

**Cymao Holdings Berhad**

(Co. No. 445931 - U)

(Incorporated in Malaysia)

**Reports and Financial Statements**

**For The Financial Year Ended**

**31 December 2018**

(In Ringgit Malaysia)

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

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## **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 2018.

### **Principal activities**

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 18 to the financial statements.

There has been no significant change in the nature of these principal activities during the financial year ended 31 December 2018.

### **Results**

	<b>Group RM</b>	<b>Company RM</b>
Attributable to the owner of the Company:		
Loss for the financial year	4,287,148	1,779,629
Other comprehensive income	-	-
Total comprehensive loss for the financial year	<u>4,287,148</u>	<u>1,779,629</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 2018.

### **Directors**

The Directors who have held office during the financial year and up to the date of this report are:

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

## **DIRECTORS' REPORT**

### **Directors (continued)**

Pursuant to Section 253 of the Companies Act, 2016 in Malaysia, the Directors of subsidiary companies during the financial year and up to 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

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

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

	Number of ordinary shares		
	At 1.1.2018	Bought Sold	At 31.12.2018
<b>Direct interest:</b>			
Lin, Kai-Min	13,846,250	489,000 -	14,335,250
Lin, Kai-Hsuan	4,330,500	- -	4,330,500
Hiew Seng	62,500	- -	62,500

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

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

### **Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 29 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' REPORT**

### **Directors' remuneration**

The remuneration paid to or receivable by the directors of the Group and Company during the financial year is amounted to RM1,224,000 and RM168,000 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 2018 amounted to RM9,505.

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

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

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

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

### **Treasury shares**

As at 31 December 2018, the Company held as treasury shares a total of 1,664,600 of its 75,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM693,951 and further relevant details are disclosed in Note 24 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.

## **DIRECTORS' REPORT**

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

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

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

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

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

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 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 event during the financial year**

Details of significant event during the financial year are disclosed in Note 34 to the financial statements.

### **Event after the reporting period**

Details of event after the reporting period are disclosed in Note 35 to the financial statements.

**CYMAO HOLDINGS BERHAD**  
(Co. No. 445931 - U)  
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## **DIRECTORS' REPORT**

### **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 Group and the Company are amounted to RM132,000 and RM47,000 respectively.

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



LIN, KAI-MIN  
Director



SYED IBRAHIM BIN SYED ABD. RAHMAN  
Director

Sandakan

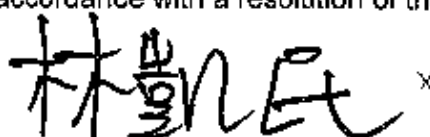
Dated 13 April 2019

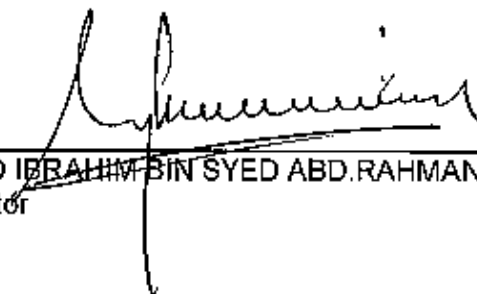
**CYMAO HOLDINGS BERHAD**  
(Co. No. 445931 - U)  
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**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

In the opinion of the Directors, the accompanying financial statements set out on pages 13 to 90 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 2018 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 13 April 2019

**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 page 13 to 90 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 17 April 2019

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)  
)  
)

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



Before me,

  
\_\_\_\_\_  
COMMISSIONER FOR OATHS



**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 2018 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 90.

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 2018, 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)  
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(continued)

**Key Audit Matters (continued)**

<b>Area of focus</b>	<b>How our audit addressed the key audit matter</b>
<b>Going concern</b>  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 RM4,287,148 and RM7,468,926 respectively.  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.	 We obtained and reviewed the going concern assessment prepared by management including a five-year cash flow forecast and the assumptions underlying the future cash flows.  We additionally reviewed the Group's log supply contracts to ascertain the sufficiency of logs to support the level of operations forecasted for the next financial year. We further checked the Group's compliance with the terms of its borrowings and did not note any non-compliance.

**INDEPENDENT AUDITORS' REPORT  
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>
<b>Impairment of property, plant and equipment</b>	
<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 have significant value of property, plant and equipment, i.e. Cymao Plywood Sdn. Bhd., Inovwood Sdn. Bhd. and Poly-Ply Industries Sdn. Bhd.</p> <p>As highlighted in Note 3(b)(iii) <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 considered the independence and expertise of the independent professional valuer engaged by the management; 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**  
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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)  
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(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)  
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(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 17 April 2019



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 2018**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Revenue	5	88,033,888	93,089,145	-	-
Cost of sales		(81,879,318)	(88,433,568)	-	-
<b>Gross profit</b>		<b>6,154,570</b>	<b>4,655,577</b>	-	-
Interest income	8	30,448	41,117	-	-
Other operating income	7	1,192,755	532,515	-	-
Other operating expenses	8	(392,949)	(614,882)	-	-
Impairment on financial assets	9	136,485	90,981	(1,307,824)	-
Selling expenses		(4,800,673)	(5,149,684)	-	-
Administrative expenses		(6,477,205)	(8,387,193)	(471,805)	(531,290)
Share of loss of joint venture		(11,145)	(388,891)	-	-
<b>Loss from operations</b>	12	<b>(3,967,704)</b>	<b>(7,220,560)</b>	<b>(1,779,629)</b>	<b>(531,290)</b>
Finance costs	13	(424,262)	(330,983)	-	-
<b>Loss before taxation</b>		<b>(4,391,966)</b>	<b>(7,551,523)</b>	<b>(1,779,629)</b>	<b>(531,290)</b>
Income tax expense	14	104,818	82,697	-	-
<b>Loss for the financial year</b>		<b>(4,287,148)</b>	<b>(7,468,826)</b>	<b>(1,779,629)</b>	<b>(531,290)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the financial year</b>		<b>(4,287,148)</b>	<b>(7,468,826)</b>	<b>(1,779,629)</b>	<b>(531,290)</b>
<b>Loss per share attributable to owners of the Company (sen per share)</b>					
Basic	15	(5.85)	(10.18)		

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

**CYMAO HOLDINGS BERHAD**  
 (Co. No. 445931 - U)  
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**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

		Group		Company	
ASSETS	Note	2018 RM	2017 RM	2018 RM	As restated 2017 RM
<b>Non-current assets</b>					
Property, plant and equipment	16	30,351,485	35,280,249	1	1
Land use rights	17	786,358	839,588	-	-
Investments in subsidiary companies	18	-	-	79,066,937	79,066,937
Investments accounted for using the equity method	19	-	51,172	-	-
		<u>31,137,843</u>	<u>36,151,009</u>	<u>79,066,938</u>	<u>79,066,938</u>
<b>Current assets</b>					
Inventories	20	29,477,709	21,658,375	-	-
Trade and non-trade receivables	21	15,410,931	15,434,706	152,593	1,809,207
Tax recoverable		969,050	790,338	-	-
Cash and bank balances	22	3,306,457	5,458,177	24,858	30,305
		<u>49,164,147</u>	<u>43,341,594</u>	<u>177,451</u>	<u>1,839,512</u>
Assets classified as held for sale	23	2,760,630	-	-	-
<b>TOTAL ASSETS</b>		<u>83,062,620</u>	<u>79,492,603</u>	<u>79,244,389</u>	<u>80,906,450</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	24	92,374,387	92,374,387	92,374,387	92,374,387
Treasury shares	24	(693,951)	(693,951)	(693,951)	(693,951)
Accumulated losses	25	(33,414,046)	(29,126,898)	(24,405,604)	(22,625,975)
<b>Total equity</b>		<u>58,266,390</u>	<u>62,553,538</u>	<u>67,274,832</u>	<u>69,054,461</u>
<b>Non-current liabilities</b>					
Loans and borrowings	26	1,918,148	2,019,958	-	-
Deferred tax liabilities	27	1,524,463	1,637,581	-	-
		<u>3,442,611</u>	<u>3,657,539</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Loans and borrowings	26	9,528,149	6,220,821	-	-
Trade and non-trade payables	28	11,825,470	7,060,705	11,969,557	11,851,989
		<u>21,353,619</u>	<u>13,281,526</u>	<u>11,969,557</u>	<u>11,851,989</u>
<b>Total liabilities</b>		<u>24,796,230</u>	<u>16,939,065</u>	<u>11,969,557</u>	<u>11,851,989</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>83,062,620</u>	<u>79,492,603</u>	<u>79,244,389</u>	<u>80,906,450</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 2018**

