Cymao Holdings Berhad

(Co. No. 445931 - U)
(Incorporated in Malaysia)

Reports and Financial Statements
For The Financial Year Ended
31 December 2016
(In Ringgit Malaysia)

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

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

DIRECTORS' REPORT

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

Principal activities

The principal activity of the Company is investment holding.

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

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

Results

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

Reserves and provisions

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

Dividends

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

Directors

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

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

DIRECTORS' REPORT

Directors' interests in shares

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

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

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

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

Directors' benefits

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

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

Issues of shares and debentures

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

There were no debentures issued during the financial year.

Treasury shares

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

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.

Other statutory information (continued)

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

Other matters

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

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

Auditors

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

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

LIN, KAI-MIN
Director

SYED IBRAHIM BIN SYED ABD.RAHMAN
Director

Kuala Lumpur

Dated 22 APR 2017

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

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 15 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

In the opinion of the Directors, the supplementary information set out in Note 33 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

LIN, KAI-MIN	SYED IBRAHIM BIN SYED ABD.RAHMAN
Director	Director

Kuala Lumpur

Dated 2 2 APR 2017

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965
I, LIN, KAI-MIN, being the Director primarily responsible for the financial management of CYMAO HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 15 to 77 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed LIN, KAI-MIN)
at Kuala Lumpur)
on 2 2 APR 2017)

LIN, KAI-MIN

Before me,

PESURUHJAYA SUMPAH
No W533
Nama: YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
MALAYSIA

COMMISSIONER FOR OATHS

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

Accountants &
business advisers

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CYMAO HOLDINGS BERHAD**
(Co. No. 445931 - U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cymao Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 77.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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INDEPENDENT AUDITORS' REPORT
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(continued)

Key Audit Matters (continued)

Area of focus	How our audit addressed the key audit matter
Going concern	
As highlighted in the statements of profit or loss and other comprehensive income and statements of cash flows respectively, the Group's total comprehensive loss for the financial year had increased from RM2,068,791 in the previous financial year to RM7,472,858 for the current financial year while its net cash from operating activities of the Group deteriorated from a surplus of RM4,949,578 to a surplus of RM756,609. The judgements made by the Directors in assessing whether any material uncertainties exist which cast significant doubt as to the Group's ability to meet its liabilities and whether the mitigating actions identified by management are achievable, are therefore considered a matter of most significance.	We obtained and reviewed the going concern assessment prepared by management including the one year cash flow forecast. We additionally reviewed their log supply contracts to ascertain the sufficiency of logs to support the level of operations forecasted for the next financial year, and checked the Group's compliance with the borrowing terms and did not note any non-compliance.

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INDEPENDENT AUDITORS' REPORT
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Key Audit Matters (continued)

Area of focus	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
As highlighted before, the Group's losses for the current financial year had increased significantly, which is an indicator that its plant and machinery may be impaired.	We obtained the Group's impairment review performed for Two (2) of the subsidiary companies that most contributed to the losses, Cymao Plywood Sdn. Bhd. and Inovwood Sdn. Bhd. As highlighted in Note 2.2 (a), Significant accounting judgments and estimates, the recoverable amount which is based on the fair value as valued by independent professional valuers during the financial year is significantly higher than their carrying values, and therefore no impairment is required. Due to the extent of the surplus between fair values and carrying values, the valuation is not deemed sensitive to any change in variables. We additionally performed the following: (i) assessed the competence, capabilities, objectivity and qualifications of the Director's independent valuers; (ii) discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitation upon them; and (iii) reviewed and assessed the significant assumptions and estimates used by the valuers in determining their final numbers and found them to be reasonable, as well as tested the mathematical accuracy of all calculations included within the final valuation reports.

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TO THE MEMBERS OF CYMAO HOLDINGS BERHAD
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Key Audit Matters (continued)

Area of focus	How our audit addressed the key audit matter
Valuation of receivables	
As highlighted in Note 18.2, other receivables of the Group amounted to RM5,840,122, of which RM352,916 has been outstanding for more than Six (6) months and RM1,097,596 for more than One (1) year, against an allowance for doubtful debts of RM184,887. Due to the significance of these balances, the judgements made by the Directors in assessing the adequacy of the allowance is therefore considered a matter of most significance.	Other receivables of the Group relate mainly to one of their subsidiary company, Cymao Plywood Sdn Bhd, whose total other receivables amounted to RM4,852,734, or approximately 83% of total Group other receivables. For those significant balances, we have checked subsequent receipts and for those long outstanding and without significant subsequent receipts, we have discussed with management their basis to support the recoverability of these amounts. Arising from this review, additional allowances for doubtful debts were made on certain debtors for which there are indications that these balances may not be recoverable in full.

