CYMAO

CYMAO HOLDINGS BERHAD

(445931-U)

Annual 2015 Report

CONTENTS

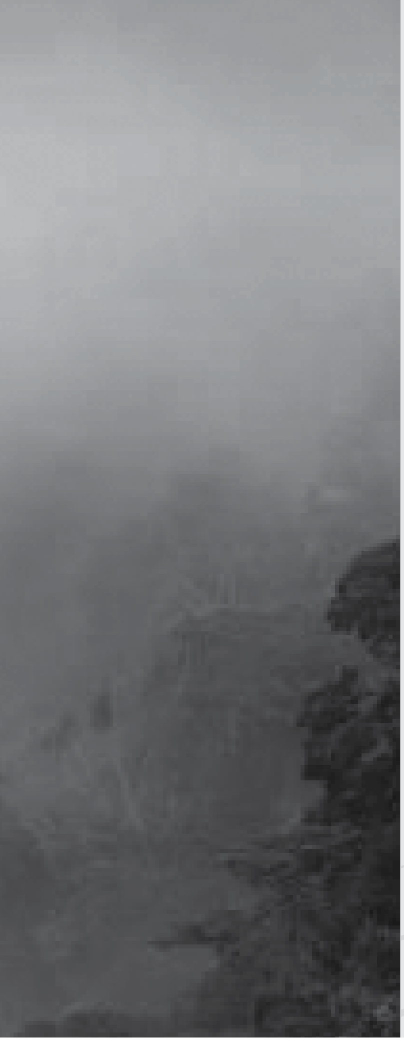
OUR VISION

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

VISION & MISSION STATEMENT

OUR MISSION

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



CORPORATE **INFORMATION**

BOARD OF DIRECTORS (“The Board”)

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

Mr Lin, Tsai-Rong
- *Managing Director*

Mr Lin, Kai-Min
- *Executive Director*

Mr Lin, Kai-Hsuan
- *Executive Director*

Mdm Lin Hsu, Li-Chu
- *Non-Independent Non-Executive Director*

Mr Hiew Seng
- *Independent Non-Executive Director*

Ms Lin, Kai-Wen
- *(Alternate Director to Mdm Lin Hsu, Li-Chu)*

REGISTERED OFFICE

MPT 4604, 3rd Floor, Lot 15-16
Block B, Bandaran Baru, Jalan Baru
91000 Tawau, Sabah
Tel : +06(89) 767-600
Fax : +06(89) 766-100

CORPORATE OFFICE

9.1 KM, Jalan Batu Sapi
Locked Bag No. 13
90009 Sandakan, Sabah
Tel : +06(89) 612-233
Fax : +06(89) 612-607

AUDIT COMMITTEE

Mr Hiew Seng
- *Chairman, Independent Non-Executive Director*

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

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

REMUNERATION COMMITTEE

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

Mr Hiew Seng
- *Member, Independent Non-Executive Director*

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

NOMINATION COMMITTEE

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

Mr Hiew Seng
- *Member, Independent Non-Executive Director*

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

COMPANY SECRETARY

Katherine Chung Mei Ling *(MAICSA 7007310)*

AUDITORS

PFK
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
United Overseas Bank (Malaysia) Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor
Tel : +06(03) 7849-0777
Fax : +06(03) 7841-8008

STOCK EXCHANGE LISTING

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

GROUP STRUCTURE

CYMAO HOLDINGS BERHAD

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

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

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

100%
SYABAS MUJUR SDN. BHD.
(Company No.: 728141-A)

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

CHAIRMAN'S STATEMENT

It is my pleasure to present to you the financial statements of Cymao Holdings Berhad ("Cymao" or the "Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2015.

ECONOMIC OVERVIEW

The financial year under review still has not rebounded from the negative effects of the previous financial year. The local timber industry as a whole is still experiencing shortage and irregular supply of logs in Sabah, worsening shortage of labour and slow recovery of world economy. We foresee this financial year is also to be challenging for the timber industry.

FINANCIAL PERFORMANCE

Amid the challenging economic and operating environment, the Cymao Group managed to deliver operational efficiency that helped contribute to the Group's registered revenue amounting to RM131 million. The current year recorded a loss before taxation of RM1.2 million compared with RM13.7 million suffered in the preceding year. The reduction in the loss was partly due to the stronger Dollar as the Group focused on more USD denominated export sale apart from the operational efficiency.

OPERATIONS REVIEW

The Board has anticipated the financial year 2015 to be challenging, and has managed to take preventive measures to minimize these negative effects. The management carefully assessed each area of the business and identified the areas that are most vulnerable. Actions were taken to reduce the impacts of those uncontrollable forces and we felt that our efforts have minimised the losses suffered by the Group given the still challenging environment in the timber industry faced by the Group in the financial year 2015.

DIVIDEND

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

OUTLOOK AND PROSPECTS

The global economic conditions and consumers' sentiments generally continue to dictate the demand of the products. The demand and pricing of plywood is expected to remain at the same level for the next financial year in view of the current unstable world economy.

The Group will continuously seek for new timber concession area which is crucial for the Group to secure a steady supply of logs for its own consumption and will continue to improve on efficiencies in its operations, with more efforts put in the area of cost control without compromising quality and efficiency, to pursue better marketing and promotion activities, increase productivity and distribution channel in order to achieve better results.

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

APPRECIATION

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

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

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

DATO' SERI MOHD SHARIFF BIN OMAR
Chairman

Dated: 14 April 2016

PROFILE OF DIRECTORS

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

Chairman of Nomination Committee and Remuneration Committee
Member of Audit Committee

Malaysian, aged 69, 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.

MR LIN, TSAI-RONG
(Managing Director)

Taiwanese, aged 80, was appointed to the Board of Cymao on 13 November 2003. He obtained a Bachelor of Science majoring in Plant Pathology from National Chong Hsien University, Taiwan, in 1958. He started his career in wood-based industries with Cyma Plywood and Lumber Co. Ltd, Taiwan ("CPLC") in 1962 and worked his way up from being the Production Line Foreman, Supervisor, Section Chief, Production Manager, Factory Manager, Director of Research and Development (R&D) to Vice President of CPLC. He has in-depth and comprehensive knowledge of running an efficient and innovative wood-based company. In 1991, He founded Cymao Plywood Sdn Bhd ("CPSB") and built the company into what it is today. Being the Managing Director of CPSB, he commands very strong and loyal support from the production workforce necessary to ensure the success of the business.

MR LIN, KAI-MIN
(Executive Director)

Taiwanese, aged 46, was appointed to the Board of Cymao on 13 November 2003. He graduated from Fu-Jen University, Taiwan, with a Bachelor of Science majoring in Accounting in 1993. He joined CPSB in 1994 as a Production Line Foreman and was given extensive production training. He became the Log Purchasing Manager from 1997 to 1998 in CPSB and subsequently headed its Finance Department. Armed with extensive training and experience from all aspects of production, raw materials and accounting, he is now heading the Finance and Marketing Department.

MR LIN, KAI-HSUAN
(Executive Director)

Taiwanese, aged 48, was appointed to the Board of Cymao on 13 November 2003. He graduated from University of California Los Angeles, USA, with a Bachelor of Science in Applied Mathematics and a minor in economics in 1991. He subsequently obtained a Master of Science in Forest Science with emphasis in Expert System from Texas A & M University, USA in 1993. He joined CPSB in 1994 as the Quality Controller, then took on the post of Factory Manager in 2000 and in the same year he was made the R&D Director. He was made the Vice President of CPSB in 2001.

PROFILE OF DIRECTORS (CONT'D)

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

Member of Audit Committee
Member of Nomination Committee and Remuneration Committee

Taiwanese, aged 73, was appointed to the Board of Cymao on 13 November 2003. She was a teacher at Hsi-Chih Primary School from 1960 to 1981 after earning her Diploma in Education from National Taipei Teachers' College in 1961.

MR HIEW SENG
(Independent Non-Executive Director)

Chairman of Audit Committee
Member of Remuneration Committee and Nomination Committee

Malaysian, aged 65, was appointed to the Board of Cymao on 25 February 2004. He is a Chartered Accountant by training. He is a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants. He began his accountancy training as an articled clerk in 1974 with a firm of Chartered Accountants in London, United Kingdom. Upon his qualification as a Chartered Accountant, he joined an international accounting firm as a qualified assistant for two (2) years and pursued his career in a public listed print media company, as Internal Auditor heading the Internal Audit Department for five and a half years (5½) and was promoted to Manager, Organisation & Method, a department created to conduct efficiency and productivity study during the economic crisis in 1986. He held the position for three (3) years. Thereafter, he joined an advertisement production house as a financial consultant for four (4) years before he joined Messrs. SK Hiew & Associates in 1996, where he became the Principal-In-Charge of the Kajang Branch of the firm.

MS LIN, KAI-WEN
(Alternate Director to Mdm Lin Hsu, Li-Chu)

Taiwanese, aged 47, was appointed to the Board of Cymao on 8 September 2015 as the Alternate Director to Mdm Lin Hsu, Li-Chu. She has been working as the special assistant to the Managing Director since she joined CPSB, the subsidiary of the Company. Her major responsibilities are to provide business and operation supports to Managing Director on overall responsibility for plant personnel and operations, quality, process flow, machinery/equipment, operational efficiency, continuous improvement and on-time delivery. She handles special projects to restructure and improve the current organizational system to achieve its maximum efficiency. In 2011, she was made the head of Human Resource Department and served in various management positions in administration, store, production information departments.

Prior to joining CPSB, she was an analyst and consultant in the Enterprise Solution Group under International Data Corporation, an American IT market research house in 2000 to 2004. Her research involved Market and Competitive Analyses, Technology Trends and Predictions, User Demands and Preferences, and Business Models/Practices. In the consulting department, she had participated in specific custom projects locally and regionally, responsible for the management and development of marketing projects/services for major international IT conglomerates.

PROFILE OF DIRECTORS (CONT'D)

OTHER INFORMATION OF DIRECTORS

Family Relationship of Directors

Save as disclosed for Mr Lin, Tsai-Rong is the father of Mr Lin, Kai-Hsuan, Mr Lin, Kai-Min and Ms Lin, Kai-Wen and Mdm Lin Hsu, Li-Chu is the wife of Mr Lin, Tsai-Rong, none of the other Directors has any family relationship with any Directors and/or substantial shareholders of the Company.

Conflict of Interest

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

Conviction of Offence

None of the Directors has been convicted of any offence within the past ten (10) years.

Shareholdings

The particulars of the Directors' shareholdings are set out on pages 89 to 91 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

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

The Corporate Governance Statement is to provide an overview of the Company's corporate governance practices for the financial year ended 31 December 2015 and the extent of compliance with the principles and best practices with the Code.

BOARD OF DIRECTORS

Board Composition and Balance

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

The current Board comprises six (6) Directors as follows:

- two (2) Independent Non-Executive Directors;
- three (3) Executive Directors; and
- one (1) Non-Independent Non-Executive Director.

The Board composition complies with Paragraph 15.02 of the Main Market Listing Requirements which requires that at least two (2) or one-third (1/3) of the Board Members, whichever is higher, to be Independent Directors. The profile of Directors and their other information are set in "Directors' Profile" and "Other Information of Directors" section of the Annual Report.

As part of the succession planning, Ms Lin, Kai-Wen was appointed as an Alternate Director to Mdm Lin Hsu, Li-Chu on 8 September 2015. This is a preparatory stage of her involvement with decision-making and to have an understanding of the role and responsibilities as a Board member.

The Nomination Committee and the Board have upon their annual assessment, concluded that each of the two (2) Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence. Each of the Independent Non-Executive Directors continues to fulfill the definition of independence as set out in Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Board Charter

The Board has adopted the Board Charter that defined the roles, duties and division of responsibilities between the Board and those delegated to the management and the Board Committees. The Charter sets out the strategic intent, key values, principles and ethical standards of the Company as policies and strategies are developed based on these considerations. An abridged version of the Charter is available on the Company's website at www.cymao.com.

