



富佳木業有限公司  
FOCUS LUMBER BERHAD  
(Company No. 188710-V)

Annual Report 2011

Focus Lumber Berhad (188710-V)

Annual Report 2011



# Growth & Beyond Boundaries

**Focus Lumber Berhad** (188710-V)  
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富佳木業有限公司  
FOCUS LUMBER BERHAD  
(Company No. 188710-V)

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# Corporate Profile

## **BACKGROUND**

In the 1980's, a group of Taiwanese businessmen led by Lin Fong Ming, Lu Chin Ting and Yang Chieh Chih, with the initiatives of the Malaysian government in developing downstream timber industry, set up a plywood manufacturing company in Sabah, a Malaysian state rich of natural tropical forest resources. The company was subsequently converted to a public limited liability company, Focus Lumber Berhad ("FLBHD"), on 13 November 2009 and listed on the Main Market of Bursa Securities on 28 April 2012. The principal activities of FLBHD are manufacturing and sale of plywood, veneer and LVL, and investment holding. Plywood is the core product, generating the bulk of the Group's revenue.

As part of the management succession plan, in recent years, the Group has groomed key management personnel who have brought in new ideas to the operations. They are the children of the founders.

Over the years, with the vast experience and strong technical capabilities and know-how, the Group have become a major player in the plywood industry. The Group also emphasizes on environmentally friendly manufacturing and it was the first Malaysian plywood mill company certified as a CARB Certified Manufacturer on 2 October 2008 by Professional Service Industries, Inc., a CARB authorised third party certifier. The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished goods for sale in California. In addition, it was also awarded with the JAS Certification by the Ministry of Agriculture, Forestry and Fisheries of Japan in 2009 as a proven qualified plywood manufacturer. JAS imposes stringent requirements on various aspects of production process. The JAS certification signifies the acknowledgement and endorsement of the high quality of the Group's product which will enhance customers' confidence.

The Group is committed to protecting the environment, caring for the community's needs and providing a safe and healthy working place in its pursuit of commercial objectives for its stakeholders.

# Corporate Information

## BOARD OF DIRECTORS

### **Aznam Bin Mansor**

*Chairman / Independent Non-Executive Director*

### **Lu Chin Ting**

*Vice Chairman / Non-Independent  
Non-Executive Director*

### **Lin Fong Ming**

*Managing Director*

### **Lin Hao Wen**

*Executive Director*

### **Chen Chun Hsiung**

*Executive Director*

### **Yang Sen**

*Executive Director*

### **Lin Lieh Ming**

*Executive Director*

### **Wong Yoke Nyen**

*Independent Non-Executive Director*

### **Ng Tian Meng**

*Independent Non-Executive Director*

## **AUDIT COMMITTEE**

Wong Yoke Nyen (*Chairman*)

Aznam Bin Mansor (*Member*)

Ng Tian Meng (*Member*)

## **REMUNERATION COMMITTEE**

Ng Tian Meng (*Chairman*)

Wong Yoke Nyen (*Member*)

Lin Fong Ming (*Member*)

## **NOMINATION COMMITTEE**

Aznam Bin Mansor (*Chairman*)

Wong Yoke Nyen (*Member*)

Ng Tian Meng (*Member*)

## **COMPANY SECRETARIES**

Wong Wai Foong (*MAICSA 7001358*)

Wong Peir Chyun (*MAICSA 7018710*)

## **REGISTERED OFFICE AND FACTORY**

Mile 3, Jalan Masak, Kampung Ulu Patikang  
Locked Bag 13 SM-88, 89009 Keningau, Sabah  
Tel No: 087-335457/335458/334761/334766  
Fax No: 087-335459  
Email: focuskgu@tm.net.my

## **AUDITORS**

Ernst & Young (AF: 0039)  
Suite 1-10-W1, 10th Floor  
CPS Tower, Centre Point Sabah  
No.1, Jalan Centre Point  
88000 Kota Kinabalu, Sabah

## **BRANCH OFFICE**

Lot No. 12A, Jalan Teluk Likas  
P O Box No. 576, 88856 Kota Kinabalu, Sabah  
Tel No: 088-393255/393257/393258  
Fax No: 088-393169  
Email: focuskk@tm.net.my

## **PRINCIPAL BANKERS**

CIMB Bank Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad  
AmBank (M) Berhad  
Public Bank Berhad

## **SHARE REGISTRAR**

Tricor Investor Services Sdn Bhd  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel No.: (03) 2264 3883  
Fax No.: (03) 2282 1886

## **STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia Securities Berhad

## **STOCK NAME / CODE**

FLBHD / 5197

## **WEBSITE**

www.focuslumber.com.my

# Corporate Milestones

Since the commencement of our plant's operations in Keningau in 1990, we have been very focused in doing what we excel at, i.e. plywood manufacturing. Our most significant achievement is that we have grown from strength to strength and become a major plywood manufacturer in Malaysia. Our other key milestones are as follows:-

Year	Description
1996	Installed a new Uroko Rotary Lathe machine which increases production capacity and improves the quality of our product.
2001	Successfully penetrated into the USA market and become the sole supplier of plywood to one of our long term customers from the USA, Ihlo Sales & Import Co. Our plywood is mainly used in the RV industry and high value added furniture industry.
2003	For continuous quality improvement, we added a Meinan SBAL-4 Rotary Lathe machine into the existing production line. The installation of the new machinery allowed us to reduce man power used in production, increase product quality and facilitate production processes.
2005	In order to cope with increasing demand, we added a Sunway four deck automatic Roller Dryer, which enabled us to expand our production capacity to the next level.
2006	Setting up of a power plant under Untung Ria which reuses bulk waste to generate biomass energy to supply electricity to our office, production plant and hostel, which has significantly reduced our dependency on fossil fuel for our production.
2007	Installed a new Kikukawa sanding machine with computer-aided thickness detection. The computerized production process increased our quality control and production quality further.
2008	<p>Added another upgraded Meinan Rotary Lathe machine into our production line. The installation of the new machinery is to cope with the increasing market demand for our plywood and meet our goal for continuous quality improvement.</p> <p>Acquired the Blue Cube formaldehyde emissions testing machine from the USA and established our own small chamber room for formaldehyde emissions testing. This investment further reflects our commitment towards quality control and ensuring we continuously meet our customer's specifications and requirements.</p> <p>Became the first Malaysian plywood mill company certified as a CARB Certified Manufacturer by Professional Service Industries, Inc. The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished good for sale in California.</p>
2009	Awarded the JAS certification by the Japan Plywood Inspection Corporation. JAS requires evaluation of the internal structure and managerial competence that supports the processes that occur along the organic chain and further focuses on verifying that systems are in place for deciding and ensuring the products meet the relevant standards(grading).
2010	Started a new production line for the manufacturing and sale of LVL as part of our growth strategy.

# Directors' Profile



## **Aznam Bin Mansor**

Malaysian, aged 54

*Chairman and Independent Non-Executive Director*

**Aznam Bin Mansor**, our Chairman and Independent Non-Executive Director, was appointed to our board on 24 November 2010. He is a member of the Audit Committee and Chairman of Nomination Committee.

He is an Advocate and Solicitor by profession having been admitted as a Barrister of Law at Lincoln's Inn in 1984 and was admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1986. He served as a Legal Assistant in Skrine & Co. upon his admission to the Malaysian Bar. He became a partner of his present legal practice, Lee Hishammudin Allen & Gledhill from 1993. He was appointed as a director of MHC Plantation Berhad on 28 December 1998 and subsequently was appointed as the Chairman of the company from 25 February 2002 to 30 June 2005 and resigned from the position thereafter. Currently, he is a Non-Executive Director of Knusford Bhd. In addition, he is also appointed as the Independent Non-Executive Director and a member of the Audit, Remuneration and Nomination Committee of Mikro MSC Berhad, Benalec Holdings Berhad and Sentoria Group Berhad.



## **Lu Chin Ting**

Taiwanese, aged 78

*Vice Chairman and Non-Independent Non-Executive Director*

**Lu Chin Ting**, our Vice Chairman and Non-Independent Non-Executive Director, was appointed to our Board on 1 October 1998.

He is one of our founders. He also advises our Group on corporate-related strategic matters. He has more than 50 years of experience in the businesses of timber import and export, plywood manufacturing, property development, furniture and shipyard engineering

# Directors' Profile (Cont'd)



## **Lin Fong Ming**

Taiwanese, aged 62  
*Managing Director*

**Lin Fong Ming**, our Managing Director, was appointed to our Board on 10 September 1990. He is a member of the Remuneration Committee.

He is one of our founders. He graduated with a Diploma in Science from the Tung Fang Institute of Technology. He possesses more than 30 years of experience in the timber trading and plywood manufacturing businesses. He has been playing an instrumental role in charting the strategic direction of our Group. Under his leadership, our Group has grown from a small company to a major player in the plywood manufacturing industry. With his vast experience in the industry and technical expertise and know-how in the manufacturing of plywood, our Group has been able to produce a wide range of quality plywood that meet customers' requirements and international quality standards.

He is the Ex-President of the East Malaysia Committee of Taipei Investors' Association in Malaysia of the years between 2001 and 2004 and was the Vice National-President of Taipei Investors' Association Malaysia from 2003 to 2004. He was awarded with the Best Overseas Chinese Entrepreneur by the Taiwanese Authority in 2005 in recognition of his achievements in overseas investments. Currently, he is an Overseas Compatriot Affair Commission official appointed by the Taiwan government since Year 2009. He is also a member of the Asia Pacific Economic Corporation.



## **Lin Hao Wen**

Taiwanese, aged 34  
*Executive Director*

**Lin Hao Wen**, our Executive Director, was appointed to our Board on 14 July 2009.

He completed his Degree in Computer Science from Yuan-Ze University, Taiwan in 2001 and subsequently pursued his Masters in Business Administration in Eastern Michigan University, USA majoring in Supply Chain Management. He graduated in 2006 and started his career with our Group in 2007 as Assistant to the Managing Director, overseeing the business operation of our Group in the area of production and marketing.



# Directors' Profile (Cont'd)



**Chen Chun Hsiung**

Taiwanese, aged 49  
*Executive Director*

**Chen Chun Hsiung**, our Executive Director, was appointed to our Board on 1 October 1998.

He is the Head of Human Resource for our Group. He graduated with a Bachelor of Statistic from Feng Chia University, Taiwan in 1988. He joined our Group in 1990 as the Financial Controller. Subsequently, in 1998, he assumed the position of the Head of Human Resource. He has more than 20 years of experience in the finance, administration and human resources operations. He has been playing a vital role in overseeing the administration and human resources management of our Group on a daily basis. He is in charge of all human resource affairs



**Yang Sen**

Taiwanese, aged 41  
*Executive Director*

**Yang Sen**, our Executive Director, was appointed to our Board on 21 July 2011.

He is the Head of Sales and Marketing for our Group. He has been playing a major role in assisting our Group in penetrating into overseas markets for our products which includes the US, Asian countries, Middle East, Mexico, Canada and the European markets. He graduated with a Bachelor in International Trade from Ming Chuang University, Taiwan in 1994. Between the years 1996 and 2000, he worked as a Marketing Manager in a veneer manufacturing company in Cambodia. He joined our Group in 2000 as the Sales and Marketing Manager and was promoted to his current position in 2009.



**Lin Lieh Ming**

Taiwanese, aged 54  
*Executive Director*

**Lin Lieh Ming**, our Executive Director, was appointed to our Board on 14 July 2009.

He has more than 20 years of experience in the marketing industry. He joined our Group as the Head of Purchasing Department in 2003 where he was in charge of purchasing and managing supplies for our Group's operations. Prior to joining our Group, he was the Manager of the Accounts and Marketing Department in Zhong Hua Telecom, a Taiwanese government owned corporation, for 25 years.



# Directors' Profile (Cont'd)



## Wong Yoke Nyen

Malaysian, aged 53

*Independent Non-Executive Director*

**Wong Yoke Nyen**, our Independent Non-Executive Director, was appointed to our Board on 24 November 2010. He is the Audit Committee Chairman, member of Nomination and Remuneration Committees.

He earned his Bachelor Degree in Accountancy from City of London Polytechnic, United Kingdom. He is also a graduate of The Wharton Advance Management Program from the Wharton Business School of the University of Pennsylvania, US.

In 1981, he started his career in Baker Rooke, a firm of chartered accountants in London where he gained wide experience and exposure in the areas of auditing, accountancy, and management consultancy work. In 1983, he joined Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad). He is a seasoned investment banker with more than 20 years of dedicated corporate finance and investment banking experience. He was the Executive Vice President cum Head of Corporate Finance Division in Aseambankers Malaysia Berhad.

In 2004, he started WYNCORP Advisory Sdn Bhd, a private company licensed to provide investment advisory services. He is currently the Managing Director of WYNCORP Advisory Sdn Bhd. He is also an Independent Non-Executive Director of New Hoong Fatt Holdings Berhad, XiDeLang Holdings Limited and Benalec Holdings Berhad.



