Focus Lumber Berhad (188710-V)

Mile 3, Jalan Masak, Kampung Ulu Patikang,
Locked Bag 13 SM-88, 89009 Keningau,
Sabah, Malaysia.
Tel: 087-334761/4/6, 335457/8
Fax: 087-335459
Email: focuskgu@tm.net.my

Focus Lumber Berhad (188710-V)

Annual Report **2012**

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

Annual Report
2012

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

CONTENTS

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 2011. The principal activities of FLBHD are manufacturing and sale of plywood, veneer, laminated veneer lumber 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 bought 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 emphases 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 authorized third party certifier. The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished good 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.

In January 2013, FLBHD was accredited as a certified Lacey Compliant Wood Products Manufacturer by Benchmark International, LLC (BMH) under the BMH Lacey Compliance Verification (LCV) Program, affirming the legality of sourced forest products used in the manufacture of FLBHD products. BMH is an independent third party auditors who assist wood products manufacturers and importers in proving that their source of forest products are legal as required by the Lacey Act, which was passed by the US Congress in 1900 and 2008, by adding the protection of plants and plant products. This certification will give our US customers a higher degree of confidence and helps protect them from heavy civil and criminal penalties that can result from violating the Lacey Act.

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

Lin Hao Wen
Managing Director

Lin Lieh Ming
Executive Director

Yang Sen
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 Hao Wen (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)

SENIOR INDEPENDENT NON- EXECUTIVE DIRECTOR
Aznam Bin Mansor
Email: am@lh-ag.com

PRINCIPAL BANKERS
AmIslamic Bank Berhad
Argo Bank (Malaysia) Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
RHB Bank Berhad

WEBSITE
www.focuslumber.com.my

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

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 NAME / CODE
FLBHD / 5197

STOCK EXCHANGE LISITING
Main Market of Bursa Malaysia Securities Berhad

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 US market and become the sole supplier of plywood to Ihlo Sales & Import Co., one of our long term customers from the US. Our plywood was 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 manpower used in production, increase product quality, and facilitate production processes.
2005	In order to cope with increasing demand, we added up 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 Sdn. Bhd., a subsidiary wholly owned by us, which reuses bulk waste to generate biomass energy to supply electricity to our production plant, office 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	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. Acquired the Blue Cube formaldehyde emissions testing machine from the US and established our own small chamber room for formaldehyde emissions testing. The investment further reflects our commitment towards quality control and ensuring we continuously meet our customer's specifications and requirements. Became the first Malaysian plywood mill 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 goods for sale in California.
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.
2011	Successfully listed in the Main Board of Bursa Malaysia Securities Berhad.
2013	Accredited as a certified Lacey Compliant Wood Products Manufacturer by Benchmark International, LLC (BMH) under the BMH Lacey Compliance Verification (LCV) Program affirming the legality of sourced forest products used in the manufacturing of our products.

DIRECTOR'S PROFILE

Aznam Bin Mansor
Malaysian, aged 55
Chairman/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. Upon his admission to the Malaysian Bar, he commenced his legal practice and he has been a partner of his present legal practice, Lee Hishammudin Allen & Gledhill since 1993. Currently, he is the Independent Non-Executive Chairman and a member of the Audit, Remuneration and Nomination Committee of Mikro MSC Berhad, Benalec Holdings Berhad and Sentoria Group Berhad. In addition, he is a Non-Executive Director of Knusford Bhd.

Lin Hao Wen
Taiwanese, aged 35
Managing Director

Lin Hao Wen, our Managing Director, was appointed to our Board on 14 July 2009. He is also a member of the Remuneration Committee.

He graduated from Yuan-Ze University, Taiwan with a Bachelor Degree in Computer Science in 2001 and subsequently pursued his Master in Business Administration (Major in Supply Chain Management) in Eastern Michigan University, USA. He graduated in 2006 and started his career with our Group in 2007 as Assistant to the Managing Director overseeing the business operation in the area of production and marketing. On 1 March 2013, he is appointed as the Managing Director of the Company and thereafter, he is also appointed as a member of the Remuneration Committee.

Lin Lieh Ming
Taiwanese, aged 55
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.

Yang Sen
Taiwanese, aged 42
Executive Director

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

He holds a Bachelor Degree in International Trade from Ming Chuang University, Taiwan in 1994. Prior to joining our Group, he was a Marketing Manager in a veneer manufacturing company in Cambodia for 5 years. In 2000, he joined our Group as the Sales and Marketing Manager and was promoted to the position of Head of Sales and Marketing Department in 2009.