Group	Attributable to the owners of the Company			Distributable Accumulated losses RM	Total equity RM
	Share capital RM	Non-distributable Share premium RM	Treasury shares RM		
At 1 January 2017	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)	62,563,538
Total comprehensive loss for the financial year	-	-	-	(4,287,148)	(4,287,148)
At 31 December 2018	92,374,387	-	(693,951)	(33,414,046)	58,266,390

*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 CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

Company	Attributable to the owners of the Company		Distributable Accumulated losses RM	Total equity RM
	Share capital RM	Non-distributable Share premium RM	Treasury shares RM	
At 1 January 2017	75,000,000	17,374,387	(630,909)	78,514,688
Transactions with owners:				
Total comprehensive loss for the financial year	-	-	-	(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)	77,920,356
Effect of adoption of MFRS 9	-	-	-	(8,865,895)
As restated	92,374,387	-	(693,951)	69,054,461
Transactions with owners:				
Total comprehensive loss for the financial year	-	-	-	(1,779,629)
At 31 December 2018	92,374,387	-	(693,951)	67,274,832

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

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

**CYMAO HOLDINGS BERHAD**

(Co. No. 445931 - U)

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash flows from operating activities</b>					
Loss before taxation		(4,391,966)	(7,551,523)	(1,779,629)	(531,290)
Adjustments for:					
Allowance for slow moving inventories		111,510	-	-	-
Amortisation of land use rights		53,230	53,230	-	-
Bad debts written off		394,565	184,887	-	-
Depreciation of property, plant and equipment		3,818,111	3,904,395	-	10,491
Gain on disposal of property, plant and equipment		(20,000)	(151,408)	-	-
Impairment on financial assets		(136,495)	(90,961)	1,307,824	-
Interest expenses		424,262	330,963	-	-
Interest income		(30,448)	(41,117)	-	-
Inventories written off		-	53,882	-	-
Liabilities no longer in existence written off		(9,079)	-	-	-
Loss on disposal of investment		10,830	-	-	-
Property, plant and equipment written off		84,522	-	-	-
Share of loss of share in joint venture		11,145	388,991	-	-
Unrealised gain on foreign exchange		-	(103,470)	-	-
<b>Operating profit/(loss) before working capital changes</b>		120,187	(3,022,132)	(471,805)	(520,799)
Change in inventories		(7,930,844)	1,816,987	-	-
Change in receivables		(234,295)	10,068,715	348,790	391,602
Change in payables		4,773,844	(1,056,700)	(40,241)	(39,423)
<b>Cash (used in)/generated from operations</b>		(3,271,108)	7,806,870	(163,256)	(168,620)
Income tax paid		(429,869)	(429,010)	-	-
Income tax refunded		242,855	145,761	-	-
Interest paid		(424,262)	(330,963)	-	-
<b>Net cash (used in)/generated from operating activities</b>		(3,882,384)	5,095,658	(163,256)	(168,620)
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(1,305,499)	(2,542,321)	-	-
Interest received		30,448	41,117	-	-
Proceeds from disposal of property, plant and equipment		20,000	187,858	-	-
Proceeds from disposal of investment on joint venture		28,197	-	-	-
<b>Net cash used in investing activities</b>		(1,225,854)	(2,313,348)	-	-

(forward)

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

(continued)

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
<b>Cash flows from financing activities</b>					
Change in amount due to subsidiary		-	-	157,809	251,891
Drawdown of bankers' acceptance		23,472,000	20,877,000	-	-
Purchase of treasury shares		-	(63,042)	-	(63,042)
Repayment of bankers' acceptance		(21,236,000)	(20,901,000)	-	-
Repayment of hire purchase		(143,583)	(60,551)	-	-
Repayment of term loans		(146,552)	(143,201)	-	-
<b>Net cash generated from/(used in) financing activities</b>		<b>1,945,865</b>	<b>(490,794)</b>	<b>157,809</b>	<b>188,849</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,162,373)</b>	<b>2,291,518</b>	<b>(5,447)</b>	<b>20,229</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>5,458,177</b>	<b>3,166,661</b>	<b>30,305</b>	<b>10,076</b>
<b>Cash and cash equivalents at end of financial year</b>	22	<b>2,295,804</b>	<b>5,458,177</b>	<b>24,858</b>	<b>30,305</b>

**(i) Reconciliation of liabilities arising from financing activities**

Group	1 January 2018 RM	Cash flows RM	Non-cash acquisition RM	31 December 2018 RM
Bankers' acceptance	5,975,000	2,236,000	-	8,211,000
Term loans	1,788,730	(146,552)	-	1,642,178
Hire purchase	477,049	(143,583)	249,000	582,466
	<b>8,240,779</b>	<b>1,945,865</b>	<b>249,000</b>	<b>10,435,644</b>
Group	1 January 2017 RM	Cash flows RM	Non-cash acquisition RM	31 December 2017 RM
Bankers' acceptance	6,689,000	(224,000)	-	5,975,000
Term loans	1,931,931	(143,201)	-	1,788,730
Hire purchase	-	(60,551)	537,600	477,049
	<b>8,620,931</b>	<b>(427,752)</b>	<b>537,600</b>	<b>8,240,779</b>

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**(i) Reconciliation of liabilities arising from financing activities (continued)**

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

<b>Company</b>	<b>1 January 2017 RM</b>	<b>Cash flows RM</b>	<b>Non-cash acquisition RM</b>	<b>31 December 2017 RM</b>
Amounts due to subsidiary companies	11,401,607	251,891	-	11,653,498

**(ii) Non-cash transactions**

**Acquisition of property, plant and equipment**

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM1,554,499 (2017: RM3,079,921) of which RM249,000 (2017: RM537,600) were acquired by means of hire purchase. Cash payments of RM1,305,499 (2017: RM2,542,321) were made to acquired property, plant and equipment.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**1. General information**

The Company, incorporated in Malaysia, is a public limited liability company that is incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 18 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year ended 31 December 2018.

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 8.7 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah, Malaysia respectively.

These financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors dated 13 April 2019.

**2. Basis of preparation**

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

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

**(i) Classification and measurement**

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

**(ii) Impairment**

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

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

**(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.

The Group and the Company had to change its accounting policies and make certain retrospective adjustments following the adoption of MFRS 9. This is disclosed in Note 2(c).

**(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.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of MFRS 15. This is disclosed in Note 2(c).



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

**(iii) IC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

Under IC Interpretation 22 an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the "date of the transaction" to record foreign currency transactions. It provides guidance on how to determine "the date of transaction" when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt. The Group and the Company have the option to apply IC Interpretation 22 retrospectively or prospectively.

The adoption of the IC Interpretation 22 did not have any material impact to the financial statements of the Group.

**(iv) 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.

The adoption of these amendments did not have any financial impact on the Group as the Group already applied the principles under these amendments.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(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 2019**

- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015-2017 Cycle)

**Effective for annual periods commencing on or after 1 January 2020**

- Definition of Material (Amendments to MFRS 101)
- Definition of Material (Amendments to MFRS 108)

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

**(i) 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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

**(i) MFRS 16 Leases (continued)**

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.

