

**CYMAO Holdings Berhad** (445931-U)

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# Mission Statement

## Our Vision

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

## Our Mission

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

# Corporate Information

## BOARD OF DIRECTORS

### **Datuk Mohd. Zain Bin Omar**

*Chairman /Independent Non-Executive Director*

### **Lin, Tsai-Rong**

*Managing Director*

### **Lin, Kai-Min**

*Executive Director*

### **Lin, Kai-Hsuan**

*Executive Director*

### **Lin Hsu, Li-Chu**

*Non-Independent Non-Executive Director*

### **Hiew Seng**

*Independent Non-Executive Director*

## AUDIT COMMITTEE

### **Hiew Seng**

*Chairman, Independent Non-Executive Director*

### **Datuk Mohd. Zain Bin Omar**

*Member, Independent Non-Executive Director*

### **Lin Hsu, Li-Chu**

*Member, Non-Independent Non-Executive Director*

## REMUNERATION COMMITTEE

### **Datuk Mohd. Zain Bin Omar**

*Chairman, Independent Non-Executive Director*

### **Hiew Seng**

*Member, Independent Non-Executive Director*

### **Lin Hsu, Li-Chu**

*Member, Non-Independent Non-Executive Director*

## NOMINATION COMMITTEE

### **Datuk Mohd. Zain Bin Omar**

*Chairman, Independent Non-Executive Director*

### **Hiew Seng**

*Member, Independent Non-Executive Director*

### **Lin Hsu, Li-Chu**

*Member, Non-Independent Non- Executive Director*

## COMPANY SECRETARY

**Katherine Chung Mei Ling** (MAICSA 7007310)

## REGISTERED OFFICE

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

## CORPORATE OFFICE

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

## AUDITORS

Ernst & Young  
Chartered Accountants  
MPT 4604, 3rd Floor  
Lot 17-28, Block B, Bandaran Baru, Jalan Baru  
91000 Tawau, Sabah, Malaysia

## PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad  
OCBC Bank (Malaysia) Berhad  
Public Bank Berhad  
RHB Bank Berhad

## SHARE REGISTRAR

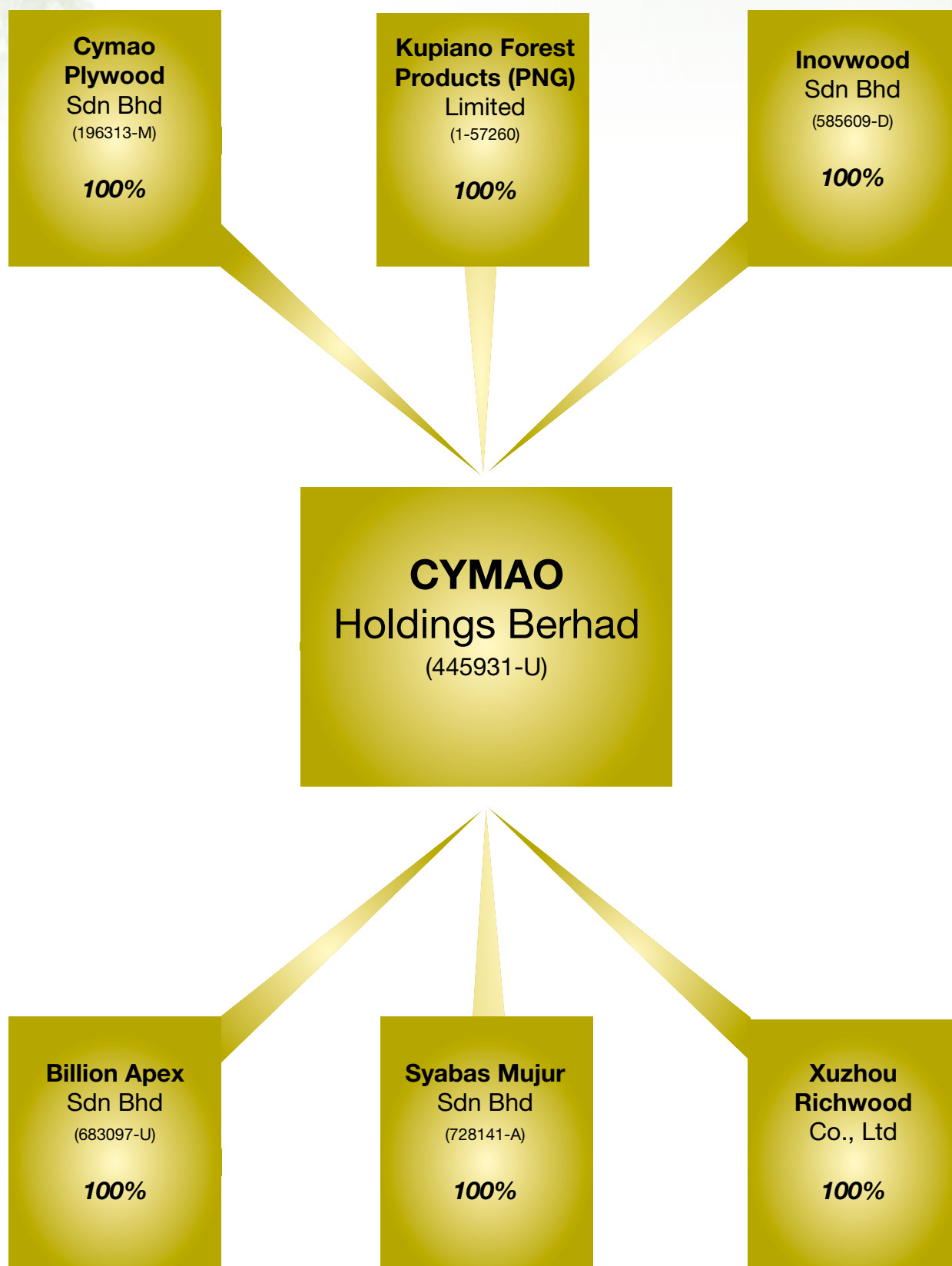
### **Symphony Share Registrars Sdn Bhd**

Level 26, Menara Multi-Purpose  
Capital Square  
No.8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : +06(03) 2721-2222  
Fax : +06(03) 2721-2530

## STOCK EXCHANGE LISTING

Main Board of the Bursa Malaysia Securities Berhad  
Stock Short Name : CYMAO  
Stock Code : 5082

## Group Structure



# Directors' Profile

## **DATUK MOHD. ZAIN BIN OMAR**

*(Chairman/Independent Non-Executive Director)*

*Chairman of Nomination Committee and Remuneration Committee*

*Member of Audit Committee*

Malaysian, aged 67, was appointed to the Board of Cymao Holdings Berhad ("Cymao") on 13 November 2003. He graduated from Maktab Latihan Harian, Pulau Pinang and began his career as a teacher from 1963 to 1982. Subsequently, he entered politics and became a Member of State Assembly for the Constituency of Bayan Lepas and State Executive Committee as well as Chairman of Cultural, Youth and Sport Committee from 1982 to 1986. From 1986 to 1990, he became a Member of State Assembly for the Constituency of Teluk Kumbar and State Executive Committee as well as Chairman of Infrastructure Committee. From 1990 to 1995, he served as a Member of State Assembly for the Constituency of Teluk Kumbar for the second term as well as Chairman of Audit Committee of State of Pulau Pinang. He was a Member of Parliament for the Constituency of Balik Pulau until 2004.

He is an Executive Chairman of Seal Incorporated Berhad which listed on Bursa Malaysia Securities Berhad ("Bursa Securities"). He also sits on the Board of Lembaga Tabung Haji and several private limited companies.

## **LIN, TSAI-RONG**

*(Managing Director)*

Taiwanese, aged 73, was appointed to the Board of Cymao on 13 November 2003. He obtained a Bachelor of Science majoring in Plant Pathology from National Chong Hsien University, Taiwan, in 1958. He started his career in wood-based industries with Cyma Plywood and Lumber Co. Ltd, Taiwan ("CPLC") in 1962 and worked his way up from being the Production Line Foreman, Supervisor, Section Chief, Production Manager, Factory Manager, Director of R&D to Vice President of CPLC. He has in-depth and comprehensive knowledge of running an efficient and innovative wood-based company. In 1991, He founded Cymao Plywood Sdn Bhd ("CPSB") and built the company into what it is today. Being the Managing Director of CPSB, he commands very strong and loyal support from the production workforce necessary to ensure the success of the business.

## **LIN, KAI-MIN**

*(Executive Director)*

Taiwanese, aged 39, was appointed to the Board of Cymao on 13 November 2003. He graduated from Fu-Jen University, Taiwan, with a Bachelor of Science majoring in Accounting in 1993. He joined CPSB in 1994 as a Production Line Foreman and was given extensive production training. He became the Log Purchasing Manager from 1997 to 1998 in CPSB and subsequently headed its Finance Department. Armed with extensive training and experience from all aspects of production, raw materials and accounting, he is now heading the Finance and Marketing Department.

## **LIN, KAI-HSUAN**

*(Executive Director)*

Taiwanese, aged 41, was appointed to the Board of Cymao on 13 November 2003. He graduated from University of California Los Angeles, USA, with a Bachelor of Science in Applied Mathematics and a minor in economics in 1991. He subsequently obtained a Master of Science in Forest Science with emphasis in Expert System from A & M University, Texas, USA 1993. He joined CPSB in 1994 as the Quality Controller, then took on the job of R&D Coordinator in 1997 and was involved in setting up the Technical Support Department, Material Handling Vehicle Management System, Operator Selection and Training System and Process Improvement Committee in 1999. He was promoted to Factory Manager of CPSB in 2000 and to Vice President in 2001.

## **LIN HSU, LI-CHU**

*(Non-Independent Non-Executive Director)*

*Member of Audit Committee, Remuneration Committee and Nomination Committee*

Taiwanese, aged 66, was appointed to the Board of Cymao on 13 November 2003. She was a teacher at Hsi-Chih Primary School from 1960 to 1981 after earning her Diploma in Education from National Taipei Teachers' College in 1961.

# Directors' Profile *(Cont'd)*

## **HIEW SENG**

*(Independent Non-Executive Director)*

*Chairman of Audit Committee*

*Member of Remuneration and Nomination Committee*

Malaysian, aged 58, was appointed to the Board of Cymao on 25 February 2004. He is Chartered Accountant by training. He is a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants. He began his accountancy training as an articled clerk in 1974 with a firm of Chartered Accountants in London, United Kingdom. Upon his qualification as a Chartered Accountant, he worked in one of the big four auditing firms as a qualified assistant for two (2) years. He worked in a major news media group for eight and a half (8½) years; first as Internal Auditor and later as Manager, Organisation & Method. He moved to an advertisement production house as a finance consultant for four (4) years before he joined Messrs. SK Hiew & Associates in 1996, where he became the Principal-In-Charge of the Kajang Branch office. He is also a director of Ecofuture Berhad, a company listed on MESDAQ Market of Bursa Securities.

## **OTHER INFORMATION OF DIRECTORS**

### **Family Relationship of Directors**

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

### **Conflict of Interest**

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

### **Conviction of Offence**

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

### **Shareholdings**

The particulars of the Directors' shareholdings are set out on pages 60 to 61 of this Annual Report.

### **Attendance of the Board**

There were a total of four (4) Board of Directors' Meetings held during the financial year ended 31 December 2008.

#### **Name of Directors**

#### **Attendance**

|                          |     |
|--------------------------|-----|
| Datuk Mohd Zain Bin Omar | 4/4 |
| Lin, Tsai-Rong           | 4/4 |
| Lin, Kai-Min             | 4/4 |
| Lin, Kai-Hsuan           | 4/4 |
| Lin Hsu, Li-Chu          | 4/4 |
| Hiew Seng                | 4/4 |

### **Directors' Training**

The training programme attended by each Director during the financial year ended 31 December 2008 are shown below:-

| <b><u>Name of Directors</u></b> | <b><u>Title of Training Programme</u></b>  | <b><u>Number of Days</u></b> |
|---------------------------------|--|------------------------------|
| Datuk Mohd Zain Bin Omar        | The impact and implication on Malaysian Code of Corporate Governance and the Companies Act, 2007 | 1                            |
| Lin, Tsai-Rong                  | The impact and implication on Malaysian Code of Corporate Governance and the Companies Act, 2007 | 1                            |
| Lin, Kai-Min                    | The impact and implication on Malaysian Code of Corporate Governance and the Companies Act, 2007 | 1                            |
| Lin, Kai-Hsuan                  | The impact and implication on Malaysian Code of Corporate Governance and the Companies Act, 2007 | 1                            |
| Lin Hsu, Li-Chu                 | The impact and implication on Malaysian Code of Corporate Governance and the Companies Act, 2007 | 1                            |
| Hiew Seng                       | The impact and implication on Malaysian Code of Corporate Governance and the Companies Act, 2007 | 1                            |

# Chairman's Statement

It is my pleasure to present to you the financial statements of **Cymao Holdings Berhad** (the "Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2008.

## ***Performance Review***

For the financial year ended 2008, the Group recorded a turnover of RM132 million and a loss before taxation of RM12.4 million compared to the previous year's financial results of RM179 million in turnover and a loss before taxation of RM8.1 million.

Ever since the US real estate market bubble burst in year 2007 leading to the collapse of the global financial system during the year and it has reverberated through many Europe and Asian countries. The impact of the crisis is bound to have some influence on consumer and industrial demand for commodities including timber. Nevertheless, the Group's sales volume was recorded at 89,338m<sup>3</sup> and it was reduced by 28% compared to last financial year under review. The weakening of the US Dollar in the 1st half of the year also further trimmed the Group's revenue and operating margin.

## ***Corporate Development***

On 20 June 2008, the Group acquired the remaining 4,000 ordinary shares of RM1 each, representing 40% of the issued and paid up capital of Syabas Mujur Sdn. Bhd. resulting the latter becoming a wholly owned subsidiary of the Company and would commence logging activities in near future.

On 4 September 2008, the Company announced on its proposal to acquire 1 million ordinary shares of RM1 each being the entire issued and paid-up capital of Poly-Ply Industries Sdn. Bhd. for a total cash consideration of RM2 million.