Wong Yoke Nyen

Malaysian, aged 54
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, USA.

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, Benalec Holdings Berhad and Sentoria Group Berhad.

Ng Tian Meng

Malaysian, aged 58
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 29 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 (Major 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 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, a major shareholder.*
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. *Lin Lieh Ming is the nephew to Lu Chin Ting, a major shareholder.*

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 strucure is as follows :

FOCUS LUMBER BERHAD
(188710-V)

100% ↓

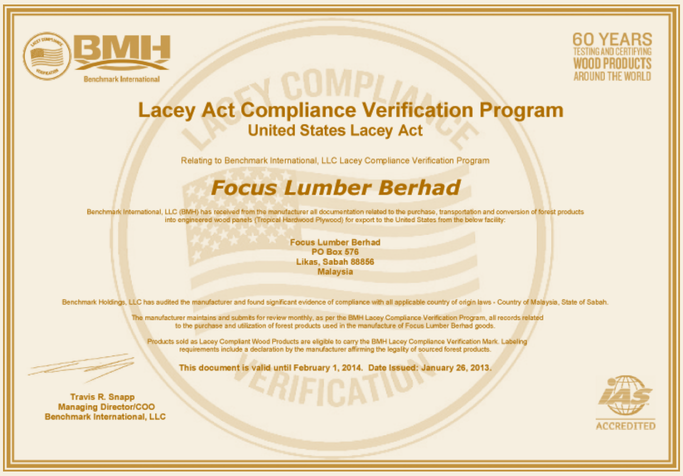
UNTUNG RIA SDN BHD
(434316-V)

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 2012.


BMH
Benchmark International
60 YEARS TESTING AND CERTIFYING WOOD PRODUCTS AROUND THE WORLD

Lacey Act Compliance Verification Program
United States Lacey Act

Relating to Benchmark International, LLC Lacey Compliance Verification Program

Focus Lumber Berhad

Benchmark International, LLC (BMH) has received from the manufacturer all documentation related to the purchase, transportation and conversion of forest products into engineered wood panels (Tropical Hardwood Plywood) for export to the United States from the below facility:

Focus Lumber Berhad
PO Box 576
Likas, Sabah 88856
Malaysia

Benchmark Holdings, LLC has audited the manufacturer and found significant evidence of compliance with all applicable country of origin laws - Country of Malaysia, State of Sabah.

The manufacturer maintains and submits for review monthly, as per the BMH Lacey Compliance Verification Program, all records related to the purchase and utilization of forest products used in the manufacture of Focus Lumber Berhad goods.

Products sold as Lacey Compliant Wood Products are eligible to carry the BMH Lacey Compliance Verification Mark. Labeling requirements include a declaration by the manufacturer affirming the legality of sourced forest products.

This document is valid until February 1, 2014. Date Issued: January 26, 2013.

Travis R. Snapp
Managing Director/COO
Benchmark International, LLC

IAS ACCREDITED

Overview of the Industry

For the year 2012, the global plywood market experienced a marginal recovery in demand as there is a continuous growth in the housing development in US and the emerging markets across Asia, Latin America and Europe since the last few years. The Group recorded an increased sale of its plywood to the US market by 27.9% in year 2012 as compared to the previous year. We anticipate more sales will be rolling to the US plywood market in the year ahead. However, the Group will be cautiously overlooking the overall performance as there will be more challenges and uncertainties such as the inflated costing elements and the sluggish economies from the prolonged Eurozone Debt Crisis, the US Debt Ceiling Crisis etc.

Financial Performance

For the year under review, the Group recorded revenue of RM132.80 million, an increase of 8.7% against the previous year performance of RM122.15 million. The increase in sales was contributed by a better production yield in the financial year 2012. Profit before taxation was RM 8.38 million, a decline of 45.3% to the previous year of RM15.33 million while the net profit after taxation of RM11.60 million represented a decline of 15.4% year on year. This translated to earnings per share of 11.2 sen. The decline in the profits was mainly due to the increase of the raw material cost and the fluctuation of the USD currency.

Equity attributable to owners of the Company grew from RM110.47 million in the previous year to RM115.88 million in 2012 while return on equity for the year under review was 10.2%.

