

# **Cymao Holdings Berhad**

(Co. No. 445931 - U)

(Incorporated in Malaysia)

## **Reports and Financial Statements**

**For The Financial Year Ended**

**31 December 2017**

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

#### **Principal activities**

The principal activity of the Company is investment holding.

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

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

#### **Results**

	<b>Group RM</b>	<b>Company RM</b>
Total comprehensive loss for the financial year	<u>7,468,926</u>	<u>531,290</u>

#### **Reserves and provisions**

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

#### **Dividends**

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend any dividends for the current financial year ended 31 December 2017.

#### **Directors**

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

Dato' Seri Mohd Shariff Bin Omar  
Lin, Kai-Min  
Lin, Kai-Hsuan  
Hiew Seng  
Syed Ibrahim Bin Syed Abd. Rahman

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

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

## **CYMAO HOLDINGS BERHAD**

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### **DIRECTORS' REPORT**

#### **Directors' interests in shares**

The holdings and deemed holdings in the ordinary shares of the Company and its related corporations (other than wholly-owned subsidiaries) of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholding kept under Section 59 of the Companies Act, 2016 ("CA 2016") are as follows:

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

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

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

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

#### **Directors' benefits**

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 26 to the Financial Statements.

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

#### **Directors' remuneration**

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

#### **Indemnity and insurance for Directors and officers**

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

#### **Issues of shares and debentures**

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

## **CYMAO HOLDINGS BERHAD**

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### **DIRECTORS' REPORT**

#### **Options granted over unissued shares**

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

#### **Treasury shares**

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

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

#### **Other statutory information**

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

- (i) all known bad debts had been written off and adequate allowance had been made for doubtful debts; and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

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

- (i) which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, other than as disclosed in Notes 14 to the financial statements; or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

**CYMAO HOLDINGS BERHAD**  
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## **DIRECTORS' REPORT**

### **Other statutory information (continued)**

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

### **Significant changes in regulatory requirements**

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

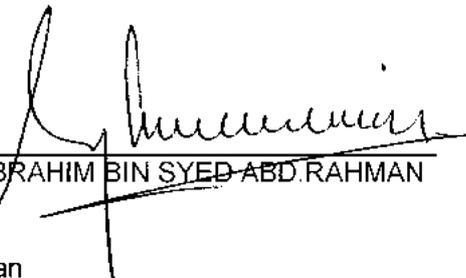
### **Auditors**

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

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

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

  
\_\_\_\_\_  
LIN, KAI-MIN  
Director

  
\_\_\_\_\_  
SYED IBRAHIM BIN SYED ABD. RAHMAN  
Director  
Sandakan

Dated 18 April 2018

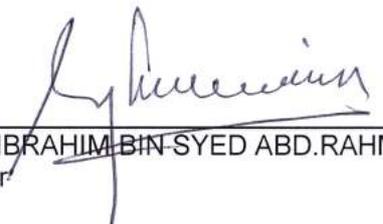
**CYMAO HOLDINGS BERHAD**  
(Co. No. 445931 - U)  
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**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

In the opinion of the Directors, the accompanying financial statements set out on pages 13 to 76 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year ended on that date.

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

  
\_\_\_\_\_  
LIN, KAI-MIN  
Director

  
\_\_\_\_\_  
SYED IBRAHIM BIN SYED ABD. RAHMAN  
Director

Sandakan

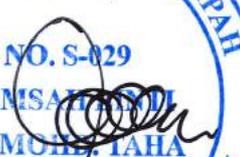
Dated 18 April 2018

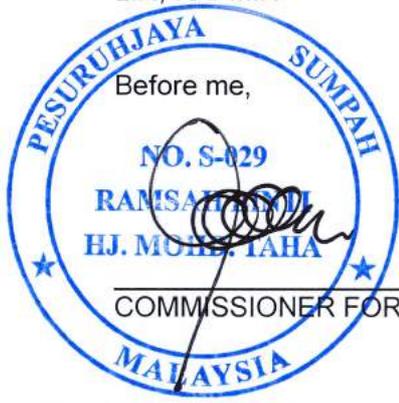
**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016**

I, LIN, KAI-MIN, being the Director primarily responsible for the financial management of CYMAO HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 13 to 76 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

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

  
\_\_\_\_\_  
LIN, KAI-MIN

Before me,  
NO. S-029  
  
HJ. MOH. TAHA  
\_\_\_\_\_  
COMMISSIONER FOR OATHS



No. 3, Tingkat 2,  
Wisma Sandaraya,  
Sandakan, Sabah.