The Board Charter covers the following key areas:

- Annual Review of Directors
- New Appointment/Re-appointment/Re-election of Directors
- Principal Duties and Responsibilities of the Board
- Power Delegation
- Roles of Non-Executive Chairman
- Roles of Managing Director/Chief Executive Officer
- Roles of Non-Executive Directors
- Board Diversity

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD OF DIRECTORS (CONT'D)

Roles and Responsibilities

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

The Board apart from discharging its fiduciary duty, has also delegated certain responsibilities to the Board Committees to examine particular issues within their respective defined terms of reference and report to the Board with their recommendations. However, the Board makes the final decision on all matters in the best interest of the Company.

The Board Meetings are presided by the Chairman whose role is clearly separated from the role of the Managing Director to ensure a balance of power and authority. The Executive Directors are responsible for implementing policies and decisions of the Board, overseeing operations as well as managing development and implementation of business and corporate strategies. The Independent Non-Executive Directors are independent of management and free from any business relationship that could materially interfere with the exercise of their independent judgement and play an important role in ensuring that the strategies proposed by the management are objectively evaluated, thus provide a capable check and balance for the Executive Directors.

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

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

Tenure of Independent Director

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

The Board is of the view that the length of tenure should not be a criterion affecting a director's independence. The Company may derived benefits from retaining such long serving director who has proven with his/her positive contribution in the board and committee meetings, working experiences, networking and familiarization with the Group's business operations as a whole without compromising his/her independent judgement.

The Independent Director will undertake an assessment to ascertain on his/her level of independence objectively and recommendation be made to the Board for retention as an Independent Director for the shareholders' approval at the annual general meeting.

For the financial year 2015, Mr Hiew Seng, an Independent Director who has served for more than eleven (11) years has satisfied the independence appraisal. The Board would like to propose to the shareholders at the forthcoming annual general meeting on the retention of Mr Hiew Seng as Independent Director of the Company.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD OF DIRECTORS (CONT'D)

Board Diversity

The Board values the diversity of gender, ethnicity, age and has since the Company's listing in 2004 placed on board a lady director, namely Mdm Lin Hsu, Li-Chu. The age of the Directors range from 46 to 80 and the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board.

Ethical Standards

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

Presently there are whistleblowing provisions in the operational procedures and the Company will be establishing a formal Whistleblowing Policy in 2016.

Re-election of Directors

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

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

Board Meetings

The Board meets at least four (4) times a year scheduled at quarterly basis with additional meetings convened as and when necessary. During the financial year under review, the Board met on (6) occasions and deliberated on amongst others:

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

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

Name of Directors	Attendance
Dato' Seri Mohd Shariff Bin Omar	6/6
Lin, Tsai-Rong	6/6
Lin, Kai-Min	6/6
Lin, Kai- Hsuan	6/6
Lin Hsu, Li-Chu	6/6
Hiew Seng	6/6

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD OF DIRECTORS (CONT'D)

Board Committees

The Board is assisted by Audit Committee, Nomination Committee and Remuneration Committee in discharging its responsibilities and duties. Each Committee is operated within the defined terms of reference which have been approved by the Board. These Committees will address issues and risks that will affect the operation of the Group and to recommend measures to the Board on mitigate such risks.

(i) Audit Committee

The summary on composition, terms of reference and activities of the Audit Committee are presented in the Audit Committee Report of the Annual Report.

(ii) Nomination Committee

The Nomination Committee at present is comprised of three (3) Non-Executive Directors, majority of whom are independent.

The Nomination Committee met twice in the financial year 2015 with full attendance of all members. The Nomination Committee discharged its duties as follows:

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

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

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

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

- Assessment of Board as a Whole
  - ✓ Assessment on Adding Value includes if the Board actively demonstrate and promote the values of transparency, accountability and responsibility, review on the Company's goals, values, core business and the strategy to achieve its purpose, the regular monitoring and evaluation on implementation and success of strategies, policies and business plans, the meeting of targets agreed in plans and budget and monitoring of results against Key Performance Indicators.
  - ✓ Assessment on Conformance that includes regularly ensure compliance with relevant laws and regulations, consistently meet reporting deadlines and requirements and regular monitoring on the impact of actual and potential conflict of interest.
  - ✓ Assessment on Stakeholder Relationship, which assess if the Board communicate effectively with its stakeholders and is Board maintaining good relationship with internal and external stakeholders.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD OF DIRECTORS (CONT'D)

Board Committees (Cont'd)

(ii) Nomination Committee (Cont'd)

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

- Assessment of Board as a Whole (Cont'd)
  - ✓ Assessment on Performance Management that includes the continuous assessment on own performance and effectiveness of individual Directors and the Chairman, implementation of effective induction process or orientation programme for the newly appointed Director, conduct or arrange training programme for the newly appointed Director, conduct or arrange training programme for Directors continuous development, development and implementation on appropriate succession plan, review performance of management team, ensure adequate training for management and employee and regular identification and monitoring of key risk areas.

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

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

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

(iii) Remuneration Committee

The Remuneration Committee is currently made up of three (3) Non-Executive Directors, majority of whom are independent.

The primary duty of the Remuneration Committee is to review and recommend the remuneration packages of Executive Directors are sufficiently attractive to retain such persons of high caliber, drawing from outside advice, if necessary. The Board as a whole determines the remuneration of Non-Executive Directors, and the respective Director is not allowed to participate in discussion of his/her own remuneration.

The Remuneration Committee met once during the financial year 2015 to review the remuneration packages for Executive Directors and Non-Executive Directors.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

BOARD OF DIRECTORS (CONT'D)

Supply of Information

Notice of meetings, setting out the agenda and accompanied by the Board papers are given to all Directors prior to each Board Meeting. This is to enable the Directors to peruse, obtain further information and/or seek further clarification on the matters to be deliberated either from the management or the Company Secretary. Urgent matters that need to be discussed by the Board will be presented and tabled under supplemental agenda. The Directors will be provided with comprehensive explanation of pertinent issues and recommendations by the management. The matter will then be deliberated and discussed thoroughly by the Board before making decision that is favourable to the Company.

All information within the Group is accessible to the Directors in furtherance of their duties and every Director has unhindered access to the advice and services of the Company Secretary. They are also entitled to seek independent professional advice, where necessary and in appropriate circumstances at the Group's expense.

Directors' Training

The Group acknowledges that continuous education is vital for the Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. All Directors including the Alternate Director have completed the Mandatory Accreditation Programme (MAP).

During the financial year, the Directors attended seminars and training programmes as part of their obligation to update themselves with current issues and changes.

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

Name of Directors	Title of Seminars	Duration (Day)
Dato' Seri Mohd Shariff Bin Omar	Risk Management & Internal Control: Workshop for the Audit Committee Members	½
Lin, Tsai-Rong	2016 Budget and Tax Seminar	½
Lin, Kai-Min	Risk Management & Internal Control: Workshop for the Audit Committee Members	½
Lin, Kai-Hsuan	11th World Islamic Economic Forum 2015 "Forest, the New Economy"	2
	The New Phase of Forest Economy "Development in Biomass Refining Industry"	2
	International Conference on the Heart of Borneo "Bridging HoB Landscapes and Beyond Through Healthy Watershed Corridor"	2
	Global Bioeconomy Summit 2015	2
Lin Hsu, Li-Chu	2016 Budget and Tax Seminar	½

BOARD OF DIRECTORS (CONT'D)

Directors' Training (Cont'd)

Name of Directors	Title of Seminars	Duration (Day)
Hiew Seng	The National Tax Conference 2015	2
	Risk Management & Internal Control: Workshop for the Audit Committee Members	½
Lin, Kai-Wen	MAP	2
	Risk Management & Internal Control: Workshop for the Audit Committee Members	½

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

Directors' Remuneration

The Directors' remuneration is determined at level which enables the Company to attract and retain Directors with the relevant experience and expertise to assist in managing the Group effectively. The aggregate of remuneration received by the Directors from the Company and its subsidiaries for the financial year ended 31 December 2015, are categorized into appropriate components as disclosed under Note 11 of the Audited Financial Statements.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Directors' Responsibility Statement for preparing the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are of opinion that the Group and of the Company have adopted appropriate accounting policies consistently supported by reasonable and prudent judgements and estimates. The Directors also believe that all applicable approved accounting standards have been applied in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and confirm that the financial statements have been prepared on a going concern basis.

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

ACCOUNTABILITY AND AUDIT (CONT'D)

Risk Management and Internal Control

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

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

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

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

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

Relationships with Auditors

The external auditors, on completion of their annual audit, express an opinion on the annual financial statements. The Board and the Audit Committee have established a formal and transparent relationship with the external auditors. The external auditors may from time to time throughout the financial year highlight to the Audit Committee and the Board on matters that require the Board's attention.

In the annual review for re-appointment of the external auditors, the Audit Committee ensures that the independence and objectively of the external auditors are not compromised.

SHAREHOLDERS AND INVESTORS

1. Relationship with Shareholders and Investors

The Board always recognises the importance of communications with shareholders and institutional investors. In this respect, the Company disseminates information to its shareholders and investors through its Annual Report, timely public announcements and the quarterly financial results are released to the Bursa Malaysia Securities Berhad which provide the shareholders and investors with an overview of the Group's performances and operations.

The Board recognises the use of the Annual General Meeting as a principal forum for dialogue and to communicate with shareholders. Extraordinary General Meetings are held as and when required.

The Company has maintained a website at www.cymao.com for the access of shareholders and the general public to retrieve information of the Group. Investors and members of the public who wish to channel queries on matters relating to the Group may email to info@cymao.com.

SHAREHOLDERS AND INVESTORS (CONT'D)

2. General Meeting

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

A full explanatory notes of the effects of the proposed resolutions will accompany each item of special business as mentioned in the notice of Annual General Meeting.

In consideration of the number of shareholders of the Company, the availability of resources and cost, the Board does not see the practicality for implementing poll voting at the general meetings for the time being.

AUDIT
COMMITTEE REPORT

The Audit Committee of Cymao Holdings Berhad ("Cymao") is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

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

Membership

The Audit Committee presently comprises of the following members:

Chairman	:	Mr Hiew Seng	(Independent Director)
Members	:	Dato' Seri Mohd Shariff Bin Omar	(Independent Non-Executive Director)
	:	Mdm Lin Hsu, Li-Chu	(Non-Independent Non-Executive Director)

During the financial year under review, there were five (5) Audit Committee meetings held. The attendance record of the Audit Committee members is as follows:

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

Summary Activities of the Audit Committee

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

- reviewed the audit plan, scope and nature of audit for the Cymao Group with the external auditors;
- discussed and recommended the audited financial statements of the Company and of the Group for the Board's approval;
- reviewed the external auditors' report in relation to the audit for the year ended 31 December 2015;
- reviewed the nomination of new incoming external auditors and recommended to the Board for the appointment of new external auditors in replacement of the retiring Auditors;
- reviewed, discussed and recommended the unaudited quarterly results of the Group to be presented to the Board of Directors for approval;
- re-assessed the internal audit function of the Company and reviewed the adequacy of the scope, functions, competency, resources of the internal audit functions and the necessary authority to carry out its work;
- approved the appointment and termination of internal auditors;
- reviewed and formalised the Internal Audit Charter
- reviewed the Internal Audit Plan and the scope of internal audit;
- reviewed the Internal Auditors' Reports and discuss on the audit issues and findings, recommendations and management's response;
- review the assessment on the performance of internal auditors;
- reviewed the Statement on Risk Management and Internal Control and the Audit Committee Report in respect of the financial year ended 31 December 2015 and presented to the Board's approval;
- reviewed pertinent issues which had significant impact on the results of the Group, investment and strategic operations of subsidiaries;
- reviewed and formalised the related party transactions policy and procedures;
- reviewed the terms of related party transactions entered into by the Group.

AUDIT COMMITTEE REPORT (CONT'D)

Terms of Reference of the Audit Committee

The Board shall elect the Audit Committee members from amongst their numbers, comprising no fewer than three (3) Directors all of whom shall be non-executive Directors, with a majority of them being independent Directors.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

(i) a member of the Malaysian Institute of Accountants ("MIA");
(ii) if not a member of MIA, the member shall have at least three (3) years' working experience and:
    (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    (b) he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
(iii) fulfills such other requirements as prescribed or approved by Bursa Securities.