Though the Group has been under significant pressure on the increasing cost of production and the fluctuation of the USD currency during the financial year 2012, however, the Group has managed to achieve growth in its earnings mainly benefited by the improving US housing market and the increasing plywood demand.

Corporate Social Responsibility

The Group acknowledges the importance of Corporate Social Responsibility (CSR) and has practiced its CSR towards the four approaches, i.e. the workplace, environment, community and the stakeholders which are also in line with Bursa Malaysia's framework. Just to name a few, the Group has taken the initiatives towards the following:-

1. Promoting a work-life balance among its employees through organising recreational activities such as sports events, Labour Day Feast, etc;
2. Maintaining a safe clean and healthy working environment through strengthening safety awareness and facilities such as fire prevention program and improved rescue facilities etc;
3. Conducting cleaning events and beautifying gardens and landscaping within the compound of the premises;
4. Investing in building human capital through learning and capability development;
5. Reaching out to the societal needs through donations and sponsorship for charitable events and festive seasons;
6. Recycling of wood waste for biomass power generation; and
7. Carrying out a Lacey Compliance Verification (LCV) Program in affirming the legality of sourced forest products used in the manufacture of our products which will give high confidence to our customers under the requirement of the Lacey Act for the US market.

CHAIRMAN'S STATEMENT (Cont'd)

Prospects

Due to the implementation of the Minimum Wages System effective from 1 January 2013, the Group's operating environment has becoming more challenging in order to remain profitable in the year ahead. However, the Group expects that the prices of its products will remain competitive since the US employment market has improved at the start of the year and the gains in hiring is on the heels of a rebounded housing market, a pickup in consumer spending and more corporate investment which will help bolster stability in US economy, of which will result in a stronger plywood demand and better pricing in the plywood market.

The Group, having been certified by a wood products testing and certifying company from US recently, will expand its businesses further into the US region and will pursue a bigger share in US plywood market.

Looking forward, the Group will continue to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet, and keeping a close watch on costs and expenditures.With a healthy balance sheet, strong operating fundamentals and excellent leadership of the Board, our CEO/MD and management, I am confident that the Group will continue to deliver growth and sustainable shareholders returns in the year ahead.

Appreciation

First of all, on behalf of the Board, I wish to extend my highest appreciation and salutation to our former Directors, Messrs Lu Chin Ting, Lin Fong Ming and Chen Chun Hsiung, who have dedicated their most valuable time, hard work and commitment during their services with the Group in striving for the Group's legendary success in the industry.

Meantime, our management team and employees also deserve our appreciation for their strong dedication, hard work and commitment that will enable the Group to look forward to a bright future.

We would also like to express our appreciation to all our valued customers, suppliers, business associates, bankers and regulatory authorities for the long-standing support, confidence and guidance to the Group. Above all, we thank you, our shareholders for your continuous support to the Group.

Aznam Bin Mansor
Chairman

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 by the Company 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 2012 ("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; risk management; succession planning; developing and implementing investors relations and reviewing internal controls.

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 6 of this Annual Report.

The Group has put in place a Board Charter that sets out, among others, the roles of the Board, division of responsibilities between the Chairman and the Managing Director, structures of the Board Committees, procedures for the conduct of meetings, conflict of interest, etc. More information on the Board Charter can be found on the Company's website at www.focuslumber.com.my.

Board Composition and Balance

The Board as at the date of this statement comprises six (6) members;-

(i) One (1) Managing Director
(ii) Two (2) Executive Directors
(iii) 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 Hao Wen 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 has also appointed the Board Chairman as the Senior Independent Non-Executive Director to whom concerns of individuals, internal and external, may be conveyed.

Currently, there is no women member on the Board. Nevertheless, the Board recognises the value of a women member on the Board. As such, towards in achieving the Board Diversity, the Board has adopted the Gender Diversity Policy and this policy is disclosed on pages 20 to 21 of this annual report.

None of the Directors of the Company had served nine (9) years at the Board.

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**

The Board meets regularly on a quarterly basis and as and when required. During the financial year, there were five (5) Board Meetings held and the attendance record is as follows:-

Directors		Total Number of Meetings attended by Directors
Aznam Bin Mansor		5/5
Wong Yoke Nyen		5/5
Ng Tian Meng		5/5
Lin Hao Wen		5/5
Lin Lieh Ming		4/5
Yang Sen		5/5
Lu Chin Ting	(Retired on 26 June 2012)	2/3
Lin Fong Ming	(Resigned on 24 September 2012)	4/4
Chen Chun Hsiung	(Resigned on 24 September 2012)	2/4

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 Malaysia Securities Berhad, Securities Commission and other regulatory authorities.