On even date, the Company also announced that it had entered into a Sale and Purchase Agreement with Hong Brothers Holdings Sdn Bhd to acquire a parcel of land measuring 1.7654 hectares together with the plymill factory erected thereon situated at GM460, Lot 740, Mukim of Kapar, District of Klang, Selangor Darul Ehsan for a total cash purchase consideration of RM7.25 million.

## ***Dividend***

In view of the financial results, the Board of Directors does not recommend any dividend for the financial year ended 31 December 2008.

## ***Outlook and Prospects***

The Group will remain cautious on the impact of economic slowdown and will continuously enhance productivity and cost controlling and as well as profitability of its products in this challenging environment. In response to this, the Group has continued to seek other market opportunities. In addition, the Group will further strengthen its competitive advantage in term of quality, recovery rate and operational efficiency.

The Board remains confident in the long term prospects of the timber industry and feasibility of the Group's business.

## ***Appreciation***

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

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

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

**Datuk Mohd Zain Bin Omar**  
*Chairman*

12 March 2009

# Corporate Governance Statement

The Board of Directors of **Cymao Holdings Berhad** ("the Board") recognises the importance in achieving high standard of corporate governance and observes the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance ("the Code"). The Code is observed throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and financial performance of the Group.

It is a continuing task of the Board to evaluate the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code in their operation towards achieving the optimal governance framework.

The statements below set out the manner in which the Company has applied the Principles and the extend of compliance with the Best Practices as set in Part 1 and Part 2 of the Code during the financial year ended 31 December 2008 unless otherwise stated.

## BOARD OF DIRECTORS

### Board Composition and Balance

The Group is led by an effective and experienced Board comprising of members drawn from a wide spectrum of experience in relevant fields such as production, engineering, economics, accounting, finance, marketing, management and business administration. Together they bring a broad range of skills, experience and knowledge required to successfully direct, supervise and manage the Group's business, which are vital to the success of the Group and enhancement of long term shareholders' value.

The Board currently has six (6) Directors, comprises of one (1) Independent Non-Executive Chairman, one (1) Managing Director, two (2) Executive Directors, and two (2) Non-Executive Directors, one (1) of whom is an independent director. The Board composition complies with Paragraph 15.02 of the Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires that at least two (2) or one-third (1/3) of the Board Members, whichever is higher, to be Independent Directors.

The profiles of the members of the Board are set out on pages 5 to 6 of the Annual Report.

The Board of Directors' Meetings are presided by the Chairman whose role is clearly separated from the role of the Managing Director to ensure a balance of power and authority.

The Executive Directors are responsible for implementing policies and decisions of the Board, overseeing operations as well as managing development and implementation of business and corporate strategies. The Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgement and play an important role in ensuring that the strategies proposed by the management are objectively evaluated, thus provide a capable check and balance for the Executive Directors.

### Board Meetings

The Board meets at least four (4) times a year which is scheduled at quarterly basis with additional meetings convened as necessary.

The Board held four (4) meetings during the financial year ended 31 December 2008. Details of the attendance of the Directors are disclosed on page 6 of the Annual Report.

### Board Committees

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

# Corporate Governance Statement *(Cont'd)*

## **(i) Audit Committee**

The composition, terms of reference and activities of the Audit Committee are presented on pages 11 to 14 of the Annual Report.

## **(ii) Nomination Committee**

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

The Nomination Committee held one (1) meeting during the financial year ended 31 December 2008 to propose to the Board on re-election and re-appointment of retiring Directors, to review the mix of skills of the Board, to assess the effectiveness of the Board as a whole, its committees and the contribution of each individual Director.

## **(iii) Remuneration Committee**

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

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

The Remuneration Committee held one (1) meeting during the financial year ended 31 December 2008 to review the remuneration packages for Executive Directors and Non-Executive Directors.

## **Supply of Information**

Notice of meetings, setting out the agenda and accompanied by the Board papers are given to all Directors prior to each Board Meeting to enable the Directors to peruse, obtain further information and/or seek further clarification on the matters to be deliberated.

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

## **Directors' Training**

The Group acknowledges that continuous education is vital for the Board member to gain insight into the state of economy, technological advances, regulatory updates and management strategies. As at todate, all the Directors completed the Mandatory Accreditation Programme (MAP) conducted by Research Institute of Investment Analyst Malaysia (RIIAM) in compliance with the Listing Requirements.

During the financial year, the Directors attended one(1) training programme accredited by Bursa Securities as part of their obligation to constantly stay update with current issues and changes which will assist them to discharge their duties effectively. Details of the training programme attended by the Board members are disclosed on page 6 of the Annual Report.

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

# Corporate Governance Statement *(Cont'd)*

## Re-election of Directors

In accordance with the Company's Articles of Association, at least one-third (1/3) or nearest to one-third (1/3) of the Directors, shall retire by rotation at each annual general meeting provided that all Directors shall retire from office once in every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed to the Board during the financial year are subject to re-election by shareholders at the annual general meeting following their appointment.

A director who is over seventy (70) years of age is required to submit himself for re-appointment and re-election annually in accordance with Section 129(6) of the Companies Act, 1965.

## Directors' Remuneration

The Directors' remuneration is determined at level which enables the Company to attract and retain Directors with the relevant experience and expertise to assist in managing the Group effectively. The aggregate of remuneration received by the Directors from the Company and its subsidiaries for the financial year ended 31 December 2008, are categorized into appropriate components as disclosed under Note 9 of the Financial Statements on page 43 of the Annual Report.

## SHAREHOLDERS AND INVESTORS

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

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

The Company provides an e-mail address for access by the shareholders and the public. Investors and members of the public who wish to contact the Group on matters relating to the Group may channel their queries through e-mail to [info@cymao.com](mailto:info@cymao.com).

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group. The Directors consider the presentation of the financial statements and that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Audit Committee assists the Board by scrutinizing the information to be disclosed, to ensure accuracy and adequacy. The Group's financial statements are presented on page 19 to 59 of the Annual Report and the Directors' Responsibilities Statement pursuant to Paragraph 15.27(a) of the Listing Requirements of the Bursa Securities is set out on page 15 of the Annual Report.

### Internal Control

The Board acknowledges their responsibility for the Group's system of internal controls which cover not only financial controls but also controls in relation to operations, compliance and risk management. A Statement on Internal Control of the Company is set out on page 15 of the Annual Report.

### Relationships with Auditors

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

# Audit Committee Report

## MEMBERS OF THE AUDIT COMMITTEE

|                    |   |   |
|--------------------|---|---|
| Committee Chairman | : | <b>Hiew Seng</b><br>(Independent Non-Executive Director)                |
| Committee Members  | : | <b>Datuk Mohd Zain Bin Omar</b><br>(Independent Non-Executive Director) |
|                    | : | <b>Lin Hsu, Li-Chu</b><br>(Non-Independent Non-Executive Director)      |

## TERMS OF REFERENCE

### 1. Composition Of The Audit Committee

- 1.1 The Audit Committee shall be appointed by the Board of Directors from amongst its members who fulfill the following requirements:
  - (a) the Audit Committee Members shall be non-executive directors and no fewer than three (3) members;
  - (b) a majority of the Audit Committee shall be Independent Non-Executive Directors of the Company or its related corporation;
  - (c) all Audit Committee Members should be financially literate with at least a member of the Audit Committee
    - must be a member of Malaysian Institute of Accountants; or
    - if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience, and
      - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
      - (ii) he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;
    - fulfils such other requirements as prescribed by Bursa Securities that,
      - (a) he has a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
      - (b) he has at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management for the financial affairs of a corporation; or
    - fulfils such other requirements as approved by Bursa Securities relating to the financial-related qualifications and experience.
  - (d) no alternate director shall be appointed as a member of the Audit Committee.
- 1.2 The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director.
- 1.3 In the event of any vacancy in the Audit Committee resulting in the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.4 The Board of Directors shall review the terms of office of Committee members at least once every three (3) years.

### 2. Objectives

The main objectives of the Audit Committee are to:

- 2.1 Provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities, particularly in relation to the accounting and management controls and financial reporting of the Company and the Group; and
- 2.2 Provide greater emphasis to audit functions performed by internal and external auditors by serving as a focal point of communication between Board of Directors, the external auditor, the internal auditor and the management by means of a forum for discussion that is independent of the management.

# Audit Committee Report *(Cont'd)*

## 3. Authority Of The Audit Committee

The Audit Committee shall have the authority to:

- 3.1 investigate any matter within its terms of reference;
- 3.2 have the resources which are reasonable required to enable to perform its duties;
- 3.3 have full and unrestricted access to any information pertaining to the Company and the Group;
- 3.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- 3.5 obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise where necessary; and
- 3.6 convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

## 4. Functions

The functions of the Audit Committee should be to review and report to the Board on the following matters:-

- 4.1 the nomination, appointment and re-appointment of external auditor, the audit fee and any questions of resignation and dismissal.
- 4.2 the external auditors' audit plan, the nature and scope of audit, the evaluation of the system of internal controls of the Company and the Group, the external auditors' management letter and management's response.
- 4.3 the external auditors' audit reports, areas of concern arising from the audit and any other matters the external auditors may wish to discuss (in the absence of management if necessary).
- 4.4 the extent of co-operation and assistance given by the employees to the external auditors.
- 4.5 in relation to the internal audit function,
  - review the adequacy of the scope, functions, competency and resources of the internal audit functions and the necessary authority to carry out its work;
  - review the internal audit programme and results of the internal audit processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- 4.6 any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.7 the Group's quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant adjustment arising from audit and unusual events;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements;
- 4.8 any additional duties as may from time to time prescribed by the Board.

# Audit Committee Report *(Cont'd)*

## 5. Reporting of breaches to Bursa Securities

The Audit Committee shall report promptly to the Bursa Securities on any matters reported by it to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

## 6. Meetings And Reporting Procedures

- 6.1 The Audit Committee may regulate its own procedures and in particular, the calling of the meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such minutes.
- 6.2 A quorum for meeting of the Audit Committee meeting shall be two (2) members and the majority of members present must be Independent Non-Executive Directors.
- 6.3 The Audit Committee shall meet as often as the Chairman deems necessary but not less than four (4) times a year. The finance director, the head of internal audit and a representative of the external auditors should normally attend the meeting of Audit Committee.
- 6.4 The Audit Committee should meet with the external auditors without executive directors present at least twice a year. The Chairman shall also convene a meeting if requested by the external auditors to consider any matter within the scope and responsibilities of the Audit Committee.
- 6.5 Other directors and employees shall attend any particular audit committee's meeting only at the invitation of the Audit Committee, whenever deemed necessary.
- 6.6 The Company Secretary shall be the secretary of the Audit Committee.
- 6.7 The Secretary shall circulate the minutes of the meeting of the Committee to all members of the Board.

## MEETINGS ATTENDANCE

There were five (5) Audit Committee meetings held during the financial year ended 31 December 2008 (22 February 2008, 23 May 2008, 23 August 2008 and 22 November 2008, 15 December 2008). The numbers of meetings attended by the Committee Members are as follow:-

| <u>Audit Committee Members</u> | <u>Number of Meetings Attended</u> |
|--------------------------------|------------------------------------|
| Hiew Seng                      | 5/5                                |
| Datuk Mohd Zain Bin Omar       | 5/5                                |
| Lin Hsu, Li-Chu                | 4/5                                |

## SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

During the financial year, the main activities carried out by Audit Committee are as follows:-

- Reviewed the Group's quarterly financial results with the management and recommended to the Board of Directors for approval prior to release to the Bursa Securities.
- Reviewed the audited financial statements of the Group prior to submission to the Board for their consideration and approval. The review was to ensure that these financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards.
- Reviewed the Audit Committee Report and the Statement on Internal Control and recommended to the Board for inclusion in the Annual Report.
- Evaluated the performance of the External Auditors and made recommendations to the Board of Directors on their re-appointment and audit fees.
- Reviewed the Internal Audit Reports to ensure that all risk areas were covered and corrective actions were taken by the management on audit findings.
- Reviewed and approved Internal Audit Plan Memorandum.
- Reviewed the replacement of the Head of Internal Audit Department.
- Reviewed and discussed the scope of audit plan with the external auditors.

# Audit Committee Report *(Cont'd)*

## INTERNAL AUDIT FUNCTION

The Group's in-house Internal Audit Department reports to the Audit Committee, assists in monitoring and updating risks and adequacy of the internal control system. Its role is to undertake independent regular and systematic reviews of internal controls, so as to provide the Audit Committee with independent and objective feedback and reports that the internal controls continue to operate satisfactorily and effectively.

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

The activities carried out by the Internal Auditor during the financial year ended 31 December 2008 are as follows:-

- Conducted internal audit reviews according to the approved internal audit plan and presented the results of the audit reviews to the Audit Committee at their quarterly meetings; and
- Followed up on the implementation of audit recommendations and management action plans, and reported to the Audit Committee the status of their implementation at the quarterly meetings of the Audit Committee.

# Statement on Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control.

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

The process of identification, evaluation and management of significant risks faced by the Group is carried out as part of the Group's normal business operation and management activities. These processes are led by the Executive Directors and supported by the senior management. Within the Group management team, the management organization structure and approval authority are defined outlining the respective management areas of responsibility and authority limits.

The Executive Directors and senior management team conduct meeting every week. These weekly meetings serve as monitoring and communication procedures for reporting and feedback to all level of management, whereby, changes in business environment and operations are reviewed while operation performance is assessed with detailed corrective actions being identified, discussed and aligned to the corporate plan.

The Board established the Internal Audit Department during the year to provide independent assurance on the adequacy of internal control and governance systems. The Internal Audit Department reports to the Audit Committee. Regular reviews are carried out on the business processes to monitor compliance with the Group's procedures, assess the effectiveness of internal controls and recommend corrective changes.