In the event of any vacancy in the Audit Committee resulting in the number of members is reduced to below three (3), the Board shall, within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Chairman of the Audit Committee shall be an Independent Director from amongst its members.

Quorum and Audit Committee's Procedures

Meetings shall be held at least four (4) times a year. However, additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.

The Audit Committee shall also, at least twice a year, meet with the external auditors and internal auditors without the present of Executive Directors of the Group. The auditors, both internal and external, may request a meeting if they consider necessary.

In the absence of the Chairman of the Audit Committee, the members present shall elect one (1) of their number to chair the meeting.

A quorum consists of two (2) members present and a majority of whom must be Independent Directors.

Other Directors or senior management of the Company may be invited to attend the meeting shall be at the Audit Committee's discretion for the purpose of providing information and clarification on issues concerned.

Prior to each meeting, each Audit Committee member is provided with an agenda and supporting documents including operating results and review, pertaining the items of the agenda, seven (7) days ahead of the meeting. This is to enable the Audit Committee members to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

Issues deliberated and decisions arrived at during the Audit Committee meetings were recorded. The minutes of preceding Audit Committee meetings were tabled for confirmation at the following Audit Committee meeting. Minutes of each meeting shall be circulated to each Board member, the Chairman of Audit Committee shall report on key issues discussed at each meeting to the Board.

The Company Secretary shall be the secretary of the Audit Committee.

AUDIT COMMITTEE REPORT (CONT'D)

Duties and Responsibilities

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

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

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

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

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

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

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

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

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

Summary Activities of Internal Audit Function

During the financial year, the Company had changed the outsourced internal auditor as the Audit Committee found the previous service provider to be lacking in their resources and the timeliness of the deliverables was impinged. With the Group's operations having expanded and at differing localities, i.e Sandakan and Klang, the Audit Committee decided to engage two (2) new service providers to separately conduct the internal audit reviews at these locations.

The new Internal Auditors have carried out the internal audit covering the last quarter of 2015 and presented their report to the Audit Committee subsequent to the year end of 31 December 2015. The previous internal auditor only managed to table their report for the quarter ended 30 September 2014 to the Audit Committee in February 2015 and they were unable to deliver the other reports based on the Internal Audit Plan in 2015.

The activities carried out by the internal auditors during the financial year under review are as follows:

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

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

The total cost incurred for the Group's internal audit function amounted to approximately RM10,000.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

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

A set of policies and procedures is in place to ensure that assets are adequately protected against unauthorized use or disposal and that the interests of shareholders are safeguarded. The systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The process of identification, evaluation and management of significant risks faced by the Group is carried out informally as part of the Group's normal business operation and management. This process have been in place for the year under review and up to the date of approval of this statement. Within the Group management team, the management organization structure and approval authority are defined outlining the respective management areas of responsibility and authority limits.

The Executive Directors have been actively involved in the day-to-day operations of the Group. The Executive Directors ensure that all employees have clear understanding of their roles and responsibilities and that the Group's operations are carried out in accordance with standards set and expected by the Board.

During the financial year, the Company had terminated the previous outsourced internal auditor due to poor service performance and engaged two (2) new independent professional firms to provide internal audit services to their Sandakan and Klang operations respectively. The Internal Auditors have carried out the internal audit covering the period from the last quarter of 2015 and presented their report to the Audit Committee subsequent to the year ended 31 December 2015. The previous internal auditor had also tabled their report for the quarter ended 30 September 2014 (i.e. covering the period from 1 July 2014 to 30 September 2014) to the Audit Committee in February 2015. However, no internal audit reports were presented to the Audit Committee for the first three (3) quarters of the financial year 2015 although requested by the Audit Committee.

The Board is of the view that the systems of internal control that have been implemented within the Group are adequate considering its size and complexity although improvements need to be made.

The first step is to engage one of the internal auditor to review the risk management and internal control systems of the Group so as to determine its adequacy and effectiveness, and to recommend and assist in the implementation of any required improvements to the Group's risk management and internal control systems.

The Board also received assurance from the Director who is in charge of finance that in all material aspects, the risk management and internal control systems are operating adequately and effectively.

ADDITIONAL COMPLIANCE INFORMATION

(a) Utilisation of Proceeds

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

(b) Share Buy-Back

The shareholders of the Company, by an ordinary resolution in the last Annual General Meeting held on 20 June 2015 approved the Company's Proposed Renewal Share Buy-Back Scheme to purchase up to 10% of its own issued and paid-up ordinary share capital of RM1.00 each.

There was no purchase of own shares from the open market during the financial year. As at 31 December 2015, the Company held a total of 1,464,500 treasury shares. None of them were resold or cancelled during the financial year.

(c) Options, Warrants or Convertible Securities

No options, warrants or convertible securities in the Company were issued or exercised during the financial year.

(d) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programmes during the financial year.

(e) Sanctions and/or Penalties

There were no sanctions or penalties imposed by any regulatory bodies on the Company or its subsidiaries, or on the Directors or management of the Company or its subsidiaries during the financial year.

(f) Non-Audit Fees

The non-audit fees of RM2,500 is payable by the Group to the external auditors for the financial year.

(g) Variation in Results

There was no material variance between the audited results for the financial year ended 31 December 2015 and the unaudited results released for the quarter ended 31 December 2015 for the Group.

(h) Profit Guarantee

During the financial year, there was no profit guarantee given by the Company and its subsidiaries.

(i) Material Contracts

There were no material contracts, including contract relating to loan, entered into by the Company and/or its subsidiaries involving Directors and major shareholders that are still subsisting at the end of the financial year or since the end of the previous financial year.

(j) Recurrent Related Party Transactions

There were no related party transactions of a revenue or trading nature during the financial year under review, except as disclosed in Note 24 to the financial statements.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

1. The Workplace

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

2. The Community

The Group plays its role actively in creating employment and job opportunities for fresh graduates and other skill workers that help the government in reducing the unemployment.

3. The Environment

The Group identifies the importance in preserving environment and has taken efforts on waste recycle. Cymao reuses its wood waste and combined with resin turn into composite material suitable for use as disposables in construction, temporary flooring and packing material. Cymao has also extended its contribution to the conservation of wildlife by working closely with the Department of Forestry in Sabah to provide wood housing for endangered bird species such as hornbill and owl. Furthermore, Cymao has also assisted the Sepilok Orang Utan Sanctuary and the newly established Borneon Sun Bear Conservation Center in preparing the near natural bedding material for these endangered species. As an on-going contribution, the Group is actively involved with the Forestry Research Centre in identifying commercially viable timber species for the forest replantation project. The Group has put in efforts to reduce the usage of fumigant in export packaging material by working closely with the Agricultural Department and adopting the Heat Treatment System by utilizing recycled waste steam generated from the production process.

4. The Marketplace

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

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

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

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

There has been no significant change in the nature of these principal activities during the financial year ended 31 December 2015.

RESULTS

	Group RM	Company RM
Loss for the financial year	2,068,791	257,324

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend any dividends for the current financial year ended 31 December 2015.

DIRECTORS

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

Dato' Seri Mohd Shariff Bin Omar
Lin, Tsai-Rong
Lin, Kai-Min
Lin, Kai-Hsuan
Lin Hsu, Li-Chu
Hiew Seng
Lin, Kai-Wen (Appointed on 8 September 2015)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM1.00 each			
	At 1.1.2015	**Bought**	**Sold**	**At 31.12.2015**
Direct interest:				
Lin, Tsai-Rong	21,100,000	–	–	21,100,000
Lin, Kai-Min	7,973,750	–	–	7,973,750
Lin, Kai-Hsuan	4,330,500	–	–	4,330,500
Lin, Kai-Wen	650,000	–	–	650,000
Lin Hsu, Li-Chu	222,500	–	–	222,500
Hiew Seng	62,500	–	–	62,500

Lin, Tsai-Rong by virtue of his interests in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 24 to the Financial Statements.

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

ISSUES OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

TREASURY SHARES

As at 31 December 2015, the Company held as treasury shares a total of 1,464,500 of its 75,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM630,909 and further details are as disclosed in Note 23 to the financial statements.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 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)

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 29 to the financial statements.

AUDITORS

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

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

LIN, KAI-MIN
Director

LIN, TSAI-RONG
Director

Sandakan

Dated: XXXX 2016

STATEMENT BY **DIRECTORS**

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

In the opinion of the Directors, the accompanying financial statements set out on pages 32 to 88 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors, the supplementary information set out in Note 31 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

LIN, KAI-MIN
Director

LIN, TSAI-RONG
Director

Sandakan

Dated: XXXX 2016

STATUTORY **DECLARATION**

Pursuant to Section 169(16) of the Companies Act, 1965

I, **LIN, KAI-MIN**, being the Director primarily responsible for the financial management of **CYMAO HOLDINGS BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 32 to 88 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	)	**LIN, KAI-MIN**

Before me,

XXXXX
COMMISIONER FOR OATHS

REPORT OF THE INDEPENDENT TO THE MEMBERS OF
CYMAO HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of CYMAO HOLDINGS BERHAD, which comprise the Statements of Financial Position as at 31 December 2015 of the Group and of the Company, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 88.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

(c) The auditors' reports of the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 31 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. In our opinion, the supplementary information has been properly compiled in all material respects in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and presented based on the prescribed format by Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report. The financial statements of the Company as at 31 December 2014, were audited by another auditor whose report dated 30 April 2015, expressed an unqualified opinion on these statements.

PKF
AF 0911
CHARTERED ACCOUNTANTS

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

Kota Kinabalu

Dated: XXXX 2016

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Revenue	4	131,649,220	116,726,248	–	–
Cost of sales		(120,045,588)	(113,241,418)	–	–
Gross profit		11,603,632	3,484,830	–	–
Interest income	5	3,096	66,246	–	–
Other income	6	1,990,467	820,617	284,784	4,059
Selling expenses		(4,379,839)	(4,165,593)	–	–
Administrative expenses		(9,357,699)	(8,607,395)	(525,718)	(587,059)
Other expenses	7	(786,884)	(5,055,787)	(16,390)	(7,914,977)
Finance costs	8	(306,808)	(247,346)	–	–
Loss before taxation	9	(1,234,035)	(13,704,428)	(257,324)	(8,497,977)
Income tax expense	13	(834,756)	(1,940,031)	–	–
Loss for the year		(2,068,791)	(15,644,459)	(257,324)	(8,497,977)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the year		(2,068,791)	(15,644,459)	(257,324)	(8,497,977)
Total comprehensive loss attributable to owners of the Company		(2,068,791)	(15,644,459)	(257,324)	(8,497,977)
Loss per share attributable to owners of the Company (sen)					
Basic	12	(2.81)	(21.21)	–	–

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	35,972,729	41,878,142	20,983	41,964
Land use rights	15	908,970	962,200	–	–
Investments in subsidiaries	16	–	–	79,066,937	79,066,937
Other receivables	18	1,647,233	1,644,900	–	–
		38,528,932	44,485,242	79,087,920	79,108,901
Current assets					
Inventories	19	26,696,362	31,406,452	–	–
Trade and other receivables	18	26,585,381	18,946,192	11,195,822	13,323,959
Tax recoverable		–	96,239	–	–
Cash and bank balances	20	7,765,618	4,666,757	14,039	178,287
		61,047,361	55,115,640	11,209,861	13,502,246
TOTAL ASSETS		**99,576,293**	**99,600,882**	**90,297,781**	**92,611,147**
EQUITY AND LIABILITIES					
Current liabilities					
Loans and borrowings	21	7,174,881	7,387,379	–	–
Trade and other payables	22	11,308,900	9,213,937	11,299,232	13,355,274
Taxation		195,310	155	–	–
		18,679,091	16,601,471	11,299,232	13,355,274
Non–current liabilities					
Loans and borrowings	21	1,485,685	1,589,615	–	–
Deferred tax liabilities	17	1,853,153	1,782,641	–	–
		3,338,838	3,372,256	–	–
TOTAL LIABILITIES		22,017,929	19,973,727	11,299,232	13,355,274
NET ASSETS		**77,558,364**	**79,627,155**	**78,998,549**	**79,255,873**
Equity attributable to owners of the Company					
Share capital	23	75,000,000	75,000,000	75,000,000	75,000,000
Share premium	23	17,374,387	17,374,387	17,374,387	17,374,387
Treasury shares	23	(630,909)	(630,909)	(630,909)	(630,909)
Accumulated losses		(14,185,114)	(12,116,323)	(12,744,929)	(12,487,605)
Total equity		**77,558,364**	**79,627,155**	**78,998,549**	**79,255,873**
TOTAL EQUITY AND LIABILITIES		**99,576,293**	**99,600,882**	**90,297,781**	**92,611,147**