## Ng Tian Meng

Malaysian, aged 57

*Independent Non-Executive Director*

**Ng Tian Meng**, our Independent Non-Executive Director, was appointed to our Board on 24 November 2010. He is the Chairman of Remuneration Committee and member of Audit and Nomination Committees.

He has approximately 28 years of experience in the electrical engineering field involving engineering consultancy, project management, operation, maintenance, testing and commissioning. He started his engineering career and worked in Malayawata Steel Berhad as an Electrical Engineer between May 1981 and July 1983. Subsequently, he worked in several companies involved in the steel, engineering, brewery and camera manufacturing businesses. Currently, he is the Managing Director of Jurutera Perunding M & E NTM (S) Sdn Bhd. and NTM Engineering Services Sdn Bhd.

Apart from his extensive working experience, he obtained his Council for National Academic Award Bachelor of Science Degree majoring in Electrical and Electronic Engineering from Robert Gordon Institute of Technology, Scotland in 1980. He is a corporate member of the Institution of Engineers Malaysia, the Institute of Engineers Australia and the Institute of Electrical Engineers United Kingdom. In addition, he is also a Professional Engineer registered with the Board of Engineers, Malaysia, a Chartered Professional Engineer registered under the Institution of Engineers, Australia and a Chartered Engineer registered with the Engineering Council, United Kingdom.

### Notes to Directors' Profile :

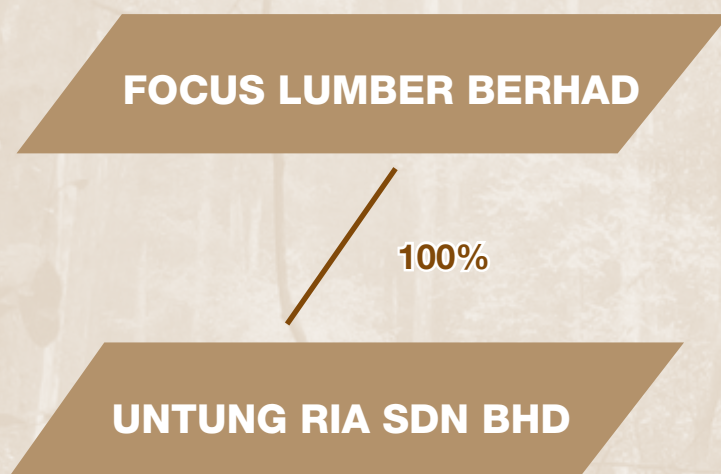
1. Lin Hao Wen and Lin Hao Yu, a major shareholder are brothers and they are sons of Lin Fong Ming.
2. Yang Sen, Yang Hsi Hsien and Yang Wei Szu both the major shareholders are sibling and they are sons of Yang Chien Chih, a major shareholder.
3. Lu Chin Ting is the father to Lu Wei Hsu and Lu Wei Sheng both the major shareholders.
4. Lin Lieh Ming is nephew to Lu Chin Ting.

### Save as disclosed, none of the Directors have:

- i. any family relationship with any Director and/or major shareholder of the Company; and
- ii. any conflict of interest with the Company; and
- iii. any conviction for offences within past 10 years other than traffic offences.

# Corporate Structure

Our existing corporate Group structure is as follows:-



Untung Ria is principally involved in the generation, transmission, distribution and sale of electricity.

Untung Ria reuses bulk waste to generate biomass energy to supply electricity to our Group's operations.

# Chairman's Statement

## Dear Shareholders,

On behalf of the Board of Directors, I present to you **FOCUS LUMBER BERHAD's** Annual Report for the year ended 31 December 2011.

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### Financial Performance

For the year under review, the Group recorded revenue of RM122.15 million, a slight increase of 1.5% against the previous year performance of RM120.38 million. Profit before taxation was RM15.32 million, an improvement of 42% as compared to the previous year of RM10.22 million whilst the net profit after taxation of RM13.72 million represented an improvement of 34% year on year. This translated to earnings per share of 13.8 sen.

Equity attributable to owners of the Company grew from RM102.16 million in the previous year to RM110.47 million in 2011 while return on equity for the year under review was 12.9%.

Despite of a challenging business environment and a weakening global economy caused by the impact of the downgrade of US credit rating, a still high unemployment rate, and the Europe sovereign debt crisis towards the end of the financial year under review, the Group managed to achieve strong earnings growth in 2011 primarily benefited from the spike in plywood demand and prices driven by the impact of the earthquake and tsunami in Japan in March 2011.

### Dividends

During the financial year 2011, the Board had declared and paid an interim dividend of 6 sen per share.

### Prospects

The Group's operating environment is expected to remain challenging and competitive due to weak consumer demand. The lingering uncertainties in the recovery of the US and world economy will continue to weigh down consumer confidence and spending. The high unemployment rate and tightening of credit will also prolong the pace of recovery of the world economy.

Notwithstanding the above, the Board is optimistic that the Group's performance will continue to grow in the year ahead, as we expect a gradual recovery in demand for timber products as US housing market improves and plywood demand should improve from the tough market conditions. The Board will continue to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet. We also anticipate that the prices of our products will remain profitable in the year ahead.

With a healthy balance sheet, strong operating fundamentals and excellent leadership of the Board, our MD and management, I am confident that Focus Lumber will continue to deliver growth and sustainable shareholder returns in the year ahead.

### Acknowledgement

On behalf of the Board of Directors, I wish to extend our sincere appreciation to our management team and employees who have shown strong dedication and commitment during these challenging times.

We also appreciate the long-standing support, co-operation and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities. Above all, we thank you, our shareholders for your continuous support to the Group.

**Aznam Bin Mansor**  
*Chairman*

# Corporate Social Responsibility

The Group recognizes the importance of Corporate Social Responsibility (CSR) to businesses and is committed to practice CSR as an integral part of its business operations. The CSR approach undertaken by the Group is as follows:-

## **1. The Workplace**

The Group has the responsibility to provide and maintain a safe and healthy working environment for all its employees. The Group has invested into the training and development for its employees to enhance their skills and knowledge. The establishment of a Safety and Health Committee for its manufacturing facilities will also promote a safe and conducive working environment for its employees.

## **2. The Environment**

The Group is committed to reduce environmental impact of its operation and firmly believes in adopting waste management and recycling programs in its manufacturing processes. We are also committed to be in compliance with the relevant laws relating to sustainable forestry, emission standards and plant effluent management.

## **3. The Community**

The Group has been contributing to the community by donating to the needy and contributing to charitable events organized by governmental and private organization.

## **4. The Stakeholders**

The Group will continue with its focus to enhance and maximize its shareholders' value. The Group believes in enhancing the relationship with all stakeholders including shareholders, regulatory authorities, business partners, bankers and suppliers.



# Statement on Corporate Governance

The Board of Directors ("The Board") of Focus Lumber Berhad recognizes that good Corporate Governance is fundamental to protecting shareholders' value and the financial performance of the Group. The Board is committed to ensure that the highest standards of Corporate Governance are practiced throughout the Group and that the Group has adopted, so far as it is practicable, the Principles and Best Practices set out in the Malaysian Code on Corporate Governance ("Code"). The following statement set out the Group's compliance with the Principles of the Code and how the Board has complied with the Best Practices set out in the Code:-

## (A) BOARD OF DIRECTORS

### • The Board and its Responsibilities

The Group is managed by an effective Board which leads and controls the Group in the discharge of its stewardship responsibilities.

The Board has the overall responsibility for the strategic direction; formulation of objectives and strategies; establishment of policies and procedures; and execution and monitoring of the business activities of the Group.

The authority for implementing the Board's policies is delegated to the Managing Director within the limits authorized by the Board. The Directors bring to the Board a wealth of business and professional experience relevant to the Company in the pursuit of its business objectives. A brief description of the background of each Director is presented in the Directors' Profile set out in pages 5 to 8 of this Annual Report.

### • Board Composition and Balance

The Board as at the date of this statement comprises nine (9) members:-

- (i) One (1) Non-Independent Non-Executive Director
- (ii) One (1) Managing Director
- (iii) Four (4) Executive Director
- (iv) Three (3) Independent Non-Executive Directors

The Board fulfils the requirement to have at least one third of the Board comprising of Independent Non-Executive Directors.

The Board is led by Aznam Bin Mansor who is an Independent Non-Executive Chairman and the executive management of the Group is led by Lin Fong Ming as the Managing Director of the Group. The roles and responsibilities of the Chairman and the Managing Director are clearly defined and separated so as to ensure a balance of power and authority. The Chairman is responsible for orderly conduct and working of the Board. The Managing Director is responsible for the running of the business, implementation of the policies laid down and making executive and investment decisions.

The Independent Non-Executive Directors have the necessary calibre to provide independent judgement on the issues of strategy, performance, allocation of resources and standards of conducts.

The Board is satisfied that the current Board composition is fairly balanced to ensure the long-term interest of the shareholders, employees, customers and other stakeholders.

### • Board Meetings and Supply of Information

During the financial year, there were three (3) Board Meetings held as the Company was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 28 April 2011. A summary of the details of attendance of each Director at the Board meetings held during the financial year are as follows:-

# Statement on Corporate Governance (cont'd)

Directors	Total Number of Meetings attended by Directors ,
Aznam Bin Mansor	2/3
Wong Yoke Nyen	3/3
Ng Tian Meng	3/3
Lu Chin Ting	3/3
Lin Fong Ming	3/3
Lin Hao Wen	3/3
Lin Lieh Ming	3/3
Chen Chun Hsiung	3/3
Yang Sen*	2/2
Yang Chieh Chih **	1/1

\* (Appointed with effect from 21 July 2011)

\*\* (Resigned with effect from 21 July 2011)

Directors are provided with the notice of meetings and full set of board papers prior to each Board meeting to enable them, to have sufficient time to deliberate on the issues to be raised at the meetings and also to obtain further explanations, where necessary. At these meetings, strategies, directions and plans were discussed and appropriate actions were adopted.

During the meetings, the Board shall discuss and deliberate on a formal agenda and schedule of matters arising for approval and notation. All deliberations and conclusion of the Board are clearly and accurately recorded by the Company Secretary. The minutes are then confirmed by the Board and signed as correct records of proceedings by the Chairman of the meeting.

The Directors are also regularly updated and advised on new regulations, guidelines or directives issued by Bursa Securities, Securities Commission and other regulatory authorities.

All Board members have access to the advice and services of the Company Secretary. The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretary is responsible for ensuring the procedures for the Board meetings are followed and that applicable rules and regulations are complied with.

## • Board Committees

The Board governs through a number of Board Committees, i.e. the Audit, Nomination and Remuneration Committees, to which the respective duties and responsibilities are delegated and governed by clear defined terms of reference. The Chairman of the various committees will report to the Board the outcome of the respective committee meetings and such reports are incorporated in the minutes of the Board meeting.

### (a) Audit Committee

The Audit Committee consists of Wong Yoke Nyen (Chairman of the Committee), Aznam Bin Mansor and Ng Tian Meng. The membership of the Committee composed of entirely Independent Non-Executive Directors which is in line with the best practice of the Code. The summary of the activities and terms of reference of the Audit Committee are set out on pages 20 to 22 of this Annual Report.

### (b) Nomination Committee

The Nomination Committee (NC) was established to assist the Board in discharging its duties and responsibilities. The NC comprises entirely Independent Non-Executive Directors as follows:-

- Aznam Bin Mansor – Chairman
- Wong Yoke Nyen - Member
- Ng Tian Meng -Member

# Statement on Corporate Governance (cont'd)

The NC is empowered by the Board through its term of reference to carry out the following functions:-

- i) To recommend to the Board of Directors, candidates for all directorships to be filled by the shareholders or the board;
- ii) To consider, in making its recommendations, candidates for directorships proposed by the Managing Director and within the bounds of practicability, by any other senior executive or any director or shareholder;
- iii) To recommend to the Board, the Directors to fill the seats on Board Committees;
- iv) To assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each existing individual Director and thereafter, recommend its findings to the Board;
- v) To ensure that all Directors undergo appropriate induction programs and receive continuous training;
- vi) To review annually the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and thereafter, recommend its findings to the Board;
- vii) To apply the process as determined by the Board of Directors, for assessing the effectiveness of the Board as a whole, the Committees of the Board, and for assessing the contribution of each individual Director, including Independent Non-Executive Directors, where all assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented.
- viii) To ensure, on an annual basis, the implementation of a process

## **(c) Remuneration Committee**

The Remuneration Committee (RC) was established to assist the Board in discharging its duties and responsibilities. The current composition of the RC comprise of

- Ng Tian Meng –Chairman
- Wong Yoke Nyen –Member
- Lin Fong Ming -Member

The RC is responsible for recommending to the Board the remuneration of the Executive Directors in all its forms drawing from outside advice as necessary and the Executive Directors shall play no part in decisions on their own remuneration.

Determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman, shall be determined by the Board of Directors as a whole and the individuals concerned should abstain from discussing their own remuneration.