All Board members have access to the advice and services of the appointed Company Secretary, namely Tricor Corporate Services Sdn. Bhd. to enable them to discharge their duties effectively. The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. Both of the secretaries appointed to provide their services to the Company are qualified and they are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretary is responsible for ensuring the procedures for the Board meetings are followed and that applicable rules and regulations are complied with. Directors may also obtain independent professional advice whenever deemed necessary at the Company's expense.

- **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 that comprises of all non-executive directors, with a majority of them being independent directors complies with Para 15.09 (1)(b) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad. The summary of the activities and terms of reference of the Audit Committee are set out on pages 23 to 25 of this Annual Report.

The terms of reference of the Audit Committee are also set out in the Company's website at www.focuslumber.com.my.

(b) Nomination Committee

The Nomination Committee (NC) was established to assist the Board in identifying the right candidate with the necessary skills, experience and competencies to be filled in the Board. The NC comprises entirely Independent Non-Executive Directors as follows:-

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

With Mr. Aznam Bin Mansor being the Chairman of the NC, the Group has complied with Recommendation 2.1 of the Code which recommends that the Chair of the Nomination Committee should be the Senior Independent Director identified by the Board.

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/ Chief Executive Officer 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 effectives 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, as well as the Chief Executive Director where all assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented.

The Nomination Committee meets at least once a year. During the financial year ended 31 December 2012, the Nomination Committee held two (2) meetings to review and evaluate Directors' resignations and appointment and to carry out assessment on the contribution and performance of each individual Director and this includes an assessment on the independence of the Independent Directors as well as noted the trainings attended by each individual Director. The Board is satisfied with the contribution and performance of each individual Director as well as the Independent Directors complies with the criteria of Independence based on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Nomination Committee also discussed the succession plan of the Group.

The terms of reference of the Nomination Committee are set out in the Company's website at www.focuslumber.com.my.

(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 Hao Wen – Member (Appointed on 1 March 2013)
- Lin Fong Ming – Member (Resigned on 24 September 2012)

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.

The Group complies with Recommendation 2.3 of The Code as it has a Remuneration Policy & Procedure to provide a framework for remuneration paid to the members of the Board.

The remuneration policy and procedure provides a framework for remuneration paid to the members of the Board and the Management Team of the Company.

The remuneration policy recognises the need for the Company to attract, motivate and retain qualified members of the Board and the Management Team as well as to align the interests of the Board with the interests of the Company's shareholders.

The remuneration of the Board and the Management Team shall be designed to support the strategic goals of the Company and to promote value creation for the benefit of the shareholders of the Company.

To this end the remuneration policy embodies the following principles:

- Providing fair, consistent and competitive rewards to attract and retain high calibre executives.
- Motivating the Company's directors and executives to achieve superior performance.
- A remuneration framework that incorporates both short and long term incentives linked to Company performance and total shareholder return.
- Building a partnership between the Company and its directors and Management Team by encouraging share ownership in the Company by directors and Management Team.

Remuneration Procedure

The Board establishes the RC and it operates under a Term of Reference approved by the Board. The Committee oversees the remuneration arrangements for directors and the Management Team of the Company within this Policy.

The RC assesses the appropriateness of director and Management Team remuneration on an annual basis by reference to the principles of this Policy, overall employment market conditions, scope of work and the Company's financial position.

The RC recommends remuneration for the directors and Management Team to the Board for approval.

Remuneration of the Board

The members of the Board shall be remunerated with fixed annual fees approved by the general meeting and shall not be covered by incentive programs or be entitled to variable remuneration.

All members of the Board who are also members of the committees established by the Board shall receive an additional fixed fee as remuneration for their committee work. The size of the fixed committee fee depends on the competencies, effort and scope of work required by the members of each committee.

The Board's remuneration for the current financial year shall be approved by the general meeting of the Company.

The directors are reimbursed expenses and may be supported in their role through Company sponsored professional development activities, Company supplied technology, insurance and indemnity cover and other benefits.

During the financial year ended 31 December 2012, one (1) meeting was held, which was attended by all members of the Remuneration Committee. The Remuneration Committee reviewed and recommended to the Board the remuneration of the Directors.