**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 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 76.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**Key Audit Matters**

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

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

(Co. No. 445931 - U)

(Incorporated in Malaysia)

(continued)

**Key Audit Matters** (continued)

<b>Area of focus</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Going concern</b></p> <p>As highlighted in the statements of profit or loss and other comprehensive income, the Group reported a total comprehensive loss for the current and previous financial year amounting to RM7,468,926 and RM7,472,858 respectively.</p> <p>The Directors have assessed 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. As these assessments involve significant judgement, this is therefore considered a matter of most significance.</p>	<p>We obtained and reviewed the going concern assessment prepared by management including a five-year cash flow forecast and the assumptions underlying the future cash flows.</p> <p>We additionally reviewed the Group's log supply contracts to ascertain the sufficiency of logs to support the level of operations forecasted for the next financial year. We further checked the Group's compliance with the terms of its borrowings and did not note any non-compliance.</p>

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

(Co. No. 445931 - U)

(Incorporated in Malaysia)

(continued)

**Key Audit Matters (continued)**

<b>Area of focus</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Impairment of property, plant and equipment</b></p> <p>As highlighted in the preceding section, the Group had incurred significant losses for the current and previous financial year, which is an indicator that the Group's property, plant and equipment may be impaired.</p>	<p>We obtained management's review on the impairment of property, plant and equipment performed for three (3) of the subsidiary companies that contributed most to the losses, i.e. Cymao Plywood Sdn. Bhd., Inovwood Sdn. Bhd. and Poly-Ply Industries Sdn. Bhd.</p> <p>As highlighted in Note 2(b)(i) <i>Significant accounting judgments and estimates</i>, the recoverable amount is the higher of the fair value less costs to sell and the asset's value in use. The fair values of the assets as ascribed by independent professional valuers during the financial year are significantly higher than their carrying amounts, and therefore no impairment is required. Due to the extent of the surplus between fair values and carrying values, the valuation is not deemed sensitive to any change in the variables.</p> <p>We additionally performed the following:</p> <ul style="list-style-type: none"> <li>• Assessed the competence, capabilities, objectivity and qualifications of the Director's independent valuers;</li> <li>• Discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed a scope limitation upon them; and</li> <li>• 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.</li> </ul>

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

(Co. No. 445931 - U)  
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(continued)

**Key Audit Matters** (continued)

<b>Area of focus</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Valuation of receivables</b></p> <p>As highlighted in Note 19 to the financial statements, non-trade receivables of the Group amounted to RM3,930,331, of which RM219,294 has been outstanding for more than six (6) months and RM1,165,697 for more than one (1) year. Allowance for doubtful debts however amounted to only RM93,926.</p> <p>Due to the significance of these balances and the judgements made by the Directors in assessing the recovery of these balances and the adequacy of the allowance, this is therefore considered a matter of most significance.</p>	<p>Other receivables of the Group relate mainly to a subsidiary company, Cymao Plywood Sdn. Bhd., whose total other receivables amounted to RM1,518,545, or approximately 39% of total other receivables of the Group.</p> <p>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.</p>

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

(Co. No. 445931 - U)  
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(continued)

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

**Responsibilities of the Directors for the Financial Statements**

The Directors are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

(Co. No. 445931 - U)

(Incorporated in Malaysia)

(continued)

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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.

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

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

(continued)

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

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

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

**Other Matter**

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



PKF  
AF 0911  
CHARTERED ACCOUNTANTS

Kota Kinabalu

Dated 25 April 2018



CHAU MAN KIT  
02525/03/2020 J  
CHARTERED ACCOUNTANT

**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 2017**

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

*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 2017**

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

*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 2017**

Group	Note	← Attributable to the owners of the Company →			Distributable accumulated losses RM	Total equity RM
		Share capital RM	Share premium RM	Treasury shares RM		
At 1 January 2016		75,000,000	17,374,387	(630,909)	(14,185,114)	77,558,364
Total comprehensive loss for the financial year		-	-	-	(7,472,858)	(7,472,858)
At 31 December 2016		75,000,000	17,374,387	(630,909)	(21,657,972)	70,085,506
Total comprehensive loss for the financial year		-	-	-	(7,468,926)	(7,468,926)
Share buy-back		-	-	(63,042)	-	(63,042)
Transition to no par value regime under Companies Act 2016**		17,374,387	(17,374,387)	-	-	-
At 31 December 2017		92,374,387	-	(693,951)	(29,126,898)	62,553,538