**(ii) IC Interpretation 23 Uncertainty over Income Tax Treatments**

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

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

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

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

The Group plans to assess the potential effect of the adoption of the above new standards on their financial statements in 2019.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

**(iv) Definition of Material (Amendments to MFRS 101 and MFRS 108)**

In October 2018, the IASB issued *Definition of Material* (Amendments to MFRS 101 and MFRS 108). The amendments clarify and align the definition of 'material' as and provide guidance to help improve consistency in the application of that concept whenever it is used in MFRS.

The term of materiality has been amended, and has defined as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The materiality requirements of MFRS 101 have been amended to emphasise that information should not be aggregated or disaggregated in a way that obscures material information. The changes also highlight that materiality applies to all aspects of financial statements, including the primary financial statements, the notes and specific disclosures required by individual MFRSs. The purpose is to encourage entities (and others involved in the preparation and review of financial statements) to give careful consideration to presentation requirements, and to the items that need to be included in financial statements.

The content of primary statement line items has been clarified, including that as well as aggregating immaterial items, individual lines that contain significant items may need to be disaggregated. Additional guidance has also been added for the use of subtotals, requiring that these are derived using amounts that are reported in accordance with MFRS.

The amendments apply prospectively for annual period on or after 1 January 2020, with early application permitted. There is no potential effect on the amendments of these standards as the amendments only affect the disclosures of the financial statements of the Group and the Company.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(c) Changes in accounting policies and disclosures**

The Group applied MFRS 15 and MFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

**(i) MFRS 15 Revenue from Contracts with Customers**

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard only to contracts that are not completed as at 1 January 2018.

The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

However, there is no financial impact on the adoption of MFRS 15 to the Group as there is no past record on the variable consideration, such as right of return and volume rebates to its customers. The Group has recognised its revenue based on the performance obligation satisfied at a point in time in prior years.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(c) Changes in accounting policies and disclosures (continued)**

**(ii) MFRS 9 Financial Instruments**

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 retrospectively, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting MFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

**(i) Classification and measurement of financial assets and financial liabilities**

**Group**

				Original carrying amount under MFRS 139 RM	New carrying amount under MFRS 9 RM
Financial assets	Note	Original classification under MFRS 139	New classification under MFRS 9		
Trade and other receivables	30	Loan and receivables	Amortised cost	12,568,341	12,568,341
Cash and bank balances	30	Loan and receivables	Amortised cost	5,458,177	5,458,177

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(c) Changes in accounting policies and disclosures (continued)**

**(ii) MFRS 9 Financial Instruments (continued)**

**(i) Classification and measurement of financial assets and financial liabilities (continued)**

**Company**

	Note	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM	New carrying amount under MFRS 9 RM
<b>Financial assets</b>					
Trade and other receivables	30	Loan and receivables	Amortised cost	10,870,391	1,804,498
Cash and bank balances	30	Loan and receivables	Amortised cost	30,305	30,305

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now classified at amortised cost. Trade and other receivables financial assets (i.e., Loan to subsidiaries) classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. An increase of RM8,865,895 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to MFRS 9.

There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(c) Changes in accounting policies and disclosures (continued)**

**(ii) MFRS 9 Financial Instruments (continued)**

**(ii) Impairment**

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under MFRS 9, credit losses are recognised earlier than under MFRS 139. For assets in the scope of the MFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

However, there is no impact on the changes in impairment model to the Group. The Company has determined that the application of MFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

	<b>RM</b>
Loss allowance at 31 December 2017 under MFRS 139	-
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables as at 31 December 2017 (Note 21)	8,865,895
Loss allowance at 1 January 2018 under MFRS 9	<u>8,865,895</u>

**(iii) Hedge accounting**

There is no impact on the changes in hedge accounting as the Group does not apply hedge accounting.

**3. Significant accounting judgements and estimates**

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

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

In the process of applying the 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.



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**3. Significant accounting judgements and estimates (continued)**

**(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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(i) 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 16 to the financial statements.

**(ii) 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.

**(iii) 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.

**(iv) Carrying value of investment in subsidiary companies**

Investment in subsidiary company is reviewed for impairment annually in accordance with its accounting policy as disclosed in Note 4(k)(ii) to the financial statements, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**3. Significant accounting judgements and estimates (continued)**

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

**(iv) Carrying value of investment in subsidiary companies (continued)**

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiary, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiary companies.

**(v) Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Previously, an impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses.

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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

**(vi) 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.

**4. 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").

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

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

Control is achieved when the investor:

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

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

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

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

**(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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

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

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

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

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

**(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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

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

**(iv) Joint venture**

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

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

**(v) Joint operation**

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

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

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

**(b) Foreign currency transactions**

**(i) Functional and presentation currencies**

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(b) Foreign currency transactions (continued)**

**(ii) Foreign currency transactions**

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

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

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

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

**(iii) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

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

	2018 RM	2017 RM
1 United States Dollar	4.1510	4.0350

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(c) Revenue recognition**

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

**(i) Sale of goods**

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

**(ii) Revenue from services**

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

**(d) Employee benefits**

**(i) Short term benefits**

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

**(ii) Defined contribution plans**

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(e) Income taxes**

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

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

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

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

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

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

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

**(f) Earnings per share**

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



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(g) Property, plant and equipment**

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

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

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

Leasehold land with lease period of equal or less than fifty (50) years is classified as short leasehold land whereas leasehold land with lease period of more than fifty (50) years is classified as long leasehold land. Leasehold land is amortised over the period of the lease term, ranging from fifty-one (51) to seventy-eight (78) years.

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

The principal annual rates of depreciation used are as follows:

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

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

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

**(h) 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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(i) Inventories**

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

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

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

**(j) Financial instruments**

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

**(i) Financial assets**

**Policy applicable from 1 January 2018**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(j) Financial Instruments (continued)**

**(i) Financial assets (continued)**

**Policy applicable from 1 January 2018 (continued)**

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

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

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

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(j) Financial instruments (continued)**

**(i) Financial assets (continued)**

**Policy applicable from 1 January 2018 (continued)**

**Financial assets at fair value through OCI (debt instruments)**

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

There is no financial asset at fair value through OCI in the Group.

**Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

There is no financial asset at fair value through OCI in the Group.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(i) Financial Instruments (continued)**

**(i) Financial assets (continued)**

**Policy applicable from 1 January 2018 (continued)**

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

There is no financial asset at fair value through profit or loss in the Group.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(j) Financial Instruments (continued)**

**(i) Financial assets (continued)**

**Policy applicable from 1 January 2018 (continued)**

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when: Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

**Policy applicable before 1 January 2018**

Financial assets are recognised in the statement of financial position when, and only when, the Group and 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 its 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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(j) Financial instruments (continued)**

**(i) Financial assets (continued)**

**Policy applicable before 1 January 2018 (continued)**

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

**Financial assets at fair value through profit or loss**

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

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

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

**Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has 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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(i) Financial instruments (continued)**

**(i) Financial assets (continued)**

**Policy applicable before 1 January 2018 (continued)**

**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.

**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 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.



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(j) Financial instruments (continued)**

**(i) Financial assets (continued)**

**Policy applicable before 1 January 2018 (continued)**

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

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 commits to purchase or sell the asset.

**(ii) 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 9, are recognised in the statement 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:

**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.

**Financial liabilities measured at amortised cost**

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(j) Financial instruments (continued)**

**(ii) Financial liabilities (continued)**

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

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.

**(k) Impairment**

**(i) Impairment of financial assets**

**Policy applicable from 1 January 2018**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(k) Impairment (continued)**

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

**Policy applicable from 1 January 2018 (continued)**

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

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

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 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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(k) Impairment (continued)**

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

**Policy applicable before 1 January 2018 (continued)**

**• 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 Company considers 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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

**(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")).

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(k) Impairment (continued)**

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

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

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

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

**(l) 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.

**(m) Assets classified as held for sale**

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(m) Assets classified as held for sale (continued)**

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

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

**(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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**4. 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.

**(iv) Operating lease – the Group as lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(r) 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.

**(s) 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.

**(t) Contingencies**

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

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

Contingent liabilities and assets are not recognised in the Statement of Financial Position of the Company.