Directors' Remuneration

The details of the Directors' remuneration of the Company for the financial year ended 31st December 2012 are set out below:-

	Executive Directors RM	Non-Executive Directors RM	Total RM
Salaries and other emoluments	763,000	73,500	836,500
Directors' fee	-	180,000	180,000
Defined contribution plans	9,360	-	9,360
	772,360	253,500	1,025,860

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

	No. of Directors	
Band of Remuneration	**Executive Directors**	**Non-Executive Directors**
RM50,001 to RM100,000	1	4
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	3	-
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	-	-

The disclosure of directors' remuneration is made in accordance with Appendix 9C, item 11 of the Bursa Malaysia Securities Berhad 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.

The terms of reference of the Remuneration Committee are set out in the Company's website at www.focuslumber.com.my.

- **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 on an annually basis. The NC will ensure that all assessments and evaluations carried out are properly documented and filed.

- **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 attended and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Malaysia Securities Berhad. 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 2012 are as follows:-

Director	Name of conferences, seminars and training programmes	Date
Aznam Bin Mansor	• Malaysian Code on Corporate Governance 2012 • Transforming Your Organizations Through the Y Generation	13 June 2012 18 June 2012
Lin Hao Wen	• Key Amendments to Listing Requirements 2011 and Corporate Disclosure Guide 2011 • Bursa Malaysia Sustainability Training For Directors & Practitioners	18 May 2012 20 November 2012
Lin Lieh Ming	• Key Amendments to Listing Requirements 2011 and Corporate Disclosure Guide 2011 • Bursa Malaysia Sustainability Training For Directors & Practitioners	18 May 2012 20 November 2012
Yang Sen	• Key Amendments to Listing Requirements 2011 and Corporate Disclosure Guide 2011 • Bursa Malaysia Sustainability Training For Directors & Practitioners	18 May 2012 20 November 2012
Wong Yoke Nyen	Law Governing Directors in a Nutshell: Duties and Liabilities under Malaysia Companies Act 1965	12 June 2012
Ng Tian Meng	• Introduction to Competition Act 2010 and Managing Human Resources for Company Directors, Company Secretaries and Senior Management • Key Amendments to Listing Requirements 2011 and Corporate Disclosure Guide 2011 • Corporate Directors Training Programme Fundamental • Bursa Malaysia Sustainability Training For Directors and Practitioners	10 April 2012 18 May 2012 22 September 2012 20 November 2012

Code of Conduct & Ethics, Whistleblowing Policy and Sustainability Policy

In line with the recommendations of The Code, the code of conduct & ethics, whistleblowing policy and sustainability policy have been established and approved by the Board on 11 April 2013.

The code of conduct & ethics and whistleblowing policy can be viewed at the Company's website at www.focuslumber.com.my.

The Company's sustainability policy can be referred on page 22 of this annual report.

The Code of Conduct & Ethics describes the behaviour expected of our employees and how they relate to our Business Principles and core values whilst the whistleblowing policy is designed to create a positive environment in which employees can raise genuine concerns without fear of recrimination and enable prompt corrective action to be taken where appropriate.

(B) 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.

In addition, the Group has established a website at www.focuslumber.com.my to provide public access to Group information and business activities in compliance with Para 9.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company complies with The Code through the establishment of Investors Relations and Shareholders Communication Policy. The aim of this Policy is to proactively communicate with the investors and shareholders to ensure that investors/ shareholders are informed of balanced and understandable information about the Company (including Group' business, major developments and financial performance) in a factual and timely manner.

In addition, investors and shareholders are also able to direct their queries to the Company through the Company's email at focuskgu@tm.net.my or focuskk@tm.net.my.

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.

The Board also encourages shareholders to participate, speak and vote at general meetings as well as the right to demand poll voting in the general meetings. However, so far the Company had not conducted any poll voting as there was no contentious issue raised at the meeting.

(C) 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.

Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining a sound risk management framework and internal control system, 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 Risk Management and Internal Control which provides an overview of the state of risk management and internal controls within the Group is disclosed on pages 26 to 28 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. During the financial year ended 31 December 2012, the external auditors have met twice with the Audit Committee without the presence of the Management.

In addition, the external auditors have also declared that they have complied with the ethical requirements regarding independence with respect to the conduct of the audit of the Group and were not aware of any non-audit services that have compromised their independence as external auditors of the Company.

(D) 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;
- 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.