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

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**STATEMENTS OF CHANGES IN EQUITY  
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Company	Note	Attributable to the owners of the Company			Distributable accumulated losses RM	Total equity RM
		Share capital RM	Share premium RM	Treasury shares RM		
At 1 January 2016		75,000,000	17,374,387	(630,909)	(12,744,929)	78,998,549
Total comprehensive loss for the financial year		-	-	-	(483,861)	(483,861)
At 31 December 2016		75,000,000	17,374,387	(630,909)	(13,228,790)	78,514,688
Transactions with owners:						
Total comprehensive loss for the financial year		-	-	-	(531,290)	(531,290)
Share buy-back		-	-	(63,042)	-	(63,042)
Transition to no par value regime under Companies Act 2016**		17,374,387	(17,374,387)	-	-	-
At 31 December 2017		92,374,387	-	(693,951)	(13,760,080)	77,920,356

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

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**STATEMENTS OF CASH FLOWS  
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flows from operating activities</b>					
Loss before taxation		(7,551,523)	(7,652,096)	(531,290)	(483,861)
Adjustments for:					
Allowance for impairment on receivables		93,926	84,887	-	-
Amortisation of land use rights		53,230	16,152	-	-
Bad debts written off		184,887	5,726	-	-
Depreciation of property, plant and equipment		3,904,395	4,810,623	10,491	(10,491)
Gain on disposal of property, plant and equipment		(151,409)	(668,763)	-	-
Interest expenses		330,963	397,304	-	-
Interest income		(41,117)	(104,372)	-	-
Inventories written off		53,882	-	-	-
Reversal of allowance for impairment on receivables		(184,887)	-	-	-
Share of loss of share in joint venture		388,991	199,837	-	-
<b>Operating loss before working capital changes</b>		(2,918,662)	(2,910,702)	(520,799)	(473,370)
Change in inventories		1,816,987	3,167,118	-	-
Change in receivables		7,868,245	1,206,589	391,602	129,118
Change in payables		(1,056,700)	347,042	212,468	340,289
<b>Cash generated from/(used in) operations</b>		7,806,870	1,810,047	83,271	(3,963)
Income tax paid		(429,010)	(665,434)	-	-
Income tax refunded		145,761	9,300	-	-
Interest paid		(330,963)	(397,304)	-	-
<b>Net cash generated from/(used in) operating activities</b>		5,095,658	756,609	83,271	(3,963)
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	14	(2,542,321)	(5,709,629)	-	-
Decrease in short-term deposits with a licensed bank		-	885,573	-	-
Interest received		41,117	104,372	-	-
Acquisition of joint venture		-	(640,000)	-	-
Proceeds from disposal of property, plant and equipment		187,856	1,419,326	-	-
<b>Net cash used in investing activities</b>		(2,313,348)	(3,940,358)	-	-

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

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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

(continued)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flows from financing activities</b>					
Drawdown of bankers' acceptance		20,677,000	27,258,000	-	-
Drawdown of term loans		-	450,000	-	-
Purchase of treasury shares		(63,042)	-	(63,042)	-
Repayment of bankers' acceptance		(20,901,000)	(27,485,000)	-	-
Repayment of hire purchase		(60,551)	-	-	-
Repayment of term loans		(143,201)	(102,547)	-	-
<b>Net cash (used in)/generated from financing activities</b>		<u>(490,794)</u>	<u>120,453</u>	<u>(63,042)</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,291,516	(3,063,296)	20,229	(3,963)
<b>Cash and cash equivalents at beginning of financial year</b>		<u>3,166,661</u>	<u>6,229,957</u>	<u>10,076</u>	<u>14,039</u>
<b>Cash and cash equivalents at end of financial year</b>	20	<u><u>5,458,177</u></u>	<u><u>3,166,661</u></u>	<u><u>30,305</u></u>	<u><u>10,076</u></u>

Reconciliation of liabilities arising from financing activities:

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

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

## **CYMAO HOLDINGS BERHAD**

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### **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

#### **1. Basis of preparation**

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

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

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

##### **(a) Adoption of new and revised MFRS**

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

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

##### **Disclosure Initiative (Amendments to MFRS 107)**

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

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**1. Basis of preparation (continued)**

**(a) Adoption of new and revised MFRS (continued)**

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

The amendments clarify the following aspects:

- (i) Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- (ii) The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- (iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- (iv) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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

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

**(b) Standards issued but not yet effective**

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

**Effective for annual periods commencing on or after 1 January 2018**

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

**Effective for annual periods commencing on or after 1 January 2019**

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**1. Basis of preparation (continued)**

**(b) Standards issued but not yet effective (continued)**

**Effective for annual periods commencing on or after 1 January 2019**  
(continued)

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

**Deferred**

- Amendments to MFRS128, Investment in Associates and Joint Ventures

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

**(i) MFRS 9, Financial Instruments**

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

**(i) Classification and measurement**

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**1. Basis of preparation (continued)**

**(b) Standards issued but not yet effective (continued)**

**(i) MFRS 9, Financial Instruments (continued)**

**(ii) Impairment**

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

**(iii) Hedge accounting**

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

MFRS 9 introduces significant changes in the way the Group accounts for financial instruments.