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(u) Operating segments**

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

**(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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**5. Revenue**

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
<b>Type of goods</b>		
Logs	24,456	-
Plywood	86,916,892	87,670,544
Veneer	109,116	4,755,191
Other wood products	983,424	663,410
<b>Total revenue from contracts with customers</b>	<b>88,033,888</b>	<b>93,089,145</b>
<b>Market of goods</b>		
Export sales	52,385,074	43,347,985
Local sales	35,648,814	49,741,180
<b>Total revenue from contracts with customers</b>	<b>88,033,888</b>	<b>93,089,145</b>
<b>Operation based revenue</b>		
Klang	24,925,018	32,308,030
Pahang	2,537,517	-
Sandakan	60,571,353	60,781,115
<b>Total revenue from contracts with customers</b>	<b>88,033,888</b>	<b>93,089,145</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	88,033,888	93,089,145
<b>Total revenue from contracts with customers</b>	<b>88,033,888</b>	<b>93,089,145</b>

**6. Interest income**

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Interest income from:		
Fixed deposits	30,448	41,117

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**7. Other operating income**

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Gain on disposal of property, plant and equipment	20,000	151,409
Gain on foreign exchange		
- Realised	495,450	21,180
- Unrealised	-	104,943
Liabilities no longer in existence written back	9,079	-
Miscellaneous income	130,254	222,483
Rental income	537,972	32,500
	<u>1,192,755</u>	<u>532,515</u>

**8. Other operating expenses**

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Allowance for slow moving inventories	111,510	-
Farming expenses	19,842	2,130
Inventories written off	-	53,882
Loss on damage of materials	161,851	23,391
Loss on disposal of materials	-	223,072
Loss on disposal of investment (Note 19)	10,830	-
Loss on foreign exchange		
- Realised	4,394	143,958
- Unrealised	-	1,473
Other expense	-	168,976
Property, plant and equipment written off	84,522	-
	<u>392,949</u>	<u>614,882</u>

**9. Impairment on financial assets**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Impairment on receivables (Note 21)	175,069	93,926	-	-
Impairment loss on amount due from subsidiary (Note 21)	-	-	1,307,824	-
Reversal of impairment on receivables (Note 21)	(311,564)	(184,887)	-	-
	<u>(136,495)</u>	<u>(90,961)</u>	<u>1,307,824</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**10. Employee benefits expense**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Contributions to defined contribution plan	280,898	212,644	-	-
Contributions to employment insurance system	2,305	-	-	-
Salaries and wages	15,106,848	12,020,958	24,000	60,000
Social security contributions	44,239	34,605	-	-
	<u>15,444,290</u>	<u>12,268,207</u>	<u>24,000</u>	<u>60,000</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 RM1,080,000 (2017: RM1,138,800) and RM24,000 (2017: RM60,000) respectively as further disclosed in Note 11 to the financial statements.

**11. Directors' remuneration**

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

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>Executive Directors' remuneration (Note 10)</b>				
- Fee	24,000	48,000	24,000	48,000
- Salaries and other emoluments	1,056,000	1,090,800	-	12,000
	<u>1,080,000</u>	<u>1,138,800</u>	<u>24,000</u>	<u>60,000</u>
<b>Non-executive Directors' remuneration:</b>				
- Fee	144,000	144,000	144,000	144,000
<b>Total Directors' remuneration</b>	<u>1,224,000</u>	<u>1,282,800</u>	<u>168,000</u>	<u>204,000</u>

The Directors' remuneration 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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**11. Directors' remuneration (continued)**

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>2018</b>	<b>2017</b>
<b>Executive Directors:</b>		
RM300,001 – RM600,000	2	2
<b>Non-executive Directors:</b>		
Below RM50,000	2	2
RM50,000 – RM100,000	1	1
RM100,001 – RM250,000	1	1

**12. Loss from operations**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other than those disclosed in Note 6, 7, 8, 9, 10 and 11, loss from operations have been arrived at after charging:				
Amortisation of land use rights (Note 17)	53,230	53,230	-	-
Auditors' remuneration				
- statutory audit	127,000	127,000	42,000	42,000
- other services	40,000	66,980	40,000	48,000
Bad debts written off	394,565	184,887	-	-
Depreciation of property, plant and equipment (Note 16)	3,616,111	3,904,396	-	10,491
Rental expenses	660,031	107,474	-	-

**13. Finance costs**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<b>Interest expenses:</b>		
- Bankers' acceptance	270,974	206,976
- Bank overdraft	14,729	12,498
- Hire purchase	45,387	13,989
- Term loans	93,172	97,500
	<b>424,262</b>	<b>330,963</b>

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**14. Income tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Current taxation	2,295	-	-	-
Deferred tax liabilities (Note 27)	(113,118)	(69,978)	-	-
	<u>(110,823)</u>	<u>(69,978)</u>	<u>-</u>	<u>-</u>
Under/(Over) provision in prior years	6,005	(12,619)	-	-
	<u>(104,818)</u>	<u>(82,597)</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>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Loss before taxation	<u>(4,391,966)</u>	<u>(7,561,523)</u>	<u>(1,779,829)</u>	<u>(531,290)</u>
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(1,054,072)	(1,738,849)	(427,111)	(127,509)
Non-tax deductible expenses	414,933	621,423	427,111	127,509
Non-taxable income	-	(20,280)	-	-
Tax effect on double deduction expenses	(78,720)	(164,672)	-	-
Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets	607,036	1,330,400	-	-
	<u>(110,823)</u>	<u>(69,978)</u>	<u>-</u>	<u>-</u>
Under/(Over) provision in prior years	6,005	(12,619)	-	-
	<u>(104,818)</u>	<u>(82,597)</u>	<u>-</u>	<u>-</u>

**15. 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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**15. Loss per share (continued)**

**(a) Basic (continued)**

	<b>2018 RM</b>	<b>Group 2017 RM</b>
Loss net of tax attributable to owners of the Company	<u>(4,287,148)</u>	<u>(7,468,926)</u>
Weighted average number of ordinary shares in issue	<u>73,335,400</u>	<u>73,473,482</u>
	<b>2018 Sen</b>	<b>2017 Sen</b>
Basic loss per share	<u>(5.85)</u>	<u>(10.16)</u>

**(b) Diluted**

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**16. Property, plant and equipment**

Group	Land and buildings* RM	Plant and machinery RM	Furniture, fixtures and equipment RM	Motor vehicles RM	Total RM
<b>Costs</b>					
At 1 January 2017	42,781,809	106,510,417	155,147	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
Addition	440,060	883,268	21,951	209,220	1,554,499
Disposal	-	(7,226,429)	-	(12,801)	(7,239,230)
Written off	-	(8,113,984)	(12,900)	(621,379)	(8,748,263)
Transferred to assets classified as held for sale	(3,599,004)	-	-	-	(3,599,004)
At 31 December 2018	40,683,709	93,165,633	197,354	4,764,666	138,811,362
<b>Accumulated depreciation</b>					
At 1 January 2017	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
Charge for the financial year	1,111,518	2,007,408	11,798	487,387	3,618,111
Written back	-	(7,226,429)	-	(12,801)	(7,239,230)
Written off	-	(8,029,865)	(12,497)	(621,379)	(8,663,741)
Transferred to assets classified as held for sale	(838,374)	-	-	-	(838,374)
At 31 December 2018	19,330,518	85,085,344	127,434	3,916,581	108,459,877
<b>Net book value</b>					
At 31 December 2017	24,785,279	9,288,548	60,170	1,126,252	35,260,249
At 31 December 2018	21,353,191	8,080,289	69,920	848,085	30,351,485