## • **Appointment to the Board**

The Board appoints its member through a formal selection process which is consistent with the Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board as a whole. New appointees will be considered and evaluated by the NC and thereafter recommended to the Board. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met.

The NC also annual reviews the effectiveness of the Board as a whole, its committees and the contribution of each individual Director as well as the Managing Director. The NC will ensure that all assessments and evaluations carried out are properly documented and filed.



# Statement on Corporate Governance (cont'd)

## • Re-election of Directors

In accordance with the Articles of Association of the Company, one-third (1/3) of the Board, shall retire from office and be eligible for re-election at each Annual General Meeting. All the Directors, including the Managing Director, shall retire from office once at least in every three (3) years but shall be eligible for re-election.

Directors appointed by the Board during the financial year shall be subject to retirement and re-election by shareholders in the next Annual General Meeting held following their appointments.

Directors who are of or over the age of seventy (70) are required to retire from office at every Annual General Meeting and may offer themselves for re-appointment to hold office until the conclusion of the next Annual General Meeting in accordance with Section 129 of the Companies Act, 1965.

## • Directors' Training

All Directors of the Company had attend and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by the Bursa Securities. The Directors will continue to undergo other relevant training programmes and workshops as appropriate, to further enhance and update their skills and knowledge.

Training programmes and workshops attended by the Directors during the financial year ended 31st December 2011 are as follows:-

Director	Name of conferences, seminars and training programmes	Date
Aznam Bin Mansor	Scrutinising Financial Statement Fraud and Detection of Red Flags for Directors and Officers of PLC's and Government Regulatory Agencies	31 October 2011
Lu Chin Ting	Mandatory Accreditation Programme	29 June 2011
Lin Fong Ming	Mandatory Accreditation Programme	29 June 2011
Lin Hao Wen	Mandatory Accreditation Programme	29 June 2011
Lin Lieh Ming	Mandatory Accreditation Programme	29 June 2011
Chen Chun Hsiung	Mandatory Accreditation Programme	29 June 2011
Yang Sen	Mandatory Accreditation Programme	29 June 2011
Wong Yoke Nyen	Corporate Directors Training Programme	08 August 2011
Ng Tian Meng	<ul style="list-style-type: none"> <li>Licensed Secretaries Training Programme</li> <li>Updates on the latest development in relation to Company Secretarial practices</li> <li>Mandatory Accreditation Programme</li> <li>Continuing Professional Development Seminar</li> </ul>	24-26 May 2011  18 June 2011 27-28 July 2011 12 August 2011

## (B) DIRECTORS REMUNERATION

The details of the Directors' remuneration of the Company for the financial year ended 31st December 2011 are set out below:-

	Executive Director RM	Non-Executive Director RM	Total RM
Salaries and other emoluments	818,150	116,000	934,500
Directors' fee	-	180,000	180,000

# Statement on Corporate Governance (cont'd)

## (B) DIRECTORS REMUNERATION (CONTINUED)

The details of the Directors' remuneration of the Company for the financial year ended 31st December 2011 are set out below:-  
(continued)

	Executive Director RM	Non-Executive Director RM	Total RM
Bonuses	51,500	8,500	60,000
EPF (Employer)	18,120	-	18,120
	888,120	304,500	1,192,620

The number of Directors whose total remuneration falls into the respective bands is as follows:

Band of Remuneration	Executive Director	No. of Directors Non-Executive Director	Total
RM50,001 to RM100,000	2	3	5
RM100,001 to RM150,000	-	1	1
RM150,001 to RM200,000	3	-	3
RM200,001 to RM250,000	-	-	-
RM250,001 to RM300,000	1	-	1
	6	4	10

The disclosure of directors' remuneration is made in accordance with Appendix 9C, item 11 of the Bursa Securities Listing Requirements. This method of disclosure represents a deviation from the Best Practices set out in the Code, which suggests separate disclosure of each director's remuneration. The Board of Directors is of the opinion that separate disclosure will impinge upon the directors' right of privacy.

## (C) SHAREHOLDERS

### *Dialogue between the Company and Investors*

The Board recognizes the importance of keeping the shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via the Group's annual reports, circulars to shareholders, quarterly financial results and the various prescribed announcements made to Bursa Securities from time to time in the Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

In addition, the Group has established a website at [www.focuslumber.com](http://www.focuslumber.com) to provide public access to Group information and business activities.

# Statement on Corporate Governance (cont'd)

## (C) SHAREHOLDERS (CONTINUED)

### *Annual General Meeting (AGM)*

The AGM is the principal forum for dialogue and communication with the shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's annual report twenty one (21) days before the meeting. At the AGM, the shareholders have direct access to the Board and are encouraged to participate in the open question and answer session. The Chairman and Directors are in attendance to respond to the shareholders' queries during the meeting.

The external auditors are also present to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.

## (D) ACCOUNTABILITY AND AUDIT

### *Financial Reporting*

The Board aims to provide and present a balanced, clear and meaningful assessment of the Group's financial position and prospects, primarily through the annual financial statements, quarterly results announcements to Bursa Securities and the annual report to the shareholders. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy and completeness and oversee the Group's financial reporting processes and the quality of its financial reporting.

### *Internal Control*

The Board acknowledge its responsibility for maintaining a sound system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. The internal control system also aims at identifying and managing any risks that the Company may encounter in pursuit of its business objectives.

A Statement on Internal Control which provides an overview of the state of internal controls within the Group is disclosed on pages 23 to 24 of this Annual Report.

### *Relationship with the Auditors*

The Group's independent external auditors fill an essential role by enhancing the reliability of the Group's financial statements and giving assurance of the reliability to users of these financial statements. The Group has always maintained an independent, formal and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. Continuous communications are held with external auditors throughout the financial year and the external auditors participate in Audit Committee meetings at least twice a year.

## (E) DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare the financial statements for each financial year so as to give a true and fair view of the state of affairs of the Group and the Company as at end of the financial year and of results and cash flow of the Group and the Company for the financial year then ended.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are prudent and reasonable;

# Statement on Corporate Governance (cont'd)

## (E) DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS (CONTINUED)

- Complied with the applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965; and
- Prepared the financial statements on a going concern basis.

The Directors have the responsibility in ensuring that the Company keeps accounting records which discloses with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965, Bursa Securities Listing Requirements and are prepared in accordance with the applicable approved accounting standard.

The Directors have the overall responsibilities for taking such steps are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## (F) COMPLIANCE STATEMENT

The Board considers that the Group has substantially complied with the Best Practices as stipulated in Part 2 of the Code throughout the financial year ended 31st December 2011.

## (G) ADDITIONAL COMPLIANCE INFORMATION

The following is presented in compliance with the Listing Requirements of Bursa Securities:

### 1. Utilisation of Proceeds raised from Corporate Proposal

As at 31st December 2011, the proceeds of RM7.32 million raised by the Company from the Initial Public Offering ("IPO") exercise have been utilized as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation %	Intended time frame for utilization (Listed 28/4/2011)
Working capital (N1)	4,520	4,919	-	Within 12 months from the date of listing
Estimated listing expenses (N1)	2,800	2,401	14.25	Within 3 months from the date of listing
	<b>7,320</b>	<b>7,320</b>		

*Note (N1) : The Group incurred total listing expenses of RM2,401 million of which RM0.622 million was offset against share premium as these transaction costs are directly attributable to the issuance of new shares in conjunction of the initial public offering exercise. The deviation of RM0.399 million from the estimated listing expenses was utilized for working capital.*

# Statement on Corporate Governance (cont'd)

## (G) ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

The following is presented in compliance with the Listing Requirements of Bursa Securities: (continued)

### 2. Non-audit Fees Payable to External Auditors

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2011 amounted to RM97,090.00 for corporate tax compliance and advisory services rendered.

### 3. Sanctions and/ or Penalties

No sanctions or penalties have been imposed by any regulatory bodies on the Company or its subsidiary, the Directors or management of the Company or its subsidiary.

### 4. Material Contracts

There were no material contracts subsisting or entered into by the Company and its subsidiary involving any Directors or substantial shareholders of the Company or any persons connected to a Director or major shareholder of the Company during the financial year.

### 5. Variation in Results

There were no variation of 10% or more between the audited results for the financial year ended 31 December 2011 and the unaudited results previously announced By the Company.

No profit estimates, forecast or projection was announced or published by the Group.

### 6. Recurrent Related Party Transactions (RRPTs)

RRPTs entered into the Company and the Group are disclosed under Note 25 to the Financial Statements on page 65 and 66.

### 7. Share Buy-Back

The Company did not undertake any share buy back exercise during the financial year 2011

### 8. Options or Convertible Securities

No options or convertible securities were issued during the financial year 2011

### 9. Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year 2011

### 10. Profit Guarantee

There were no profit guarantee given or received by the Company during the financial year.

# Audit Committee Report

## 1. CONSTITUTION

The Audit Committee was established to assist the Board to ensure that the internal and external audit functions of the Group are properly conducted, and that recommendations are being appropriately implemented.

### MEMBERS

The Audit Committee comprises the following members:-

Wong Yoke Nyen

*Chairman, Independent Non-Executive Director*

Aznam Bin Mansor

*Member, Independent Non-Executive Director*

Ng Tian Meng

*Member, Independent Non-Executive Director*

## 2. MEETINGS OF THE COMMITTEE

During the financial year ended 31st December 2011, three (3) Audit Committee meetings were held and the details of attendance of the meetings are as follows:-

Name	Total Meetings attended by Directors	Percentage Attendance
Wong Yoke Nyen	3/3	100%
Aznam Bin Mansor	2/3	67%
Ng Tian Meng	3/3	100%

## 3. SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### 3.1 Duties and Responsibilities of Audit committee

The main duties and responsibilities of the Audit Committee shall be:-

- (1) to consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (2) to discuss with the external auditor before the audit commence, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (3) to review the quarterly and year-end financial statements of the board, focusing particularly on:-
  - (a) any change in accounting policies and practices;
  - (b) significant adjustments arising from the audits;
  - (c) the going concern assumption; and
  - (d) compliance with accounting standards and other legal requirements.

# Audit Committee Report (cont'd)

## 3. SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONTINUED)

### 3.1 Duties and Responsibilities of Audit committee (continued)

- (4) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- (5) to review the external auditors' management letter and management's responses;
- (6) to perform the following, in relation to the internal audit function:-
  - (a) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (b) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - (c) review any appraisal or assessment of the performance of members of the internal audit function;
  - (d) approve any appointment or termination of senior staff members of the internal audit function; and
  - (e) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (7) to consider any related-party transactions that may arise within the company or group;
- (8) to consider the major findings of internal investigations and management's response; and
- (9) to consider other topics as defined by the Board.

### 3.2 Rights of the Audit Committee

In performing of its duties and responsibilities, the Audit Committee shall:-

- (1) have the authority to investigate any matter within its terms of reference;
- (2) have the resources which are required to perform its duties;
- (3) have full and unrestricted access to any information pertaining to the Company;
- (4) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (5) be able to obtain independent professional or other advice at the expense of the Company and to invite outsiders with relevant experience and expertise to attend the Audit Committee meetings (if required) and to brief the Audit Committee; and
- (6) be able to 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.



# Audit Committee Report (cont'd)

## 4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The main activities carried out by the Audit Committee during the financial year 31 December 2011 were as follows:-

- a. Reviewed the quarterly unaudited financial results of the Company and Group before recommending to the Board for consideration and approval;
- b. Reviewed the external auditors' scope of work and audit plan for the financial year ended 31 December 2011;
- c. Reviewed with the Internal Auditor, the internal audit plans, the internal audit reports, their evaluation of the internal control system and the follow-up on the audit findings;
- d. Reviewed related party transactions entered into by the Group and the Company to ensure that such transactions were undertaken in line with the Group's normal commercial terms and the internal control procedures with regards to such transaction are sufficient ;
- e. Review of the audited financial statements before recommending for the Board of Directors' approval;

## 5. INTERNAL AUDIT FUNCTIONS

The Audit Committee is aware that an independent and adequately resourced internal audit function is essential to assist in ensuring an effective and adequate internal control system.

On 20th May 2011, the Audit Committee has appointed an independent professional firm as the outsourced internal auditor.

The cost incurred for the external independent internal audit services in respect of the financial year ended 31st December 2011 for the period from 1 August 2011 to 31 December 2011 is approximately RM12,500.

The activities of the Internal Audit Function during the financial year were as follows:-

- a. develop the internal audit plan for year 2011;
- b. execution of the approved internal audit plan;
- c. presentation of the internal audit findings to the Audit Committee. All findings raised by the Internal Auditors have been appropriately addressed by Management; and
- d. conducted follow up reviews to ensure that action plans are properly and appropriately implemented by Management in accordance with the agreed time frame.

The principal role of the Internal Auditors is to undertake an independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

# Statement on Internal Control

The Board of Directors ("the Board") of Focus Lumber Berhad is pleased to present the Statement on Internal Control of the Company and its subsidiaries ("the Group"), which has been prepared in compliance with Paragraph 15.26(b) of Listing Requirements of Bursa Securities.