(E) COMPLIANCE STATEMENT

The Board considers that the Group has substantially complied with the Best Practices of the Code throughout the financial year ended 31st December 2012.

(F) 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 2012, the proceeds of RM7.32 million raised by the Company from the Initial Public Offering ("IPO") exercise has been fully utilized for the expenses in conjunction with the listing of the Company on the Main Market of the Bursa Malaysia Securities Berhad on 28 April 2011 and for working capital of the Group.

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 2012 amounted to RM134,148.00 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 of Results

There were no variation of 10% or more between the audited results for the financial year ended 31 December 2012 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 pages 81 to 82.

7. Share Buy-Back

The Company did not undertake any share buy back exercise during the financial year 2012.

8. Options or Convertible Securities

No options or convertible securities were issued during the financial year 2012.

9. Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year 2012.

10. Profit Guarantee

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

GENDER DIVERSITY POLICY

The Board is pleased to set out below its approach to boardroom diversity as recommended by The Malaysian Code on Corporate Governance 2012.

Policy

The Company is committed to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees.

Diversity involves recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives, including persons with co-existing domestic responsibilities. Diversity may result from a range of factors including age, gender, ethnicity, cultural background or other personal factors. The Company values the differences between its people and the contribution these differences make to the Company.

1. Role of the Board

It is the responsibility of the Board to foster an environment where:

(a) Individual differences are respected.
(b) The ability to contribute and access employment opportunities is based on performance, skill and merit.
(c) Inappropriate attitudes, behaviours and stereotypes are confronted and eliminated.

2. Objectives

The Company encourages diversity in employment, and in the composition of its Board, as a means of ensuring the Company has an appropriate mix of skills and talent to conduct its business and achieve the Company's goals.

Specifically, the Company will provide equal opportunities in respect to employment and employment conditions, including:

(a) Hiring: The Board will ensure appropriate selection criteria based on diverse skills, experience and perspectives is used when hiring new staff, including Board members. Job specifications, advertisements, application forms and contracts will not contain any direct or inferred discrimination. The Board is empowered to engage professional consultants to assist in the hiring process by presenting diverse candidates to the Company for consideration.

(b) Training: All internal and external training opportunities will be based on merit and in light of Company and individual needs. The Board will consider senior management training and executive mentoring programs to develop skills and experience to prepare employees for senior management and Board positions.

(c) Career Advancement: All decisions associated with career advancement, including promotions, transfers, and other assignments, will meet the Company's needs and be determined on skill and merit.

3. Achieving Diversity

The Company will focus on the participation of women on its Board and within senior management.

However, the Company will not rush into identifying women to be included in its Board and senior management as the person selected must be able to contribute positively to the Company. The Nomination Committee has been tasked by the Board to continuously look for people with diverse skills and talent that can contribute to the Company.

4. Work environment

The Company will ensure that all officers, employees and contractors have access to a work environment that is free from harassment. The Company will not permit unwanted conduct based on an officer, employee or contractor's personal circumstances or characteristics.

The Board and senior managers are required to ensure that the work environment is harassment free, and to ensure that complainants or reports of sexual, racial or other harassment are treated seriously, confidentially, and sympathetically by the Company.

5. Reporting Responsibility

It is the responsibility of all directors, officers and employees to comply with the Company's Gender Diversity Policy and report violations or suspected violations in accordance with this Gender Diversity Policy.

Any breach of compliance with this Gender Diversity Policyis to be reported directly to the Chairman of the Board or the Audit Committee Chairman.

The contact details of the Chairman of the Board and Audit Committee Chairman where concerns can be raised by the employee are as follow:

Chairman of the Board	Audit Committee Chairman
Email: am@lh-ag.com	Email: nyen@wyncorp.com.my

Anyone breaching this Diversity Policy may be subject to disciplinary action, including termination.

6. Summary Of Diversity Policy

The Board has adopted a Diversity Policy which describes the Company's commitment to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Company performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements.

Adopted at the Board of Directors meeting on 11 April 2013.

SUSTAINABILITY POLICY

The Group recognizes the importance of sustainability development to businesses and is committed to ensure attention is given to environmental, social and governance aspects as an integral part of its business operations. The Group practices its Sustainability Policyon the following approach:-

1. The Workplace

The Group has the responsibility to provide and maintain a safe and healthy working environment for all its employees. Regular inspections and upgrades were carried out to ensure canteen cleanliness, kitchen and sewerage facilities were well maintained. Food hygienic standards are applied to ensure safety and health in the workplace. Recreation activities are organized, such as football and badminton tournaments and festive celebrations for employees and management staff to participate and interact. The establishment of a Safety and Health Committee for its manufacturing facilities is to ensure 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 such as the wood waste of which generated from the manufacturing process are used as material for the biomass power plant for regeneration of electricity supply for its operation. 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 associates, bankers and suppliers.