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**16. 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 2017	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
Addition	398,360	-	41,700	-	440,060
Transferred to assets classified as held for sale (Note 23)	-	(3,599,004)	-	-	(3,599,004)
At 31 December 2018	2,785,160	12,816,746	23,670,184	1,411,619	40,683,709
<b>Accumulated depreciation</b>					
At 1 January 2017	-	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
Charge for the financial year	-	290,544	690,931	130,043	1,111,518
Transferred to assets classified as held for sale (Note 23)	-	(838,374)	-	-	(838,374)
At 31 December 2018	-	1,902,884	16,638,521	789,113	19,330,518
<b>Net book value</b>					
At 31 December 2017	2,386,800	13,965,036	7,680,894	762,549	24,785,279
At 31 December 2018	2,785,160	10,913,862	7,031,663	622,506	21,353,191

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018****16. Property, plant and equipment (continued)****Company**

<b>Costs</b>	<b>Renovation RM</b>	<b>Furniture, fittings and equipment RM</b>	<b>Total RM</b>
At 1 January 2017/31 December 2017/31 December 2018	104,907	20,944	125,851
<b>Accumulated depreciation</b>			
At 1 January 2017	94,415	20,944	115,359
Charge for the financial year	10,491	-	10,491
At 31 December 2017/31 December 2018	104,906	20,944	125,850
<b>Net book value</b>			
At 31 December 2017/31 December 2018	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>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Recognised in profit or loss (Note 12)				
- Cost of sales	2,642,115	3,047,719	-	-
- Administrative expenses	942,558	822,387	-	10,491
- Selling expenses	33,438	34,289	-	-
	<u>3,618,111</u>	<u>3,904,395</u>	<u>-</u>	<u>10,491</u>

Freehold land, leasehold land and building of the Group with net book value amounting to RM8,603,961 (2017: RM8,796,180) are pledged for banks for banking facilities granted to the Group as disclosed in Note 26 to the financial statements.

Plant and equipment of the Group acquired under hire purchase arrangements are as follows:

	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Net book value RM</b>
<b>2018</b>			
Motor vehicles	942,484	(283,469)	659,015
<b>2017</b>			
Motor vehicles	1,494,803	(488,708)	1,006,095

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018****17. Land use rights**

	<b>Group</b>	
<b>Cost</b>	<b>2018 RM</b>	<b>2017 RM</b>
At 1 January/31 December	<u>1,337,376</u>	<u>1,337,376</u>
<b>Accumulated amortisation</b>		
At 1 January	497,788	444,558
Charge for the financial year (Note 12)	<u>53,230</u>	<u>53,230</u>
At 31 December	<u>551,018</u>	<u>497,788</u>
<b>Net book value</b>		
At 31 December	<u>786,358</u>	<u>839,588</u>

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

**18. Investments in subsidiary companies**

	<b>Company</b>	
<b>Cost</b>	<b>2018 RM</b>	<b>2017 RM</b>
Unquoted shares, at cost	92,152,988	92,152,988
Accumulated impairment losses	<u>(13,086,051)</u>	<u>(13,086,051)</u>
Net carrying amount	<u>79,066,937</u>	<u>79,066,937</u>

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

<b>Name of subsidiaries</b>	<b>Principal activities</b>	<b>Principal place of business</b>	<b>Proportion of ownership interest</b>	
			<b>2018 %</b>	<b>2017 %</b>
Cymao Plywood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood and provision of barge hiring services	Sandakan and Jengka	100	100
Inowood Sdn. Bhd.	Manufacturing and sale of veneer, plywood and decorative plywood	Sandakan	100	100
Syabas Mujur Sdn. Bhd.	Sales and extraction of log timber operations. Operations temporarily ceased.	Sandakan	100	100
Poly-Ply Industries Sdn. Bhd.	Manufacturing and sale of polyester-overlaid plywood and veneer.	Klang	100	100
Billion Apex Sdn. Bhd.	Dormant	Sandakan	100	100

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

		<b>Group</b>	
		<b>2018 RM</b>	<b>2017 RM</b>
<b>Cost</b>			
Unquoted shares, at cost		-	640,000
Share of post-acquisition loss		-	588,828
Net carrying amount		-	51,172

<b>Name of joint venture</b>	<b>Principal activities</b>	<b>Principal place of business</b>	<b>Proportion of ownership interest</b>	
			<b>2018 %</b>	<b>2017 %</b>
GP Dynamic Venture Sdn. Bhd.	Manufacturing of veneer, plywood and sawn timber	Kuala Terengganu	-	40

**Disposal of joint venture**

On 31 October 2018, the Group disposed off its entire equity interests in GP Dynamic Venture Sdn. Bhd. for a total cash consideration of RM29,197. The disposals had the following effects on the financial position of the Group as at the end of the financial year:

	<b>2018 RM</b>
Carrying value of joint venture	40,027
Loss on disposal to the Group (Note 8)	(10,830)
Consideration received, satisfied in cash	29,197

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

	<b>GP Dynamic Venture Sdn. Bhd.</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Current assets	-	1,248,279
Non-current assets	-	-
Current liabilities	-	(1,175,287)
Non-current liabilities	-	-

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**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018****19. Investments accounted for using the equity method (continued)****Disposal of joint venture (continued)**

	<b>GP Dynamic Venture Sdn. Bhd.</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
<i>The following amounts have been included in the amounts above</i>		
Cash and cash equivalents	-	1,578
Current financial liabilities	-	(75,329)
Non-current financial liabilities	-	-
Revenue	-	-
Loss for the financial year	-	(1,022,313)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	-	(1,022,313)
<i>The following amounts have been included in the amounts above</i>		
Depreciation	-	(26,372)
Interest income	-	348
Interest expense	-	(5,574)
Income tax expense	-	(2,845)
Dividend received from the joint venture during the financial year	-	-

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

	<b>GP Dynamic Venture Sdn. Bhd.</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Net assets of the joint venture	-	72,992
Proportion of the Group's ownership interest in the joint venture	-	40%
Carrying amount of the Group's interest in the joint venture	-	51,172
<b>Commitments</b>		
Capital expenditure as at the reporting date is as follows:		
Property, plant and equipment:		
Approved but not contracted for	-	3,467,997

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**20. Inventories**

<b>Cost</b>	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Raw materials	8,299,727	7,029,329
Work-in-progress	4,418,211	3,807,018
Finished goods	9,786,383	1,222,362
Materials and supplies	2,399,801	2,650,951
Goods-in-transit	1,246,930	568,649
	<u>26,150,852</u>	<u>15,278,309</u>
<b>Net realisable value</b>		
Raw materials	-	249,981
Work-in-progress	3,497,711	3,400,547
Finished goods	-	2,788,902
	<u>29,648,563</u>	<u>21,717,719</u>
Less: Allowance for slow moving inventories	(170,854)	(59,344)
	<u>29,477,709</u>	<u>21,658,375</u>

The write-down of inventories to net realisable value recognised as an expense during the financial year amounted to RM535,046 (2017: RM1,620,421).

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

	<b>2018 RM</b>	<b>2017 RM</b>
Employee benefits expense	1,032,966	258,992
Rental	<u>80,826</u>	<u>5,298</u>

**21. Trade and non-trade receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>Trade receivables</b>				
Third parties	9,099,340	11,548,944	-	-
Less: Allowance for impairment	-	(42,589)	-	-
Trade receivables, net	<u>9,099,340</u>	<u>11,504,375</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**21. Trade and non-trade receivables (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-trade receivables</b>				
Deposits for log supplies	400,000	642,469	-	-
Prepayments	2,776,128	911,594	5,921	4,711
Staff advances	47	599	-	-
Sundry deposits	1,305,727	1,312,302	-	-
Sundry receivables	1,629,689	1,157,293	-	-
	<u>6,311,591</u>	<u>4,024,257</u>	<u>5,921</u>	<u>4,711</u>
Less: Allowance for impairment	-	(93,926)	-	-
<b>Non-trade receivables, net</b>	<u>6,311,591</u>	<u>3,930,331</u>	<u>5,921</u>	<u>4,711</u>
Amount due from subsidiaries	-	-	10,320,381	10,670,391
Less: Allowance for impairment	-	-	(10,173,719)	(8,865,895)
	<u>-</u>	<u>-</u>	<u>146,672</u>	<u>1,804,496</u>
<b>Total trade and non-trade receivables</b>	<u>15,410,931</u>	<u>15,434,706</u>	<u>152,593</u>	<u>1,809,207</u>

Amounts due from subsidiaries are unsecured and non-trade in nature. These balances are 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 (2017: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

**Deposits for log supplies**

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

During the financial year, the following (gains)/losses were recognised in profit or loss in relation to impaired financial assets:

<b>Group</b>	<b>Receivables RM</b>
At 1 January 2017	227,456
Charge for the financial year (Note 9)	93,926
Reversal during the financial year (Note 9)	(184,887)
At 31 December 2017	136,495
Charge for the financial year (Note 9)	175,069
Reversal during the financial year (Note 9)	(311,564)
At 31 December 2018	-

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**21. Trade and non-trade receivables (continued)**

**Company**

	<b>Amount due from subsidiary company RM</b>
At 1 January 2017/31 December 2017	-
Effect of adoption of MFRS 9	8,865,895
At restated	8,865,895
Charge for the financial year (Note 9)	1,307,824
At 31 December 2018	<u>10,173,719</u>

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.