## ***Board Responsibility***

The Directors acknowledge their responsibility for the Group's system of internal controls, which is designed to identify and manage the risks facing the businesses in pursuit of its business objectives. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group monitors the effectiveness of the internal control system by a continuous process of improving the internal control system through periodic internal audit reviews. The Audit Committee has kept under review the effectiveness of the system of internal control and has reported regularly to the Board.

## ***Internal Audit Functions***

The internal audit function for the Group is carried out by an independent professional firm appointed by the Group. Internal auditor independently reviews the control procedures implemented by Management, and reports to the Audit Committee on a project basis. Internal auditor also reviews the internal controls on the key activities of the Group's businesses and presents an annual internal audit plan to the Audit Committee for prior approval before carrying out the review and audit.

## **THE GROUP'S SYSTEM OF INTERNAL CONTROL**

The following are the key processes in which the Board has adopted in reviewing the adequacy and integrity of the system of internal control for the Group:

### ***Monitoring Mechanisms and Management Style***

The Board is responsible for setting the business direction and for overseeing the conduct of the Group's operations through various Board Committees. This represents the main platform by which the Group's performance and conduct is monitored. The daily running of business is entrusted to the Managing Director, Executive Directors and the management team.

Under the purview of the Managing Director, the respective heads of department of the Group are empowered with the responsibility to manage their respective operations.

### ***Performance Reporting***

Quarterly financial statements are presented to the Audit Committee and the Board for review and discussion.

### ***Other Key Elements of Internal Control***

The Group's internal control and monitoring procedures include:-

- Control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties;
- Major capital expenditure are reviewed and approved by the Board;
- Regular independent internal audit activities to monitor compliance with procedures and assess the integrity of operational and financial information provided;
- Regular information provided to the management, covering financial performance and key business indicators and cash flow performance; and

Audit Committee held regular meetings to deliberate upon findings and recommendations for improvement by both the internal and external auditors on the state of the internal control system and reported back to the Board. The improvement of the system of internal controls is an on-going process and the Board maintains on-going commitment to strengthen the Group's control environment and processes.

# Statement on Internal Control (cont'd)

## ***Conclusion***

The Board is of the view that the current system of internal control is sufficient to safeguard the Group's interest. Nevertheless, it does not eliminate the possibility of human error or the deliberate circumvention of control procedures by employees or other parties, or the occurrence of unforeseen circumstances. Indeed, a number of such internal control weaknesses were identified during the year, all of which have been, or are currently being addressed and non are of a magnitude that resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

## ***Review of the Statement by the External Auditors***

The External Auditors have reviewed the Statement on Internal Control in compliance with Paragraph 15.23 of the Listing Requirement and reported to the Board that nothing has come to their attention that causes them to believe the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's Internal Control System.

# Financial Statements

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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

## Principal activities

The principal activities of the Company are the manufacturing and sale of plywood, veneer, laminated veneer lumber, and investment holding.

The principal activities of the subsidiary are the generation, transmission, distribution and sale of electricity.

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

## Results

	Group RM	Company RM
Profit net of tax	13,719,930	13,388,115

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.

## Dividends

The amounts of dividends paid by the Company since 31 December 2010 were as follows:

	RM
In respect of the financial year ended 31 December 2010:	
Interim tax exempt (single-tier) dividend of 13.6264%, on 91,000,000 ordinary shares, declared on 28 January 2011, and paid on 15 February 2011	6,200,000
In respect of the financial year ended 31 December 2011:	
Interim tax exempt (single-tier) dividend of 12% on 103,200,000 ordinary shares, declared on 15 December 2011, and paid on 16 January 2012	6,192,000
	<b>12,392,000</b>

# Directors' Report (cont'd)

## 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:

Aznam Bin Mansor  
Lin Fong Ming  
Lin Hao Wen  
Chen Chun Hsiung

Lin Lieh Ming

Lu Chin Ting

Yang Sen

(Appointed on 21 July 2011)

Wong Yoke Nyen

Ng Tian Meng

Yang Chien Chih

(Resigned on 21 July 2011)

## 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 10 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

## Directors' interests

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 and its related corporation during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
	1.1.2011/ At date of appointment	Acquired	Sold	31.12.2011
<b>Direct interest:</b>				
<i>Ordinary shares of the Company</i>				
Aznam Bin Mansor	9,087,000	-	-	9,087,000
Lin Fong Ming	6,829,550	-	(516,000)	6,313,550
Lin Hao Wen	6,829,550	-	(516,000)	6,313,550
Chen Chun Hsiung	10,244,324	-	(774,000)	9,470,324
Lin Lieh Ming	5,463,640	-	(412,800)	5,050,840
Lu Chin Ting	8,195,458	-	(619,200)	7,576,258
Yang Sen	3,414,776	-	(258,000)	3,156,776

# Directors' Report (cont'd)

## Directors' interests (continued)

	Number of ordinary shares of RM0.50 each			
	1.1.2011/ At date of appointment	Acquired	Sold	31.12.2011
<b>Indirect interest:</b>				
<i>Ordinary shares of the Company</i>				
Lin Fong Ming	13,659,100	-	(1,032,000)	12,627,100 #
Lin Hao Wen	13,659,100	-	(1,032,000)	12,627,100 @
Lu Chin Ting	4,780,684	-	(361,200)	4,419,484 #
Yang Sen	10,244,328	-	(774,000)	9,470,328 @

# Interest by virtue of shares held by children.

@ Interest by virtue of shares held by close family members.

By virtue of Lin Fong Ming's and Lin Hao Wen's deemed interests in the shares of the Company under Section 6A of the Companies Act, 1965, they are deemed to have interests in the shares of the subsidiary of the Company to the extent that company has an interest.

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

## Other statutory information

- a) Before the statements of comprehensive income and statements of financial position 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 there were no known bad debts and that no provision for doubtful debts was necessary; and
  - ii) to ensure that any current assets which were unlikely to realise their values 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 write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
  - ii) the values attributed to 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.
- d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.



# Directors' Report (cont'd)

## Other statutory information (continued)

- 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.

## Issue of shares

On 26 April 2011, the Company increased its issued and paid up ordinary share capital from RM45,500,000 to RM51,600,000 by way of a public issue of 12,200,000 ordinary shares of RM0.50 each at an issue price of RM0.60 each.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## Significant event

The Company was listed on the Main Market of Bursa Malaysia Securities Berhad on 28 April 2011.

## Independent 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 dated 18 April 2012.

Lin Fong Ming

Lin Hao Wen

# Statement By Directors

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

We, Lin Fong Ming and Lin Hao Wen, being two of the directors of Focus Lumber Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 73 are 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 2011 and of their financial performance and the cash flows for the year then ended.

The information set out in Note 33 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2012.

Lin Fong Ming

Lin Hao Wen

# Statutory Declaration

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

I, Lin Fong Ming, being the Director primarily responsible for the financial management of Focus Lumber Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 73 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 Fong Ming  
at Kota Kinabalu in the State of Sabah  
on 18 April 2012

Lin Fong Ming

Before me,

# Independent Auditors' Report

TO THE MEMBERS OF FOCUS LUMBER BERHAD (INCORPORATED IN MALAYSIA)

## Report on the financial statements

We have audited the financial statements of Focus Lumber Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 73.

## Directors' responsibility for the financial statements

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

## Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 entity'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 entity'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 2011 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 subsidiary have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiary 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.
- c) The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

# Independent Auditors' Report (cont'd)

TO THE MEMBERS OF FOCUS LUMBER BERHAD (INCORPORATED IN MALAYSIA)

## Other matters

The supplementary information set out in Note 33 on page 74 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Chong Ket Vui, Dusun  
2944/01/13(J)  
Chartered Accountant

Kota Kinabalu, Malaysia  
18 April 2012

# Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	NOTE	GROUP		COMPANY	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>Revenue</b>	4	122,150,080	120,378,236	122,048,407	120,320,510
Cost of sales		(88,105,263)	(88,705,717)	(88,620,892)	(90,679,923)
<b>Gross profit</b>		34,044,817	31,672,519	33,427,515	29,640,587
<b>Other items of income</b>					
Interest income	5	150,672	123,981	150,672	123,981
Other income	6	2,919,906	789,039	2,978,395	849,039
<b>Other items of expense</b>					
Administrative expenses		(6,463,266)	(5,748,229)	(6,351,719)	(5,648,005)
Finance costs	7	(1,347)	(1,467)	(1,347)	(1,467)
Selling and distribution costs		(14,377,493)	(13,900,220)	(14,377,493)	(13,900,220)
Other expenses		(944,012)	(2,143,017)	(944,012)	(2,143,017)
<b>Profit before tax</b>	8	15,329,277	10,792,606	14,882,011	8,920,898
Income tax expense	11	(1,609,347)	(576,186)	(1,493,896)	(105,294)
<b>Profit net of tax</b>		13,719,930	10,216,420	13,388,115	8,815,604
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		13,719,930	10,216,420	13,388,115	8,815,604
<b>Profit attributable to:</b>					
Owners of the Company		13,719,930	10,216,420	13,388,115	8,815,604
<b>Earnings per ordinary share attributable to owners of the Company (sen per share):</b>					
Basic	12	13.81	14.42		
Diluted	12	13.81	14.42		

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

# Statements of Financial Position

AS AT 31 DECEMBER 2011

	NOTE	GROUP		COMPANY	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	43,716,588	46,987,450	26,479,010	28,155,268
Investment properties	14	1,476,551	1,517,720	1,476,551	1,517,720
Investment in a subsidiary	15	-	-	5,000,000	15,000,000
Other investments	16	1,149,040	1,149,040	1,149,040	1,149,040
Deferred tax assets	17	3,302,402	3,417,853	-	-
		49,644,581	53,072,063	34,104,601	45,822,028
<b>Current assets</b>					
Inventories	18	26,663,266	22,284,827	26,663,266	22,284,827
Other investments	16	2,600,000	-	2,600,000	-
Trade and other receivables	19	8,885,045	6,347,490	8,858,748	6,304,826
Tax refundable		4,444,811	3,679,073	4,444,811	3,679,073
Short term deposits with licensed banks	20	408,095	2,925,050	408,095	2,925,050
Cash and bank balances	20	33,410,890	25,885,427	33,337,106	25,791,272
		76,412,107	61,121,867	76,312,026	60,985,048
<b>Total assets</b>		<b>126,056,688</b>	<b>114,193,930</b>	<b>110,416,627</b>	<b>106,807,076</b>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	22	6,456,659	9,155,980	7,098,478	17,719,191
Dividends payable		6,192,000	-	6,192,000	-
		12,648,659	9,155,980	13,290,478	17,719,191
<b>Net current assets</b>		<b>63,763,448</b>	<b>51,965,887</b>	<b>63,021,548</b>	<b>43,265,857</b>
<b>Non-current liability</b>					
Deferred tax liabilities	17	2,939,070	2,880,341	2,939,070	2,880,341
<b>Total liabilities</b>		<b>15,587,729</b>	<b>12,036,321</b>	<b>16,229,548</b>	<b>20,599,532</b>
<b>Net assets</b>		<b>110,468,959</b>	<b>102,157,609</b>	<b>94,187,079</b>	<b>86,207,544</b>

# Statements of Financial Position (cont'd)

AS AT 31 DECEMBER 2011

	NOTE	GROUP		COMPANY	
		2011 RM	2010 RM	2011 RM	2010 RM
<b>Equity attributable to the owners of the Company</b>					
Share capital	23	51,600,000	45,500,000	51,600,000	45,500,000
Share premium	23	883,420	-	883,420	-
Retained earnings	24	57,985,539	56,657,609	41,703,659	40,707,544
<b>Total equity</b>		<b>110,468,959</b>	<b>102,157,609</b>	<b>94,187,079</b>	<b>86,207,544</b>
<b>Total equity and liabilities</b>		<b>126,056,688</b>	<b>114,193,930</b>	<b>110,416,627</b>	<b>106,807,076</b>

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



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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# Statements of Changes in Equity (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Company	Note	Equity, total RM	Non-distributable			Distributable	
			Share capital RM	Share premium RM	Retained earnings RM		
<b>Opening balance at 1 January 2011</b>		86,207,544	45,500,000	-	40,707,544		
<b>Total comprehensive income</b>		13,388,115	-	-	13,388,115		
<b>Transactions with owners</b>							
Dividends on ordinary shares	31	(12,392,000)	-	-	(12,392,000)		
Issuance of ordinary shares		7,320,000	6,100,000	1,220,000	-		
Share issuance expense		(336,580)	-	(336,580)	-		
Total transactions with owners		(5,408,580)	6,100,000	883,420	(12,392,000)		
<b>Closing balance at 31 December 2011</b>		<b>94,187,079</b>	<b>51,600,000</b>	<b>883,420</b>	<b>41,703,659</b>		
<b>Opening balance at 1 January 2010</b>		77,391,940	35,000,000	-	42,391,940		
<b>Total comprehensive income</b>		8,815,604	-	-	8,815,604		
<b>Transactions with owners</b>							
Issuance of bonus shares		-	10,500,000	-	(10,500,000)		
<b>Closing balance at 31 December 2010</b>		<b>86,207,544</b>	<b>45,500,000</b>	<b>-</b>	<b>40,707,544</b>		