Effective monitoring and review are the essential components of a sound system of internal control. The Board's review of the system of internal control of the Group is currently addressed by the Audit Committee with the assistance of the Internal Auditors. In addition, the Audit Committee reviews the financial results and statements with the assistance of the management. These reviews complement the Audit Committee assessment on the management's system of internal control and understanding of the financial performance of the Group. Matters reviewed at the Audit Committee meetings are communicated at the Board meeting to ensure all Board members are kept abreast of the state of the internal control and financial performance of the Group.

The Audit Committee, together with Internal Auditors and senior management, reviews the effectiveness of the internal financial and operating control environment of the Group. The Audit Committee holds regular meetings and reviews reports from internal and external auditors covering such matters. Significant issues are brought to the attention of the Board.

## Directors' Responsibility Statement

In compliance to Paragraph 15.27(a) of the Bursa Securities' Listing Requirements, the Directors are to issue a statement explaining their responsibility for preparing the annual audited financial statements.

It is required by law that the Directors to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Group and of the Company as at the financial year end and of the results and cash flow of the Group and of the Company for the financial year then ended.

While the financial statements of Cymao Holdings Berhad were prepared for the financial year ended 31 December 2008 on pages 19 to 59 of the printed version of this Annual Report, the Directors believe the Company has applied appropriate accounting policies consistently and supported by reasonable and prudent judgements and estimates. The Directors also believe that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

It is the Directors' responsibility to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which enable that the financial statements comply with the provisions of the Companies Act, 1965.

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

The auditors' responsibilities are stated in their report to the shareholders.

# Additional Compliance Information

## (a) Utilisation of Proceeds

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

## (b) Share Buy-Back

The shareholders of the Company, by an ordinary resolution in the last Annual General Meeting held on 25 April 2008 approved the Company's Proposed Renewal Share Buy-Back Scheme ("Share Buy-Back") to purchase up to 10% of its own issued and paid-up ordinary share capital of RM1.00 each.

The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the Share Buy-Back is in the best interest of the Company and its shareholders.

There was no shares bought back during the financial year.

As at 31 December 2008, the total 20,000 Shares bought back are held as treasury shares and none of the treasury shares held were resold or cancelled during the financial year.

## (c) Options, Warrants or Convertible Securities

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

## (d) American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

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

## (e) Sanctions and/or Penalties

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

## (f) Non-Audit Fees

The non-audit fees of RM22,250 were paid by the Group to the external auditors during the financial year.

## (g) Variation in Results

There was no material variance between the audited results for the financial year ended 31 December 2008 and the unaudited results released for the quarter ended 31 December 2008 for the Group.

## (h) Profit Guarantee

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

## (i) Material Contracts

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

## (j) Revaluation Policy on Landed Properties

The Company did not adopt any revaluation policy on landed properties.

## (k) Recurrent Related Party Transactions

There were no related party transactions of a revenue or trading nature entered into between the Company and its subsidiaries with the Directors, major shareholders or persons connected with such Directors or major shareholders during the financial year.

# Corporate Social Responsibility Statement

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

## 1. The Workplace

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

## 2. The Community

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

## 3. The Environment

The Group identifies the importance in preserving environment and has taken efforts on waste recycle. Cymao reuses its wood waste and combined with resin turn into composite material suitable for use disposables in construction, temporary flooring and packing material.

## 4. The Marketplace

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

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

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

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

# FINANCIAL STATEMENTS

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# Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are manufacturing and sale of veneer, plywood, decorative plywood, engineering wood flooring, layon and wooden musical component, provision of barge hiring services, trading of decorative plywood and timber logging contractor.

There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

|                   | Group<br>RM  | Company<br>RM |
|-------------------|--------------|---------------|
| Loss for the year | (12,354,414) | (1,950,865)   |

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policy due to the adoption of the revised FRS 112: Income Taxes which has resulted an increase in the Group's loss for the year by RM420,492 as disclosed in Note 2.3(b) to the financial statements.

## SIGNIFICANT EVENTS

Significant events are disclosed in Note 29 to the financial statements.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Mohd Zain Bin Omar  
Lin, Tsai-Rong  
Lin, Kai-Min  
Lin, Kai-Hsuan  
Lin Hsu, Li-Chu  
Hiew Seng

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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.

# Directors' Report *(Cont'd)*

## DIRECTORS' INTEREST

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

| The Company               | Number of ordinary shares of RM 1 each |          |      |            |
|---------------------------|--|----------|------|------------|
|                           | 1.1.2008                               | Acquired | Sold | 31.12.2008 |
| <b>Direct Interest:</b>   |  |          |      |            |
| Datuk Mohd Zain Bin Omar  | 250,000                                | –        | –    | 250,000    |
| Lin, Tsai-Rong            | 21,100,000                             | –        | –    | 21,100,000 |
| Lin, Kai-Min              | 1,773,750                              | –        | –    | 1,773,750  |
| Lin, Kai-Hsuan            | 847,500                                | –        | –    | 847,500    |
| Lin Hsu, Li-Chu           | 222,500                                | –        | –    | 222,500    |
| Hiew Seng                 | 62,500                                 | –        | –    | 62,500     |
| <b>Indirect Interest:</b> |  |          |      |            |
| Lin, Tsai-Rong            | 50,000                                 | –        | –    | 50,000     |
| Lin Hsu, Li-Chu           | 50,000                                 | –        | –    | 50,000     |

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

## TREASURY SHARES

As at 31 December 2008, the Company held as treasury shares a total of 20,000 of its 75,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM30,625 and further relevant details are disclosed in Note 19 to the financial statements.

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company or the amount written off for bad debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

# Directors' Report *(Cont'd)*

## **OTHER STATUTORY INFORMATION *(cont'd)***

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

LIN, TSAI-RONG

LIN, KAI-MIN

## Statement by Directors

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

We, Lin, Tsai-Rong And Lin, Kai-Min, being two of the directors of Cymao Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 25 to 59 are drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

LIN, TSAI-RONG

LIN, KAI-MIN

## Statutory Declaration

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

I, Lin, Kai-Min, being the director primarily responsible for the financial management of Cymao Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 25 to 59 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Lin, Kai-Min  
at Kuala Lumpur in the Federal Territory  
on 18 March 2009

LIN, KAI-MIN

Before me,

Arshad Abdullah  
Pesuruhjaya Sumpah  
W550

# Independent Auditors' Report

to the Members of Cymao Holdings Berhad (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Cymao Holdings Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 59.

### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

# Independent Auditors' *(Cont'd)*

Report to the Members of Cymao Holdings Berhad (Incorporated in Malaysia)

## **OTHER MATTERS**

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Tawau, Sabah  
Malaysia

Pang Pak Lok  
1228/03/09(J)  
Chartered Accountant

# Income Statements

for the year ended 31 December 2008

|  | Note | 2008<br>RM    | Group<br>2007<br>RM<br>(restated) | 2008<br>RM  | Company<br>2007<br>RM |
|--|------|---------------|-----------------------------------|-------------|-----------------------|
| Revenue  | 3    | 130,702,026   | 179,033,409                       | –           | 22,740,000            |
| Cost of sales  | 4    | (123,590,975) | (161,990,287)                     | –           | –                     |
| <b>Gross profit</b>  |      | 7,111,051     | 17,043,122                        | –           | 22,740,000            |
| Other operating income   | 5    | 1,533,498     | 2,546,967                         | 337,879     | 653,629               |
| Administrative expenses  |      | (6,400,220)   | (7,730,235)                       | (655,940)   | (1,309,837)           |
| Selling and marketing expenses   |      | (12,105,155)  | (17,551,651)                      | –           | –                     |
| Other operating expenses   |      | (2,244,193)   | (1,336,398)                       | (1,363,936) | –                     |
| <b>Operating (loss)/profit</b>   |      | (12,105,019)  | (7,028,195)                       | (1,681,997) | 22,083,792            |
| Finance costs  | 6    | (299,761)     | (1,095,209)                       | (268,868)   | (579,757)             |
| <b>(Loss)/profit before tax</b>  | 7    | (12,404,780)  | (8,123,404)                       | (1,950,865) | 21,504,035            |
| Income tax   | 10   | 50,366        | 3,023,719                         | –           | 10,638                |
| <b>(Loss)/profit for the year</b>  |      | (12,354,414)  | (5,099,685)                       | (1,950,865) | 21,514,673            |
| Attributable to:   |      |               |                                   |             |                       |
| Equity holders of the Company  |      | (12,354,414)  | (5,099,885)                       | (1,950,865) | 21,514,673            |
| Minority interests   |      | –             | 200                               | –           | –                     |
|  |      | (12,354,414)  | (5,099,685)                       | (1,950,865) | 21,514,673            |
| <b>Loss per share<br/>attributable to equity holders<br/>of the Company (sen):</b> |      |               |                                   |             |                       |
| Basic, for loss for the year   | 11   | (16.5)        | (6.8)                             |             |                       |
| Diluted, for loss for the year   | 11   | –             | –                                 |             |                       |

The accompanying notes form an integral part of the financial statements.

# Balance Sheet

as at 31 December 2008

|   | Note | 2008<br>RM  | Group<br>2007<br>RM<br>(restated) | Company<br>2008<br>RM | 2007<br>RM  |
|---|------|-------------|-----------------------------------|-----------------------|-------------|
| <b>Assets</b>   |      |             |                                   |                       |             |
| <b>Non-current assets</b>                                   |      |             |                                   |                       |             |
| Property, plant and equipment                               | 13   | 69,855,601  | 76,908,293                        | 113,833               | 258,704     |
| Prepaid land lease payments                                 | 14   | 13,432,729  | 13,566,291                        | –                     | –           |
| Investments in subsidiaries                                 | 15   | –           | –                                 | 95,020,190            | 95,016,190  |
| Deferred tax assets   | 23   | 6,262,629   | 6,262,629                         | –                     | –           |
| Other receivables   | 17   | 8,649,018   | 8,649,018                         | –                     | –           |
|   |      | 98,199,977  | 105,386,231                       | 95,134,023            | 95,274,894  |
| <b>Current assets</b>                                       |      |             |                                   |                       |             |
| Inventories   | 16   | 37,647,369  | 54,132,199                        | –                     | –           |
| Trade and other receivables                                 | 17   | 8,967,510   | 11,432,134                        | 25,549,280            | 28,181,158  |
| Tax refundable  |      | 309,965     | 256,665                           | 500                   | 275         |
| Cash and bank balances                                      | 18   | 15,114,573  | 8,930,305                         | 1,545,597             | 363,709     |
|   |      | 62,039,417  | 74,751,303                        | 27,095,377            | 28,545,142  |
| <b>Total assets</b>   |      | 160,239,394 | 180,137,534                       | 122,229,400           | 123,820,036 |
| <b>EQUITY AND LIABILITIES</b>                               |      |             |                                   |                       |             |
| <b>Equity attributable to equity holders of the Company</b> |      |             |                                   |                       |             |
| Share capital   | 19   | 75,000,000  | 75,000,000                        | 75,000,000            | 75,000,000  |
| Share premium   | 19   | 17,374,387  | 17,374,387                        | 17,374,387            | 17,374,387  |
| Treasury shares   | 19   | (30,625)    | (30,625)                          | (30,625)              | (30,625)    |
| Foreign currency translation reserve                        | 20   | 202,732     | (92,398)                          | –                     | –           |
| Retained earnings   | 21   | 53,397,027  | 65,751,441                        | 21,338,373            | 23,289,238  |
| <b>Total equity</b>   |      | 145,943,521 | 158,002,805                       | 113,682,135           | 115,633,000 |

# Balance Sheet *(Cont'd)*

as at 31 December 2008

|                                     | Note | 2008<br>RM  | Group<br>2007<br>RM<br>(restated) | 2008<br>RM  | Company<br>2007<br>RM |
|-------------------------------------|------|-------------|-----------------------------------|-------------|-----------------------|
| <b>Non-current liabilities</b>      |      |             |                                   |             |                       |
| Borrowings                          | 22   | 2,437,703   | 4,856,357                         | 2,437,703   | 4,856,357             |
| Deferred tax liabilities            | 23   | 1,524,463   | 1,581,344                         | –           | –                     |
|                                     |      | 3,962,166   | 6,437,701                         | 2,437,703   | 4,856,357             |
| <b>Current liabilities</b>          |      |             |                                   |             |                       |
| Borrowings                          | 22   | 2,496,983   | 3,835,693                         | 2,496,983   | 2,315,110             |
| Trade and other payables            | 24   | 7,836,724   | 11,861,335                        | 3,612,579   | 1,015,569             |
|                                     |      | 10,333,707  | 15,697,028                        | 6,109,562   | 3,330,679             |
| <b>Total liabilities</b>            |      | 14,295,873  | 22,134,729                        | 8,547,265   | 8,187,036             |
| <b>Total equity and liabilities</b> |      | 160,239,394 | 180,137,534                       | 122,229,400 | 123,820,036           |