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 2015

	Attributable to the owners of the Company				
	Non-distributable			Distributable	
Group	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
At 1 January 2014	75,000,000	17,374,387	(183,593)	3,528,136	95,718,930
Loss for the year	–	–	–	(15,644,459)	(15,644,459)
Transaction with owners:					
Purchase of treasury shares	–	–	(485,716)	–	(485,716)
Re–issuance of treasury shares	–	–	38,400	–	38,400
At 31 December 2014	75,000,000	17,374,387	(630,909)	(12,116,323)	79,627,155
Loss for the year	–	–	–	(2,068,791)	(2,068,791)
Transaction with owners:					
Purchase of treasury shares	–	–	–	–	–
Re–issuance of treasury shares	–	–	–	–	–
At 31 December 2015	75,000,000	17,374,387	(630,909)	(14,185,114)	77,558,364
Company					
At 1 January 2014	75,000,000	17,374,387	(183,593)	(3,989,628)	88,201,166
Loss for the year	–	–	–	(8,497,977)	(8,497,977)
Transaction with owners:					
Purchase of treasury shares	–	–	(485,716)	–	(485,716)
Re–issuance of treasury shares	–	–	38,400	–	38,400
At 31 December 2014	75,000,000	17,374,387	(630,909)	(12,487,605)	79,255,873
Loss for the year	–	–	–	(257,324)	(257,324)
Transaction with owners:					
Purchase of treasury shares	–	–	–	–	–
Re–issuance of treasury shares	–	–	–	–	–
At 31 December 2015	75,000,000	17,374,387	(630,909)	(12,744,929)	78,998,549

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 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Cash flows from operating activities					
Loss before taxation		(1,234,035)	(13,704,428)	(257,324)	(8,497,977)
Adjustments for:					
Allowance for slow moving inventories		227,005	–	–	–
Allowance for doubtful debts		–	255,021	–	–
Amortisation of land use rights		53,230	53,230	–	–
Bad debts written off		16,390	4,516,464	16,390	–
Depreciation of property, plant and equipment		7,442,798	9,156,306	20,981	20,981
Finance cost		306,808	247,346	–	–
Gain on disposal of property, plant and equipment		–	(63,099)	–	–
(Gain)/ loss on disposal of subsidiary company		–	(227,181)	–	414,977
Impairment loss on investment in subsidiary		–	–	–	7,500,000
Interest income		(3,096)	(66,246)	–	–
Loss on disposal of inventories		–	33,691	–	–
Net loss of unrealised foreign exchange		–	225,355	–	–
Property, plant and equipment written off		–	47,354	–	–
Stock loss		–	1,782	–	–
Operating cash flows before working capital changes		6,809,100	475,595	(219,953)	(562,019)
Decrease/ (Increase) in inventories		4,483,085	(720,786)	–	–
(Increase)/ Decrease in receivables		(7,657,912)	(5,195,057)	2,111,747	202,702
Increase/ (Decrease) in payables		2,094,963	2,813,600	(2,056,042)	(1,396,881)
Cash generated from/ (used in) operations		5,729,236	(2,626,648)	(164,248)	(1,756,198)
Income tax paid		(540,943)	(481,894)	–	–
Income tax refunded		68,093	125,444	–	–
Interest paid		(306,808)	(247,346)	–	–
Net cash from/ (used in) operating activities		4,949,578	(3,230,444)	(164,248)	(1,756,198)

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

STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,537,385)	(4,290,761)	–	–
Increase in short–term deposits with a licensed bank		–	(42,313)	–	–
Interest received		3,096	66,246	–	–
Net cash inflow of disposal of investment in subsidiaries	16	–	2,345,942	–	2,349,683
Proceeds from disposal of property, plant and equipment		–	424,000	–	–
Net cash (used in) /from investing activities		(1,534,289)	(1,496,886)	–	2,349,683
Cash flows from financing activities					
Drawdown of foreign currency trade loan		–	1,445,615	–	–
Drawdown of bankers' acceptance		18,718,000	13,309,000	–	–
Proceeds from re–issuance of treasury share		–	38,400	–	38,400
Purchase of treasury shares		–	(485,716)	–	(485,716)
Repayment of bankers' acceptance		(17,324,000)	(11,848,000)	–	–
Repayment of foreign currency trade loan		(949,756)	(495,859)	–	–
Repayment of term loan		(94,271)	(91,439)	–	–
Net cash from/ (used in) financing activities		349,973	1,872,001	–	(447,316)
Net increase/ (decrease) in cash and cash equivalents		3,765,262	(2,855,329)	(164,248)	146,169
Cash and cash equivalents at beginning of financial year		2,464,695	5,320,024	178,287	32,118
Cash and cash equivalents at end of financial year	20	6,229,957	2,464,695	14,039	178,287

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

NOTES TO THE
FINANCIAL STATEMENTS

at 31 December 2015

1. BASIS OF PREPARATION

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

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

The financial statements are prepared in Ringgit Malaysia (RM) which is the Company's functional currency.

1.1 Adoption of new and revised MFRSs

On 1 January 2015, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015.

- Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010-2012 Cycle"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011-2013 Cycle"

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

Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)

The amendments to MFRS 119 provide a practical expedient in accounting for contributions from employees or third parties to the defined benefit plans. The adoption of the amendments to MFRS 119 did not have any financial impact as the Group does not operate a defined benefit plan.

Annual Improvements to MFRSs 2010 – 2012 Cycle

The Annual Improvements to MFRSs 2010 – 2012 Cycle consist of the following amendments:

(i) MFRS 2 Share-based Payment

The amendment clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share based payment.

(ii) MFRS 3 Business Combinations

The amendment clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. In addition, contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

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

(iii) MFRS 8 Operating Segments

The amendment requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segment and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. In addition, a reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.

(iv) MFRS 13 Fair Value Measurement

The amendment clarifies that when International Accounting Standards Board ("IASB") issued MFRS 13, it did not remove the practical ability to measure short term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(v) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendment clarifies the accounting for the accumulated depreciation or amortisation when an asset is revalued.

(vi) MFRS 124 Related Party Disclosures

The amendment extends the definition of 'related party' to include an entity, or any member of a group of which it is a party, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The adoption of the Annual Improvements to MFRSs 2010 – 2012 Cycle did not have any financial impact on the Group and the Company.

<u>Annual Improvements to MFRSs 2011-2013 Cycle</u>

The Annual Improvements to MFRSs 2011 – 2013 Cycle consist of the following amendments:

(i) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendment relates to the IASB's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(ii) MFRS 3 Business Combinations

The amendment clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangements for their interests in the joint arrangement.

1. BASIS OF PREPARATION (CONT'D)

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

Annual Improvements to MFRSs 2011-2013 Cycle (Cont'd)

(iii) MFRS 13 Fair Value Measurement

The amendment clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

(iv) MFRS 140 Investment Property

The amendment clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

The adoption of the Annual Improvements to MFRSs 2011 – 2013 Cycle did not have any financial impact on the Group and the Company.

1.2 Standards issued but not yet effective

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

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"
- Investment Entities: Applying the Consolidation Exemption (Amendments to MFRS 10, MFRS 12 and MFRS 128)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- Regulatory Deferral Accounts (MFRS 14)
- Disclosure Initiative (Amendments to MFRS 101)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
- Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)
- Equity Method in Separate Financial Statements (Amendments to MFRS 127)

Effective for annual periods commencing on or after 1 January 2018

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

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

Deferred

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

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

Annual Improvements to MFRSs 2012 – 2014 Cycle

(i) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment introduces specific guidance in MFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal and that changing the disposal method does not change the date of classification.

(ii) MFRS 7 Financial Instruments: Disclosures

MFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and an entity must assess the nature of the fee and arrangement in order to assess whether the disclosures are required. The amendments also clarify the applicability of the amendments to MFRS 7 on offsetting disclosures to condensed interim financial statements.

(iii) MFRS 119 Employee Benefits

The amendment clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. When there is no deep market for high quality corporate bonds, government bonds denominated in similar currency must be used.

(iv) MFRS 134 Interim Financial Reporting

The amendment clarifies the meaning of 'elsewhere in the interim financial report' as used in MFRS 134 and states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and some other statement that is available to users of the financial statements on the same terms and at the same time.

The adoption of the Annual Improvements to MFRSs 2012 – 2014 Cycle is not expected to have any material impact on the financial statements of the Group and the Company.

1. BASIS OF PREPARATION (CONT'D)

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

Investment Entities: Applying the Consolidation Exemption

This change is aimed at clarifying the following aspects for investment entities:

(i) Exemption from preparing consolidated financial statements. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

(ii) A subsidiary providing services that relate to the parent's investment activities. A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

(iii) Application of the equity method by a non-investment entity investor to an investment entity investee. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

(iv) Disclosures required. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by MFRS 12.

The adoption of this will not have any impact on the financial statements of the Group and the Company as they are not relevant to the business of the Group and the Company.

Accounting for Acquisitions of Interests in Joint Operations

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

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

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

The adoption of this is not expected to have any impact on the financial statements of the Group and the Company as the Group and the Company does not currently have any interest in joint operations.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

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

Regulatory Deferral Accounts

The objective of MFRS 14 is to specify the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation. MFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted MFRS.

The adoption of this will not have any impact on the financial statements of the Group and the Company as they are not relevant to the business of the Group and the Company.

Disclosure Initiative

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

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

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

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

Apart for possible changes to the disclosures, the adoption of this is not expected to have any material impact on the financial statements of the Group and the Company.

Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to MFRS 116 and MFRS 138 clarify that the preparers should not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets.

The adoption of this will not have any impact on the financial statements of the Group and the Company as the Group and the Company do not use revenue-based methods to calculate depreciation and amortisation of its property, plant and equipment or intangible assets.

1. BASIS OF PREPARATION (CONT'D)

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

Agriculture: Bearer Plants

For the purpose of bringing bearer plants from the scope of MFRS 141 into the scope of MFRS 116 and therefore enabling entities to measure them at cost subsequent to initial recognition or at revaluation, a definition of a 'bearer plant' is introduced into both standards. A bearer plant is defined as "a living plant that:

- is used in the production or supply of agricultural produce;
- is expected to bear produce for more than one period; and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales."

The scope sections of both standards are then amended to clarify that biological assets except for bearer plants are accounted for under MFRS 141 while bearer plants are accounted for under MFRS 116.

The amendments also clarify that produce growing on bearer plants continues to be accounted for under MFRS 141 and that government grants related to bearer plants no longer fall into the scope of MFRS 141 but need to be accounted for under MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance.

The adoption of this will not have any impact on the financial statements of the Group and the Company as they are not relevant to the business of the Group and the Company.

Equity Method in Separate Financial Statements

The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiary companies, joint ventures and associated companies, in addition to the existing cost method.

This adoption is not expected to have any impact on the financial statements of the Company as the Company will continue to use its existing cost method to account for its investments in subsidiary companies and associated companies.

MFRS 9, Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

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

MFRS 9, Financial Instruments (Cont'd)

(i) Classification and measurement

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

(ii) Impairment

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

(iii) Hedge accounting

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

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

Revenue from Contracts with Customers

MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods and services.