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**1. Basis of preparation (continued)**

**(b) Standards issued but not yet effective (continued)**

**(ii) MFRS 15, Revenue from Contracts with Customers**

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**1. Basis of preparation (continued)**

**(b) Standards issued but not yet effective (continued)**

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

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

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**1. Basis of preparation (continued)**

**(b) Standards issued but not yet effective (continued)**

**(vi) MFRS 16, Leases**

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

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

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

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

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

- leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset; and
- leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**1. Basis of preparation (continued)**

**(b) Standards issued but not yet effective (continued)**

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

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

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

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

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

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

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

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

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

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### **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

## **2. Significant accounting judgements and estimates**

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

### **(a) Judgements made in applying accounting policies**

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

### **(b) Key sources of estimation uncertainty**

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

#### **(i) Impairment of property, plant and equipment**

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

#### **(ii) Useful lives of plant and equipment**

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

#### **(iii) Impairment of loans and receivables**

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

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

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### **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

## **2. Significant accounting judgements and estimates (continued)**

### **(b) Key sources of estimation uncertainty (continued)**

#### **(iv) Income taxes**

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

#### **(v) Allowance for inventories**

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

## **3. Significant accounting policies**

### **(a) Consolidation and investments in associates and joint arrangements**

#### **(i) Basis of consolidation**

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

Control is achieved when the investor:

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

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

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

- contractual arrangements with other vote holders;

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### **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

#### **3. Significant accounting policies**

##### **(a) Consolidation and investments in associates and joint arrangements (continued)**

###### **(i) Basis of consolidation (continued)**

- 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.

###### **(ii) Investment in subsidiaries**

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

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

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

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

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

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#### **3. Significant accounting policies**

##### **(a) Consolidation and investments in associates and joint arrangements (continued)**

###### **(ii) Investment in subsidiaries (continued)**

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

###### **(iii) Investment in associates**

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

###### **(iv) Joint venture**

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

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

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**3. Significant accounting policies (continued)**

**(a) Consolidation and investments in associates and joint arrangements (continued)**

**(v) Joint operation**

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

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

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

**(b) Business combinations**

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

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

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

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#### **3. Significant accounting policies (continued)**

##### **(c) Foreign currency transactions**

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

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

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

##### **(d) Revenue recognition**

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

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

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

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

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

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**3. Significant accounting policies (continued)**

**(e) Employee benefits**

**(i) Short term benefits**

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

**(ii) Defined contribution plans**

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

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

**(f) Income taxes**

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

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

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

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#### **3. Significant accounting policies (continued)**

##### **(f) Income taxes (continued)**

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

##### **(g) Earnings per share**

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

##### **(h) Property, plant and equipment**

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

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

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

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

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

The principal annual rates of depreciation used are as follows:

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

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#### **3. Significant accounting policies (continued)**

##### **(h) Property, plant and equipment (continued)**

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

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

##### **(i) Land use rights**

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms of thirty (30) years.

##### **(j) Cash and cash equivalents**

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

##### **(k) Financial assets**

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

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

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

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

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

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

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**3. Significant accounting policies (continued)**

**(k) Financial assets (continued)**

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

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

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

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

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

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

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

**(iii) Loans and receivables**

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**3. Significant accounting policies (continued)**

**(k) Financial assets (continued)**

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

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

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

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

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

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

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

**(l) Inventories**

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

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### **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

#### **3. Significant accounting policies (continued)**

##### **(m) Impairment**

###### **(i) Impairment of financial assets**

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

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**3. Significant accounting policies (continued)**

**(m) Impairment (continued)**

**(i) Impairment of financial assets (continued)**

**• Trade and non-trade receivables and other financial assets carried at amortised cost (continued)**

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

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

**(ii) Impairment of non-financial assets**

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

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

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

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

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#### **3. Significant accounting policies (continued)**

##### **(m) Impairment (continued)**

###### **(ii) Impairment of non-financial assets (continued)**

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

##### **(n) Equity instruments**

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

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

##### **(o) Treasury shares**

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

##### **(p) Borrowings costs**

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

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

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**3. Significant accounting policies (continued)**

**(q) Leases**

**(i) Classification**

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

**(ii) Finance leases – the Group as lessee**

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

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

**(iii) Operating leases – the Group as lessee**

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

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

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#### **3. Significant accounting policies (continued)**

##### **(r) Financial liabilities**

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

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

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

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

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

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

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

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

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

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

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

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

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#### **3. Significant accounting policies (continued)**