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

# Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Operating activities</b>				
Profit before tax	15,329,277	10,792,606	14,882,011	8,920,898
<u>Adjustments for:</u>				
Bad debts written off	-	450	-	450
Depreciation of investment properties	41,169	40,183	41,169	40,183
Depreciation of property, plant and equipment	4,954,185	5,126,510	3,144,111	3,337,404
Gain on disposal of plant and machinery	(504,377)	(183,753)	(504,377)	(183,753)
Interest expense	1,347	1,467	1,347	1,467
Interest income	(150,672)	(123,981)	(150,672)	(123,981)
Plant and machinery written off	-	124,919	-	124,919
Reversal of impairment loss on trade receivables	(4,000)	(7,000)	(4,000)	(7,000)
Total adjustments	4,337,652	4,978,795	2,527,578	3,189,689
<b>Operating cash flows before changes in working capital</b>	19,666,929	15,771,401	17,409,589	12,110,587
<u>Changes in working capital:</u>				
Increase in inventories	(4,378,439)	(4,442,404)	(4,378,439)	(4,442,404)
(Increase)/decrease in receivables	(2,533,555)	20,713,938	(2,549,922)	12,423,819
Decrease in payables	(2,699,321)	(11,748,986)	(10,620,713)	(868,886)
Total changes in working capital	(9,611,315)	4,522,548	(17,549,074)	7,112,529
Cash flows from/(used in) operations	10,055,614	20,293,949	(139,485)	19,223,116
Interest received	150,672	123,981	150,672	123,981
Interest paid	(1,347)	(1,467)	(1,347)	(1,467)
Income tax paid	(2,200,905)	(2,914,540)	(2,200,905)	(2,914,540)
<b>Net cash flows generated from/(used in) operating activities</b>	8,004,034	17,501,923	(2,191,065)	16,431,090

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

# Statements of Cash Flows (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	GROUP		COMPANY	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Investing activities</b>				
Placement of structured investment	(2,600,000)	(1,000,000)	(2,600,000)	(1,000,000)
Proceeds from disposal of plant and equipment	542,638	183,762	542,638	183,762
Purchase of property, plant and equipment (Note 13)	(1,721,584)	(5,828,300)	(1,506,114)	(4,756,415)
Redemption of redeemable non-cumulative preference shares in subsidiary	-	-	10,000,000	-
<b>Net cash flows (used in)/ generated from investing activities</b>	(3,778,946)	(6,644,538)	6,436,524	(5,572,653)
<b>Financing activities</b>				
Dividends paid on ordinary shares	(6,200,000)	-	(6,200,000)	-
Proceeds from issuance of ordinary shares	7,320,000	-	7,320,000	-
Share issuance expenses	(336,580)	-	(336,580)	-
<b>Net cash flows generated from financing activities</b>	783,420	-	783,420	-
<b>Net increase in cash and cash equivalents</b>	5,008,508	10,857,385	5,028,879	10,858,437
<b>Cash and cash equivalents at 1 January</b>	28,810,477	17,953,092	28,716,322	17,857,885
<b>Cash and cash equivalents at 31 December (Note 20)</b>	33,818,985	28,810,477	33,745,201	28,716,322

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 11th Floor, Wisma Perindustrian, Jalan Istiadat, 88400 Likas, Sabah, P. O. Box 576, 88856 Likas, Sabah.

The principal activities of the Company are the manufacturing and sale of plywood, veneer, laminated veneer lumber, and investment holding.

The principal activities of the subsidiary are generation, transmission, distribution and sale of electricity.

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

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with Financial Reporting Standards (FRS) and the Companies Act 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Ringgit Malaysia (RM).

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
Amendments to FRS 132 Classification of Rights Issues	1 March 2010
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
FRS 3 Business Combinations (revised)	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies (continued)

Description	Effective for annual periods beginning on or after
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
IC Interpretation 18 Transfer of Assets from Customers	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1: Limited Exemption for First-time Adopters	1 January 2011
Amendment to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendment to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4 Determining whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

### 2.3 Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

At the date of these financial statements, the Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

### 2.4 Basis of consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.4 Basis of consolidation (continued)

Acquisition of a subsidiary is accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination 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 business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

A subsidiary is 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.

### 2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

### 2.6 Foreign currency

#### a) 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.

#### b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.6 Foreign currency (continued)

#### b) Foreign currency transactions (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period in equity.

### 2.7 Property, plant and equipment, and depreciation

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

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Leasehold land: Remaining lease periods
- Factory and office buildings: 20 years
- Motor vehicles: 4 years
- Heavy equipment: 5 years
- Plant and machinery: 15 years
- Furniture, fittings, office equipment and renovation: 5 years

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

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

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



# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The depreciation policy for investment properties is in accordance with that for depreciable property, plant and equipment as described in Note 2.7.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

### 2.9 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

### 2.10 Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.11 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

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

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

#### a) Financial assets at fair value through profit or loss

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

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

#### b) Loans and receivables

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

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

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

#### c) Held-to-maturity investments

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

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

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

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.11 Financial assets (continued)

#### d) Available-for-sale financial assets

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

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

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

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

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

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

### 2.12 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.12 Impairment of financial assets (continued)

#### Trade and other receivables and other financial assets carried at amortised cost (continued)

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

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

### 2.13 Cash and cash equivalents

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

### 2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on weighted average basis
- Finished goods: costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. These costs are determined using the weighted average basis.

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

### 2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be made estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pretax 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.

### 2.16 Financial liabilities

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

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

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.16 Financial liabilities (continued)

#### a) Financial liabilities at fair value through profit or loss

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

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

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

#### b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

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

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

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

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

### 2.17 Borrowing costs

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

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

### 2.18 Employee benefits

#### Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.19 Leases

#### a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

#### b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(c).

### 2.20 Revenue

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

#### a) Sales of goods

Revenue relating to sales of plywood, veneer, and laminated veneer lumber is recognised net of sales discounts upon the transfer of risks and rewards of ownership of goods to the customer.

#### b) Sale of electricity

Revenue relating to sale of electricity is recognised upon consumption by the consumers.

#### c) Rental income

Rental income is accounted for on a straight-line basis over the lease term.

#### d) Dividend income

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

#### e) Interest income

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

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.21 Income taxes

#### a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investment in subsidiary, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 2. Summary of significant accounting policies (continued)

### 2.21 Income taxes (continued)

#### b) Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.23 Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.24 Contingencies

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

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.



# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 3. Significant accounting judgements and estimates

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

### Key sources of estimation uncertainty

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

#### a) Useful lives of plant and machinery

The cost of plant and machinery for the manufacture of plywood, veneer, laminated veneer lumber, and power utility are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 15 to 20 years for timber industry, and 5 to 20 years for power utility industry. These are the common life expectancies applied in the timber and power utility industries. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 13. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1.8% (2010: 2.5%) variance in the Group's profit for the period.

#### b) Deferred tax assets

Deferred tax assets are recognised for unutilised investment tax allowances and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the 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 unutilised investment tax allowances and unabsorbed capital allowances of the Group was RM28,524,876 (2010: RM29,125,336). If the taxable profits of its subsidiary differ by 10% due to the change in estimates of the subsidiary's future results from the operating activities, the Group's deferred tax assets, the recognised unutilised investment tax allowances and unabsorbed capital allowances will vary by RM753,000.

#### c) Impairment of loans and receivables

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

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 4. Revenue

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Sale of veneer	7,346,257	4,513,585	7,346,257	4,513,585
Sale of plywood	112,142,683	114,590,623	112,142,683	114,590,623
Sale of laminated veneer lumber	2,559,467	1,216,302	2,559,467	1,216,302
Sale of electricity	101,673	57,726	-	-
	122,150,080	120,378,236	122,048,407	120,320,510

## 5. Interest income

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest income from:				
Fixed deposits	134,105	123,981	134,105	123,981
Foreign currency account	13,807	-	13,807	-
Current account	2,760	-	2,760	-
	150,672	123,981	150,672	123,981

## 6. Other income

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Gain on disposal of plant and machinery	504,377	183,753	504,377	183,753
Insurance claims	-	361,294	-	361,294
Realised foreign exchange gain	1,922,532	-	1,921,021	-
Reversal of impairment loss on trade receivables	4,000	7,000	4,000	7,000
Rental income from investment properties	123,000	115,000	183,000	175,000
Sundry income	365,997	121,992	365,997	121,992
	2,919,906	789,039	2,978,395	849,039

## 7. Finance costs

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expense on:				
Bank overdraft	1,347	1,467	1,347	1,467

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 8. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Employee benefits expense (Note 9)	11,325,795	11,215,780	10,654,052	10,581,746
Auditors' remuneration:				
- statutory audit	75,000	70,000	65,000	60,000
- other services	103,090	146,385	97,090	140,385
Bad debts written off	-	450	-	450
Depreciation of investment properties (Note 14)	41,169	40,183	41,169	40,183
Depreciation of property, plant and equipment (Note 13)	4,954,185	5,126,510	3,144,111	3,337,404
Direct operating expenses arising from investment properties				
- rental generating properties	47,540	47,540	47,540	47,540
Non-executive director's remuneration (Note 10)	304,500	110,500	304,500	110,500
Plant and machinery written off	-	124,919	-	124,919
Realised foreign exchange losses	944,012	2,143,017	944,012	2,143,017
Rental of land	24,700	38,300	24,700	38,300

## 9. Employee benefits expense

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Salaries, wages, bonuses, incentives and allowances	11,043,699	10,910,598	10,385,434	10,290,475
Defined contribution plan	248,118	270,930	235,803	258,268
Social security contributions	33,978	34,252	32,815	33,003
	11,325,795	11,215,780	10,654,052	10,581,746

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM888,120 (2010: RM684,320) as further disclosed in Note 10.

## 10. Directors' remuneration

	Group and Company	
	2011 RM	2010 RM
Executive directors' remuneration (Note 9):		
Fees	-	-
Other emoluments	888,120	684,320
Total executive directors' remuneration	888,120	684,320

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 10. Directors' remuneration (continued)

	Group and Company 2011 RM	2010 RM
Non-executive director's remuneration (Note 8)		
Fees	180,000	-
Other emoluments	124,500	110,500
Total non-executive director's remuneration	304,500	110,500
Total directors' remuneration	1,192,620	794,820

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

	Number of Directors 2011	2010
Executive directors:		
RM50,001 - RM100,000	2	-
RM100,001 - RM150,000	-	4
RM150,001 - RM200,000	3	1
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	1	-
Non-executive directors:		
RM50,000 - RM100,000	3	-
RM100,001 - RM150,000	1	1

## 11. Income tax expense

### Major components of income tax expense

Major components of income tax expense for the financial years ended 31 December 2011 and 2010 are:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Statement of comprehensive income:</b>				
Current income tax:				
- Malaysian income tax	2,014,621	610,449	2,014,621	610,449
- Overprovision in respect of previous years	(579,454)	(1,005,691)	(579,454)	(1,005,691)
	1,435,167	(395,242)	1,435,167	(395,242)
Deferred income tax (Note 17):				
Origination and reversal of temporary differences	176,220	785,536	61,604	314,921
(Over)/underprovision in respect of previous years	(2,040)	185,892	(2,875)	185,615
	174,180	971,428	58,729	500,536
Income tax expense recognised in profit or loss	1,609,347	576,186	1,493,896	105,294

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 11. Income tax expense (continued)

### Reconciliation between tax expense and accounting profit

The reconciliations between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Accounting profit before tax	15,329,277	10,792,606	14,882,011	8,920,898
Tax at Malaysian statutory tax rate of 25% (2010: 25%)	3,832,320	2,698,151	3,720,503	2,230,224
Adjustments:				
Non-deductible expenses	575,496	910,015	572,697	861,389
Income not subject to taxation	-	(47,688)	-	(1,750)
Effect of expenses eligible for double deduction tax incentives	(2,216,975)	(2,164,493)	(2,216,975)	(2,164,493)
Over provision of income tax in respect of previous year	(579,454)	(1,005,691)	(579,454)	(1,005,691)
(Over)/underprovision of deferred income tax in respect of previous years	(2,040)	185,892	(2,875)	185,615
Income tax expense recognised in profit or loss	1,609,347	576,186	1,493,896	105,294

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

## 12. Earnings per share

Basic earnings per share amount is calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The Company has no dilutive potential ordinary shares.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2011 RM	2010 RM
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	13,719,930	10,216,420
	Number of shares	Number of shares
Weighted average number of ordinary shares for basic earnings per share computation	99,322,740	70,863,014
Basic earnings per ordinary share (sen)	13.81	14.42

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 13. Property, plant and equipment