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Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CYMAO HOLDINGS BERHAD
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We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

Other Reporting Responsibilities

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CYMAO HOLDINGS BERHAD
(Co. No. 445931 - U)
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Other Matters

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

PKF
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CHARTERED ACCOUNTANTS

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

Kota Kinabalu

Dated 2 2 APR 2017

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

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

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

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

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to the owners of the Company				
	Non-distributable			Distributable	
Group	**Share capital RM**	**Share premium RM**	**Treasury shares RM**	**Retained earnings/ (Accumulated losses) RM**	**Total equity RM**
At 1 January 2015	75,000,000	17,374,387	(630,909)	(12,116,323)	79,627,155
Loss for the financial year	-	-	-	(2,068,791)	(2,068,791)
At 31 December 2015	75,000,000	17,374,387	(630,909)	(14,185,114)	77,558,364
Loss for the financial year	-	-	-	(7,472,858)	(7,472,858)
At 31 December 2016	75,000,000	17,374,387	(630,909)	(21,657,972)	70,085,506

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

CYMAO HOLDINGS BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	← Attributable to owners of the Company				→
	← Non-distributable		→		
Company	**Share capital RM**	**Share premium RM**	**Treasury shares RM**	**Accumulated losses RM**	**Total equity RM**
At 1 January 2015	75,000,000	17,374,387	(630,909)	(12,487,605)	79,255,873
Loss for the financial year	-	-	-	(257,324)	(257,324)
At 31 December 2015	75,000,000	17,374,387	(630,909)	(12,744,929)	78,998,549
Loss for the financial year	-	-	-	(483,861)	(483,861)
At 31 December 2016	75,000,000	17,374,387	(630,909)	(13,228,790)	78,514,688

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

(forward)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

(continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

1. Basis of preparation

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

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

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

1.1. Adoption of new and revised MFRSs

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

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

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

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

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

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

1. Basis of preparation (continued)

1.1 Adoption of new and revised MFRSs (continued)

Accounting for Acquisitions of Interests in Joint Operations (continued)

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

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

Disclosure Initiative

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

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

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

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

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

1.2 Standards issued but not yet effective

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

Effective for annual periods commencing on or after 1 January 2017

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

1. Basis of preparation (continued)

1.2 Standards Issued but not yet effective (continued)

Effective for annual periods commencing on or after 1 January 2018

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

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16, Leases

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

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

The amendments clarify the following aspects:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

1. Basis of preparation (continued)

1.2 Standards issued but not yet effective (continued)

MFRS 9, Financial Instruments

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

(i) Classification and measurement

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

(ii) Impairment

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

1. Basis of preparation (continued)

1.2 Standards issued but not yet effective (continued)

MFRS 9, Financial Instruments (continued)

(ii) Impairment (continued)

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

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

MFRS 15, Revenue from Contracts with Customers

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

1. Basis of preparation (continued)

1.2 Standards issued but not yet effective (continued)

MFRS 16, Leases

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

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

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

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

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

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

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

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

2. Significant accounting judgments and estimates

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

2.1 Judgements made in applying accounting policies

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

(a) Deferred tax assets

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

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

2.2 Key sources of estimation uncertainty

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

(a) Impairment of property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

2. Significant accounting judgments and estimates (continued)

2.2 Key sources of estimation uncertainty (continued)

(b) Useful lives of plant and equipment

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

(c) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 27.