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

1. BASIS OF PREPARATION (CONT'D)

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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

The adoption of these amendments is not expected to have any material impact on the financial statements of the Group and the Company.

1.3 Significant changes in regulatory requirements

In the Malaysian Budget 2014, the Government announced the introduction of the Goods and Services Tax ("GST") which would replace the existing Sales and Services Tax regime with effect from 1 April 2015. Based on the Goods and Services Tax Act 2014, persons having businesses with annual sales turnover exceeding RM500,000 are required to be registered with the Royal Malaysian Customs Department on or before 31 December 2014.

The revenue of the Group has exceeded the prescribed threshold and therefore the entities within the Group that meet the criteria for GST registration has been registered with the Royal Malaysian Customs Department. The Group has enhanced its IT systems, operating procedures and policies to ensure compliance with this new legislation.

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

2.1 Judgements made in applying accounting policies

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

(a) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits will be available against which the losses and capital allowances can be utilised.

However due to the history of losses of the Group, it is management's judgement that it is not yet probable that future taxable profits will be available against which the losses and capital allowances can be utilised, and accordingly have not recognised the deferred tax asset of the Group as disclosed in Note 17 to the financial statements.

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

2.2 Key sources of estimation uncertainty

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

(a) **Useful lives of plant and equipment**

The cost of plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 10 years. These are common life expectancies applied in the wood product industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 14.

(b) **Impairment of loans and receivables**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delays in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 26.

(c) **Income taxes**

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(i) **Subsidiaries**

Subsidiaries are entities controlled by the Group and 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. Potential voting rights are considered when assessing control only when such rights are substantive. 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.

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.

(ii) **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)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D))

3.1 Basis of consolidation (Cont'd)

(iii) **Loss of control**

Upon the loss of control of a subsidiary, the Group:

- derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position.
- recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant MFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with MFRS 139 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

(iv) **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.

3.2 Foreign currency

(i) **Functional and presentation currencies**

The 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.

(ii) **Transactions and balances**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries 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 that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D))

3.2 Foreign currency (Cont'd)

(ii) Transactions and balances (Cont'd)

The closing rates used in the translation for foreign currency monetary assets and liabilities are as follows:

	2015 RM	2014 RM
1 United States Dollar	4.303	3.498

3.3 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold lands are amortised over the remaining period of the lease. Freehold land has unlimited useful life and therefore is not depreciated.

Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

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

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the assets is included in the profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D))

3.4 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

3.5 Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial assets (Cont'd)

(iii) **Loans and receivables**

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

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

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

(iv) **Available-for-sale financial assets**

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

3.7 Financial guarantee contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

3.9 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprise cost of purchase. The cost of finished goods and work-in-progress comprises costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

3.10 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.

3.11 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment

(i) **Impairment of financial assets**

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based in similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(ii) Impairment of non-financial assets

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

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

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

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

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

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee benefits (Cont'd)

(ii) **Defined contribution plans**

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

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

3.14 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue recognition

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

(i) **Sale of goods**

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

(ii) **Rendering of services**

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

3.16 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Segment reporting

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.

3.18 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.

3.19 Treasury shares

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

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

3.20 Contingencies

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

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

4. REVENUE

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Sale of goods				
Block board	46,103,258	45,041,675	–	–
Decorative plywood	137,547	480,178	–	–
Plywood	84,744,055	70,546,660	–	–
Veneer	75,210	–	–	–
	131,060,070	116,068,513	–	–
Services rendered				
Barge hiring income	589,150	657,735	–	–
	131,649,220	116,726,248	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INTEREST INCOME

	Group	
	2015 RM	2014 RM
Interest income from:		
Fixed deposits	3,096	66,246

6. OTHER INCOME

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Gain on disposal of				
- Property, plant and equipment	–	63,099	–	–
- Subsidiary	–	227,181	–	–
- Materials	2,550	184,041	–	–
Gain on foreign exchange				
- Realised	1,344,142	243,772	20,184	4,059
- Unrealised	–	3,957	–	–
Handling charges	–	42	–	–
Liabilities no longer in existence written back	264,600	–	264,600	–
Miscellaneous	343,175	98,525	–	–
Rental income	36,000	–	–	–
	1,990,467	820,617	284,784	4,059

7. OTHER EXPENSES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Impairment loss				
- Investment in subsidiary	–	–	–	7,500,000
- Bad debts written off	16,390	4,516,464	16,390	–
Loss on disposal of				
- Investment in subsidiary	–	–	–	414,977
- Materials	207,287	33,691	–	–
Loss on foreign exchange				
- Realised	436,702	–	–	–
- Unrealised	–	229,312	–	–
Others	126,505	276,320	–	–
	786,884	5,055,787	16,390	7,914,977

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. FINANCE COSTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Bankers' acceptance	211,236	146,576	–	–
Bank overdraft	6,980	8,222	–	–
Foreign currency trade loan	1,699	2,823	–	–
Term loan	86,893	89,725	–	–
	306,808	247,346	–	–

9. LOSS BEFORE TAXATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Loss before taxation is arrived at after charging:				
Allowance for doubtful debts	–	255,021	–	–
Allowance for slow moving inventories	227,005	–	–	–
Amortisation of land use rights (Note 15)	53,230	53,230	–	–
Auditors' remuneration				
- Statutory audit				
- Current year	123,000	104,000	38,000	30,000
- Under provision in prior year	9,500	3,500	5,000	3,000
- Other services	36,042	29,900	8,000	3,600
Bad debts written off	16,390	4,516,464	16,390	–
Depreciation of property, plant and equipment (Note 14)	7,442,798	9,156,306	20,981	20,981
Employee benefits expense (Note 10)	18,396,966	17,237,713	84,000	84,000
Impairment loss on investment in subsidiary (Note 16)	–	–	–	7,500,000
Loss on disposal of investment in subsidiary	–	–	–	414,977
Loss on disposal of materials	45,416	33,691	–	–
Loss on foreign exchange				
- Realised	436,702	–	–	–
- Unrealised	–	229,312	–	–
Non-executive Directors' remuneration (Note 11)	75,000	96,000	75,000	96,000
Property, plant and equipment written off	–	47,354	–	–
Rental of factory	55,000	50,000	–	–
Rental of factory facilities	–	68,400	–	–
Rental of logyard	249,400	–	–	–
Rental of premises	19,500	–	–	–
Stock loss	–	1,782	–	–

10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries and wages	18,110,923	17,019,104	84,000	84,000
Contributions to defined contribution plan	250,122	189,854	–	–
Social security contributions	35,921	28,755	–	–
	18,396,966	17,237,713	84,000	84,000

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM2,198,000 (2014: RM2,090,000) and RM84,000 (2014: RM84,000) respectively as further disclosed in Note 11 to the financial statements.

11. DIRECTORS' REMUNERATION

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Executive Directors				
- Fee	84,000	84,000	84,000	84,000
- Salaries and other emoluments	2,114,000	2,006,000	–	–
	2,198,000	2,090,000	84,000	84,000
Non-executive Directors				
- Fee	75,000	96,000	75,000	96,000
Total Directors' remuneration	2,273,000	2,186,000	159,000	180,000

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

	Number of Directors	
	2015	2014
Executive Directors:		
RM200,001 - RM250,000	–	2
RM250,001 - RM300,000	1	–
RM500,001 - RM550,000	–	1
RM600,001 - RM650,000	2	–
RM650,001 - RM700,000	1	–
Non-executive Directors:		
Below RM50,000	3	3

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. LOSS PER SHARE

(a) Basic

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

	Group 2015	Group 2014
Loss net of tax attributable to owners of the Company (RM)	(2,068,791)	(15,644,459)
Weighted average number of ordinary shares in issue	73,535,500	73,755,938
Basic loss per share (Sen)	(2.81)	(21.21)

(b) Diluted

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

13. INCOME TAX EXPENSE

Major components of income tax expense

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current taxation	769,741	208,117	–	–
Deferred tax				
Relating to the origination and reversal of temporary differences (Note 17)	70,512	1,771,983	–	–
Resulting from reduction in tax rate	–	–	–	–
	840,253	1,980,100	–	–
(Over)/ under provision in prior years				
- Current taxation	(5,497)	25,610	–	–
- Deferred tax (Note 17)	–	(65,679)	–	–
	(5,497)	(40,069)	–	–
	834,756	1,940,031	–	–

13. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting loss

The reconciliation between tax expense and the product of account loss multiplied by the applicable corporate tax rate for the years is as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Loss before taxation	(1,234,035)	(13,704,428)	(257,324)	(8,497,977)
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	(308,509)	(3,426,107)	(64,331)	(2,124,494)
Adjustments:				
Non-tax deductible expenses	1,969,627	996,563	64,331	2,124,494
Non–taxable income	–	(13,987)	–	–
Double deduction expenses	(287,694)	(50,867)	–	–
Deferred tax assets not recognised	(533,171)	4,474,498	–	–
	840,253	1,980,100	–	–
(Over)/Under provision in prior years				
- Current taxation	(5,497)	25,610	–	–
- Deferred tax	–	(65,679)	–	–
	834,756	1,940,031	–	–

Current income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. Deferred tax is calculated at the rate of 24%, which is the tax rate effective for year of assessment 2016 in accordance with the 2016 Malaysian Budget announced on 23 October 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. PROPERTY, PLANT AND EQUIPMENT

Group – 2015	Land and buildings* RM	Plant and machinery RM	Furniture, fixtures and equipment RM	Motor vehicles RM	Assets under construction RM	Total RM
Cost						
At 1 January 2015	39,009,763	105,583,081	121,801	4,905,234	80,837	149,700,716
Addition	–	1,516,356	21,029	–	–	1,537,385
At 31 December 2015	39,009,763	107,099,437	142,830	4,905,234	80,837	151,238,101
Accumulated depreciation and impairment losses						
At 1 January 2015	16,470,105	87,834,862	106,751	3,410,856	–	107,822,574
Charge for the financial year	873,645	6,168,913	5,390	394,850	–	7,442,798
At 31 December 2015	17,343,750	94,003,775	112,141	3,805,706	–	115,265,372
Net book value						
At 31 December 2015	21,666,013	13,095,662	30,689	1,099,528	80,837	35,972,729
Group – 2014						
Cost						
At 1 January 2014	43,388,455	146,934,003	1,375,149	5,950,145	260,072	197,907,824
Addition	333,957	2,505,037	3,350	1,401,347	47,070	4,290,761
Disposal of subsidiary	(4,712,649)	–	–	–	(167,673)	(4,880,322)
Disposals	–	(102,208)	–	(892,013)	–	(994,221)
Written off	–	(43,768,625)	(1,391,590)	(1,554,245)	(43,758)	(46,758,218)
Reclassification	–	14,874	–	–	(14,874)	–
Adjustment	–	–	134,892	–	–	134,892
At 31 December 2014	39,009,763	105,583,081	121,801	4,905,234	80,837	149,700,716
Accumulated depreciation and impairment losses						
At 1 January 2014	17,490,399	123,863,457	1,349,291	5,202,850	–	147,905,997
Charge for the financial year	1,010,143	7,761,715	10,578	373,870	–	9,156,306
Disposal of subsidiary	(2,030,437)	–	–	–	–	(2,030,437)
Disposals	–	(21,689)	–	(611,631)	–	(633,320)
Written off	–	(43,768,621)	(1,388,010)	(1,554,233)	–	(46,710,864)
Adjustment	–	–	134,892	–	–	134,892
At 31 December 2014	16,470,105	87,834,862	106,751	3,410,856	–	107,822,574
Net book value						
At 31 December 2014	22,539,658	17,748,219	15,050	1,494,378	80,837	41,878,142

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

* Land and buildings of the Group comprises:

	Freehold land RM	Leasehold land RM	Buildings RM	Renovation RM	Total RM
Cost					
At 1 January 2014	2,386,800	15,999,826	23,788,676	1,213,153	43,388,455
Addition	–	–	333,957	–	333,957
Disposal of subsidiary	–	(3,119,706)	(1,592,943)	–	(4,712,649)
At 31 December 2014	2,386,800	12,880,120	22,529,690	1,213,153	39,009,763
Addition	–	–	–	–	–
Disposals	–	–	–	–	–
At 31 December 2015	2,386,800	12,880,120	22,529,690	1,213,153	39,009,763
Accumulated depreciation and impairment losses					
At 1 January 2014	–	2,092,845	15,259,639	137,915	17,490,399
Charge for the financial year	–	227,880	650,900	131,363	1,010,143
Disposal of subsidiary	–	(472,214)	(1,558,223)	–	(2,030,437)
At 31 December 2014	–	1,848,511	14,352,316	269,278	16,470,105
Charge for the financial year	–	207,845	534,437	131,363	873,645
Disposal	–	–	–	–	–
At 31 December 2015	–	2,056,356	14,886,753	400,641	17,343,750
Net book value					
At 31 December 2015	2,386,800	10,823,764	7,642,937	812,512	21,666,013
At 31 December 2014	2,386,800	11,031,609	8,177,374	943,875	22,539,658

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Furniture, fittings and equipment RM	Renovation RM	Total RM
Company			
2015			
Cost			
At 1 January 2015/ 31 December 2015	20,944	104,907	125,851
Accumulated depreciation			
At 1 January 2015	20,944	62,943	83,887
Charge for the financial year	–	20,981	20,981
At 31 December 2015	20,944	83,924	104,868
Net book value			
At 31 December 2015	–	20,983	20,983
2014			
Cost			
At 1 January 2014/ 31 December 2014	20,944	104,907	125,851
Accumulated depreciation			
At 1 January 2014	20,944	41,962	62,906
Charge for the financial year	–	20,981	20,981
At 31 December 2014	20,944	62,943	83,887
Net book value			
At 31 December 2014	–	41,964	41,964

Freehold land, leasehold land and building of the Group amounting to RM11,954,406 (2014: RM12,522,377) are mortgaged to secured bank borrowing as stated in Note 21 to the financial statements.

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Recognised in profit or loss (Note 9)				
- Cost of sales	6,803,388	8,338,722	–	–
- Administrative expenses	605,067	777,063	20,981	20,981
- Selling expenses	34,343	40,521	–	–
	7,442,798	9,156,306	20,981	20,981

15. LAND USE RIGHTS

	Group	
	2015	**2014**
	RM	**RM**
Cost		
At 1 January/31 December	1,337,376	1,337,376
Accumulated amortisation		
At 1 January	375,176	321,946
Charge for the financial year (Note 9)	53,230	53,230
At 31 December	428,406	375,176
Net book value		
At 31 December	908,970	962,200

The land use rights are not transferable and have a remaining tenure of 17 years (2014: 18 years).

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	**2014**
	RM	**RM**
Cost		
Unquoted shares, at cost	92,152,988	96,143,502
Disposal	–	(3,990,514)
	92,152,988	92,152,988
Accumulated impairment losses		
At 1 January	(13,086,051)	(6,811,905)
Addition	–	(7,500,000)
Disposal	–	1,225,854
At 31 December	(13,086,051)	(13,086,051)
Net carrying amount	79,066,937	79,066,937

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. INVESTMENTS IN SUBSIDIARIES (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 2015 %	2014 %
Cymao Plywood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood and provision of barge hiring services	Sandakan	100	100
Billion Apex Sdn. Bhd.	Dormant	Sandakan	100	100
Inovwood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood	Sandakan	100	100
Syabas Mujur Sdn. Bhd.	Sales and extraction of log timber operations. Operations temporarily ceased.	Sandakan	100	100
Poly-Ply Industries Sdn. Bhd.	Manufacturing of polyester-overlaid plywood	Klang	100	100

Disposal of subsidiary

In the previous financial year, on 30 October 2014, the Group disposed of its 100% equity interest in Malsa Wood Products Sdn. Bhd. for a total consideration of RM2,349,684 comprising of cash settlement. The subsidiary was previously reported as dormant. The disposal had the following effects on the financial position of the Group as at the end of the previous financial year:

	Group 2014 RM
Property, plant and equipment	2,849,884
Trade and other receivables	1,760
Cash and bank balances	3,741
Other payables	(732,882)
Net assets disposed	2,122,503
Total disposal proceeds, net of incidental costs	2,349,684
Gain on disposal to the Group	227,181
Cash flow arising on disposal:	
Cash consideration	2,349,684
Cash and cash equivalent of subsidiaries disposed	(3,741)
Net cash inflow on disposal	2,345,943

17. DEFERRED TAX LIABILITIES

	Group	
	2015	2014
	RM	RM
At 1 January	1,782,641	76,337
Recognised in profit or loss (Note 13)	70,512	1,706,304
At 31 December	1,853,153	1,782,641

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

	Property, plant and equipment RM	Unutilised tax losses and unabsorbed allowances RM	Total RM
Group			
Deferred tax liabilities/ (assets)			
At 1 January 2015	3,927,964	(2,145,323)	1,782,641
Recognised in profit or loss	70,512	–	70,512
At 31 December 2015	3,998,476	(2,145,323)	1,853,153
At 1 January 2014	5,338,802	(5,262,465)	76,337
Recognised in profit or loss	(1,410,838)	3,117,142	1,706,304
At 31 December 2014	3,927,964	(2,145,323)	1,782,641

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

	Group	
	2015	2014
	RM	RM
Capital allowance in excess of depreciation	(327,412)	–
Unutilised tax losses	(21,162,293)	(22,060,531)
Unabsorbed capital allowance	(42,215,574)	(41,489,514)
Unutilised reinvestment allowance	(15,520,604)	(11,901,121)
	(79,225,883)	(75,451,166)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Current				
Trade receivables				
Third parties	17,465,027	13,422,413	–	–
Allowance for doubtful debts	(42,569)	(42,569)	–	–
	17,422,458	13,379,844	–	–
Other receivables				
Amounts due from subsidiaries	–	–	11,180,391	13,301,242
Deposits for log supplies	4,604,979	3,217,085	–	–
Prepayments	1,373,973	367,554	15,431	6,129
Staff advances	4,949	23,484	–	–
Sundry deposits	1,865,726	965,574	–	516
Sundry receivables	1,525,748	1,205,103	–	16,072
	9,375,375	5,778,800	11,195,822	13,323,959
Allowance for doubtful debts	(212,452)	(212,452)	–	–
	9,162,923	5,566,348	11,195,822	13,323,959
Total	26,585,381	18,946,192	11,195,822	13,323,959
Non-current				
Other receivables				
Deposits for acquisition of machineries	1,647,233	1,644,900	–	–
Total (current and non-current)	28,232,614	20,591,092	11,195,822	13,323,959

(a) **Trade receivables**

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 45 to 60 days (2014: 45 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

(a) **Trade receivables (Cont'd)**

Ageing analysis of trade receivables

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

	Gross amount RM	Individual impairment RM	Carrying value RM
Group			
2015			
Neither past due nor impaired	7,314,767	–	7,314,767
Past due			
Less than 60 days	4,224,776	–	4,224,776
Between 61 to 120 days	5,882,235	–	5,882,235
Between 121 to 365 days	–	–	–
More than 365 days	43,249	(42,569)	680
	10,150,260	(42,569)	10,107,691
	17,465,027	(42,569)	17,422,458
2014			
Neither past due nor impaired	13,298,704	–	13,298,704
Past due			
Less than 60 days	80,460	–	80,460
Between 61 to 120 days	–	–	–
Between 121 to 365 days	–	–	–
More than 365 days	43,249	(42,569)	680
	123,709	(42,569)	81,140
	13,422,413	(42,569)	13,379,844

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM10,107,691 (2014: RM81,140) that are past due but not impaired at the reporting date. These balances are unsecured in nature.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) **Allowance for doubtful debts**

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Allowance for doubtful debts for trade receivables:				
At 1 January	42,569	–	–	–
Charge for the financial year	–	42,569	–	–
Written off	–	–	–	–
	42,569	42,569	–	–
Allowance for doubtful debts for other receivables:				
At 1 January	212,452	–	–	3,741,679
Charge for the financial year	–	212,452	–	–
Written off	–	–	–	(3,741,679)
	212,452	212,452	–	–
	255,021	255,021	–	–

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

(c) **Amounts due from subsidiaries**

Amounts due from subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and to be settled in cash.

(d) **Deposits for log supplies**

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

19. INVENTORIES

	Group	
	2015	**2014**
	RM	**RM**
Cost		
Raw materials	10,709,301	14,727,931
Work-in-progress	7,464,047	1,675,704
Finished goods	951,686	2,464,468
Materials and supplies	2,344,387	2,680,888
Goods-in-transit	1,302,988	–
	22,772,409	21,548,991
Net realisable value		
Work–in–progress	–	2,674,662
Finished goods	4,150,958	7,182,799
	4,150,958	9,857,461
	26,923,367	31,406,452
Less: Allowance for slow moving inventories	(227,005)	–
	26,696,362	31,406,452

The write-down of inventories to net realisable value recognised as an expense during the year amounted to RM171,580 for the year ended 31 December 2015 (2014: RM804,693)

20. CASH AND BANK BALANCES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Cash in hand	44,047	63,322	–	–
Cash at banks	3,360,625	2,744,732	14,039	178,287
Deposits with licensed banks	4,360,946	1,858,703	–	–
Cash and bank balances	7,765,618	4,666,757	14,039	178,287
Bank overdraft (Note 21)	(150,088)	(816,489)	–	–
Less: Short term deposits with licensed banks with maturity of more than three months	(1,385,573)	(1,385,573)	–	–
Cash and cash equivalents	6,229,957	2,464,695	14,039	178,287

Deposits with licensed banks are made up for varying periods of between a few days and twelve months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2015 for the Group was 2.95% (2014: 3.15%).

Deposits with licensed banks of the Group amounting to RM1,385,573 (2014: RM1,385,573) are pledged as securities for bank guarantees granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. LOANS AND BORROWINGS

	Group	
	2015 RM	2014 RM
Current		
Secured:		
Bank overdrafts	150,088	816,489
Bankers' acceptance	6,926,000	5,532,000
Term loan	98,793	89,134
Foreign currency trade loan	–	949,756
	7,174,881	7,387,379
Non-current		
Secured:		
Term loan	1,485,685	1,589,615
Total loans and borrowings	8,660,566	8,976,994

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

	Group	
	2015 RM	2014 RM
On demand or within one year	7,174,881	7,387,379
Between one to two years	104,211	89,134
Between two to five years	348,186	267,403
More than five years	1,033,288	1,233,078
	8,660,566	8,976,994

Bank overdrafts

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

Bankers' acceptance

These are used to finance purchases of the Group denominated in Ringgit Malaysia (RM) and are short term in nature. The effective interest rate ranges from 3.45% to 3.95% (2014: 3.35% to 3.50%) per annum.

Foreign currency trade loan

Foreign currency trade loan is used to finance purchases of the Group denominated in foreign currencies and are short term in nature. The effective interest rate ranges from 2.50% to 2.55% (2014: 2.50% to 2.55%) per annum.

21. LOANS AND BORROWINGS (CONT'D)

Term loan

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

These loans and borrowings are secured by:

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

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

(iii) a corporate guarantee issued by the Company.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade payables				
Third parties	5,818,064	4,517,629	–	–
Non–trade payables				
Amounts due to subsidiaries	–	–	11,056,138	12,834,568
Accruals	2,978,691	3,597,331	180,000	231,000
Deposits received from customers	36,938	37,006	–	–
Other payables	1,652,559	1,007,134	63,094	289,706
Sales receivable in advance	822,648	54,837	–	–
	5,490,836	4,696,308	11,299,232	13,355,274
	11,308,900	9,213,937	11,299,232	13,355,274

(a) **Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 60 days.