	Leasehold land RM	Factory and office buildings RM	Motor vehicles, heavy equipment, plant and machinery RM	Furniture, fittings, office equipment, and renovation RM	Total RM
<b>Group</b>					
<b>Cost:</b>					
<b>At 1 January 2010</b>	700,080	11,432,739	115,579,723	1,294,188	129,006,730
Additions	-	493,881	5,257,429	76,990	5,828,300
Disposals	-	-	(3,873,622)	-	(3,873,622)
Transfer to investment properties (Note 14)	-	(103,440)	-	-	(103,440)
Written off	-	(193,889)	-	-	(193,889)
<b>At 31 December 2010 and 1 January 2011</b>	700,080	11,629,291	116,963,530	1,371,178	130,664,079
Additions	-	3,600	1,700,058	17,926	1,721,584
Disposals	-	-	(2,352,918)	-	(2,352,918)
<b>At 31 December 2011</b>	700,080	11,632,891	116,310,670	1,389,104	130,032,745
<b>Accumulated depreciation:</b>					
<b>At 1 January 2010</b>	19,180	7,217,890	74,067,104	1,194,058	82,498,232
Depreciation charge for the year	9,202	544,588	4,514,411	58,309	5,126,510
Disposals	-	-	(3,873,613)	-	(3,873,613)
Transfer to investment properties (Note 14)	-	(5,530)	-	-	(5,530)
Written off	-	(68,970)	-	-	(68,970)
<b>At 31 December 2010 and 1 January 2011</b>	28,382	7,687,978	74,707,902	1,252,367	83,676,629
Depreciation charge for the year (Note 8)	9,460	465,777	4,428,712	50,236	4,954,185
Disposals	-	-	(2,314,657)	-	(2,314,657)
<b>At 31 December 2011</b>	37,842	8,153,755	76,821,957	1,302,603	86,316,157
<b>Net carrying amount:</b>					
At 31 December 2010	671,698	3,941,313	42,255,628	118,811	46,987,450
At 31 December 2011	662,238	3,479,136	39,488,713	86,501	43,716,588
<b>Company</b>					
<b>Cost:</b>					
<b>At 1 January 2010</b>	700,080	11,432,739	89,132,303	1,275,405	102,540,527
Additions	-	493,881	4,190,593	71,941	4,756,415
Disposals	-	-	(3,873,622)	-	(3,873,622)
Transfer to investment properties (Note 14)	-	(103,440)	-	-	(103,440)
Written off	-	(193,889)	-	-	(193,889)
<b>At 31 December 2010 and 1 January 2011</b>	700,080	11,629,291	89,449,274	1,347,346	103,125,991
Additions	-	3,600	1,486,308	16,206	1,506,114
Disposals	-	-	(2,352,918)	-	(2,352,918)
<b>At 31 December 2011</b>	700,080	11,632,891	88,582,664	1,363,552	102,279,187

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 13. Property, plant and equipment (continued)

	Leasehold land RM	Factory and office buildings RM	Motor vehicles, heavy equipment, plant and machinery RM	Furniture, fittings, office equipment, and renovation RM	Total RM
<b>Company</b>					
<b>Accumulated depreciation:</b>					
<b>At 1 January 2010</b>	19,180	7,217,890	67,160,439	1,183,923	75,581,432
Depreciation charge for the year	9,202	544,588	2,729,509	54,105	3,337,404
Disposals	-	-	(3,873,613)	-	(3,873,613)
Transfer to investment properties (Note 14)	-	(5,530)	-	-	(5,530)
Written off	-	(68,970)	-	-	(68,970)
<b>At 31 December 2010 and 1 January 2011</b>	28,382	7,687,978	66,016,335	1,238,028	74,970,723
Depreciation charge for the year (Note 8)	9,460	465,777	2,621,682	47,192	3,144,111
Disposals	-	-	(2,314,657)	-	(2,314,657)
<b>At 31 December 2011</b>	37,842	8,153,755	66,323,360	1,285,220	75,800,177
<b>Net carrying amount:</b>					
At 31 December 2010	671,698	3,941,313	23,432,939	109,318	28,155,268
At 31 December 2011	662,238	3,479,136	22,259,304	78,332	26,479,010

## 14. Investment properties

	Group and Company RM
<b>Cost:</b>	
<b>At 1 January 2010</b>	1,537,872
Transfer from office buildings (Note 13)	103,440
<b>At 31 December 2010 and 31 December 2011</b>	1,641,312
<b>Accumulated depreciation:</b>	
<b>At 1 January 2010</b>	77,879
Transfer from office building (Note 13)	5,530
Charge for the year	40,183
<b>At 31 December 2010 and 1 January 2011</b>	123,592
Charge for the year (Note 8)	41,169
<b>At 31 December 2011</b>	164,761
<b>Net carrying amount:</b>	
At 31 December 2010	1,517,720
At 31 December 2011	1,476,551

The strata title to the investment properties is being processed by the relevant authority.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 15. Investment in a subsidiary

	Company	
	2011 RM	2010 RM
<b>Cost</b>		
Unquoted shares	5,000,000	5,000,000
7% Redeemable non-cumulative preference shares	-	10,000,000
	5,000,000	15,000,000

Details of the subsidiary, which is incorporated and domiciled in Malaysia, are as follows:

Name of subsidiary	Principal activities	Proportion (%) of ownership interest	
		2011	2010
Untung Ria Sdn. Bhd.	Generation, transmission, distribution and sale of electricity.	100%	100%

The 7% Redeemable non-cumulative preference shares of RM10,000,000 was fully redeemed during the year.

## 16. Other investments

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Current</b>				
<b>Cost</b>				
Held-to-maturity investment				
- Short-term structured investment	2,600,000	-	2,600,000	-
<b>Non-current</b>				
<b>Cost</b>				
Investment in Golf and Country Club membership	149,040	149,040	149,040	149,040
Held-to-maturity investment				
- Structured investment	1,000,000	1,000,000	1,000,000	1,000,000
	1,149,040	1,149,040	1,149,040	1,149,040

The structured investment is principal protected if held to maturity and upon early termination by the bankers.

The short-term structured investment earns a fixed interest rate of 3.58% per annum.



## Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 16. Other investments (continued)

The non-current structure investment earns fixed interests as follows:

- Year 1 : 3.08% per annum, plus bonus interest of 2% for the first quarter of the year.
- Year 2 to 5 : 0.34% per annum, plus enhanced interest (3M KLIBOR) of 2.70% per annum for the number of days that the daily 3M KLIBOR is fixed at or below a predefined level throughout year 2 to 5.

The structured investments are pledged as securities for overdraft facility (Note 21).

## 17. Deferred tax

	As at 1 January 2010 RM	Recognised in profit or loss RM	As at 31 December 2010 RM	Recognised in profit or loss RM	As at 31 December 2011 RM
<b>Group</b>					
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	(5,674,712)	(1,069,110)	(6,743,822)	(24,065)	(6,767,887)
<b>Deferred tax assets:</b>					
Unabsorbed capital allowances	607,793	97,682	705,475	(150,115)	555,360
Unutilised investment tax allowances	6,575,859	-	6,575,859	-	6,575,859
	7,183,652	97,682	7,281,334	(150,115)	7,131,219
	1,508,940	(971,428)	537,512	(174,180)	363,332
<b>Company</b>					
<b>Deferred tax liabilities:</b>					
Property, plant and equipment	(2,379,805)	(500,536)	(2,880,341)	(58,729)	(2,939,070)

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Presented after appropriate offsetting as follows:</b>				
Deferred tax assets	3,302,402	3,417,853	-	-
Deferred tax liabilities	(2,939,070)	(2,880,341)	(2,939,070)	(2,880,341)
	363,332	537,512	(2,939,070)	(2,880,341)

### Unabsorbed capital allowances

At reporting date, the subsidiary has unabsorbed capital allowances that are available for offset against future taxable profits of the subsidiary, subject to no substantial change in shareholdings of the subsidiary under the Income Tax Act, 1967 and guidelines issued by the tax authority.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 18. Inventories

	<b>Group and Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
Raw materials	919,671	1,104,927
Finished goods	22,963,638	17,201,689
Consumables	2,779,957	2,196,795
Logs in transit	-	1,781,416
	<b>26,663,266</b>	<b>22,284,827</b>

## 19. Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	6,709,616	4,459,564	6,683,319	4,416,900
<b>Other receivables</b>				
Deposits for log purchase	2,028,404	1,219,719	2,028,404	1,219,719
Workers recruitment and staff advances	5,000	45,600	5,000	45,600
Deposits	90,403	84,104	90,403	84,104
Prepayment	31,274	153,884	31,274	153,884
Sundry receivables	20,348	384,619	20,348	384,619
	<b>2,175,429</b>	<b>1,887,926</b>	<b>2,175,429</b>	<b>1,887,926</b>
Total trade and other receivables	8,885,045	6,347,490	8,858,748	6,304,826
Add: Cash and bank balances (Note 20)	33,818,985	28,810,477	33,745,201	28,716,322
Less: Prepayment	(31,274)	(153,884)	(31,274)	(153,884)
Total loans and receivables	<b>42,672,756</b>	<b>35,004,083</b>	<b>42,572,675</b>	<b>34,867,264</b>

### a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30-days (2010: 30-days to 60-days) terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 19. Trade and other receivables (continued)

### a) Trade Receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of the trade receivables is as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Neither past due nor impaired	6,683,319	4,426,016	6,683,319	4,416,900
1 to 30 days past due not impaired	7,918	14,465	-	-
31 to 60 days past due not impaired	7,854	15,084	-	-
61 to 90 days past due not impaired	8,789	3,999	-	-
More than 91 days past due not impaired	1,736	-	-	-
	26,297	33,548	-	-
Impaired	-	-	-	-
	6,709,616	4,459,564	6,683,319	4,416,900

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM26,297 (2010: RM33,548) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

### b) Deposits for log purchase

The amounts are unsecured and non-interest bearing.

## 20. Cash and bank balances

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Cash at banks and on hand	33,410,890	25,885,427	33,337,106	25,791,272
Short term deposits with licensed banks	408,095	2,925,050	408,095	2,925,050
Cash and cash equivalents	33,818,985	28,810,477	33,745,201	28,716,322

Short term deposits are made for varying periods of between 1 month and 12 months depending on the immediate cash requirement of the Group, and earn interest at the respective short term deposit rates. The weighted average effective interest rate as at 31 December 2011 for the Group and the Company was 3.02% (2010: 2.88%) per annum.

Short term deposits with licensed banks of the Group and the Company amounting to RM67,610 (2010: RM2,592,432) are pledged as securities for borrowings (Note 21).

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 21. Borrowings

Bank overdraft facility of RM3,500,000 was not utilised as at the end of the financial year.

The overdraft facility is secured by the following:

- i) certain fixed deposit, short-term and long-term structured investments of the Company;
- ii) joint and several guarantees by certain directors of the Company; and
- iii) negative pledge on all assets of the Company.

## 22. Trade and other payables

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
<b>Current</b>				
<b>Trade payables</b>				
Third parties	4,611,035	7,140,912	4,465,995	6,964,882
Related party	58,060	48,627	58,060	48,627
Amount due to a subsidiary	-	-	825,148	8,856,944
	4,669,095	7,189,539	5,349,203	15,870,453
<b>Other payables</b>				
Accruals	1,361,571	1,028,747	1,333,239	995,916
Deposits	17,000	101,872	17,000	17,000
Sundry payables	408,993	835,822	399,036	835,822
	1,787,564	1,966,441	1,749,275	1,848,738
	6,456,659	9,155,980	7,098,478	17,719,191
Total trade and other payables	6,456,659	9,155,980	7,098,478	17,719,191
Add: Borrowings (Note 21)	-	-	-	-
Total financial liabilities carried at amortised cost	6,456,659	9,155,980	7,098,478	17,719,191

### a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30-days to 60-days (2010: 30-days) terms.

### b) Other payables

These amounts are non-interest bearing. Other payables are generally for a period of 30-days to 60-days (2010: 30-days) terms.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 23. Share capital and share premium

	Group and Company					
	Par value	Number of ordinary shares 2011	Par value	Number of ordinary shares 2010	Amount 2011 RM	Amount 2010 RM
<b>Issued and fully paid</b>						
At 1 January	RM0.50	91,000,000	RM1.00	35,000,000	45,500,000	35,000,000
Bonus shares issued		-	RM1.00	10,500,000	-	10,500,000
	RM0.50	91,000,000	RM1.00	45,500,000	45,500,000	45,500,000
Adjusted for the share splits		-		45,500,000	-	-
Issued during the year	RM0.50	12,200,000		-	6,100,000	-
At 31 December	RM0.50	103,200,000	RM0.50	91,000,000	51,600,000	45,500,000
<b>Authorised share capital</b>						
At 1 January	RM0.50	300,000,000	RM1.00	150,000,000	150,000,000	150,000,000
Adjusted for the share splits		-		150,000,000	-	-
At 31 December	RM0.50	300,000,000	RM0.50	300,000,000	150,000,000	150,000,000

	Group and Company 2011 RM	Group and Company 2010 RM
<b>Share premium</b>		
At 1 January	-	-
Share premium arising from issuance of shares	1,220,000	-
Share issuance expenses	(336,580)	-
At 31 December	883,420	-

### a) Share capital

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

### b) Issuance of shares

On 26 April 2011, the Company increased its issued and paid up ordinary share capital from RM45,500,000 to RM51,600,000 by way of a public issue of 12,200,000 ordinary shares of RM0.50 each at an issue price of RM0.60 each.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 24. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted 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 has elected for the irrevocable option to disregard the 108 balance. Hence the Company will be able distribute dividends out of its entire retained earnings as at 31 December 2011 under the single tier system.