##### **(s) Financial guarantee contracts**

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

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

##### **(t) Provisions**

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

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

##### **(u) Contingencies**

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

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

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

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(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

#### **3. Significant accounting policies (continued)**

##### **(v) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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**4. Revenue**

	<b>Group</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
Sale of goods		
Block board	44,428,274	43,522,143
Plywood	47,432,048	71,622,370
Others	1,228,823	134,502
	<u>93,089,145</u>	<u>115,279,015</u>
Services rendered		
Barge hiring income	-	281,793
	<u>93,089,145</u>	<u>115,560,808</u>

**5. Interest income**

	<b>Group</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
Interest income from:		
Fixed deposits	<u>41,117</u>	<u>104,372</u>

**6. Other operating income**

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****7. Other operating expenses**

	<b>Group</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
Bad debts written off	-	5,726
Farming expenses	2,130	-
Inventories written off	53,882	-
Loss on damage of materials	23,391	153,263
Loss on disposal of materials	223,072	227,152
Loss on foreign exchange		
- realised	143,958	-
- unrealised	1,473	-
Others	166,976	88,741
	<u>614,882</u>	<u>474,882</u>

**8. Employee benefits expense**

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

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

**9. Directors' remuneration**

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

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM</b>	<b>2016 RM</b>	<b>2017 RM</b>	<b>2016 RM</b>
Executive Directors' remuneration (Note 8)				
- Fee	48,000	48,000	48,000	48,000
- Salaries and other emoluments	1,090,800	1,679,000	12,000	-
	<u>1,138,800</u>	<u>1,727,000</u>	<u>60,000</u>	<u>48,000</u>
Non-executive Directors' remuneration:				
- Fee	144,000	96,000	144,000	96,000
Total Directors' remuneration	<u>1,282,800</u>	<u>1,823,000</u>	<u>204,000</u>	<u>144,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****9. Directors' remuneration (continued)**

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

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

	<b>Number of Directors</b>	
	<b>2017</b>	<b>2016</b>
Executive Directors:		
Below RM200,000	-	1
RM250,001 – RM300,000	1	1
RM300,001 – RM600,000	2	1
RM600,001 – RM650,000	-	1
Non-executive Directors:		
Below RM50,000	2	3
RM50,000 – RM100,000	1	-

**10. Loss from operations**

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****11. Finance costs**

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

**12. Income tax expense**

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

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:

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****13. Loss per share****(a) Basic**

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

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

**(b) Diluted**

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**14. Property, plant and equipment**

**Group**

	<b>Land and buildings* RM</b>	<b>Plant and machinery RM</b>	<b>Furniture, fixtures and equipment RM</b>	<b>Motor vehicles RM</b>	<b>Total RM</b>
<b>Costs</b>					
At 1 January 2016	39,009,763	107,180,274	142,830	4,905,234	151,238,101
Addition	3,772,046	1,915,266	22,317	-	5,709,629
Disposal	-	(2,585,123)	-	-	(2,585,123)
At 31 December 2016	42,781,809	106,510,417	165,147	4,905,234	154,362,607
Addition	1,060,844	1,121,657	23,156	874,264	3,079,921
Disposal	-	(9,296)	-	(589,872)	(599,168)
At 31 December 2017	43,842,653	107,622,778	188,303	5,189,626	156,843,360
<b>Accumulated depreciation</b>					
At 1 January 2016	17,343,750	94,003,775	112,141	3,805,706	115,265,372
Charge for the financial year	769,608	3,671,409	7,809	361,797	4,810,623
Written back	-	(1,834,558)	-	-	(1,834,558)
At 31 December 2016	18,113,358	95,840,626	119,950	4,167,503	118,241,437
Charge for the financial year	944,016	2,502,904	8,183	449,292	3,904,395
Written back	-	(9,300)	-	(553,421)	(562,721)
At 31 December 2017	19,057,374	98,334,230	128,133	4,063,374	121,583,111
<b>Net book value</b>					
At 31 December 2016	24,668,451	10,669,791	45,197	737,731	36,121,170
At 31 December 2017	24,785,279	9,288,548	60,170	1,126,252	35,260,249

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**14. Property, plant and equipment (continued)**

\* Land and buildings of the Group comprises:

<b>Group</b>	<b>Freehold land RM</b>	<b>Leasehold land RM</b>	<b>Buildings RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>Costs</b>					
At 1 January 2016	2,386,800	12,880,120	22,529,690	1,213,153	39,009,763
Addition	-	3,395,630	209,050	167,366	3,772,046
At 31 December 2016	2,386,800	16,275,750	22,738,740	1,380,519	42,781,809
Addition	-	140,000	889,744	31,100	1,060,844
At 31 December 2017	2,386,800	16,415,750	23,628,484	1,411,619	43,842,653
<b>Accumulated depreciation</b>					
At 1 January 2016	-	2,056,356	14,886,753	400,641	17,343,750
Charge for the financial year	-	117,414	521,836	130,358	769,608
At 31 December 2016	-	2,173,770	15,408,589	530,999	18,113,358
Charge for the financial year	-	276,944	539,001	128,071	944,016
At 31 December 2017	-	2,450,714	15,947,590	659,070	19,057,374
<b>Net book value</b>					
At 31 December 2016	2,386,800	14,101,980	7,330,151	849,520	24,668,451
At 31 December 2017	2,386,800	13,965,036	7,680,894	752,549	24,785,279

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**14. Property, plant and equipment (continued)**

<b>Company</b>			
<b>2017</b>	<b>Furniture, fittings and equipment RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>Costs</b>			
At 1 January 2016/31 December 2016/31 December 2017	20,944	104,907	125,851
<b>Accumulated depreciation</b>			
At 1 January 2016	20,944	83,924	104,868
Charge for the financial year	-	10,491	10,491
At 31 December 2016	20,944	94,415	115,359
Charge for the financial year	-	10,491	10,491
At 31 December 2017	20,944	104,906	125,850
<b>Net book value</b>			
At 31 December 2016	-	10,492	10,492
At 31 December 2017	-	1	1

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

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

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

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

<b>2017</b>	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Net book value RM</b>
Motor vehicles	1,494,803	(488,708)	1,006,095

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**14. Property, plant and equipment (continued)**

<b>2016</b>	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Net book value RM</b>
Motor vehicles	-	-	-

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

**15. Land use rights**

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

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

**16. Investments in subsidiary companies**

	<b>Company</b>	
<b>Cost</b>	<b>2017 RM</b>	<b>2016 RM</b>
Unquoted shares, at cost		
At 1 January/31 December	92,152,988	92,152,988
<b>Accumulated impairment losses</b>		
At 1 January/31 December	(13,086,051)	(13,086,051)
Net carrying amount	79,066,937	79,066,937

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****16. Investments in subsidiary companies (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	
			2017 %	2016 %
Cymao Plywood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood and provision of barge hiring services	Sandakan	100	100
Inovwood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood	Sandakan	100	100
Syabas Mujur Sdn. Bhd.	Sales and extraction of log timber operations. Operations temporarily ceased.	Sandakan	100	100
Poly-Ply Industries Sdn. Bhd.	Manufacturing and sale of polyester-overlaid plywood and veneer.	Klang	100	100
Billion Apex Sdn. Bhd.	Dormant	Sandakan	100	100

**17. Investments accounted for using the equity method**

	Group			
	2017 RM	2016 RM		
<b>Cost</b>				
Unquoted shares, at cost				
At 1 January/31 December	640,000	640,000		
<b>Accumulated impairment losses</b>				
At 1 January	199,837	-		
Impairment loss	388,991	199,837		
At 31 December	588,828	199,837		
Net carrying amount	51,172	440,163		
Name of joint venture	Principal activities	Principal place of business	Proportion of ownership interest	
			2017 %	2016 %
GP Dynamic Venture Sdn. Bhd.	Manufacturing of veneer, plywood and sawn timber	Kuala Terengganu	40	40



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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****17. Investments accounted for using the equity method (continued)**

<b>Commitments</b>	<b>GP Dynamic Venture Sdn. Bhd.</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
Capital expenditure as at the reporting date is as follows:		
Property, plant and equipment:		
Approved but not contracted for	3,467,997	2,280,000
Approved and contracted for	-	221,167
	<u>3,467,997</u>	<u>2,501,167</u>

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

**18. Inventories**

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

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

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

	<b>2017 RM</b>	<b>2016 RM</b>
Depreciation of property, plant and equipment	1,348,901	2,369,544
Employee benefits expense	50,861	43,074
Rental	23,524	255,036
	<u>1,423,286</u>	<u>2,667,654</u>

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****19. Trade and non-trade receivables**

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

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

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

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

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

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

	Gross amount RM	Individual impairment RM	Carrying value RM
<b>2017</b>			
Not past due	6,580,363	-	6,580,363
Past due:			
- less than 60 days	3,967,377	-	3,967,377
- between 61 to 120 days	350,555	-	350,555
- between 121 to 365 days	656,184	-	656,184
- more than 365 days	(7,535)	(42,569)	(50,104)
	<u>4,966,581</u>	<u>(42,569)</u>	<u>4,924,012</u>
	<u>11,546,944</u>	<u>(42,569)</u>	<u>11,504,375</u>