(b) **Other payables**

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

(c) **Amounts due to subsidiaries**

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of Ordinary Shares of RM1 Each		Amount	
	2015	2014	2015 RM	2014 RM
Authorised share capital				
At 1 January and 31 December	100,000,000	100,000,000	100,000,000	100,000,000

Group and Company

Issued and fully paid	Number of ordinary shares of RM1 each: Share capital (issued and fully paid)	Number of ordinary shares of RM1 each: Treasury shares	Amount: Share capital (issued and fully paid) RM	Amount: Share premium RM	Amount: Total share capital and share premium RM	Amount: Treasury shares RM	Amount: Total excluding treasury shares RM
At 1 January 2015	75,000,000	(1,464,500)	75,000,000	17,374,387	92,374,387	(630,909)	91,743,478
Purchase of treasury shares	–	–	–	–	–	–	–
Re–issuance of treasury shares	–	–	–	–	–	–	–
At 31 December 2015	75,000,000	(1,464,500)	75,000,000	17,374,387	92,374,387	(630,909)	91,743,478
At 1 January 2014	75,000,000	(444,500)	75,000,000	17,374,387	92,374,387	(183,593)	92,190,794
Purchase of treasury shares	–	(1,100,000)	–	–	–	(485,716)	(485,716)
Re–issuance of treasury shares	–	80,000	–	–	–	38,400	38,400
At 31 December 2014	75,000,000	(1,464,500)	75,000,000	17,374,387	92,374,387	(630,909)	91,743,478

(a) **Share capital**

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

(b) **Treasury shares**

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consist 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.

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

(b) **Treasury shares (Cont'd)**

Of the total 75,000,000 issued and fully paid ordinary shares as at 31 December 2015, 1,464,500 (2014: 1,464,500) are held as treasury shares by the Company. As at 31 December 2015, the number of outstanding ordinary shares in issue after the setoff is therefore 73,535,500 (2014: 73,535,500) ordinary shares of RM1 each.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

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.

Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the year:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Salaries and bonus paid to daughter of Managing Director, Lin, Tsai-Rong	10,000	99,000	–	–
Transactions with a company in which a Director of the Company is also Director and has financial interest				
Purchase of flour	–	847,850	–	–
Purchase of plant and equipment	320,000	300,000	–	–

Compensation of key management personnel

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Short-term employee benefits	2,273,000	2,186,000	159,000	180,000
Contributions to defined contribution plans	–	–	–	–
	2,273,000	2,186,000	159,000	180,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel (Cont'd)

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

The terms and conditions and prices of the above transactions are mutually agreed between the parties. Related party balances are unsecured, interest free and repayable on demand. Related party balances are disclosed in Note 18 and 22, and other than amounts due from and to subsidiary companies, there are no related party balances as at 31 December 2015 and 31 December 2014.

25. CONTINGENT LIABILITIES

In February 2015, the subsidiary company of the Company was served with writ of summons from a sub-contractor demanding repayment of amounts alleged owed to them totalling RM504,052 together with interest and other cost. The subsidiary company is disputing this claim and the matter has been fixed for trial from 18 to 22 April 2016. Due to uncertainty of the eventual outcome, this amount is not recognised in the financial statements but disclosed as a contingent liability in accordance with the requirements of MFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015		2014	
	Carrying amount RM	Loans and receivables RM	Carrying amount RM	Loans and receivables RM
Group				
Financial assets				
Trade and other receivables	25,211,408	25,211,408	18,578,638	18,578,638
Cash and bank balances	7,765,618	7,765,618	4,666,757	4,666,757
	32,977,026	32,977,026	23,245,395	23,245,395
Company				
Financial assets				
Trade and other receivables	11,180,391	11,180,391	13,317,830	13,317,830
Cash and bank balances	14,039	14,039	178,287	178,287
	11,194,430	11,194,430	13,496,117	13,496,117

26. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (Cont'd)

	2015		2014	
	Carrying amount RM	**Financial liabilities at amortised cost RM**	**Carrying amount RM**	**Financial liabilities at amortised cost RM**
Group				
Financial liabilities				
Trade and other payables	11,308,900	11,308,900	9,213,937	9,213,937
Loans and borrowings	8,660,566	8,660,566	8,976,994	8,976,994
	19,969,466	19,969,466	18,190,931	18,190,931
Company				
Financial liabilities				
Trade and other payables	11,299,232	11,299,232	13,355,274	13,355,274
Loans and borrowings	–	–	–	–
	11,299,232	11,299,232	13,355,274	13,355,274

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Trade and other receivables				
As reflected in the Statement of Financial Position (Note 18)	28,232,614	20,591,092	11,195,822	13,323,959
Less: Prepayment	(1,373,973)	(367,554)	(15,431)	(6,129)
Less: Non-refundable deposits	(1,647,233)	(1,644,900)	–	–
Loans and receivables	25,211,408	18,578,638	11,180,391	13,317,830

Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Net gains/ (losses) arising on:				
Loans and receivables				
- Impairment loss	(16,390)	(4,516,464)	(16,390)	–
- Realised and unrealised gain/ (loss) on foreign exchange	907,440	18,417	20,184	4,059
- Interest income	3,096	66,246	–	–
Financial liabilities at amortised cost				
- Interest expense	(306,808)	(247,346)	–	–
	587,338	(4,679,147)	3,794	4,059

26. FINANCIAL INSTRUMENTS (CONT'D)

Fair value of financial instruments

Trade and other receivables, trade and other payables and loans and borrowings are not carried at fair value but their carrying amounts are a reasonable approximation of fair value. The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Financial guarantees

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

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

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

27. FINANCIAL RISK MANAGEMENT

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

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

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

Exposure to credit risk

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

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

(ii) a nominal amount of RM10,000,000 (2014: RM10,000,000) relating to a corporate guarantee provided by the Company to a bank for credit facilities granted to its subsidiaries.

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

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (Cont'd)

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

Credit risk concentration profile

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

	2015		2014	
	RM	**% of total**	**RM**	**% of total**
Malaysia	9,319,432	53%	10,339,319	77%
Singapore	462,353	3%	97,483	1%
Australia	1,003,758	6%	377,428	3%
Middle East	5,587,486	32%	1,073,080	8%
United States of America	744,797	4%	859,032	6%
Other countries	304,632	2%	633,502	5%
	17,422,458	100%	13,379,844	100%

The Group also has concentration of credit risk from 6 (2014: 4) individual counterparties totalling RM14,662,542 (2014: RM7,201,153), representing 52% (2014: 35%) of total trade and other receivables. Concentration of credit risk from individual counterparties is monitored based on individual balances above RM1,000,000.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2015				
Financial assets				
Trade and other receivables	25,211,408	–	–	25,211,408
Cash and bank balances	7,765,618	–	–	7,765,618
Total financial assets	32,977,026	–	–	32,977,026
Financial liabilities				
Trade and other payables	11,308,900	–	–	11,308,900
Loans and borrowings	7,257,252	724,656	1,055,852	9,037,760
Total financial liabilities	18,566,152	724,656	1,055,852	20,346,660
Total net financial assets/ (liabilities)	14,410,874	(724,656)	(1,055,852)	12,630,366
2014				
Financial assets				
Trade and other receivables	18,578,638	–	–	18,578,638
Cash and bank balances	4,666,757	–	–	4,666,757
Total financial assets	23,245,395	–	–	23,245,395
Financial liabilities				
Trade and other payables	9,213,937	–	–	9,213,937
Loans and borrowings	7,387,379	724,656	1,162,469	9,274,504
Total financial liabilities	16,601,316	724,656	1,162,469	18,488,441
Total net financial assets/ (liabilities)	6,644,079	(724,656)	(1,162,469)	4,756,954

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) **Liquidity risk (Cont'd)**

Analysis of financial instruments by remaining contractual maturities (Cont'd)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Company				
2015				
Financial assets				
Trade and other receivables	11,180,391	–	–	11,180,391
Cash and bank balances	14,039	–	–	14,039
Total financial assets	11,194,430	–	–	11,194,430
Financial liabilities				
Trade and other payables	11,299,232	–	–	11,299,232
Loans and borrowings	–	–	–	–
Total financial liabilities	11,299,232	–	–	11,299,232
Total net financial liabilities	(104,802)	–	–	(104,802)
2014				
Financial assets				
Trade and other receivables	13,317,830	–	–	13,317,830
Cash and bank balances	178,287	–	–	178,287
Total financial assets	13,469,117	–	–	13,469,117
Financial liabilities				
Trade and other payables	13,355,274	–	–	13,355,274
Total net financial assets	140,843	–	–	140,843

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) 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 months from the reporting date.

Sensitivity analysis for interest rate risk

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

	Group	
	2015 RM	**2014 RM**
Effects on loss after taxation		
Increase of 45bp	(5,706)	5,774
Decrease of 45bp	5,706	(5,774)

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

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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 42% (2014:34%) of the Group's sales are denominated in foreign currencies whilst all the costs are denominated in the functional currency of the Group entities. The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

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

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Foreign currency risk (Cont'd)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<u>United States Dollar</u>				
Financial assets				
Cash and bank balances	2,516,288	754,329	–	–
Trade receivables	2,625,940	3,051,001	–	–
	5,142,228	3,805,330	–	–
Financial liabilities				
Trade and other payables	(843,703)	(158,274)	–	–
Net financial assets held in non-functional currencies	4,298,525	3,647,056	–	–

<u>Sensitivity analysis for foreign currency risk</u>

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Effects on loss after taxation				
USD/ RM				
Strengthened by 20% (2014: 5%)	(897,890)	199,653	–	–
Weakened by 20% (2014: 5%)	897,890	(199,653)	–	–

28. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

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

28. CAPITAL MANAGEMENT (CONT'D)

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Loans and borrowings	21	8,660,566	8,976,994	–	–
Less: Cash and bank balances	20	(7,765,618)	(4,666,757)	(14,039)	(178,287)
Net debt		894,948	4,310,237	(14,039)	(178,287)
Equity attributable to owners of the Company		77,558,364	79,627,155	78,998,549	79,255,873
Gearing ratio		0.01	0.05	–	–

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

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

29. SIGNIFICANT EVENTS

In August 2015, the subsidiary company of the Company, Cymao Plywood Sdn. Bhd. ("CPSB") entered into a Memorandum of Understanding with Sapulut Forest Development Sdn. Bhd. for the development of a timber processing facility via a joint venture entity for which CPSB would hold a 40% shareholding. This Memorandum of Understanding was finalised in January 2016 via a shareholder agreement with Eureka Reward Sdn. Bhd., a company affiliated to Sapulut Forest Development Sdn. Bhd. and People Fortune Sdn. Bhd., a company to be used as the joint venture vehicle. Pursuant to this agreement, the initial funding is RM3,500,000 comprising the initial paid-up capital of RM2,000,000 and a shareholders' loan of RM1,500,000, contributed proportionately by the two shareholders. This agreement is effective on fulfilment of certain condition precedents which as at the date of this report, has not yet been fulfilled. Once effective, the financial result of the joint venture entity will be equity accounted for and included in the financial statements of the Group, for the financial year ending 31 December 2016.

In October 2015, the Company entered into a Memorandum of Understanding with Golden Pharos Berhad for the development of vertically integrated sustainable timber processing industries via a joint venture entity. In December 2015, the joint venture agreement was entered by the subsidiary of the Company, Cymao Plywood Sdn. Bhd. ("CPSB") and the subsidiary of Golden Pharos Berhad, Permint Plywood Sdn. Bhd. ("PPSB") with the aim of reviving PPSB timber manufacturing plant in Terengganu and expanding CPSB's downstream activities, for which CPSB would hold a 40% shareholding. Pursuant to this agreement, a separate joint venture entity is to be established for this purpose with a paid-up capital of RM1,600,000. This financial result of joint venture entity will be equity accounted for and included in the financial statements of the Group once it is established, which would be during the financial year ending 31 December 2016. As at the date of this report, this joint venture entity has not yet been established.

30. SEGMENT INFORMATION

Operating segment

The Group was principally involved in manufacturing and sale of plywood products, which were 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.