(d) Income taxes

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

3. Significant accounting policies

3.1 Consolidation and investments in associates and joint arrangements

Basis of consolidation

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

Control is achieved when the investor:

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

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

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

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

Investment in subsidiaries

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

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

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

3. Significant accounting policies (continued)

3.1 Consolidation and investments in associates and joint arrangements (continued)

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

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

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

Investment in associates

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

Joint venture

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

3. Significant accounting policies (continued)

3.1 Consolidation and investments in associates and joint arrangements (continued)

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

Joint operation

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

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

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

3.2 Goodwill

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

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

3. Significant accounting policies (continued)

3.3 Business combinations

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

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

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

3.4 Property, plant and equipment

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

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

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

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

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

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

3.5 Land use rights

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

3. Significant accounting policies (continued)

3.6 Impairment of non-financial assets

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

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

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

3.7 Financial instruments

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

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

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

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

Available-for-sale financial assets

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

3. Significant accounting policies (continued)

3.7 Financial instruments (continued)

Available-for-sale financial assets (continued)

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

Financial assets at fair value through profit and loss

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

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

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

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

Trade receivables

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

Cash and cash equivalents

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

3. Significant accounting policies (continued)

3.7 Financial instruments (continued)

Trade payables

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

Bank overdrafts and interest-bearing borrowings

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

Equity instruments

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

Treasury shares

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

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

Compound instruments

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

Impairment of financial assets

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

3. Significant accounting policies (continued)

3.7 Financial instruments (continued)

Offsetting financial instruments

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

Financial guarantee contracts

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

3.8 Inventories

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

3.9 Employee benefits

Short term benefits

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

Defined contribution plans

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

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

3. Significant accounting policies (continued)

3.10 Revenue recognition

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

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

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

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

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

3.11 Borrowings costs

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

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

3.12 Taxation

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

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

3. Significant accounting policies (continued)

3.12 Taxation (continued)

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

3.14 Foreign currency transactions

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

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

- exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalisation to assets under construction;

- exchange differences on transactions entered into to hedge foreign currency risks (assuming all hedge accounting tests are met); and

- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

3. Significant accounting policies (continued)

3.15 Fair value measurement

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

4. Revenue

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

5. Interest income

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

6. Other income

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

7. Other expenses

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

8. Finance costs

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

9. Loss before taxation

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

10. Employee benefits expense

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

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

11. Directors' remuneration

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

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

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

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

12. Income tax expense

Major components of income tax expense

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

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

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

13. Loss per share

13.1 Basic

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

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

13.2 Diluted

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

14. Property, plant and equipment

Group – 2016	Land and buildings* RM	Plant and machinery RM	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
Cost					
At 1 January 2016	39,009,763	107,180,274	142,830	4,905,234	151,238,101
Addition	3,772,046	1,915,266	22,317	-	5,709,629
Disposal	-	(2,585,123)	-	-	(2,585,123)
At 31 December 2016	42,781,809	106,510,417	165,147	4,905,234	154,362,607
Accumulated depreciation and impairment losses					
At 1 January 2016	17,343,750	94,003,775	112,141	3,805,706	115,265,372
Charge for the financial year	769,608	3,671,409	7,809	361,797	4,810,623
Written back	-	(1,834,558)	-	-	(1,834,558)
At 31 December 2016	18,113,358	95,840,626	119,950	4,167,503	118,241,437
Net book value					
At 31 December 2016	24,668,451	10,669,791	45,197	737,731	36,121,170

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

14. Property, plant and equipment (continued)

Group – 2015	Land and buildings* RM	Plant and machinery RM	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
Cost					
At 1 January 2015	39,009,763	105,663,918	121,801	4,905,234	149,700,716
Addition	-	1,516,356	21,029	-	1,537,385
At 31 December 2015	39,009,763	107,180,274	142,830	4,905,234	151,238,101
Accumulated depreciation and impairment losses					
At 1 January 2015	16,470,105	87,834,862	106,751	3,410,856	107,822,574
Charge for the financial year	873,645	6,168,913	5,390	394,850	7,442,798
At 31 December 2015	17,343,750	94,003,775	112,141	3,805,706	115,265,372
Net book value					
At 31 December 2015	21,666,013	13,176,499	30,689	1,099,528	35,972,729

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

14. Property, plant and equipment (continued)

* Land and buildings of the Group comprises:

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

14. Property, plant and equipment (continued)

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

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

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

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

15. Land use rights

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

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

16. Investments in subsidiaries

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

16. Investments in subsidiaries (continued)

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

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

17. Investments accounted for using the equity method

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

17. Investments accounted for using the equity method (continued)

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

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

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

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

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

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

18. Trade and other receivables

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Other receivables				
Deposits for acquisition of machineries	-	1,647,233	-	-
Total (current and non-current)	23,396,877	28,232,614	11,066,704	11,195,822

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

18.1 Trade receivables

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 30 to 60 days (2015: 45 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

18. Trade and other receivables (continued)

18.1. Trade receivables (continued)

Ageing analysis of trade receivables

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

Group	Gross amount RM	Individual impairment RM	Carrying value RM
2016			
Neither past due nor impaired	9,463,597	-	9,463,597
Past due			
Less than 60 days	6,782,656	-	6,782,656
Between 61 to 120 days	1,292,741	-	1,292,741
Between 121 to 365 days	17,121	-	17,121
More than 365 days	43,209	(42,569)	640
	8,135,727	(42,569)	8,093,158
	17,599,324	(42,569)	17,556,755

2015	Gross amount RM	Individual impairment RM	Carrying value RM
Neither past due nor impaired	7,314,767	-	7,314,767
Past due			
Less than 60 days	4,224,776	-	4,224,776
Between 61 to 120 days	5,882,235	-	5,882,235
Between 121 to 365 days	-	-	-
More than 365 days	43,249	(42,569)	680
	10,150,260	(42,569)	10,107,691
	17,465,027	(42,569)	17,422,458

18. Trade and other receivables (continued)

18.1. Trade receivables (continued)

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

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

18.2. Other receivables

Ageing analysis of other receivables

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

	Gross amount RM	Individual impairment RM	Carrying value RM
Group			
2016			
Neither past due nor impaired	2,791,612	-	2,791,612
Past due			
Less than 60 days	1,454,403	-	1,454,403
Between 61 to 120 days	328,482	-	328,482
Between 121 to 365 days	352,916	-	352,916
More than 365 days	1,097,596	(184,887)	912,709
	3,233,397	(184,887)	3,048,510
	6,025,009	(184,887)	5,840,122

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

18. Trade and other receivables (continued)

18.2. Other receivables (continued)

Ageing analysis of other receivables (continued)

	Gross amount RM	Individual Impairment RM	Carrying value RM
2015			
Neither past due nor impaired	4,309,849	-	4,309,849
Past due			
Less than 60 days	1,033,575	-	1,033,575
Between 61 to 120 days	908,839	-	908,839
Between 121 to 365 days	1,733,081	-	1,733,081
More than 365 days	1,390,031	(212,452)	1,177,579
	5,065,526	(212,452)	4,853,074
	9,375,375	(212,452)	9,162,923

18.3 Allowance for doubtful debts

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

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

18. Trade and other receivables (continued)

18.3 Allowance for doubtful debts (continued)

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

18.4 Amounts due from subsidiaries

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

18.5 Deposits for log supplies

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

19. Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

20. Cash and bank balances

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

Deposits with licensed banks are made up for varying periods of between a few days and twelve months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2016 for the Group was 2.95% (2015: 3.15%).

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

21. Loans and borrowings

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

21. Loans and borrowings (continued)

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

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

<u>Bank overdrafts</u>

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

<u>Bankers' acceptance</u>

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

<u>Term loans</u>

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

These loans and borrowings are secured by:

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

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

(iii) a corporate guarantee issued by the Company.

22. Trade and other payables

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

22.1 Trade payables

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

22.2 Other payables

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

22.3 Amounts due to subsidiaries

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

23. Deferred tax liabilities

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

24. Share capital, share premium and treasury shares

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

Group and Company

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

24. Share capital, share premium and treasury shares (continued)

24.1 Share capital

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

24.2 Treasury shares

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

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

Of the total 75,000,000 issued and fully paid ordinary shares as at 31 December 2016, 1,464,500 (2015: 1,464,500) are held as treasury shares by the Company. As at 31 December 2016, the number of outstanding ordinary shares in issue after the setoff is therefore 73,535,500 (2015: 73,535,500) ordinary shares of RM1 each.