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2008

|  | Note   | Attributable To Equity Holders Of The Company |                        |                          |   |                            | Minority<br>Interests | Total<br>Equity |
|--|--------|---|------------------------|--------------------------|---|----------------------------|-----------------------|-----------------|
|  |        | Share<br>capital<br>RM                        | Share<br>premium<br>RM | Treasury<br>shares<br>RM | Foreign<br>currency<br>translation<br>reserve<br>RM | Retained<br>earnings<br>RM |                       |                 |
|  |        |   |                        |                          |   |                            | RM                    | RM              |
| <b>At 1 January 2007</b>                 |        |   |                        |                          |   |                            |                       |                 |
| As previously stated                     |        | 75,000,000                                    | 17,374,387             | (13,701)                 | (71,796)  | 70,659,720                 | 162,948,610           | 162,948,610     |
| Effects of adopting revised FRS 112      | 2.3(a) | -   | -                      | -                        | -   | 3,940,606                  | 3,940,606             | 3,940,606       |
| <b>At 1 January 2007 (restated)</b>      |        | 75,000,000                                    | 17,374,387             | (13,701)                 | (71,796)  | 74,600,326                 | 166,889,216           | 166,889,216     |
| Purchase of treasury shares              | 19     | -   | -                      | (16,800)                 | -   | -                          | (16,800)              | (16,800)        |
| Transaction costs                        |        | -   | -                      | (124)                    | -   | -                          | (124)                 | (124)           |
| Foreign currency translation             | 20     | -   | -                      | -                        | (20,602)  | -                          | (20,602)              | (20,602)        |
| Minority interest on subsidiary acquired |        | -   | -                      | -                        | -   | -                          | (200)                 | (200)           |
| Loss for the year                        |        | -   | -                      | -                        | -   | (5,099,885)                | (5,099,885)           | (5,099,885)     |
| Dividends paid                           | 12     | -   | -                      | -                        | -   | (3,749,000)                | (3,749,000)           | (3,749,000)     |
| <b>At 31 December 2007</b>               |        | 75,000,000                                    | 17,374,387             | (30,625)                 | (92,398)  | 65,751,441                 | 158,002,805           | 158,002,805     |

|                                     | Note   | Attributable To Equity Holders Of The Company |                        |                          |   |                            | Minority<br>Interests | Total<br>Equity |
|-------------------------------------|--------|---|------------------------|--------------------------|---|----------------------------|-----------------------|-----------------|
|                                     |        | Share<br>capital<br>RM                        | Share<br>premium<br>RM | Treasury<br>shares<br>RM | Foreign<br>currency<br>translation<br>reserve<br>RM | Retained<br>earnings<br>RM |                       |                 |
|                                     |        |   |                        |                          |   |                            | RM                    | RM              |
| <b>At 1 January 2008</b>            |        |   |                        |                          |   |                            |                       |                 |
| As previously stated                |        | 75,000,000                                    | 17,374,387             | (30,625)                 | (92,398)  | 61,254,983                 | 153,506,347           | 153,506,347     |
| Effect of adopting revised FRS 112  | 2.3(c) | -   | -                      | -                        | -   | 4,496,458                  | 4,496,458             | 4,496,458       |
| <b>At 1 January 2008 (restated)</b> |        | 75,000,000                                    | 17,374,387             | (30,625)                 | (92,398)  | 65,751,441                 | 158,002,805           | 158,002,805     |
| Foreign currency translation        | 20     | -   | -                      | -                        | 295,130   | -                          | 295,130               | 295,130         |
| Loss for the year                   |        | -   | -                      | -                        | -   | (12,354,414)               | (12,354,414)          | (12,354,414)    |
| <b>At 31 December 2008</b>          |        | 75,000,000                                    | 17,374,387             | (30,625)                 | 202,732   | 53,397,027                 | 145,943,521           | 145,943,521     |

The accompanying notes form an integral part of the financial statements.

# Company Statement of Changes in Equity

for the year ended 31 December 2008

|                             |      | -----non-distributable----- |                        |                          | Distributable              |             |
|-----------------------------|------|-----------------------------|------------------------|--------------------------|----------------------------|-------------|
|                             | Note | Share<br>Capital<br>Rm      | Share<br>Premium<br>Rm | Treasury<br>Shares<br>Rm | Retained<br>Earnings<br>Rm | Total<br>Rm |
| <b>At 1 January 2007</b>    |      | 75,000,000                  | 17,374,387             | (13,701)                 | 5,523,565                  | 97,884,251  |
| Purchase of treasury shares | 19   | –                           | –                      | (16,800)                 | –                          | (16,800)    |
| Transaction costs           |      | –                           | –                      | (124)                    | –                          | (124)       |
| Profit for the year         |      | –                           | –                      | –                        | 21,514,673                 | 21,514,673  |
| Dividends paid              | 12   | –                           | –                      | –                        | (3,749,000)                | (3,749,000) |
| <b>At 31 December 2007</b>  |      | 75,000,000                  | 17,374,387             | (30,625)                 | 23,289,238                 | 115,633,000 |
|                             |      |                             |                        |                          |                            |             |
| <b>At 1 January 2008</b>    |      | 75,000,000                  | 17,374,387             | (30,625)                 | 23,289,238                 | 115,633,000 |
| Loss for the year           |      | –                           | –                      | –                        | (1,950,865)                | (1,950,865) |
| <b>At 31 December 2008</b>  |      | 75,000,000                  | 17,374,387             | (30,625)                 | 21,338,373                 | 113,682,135 |

The accompanying notes form an integral part of the financial statements.

# Cash Flow Statements

for the year ended 31 December 2008

|   | Note | Group<br>2008<br>RM | 2007<br>RM  | Company<br>2008<br>RM | 2007<br>RM   |
|---|------|---------------------|-------------|-----------------------|--------------|
| <b>CASH FLOWS FROM OPERATION ACTIVITIES</b>             |      |                     |             |                       |              |
| (Loss)/profit before tax                                |      | (12,404,780)        | (8,123,404) | (1,950,865)           | 21,504,035   |
| Adjustments for:  |      |                     |             |                       |              |
| Interest income   | 5    | (101,297)           | (87,582)    | (697)                 | (95,171)     |
| Dividend income   |      | –                   | –           | –                     | (22,740,000) |
| Finance costs   | 6    | 299,761             | 1,095,209   | 268,868               | 579,757      |
| Goodwill written off                                    |      | –                   | 6,300       | –                     | –            |
| Loss on disposal of property, plant and equipment       |      | 360,783             | –           | –                     | –            |
| Property, plant and equipment written off               |      | 63,599              | 60,335      | 63,599                | –            |
| Depreciation of property, plant and equipment           |      | 11,109,928          | 12,341,775  | 22,774                | 80,064       |
| Amortisation of prepaid land lease payments             |      | 133,562             | 133,566     | –                     | –            |
| Net unrealised foreign exchange losses/(gains)          |      | 677,462             | (591,933)   | 632,695               | (300,245)    |
| Bad debts written off                                   |      | 1,124,327           | –           | 574,033               | –            |
| Operating profit/(loss) before working capital changes  |      | 1,263,345           | 4,834,266   | (389,593)             | (971,560)    |
| Decrease in inventories                                 |      | 16,484,830          | 11,459,541  | –                     | –            |
| Decrease/(increase) in trade and other receivables      |      | 1,426,069           | 18,176,075  | 2,057,845             | (14,681,098) |
| (Decrease)/increase in trade and other payables         |      | (4,021,833)         | (8,759,633) | 2,597,010             | 353,572      |
| Cash generated from/(used in) operations                |      | 15,152,411          | 25,710,249  | 4,265,262             | (15,299,086) |
| Interest paid   |      | (299,761)           | (1,095,209) | (268,868)             | (579,757)    |
| Income tax paid   |      | (59,815)            | (253,617)   | (225)                 | (275)        |
| Income tax refunded                                     |      | –                   | 170,307     | –                     | 19,039       |
| Net cash generated from/(used in) operating activities  |      | 14,792,835          | 24,531,730  | 3,996,169             | (15,860,079) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |      |                     |             |                       |              |
| Purchase of property, plant and equipment               |      | (4,864,000)         | (5,086,941) | (6,500)               | (11,646)     |
| Proceeds from disposal of property, plant and equipment |      | 382,382             | 30,598      | 64,998                | –            |
| Acquisition of subsidiaries                             |      | –                   | (6,000)     | –                     | (6,002)      |
| Additional investment in subsidiary                     |      | –                   | –           | (4,000)               | (2)          |
| Placement of fixed deposits under pledge                |      | (51,257)            | (57,327)    | –                     | –            |
| Interest received                                       |      | 101,297             | 89,406      | 697                   | 95,171       |
| Dividends received                                      |      | –                   | –           | –                     | 22,740,000   |
| Net cash (used in)/generated from investing activities  |      | (4,431,578)         | (5,030,264) | 55,195                | 22,817,521   |

# Cash Flow Statements *(Cont'd)*

for the year ended 31 December 2008

|   | Note | Group<br>2008<br>RM | 2007<br>RM   | Company<br>2008<br>RM | 2007<br>RM  |
|---|------|---------------------|--------------|-----------------------|-------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                     |              |                       |             |
| Purchase of treasury shares                                 |      | –                   | (16,924)     | –                     | (16,924)    |
| Repayment of term loans                                     |      | (3,014,364)         | (3,943,461)  | (2,236,781)           | (3,098,576) |
| Drawdown of bankers' acceptances                            |      | 2,507,000           | 15,392,043   | –                     | –           |
| Repayment of bankers' acceptances                           |      | (3,250,000)         | (16,149,043) | –                     | –           |
| Drawdown of export credit refinancing                       |      | –                   | 4,644,340    | –                     | –           |
| Repayment of export credit refinancing                      |      | –                   | (16,866,986) | –                     | –           |
| Drawdown of foreign currency trade finance                  |      | –                   | 8,233,344    | –                     | –           |
| Repayment of foreign currency trade finance                 |      | –                   | (9,561,893)  | –                     | –           |
| Placement of fixed deposit                                  |      | 115,788             | –            | –                     | –           |
| Dividends paid  |      | –                   | (3,749,000)  | –                     | (3,749,000) |
| Net cash used in financing activities                       |      | (3,641,576)         | (22,017,580) | (2,236,781)           | (6,864,500) |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> |      | 6,719,681           | (2,516,114)  | 1,814,583             | 92,942      |
| <b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>             |      | (470,882)           | (16,944)     | (632,695)             | –           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       |      | 7,040,641           | 9,573,699    | 363,709               | 270,767     |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             | 18   | 13,289,440          | 7,040,641    | 1,545,597             | 363,709     |

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

31 December 2008

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at MPT 4604, 3rd Floor, Lot 15 – 16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah. The principal place of business of the Company is located at 9.1 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and sale of veneer, plywood, decorative plywood, engineering wood flooring, layon and wooden musical component and provision of barge hiring services, trading of decorative plywood and timber logging contractor. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSS, amendment to FRS and IC Interpretations which are mandatory for financial period beginning on or after 1 January 2008 as described fully in Note 2.3.

The financial statements of the Group and Company have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiaries and Basis of Consolidation

##### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (ii) Basis of Consolidation

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)*

### 2.2 Summary of Significant Accounting Policies *(cont'd.)*

#### (B) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

|                                   |           |
|-----------------------------------|-----------|
| Buildings                         | 2%        |
| Plant and machinery               | 10% - 20% |
| Motor vehicles                    | 20%       |
| Furniture, fixtures and equipment | 10% - 20% |
| Renovations                       | 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 items of property, plant and equipment.

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

Constructions-in-progress are not depreciated as these assets are not available for use.

#### (C) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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 considered impaired and 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.

An impairment loss is recognised in profit or loss in the period in which it arises.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)*

### 2.2 Summary of Significant Accounting Policies *(cont'd.)*

#### (C) Impairment of Non-financial Assets *(cont'd)*

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

#### (d) Inventories

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

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

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

#### (e) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

##### (ii) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### (iii) Trade payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

##### (iv) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)*

### 2.2 Summary of Significant Accounting Policies *(cont'd.)*

#### (e) Financial Instruments *(cont'd)*

##### (v) Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements.

##### (vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance 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.

#### (f) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

##### (ii) Finance Leases – 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 balance sheet 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 Company'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 income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(b).

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)*

### 2.2 Summary of Significant Accounting Policies *(cont'd.)*

#### (f) Leases *(cont'd)*

##### (iii) Operating Leases - the Group as Lessee

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

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings 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.

#### (g) Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (h) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

#### (i) Provisions

Provisions are recognised when the Group has a present 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 obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)*

### 2.2 Summary of Significant Accounting Policies *(cont'd.)*

#### (j) Employee Benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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. 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. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

#### (k) Foreign Currencies

##### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

##### (ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

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

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)*

### 2.2 Summary of Significant Accounting Policies *(cont'd.)*

#### (k) Foreign Currencies *(cont'd)*

##### (iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

#### (l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Sale of goods

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

##### (ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

##### (iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

##### (iv) Revenue from services

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

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption Of New And Revised Frss

On 1 January 2008, the Group and the Company adopted the following new and revised FRSS, amendment to FRS and IC Interpretations:

- FRS 107: Cash flow statements
- FRS 111: Construction contracts
- FRS 112: Income taxes
- FRS 118: Revenue
- FRS 120: Accounting for government grants and disclosure of government assistance
- FRS 124: Related party disclosures
- FRS 134: Interim financial reporting
- FRS 137: Provisions, contingent liabilities and contingent assets

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)*

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption Of New And Revised Frss *(cont'd)*

|                                      |   |
|--------------------------------------|---|
| Amendment to FRS 119 <sub>2004</sub> | : Employee benefits – actuarial gains and losses, group plans and disclosures                             |
| Amendment to FRS 121                 | : The effects of changes in foreign exchange rates – net investment in a foreign operation                |
| IC Interpretation 1                  | : Changes in existing decommissioning, restoration and similar liabilities                                |
| IC Interpretation 2                  | : Members' shares in co-operative entities and similar instruments  |
| IC Interpretation 5                  | : Rights to interests arising from decommissioning, restoration and environmental funds                   |
| IC Interpretation 6                  | : Liabilities arising from participating in a specific market – waste electrical and electronic equipment |
| IC Interpretation 7                  | : Applying the restatement approach under FRS 1292004 –financial reporting in hyperinflationary economies |
| IC Interpretation 8                  | : Scope of FRS 2  |

Except for the changes in accounting policies and their effects as discussed below, the new and revised FRS, amendment to FRS and IC Interpretations above do not have any other significant impact on the financial statements of the Group and of the Company:

#### (a) FRS 112: Income taxes

Prior to 1 January 2008, deferred tax assets on unutilised Reinvestment Allowances ("RA") were not recognised due to the facts that RA was not treated as qualifying tax base and hence does not form part of the temporary differences. Upon the adoption of the revised FRS 112, unutilised RA is now taken as tax credits and hence deferred tax assets should be recognised to the extent that it is probable that future taxable profit will be available against which the unutilised RA can be utilised.

The application is retrospective and accordingly, certain comparatives have been restated as disclosed in Note 2.3(c). The effects on the consolidated balance sheet as at 31 December 2008 and consolidated income statement for the year ended 31 December 2008 are set out in Note 2.3(b)(i) and Note 2.3(b)(ii) respectively.

#### (b) Summary of effects of changes in accounting policies and adopting revised FRS on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the consolidated balance sheet and consolidated income statement for the year ended 31 December 2008 is higher or lower than it would have been had the previous policies been applied in the current year.