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****19. Trade and non-trade receivables (continued)**

<b>2016</b>	<b>Gross amount RM</b>	<b>Individual impairment RM</b>	<b>Carrying value RM</b>
Not past due	9,463,597	-	9,463,597
Past due:			
- less than 60 days	6,782,656	-	6,782,656
- between 61 to 120 days	1,292,741	-	1,292,741
- between 121 to 365 days	17,121	-	17,121
- more than 365 days	43,209	(42,569)	640
	8,135,727	(42,569)	8,093,158
	17,599,324	(42,569)	17,556,755

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

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

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

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

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

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<b>2016</b>	<b>Gross amount RM</b>	<b>Individual impairment RM</b>	<b>Carrying value RM</b>
Not past due	2,791,612	-	2,791,612
Past due:			
- less than 60 days	1,454,403	-	1,454,403
- between 61 to 120 days	328,482	-	328,482
- between 121 to 365 days	352,916	-	352,916
- more than 365 days	1,097,596	(184,887)	912,709
	3,233,397	(184,887)	3,048,510
	6,025,009	(184,887)	5,840,122

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

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

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

**Deposits for log supplies**

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

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**20. Cash and cash equivalents**

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

Deposits with licensed banks are made up for varying periods of between a few days and twelve months depending on the immediate cash requirements of the Group and the Company and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2017 for the Group was Nil% (2016: 2.95%).

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

**21. Share capital, share premium and treasury shares**

	No. of shares		Group/Company	
	2017 unit	2016 unit	2017 RM	2016 RM
Authorised:				
100,000,000 ordinary shares with no par value (2016: RM1 each)	-	100,000,000	-	100,000,000
	Group/Company			
	Share capital		Share premium	Treasury shares
Issued and fully paid:	unit	RM	RM	RM
At 1 January 2016/ 31 December 2016	75,000,000	75,000,000	17,374,387	(630,909)
Share buy-back	-	-	-	(63,042)
Transition to no par value regime under Companies Act 2016	-	17,374,387	(17,374,387)	-
At 31 December 2017	75,000,000	92,374,387	-	(693,951)

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#### **21. Share capital, share premium and treasury shares (continued)**

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

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

##### **(a) Share capital**

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

##### **(b) Treasury shares**

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

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

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

#### **22. Accumulated losses**

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****23. Loans and borrowings**

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

The interest rate structures are as follows:

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****23. Loans and borrowings (continued)****(a) Obligations under finance leases**

The hire purchase shall be repaid in full by 2022.

**(b) Term loans**

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

**(c) Bankers' acceptance**

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

These loans and borrowings are secured by:

- (i) a legal charge over freehold land, leasehold land and building belonging to the subsidiary companies as disclosed in Note 14 to the financial statements;
- (ii) a joint and several guarantees executed by two directors of the Company; and
- (iii) a corporate guarantee issued by the Company.

**24. Deferred tax liabilities**

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****24. Deferred tax liabilities (continued)**

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

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

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

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

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

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

**25. Trade and non-trade payables**

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM</b>	<b>2016 RM</b>	<b>2017 RM</b>	<b>2016 RM</b>
<b>Trade payables</b>				
Third parties	<u>4,502,084</u>	<u>4,853,093</u>	<u>-</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****25. Trade and non-trade payables (continued)**

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

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

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

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

**26. Significant related party transactions****(a) Identities of related parties**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****26. Significant related party transactions (continued)**

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

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

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short-term employee benefits	1,282,800	1,823,000	204,000	144,000
	<u>1,282,800</u>	<u>1,823,000</u>	<u>204,000</u>	<u>144,000</u>

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

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

**27. Financial instruments**

- (a) **Categories of financial instruments**

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**27. Financial instruments (continued)**

**(a) Categories of financial instruments (continued)**

<b>Group</b>		
<b>2017</b>	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Loans and borrowings	8,240,779	8,240,779
Trade and non-trade payables	7,060,705	7,060,705
	<u>15,301,484</u>	<u>15,301,484</u>
<b>2016</b>	<b>Carrying amount RM</b>	<b>Loans and receivables RM</b>
<b>Financial assets</b>		
Trade and non-trade receivables	22,398,697	22,398,697
Cash and bank balances	4,275,334	4,275,334
	<u>26,674,031</u>	<u>26,674,031</u>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Loans and borrowings	9,239,604	9,239,604
Trade and non-trade payables	8,117,403	8,117,403
	<u>17,357,007</u>	<u>17,357,007</u>
<b>Company</b>		
<b>2017</b>	<b>Carrying amount RM</b>	<b>Loans and receivables RM</b>
<b>Financial assets</b>		
Trade and non-trade receivables	10,670,391	10,670,391
Cash and bank balances	30,305	30,305
	<u>10,700,696</u>	<u>10,700,696</u>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Loan and borrowings	-	-
Trade and non-trade payables	11,851,989	11,851,989
	<u>11,851,989</u>	<u>11,851,989</u>