Geographical information

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

	Group	
	2015	**2014**
	RM	**RM**
Asia	4,770,042	3,587,906
Europe	2,295,424	3,328,677
Malaysia	75,772,935	77,325,301
United States of America	13,008,064	10,232,124
South-West Pacific	13,422,975	9,593,178
Others	22,379,780	12,659,062
	131,649,220	116,726,248

Major customers

Revenue from 16 (2014: 8) major customers amounted to RM72,666,418 (2014: RM43,654,429) arising from sale of wood products.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	(10,233,655)	(6,109,192)	(12,744,929)	(12,487,605)
- Unrealised	1,853,153	(483,533)	–	–
	(8,380,502)	(6,592,725)	(12,744,929)	(12,487,605)
Less: Consolidation adjustments	(5,804,612)	(5,523,598)	–	–
Total accumulated losses as per Statements of Financial Position	(14,185,114)	(12,116,323)	(12,744,929)	(12,487,605)

32. GENERAL

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

The principal activity of the Company is investment holding.

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

There has been no significant change in the nature of these principal activities during the financial year ended 31 December 2015.

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

The financial statements are presented in Ringgit Malaysia.

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

SHAREHOLDERS' INFORMATION

as at 31 March 2016

Authorised capital	:	RM100,000,000
Issued and fully paid capital	:	RM75,000,000
Class of shares	:	Ordinary shares of RM1.00 each
Treasury shares	:	1,464,500 ordinary shares of RM1.00 each
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

Holdings	No. of Shareholders	%	Total Holdings	%
less than 100	69	3.15	3,028	0.00
100 to 1,000	814	37.12	275,947	0.38
1,001 to 10,000	945	43.09	4,307,000	5.86
10,001 to 100,000	317	14.45	9,626,850	13.09
100,001 to less than 5% of issued shares	43	1.96	25,205,925	34.28
5% and above of issued shares	5	0.23	34,116,750	46.39
Total	2,193	100.00	73,535,500	100.00

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	DirectInterest	%	Deemed Interest	%
1. Lin, Tsai-Rong	21,100,000	28.69	–	–
2. Lin, Kai-Min	7,973,750	10.84	–	–
3. Lin, Kai-Hsuan	4,330,500	5.89	–	–

DIRECTORS' SHAREHOLDINGS

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

SHAREHOLDERS' INFORMATION (CONT'D)

LIST OF 30 LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Lin, Tsai-Rong	21,100,000	28.69
2.	Lin, Kai-Min	7,973,750	10.84
3.	Lin, Kai-Hsuan	4,330,500	5.89
4.	Lembaga Tabung Haji	3,664,800	4.98
5.	Addeen Equity Sdn. Bhd.	2,000,000	2.72
6.	Public Nominees (Tempatan) Sdn Bhd [Pledged securities account for Lee, Ming-Che]	1,988,800	2.70
7.	Hsu, How-Tong	1,854,000	2.52
8.	Zulkifli Bin Hussain	1,600,000	2.18
9.	Lim Kah Yam	1,443,175	1.96
10.	Chong Annie	1,300,375	1.77
11.	MKW Jaya Sdn Bhd	1,062,400	1.44
12.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ong Kok Thye]	963,300	1.31
13.	Henry Liang	744,000	1.01
14.	RHB Capital Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Su Ming Ming]	716,400	0.97
15.	Bensville Resources Sdn. Bhd.	699,100	0.95
16.	Lin, Kai-Wen	650,000	0.88
17.	Hsu, Hao-Huang	630,000	0.86
18.	Sim Tze Yang	547,700	0.74
19.	Chan Kai Lum	371,000	0.50
20.	Public Nominees (Asing) Sdn Bhd [Pledged securities account for Chen Huang, Kuei-Liang]	351,500	0.48
21.	Goh Beng Choo	334,700	0.46
22.	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ling Chuo Hua]	324,100	0.44
23.	Lee Wee Thiam	310,000	0.42

SHAREHOLDERS' INFORMATION (CONT'D)

LIST OF 30 LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares	%
24.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Ting Yuet May]	308,500	0.42
25.	Cheong Chee Hong	292,100	0.40
26.	Tay Ying Lim @ Tay Eng Lim	279,900	0.38
27.	Public Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Chen Siong Ping]	250,000	0.34
28.	Willy Ming Chuang	246,000	0.33
29.	WCL Continuation Sdn. Bhd.	237,500	0.32
30.	Lee Wan Yean	230,000	0.31

LIST OF PROPERTIES

as at 31 December 2015

	Company owned	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq. ft.)	Lease Tenure from/to	Approximate Age of Building	NBV @ 31/12/2015
1	CPSB	TL 077565434 9.1KM Jalan Batu Sapi 90000 Sandakan Sabah	8.1	Industrial land with plywood factory and ancillary buildings	352,713	Leasehold 99 years (expiring 31.12.2068)	21	2,596,657
2	CPSB	TL 077574200 9.1KM Jalan Batu Sapi 90000 Sandakan Sabah	4.85	Industrial land with log conditioning shed and temporary labour quarters	211,187	Leasehold 99 years (expiring 31.12.2096)	21	430,227
3	ISB	TL 077517081 8.4KM Jalan Batu Sapi 90000 Sandakan Sabah	5.91	Industrial land with plywood factory and ancillary buildings	257,345	Leasehold 99 years (expiring 31.12.2073)	24	4,560,857
4	ISB	TL 077526599 8.4KM Jalan Batu Sapi 90000 Sandakan Sabah	4.37	Industrial land with plywood factory and ancillary buildings	190,287	Leasehold 99 years (expiring 31.12.2068)	24	3,401,916
5	ISB	TL 077528039 8.4KM Jalan Batu Sapi 90000 Sandakan Sabah	0.73	Industrial land with plywood factory and ancillary buildings	31,787	Leasehold 99 years (expiring 31.12.2068)	24	568,865
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)	–	2,410,115
7	ISB	Lease No.077521183 Lease No.077521192 Lease No.077521209 Lease No.077521218 Lease No.077521281 Lease No.077521290 Lease No.077521361 Lease No.077521370 Lease No.077521389 Lease No.077521398 Lease No.077521405 Lease No.077521414 Lease No.077521423 Lease No.077521432 Lease No.077521441 Lease No.077521450 Lease No.077521469 Lease No.077521478	10.32	Vacant	–	Leasehold 99 years (expiring 24.05.2034)	–	1,221,880

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 @ 31/12/2015
		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 Lease No.077522199 Lease No.077522206 Lease No.077522215 Lease No.077522224 Lease No.077522233						

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 @ 31/12/2015
		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	28	6,579,957

NOTICE OF
EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be convened and held at Amadeus I & II, Level 2, Sabah Hotel, KM 1, Jalan Utara, Sandakan, Sabah on Saturday, 28 May 2016 at 10.00 a.m. to transact the following business:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.

2. To approve payment of Directors' fees in respect of the financial year ended 31 December 2015. **Resolution 1**

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

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

   (i) "THAT Mr Lin, Tsai-Rong who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 3**

   (ii) "THAT Mdm Lin Hsu, Li-Chu, who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 4**

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

6. As Special Business:

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

   (a) Ordinary Resolution
   Authority to Issue Shares **Resolution 6**

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

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONT'D)

6. As Special Business: (Cont'd)

To consider and if thought fit, pass the following resolutions: (Cont'd)

(b) Ordinary Resolution **Resolution 7**
Proposed Renewal of Authority for Purchase of Own Shares by the Company

"THAT subject always to the Companies Act, 1965 ("the Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules, regulations and the Company's Articles of Association, the Directors of the Company be and are hereby authorized to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, subject to the following:

(i) the maximum number of shares which may be purchased and/or held by the Company shall not exceed 10% of the issued and paid-up share capital of the Company ("Shares") for the time being;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained earnings and/or the share premium of the Company;

(iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company, unless earlier revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever is earlier, but not so as to prejudice the completion of purchases by the Company before the aforesaid expiry date and, in any event , in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authority; and

(iv) upon completion of the purchases of the Shares, the Directors of the Company be and are hereby authorized to deal with the Shares in the following manner:

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

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase of its own Shares."

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONT'D)

6. As Special Business: (Cont'd)

To consider and if thought fit, pass the following resolutions: (Cont'd)

(c) Ordinary Resolution **Resolution 8**
Proposed Retention of Independent Director
- Mr Hiew Seng

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

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

By Order of the Board

Katherine Chung Mei Ling
(MAICSA 7007310)
Company Secretary

Tawau

Dated: 29 April 2016

Notes:

1. *A Member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a Member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

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

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

4. *Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.*

6. *Depositors who appear on the Record of Depositors as at 24 May 2016 shall be regarded as Members of the Company entitled to attend at the Eighteenth Annual General Meeting or appoint proxy/proxies to attend and*

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONT'D)

vote on his/her behalf.

7. EXPLANATORY NOTE ON SPECIAL BUSINESS

Ordinary Resolution 6

The proposed Resolution 6 is the renewal of general mandate for the authority to issue shares pursuant to Section 132D of the Act, if passed, will give the Directors of the Company, from the date of the above general meeting, authority to issue and allot shares from the unissued capital of the Company for such purpose as the Directors may deem fit and in the interest of the Company provided it does not exceed 10% of the issued share capital of the Company for the time being. This authority, unless revoked and varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

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

As at the date of the Notice, the Company did not issue any new shares pursuant to the mandate granted to the Directors at the Seventeenth Annual General Meeting held on 20 June 2015 and hence no proceeds were raised.

Ordinary Resolution 7

The proposed Resolution 7 is in relation to proposed renewal of authority for purchase of own shares by the Company, if passed, will empower the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company pursuant to Section 67A of the Act. The authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

Please refer to Share Buy Back Statement dated 29 April 2016 for further information.

Ordinary Resolution 8

The proposed Resolution 8, if passed, will retain Mr Hiew Seng as Independent Director of the Company to fulfill the paragraph 3.04 of the Main Market Listing Requirements and in line with the Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012.

As of the date of this Notice of AGM, Mr Hiew Seng has served the Company for more than eleven (11) years. Accordingly he has satisfied with the test of independence based on guidelines set out in the Main Market Listing Requirements. The Board, therefore, would like to recommend Mr Hiew Seng to be retained as Independent Director of the Company for the following reasons:

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

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

CYMAO

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

Number of shares held

PROXY FORM

I/We, ...

of ....

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

of ....

or *THE CHAIRMAN OF THE MEETING or failing him/her,.. ....

of ....

as my/our proxy(ies), to vote for me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Amadeus I & II, Level 2, Sabah Hotel, KM 1, Jalan Utara, Sandakan, Sabah on Saturday, 28 May 2016 at 10.00 a.m. and at any adjournment thereof.

* If you wish to appoint other person(s) to be your proxy/ proxies, kindly delete the words" The Chairman of the Meeting or failing him" and insert the name(s) of the person(s) desired.

Please indicate you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

My/Our proxy(ies) is/are to vote as indicated below:

		For	Against
Resolution 1	Payment of Directors' fees		
Resolution 2	Re-election of Mr Lin, Kai-Hsuan		
Resolution 3	Re-appointment of Mr Lin, Tsai-Rong		
Resolution 4	Re-appointment of Mdm Lin Hsu, Li-Chu		
Resolution 5	Re-appointment of Auditors		
Resolution 6	Authority to Issue Shares		
Resolution 7	Proposed renewal of authority for purchase of own shares by the Company		
Resolution 8	Proposed retention of Mr Hiew Seng as Independent Director		

Dated this ....day of ...., 2016

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

Notes:

1. *A Member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a Member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
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3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
4. *Where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
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6. *Depositors who appear on the Record of Depositors as at 24 May 2016 shall be regarded as Members of the Company entitled to attend at the Eighteenth Annual General Meeting or appoint proxy/proxies to attend* and *vote on his/her behalf.*

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AFFIX
STAMP

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

Then fold here

CYMAO HOLDINGS BERHAD (445931-U)

Sabah Office
9.1 KM, Jalan Batu Sapi,
Locked Bag No. 13,90009 Sandakan, Sabah, East Malaysia
Tel : 6089 612 233 (5 Lines) | Fax : 6089 612 607 / 6089 606 489
Email : info@cymao.com | Website : www.cymao.com