## 25. Related party transactions

### a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Purchase of electricity from:				
- Subsidiary	-	-	4,163,588	5,360,751
Purchase of edging tapes from:				
- A company in which one of the directors of the Company has interest	433,145	386,210	433,145	386,210
Rental income received from:				
- Subsidiary	-	-	60,000	60,000
Salaries and bonus paid to persons related to certain directors of the Company	160,500	149,500	160,500	149,500

Company in which one of the directors of the Company has interest:

The Group purchased edging tapes from Sabarina Corporation Sdn. Bhd., a company in which one of the directors of the Company has interest, for an amount of RM433,145 (2010: RM386,210). Outstanding balance with the Company at the reporting date was RM58,060 (2010: RM48,627).

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 25. Related party transactions (continued)

### b) Compensation of key management personnel

The remuneration of directors and other member of key management during the financial year was as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short-term employee benefits	1,499,700	1,302,400	1,428,200	1,236,400
Defined contribution plan	42,420	46,812	42,420	46,812
	1,542,120	1,349,212	1,470,620	1,283,212

Included in the total remuneration of key management personnel are:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors' remuneration (Note 10)	1,192,620	794,820	1,192,620	794,820

## 26. Capital commitments

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Approved and contracted for:				
Acquisition of machinery	611,200	383,750	361,200	383,750

## 27. Fair value of financial instruments

### A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		Group and Company			
	Note	2011 Carrying amount RM	Fair Value RM	2010 Carrying amount RM	Fair value RM
<b>Financial assets:</b>					
Other investment (non-current)					
- Golf & Country Club membership	16	149,040	#	149,040	#

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 27. Fair value of financial instruments (continued)

### A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (continued)

	Note	Group and Company		2010 Carrying amount RM	Fair value RM
		2011 Carrying amount RM	Fair Value RM		
- Structured investment	16	1,000,000	#	1,000,000	#

# Fair value information has not been disclosed for this financial instrument carried at cost because fair value cannot be measured reliably.

### B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	19
Trade and other payables (current)	22
Other investments (current)	16

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

## 28. Financial risk management objectives and policies

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

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



# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 28. Financial risk management objectives and policies (continued)

### a) Credit risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

#### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profiles of the trade receivables at the reporting date are as follows:

	Group		Group	
	2011 RM	% of total	2010 RM	% of total
<b>By country:</b>				
United States	4,369,941	65%	583,075	13%
India	526,196	8%	-	-
Japan	71,916	1%	-	-
Korea	1,416,270	21%	-	-
Taiwan	259,073	4%	2,584,749	58%
Singapore	-	-	1,249,076	28%
Malaysia	66,220	1%	42,664	1%
	6,709,616	100%	4,459,564	100%

	Company		Company	
	2011 RM	% of total	2010 RM	% of total
<b>By country:</b>				
United States	4,369,941	65%	583,075	13%
India	526,196	8%	-	-
Japan	71,916	1%	-	-
Korea	1,416,270	21%	-	-
Taiwan	259,073	4%	2,584,749	59%
Singapore	-	-	1,249,076	28%
Malaysia	39,923	1%	-	-
	6,683,319	100%	4,416,900	100%

#### Financial assets that are neither past due nor impaired

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

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 28. Financial risk management objectives and policies (continued)

### b) Liquidity risk

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

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM
<b>2011</b>	
<b>Group</b>	
Financial liabilities:	
Trade and other payables	6,456,659
Dividends payable	6,192,000
	<u>12,648,659</u>
<b>Company</b>	
Financial liabilities:	
Trade and other payables	7,098,478
Dividends payable	6,192,000
	<u>13,290,478</u>
<b>2010</b>	
<b>Group</b>	
Financial liabilities:	
Trade and other payables	9,155,980
	<u>9,155,980</u>
<b>Company</b>	
Financial liabilities:	
Trade and other payables	17,719,191
	<u>17,719,191</u>

### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The investments in financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

### d) Foreign currency risk

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

The Group has transactional currency exposures arising from sales or purchase of plant and machineries that are denominated a currency other than in RM. The foreign currency in which these transactions are denominated is mainly US Dollars ("USD").

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 28. Financial risk management objectives and policies (continued)

### d) Foreign currency risk (continued)

Approximately 89% (2010: 87%) of the Group's sales are denominated in foreign currencies whilst almost 97% (2010: 78%) and 2% (2010: 27%) of the Group's receivables and payables balances are denominated in foreign currencies.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (USD) amount to RM8,674,636 (2010: RM19,286,084).

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Change in currency rate	Increase in profit net of tax	
		Group	Company
		2011 RM	2011 RM
USD/RM	+5%	1,070,788	1,070,788

A 5% decrease in the currency rate shown above would have resulted in an equivalent, but opposite effect to profit net of tax, with all other variables held constant.

## 29. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 5% and 10%.

## 30. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- The manufacturing segment is business of manufacturing and sale of plywood, veneer and laminated veneer lumber.
- The electricity segment is the business of generation, transmission, distribution and sale of electricity.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 30. Segment information (continued)

	Manufacturing		Electricity		Adjustments and eliminations		Note	Per consolidated financial statements	
	2011 RM	2010 RM	2011 RM	2010 RM	2011 RM	2010 RM		2011 RM	2010 RM
<b>Revenue:</b>									
External customers	122,048,407	120,320,510	101,673	57,726	-	-		122,150,080	120,378,236
Inter-segment	-	-	4,163,588	5,360,751	(4,163,588)	(5,360,751)	A	-	-
Total revenue	122,048,407	120,320,510	4,265,261	5,418,477	(4,163,588)	(5,360,751)		122,150,080	120,378,236
<b>Results:</b>									
Interest income	150,672	123,981	-	-	-	-		150,672	123,981
Depreciation and amortisation	3,144,111	3,337,404	1,810,074	1,789,106	41,169	40,183		4,995,354	5,166,693
Segment profit	14,882,011	8,920,898	447,266	1,871,708	-	-		15,329,277	10,792,606
<b>Assets:</b>									
Additions to non-current assets	1,506,114	5,756,415	215,470	1,071,885	-	-	B	1,721,584	6,828,300
Segment assets	100,191,036	89,140,316	17,337,659	18,969,001	8,527,993	6,084,613	C	126,056,688	114,193,930
<b>Segment liabilities</b>	6,273,330	8,862,247	183,329	293,733	9,131,070	2,880,341	D	15,587,729	12,036,321

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 30. Segment information (continued)

### Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

- A Inter-segment revenues are eliminated on consolidation.
- B Other material non-cash expenses consist of net unrealised foreign exchange losses
- C Additions to non-current assets consist of:

	2011 RM	2010 RM
Property, plant and equipment	1,721,584	5,828,300
Other investments	-	1,000,000
	1,721,584	6,828,300

- D The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2011 RM	2010 RM
Other investments	3,749,040	1,149,040
Deferred tax assets	3,302,402	3,417,853
Inter-segment assets	1,476,551	1,517,720
	8,527,993	6,084,613

- E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2011 RM	2010 RM
Deferred tax liabilities	2,939,070	2,880,341
Dividends payable	6,192,000	-
	9,131,070	2,880,341

### Geographical information

Revenue information based on the geographical location of customers is as follows:

	2011 RM	2010 RM
Australia	1,135,854	122,224
Canada	-	217,169
People's Republic of China	967,849	1,209,384
Hong Kong	-	1,001,159
India	10,932,805	6,228,781

# Notes to the Financial Statements (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

## 30. Segment information (continued)

### Geographical information (continued)

Revenue information based on the geographical location of customers is as follows:

	2011 RM	2010 RM
Japan	267,463	-
Korea	7,725,510	2,460,494
Malaysia	12,959,852	15,038,084
Mexico	-	2,239,180
Singapore	-	1,079,081
Taiwan	29,060,145	24,454,374
United States of America	59,100,602	66,328,306
	122,150,080	120,378,236

## 31. Dividends

	Group and Company 2011 RM	2010 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim tax exempt (single-tier) dividend for 2010: 6.8132 sen per ordinary share of RM0.50 each	6,200,000	-
- Interim tax exempt (single-tier) dividend for 2011: 6 sen per ordinary share of RM0.50 each	6,192,000	-
	12,392,000	-

## 32. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 18 April 2012.

# Supplementary Information

## 33. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Total retained earnings of the Company and its subsidiary				
- Realised	59,620,559	58,118,449	46,621,081	45,566,237
- Unrealised	(1,615,020)	(1,440,840)	(4,917,422)	(4,858,693)
	58,005,539	56,677,609	41,703,659	40,707,544
Less: Consolidation adjustments	(20,000)	(20,000)	-	-
Retained earnings as per financial statements	57,985,539	56,657,609	41,703,659	40,707,544

# List of Properties

HELD BY THE GROUP AS AT 31 DECEMBER 2011

No	Location	Tenure	Land area and gross built-up area	Approximate age of building	Description and current use	Net book value as at 31 December 2011	Effective year of purchase
1	Mile 3, Jalan Masak, Kampung Ulu Patikang, Locked Bag 13 SM-88, 89009 Keningau, Sabah, Malaysia.	99 years expiring on 31.12.2081	Land area 94,700 square meters Gross built-up area 31,370.47 square meters	20 years	Industrial land and building	1,761,332	1991
2	11F, Wisma Perindustrian, Jalan Istiadat, 88400 Likas, Kota Kinabalu, Sabah, Malaysia	99 years expiring on 31.12.2093	Land area 11,610 square meters Gross built-up area 990.20 square meters	14 years	Commercial building	2,953,136	1997



# Analysis of Shareholdings

AS AT 30 APRIL 2012

Authorised share capital	: RM150,000,000.00
Issued and fully paid-up capital	: RM51,600,000.00
Class of shares	: Ordinary shares of RM0.50 per share
Voting Rights of Shareholders	: One vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS AS AT 30 APRIL 2012

Size of holdings	No. of holders	%	No. of shares	%
1 – 99	3	0.38	100	0.00
100 – 1,000	104	13.17	91,800	0.09
1,001 – 10,000	457	57.85	2,458,000	2.38
10,001 – 100,000	186	23.54	5,577,300	5.40
100,001 – 5,159,999 (*)	34	4.30	49,998,568	48.45
5,160,000 and above (**)	6	0.76	45,074,232	43.68
Total	790	100.00	103,200,000	100.00

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

## SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2012

	No. of shares	Direct	%	No. of shares	Indirect	%
Chen Chun Hsiung	9,470,324		9.18	-		-
Aznam Bin Mansor	9,087,000		8.81	-		-
Lu Chin Ting	7,576,258		7.34	4,419,484 <sup>(1)</sup>		4.28
Lin Fong Ming	6,313,550		6.12	12,627,100 <sup>(1)</sup>		12.24
Lin Hao Wen	6,313,550		6.12	12,627,100 <sup>(2)</sup>		12.24
Lin Hao Yu	6,313,550		6.12	12,627,100 <sup>(2)</sup>		12.24
Lu Wei Hsu	4,419,484		4.28	7,576,258 <sup>(2)</sup>		7.34
Lu Wei Sheng	-		-	11,995,742 <sup>(2)</sup>		11.62
Yang Chien Chih	3,156,776		3.06	9,470,328 <sup>(1)</sup>		9.18
Yang Hsi Hsien	3,156,776		3.06	9,470,328 <sup>(2)</sup>		9.18
Yang Sen	3,156,776		3.06	9,470,328 <sup>(2)</sup>		9.18
Yang Wei Szu	3,156,776		3.06	9,470,328 <sup>(2)</sup>		9.18

(1) Deemed interest by virtue of shares held by children

(2) Deemed interest by virtue of shares held by close family members

## DIRECTORS' SHAREHOLDINGS

	No. of shares	Direct	%	No. of shares	Indirect	%
Chen Chun Hsiung	9,470,324		9.18	-		-
Aznam Bin Mansor	9,087,000		8.81	-		-
Lu Chin Ting	7,576,258		7.34	4,419,484 <sup>(1)</sup>		4.28
Lin Fong Ming	6,313,550		6.12	12,627,100 <sup>(1)</sup>		12.24
Lin Hao Wen	6,313,550		6.12	12,627,100 <sup>(2)</sup>		12.24

# Analysis of Shareholdings (cont'd)

AS AT 30 APRIL 2012

## DIRECTORS' SHAREHOLDINGS (CONTINUED)

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Lin Lieh Ming	5,050,840	4.89	-	-
Yang Sen	3,156,776	3.06	9,470,328 <sup>(2)</sup>	9.18
Wong Yoke Nyen	-	-	-	-
Ng Tian Meng	-	-	-	-