##### (i) Effects on balance sheet as at 31 December 2008

| Description of change    | Increase/(decrease) |
|--------------------------|---------------------|
|                          | FRS 112             |
|                          | Note 2.3(a)<br>RM   |
| Retained earnings        | 4,916,950           |
| Deferred tax liabilities | (4,916,950)         |

##### (ii) Effects on income statement for the year ended 31 December 2008

| Description of change | Increase/(decrease) |
|-----------------------|---------------------|
|                       | FRS 112             |
|                       | Note 2.3(a)<br>RM   |
| Income tax expense    | 420,492             |
| Profit for the year   | (420,492)           |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)*

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption Of New And Revised Frss *(cont'd)*

#### (c) Restatement of comparatives

The following comparative amounts have been restated as a result of changes in accounting policies and adopting the revised FRS:

| Description of change                      | Previously<br>stated<br><br>RM | Increase/<br>(decrease)<br>FRS 112<br>Note 2.3(a)<br>RM | Restated<br><br>RM |
|--|--------------------------------|---|--------------------|
| <b>At 31 December 2007</b>                 |                                |   |                    |
| Retained earnings                          | 61,254,983                     | 4,496,458   | 65,751,441         |
| Deferred tax liabilities                   | 6,077,802                      | (4,496,458)   | 1,581,344          |
| <b>For the year ended 31 December 2007</b> |                                |   |                    |
| Income tax expense                         | 2,467,867                      | 555,852   | 3,023,719          |
| Profit for the year                        | 5,655,537                      | (555,852)   | 5,099,685          |

### 2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company.

| FRS and Interpretations   | Effective for financial<br>periods beginning on<br>or after |
|---|---|
| (i) FRS 7: Financial Instruments: Disclosures                     | 1 January 2010  |
| (ii) FRS 8: Operating Segments                                    | 1 July 2009   |
| (iii) FRS 139: Financial Instruments: Recognition and Measurement | 1 January 2010  |
| (iv) IC Interpretation 9: Reassessment of Embedded Derivatives    | 1 January 2010  |
| (v) IC Interpretation 10: Interim Financial Reporting Impairment  | 1 January 2010  |

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

### 2.5 Significant accounting estimates and judgements

#### Key sources of estimation uncertainty

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

#### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses, capital and reinvestment allowances of the Group was RM 20,483,646 (2007: RM 19,681,494) and the unrecognised tax losses, capital and reinvestment allowances of the Group was RM 17,106,615 (2007: RM 5,168,697).

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 3. REVENUE

|                                   | Group       |             | Company    |            |
|-----------------------------------|-------------|-------------|------------|------------|
|                                   | 2008<br>RM  | 2007<br>RM  | 2008<br>RM | 2007<br>RM |
| Sale of decorative plywood        | 12,573,723  | 24,258,896  | —          | —          |
| Sale of plywood                   | 117,884,555 | 154,678,902 | —          | —          |
| Sale of veneer                    | 174,417     | —           | —          | —          |
| Barge hiring income               | 69,331      | 95,611      | —          | —          |
| Dividend income from a subsidiary | —           | —           | —          | 22,740,000 |
|                                   | 130,702,026 | 179,033,409 | —          | 22,740,000 |

## 4. COST OF SALES

|                           |             |             |   |   |
|---------------------------|-------------|-------------|---|---|
| Cost of inventories sold  | 122,408,467 | 161,644,256 | — | — |
| Cost of services rendered | 1,182,508   | 346,031     | — | — |
|                           | 123,590,975 | 161,990,287 | — | — |

## 5. OTHER INCOME

|                          |           |           |         |         |
|--------------------------|-----------|-----------|---------|---------|
| Interest from:           |           |           |         |         |
| Fixed deposits           | 84,820    | 68,375    | 697     | 1,562   |
| Currency accounts        | 180       | 11,428    | —       | —       |
| Overdue accounts         | —         | —         | —       | 93,609  |
| Repos                    | 16,297    | 7,779     | —       | —       |
|                          | 101,297   | 87,582    | 697     | 95,171  |
| Gain on foreign exchange |           |           |         |         |
| - Realised               | 1,142,968 | 1,449,949 | 337,182 | 258,213 |
| - Unrealised             | 97,543    | 591,933   | —       | 300,245 |
| Insurance claim received | 165,873   | 337,026   | —       | —       |
| Sale of wood waste       | 7,000     | 16,780    | —       | —       |
| Miscellaneous            | 18,817    | 63,697    | —       | —       |
|                          | 1,533,498 | 2,546,967 | 337,879 | 653,629 |

## 6. FINANCE COSTS

|                           |         |           |         |         |
|---------------------------|---------|-----------|---------|---------|
| Interest on:              |         |           |         |         |
| Bankers' acceptances      | 15,065  | 127,147   | —       | —       |
| Bank overdraft            | 1,732   | 12,385    | —       | —       |
| Export credit refinancing | —       | 113,480   | —       | —       |
| Others                    | 5,816   | —         | —       | —       |
| Overdue accounts          | —       | 69        | —       | —       |
| US Dollars loan           | 268,868 | 579,757   | 268,868 | 579,757 |
| Term loans                | 8,280   | 262,371   | —       | —       |
|                           | 299,761 | 1,095,209 | 268,868 | 579,757 |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 7. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before tax:

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| Employee benefits expense (Note 8)                      | 13,855,839 | 16,699,292 | 97,285     | 434,235    |
| Non-executive directors' remuneration (Note 9)          | 96,000     | 96,000     | 96,000     | 96,000     |
| Auditors' remuneration:                                 |            |            |            |            |
| - Statutory audits                                      | 61,500     | 61,000     | 20,000     | 20,000     |
| - Other services  | 22,250     | 18,450     | 3,500      | 3,000      |
| Bad debts written off                                   | 1,124,327  | –          | 574,033    | –          |
| Goodwill written off                                    | –          | 6,300      | –          | –          |
| Depreciation of property, plant and equipment (Note 13) | 11,109,928 | 12,341,775 | 22,774     | 80,064     |
| Amortisation of prepaid land lease payments (Note 14)   | 133,562    | 133,566    | –          | –          |
| Property, plant and equipment written off               | 63,599     | 60,335     | 63,599     | –          |
| Rental of premises                                      | 71,606     | 155,035    | 60,706     | 138,235    |
| Rental of warehouse                                     | 31,800     | 276,000    | –          | –          |
| Rental of logyard                                       | 144,000    | 184,000    | –          | –          |
| Rental of factory facilities                            | 95,400     | 102,700    | –          | –          |
| Barge hiring charges                                    | –          | 17,050     | –          | –          |
| Loss on disposal of property, plant and equipment       | 360,783    | –          | –          | –          |
| Loss on foreign exchange                                |            |            |            |            |
| - Realised  | 17,684     | 1,316,548  | –          | –          |
| - Unrealised  | 677,462    | –          | 632,695    | –          |

## 8. EMPLOYEE BENEFITS EXPENSE

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| Salaries, wages and allowances             | 13,708,587 | 16,492,354 | 89,167     | 385,802    |
| Contributions to defined contribution plan | 126,725    | 179,969    | 7,495      | 45,635     |
| Social security contributions              | 20,527     | 26,969     | 623        | 2,798      |
|  | 13,855,839 | 16,699,292 | 97,285     | 434,235    |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM921,000 (2007: RM966,000) and RM84,000 (2007: RM84,000) respectively as further disclosed in Note 9.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 9. DIRECTORS' REMUNERATION

|  | Group      |            | Company    |            |
|--|------------|------------|------------|------------|
|  | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| Executive directors' remuneration (Note 8):              |            |            |            |            |
| Fees   | 84,000     | 84,000     | 84,000     | 84,000     |
| Salaries and other emoluments                            | 837,000    | 882,000    | –          | –          |
|  | 921,000    | 966,000    | 84,000     | 84,000     |
| Non-executive directors' remuneration (Note 7):          |            |            |            |            |
| Fees   | 96,000     | 96,000     | 96,000     | 96,000     |
| Total directors' remuneration                            | 1,017,000  | 1,062,000  | 180,000    | 180,000    |
| Estimated money value of benefits-in-kind                | –          | –          | –          | –          |
| Total directors' remuneration including benefits-in-kind | 1,017,000  | 1,062,000  | 180,000    | 180,000    |

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

|                                 | Number of directors |      |
|---------------------------------|---------------------|------|
|                                 | 2008                | 2007 |
| <b>Executive directors:</b>     |                     |      |
| RM150,001 – RM200,000           | 2                   | 1    |
| RM300,001 – RM400,000           | 1                   | 1    |
| RM400,001 – RM500,000           | –                   | 1    |
| <b>Non-executive directors:</b> |                     |      |
| Below RM50,000                  | 3                   | 3    |

## 10. INCOME TAX

|   | Group      |             | Company    |            |
|---|------------|-------------|------------|------------|
|   | 2008<br>RM | 2007<br>RM  | 2008<br>RM | 2007<br>RM |
| Current income tax:   |            |             |            |            |
| Provision for the year  | 6,515      | –           | –          | –          |
| Overprovided in prior years                                   | –          | (9,057)     | –          | (10,638)   |
|   | 6,515      | (9,057)     | –          | (10,638)   |
| Deferred tax (Note 23):                                       |            |             |            |            |
| Relating to origination and reversal of temporary differences | (80,159)   | (2,962,667) | –          | –          |
| Relating to changes in tax rates                              | 23,677     | (36,511)    | –          | –          |
| Overprovided in prior years                                   | (399)      | (15,484)    | –          | –          |
|   | (56,881)   | (3,014,662) | –          | –          |
|   | (50,366)   | (3,023,719) | –          | (10,638)   |

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26% with effect from year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 10. INCOME TAX *(cont'd.)*

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

| Group   | 2008<br>RM   | 2007<br>RM  |
|---|--------------|-------------|
| Loss before tax   | (12,404,780) | (8,123,404) |
| Taxation at Malaysian statutory tax rate of 26% (2007: 27%)   | (3,225,243)  | (2,193,319) |
| Effect of changes in tax rates  | 254,577      | (36,511)    |
| Effect of expenses not deductible for tax purposes  | 1,655,202    | 3,051,928   |
| Expenses eligible for double deduction  | (1,442,110)  | (2,723,509) |
| Utilisation of previously unrecognised unutilised reinvestment allowance  | –            | (489,805)   |
| Deferred tax assets recognised on reinvestment allowances   | (647,641)    | (607,962)   |
| Deferred tax assets not recognised on previously unrecognised tax losses and unutilised reinvestment allowances | 84,309       | –           |
| Deferred tax assets not recognised on tax losses and unabsorbed capital allowances                              | 3,653,931    | –           |
| Overprovision of tax expense in prior years   | –            | (9,057)     |
| Overprovision of deferred tax in prior years  | (399)        | (15,484)    |
|   | (50,366)     | (3,023,719) |
| <b>Company</b>  |              |             |
| (Loss)/profit before tax  | (1,950,865)  | 21,504,035  |
| Taxation at Malaysian statutory tax rate of 26% (2007: 27%)   | (507,225)    | 5,806,089   |
| Effect of income not subject to tax   | 507,225      | (5,806,089) |
| Overprovision of tax expense in prior years   | –            | (10,638)    |
|   | –            | (10,638)    |

## 11. LOSS PER SHARE

### (a) Basic

Basic loss per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

|  | 2008         | 2007<br>(restated) |
|--|--------------|--------------------|
| Loss attributable to ordinary equity holders of the Company (RM) | (12,354,414) | (5,099,885)        |
| Weighted average number of ordinary shares in issue              | 74,980,000   | 74,981,260         |
| Basic loss per share (Sen)                                       | (16.5)       | (6.8)              |

### (b) Diluted

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

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 12. DIVIDENDS

|   | Dividends in<br>respect of year |            |            | Dividends<br>recognised in year |            |            |
|---|---------------------------------|------------|------------|---------------------------------|------------|------------|
|   | 2008<br>RM                      | 2007<br>RM | 2006<br>RM | 2008<br>RM                      | 2007<br>RM | 2006<br>RM |
| <b>Recognised during the year:</b>  |                                 |            |            |                                 |            |            |
| Final tax exempt dividend for 2006:<br>5% on 74,980,000 ordinary shares<br>(5 sen per ordinary share)   | –                               | –          | 3,749,000  | –                               | 3,749,000  | –          |
| Interim tax exempt dividend for 2006:<br>5% on 74,990,000 ordinary shares<br>(5 sen per ordinary share) | –                               | –          | 3,749,500  | –                               | –          | 3,749,500  |
|   | –                               | –          | 7,498,500  | –                               | 3,749,000  | 3,749,500  |

