the prior year but was mistakenly not transferred to assets classified as held for sale and is therefore now corrected.

Notes to the Financial Statements (cont'd)

32. CHANGES IN COMPARATIVE INFORMATION (CONT'D)

Group

	As Previously reported RM	Adjustment RM	As restated RM
Statement of profit or loss and other comprehensive income			
At 31 December 2018			
Other operating income	1,192,755	342,012	1,534,767
Interest income	30,448	(30,448)	–
Other operating expenses	(392,949)	(175,069)	(568,018)
Impairment on financial assets	136,495	(136,495)	–

Interest income and impairment on financial assets for the financial year ended 31 December 2018 is now presented within other operating income and other operating expenses respectively to conform current year presentation.

Company

	As Previously reported RM	Adjustment RM	As restated RM
Statement of profit or loss and other comprehensive income			
At 31 December 2018			
Other operating expenses	–	(1,307,824)	(1,307,824)
Impairment on financial assets	(1,307,824)	1,307,824	–

Impairment on financial assets for the financial year ended 31 December 2018 is now presented within other operating expenses respectively to conform current year presentation.

33. Subsequent events

Subsequent to the year end, the outbreak of coronavirus disease 2019 (COVID-19) and the Movement Control Order (MCO) imposed by the Government has caused disruptions to many industries, countries and regions, and therefore the Group's turnover and cash flows is likely to be adversely impacted.

List of **Properties**

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2019
1	CPSB	TL 077523678 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)	26	1,883,939
2	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)	31	1,494,000
3	ISB	TL 077517081 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	5.91	Industrial land with plywood factory and ancillary buildings	257,345	Leasehold 99 years (expiring 31.12.2073)	30	2,079,973
4	ISB	TL 077526599 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	4.37	Industrial land with plywood factory and ancillary buildings	190,287	Leasehold 99 years (expiring 31.12.2068)	30	1,565,250
5	ISB	TL 077528039 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	0.73	Industrial land with plywood factory and ancillary buildings	31,787	Leasehold 99 years (expiring 31.12.2068)	30	262,016
6	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)	–	1,400,000
7	ISB	Lease No.077521183 Lease No.077521192 Lease No.077521209 Lease No.077521218 Lease No.077521281 Lease No.077521290 Lease No.077521361 Lease No.077521370 Lease No.077521389 Lease No.077521398 Lease No.077521405 Lease No.077521414 Lease No.077521423 Lease No.077521432 Lease No.077521441	10.32	Vacant	–	Leasehold 99 years (expiring 24.05.2064)	–	1,123,374

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 @ 31/12/2019
		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 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						

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 @ 31/12/2019
		Lease No.077522199 Lease No.077522206 Lease No.077522215 Lease No.077522224 Lease No.077522233 Lease No.077522242 Lease No.077522251 Lease No.077522260 Lease No.077522279 Lease No.077522288 Lease No.077522297 Lease No.077522304 Lease No.077522313						
8	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	33	4,173,581

Analysis of **Shareholdings**
AS AT 29 MAY 2020

Total Issued Share	:	75,000,000 Ordinary Shares
Types of Shares	:	Ordinary Share
Treasury Shares	:	1,664,600 Ordinary Shares
Voting Rights	:	One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MAY 2020

Size of Shareholdings	No. of Shareholders	Percentage of Shareholders (%)	No. of Shares	Percentage of Shares (%)
Less than 100	70	3.55	3,048	0.00
100 to 1,000	796	40.41	257,702	0.35
1,001 to 10,000	789	40.05	3,533,300	4.82
10,001 to 100,000	267	13.55	8,187,425	11.16
100,001 to less than 5% of issued holdings	45	2.28	26,588,175	36.26
5% and above of issued holdings	3	0.15	34,765,750	47.41
Total	**1,970**	**99.99**	**73,335,400**	**100.00**

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MAY 2020)

	Name	No. of Shares	Percentage of Shareholdings %
1.	Lin, Tsai-Rong	16,100,000	21.95
2.	Lin, Kai-Min	14,335,250	19.55
3.	Lin, Kai-Hsuan	4,330,500	5.91
4.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ting Yuet May (REM 825)	2,240,000	3.05
5.	Lin, Yu-Lin	2,230,000	3.04
6.	Addeen Trading Sdn Bhd	2,000,000	2.73
7.	Hsu, How-Tong	1,854,000	2.53
8.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Kok Thye (E-SPI)	1,526,300	2.08
9.	Lim Kah Yam	1,443,175	1.97
10.	Chong Annie	1,330,375	1.77
11.	Zulkifli Bin Hussain	1,285,000	1.75
12.	MKW Jaya Sdn Bhd	1,062,400	1.45
13.	Malsa Wood Products Sdn Bhd	814,900	1.11
14.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Su Ming Ming	716,400	0.98
15.	Lai Thiam Poh	708,800	0.97
16.	Lee Wee Thiam	691,800	0.94
17.	Henry Liang	690,100	0.94
18.	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Lee, Ming-Che (E-SDK)	658,800	0.90
19.	Hsu, Hao-Huang	630,000	0.86
20.	Sim Tze Yang	605,900	0.83
21.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Kok Thye	503,300	0.69

Analysis of Shareholdings (cont'd)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D) (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MAY 2020)

	Name	No. of Shares	Percentage of Shareholdings %
22.	Seet Jozen	399,300	0.54
23.	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Chen Huang, Kuei-Liang (E-KKU)	351,500	0.48
24.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seet Joyi (REM 825)	340,000	0.46
25.	Goh Beng Choo	334,700	0.46
26.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Junaidi Payne @ John Brian Payne (8043675)	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 (E-TCS)	250,000	0.34
30.	Chan Kai Lum	246,000	0.34

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		Direct Interest		Indirect Interest	
	Names	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1.	Lin, Tsai-Rong	16,100,000	21.95	0	0.00
2.	Lin, Kai-Min	14,335,250	19.55	2,230,000	3.04
3.	Lin, Kai-Hsuan	4,330,500	5.91	0	0.00

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

		Direct Interest		Indirect Interest	
	Names	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1.	Dato' Seri Mohd Shariff Bin Omar	–	–	–	–
2.	Lin, Kai-Min	14,335,250	19.55	2,230,000	3.04
3.	Lin, Kai-Hsuan	4,330,500	5.91	–	–
4.	Hiew Seng	62,500	0.09	–	–
5.	Syed Ibrahim Bin Syed Abd. Rahman	–	–	–	–

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