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****27. Financial instruments (continued)****(a) Categories of financial instruments (continued)****Company**

<b>2016</b>	<b>Carrying amount RM</b>	<b>Loans and receivables RM</b>
<b>Financial assets</b>		
Trade and non-trade receivables	11,060,391	11,060,391
Cash and bank balances	10,076	10,076
	<u>11,070,467</u>	<u>11,070,467</u>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Loan and borrowings	-	-
Trade and non-trade payables	11,639,521	11,639,521
	<u>11,639,521</u>	<u>11,639,521</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM</b>	<b>2016 RM</b>	<b>2017 RM</b>	<b>2016 RM</b>
<b>Trade and other receivables</b>				
As reflected in the Statements of Financial Position (Note 19)	15,434,706	23,396,877	10,675,102	11,066,704
Less: Prepayments	(911,594)	(998,180)	(4,711)	(6,313)
Loans and receivables	<u>14,523,112</u>	<u>22,398,697</u>	<u>10,670,391</u>	<u>11,060,391</u>

**(b) Net losses arising from financial instruments**

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

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#### **27. Financial instruments (continued)**

##### **(c) Financial risk management**

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

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

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

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

##### **(i) Credit risk**

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****27. Financial instruments (continued)****(c) Financial risk management (continued)****(i) Credit risk (continued)****Financial assets that are neither past due nor impaired**

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 19 to the financial statements. Deposits with banks and other financial institutions, and short-term investment that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

**Financial assets that are either past due or impaired**

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 to the financial statements.

**Credit risk concentration profile**

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

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

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

**(ii) Liquidity risk**

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**27. Financial instruments (continued)**

(c) **Financial risk management (continued)**

(ii) **Liquidity risk (continued)**

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

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):

<b>Group</b>	<b>Carrying amount</b>	<b>Contractual undiscounted cash flows</b>	<b>Within 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>2017</b>					
Loans and borrowings	8,240,779	8,705,560	6,338,840	1,380,734	985,986
Trade and non-trade payables	7,060,705	7,060,705	7,060,705	-	-
	<u>15,301,484</u>	<u>15,766,265</u>	<u>13,399,545</u>	<u>1,380,734</u>	<u>985,986</u>
<b>2016</b>					
Loans and borrowings	9,239,604	9,683,494	7,547,397	958,896	1,177,201
Trade and non-trade payables	8,117,405	8,117,405	8,117,405	-	-
	<u>17,357,009</u>	<u>17,800,899</u>	<u>15,664,802</u>	<u>958,896</u>	<u>1,177,201</u>
<b>Company</b>					
<b>2017</b>					
Trade and non-trade payables	11,851,989	11,851,989	11,851,989	-	-
	<u>11,851,989</u>	<u>11,851,989</u>	<u>11,851,989</u>	<u>-</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****27. Financial instruments (continued)****(c) Financial risk management (continued)****(ii) Liquidity risk (continued)**

Company	Carrying amount	Contractual undiscounted cash flows	Within 1 year	1 – 5 years	Over 5 years
2016	RM	RM	RM	RM	RM
Trade and non-trade payables	11,639,521	11,639,521	11,639,521	-	-
	<u>11,639,521</u>	<u>11,639,521</u>	<u>11,639,521</u>	<u>-</u>	<u>-</u>

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.

**(iii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its loans and borrowings. All of the Group's and the Company's loans and borrowings are at floating rates and contractually re-priced at intervals of less than six (6) months from the reporting date.

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

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

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

**(iv) Foreign currency risk**

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****27. Financial instruments (continued)****(c) Financial risk management (continued)****(iv) Foreign currency risk (continued)**

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

Approximately 46% (2016: 43%) of the Group's sales are denominated in foreign currencies whilst all the costs are denominated in the functional currency of the Group entities. The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

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

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

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:

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

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### **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

#### **27. Financial instruments (continued)**

##### **(d) Fair value information**

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

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

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

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

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

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

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

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

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

#### **28. Capital management**

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017****28. Capital management continued)**

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

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

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

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

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

**29. Segment information****(i) Operating segment**

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

**(ii) Geographical information**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017**

**29. Segment information (continued)**

**(iii) Major customers**

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

**30. General**

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

The principal activity of the Company is investment holding.

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

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

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

The financial statements are presented in Ringgit Malaysia.

These financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors dated 18 April 2018.