## 13. PROPERTY, PLANT AND EQUIPMENT

|  | Buildings*<br>RM | Plant<br>and<br>machinery<br>RM | Motor<br>vehicles<br>RM | Furniture,<br>fixtures<br>and<br>equipment<br>RM | Construction-<br>in-progress<br>RM | Total<br>RM |
|--|------------------|---------------------------------|-------------------------|--|------------------------------------|-------------|
| <b>Group</b>                                 |                  |                                 |                         |  |                                    |             |
| <b>At 31 December 2008</b>                   |                  |                                 |                         |  |                                    |             |
| <b>Cost</b>                                  |                  |                                 |                         |  |                                    |             |
| At 1 January 2008                            | 18,676,498       | 135,353,283                     | 6,384,709               | 1,410,790  | 357,210                            | 162,182,490 |
| Additions                                    | –                | 4,717,786                       | –                       | 102,456  | 43,758                             | 4,864,000   |
| Disposals/write-off                          | (165,013)        | (892,503)                       | (265,000)               | (222,440)  | –                                  | (1,544,956) |
| Reclassifications                            | 102,666          | –                               | –                       | –  | (102,666)                          | –           |
| At 31 December 2008                          | 18,614,151       | 139,178,566                     | 6,119,709               | 1,290,806  | 298,302                            | 165,501,534 |
| <b>Accumulated depreciation</b>              |                  |                                 |                         |  |                                    |             |
| At 1 January 2008                            | 7,956,269        | 71,640,889                      | 4,733,670               | 943,369  | –                                  | 85,274,197  |
| Depreciation charge<br>for the year (Note 7) | 983,469          | 9,301,706                       | 608,333                 | 216,420  | –                                  | 11,109,928  |
| Disposals/Write-off                          | (109,996)        | (214,337)                       | (264,999)               | (148,860)  | –                                  | (738,192)   |
| At 31 December 2008                          | 8,829,742        | 80,728,258                      | 5,077,004               | 1,010,929  | –                                  | 95,645,933  |
| <b>Net carrying amount</b>                   |                  |                                 |                         |  |                                    |             |
| At 31 December 2008                          | 9,784,409        | 58,450,308                      | 1,042,705               | 279,877  | 298,302                            | 69,855,601  |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 13. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

|  | Buildings*<br>RM | Plant<br>and<br>machinery<br>RM | Motor<br>vehicles<br>RM | Furniture,<br>fixtures<br>and<br>equipment<br>RM | Construction-<br>in-progress<br>RM | Total<br>RM |
|--|------------------|---------------------------------|-------------------------|--|------------------------------------|-------------|
| <b>At 31 December 2007</b>                   |                  |                                 |                         |  |                                    |             |
| <b>Cost</b>                                  |                  |                                 |                         |  |                                    |             |
| At 1 January 2007                            | 17,475,434       | 131,775,898                     | 6,074,029               | 1,499,141  | 730,352                            | 157,554,854 |
| Additions                                    | –                | 3,680,517                       | 381,203                 | 69,170   | 956,051                            | 5,086,941   |
| Disposals/write-off                          | (51,726)         | (174,357)                       | (70,523)                | (157,521)  | (5,178)                            | (459,305)   |
| Reclassifications                            | 1,252,790        | 71,225                          | –                       | –  | (1,324,015)                        | –           |
| At 31 December 2007                          | 18,676,498       | 135,353,283                     | 6,384,709               | 1,410,790  | 357,210                            | 162,182,490 |
| <b>Accumulated depreciation</b>              |                  |                                 |                         |  |                                    |             |
| At 1 January 2007                            | 7,046,127        | 61,190,272                      | 4,180,026               | 884,369  | –                                  | 73,300,794  |
| Depreciation charge<br>for the year (Note 7) | 910,142          | 10,594,377                      | 624,158                 | 213,098  | –                                  | 12,341,775  |
| Disposals/write-off                          | –                | (143,760)                       | (70,514)                | (154,098)  | –                                  | (368,372)   |
| At 31 December 2007                          | 7,956,269        | 71,640,889                      | 4,733,670               | 943,369  | –                                  | 85,274,197  |
| <b>Net carrying amount</b>                   |                  |                                 |                         |  |                                    |             |
| At 31 December 2007                          | 10,720,229       | 63,712,394                      | 1,651,039               | 467,421  | 357,210                            | 76,908,293  |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 13. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

\* Buildings of the Group comprises:

|                                  | Buildings<br>RM | Renovation<br>RM | Total<br>RM |
|----------------------------------|-----------------|------------------|-------------|
| <b>At 31 December 2008</b>       |                 |                  |             |
| <b>Cost</b>                      |                 |                  |             |
| At 1 January 2008                | 18,406,578      | 269,920          | 18,676,498  |
| Write-off                        | -               | (165,013)        | (165,013)   |
| Reclassification                 | 102,666         | -                | 102,666     |
| At 31 December 2008              | 18,509,244      | 104,907          | 18,614,151  |
| <b>Accumulated depreciation</b>  |                 |                  |             |
| At 1 January 2008                | 7,854,520       | 101,749          | 7,956,269   |
| Depreciation charge for the year | 975,222         | 8,247            | 983,469     |
| Write-off                        | -               | (109,996)        | (109,996)   |
| At 31 December 2008              | 8,829,742       | -                | 8,829,742   |
| <b>Net carrying amount</b>       |                 |                  |             |
| At 31 December 2008              | 9,679,502       | 104,907          | 9,784,409   |
| <b>At 31 December 2007</b>       |                 |                  |             |
| <b>Cost</b>                      |                 |                  |             |
| At 1 January 2007                | 17,153,788      | 321,646          | 17,475,434  |
| Disposal/write-off               | -               | (51,726)         | (51,726)    |
| Reclassification                 | 1,252,790       | -                | 1,252,790   |
| At 31 December 2007              | 18,406,578      | 269,920          | 18,676,498  |
| <b>Accumulated depreciation</b>  |                 |                  |             |
| At 1 January 2007                | 6,977,382       | 68,745           | 7,046,127   |
| Depreciation charge for the year | 877,138         | 33,004           | 910,142     |
| At 31 December 2007              | 7,854,520       | 101,749          | 7,956,269   |
| <b>Net carrying amount</b>       |                 |                  |             |
| At 31 December 2007              | 10,552,058      | 168,171          | 10,720,229  |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 13. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

| Company                                   | Furniture,<br>fixtures<br>and<br>equipment<br>RM | Renovation<br>RM | Total<br>RM |
|---|--|------------------|-------------|
| <b>At 31 December 2008</b>                |  |                  |             |
| <b>Cost</b>                               |  |                  |             |
| At 1 January 2008                         | 232,040  | 269,920          | 501,960     |
| Additions                                 | 6,500  | –                | 6,500       |
| Disposals/write-off                       | (222,440)  | (165,013)        | (387,453)   |
| At 31 December 2008                       | 16,100   | 104,907          | 121,007     |
| <b>Accumulated depreciation</b>           |  |                  |             |
| At 1 January 2008                         | 141,507  | 101,749          | 243,256     |
| Depreciation charge for the year (Note 7) | 14,527   | 8,247            | 22,774      |
| Disposals/write-off                       | (148,860)  | (109,996)        | (258,856)   |
| At 31 December 2008                       | 7,174  | –                | 7,174       |
| <b>Net carrying amount</b>                |  |                  |             |
| At 31 December 2008                       | 8,926  | 104,907          | 113,833     |
| <b>At 31 December 2007</b>                |  |                  |             |
| <b>Cost</b>                               |  |                  |             |
| At 1 January 2007                         | 220,394  | 269,920          | 490,314     |
| Additions                                 | 11,646   | –                | 11,646      |
| At 31 December 2007                       | 232,040  | 269,920          | 501,960     |
| <b>Accumulated depreciation</b>           |  |                  |             |
| At 1 January 2007                         | 94,447   | 68,745           | 163,192     |
| Depreciation charge for the year (Note 7) | 47,060   | 33,004           | 80,064      |
| At 31 December 2007                       | 141,507  | 101,749          | 243,256     |
| <b>Net carrying amount</b>                |  |                  |             |
| At 31 December 2007                       | 90,533   | 168,171          | 258,704     |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 13. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

The net carrying amount of property, plant and equipment pledged as securities for borrowings (Note 22) are as follows:

|                                   | Group      |            | Company    |            |
|-----------------------------------|------------|------------|------------|------------|
|                                   | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| Buildings                         | 8,178,112  | 8,972,887  | —          | —          |
| Plant and machinery               | 56,069,647 | 60,870,651 | —          | —          |
| Motor vehicles                    | 669,531    | 1,170,094  | —          | —          |
| Furniture, fixtures and equipment | 260,657    | 354,949    | —          | —          |
| Construction-in-progress          | 298,302    | 357,210    | —          | —          |
|                                   | 69,855,601 | 76,908,293 | —          | —          |

## 14. PREPAID LAND LEASE PAYMENTS

|                                    | Group      |            |
|------------------------------------|------------|------------|
|                                    | 2008<br>RM | 2007<br>RM |
| At 1 January                       | 13,566,291 | 13,699,857 |
| Amortisation for the year (Note 7) | (133,562)  | (133,566)  |
| At 31 December                     | 13,432,729 | 13,566,291 |

Analysed as:

|                          |            |            |
|--------------------------|------------|------------|
| Long term leasehold land | 13,432,729 | 13,566,291 |
|--------------------------|------------|------------|

Leasehold land with an aggregate carrying value of RM13,432,729 (2007: RM13,566,291) are pledged as securities for borrowings (Note 22).

## 15. INVESTMENTS IN SUBSIDIARIES

|                          | Company    |            |
|--------------------------|------------|------------|
|                          | 2008<br>RM | 2007<br>RM |
| Unquoted shares, at cost | 95,020,190 | 95,016,190 |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 15. INVESTMENTS IN SUBSIDIARIES *(cont'd)*

Details of the subsidiaries are as follows:

| Name of subsidiaries                    | Country of incorporation   | Principal activities   | Proportion of ownership interest |           |
|---|----------------------------|--|----------------------------------|-----------|
|   |                            |  | 2008<br>%                        | 2007<br>% |
| Held by the Company:                    |                            |  |                                  |           |
| Cymao Plywood Sdn. Bhd. *               | Malaysia                   | Manufacturing and sale of veneer, plywood, decorative plywood, engineering wood flooring, layon and wooden musical component | 100                              | 100       |
| Billion Apex Sdn. Bhd. *                | Malaysia                   | Provision of barge hiring services   | 100                              | 100       |
| Inovwood Sdn. Bhd. *                    | Malaysia                   | Manufacturing and sale of veneer, plywood and trading of decorative plywood  | 100                              | 100       |
| Xuzhou Richwood Co. Ltd. **             | People's Republic of China | Manufacturing and sale of plywood  | 100                              | 100       |
| Kupiano Forest Products (PNG) Limited * | Papua New Guinea           | Dormant  | 100                              | 100       |
| Syabas Mujur Sdn. Bhd.*                 | Malaysia                   | Timber logging contractor  | 100                              | 60        |

\* Audited by Ernst & Young, Malaysia

\*\* Audited by firms other than Ernst & Young

On 20 June 2008, the Company acquired the remaining 4,000 ordinary shares of RM1 each, representing 40% of the issued and paid-up capital of Syabas Mujur Sdn. Bhd. for a total cash consideration of RM4,000 resulting the latter becoming a wholly-owned subsidiary of the Company.

Investment in subsidiary of the Company with carrying amount of RM9,500,000 (2007 : RM9,500,000) are pledged as security for borrowings (Note 22).

## 16. INVENTORIES

|                             | 2008<br>RM | Group<br>2007<br>RM |
|-----------------------------|------------|---------------------|
| <b>Cost</b>                 |            |                     |
| Raw materials               | 3,973,033  | 5,332,843           |
| Work-in-progress            | 2,779,418  | 8,380,711           |
| Finished goods              | 21,836,504 | 37,105,816          |
| Materials and supplies      | 3,428,096  | 3,312,829           |
|                             | 32,017,051 | 54,132,199          |
| <b>Net realisable value</b> |            |                     |
| Finished goods              | 5,630,318  | –                   |
|                             | 37,647,369 | 54,132,199          |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 17. TRADE AND OTHER RECEIVABLES

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| <b>Current</b>                          |            |            |            |            |
| <b>Trade receivables</b>                |            |            |            |            |
| Third parties                           | 5,380,683  | 9,480,500  | –          | –          |
| <b>Other receivables</b>                |            |            |            |            |
| Amounts due from subsidiaries           | –          | –          | 24,109,677 | 27,970,555 |
| Deposits for acquisition of machineries | 99,940     | 90,000     | –          | –          |
| Deposits for log supplies               | 686,252    | 855,465    | –          | –          |
| Prepayments                             | 1,554,875  | 578,816    | 1,014,376  | 91,367     |
| Staff advances                          | 135,071    | 127,282    | –          | –          |
| Sundry deposits                         | 213,001    | 276,206    | 30,950     | 90,855     |
| Other receivables                       | 897,688    | 23,865     | 394,277    | 28,381     |
|   | 3,586,827  | 1,951,634  | 25,549,280 | 28,181,158 |
|   | 8,967,510  | 11,432,134 | 25,549,280 | 28,181,158 |
| <b>Non-current</b>                      |            |            |            |            |
| <b>Other receivables</b>                |            |            |            |            |
| Deposits for acquisition of machineries | 3,850,018  | 3,850,018  | –          | –          |
| Prepayments                             | 4,799,000  | 4,799,000  | –          | –          |
|   | 8,649,018  | 8,649,018  | –          | –          |

### (a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's normal trade credit term ranges from 45 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

### (b) Amounts due from subsidiaries

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

### (c) Deposits for log supplies

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

### (d) Prepayments (non-current)

Included in prepayments is an amount of RM3,799,000 (2007: RM3,799,000) represent deposits and incidental expenses paid by a subsidiary company to secure a timber concession rights.

Other information on financial risks of receivables is disclosed in Note 26.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 18. CASH AND CASH EQUIVALENTS

|  | Group       |             | Company    |            |
|--|-------------|-------------|------------|------------|
|  | 2008<br>RM  | 2007<br>RM  | 2008<br>RM | 2007<br>RM |
| Cash on hand and at banks  | 13,289,440  | 2,790,641   | 1,545,597  | 363,709    |
| Deposits with a licensed bank                                      | 1,825,133   | 6,139,664   | –          | –          |
| Cash and bank balances   | 15,114,573  | 8,930,305   | 1,545,597  | 363,709    |
| Less: Deposits with a licensed bank<br>pledged for bank guarantees | (1,825,133) | (1,889,664) | –          | –          |
| Cash and cash equivalents  | 13,289,440  | 7,040,641   | 1,545,597  | 363,709    |

Included in deposits with a licensed bank of the Group are deposits amounting to RM1,825,133 (2007: RM1,889,664) pledged to a bank to secure bank guarantees granted to a subsidiary.

Other information on financial risks of cash and cash equivalents are disclosed in Note 26.