Information about the Group's exposure to credit risks and impairment losses for trade receivables is included in Note 30 to the financial statements.

**22. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
Cash in hand	95,021	41,661	-	58
Cash at banks	1,064,395	3,984,520	24,858	30,247
Deposits with licensed banks	2,147,041	1,431,996	-	-
<b>Cash and bank balances</b>	<u>3,306,457</u>	<u>5,458,177</u>	<u>24,858</u>	<u>30,305</u>
Bank overdraft (secured) (Note 25)	(1,010,653)	-	-	-
<b>Cash and cash equivalents</b>	<u>2,295,804</u>	<u>5,458,177</u>	<u>24,858</u>	<u>30,305</u>

Included in deposits with licensed bank is an amount of RM1,500,000 (2017: RM800,000) of money market placement, which are made up for varying periods of between a few days depending on the immediate cash requirements of the Company and earn interests at the respective short-term deposit rates at 2.7% (2017: 3.0%). The remaining balance of RM647,041 (2017: RM631,996) placed as fixed deposits with the interest rate of 2.95% (2017: 2.95%) per annum with the maturity period of 1 (2017: 1) month.



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**23. Asset classified as held for sale**

	<b>2018 RM</b>	<b>Group 2017 RM</b>
At 1 January	-	-
Transferred from property, plant and equipment (Note 16)	2,760,630	-
At 31 December	<u>2,760,630</u>	<u>-</u>

At 31 December 2018, the non-current asset held for sale relates to the contractual commitment entered by a wholly-owned subsidiary of the Company, namely, Cymao Plywood Sdn. Bhd. on 4 June 2018, to dispose two (2) parcels of industrial land in Sandakan, and which the said disposal is expected to be completed by end of October 2018.

Please refer to Note 34 to the financial statements on the detailed information on the said disposal.

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

	<b>Share capital unit</b>	<b>Share capital RM</b>	<b>Share premium RM</b>	<b>Treasury shares RM</b>
Issued and fully paid				
At 1 January 2017	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/ 31 December 2018	<u>75,000,000</u>	<u>92,374,387</u>	<u>-</u>	<u>(693,951)</u>

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.

**(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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

**(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 2018, 1,664,800 (2017: 1,664,600) are held as treasury shares by the Company. As at 31 December 2018, the number of outstanding ordinary shares in issue after the setoff is therefore 73,335,400 (2017: 73,335,400) ordinary shares of RM1 each.

**25. 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.

**26. Loans and borrowings**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
<b>Non-current</b>		
Obligations under finance leases	430,650	378,840
Term loans	1,487,498	1,641,118
	<u>1,918,148</u>	<u>2,019,958</u>
<b>Current</b>		
Bank overdraft (Note 22)	1,010,653	-
Bankers' acceptance	8,211,000	5,975,000
Obligations under finance leases	151,816	98,209
Term loans	154,680	147,612
	<u>9,528,149</u>	<u>6,220,821</u>
<b>Total loans and borrowings</b>		
Bank overdraft	1,010,653	-
Bankers' acceptance	8,211,000	5,975,000
Obligations under finance leases	582,466	477,049
Term loans	1,642,178	1,788,730
	<u>11,446,297</u>	<u>8,240,779</u>

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**26. Loans and borrowings (continued)**

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
<b>Maturity structure of loans and borrowings</b>		
Within one year	9,528,149	6,220,821
Between one to two years	324,782	260,437
Between two to five years	815,269	794,348
More than five years	778,097	965,173
	<b>11,446,297</b>	<b>8,240,779</b>

The interest rate structures are as follows:

	<b>Nominal Interest rate</b>		<b>Effective Interest rate</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Bank overdraft	BLR + 0.5% - 1.0%	-	7.41% - 7.91%	-
Bankers' acceptance	4.02% - 4.09%	3.45% - 3.83%	4.02% - 4.09%	3.45% - 3.83%
Obligations under finance leases	2.56% - 3.63%	2.56% - 3.63%	4.84% - 6.78%	4.84% - 6.78%
Term loans	BLR - 1.5%	BLR - 1.5%	5.40%	5.35%

**(a) Bank overdraft**

Bank overdrafts are denominated in RM and bear effective interest ranging 7.41% to 7.91% (2017: Nil%) per annum.

These loans and borrowings are secured by:

- (i) a legal charge over freehold land and building as disclosed in Note 16 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.

**(b) 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 16 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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**26. Loans and borrowings (continued)**

**(c) Obligations under finance leases**

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

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
Minimum hire purchase payments:		
Repayable within one year	182,040	124,116
Repayable between one to two years	182,040	124,116
Repayable between two to five years	282,367	297,722
Total future minimum hire purchase payments	646,447	545,954
Less: Future finance charges	(63,981)	(68,905)
Present value of hire purchase liabilities	582,466	477,049
Present value of hire purchase liabilities:		
Repayable within one year	151,816	98,209
Repayable between one to two years	181,523	104,732
Repayable between two to five years	269,127	274,108
	582,466	477,049
Representing:		
Current	151,816	98,209
Non-current	430,650	378,840
	582,466	477,049

The hire purchase payables bear effective interest ranging from 4.84% to 6.78% (2017: 4.84% to 6.78%) per annum and shall be repaid in full by 2023.

**(d) Term loans**

The remaining maturities of the term loans are as follows:

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
On demand or within one year	154,680	147,612
Between one to two years	163,259	155,705
Between two to five years	546,142	520,240
More than five years	778,097	965,173
	1,642,178	1,788,730

The loans are repayable over 180 and 120 monthly instalments ending in the year 2026, and bears effective interest at 5.41% (2017: 5.35%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**27. Deferred tax liabilities**

	<b>Group</b>	
	<b>2018 RM</b>	<b>2017 RM</b>
At 1 January	1,637,581	1,707,559
Recognised in profit or loss (Note 14)	(113,118)	(89,978)
At 31 December	<u>1,524,463</u>	<u>1,637,581</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 2017	1,707,559
Recognised in profit or loss (Note 14)	(89,978)
At 31 December 2017	<u>1,637,581</u>
Recognised in profit or loss (Note 14)	(113,118)
At 31 December 2018	<u>1,524,463</u>

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>2018 RM</b>	<b>2017 RM</b>
Capital allowance in excess of depreciation	1,555,917	1,341,736
Unutilised tax losses	(26,356,034)	(25,713,886)
Unabsorbed capital allowances	(39,994,416)	(47,338,195)
Unutilised reinvestment allowance	(15,683,373)	(15,683,373)
	<u>(80,477,906)</u>	<u>(87,393,718)</u>
Deferred tax assets at 24% (2017: 23%) not recognised in the financial statements	<u>(19,314,697)</u>	<u>(20,100,555)</u>

The unabsorbed capital allowances and unabsorbed reinvestment allowances disclosed above are available indefinitely for offsetting against future taxable profits whereas the unutilised losses is available to be carried forward up to the maximum of seven (7) years, subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

	<b>Group</b>		<b>Company</b>	
	<b>2018 RM</b>	<b>2017 RM</b>	<b>2018 RM</b>	<b>2017 RM</b>
<b>Trade payables</b>				
Third parties	6,078,322	4,502,084	-	-
<b>Non-trade payables</b>				
Other payables				
Third parties	2,234,769	1,307,443	7,250	19,491
Accruals	1,048,851	1,208,947	151,000	167,000
Deposits received from customers	1,003,600	8,100	-	-
	<u>4,287,020</u>	<u>2,522,490</u>	<u>158,250</u>	<u>186,491</u>
Amount due to subsidiaries	-	-	11,811,307	11,653,498
Amount due to a Director	<u>1,480,128</u>	<u>36,131</u>	<u>-</u>	<u>12,000</u>
<b>Total trade and non-trade payables</b>	<u>11,825,470</u>	<u>7,080,705</u>	<u>11,969,557</u>	<u>11,851,989</u>

Trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 60 days (2017: 30 to 60 days).