(1) Deemed interest by virtue of shares held by children

(2) Deemed interest by virtue of shares held by close family members

## LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2012

No.	Name of Shareholders	No of shares Held	%
1	Chen Chun Hsiung	9,470,324	9.18
2	Aznam Bin Mansor	9,087,000	8.81
3	Lu Chin Ting	7,576,258	7.34
4	Lin Fong Ming	6,313,550	6.12
5	Public Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Lin Hao Wen (E-KKU /KNG)</i>	6,313,550	6.12
6	Public Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Lin Hao Yu (E-KKU /KNG)</i>	6,313,550	6.12
7	Lu Chun- Chien	5,050,840	4.89
8	Public Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Lin Lieh Ming (E-KKU/KNG)</i>	5,050,840	4.89
9	Lu Wei Hsu	4,419,484	4.28
10	Kuo Chang-Fang	3,927,800	3.81
11	Huang Chia-Hsing	3,766,900	3.65
12	Public Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Yang Chien Chih (E-KKU/KNG)</i>	3,156,776	3.06
13	Public Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Yang Hsi Hsien (E-KKU/KNG)</i>	3,156,776	3.06
14	Yang Sen	3,156,776	3.06
15	Yang Wei Szu	3,156,776	3.06
16	Chen Zong-Liang	3,003,000	2.91
17	Hsueh Chen Seng	3,003,000	2.91
18	Yang Wen-Chia	3,003,000	2.91
19	Lin Su-Hui	949,600	0.92
20	Khoo Hock Leong	802,600	0.78
21	Chang Yung-Sheng	712,200	0.69

# Analysis of Shareholdings

AS AT 30 APRIL 2012

## LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2012 (CONTINUED)

No.	Name of Shareholders	No of shares Held	%
22	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Son Huat</i>	528,700	0.51
23	Chocolate Sales & Supplies Sdn. Bhd.	429,800	0.42
24	Cheah Oi Chee	289,900	0.28
25	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Song Swei Feng (MQ0343)</i>	280,000	0.27
26	Goh Chee Choy	263,000	0.25
27	Ooi Sing Hwat	200,000	0.19
28	JF Apex Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Chiang Ping-Chung (Margin)</i>	162,000	0.16
29	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Young Ket Yee (E-TWU)</i>	155,000	0.15
30	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lee Yap Joo (E-JBU / PNS)</i>	150,000	0.15
Total		93,849,000	90.95

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Second Annual General Meeting of FOCUS LUMBER BERHAD will be held at Zara's Boutique Hotel, Harbour City, Jalan Pantai Baru, Sembulan, 88100 Kota Kinabalu, Sabah on Tuesday, 26 June 2012 at 2.30 p.m. to transact the following business:-

## ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**
2. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2011. **(Resolution 1)**
3. To re-elect the following Directors who retire pursuant to Article 67 of the Company's Articles of Association:-
  - (i) Lin Lieh Ming **(Resolution 2)**
  - (ii) Lin Hao Wen **(Resolution 3)**
4. To re-elect Yang Sen who retires pursuant to Article 73 of the Company's Articles of Association. **(Resolution 4)**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modifications:-

6. **Ordinary Resolution**  
**Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**  
  
"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting." **(Resolution 6)**
7. **Special Resolution –**  
**Proposed Amendments to the Articles of Association**  
  
"THAT the proposed amendment to the Articles of Association of the Company as set out in the Annexure A be and is hereby approved and adopted." **(Resolution 7)**

# Notice of Annual General Meeting (cont'd)

8. To consider any other business of which due notice shall be given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

**WONG WAI FOONG (MAICSA 7001358)**  
**WONG PEIR CHYUN (MAICSA 7018710)**

Secretaries

Kuala Lumpur

Date: 4 June 2012

## NOTES:

### 1. Notes on Appointment of Proxy

- (a) A member entitled to attend and vote at the Meeting is entitled to appoint proxy(ies) (or in case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy 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.
- (b) 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 appointer is a corporation, either under the corporation's Seal or under the hand of an officer or attorney duly authorised.
- (c) A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meetings and each proxy shall represent a minimum of 100 shares and that where the members appoint two (2) or more proxies, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- (d) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (f) Where the authorised nominee or an exempt authorised nominee appoints more than one proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing proxies.
- (g) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Share Registrar of the Company at Tricor Investor Services Sdn. Bhd. (118401-V), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
- (h) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 45(c) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 15 June 2012 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

# Notice of Annual General Meeting (cont'd)

## NOTES: (CONTINUED)

### 2. Explanatory Notes

#### (i) Item 1 of Agenda

This item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

#### Special Business

#### (ii) Resolution No. 6 - Authority to Issue Shares

The proposed Resolution No. 6 is proposed for the purpose of granting a general mandate ("General Mandate") and empowering the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the Issued Share Capital of the Company for such purpose as the Directors consider would be in the interest of the Company.

The authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

The General Mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this General Mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.

#### (iii) Resolution No. 7 - Proposed Amendments to the Articles of Association

The proposed amendments to the Articles of Association of the Company are to comply with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and for facilitating some administration issues.

# Annexure A

The existing Articles of Association ("Articles") of the Company is proposed to be amended as set out in second column below:-

Existing		Amended	
Article 2		Article 2	
<u>Words</u>	<u>Meaning</u>	<u>Words</u>	<u>Meaning</u>
Options	includes options under a share scheme for employees, convertible securities and any other types of options in respect of the issued or unissued securities of a corporation.	(Deleted)	(Deleted)
Share Scheme for Employees	means a share scheme involving a new issue of shares to employees.	Share Issuance Scheme	means a scheme involving a new issuance of shares to the employees.
Article 4		Article 4	
No director shall participate in a share scheme for employees unless shareholders in general meeting have approved the specific allotment to be made to such director.		No director shall participate in a Share Issuance Scheme unless shareholders in general meeting have approved the specific allotment to be made to such director.	
Article 46		Article 46	
All business shall be special that is transacted at an extraordinary general meeting, and also all that that is transacted at an Annual General Meeting with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the report of the Directors and auditors, the election of Directors in the place of those retiring, and the appointment and fixing of the remuneration of the auditors.		All business shall deemed special that is transacted at an extraordinary general meeting and also all business that is transacted at an annual general meeting with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the report of the Directors and auditors, the appointment / election of Directors, fixing of Directors remuneration and the appointment and fixing of the remuneration of the auditors.	
Article 61		Article 61	
The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A Member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and each proxy appointed, shall represent a minimum of 100 shares. Where the Member appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the Member specifies the proportion of his shareholding to be represented by each proxy.		<p>(1) The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.</p> <p>(2) A Member of the Company who is entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members of the Company, may appoint not more than two (2) proxies to attend and vote instead of the Member at the meeting.</p> <p>(3) Where a Member appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless the Member specifies the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.</p>	

# Annexure A (cont'd)

Existing	Amended
	<p>(4) A proxy need not be a member. There shall be no restriction as to the qualification of the proxy and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.</p> <p>(5) A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.</p>
<p>Article 62</p> <p>Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account</p>	<p>Article 62</p> <p>(1) Where a Member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.</p> <p>(2) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.</p> <p>An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.</p> <p>(3) Where the authorized nominee appoints two (2) proxies, or where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.</p>
<p>Article 64</p> <p>The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered Office of the Company or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.</p>	<p>Article 64</p> <p>The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered Office of the Company or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. A member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy but however such attendance shall automatically revoke the proxy's authority.</p>



# Annexure A (cont'd)

Existing	Amended
<p>Article 77</p> <p>The office of Director shall become vacant if the Director:</p> <ul style="list-style-type: none"> <li>(a) Ceases to be a Director by virtue of the Act;</li> <li>(b) Becomes bankrupt or makes any arrangement or composition with his creditors generally during his term of office;</li> <li>(c) Becomes prohibited from being a Director by reason of any order made under the Act;</li> <li>(d) Becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;</li> <li>(e) Resigns his office by notice in writing to the Company;</li> <li>(f) Is absent for more than 50% of the total Board of Directors' Meeting held during a financial year unless approval is sought and obtained from the Exchange;</li> <li>(g) Without the consent of the Company in general meetings holds any other office of profit under the Company except that of managing director of manager;</li> <li>(h) The spouse of the director (not being herself or himself a director of the company) and the child, including adopted child or step child, of a director of the company (not being himself or herself a director of the company) is directly or indirectly interested in any contract or proposed contract with the Company and fails to declare the nature of his interest in manner required by the Act; or</li> <li>(i) Has been convicted by a court of law, whether within Malaysia or elsewhere, in relation to the offences under the Act or the Securities Law as defined in the Listing Requirements.</li> </ul>	<p>Article 77</p> <p>The office of Director shall become vacant if the Director:</p> <ul style="list-style-type: none"> <li>(a) Ceases to be a Director by virtue of the Act;</li> <li>(b) Becomes bankrupt or makes any arrangement or composition with his creditors generally during his term of office;</li> <li>(c) Becomes prohibited from being a Director by reason of any order made under the Act;</li> <li>(d) Becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;</li> <li>(e) Resigns his office by notice in writing to the Company;</li> <li>(f) Without the consent of the Company in general meetings holds any other office of profit under the Company except that of managing director of manager;</li> <li>(g) The spouse of the director (not being herself or himself a director of the company) and the child, including adopted child or step child, of a director of the company (not being himself or herself a director of the company) is directly or indirectly interested in any contract or proposed contract with the Company and fails to declare the nature of his interest in manner required by the Act; or</li> <li>(h) Has been convicted by a court of law, whether within Malaysia or elsewhere, in relation to the offences under the Act or the Securities Law as defined in the Listing Requirements.</li> </ul>
<p>Article 102</p> <p>The Secretary or Secretaries of the Company shall in accordance with the Act be appointed by the Directors for such terms, at such remuneration, and upon such conditions as they may think fit, and any Secretary or Secretaries so appointed may be removed by them, but without prejudice to any claim he or they may have for damages for any breach of contract of service against the Company.</p>	<p>Article 102</p> <ul style="list-style-type: none"> <li>(i) The Secretary or Secretaries of the Company shall in accordance with the Act be appointed by the Directors for such terms, at such remuneration, and upon such conditions as they may think fit, and any Secretary or Secretaries so appointed may be removed by them, but without prejudice to any claim he or they may have for damages for any breach of contract of service against the Company.</li> <li>(ii) The office of the Secretary shall be vacated if the secretary resigns by notice in writing to the Company, left at the Office and copies sent to all the directors for the time being at their last known residential addresses. Where a Secretary gives notice of resignation to the directors, the Secretary shall cease to act as Secretary with immediate effect, and unless provided in the terms of engagement, within the stipulated time.</li> </ul>

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# PROXY FORM



富佳木業有限公司  
FOCUS LUMBER BERHAD  
(Company No. 188710-V)

No. of Shares held	
--------------------	--

I/We \_\_\_\_\_  
I.C./Passport/Company No. \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of **FOCUS LUMBER BERHAD** hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
or failing whom, \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Second Annual General Meeting of the Company, to be held at Zara's Boutique Hotel, Harbour City, Jalan Pantai Baru, Sembulan, 88100 Kota Kinabalu, Sabah on **Tuesday, 26 June 2012 at 2.30 p.m.** and, at every adjournment thereof for/against\* the resolution(s) to be proposed thereat.

Item	AGENDA	Resolution	For	Against
1.	<b>Ordinary Business</b> Receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.			
2.	Approval on the payment of Directors' fees for the financial year ended 31 December 2011.	1		
3(i)	Re-election of Mr. Lin Lieh Ming as Director of the Company pursuant to Article 67 of the Company's Articles of Association.	2		
3(ii)	Re-election of Mr. Lin Hao Wen as Director of the Company pursuant to Article 67 of the Company's Articles of Association.	3		
4	Re-election of Mr. Yang Sen as Director of the Company pursuant to Article 73 of the Company's Articles of Association.	4		
5	Re-appointment of Messrs Ernst & Young as Auditors and authorise the Directors to fix their remuneration.	5		
	<b>Special Business</b>			
6	Authority to the Director to Issue Shares pursuant to Section 132D of the Companies Act, 1965.	6		
7	Proposed Amendments to the Articles of Association	7		

Please indicate with an "x" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

\_\_\_\_\_  
Signature/ Common Seal of Shareholder(s)

\*Strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he thinks fit).

## Notes:

- A member entitled to attend and vote at the Meeting is entitled to appoint proxy(ies) (or in case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy 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.
- 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 appointer is a corporation, either under the corporation's Seal or under the hand of an officer or attorney duly authorised.
- A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meetings and each proxy shall represent a minimum of 100 shares, and that where the members appoint two (2) or more proxies such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where the authorised nominee or an exempt authorised nominee appoints more than one proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing proxies.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Share Registrar of the Company at Tricor Investor Services Sdn. Bhd. (118401-V), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
- For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 45(c) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 15 June 2012 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

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AFFIX  
STAMP

The Share Registrar  
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