## 19. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

|   | Number of ordinary<br>shares of RM 1 each      |                    | Amount   |                        |   |                          |
|---|--|--------------------|--|------------------------|---|--------------------------|
|   | Share<br>capital<br>(Issued and<br>fully paid) | Treasury<br>shares | Share<br>capital<br>(Issued and<br>fully paid)<br>RM | Share<br>premium<br>RM | Total<br>share<br>capital<br>and share<br>premium<br>RM | Treasury<br>shares<br>RM |
| At 1 January 2007                           | 75,000,000                                     | (20,000)           | 75,000,000   | 17,374,387             | 92,374,387  | (13,701)                 |
| Transaction costs                           | –  | –                  | –  | –                      | –   | (124)                    |
| Purchase of treasury<br>shares              | –  | –                  | –  | –                      | –   | (16,800)                 |
| At 31 December 2007<br>and 31 December 2008 | 75,000,000                                     | (20,000)           | 75,000,000   | 17,374,387             | 92,374,387  | (30,625)                 |

|                                 | Number of ordinary<br>shares of RM1 each |             | Amount      |             |
|---------------------------------|--|-------------|-------------|-------------|
|                                 | 2008                                     | 2007        | 2008<br>RM  | 2007<br>RM  |
| <b>Authorised share capital</b> |  |             |             |             |
| At 1 January and 31 December    | 100,000,000                              | 100,000,000 | 100,000,000 | 100,000,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### Treasury shares

This amount relates to the acquisition cost of treasury shares.

Of the total 75,000,000 (2007: 75,000,000) issued and fully paid ordinary shares as at 31 December 2008, 20,000 (2007: 20,000) are held as treasury shares by the Company. As at 31 December 2008, the number of outstanding ordinary shares in issue after the setoff is therefore 74,980,000 (2007: 74,980,000) ordinary shares of RM1 each.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 20. FOREIGN CURRENCY TRANSLATION RESERVE

|                              | Group      |            |
|------------------------------|------------|------------|
|                              | 2008<br>RM | 2007<br>RM |
| At 1 January                 | (92,398)   | (71,796)   |
| Foreign currency translation | 295,130    | (20,602)   |
| At 31 December               | 202,732    | (92,398)   |

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

## 21. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("Single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2008, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

## 22. BORROWINGS

|                              | Group      |            | Company    |            |
|------------------------------|------------|------------|------------|------------|
|                              | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| <b>Short term borrowings</b> |            |            |            |            |
| Secured:                     |            |            |            |            |
| Bankers' acceptances         | –          | 743,000    | –          | –          |
| Term loans                   | –          | 777,583    | –          | –          |
| US Dollars loans             | 2,496,983  | 2,315,110  | 2,496,983  | 2,315,110  |
|                              | 2,496,983  | 3,835,693  | 2,496,983  | 2,315,110  |
| <b>Long term borrowing</b>   |            |            |            |            |
| Secured:                     |            |            |            |            |
| US Dollars loan              | 2,437,703  | 4,856,357  | 2,437,703  | 4,856,357  |
|                              | 2,437,703  | 4,856,357  | 2,437,703  | 4,856,357  |
| <b>Total borrowings</b>      |            |            |            |            |
| Bankers' acceptances         | –          | 743,000    | –          | –          |
| Term loans                   | –          | 777,583    | –          | –          |
| US Dollars loans             | 4,934,686  | 7,171,467  | 4,934,686  | 7,171,467  |
|                              | 4,934,686  | 8,692,050  | 4,934,686  | 7,171,467  |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 22. BORROWINGS *(cont'd)*

The bankers' acceptances and the US Dollars loan of the Group are secured by a first party fixed charge over the leasehold land, buildings and plant and machinery of a subsidiary; and a debenture creating fixed and floating charge over all present and future assets of a subsidiary.

The term loans are secured by the following:

- (a) First party and third party second fixed legal charge over the leasehold land, buildings and plant and machinery of the subsidiaries;
- (b) Charge over 9,500,000 ordinary shares of a subsidiary;
- (c) Negative pledged over all the present and future assets of a subsidiary; and
- (d) Debenture incorporating a second fixed and floating charge over certain assets of a subsidiary.

Other information on financial risks of borrowings is disclosed in Note 26.

## 23. DEFERRED TAX

|  | Group       |             | Company    |            |
|--|-------------|-------------|------------|------------|
|  | 2008<br>RM  | 2007<br>RM  | 2008<br>RM | 2007<br>RM |
| At 1 January                                       | (4,681,285) | (1,666,623) | –          | –          |
| Recognised in income statement (Note 10)           | (56,881)    | (3,014,662) | –          | –          |
| At 31 December                                     | (4,738,166) | (4,681,285) | –          | –          |
| Presented after appropriate offsetting as follows: |             |             |            |            |
| Deferred tax assets                                | (6,262,629) | (6,262,629) | –          | –          |
| Deferred tax liabilities                           | 1,524,463   | 1,581,344   | –          | –          |
|  | (4,738,166) | (4,681,285) | –          | –          |

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

### Deferred tax liabilities of the Group:

|                                | Property, plant<br>and equipment<br>RM |
|--------------------------------|--|
| At 1 January 2008              | 10,079,836                             |
| Recognised in income statement | 544,733                                |
| At 31 December 2008            | 10,624,569                             |
| At 1 January 2007              | 9,579,214                              |
| Recognised in income statement | 500,622                                |
| At 31 December 2007            | 10,079,836                             |

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 23. DEFERRED TAX *(cont'd.)*

### Deferred tax assets of the Group:

|                                | Tax losses and<br>unabsorbed<br>allowances<br>RM |
|--------------------------------|--|
| At 1 January 2008              | (14,761,121)                                     |
| Recognised in income statement | (601,614)  |
| At 31 December 2008            | (15,362,735)                                     |
| At 1 January 2007              | (11,457,098)                                     |
| Recognised in income statement | (3,304,023)                                      |
| At 31 December 2007            | (14,761,121)                                     |

Deferred tax assets have not been recognised in respect of the following items:

|                                    | 2008<br>RM | Group<br>2007<br>RM |
|------------------------------------|------------|---------------------|
| Unused tax losses                  | 13,940,240 | 1,418,489           |
| Unabsorbed capital allowances      | 162,831    | –                   |
| Unutilised reinvestment allowances | 5,047,260  | 3,750,208           |
|                                    | 19,150,331 | 5,168,697           |

## 24. TRADE AND OTHER PAYABLES

|                            | 2008<br>RM | Group<br>2007<br>RM | 2008<br>RM | Company<br>2007<br>RM |
|----------------------------|------------|---------------------|------------|-----------------------|
| <b>Current</b>             |            |                     |            |                       |
| <b>Trade payables</b>      |            |                     |            |                       |
| Third parties              | 3,374,517  | 6,427,351           | –          | –                     |
| <b>Other payables</b>      |            |                     |            |                       |
| Amount due to a subsidiary | –          | –                   | 3,100,778  | 769,457               |
| Accruals                   | 1,448,345  | 3,956,068           | 272,719    | 34,255                |
| Deposits received          | 577,926    | 944,522             | –          | –                     |
| Other payables             | 2,435,936  | 533,394             | 239,082    | 211,857               |
|                            | 4,462,207  | 5,433,984           | 3,612,579  | 1,015,569             |
|                            | 7,836,724  | 11,861,335          | 3,612,579  | 1,015,569             |

### (a) Trade payables

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

### (b) Amount due to a subsidiary

Amount due to a subsidiary is non-interest bearing and is repayable on demand. This amount is unsecured and is to be settled in cash.

Other information on financial risks of payables is disclosed in Note 26.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 25. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

|   | 2008<br>RM | 2007<br>RM |
|---|------------|------------|
| <b>Group</b>  |            |            |
| Salaries and bonus paid to a daughter of<br>Managing Director, Lin, Tsai-Rong | 60,000     | 63,000     |
| <b>Company</b>  |            |            |
| Gross dividends from a subsidiary   | –          | 22,740,000 |

The director are of the opinion that the related party transactions above have been entered into in the normal course of business and have been established on terms and conditions mutually agreed between the relevant parties.

### (b) Compensation of key management personnel

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

|                              | Group      |            | Company    |            |
|------------------------------|------------|------------|------------|------------|
|                              | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| Short-term employee benefits | 1,724,151  | 1,798,000  | 180,000    | 180,000    |

Included in the total key management personnel are:

|                                  | Group      |            | Company    |            |
|----------------------------------|------------|------------|------------|------------|
|                                  | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| Directors' remuneration (Note 9) | 1,017,000  | 1,062,000  | 180,000    | 180,000    |

## 26. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its commodity price risk, interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### (b) Commodity price risk

The Group's earnings are affected by changes in the prices of its raw materials and its manufactured products.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 26. FINANCIAL INSTRUMENTS *(cont'd.)*

### (c) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group and of the Company's financial instruments that are exposed to interest rate risk:

|  | Note | WAEIR<br>% | Within 1<br>year<br>RM | 1 - 2<br>years<br>RM | 2 - 3<br>years<br>RM | Total<br>RM |
|--|------|------------|------------------------|----------------------|----------------------|-------------|
|--|------|------------|------------------------|----------------------|----------------------|-------------|

#### At 31 December 2008

##### Group

##### Floating rate

|                               |    |     |             |             |   |             |
|-------------------------------|----|-----|-------------|-------------|---|-------------|
| Deposits with a licensed bank | 18 | 3.5 | 1,825,133   | –           | – | 1,825,133   |
| US Dollars loan               | 22 | 6.6 | (2,496,983) | (2,437,703) | – | (4,934,686) |

##### Company

##### Floating rate

|                 |    |     |             |             |   |             |
|-----------------|----|-----|-------------|-------------|---|-------------|
| US Dollars loan | 22 | 6.6 | (2,496,983) | (2,437,703) | – | (4,934,686) |
|-----------------|----|-----|-------------|-------------|---|-------------|

#### At 31 December 2007

##### Group

##### Floating rate

|                               |    |     |             |             |             |             |
|-------------------------------|----|-----|-------------|-------------|-------------|-------------|
| Deposits with a licensed bank | 18 | 3.0 | 6,139,664   | –           | –           | 6,139,664   |
| Bankers' acceptances          | 22 | 3.8 | (743,000)   | –           | –           | (743,000)   |
| US Dollars loan               | 22 | 6.6 | (2,315,110) | (2,503,352) | (2,353,005) | (7,171,467) |
| Term loans                    | 22 | 8.7 | (777,583)   | –           | –           | (777,583)   |

##### Company

##### Floating rate

|                 |    |     |             |             |             |             |
|-----------------|----|-----|-------------|-------------|-------------|-------------|
| US Dollars loan | 22 | 6.6 | (2,315,110) | (2,503,352) | (2,353,005) | (7,171,467) |
|-----------------|----|-----|-------------|-------------|-------------|-------------|

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for term loans and floating rate loans which are repriced annually. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 26. FINANCIAL INSTRUMENTS *(cont'd.)*

### (d) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Renminbi (RMB). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

|   | Net Financial assets held in<br>non-functional currency<br>United States<br>Dollars<br>RM |
|---|---|
| <b>Functional currency of the Group companies</b> |   |
| <b>At 31 December 2008</b>                        |   |
| Ringgit Malaysia                                  | 2,569,453   |
| <b>At 31 December 2007</b>                        |   |
| Ringgit Malaysia                                  | 6,258,343   |

As at balance sheet date, the Company had entered into forward foreign exchange contracts with the following notional amounts and maturities:

|  | Currency | Within<br>1 year<br>RM | Total<br>notional<br>amount<br>RM |
|--|----------|------------------------|-----------------------------------|
| <b>At 31 December 2008</b>               |          |                        |                                   |
| Forwards used to hedge anticipated sales | USD      | 6,849,000              | 6,849,000                         |

### (e) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. 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 both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

# Notes to the Financial Statements *(Cont'd)*

31 December 2008

## 26. FINANCIAL INSTRUMENTS *(cont'd.)*

### (f) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

### (g) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values.

|                                    | Note  | Carrying<br>amount<br>RM | Fair<br>value<br>RM |
|------------------------------------|-------|--------------------------|---------------------|
| <b>At 31 December 2008</b>         |       |                          |                     |
| Forward foreign exchange contracts | 26(d) | –                        | (86,000)            |

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

#### Forward foreign exchange contracts

The fair value of a forward foreign exchange contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

## 27. SEGMENTAL REPORTING

No segmental information has been presented as the Group activities are predominantly in Malaysia and the overseas segment does not contribute to more than 10% of the Group's revenue and assets.

## 28. CAPITAL COMMITMENT

|                             | Group      |            | Company    |            |
|-----------------------------|------------|------------|------------|------------|
|                             | 2008<br>RM | 2007<br>RM | 2008<br>RM | 2007<br>RM |
| Capital expenditure:        |            |            |            |            |
| Approved and contracted for | 9,250,000  | –          | 9,250,000  | –          |

## 29. SIGNIFICANT EVENTS

- On 20 June 2008, the Company acquired the remaining 4,000 ordinary shares of RM1 each, representing 40% of the issued and paid-up capital of Syabas Mujur Sdn. Bhd. for a total cash consideration of RM4,000 resulting the latter becoming a wholly-owned subsidiary of the Company.
- On 4th September 2008, the Company entered into a share sale and purchase agreement to acquire the entire issued and paid-up capital of Poly-Ply Industries Sdn. Bhd for a total cash consideration of RM2,000,000. On the even date, the Company also entered into an agreement to acquire a parcel of land measuring 1.7654 hectares together with the plymill factory erected thereon situated at GM460, Lot 740, Mukim of Kapar, District of Klang, Selangor Darul Ehsan for a total cash purchase consideration of RM7,250,000. The proposed acquisitions are expected to be completed by end of June 2009.

# Analysis of Shareholdings

as at 28 February 2009

|                              |   |  |
|------------------------------|---|--|
| Authorised share capital     | : | RM100,000,000  |
| Issued and fully paid shares | : | RM 75,000,000 inclusive of 20,000 treasury shares    |
| Class of shares              | : | Ordinary shares of RM1.00 each                       |
| Voting rights                | : | On show of hands : One vote for every member present |
|                              | : | On poll : One vote for each ordinary share held      |

## ANALYSIS BY SIZE OF SHAREHOLDINGS

| Holdings                                 | No. of Shareholders | %      | No. of Shares Held | %      |
|--|---------------------|--------|--------------------|--------|
| 1 to 99                                  | 50                  | 1.55   | 2,325              | 0.00   |
| 100 to 1,000                             | 914                 | 28.36  | 370,475            | 0.49   |
| 1,001 to 10,000                          | 1,699               | 52.72  | 7,720,725          | 10.31  |
| 10,001 to 100,000                        | 499                 | 15.48  | 14,307,875         | 19.08  |
| 100,001 to less than 5% of issued shares | 58                  | 1.80   | 22,728,600         | 30.31  |
| 5% and above of issued shares            | 3                   | 0.09   | 29,850,000         | 39.81  |
| Total                                    | 3,223               | 100.00 | 74,980,000         | 100.00 |

### Note:

Excluding 20,000 Cymao shares bought back by the Company and retained as treasury shares as at 28 February 2009.