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

Included in the deposits is an amount of RM840,000 (2017: RMNil), relating to the disposal of two (2) parcels of industrial land to a third party, as disclosed in Note 23 to the financial statements.

Amounts due to Director and subsidiary companies are unsecured and non-trade in nature. These balances are interest free and repayable on demand.

**29. Significant related party transactions**

**(a) Identities of related parties**

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**29. 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		Transaction value		Balance outstanding as at 31 December	
Name of related party	Type of transaction	2018 RM	2017 RM	2018 RM	2017 RM
With person connected to a Director of the Company:					
Lin, Yu-Lin	Salaries	78,000	88,000	-	-
With Director of the Company:					
Syed Ibrahim Bin Syed Abd. Rahman	Legal and professional fees	-	60,000	-	-
Company					
Name of related party	Type of transaction	2018 RM	2017 RM	2018 RM	2017 RM
With subsidiary companies:					
Cymao Plywood Sdn. Bhd.	Advances	(157,809)	(251,891)	(11,763,307)	(11,605,498)
Inowood Sdn. Bhd.	Payment of account impairment on financial asset	350,000	390,000	10,320,391	10,670,391
		1,307,824	-		
Poly-Ply Industries Sdn. Bhd.	-	-	-	(48,000)	(48,000)
With Director of the Company:					
Lin, Kai-Min	-	-	-	-	(12,000)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term employee benefits	1,224,000	1,282,800	168,000	204,000

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial instruments**

**(a) Categories of financial instruments**

<b>Group</b>		
<b>2018</b>	<b>Carrying amount RM</b>	<b>Financial assets measured at amortised cost RM</b>
<b>Financial assets</b>		
Financial assets not measured at fair value		
Trade and non-trade receivables	15,410,931	10,929,076
Cash and bank balances	3,306,457	3,306,457
	<b>18,717,388</b>	<b>14,235,533</b>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Financial liabilities not measured at fair value		
Loans and borrowings	11,446,297	11,446,297
Trade and non-trade payables	11,825,470	11,825,470
	<b>23,271,767</b>	<b>23,271,767</b>
<b>2017</b>	<b>Carrying amount RM</b>	<b>Loans and receivables RM</b>
<b>Financial assets</b>		
Financial assets not measured at fair value		
Trade and non-trade receivables	15,434,706	12,568,341
Cash and bank balances	5,458,177	5,458,177
	<b>20,892,883</b>	<b>18,026,518</b>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liabilities</b>		
Financial liabilities not measured at fair value		
Loans and borrowings	8,240,779	8,240,779
Trade and non-trade payables	7,060,705	7,060,705
	<b>15,301,484</b>	<b>15,301,484</b>



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial instruments (continued)**

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

<b>Company</b>		
<b>2018</b>	<b>Carrying amount RM</b>	<b>Financial assets measured at amortised cost RM</b>
<b>Financial assets</b>		
Financial assets not measured at fair value		
Trade and non-trade receivables	152,593	146,672
Cash and bank balances	24,858	24,858
	<u>177,451</u>	<u>171,530</u>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liability</b>		
Financial liabilities not measured at fair value		
Trade and non-trade payables	11,969,557	11,969,557
	<u>11,969,557</u>	<u>11,969,557</u>
<b>2017</b>	<b>Carrying amount RM</b>	<b>Loans and receivables RM</b>
<b>Financial assets</b>		
Financial assets not measured at fair value		
Trade and non-trade receivables	10,675,102	10,670,391
Cash and bank balances	30,305	30,305
	<u>10,705,407</u>	<u>10,700,696</u>
	<b>Carrying amount RM</b>	<b>Financial liabilities measured at amortised cost RM</b>
<b>Financial liability</b>		
Financial liabilities not measured at fair value		
Trade and non-trade payables	11,851,989	11,851,989
	<u>11,851,989</u>	<u>11,851,989</u>

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial instruments (continued)**

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Trade and other receivables</b>				
As reflected in the Statements of Financial Position	15,410,931	15,434,708	152,593	10,675,102
Less: Prepayments (Note 21)	(2,776,128)	(911,594)	(5,921)	(4,711)
Less: Sundry deposits (Note 21)	(1,305,727)	(1,312,302)	-	-
Less: Deposits for log supplies (Note 21)	(400,000)	(842,468)	-	-
<b>Loans and receivables</b>	<b>10,929,076</b>	<b>12,568,341</b>	<b>146,672</b>	<b>10,670,391</b>

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

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Net (gain)/losses arising from:</b>				
<b>Loans and receivables</b>				
- Gain on foreign exchange				
- Realised	(495,450)	(21,180)	-	-
- Unrealised	-	(104,943)	-	-
- Loss on foreign exchange				
- Realised	4,394	143,958	-	-
- Unrealised	-	1,473	-	-
- Impairment on financial assets	(136,495)	(90,961)	1,307,824	-
- Interest income	(30,448)	(41,117)	-	-
- Bad debts written off	394,565	184,887	-	-
	<b>(263,434)</b>	<b>72,117</b>	<b>1,307,824</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>				
- Interest expense	424,262	330,963	-	-
- Liabilities no longer in existence written back	(9,079)	-	-	-
	<b>151,749</b>	<b>403,080</b>	<b>1,307,824</b>	<b>-</b>

**(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.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial Instruments (continued)**

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

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 exposure to credit risk arises primarily from 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.

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>2018</b>			
Not past due	6,056,970	-	6,056,970
Past due:			
- less than 60 days	2,328,128	-	2,328,128
- between 61 to 120 days	581,572	-	581,572
- between 121 to 365 days	19,686	-	19,686
- more than 365 days	112,984	-	112,984
	3,042,370	-	3,042,370
	9,099,340	-	9,099,340

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial Instruments (continued)**

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

**(i) Credit risk (continued)**

<b>2017</b>	<b>Gross amount RM</b>	<b>Individual Impairment RM</b>	<b>Carrying value RM</b>
Not past due	6,580,383	-	6,580,383
Past due:			
- less than 60 days	3,967,377	-	3,967,377
- between 61 to 120 days	350,555	-	350,555
- between 121 to 365 days	656,184	-	656,184
- more than 365 days	(7,535)	(42,569)	(50,104)
	4,966,581	(42,569)	4,924,012
	11,546,944	(42,569)	11,504,375

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 (2017: RM10,000,000) relating to a corporate guarantee provided by the Company to a bank for credit facilities granted to its subsidiaries.

**Trade receivables that are neither past due nor impaired**

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. The balances from these trade receivables are unsecured in nature. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year. The Directors have reviewed the recoverability of the receivables and are of the opinion that no provision is required in respect of these debts.

**Trade receivables that are past due but not impaired**

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

**Credit risk concentration profile**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit obtained from banks and other financial institutions. The Group determines concentration of credit risk by monitoring the profile of its trade receivables on an ongoing basis.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial instruments (continued)**

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

**(i) Credit risk (continued)**

**Credit risk concentration profile (continued)**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating and coverage by letters of credit). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables without repayment are written off if past due for more than one (1) year and are not subject to enforcement activity.