25. Significant related party transactions

25.1 Identities of related parties

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

25.2 Related party transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

25. Significant related party transactions (continued)

25.3 Compensation of key management personnel

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

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

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

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

26. Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

27. Financial instruments

27.1 Categories of financial instruments

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

	2016		2015	
	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	8,117,403	8,117,403	11,308,900	11,308,900
Loans and borrowings	9,239,604	9,239,604	8,660,566	8,660,566
	17,357,007	17,357,007	19,969,466	19,969,466
Company				
Financial liabilities				
Trade and other payables	11,639,521	11,639,521	11,299,232	11,299,232
Loans and borrowings	-	-	-	-
	11,639,521	11,639,521	11,299,232	11,299,232

27 Financial instruments (continued)

27.1 Categories of financial instruments (continued)

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

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

27.2 Net gains and losses arising from financial instruments

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

27.3 Fair value of financial instruments

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

27. Financial instruments (continued)

27.4 Financial guarantees

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

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

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

28. Financial risk management

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

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

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

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

28.1 Credit risk

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

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

28. Financial risk management (continued)

28.1 Credit risk (continued)

Exposure to credit risk

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

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

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

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

Credit risk concentration profile

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

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

28. Financial risk management (continued)

28.1 Credit risk (continued)

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

28.2 Liquidity risk

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

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

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				
2016				
Financial assets				
Trade and other receivables	22,398,697	-	-	22,398,697
Cash and bank balances	4,275,334	-	-	4,275,334
Total financial assets	26,674,031	-	-	26,674,031
Financial liabilities				
Trade and other payables	8,117,403	-	-	8,117,403
Loans and borrowings	7,547,397	958,896	1,177,201	9,683,494
Total financial liabilities	15,664,800	958,896	1,177,201	17,800,897
Total net financial assets/ (liabilities)	11,009,231	(958,896)	(1,177,201)	8,873,134

28. Financial risk management (continued)

28.2 Liquidity risk (continued)

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

28. Financial risk management (continued)

28.2 Liquidity risk (continued)

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

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

28.3 Interest rate risk

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

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

28. Financial risk management (continued)

28.3 Interest rate risk (continued)

Sensitivity analysis for interest rate risk

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

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

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

28.4 Foreign currency risk

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

The Group has transactional currency exposure arising primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily the United States Dollar (USD).

Approximately 43% (2015:42%) of the Group's sales are denominated in foreign currencies whilst all the costs are denominated in the functional currency of the Group entities. The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

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:

28. Financial risk management (continued)

28.4 Foreign currency risk (continued)

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

Sensitivity analysis for foreign currency risk

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

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

29. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2016 and 31 December 2015.

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

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

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

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

30. Segment information

30.1 Operating segment

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

30. Segment information (continued)

30.2 Geographical information

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

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

30.3 Major customers

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

31. Event after the reporting period

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

32. Correction of error

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

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

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

33. Supplementary financial information on the breakdown of realised and unrealised profits or losses

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

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

34. General

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

The principal activity of the Company is investment holding.

34. General (continued)

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

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

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

The financial statements are presented in Ringgit Malaysia.

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

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

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

	2016 RM	2015 RM
Other operating income		
Liabilities no longer in existence written back	5,313	264,600
Realised gain on foreign exchange	-	20,184
	5,313	284,784
Less: Administrative expenses		
Advertisement expenses	7,920	8,395
Auditors' remuneration		
- Statutory audit		
- Current year	42,000	38,000
- Under provision in prior year	-	5,000
- Other services	37,000	8,000
Bank charges	67	304
Depreciation of property, plant and equipment	10,491	20,981
Directors' remuneration	144,000	159,000
Entertainment	510	-
Insurance	12,748	11,751
Goods and service tax expenses	12,104	2,762
Printing and stationery	38,309	40,432
Professional fees	79,500	75,047
Repair and maintenances	227	6,473
Staff refreshment	-	270
Sundry expenses	81,299	110,870
Telephone and postages	3,316	5,703
Training	1,200	1,200
Transportation charges	9,915	4,468
Travelling expenses	8,568	27,062
	489,174	525,718
	(483,861)	(240,934)
Less: Other expenses		
Bad debts written off	-	16,390
	-	16,390
Loss before taxation	(483,861)	(257,324)

This Statement is prepared for management purposes only and does not form part of the statutory audited financial statements of the Company.