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

| Name of Shareholder    | Direct Interest | %     | Deemed Interest | % |
|------------------------|-----------------|-------|-----------------|---|
| 1. Lin Tsai Rong       | 21,100,000      | 28.14 | —               | — |
| 2. Tsay, Chung-Wen     | 5,000,000       | 6.67  | —               | — |
| 3. Lembaga Tabung Haji | 3,250,000       | 5.00  | —               | — |

### Note:

Excluding 20,000 Cymao shares bought back by the Company and retained as treasury shares as at 28 February 2009.

## DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

| Name of Shareholder      | Direct Interest | %     | Deemed Interest | %    |
|--------------------------|-----------------|-------|-----------------|------|
| Datuk Mohd Zain Bin Omar | 250,000         | 0.33  | —               | —    |
| Lin, Tsai-Rong           | 21,100,000      | 28.14 | 50,000*         | 0.07 |
| Lin, Kai-Min             | 1,773,750       | 2.37  | —               | —    |
| Lin, Kai-Hsuan           | 847,500         | 1.13  | —               | —    |
| Lin Hsu, Li-Chu          | 222,500         | 0.30  | 50,000*         | 0.07 |
| Hiew Seng                | 62,500          | 0.08  | —               | —    |

### Note:

\* Indirect interest by virtue of the shares held by his/her daughter.

Excluding 20,000 Cymao shares bought back by the Company and retained as treasury shares as at 28 February 2009.

# Analysis of Shareholdings *(Cont'd)*

as at 28 February 2009

## TOP 30 SHAREHOLDERS

| No. | Name  | No. of Shares | %     |
|-----|---|---------------|-------|
| 1.  | Lin, Tsai-Rong  | 21,100,000    | 28.14 |
| 2.  | Tsay, Chung-Wen   | 5,000,000     | 6.67  |
| 3.  | Lembaga Tabung Haji   | 3,750,000     | 5.00  |
| 4.  | Addeen Equity Sdn Bhd   | 2,000,000     | 2.67  |
| 5.  | Hsu, How-Tong   | 1,854,000     | 2.47  |
| 6.  | Lin, Kai-Min  | 1,773,750     | 2.37  |
| 7.  | Public Nominees (Tempatan) Sdn Bhd<br><i>[Pledged securities account for Cheah Chee Choong]</i>       | 966,000       | 1.29  |
| 8.  | Citigroup Nominees (Asing) Sdn Bhd<br><i>[Citigroup GM Inc for SC Fundamental Value Fund LP]</i>      | 965,712       | 1.29  |
| 9.  | Lin, Kai-Hsuan  | 847,500       | 1.13  |
| 10. | Public Invest Nominees (Tempatan) Sdn Bhd<br><i>[Pledged securities account for Lee Sai Lim]</i>      | 803,400       | 1.07  |
| 11. | Zulkifli Bin Hussain  | 800,000       | 1.07  |
| 12. | Zulkifli Bin Hussain  | 800,000       | 1.07  |
| 13. | Su Ming Yaw   | 716,400       | 0.96  |
| 14. | Hsu, Hao-Huang  | 608,000       | 0.81  |
| 15. | Citigroup Nominees (Asing) Sdn Bhd<br><i>[Citigroup GM Inc for SC Fundamental Value BVI Ltd]</i>      | 591,888       | 0.79  |
| 16. | Henry Liang   | 564,600       | 0.75  |
| 17. | Law Chee Kheong   | 507,000       | 0.68  |
| 18. | A.A. Anthony Nominees (Tempatan) Sdn Bhd<br><i>[Pledged securities account for Cheah Chee Choong]</i> | 422,000       | 0.56  |
| 19. | Public Nominees (Asing) Sdn Bhd<br><i>[Pledged securities account for Chen Huang, Kuei-Liang]</i>     | 351,500       | 0.47  |
| 20. | Goh Beng Choo   | 334,700       | 0.45  |
| 21. | Kenanga Nominees (Tempatan) Sdn Bhd<br><i>[Pledged securities account for Ling Chuo Hua]</i>          | 324,100       | 0.43  |
| 22. | Citigroup Nominees (Asing) Sdn Bhd<br><i>[Citigroup GM Inc for SC Asia Opportunity Fund, LP]</i>      | 306,900       | 0.41  |
| 23. | Kenanga Nominees (Tempatan) Sdn Bhd<br><i>[Pledged securities account for Wong Chon Shuan]</i>        | 300,000       | 0.40  |
| 24. | HLB Nominees (Tempatan) Sdn Bhd<br><i>[Pledged securities account for Cheah Chee Choong]</i>          | 300,000       | 0.40  |
| 25. | Citigroup Nominees (Asing) Sdn Bhd<br><i>[UBS AG for South Shore Capital]</i>                         | 294,500       | 0.39  |
| 26. | Cheong Chee Hong  | 292,100       | 0.39  |
| 27. | Tay Ying Lim @ Tay Eng Lim  | 279,900       | 0.37  |
| 28. | Chan Kai Lum  | 275,000       | 0.37  |
| 29. | Datuk Mohd Zain Bin Omar  | 250,000       | 0.33  |
| 30. | Amsec Nominees (Tempatan) Sdn Bhd<br><i>[Lim Huat Bee]</i>  | 250,000       | 0.33  |

### Note:

Excluding 20,000 Cymao shares bought back by the Company and retained as treasury shares as at 28 February 2009.

# List of Properties *(Cont'd)*

as at 31 December 2008

|                                 | 1   | 2  | 3  | 4  |
|---------------------------------|---|--|--|--|
| Company owned<br>Location       | CPSB<br>TL 077565434<br>9.1KM, Jalan Batu Sapi<br>90000 Sandakan<br>Sabah | CPSB<br>TL 077574200<br>9.1KM, Jalan Batu Sapi<br>90000 Sandakan<br>Sabah      | ISB<br>TL 077517081<br>8.4KM, Jalan Batu Sapi<br>90000 Sandakan<br>Sabah | ISB<br>TL 077526599<br>8.4KM, Jalan Batu Sapi<br>90000 Sandakan<br>Sabah |
| Land Area (acres)               | 8.1   | 4.85   | 5.91   | 4.37   |
| Description and<br>Existing Use | Industrial land with plywood<br>factory and ancillary buildings           | Industrial land with log<br>conditioning shed and<br>temporary labour quarters | Industrial land with plywood<br>factory and ancillary buildings          | Industrial land with plywood<br>factory and ancillary buildings          |
| Built-up Area (Sq. ft.)         | 352,713   | 211,187  | 257,345  | 190,287  |
| Lease Tenure from/to            | Leasehold 99 years<br>(expiring 31.12.2068)                               | Leasehold 99 years<br>(expiring 31.12.2096)                                    | Leasehold 99 years<br>(expiring 31.12.2073)                              | Leasehold 99 years<br>(expiring 31.12.2068)                              |
| Approximate Age of<br>Building  | 10  |  | 20   | 20   |
| <b>NBV<br/>@ 31/12/2008</b>     | <b>5,192,935</b>  | <b>722,558</b>   | <b>6,150,125</b>   | <b>4,581,012</b>   |
|                                 |   | <b>Land cost<br/>Building NBV<br/>Revaluation</b>                              | <b>1,436,994<br/>5,089,408<br/>6,097,850</b>                             | <b>1,096,006</b>   |

# List of Properties *(Cont'd)*

as at 31 December 2008

| 5   | 6   | 7  | 8  |                      |
|---|---|--|--|----------------------|
| ISB   | ISB   | ISB  | XRCL   |                      |
| TL 077528039<br>8.4KM, Jalan Batu Sapi<br>90000 Sandakan<br>Sabah | TL 077537841<br>8.4KM, Jalan Batu Sapi<br>90000 Sandakan<br>Sabah | <b>Same as 2007 annual<br/>report page 63</b><br>8.4KM, Jalan Batu Sapi<br>90000 Sandakan<br>Sabah | Zhao Dun Town, Ming Zhu<br>Industrial Park Area Pizhou City,<br>Xuzhou, Jiangsu 221300<br>People's Republic of China |                      |
| 0.73  | 7.18  | 10.32  | Not applicable   |                      |
| Industrial land with plywood<br>factory and ancillary buildings   | Industrial land with log<br>conditioning shed                     | Vacant   | Factory and ancillary buildings  |                      |
| 31,787  | –   | –  |  |                      |
| Leasehold 99 years<br>(expiring 31.12.2068)                       | Leasehold 59 years<br>(expiring 31.12.2033)                       | Leasehold 99 years<br>(expiring 24.05.2034)  | Not applicable   |                      |
| 20  | –   | –  | 5  |                      |
| <b>765,863</b>  | <b>2,798,660</b>  | <b>1,399,686</b>   | <b>1,501,390</b>   | <b>23,112,229.77</b> |
| <b>183,700</b>  | <b>391,702</b>  |  |  |                      |

# Notice of Eleventh Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Eleventh Annual General Meeting of the Company will be convened and held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on Friday, 24 April 2009 at 10.00 a.m. to transact the following business:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon.
2. To approve payment of Directors' fees in respect of the financial year ended 31 December 2008. *Resolution 1*
3. To re-elect the following Directors who retire in accordance to Article 130 of the Company's Articles of Association:
  - (a) Datuk Mohd Zain Bin Omar *Resolution 2*
  - (b) Mr Lin, Kai-Min *Resolution 3*
4. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

**"THAT** Mr Lin, Tsai-Rong, being over the age of 70 years and retiring pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting"

*Resolution 4*
5. To re-appoint Messrs Ernst & Young as the Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. *Resolution 5*
6. As Special Business:

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

### Ordinary Resolution

#### **Authority to allot shares pursuant to Section 132D of the Companies Act, 1965**

*Resolution 6*

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

### Ordinary Resolution

#### **Proposed renewal of authority for purchase of own shares by the Company**

*Resolution 7*

**"THAT** subject always to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, the Company's Articles of Association and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby authorized to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Securities subject further to the following:-

# Notice of Eleventh Annual General Meeting *(Cont'd)*

- (i) the maximum number of shares which may be purchased and/or held by the Company shall be equivalent to ten percent (10%) of the issued and paid-up share capital of the Company ("Shares") for the time being;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained earnings and the share premium of the Company. As of 31st December 2008, the audited retained earnings and share premium of the Company were RM21,338,373 and RM17,374,387 respectively
- (iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first, but not so as to prejudice the completion of purchases(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authority; and
- (iv) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorized to deal with the Shares in the following manner:
  - (a) retain the Shares so purchase as treasury shares; or
  - (b) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities ; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the Listing Requirements and any other relevant authority for the time being in force;

**AND THAT** the Directors of the Company be and are hereby authorized to take all such steps as are necessary or expedient to implement or the effect the purchase(s) of the Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

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

## BY ORDER OF THE BOARD

**KATHERINE CHUNG MEI LING** (MAICSA 7007310)  
Company Secretary

Tawau  
Dated : 2 April 2009

# Notice of Eleventh Annual General Meeting *(Cont'd)*

## **Notes:**

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint one (1) proxy or two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.*
5. **EXPLANATORY NOTE ON SPECIAL BUSINESS**

### **Resolution No. 6**

The proposed Resolution No. 6 is in relation to authority to allot shares pursuant to Section 132D of the Companies Act, 1965, if passed, will give the Directors of the Company, from the date of the above general meeting, authority to issue and allot shares from the unissued capital of the Company for such purpose as the Directors may deem fit and in the interest of the Company provided it does not exceed ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked and varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

### **Resolution No. 7**

The proposed Resolution No. 7 is in relation to proposed renewal of authority for purchase of own shares by the Company, if passed, will empower the Company to purchase and /or hold up to ten percent (10%) of the issued and paid-up share capital of the Company pursuant to Section 67A of the Company Act, 1965. The authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

Please refer to Share Buy Back Statement dated 2 April 2009 for further information.



## CYMAO HOLDINGS BERHAD

Company No. 445931-U  
(Incorporated in Malaysia)

Number of shares held

### PROXY FORM

I/We, .....

of .....

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

of ..... or \* THE CHAIRMAN OF THE MEETING  
or

failing him/her, ..... of .....  
as my/our proxy(ies), to vote for me/us on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on Friday, 24 April 2009 at 10.00 a.m. and at any adjournment thereof.

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

Please indicate you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two (2) proxies and wish them to vote differently this should be specified.

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

|              |  | For | Against |
|--------------|--|-----|---------|
| Resolution 1 | Payment of Directors' fees   |     |         |
| Resolution 2 | Re-election of Datuk Mohd. Zain Bin Omar                                       |     |         |
| Resolution 3 | Re-election of Mr Lin, Kai-Min   |     |         |
| Resolution 4 | Re-appointment of Mr Lin, Tsai-Rong  |     |         |
| Resolution 5 | Re-appointment of Auditors   |     |         |
| Resolution 6 | Authority to allot shares pursuant to Section 132D of the Companies Act, 1965. |     |         |
| Resolution 7 | Proposed renewal of authority for purchase of own shares by the Company        |     |         |

Dated this ..... day of ..... 2009

.....  
[Signature(s)/ Common Seal of Shareholder(s)]

[\*Delete if not applicable]

#### Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one (1) proxy or two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of any officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.



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Affix  
Stamp

The Secretary  
**Cymao Holdings Berhad** (445931-U)  
MPT 4604, 3rd Floor, Lot 15-16  
Block B, Bandaran Baru  
Jalan Baru  
91000 Tawau  
Sabah

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