At 31 December 2018, 4% (2017: 7%) of the Group's trade receivables are covered by letters of credit. None of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, trading history with the Group and existence of previous financial difficulties.

A summary of the Group's exposure to credit risk for trade receivables is as follows:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>
With letter of credit	408,287	813,098
Without letter of credit	8,691,053	10,733,846
Net carrying amount	<u>9,099,340</u>	<u>11,546,944</u>

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial instruments (continued)**

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

**(ii) Liquidity risk**

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

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

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

Group	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
<b>2018</b>					
Loans and borrowings	11,446,297	11,861,811	9,643,417	1,423,303	794,891
Trade and non-trade payables	11,825,470	11,825,470	11,825,470	-	-
	<b>23,271,767</b>	<b>23,687,081</b>	<b>21,468,887</b>	<b>1,423,303</b>	<b>794,891</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	-	-
	<b>15,301,484</b>	<b>15,766,265</b>	<b>13,399,545</b>	<b>1,380,734</b>	<b>985,986</b>

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. 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
2018	RM	RM	RM	RM	RM
Trade and non-trade payables	11,969,557	11,969,557	11,969,557	-	-
	11,969,557	11,969,557	11,969,557	-	-
	Carrying amount	Contractual undiscounted cash flows	Within 1 year	1 – 5 years	Over 5 years
2017	RM	RM	RM	RM	RM
Trade and non-trade payables	11,851,989	11,851,989	11,851,989	-	-
	11,851,989	11,851,989	11,851,989	-	-

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 9 *Financial Instruments* 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:

	Group Increase/(Decrease)	
Effects on loss after taxation	2018 RM	2017 RM
Increase of 100bp	(2,194)	(5,651)
Decrease of 100bp	2,194	5,651

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

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial instruments (continued)**

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

**(iv) Foreign currency risk**

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

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

Approximately 60% (2017: 46%) 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>2018 RM</b>	<b>2017 RM</b>
<b>Financial assets</b>		
Cash and bank balances	261,175	1,231,590
Trade and non-trade receivables	3,205,243	2,986,333
	<u>3,466,418</u>	<u>4,217,923</u>
<b>Financial liability</b>		
Trade and non-trade payables	-	-
	<u>-</u>	<u>-</u>
<b>Net financial assets held in non-functional currencies</b>	<u><u>3,466,418</u></u>	<u><u>4,217,923</u></u>

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



**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial instruments (continued)**

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

**(iv) Foreign currency risk (continued)**

<b>Group</b>	<b>Increase/(Decrease)</b>	
	<b>2018</b>	<b>2017</b>
<b>Effects on loss after taxation</b>	<b>RM</b>	<b>RM</b>
<b>USD/RM</b>		
Strengthened by 2% (2017: 10%)	100,636	649,560
Weakened by 2% (2017: 10%)	<u>(100,636)</u>	<u>(649,560)</u>

**(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:

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**30. Financial instruments (continued)**

**(d) Fair value information (continued)**

- 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.

**31. Comparative figures**

Amendments made by MFRS 9 to MFRS 101 introduced additional line items that are required to be presented in the statement of profit or loss. Consequently, the Group has disaggregated the reversal of impairment from other operating income, as follows:

	As restated RM	As previously stated RM
Statement of profit or loss and other comprehensive income		
Other operating income	532,515	717,402
Impairment on financial assets	184,887	-

**32. Capital management**

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

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loans and borrowings	11,446,297	8,240,779	-	-
Less: Cash and bank balances	(3,306,457)	(5,458,177)	(24,858)	(30,305)
Net debt	8,139,840	2,782,602	(24,858)	(30,305)
Total equity	58,266,390	62,553,538	67,274,832	69,054,461
Gearing ratio	0.14	0.04	-	-

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**32. Capital management (continued)**

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.

**33. 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:

	<b>2018 RM</b>	<b>2017 RM</b>
Malaysia	35,648,814	49,741,180
Asia	3,120,819	7,669,276
Europe	1,237,833	964,514
United States of America	36,539,133	19,473,710
South-West Pacific	7,314,441	9,979,614
Others	4,172,848	5,260,851
	<b>88,033,888</b>	<b>93,089,145</b>

**(iii) Major customers**

Revenue from 4 (2017: 4) major customers, which contributed five percent (5%) or more of the revenue generated, amounted to RM24,838,502 (2017: RM20,210,088) arising from manufacturing and sale of veneer, plywood, decorative plywood and polyester-overlaid plywood.

**34. Significant event**

On 4 June 2018, a wholly-owned subsidiary of the Company, namely, Cymao Plywood Sdn. Bhd. ("CPSB") has entered into a sale and purchase agreement with a third party for the disposal of two (2) parcels of industrial land held in Sandakan for a total cash consideration of RM12,000,000.

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

**34. Significant event (continued)**

The deposit sum of 10% of cash consideration has been received from the purchaser and the balance of RM10,800,000 shall be paid by the purchaser within five (5) months from the date of agreement ("the Date of Completion"). In the event of the purchaser fails to pay the balance at the Date of Completion, CPSB shall grant the purchaser an extension of time for a period of five months ("the Extended Completion Date"). In consideration thereof, the purchaser shall pay to CPSB an interest at 6% per annum on the unpaid balance on daily basis until the date of full payment.

The disposal of land is subject to the fulfillment of the condition precedents as stated in the sale and purchase agreement, as follows:

- (i) Upon CPSB procuring the necessary approval for the transfer and for an extension of time to fulfill the covenant of second parcel of land within three (3) months from the date of sale and purchase agreement or such other extended period that the parties may mutually agree in writing provided that if the agreed period is extended, the completion date shall be extended accordingly for the same period without payment of interest.
- (ii) In the event that CPSB is unable to procure the approval for the transfer and for extension of time as mentioned in (i), the purchaser shall entitle to terminate the sale and purchase agreement and CPSB shall refund to the purchaser all monies received pursuant to the sale and purchase agreement, free of interest.
- (iii) CPSB shall be responsible for payment of all premium, processing fee in respect of the fulfillment on the condition precedent to the second parcel of land.

The said disposal is estimated to generate a gain approximately RM9 million to the Company and will be recognised profit or loss in the financial year ending 31 December 2019 upon all condition precedents being fulfilled. The proceeds from the disposal of land will be channeled for the working capital requirements of the Group.

**35. Event after the reporting date**

Subsequent to the financial year, the Board of Directors has decided to cease the operation in Jengka, Pahang, which was operated under Cymao Plywood Sdn. Bhd.

**CYMAO HOLDINGS BERHAD**

(Co. No. 445931 - U)

(Incorporated in Malaysia)

**DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE FINNCIAL YEAR ENDED 31 DECEMBER 2018**

	2018 RM	2017 RM
<b>Revenue</b>	-	-
<b>Less: Impairment on financial asset</b>		
Impairment loss on amount due from subsidiary	1,307,824	-
	<u>(1,307,824)</u>	<u>-</u>
<b>Less: Administrative expenses</b>		
Advertisement expenses	-	6,336
Auditors' remuneration		
- statutory audit	42,000	42,000
- other services	40,000	48,000
Bank charges	97	82
Computer charges	5,004	-
Depreciation of property, plant and equipment	-	10,491
Directors' remuneration	168,000	204,000
Director training	1,833	-
Entertainment	700	540
Express delivery	(2,201)	-
Goods and service tax expenses	7,457	15,701
Insurance	9,505	11,112
Printing and stationery	59,606	44,287
Professional fee	30,650	29,200
Repair and maintenances	-	380
Sundry expenses	72,430	74,859
Telephone and postages	1,778	7,812
Transportation charges	11,278	13,348
Travelling expenses	23,668	23,142
	<u>471,805</u>	<u>531,290</u>
<b>Loss before taxation</b>	<u>(1,779,629)</u>	<u>(531,290)</u>