AUDIT COMMITTEE REPORT

1. Constitution

The Audit Committee was established to assist the Board to ensure that 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 2012, five (5) 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	5/5	100%
Aznam Bin Mansor	5/5	100%
Ng Tian Meng	5/5	100%

The representatives of the external auditors, internal auditors and other officers of the Group were also invited to attend and brief the members on specific issues during the Audit Committee Meeting.

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.

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, resources and competency 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) provide an opinion or view on the effectiveness of the related system of risk management and internal control in managing the significant risks, including exception reporting on significant risk management and control failures or weaknesses, which have a material impact on the Company's financial position;

(9) to consider the major findings of internal investigations and management's response;

(10) to review and monitor the suitability of the External Auditor ;

(11) to carry out an annual review of the performance of the External Auditor, including assessment of independence of External Auditor in the performance of their obligations as External Auditors; and

(12) 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.

4. Summary Of Activities Of The Audit Committee

The main activities carried out by the Audit Committee during the financial year ended 31 December 2012 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 2012;

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.

f. Recommended to the Board on the members to be appointed for Risk Management Committee.

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 in compliance to theMain Market Listing Requirements of Bursa Malaysia Securities Berhadunder Paragraph 9.25(1), Part A of Appendix 9C (30).

The Group's internal audit function is outsourced to a professional internal audit service provider and this ensures that the outsourced internal auditor is independent as it has no involvement in the operations of the Group. The outsourced internal auditor reports directly to the Audit Committee.

The Audit Committee has full and direct access to internal auditors, reviews the reports on all audits performed and monitors its performance. The Audit Committee also in its framework reviews the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

The outsourced internal auditor carried out internal audits on various operation units within the Group based on a risk-based audit plan approved by the Audit Committee. Based on these audits, the outsourced internal auditors provided the Audit Committee with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal control.

During the financial period, a summary of activities carried out by the outsourced internal auditor include:-

- Developing the internal audit plan for year 2012
- Performed internal audit review on the Production, Inventory and Human Resource function of the Group.
- Issued reports on the results of the internal audit review, identifying weaknesses with suggested recommendations for improvements to Management for further action to improve the system of internal control.
- Conducted follow up reviews to ensure that action plans are properly and appropriately implemented by Management in accordance with the agreed time frame.
- Attended Audit Committee's meetings to table and discuss the audit reports.

During the year, the Audit Committee has met four (4) times to carry out its responsibility in reviewing the internal audit function and to assure itself on the soundness of internal control system. The costs incurred for the outsourced internal audit function in respect of the financial year ended 31 December 2012 amounted to RM35,500.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTOL

The Malaysian Code on Corporate Governance promulgates, inter-alia, the need for listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and Group's assets. The Board of Directors ("Board") of Focus Lumber Berhad is pleased to present the Statement on Risk Management and Internal Control (the "Statement") which is in compliance with paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and has taken into account the guidelines mentioned in the Statement on Risk management and Internal Control (Guidelines for Directors of Listed Issuers).

Board's Responsibility

The Board acknowledges its responsibility for ensuring the adequacy and effectiveness of the Group's Risk Management and Internal Control System. This includes the establishment of an appropriate control environment and risk management framework, processes and structures and continually reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets.

Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any systems of internal control and risk management where such systems being designed to manage, rather than eliminate, the risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable, but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

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, risks and conduct are monitored. 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 process is regularly reviewed by the Audit Committee and the outcome of the review is reported to the Board.

For the financial year under review, the Board has received assurance from the Managing Director and Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the Group's risk management and internal control framework and systems is in place for the financial year under review and up to the date of issuance of the financial statements for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

Risk Management Framework

The Board firmly believes that an effective risk management is critical to the Group's continued profitability and the enhancement of shareholder value. Therefore, the Board has sourced for an external consultant to assist in developing a formal enterprise risk management framework that allows a more structured and focused approach to identify, evaluate, monitor and report the principal risks that affect the achievement of the Group's business objectives.

The Enterprise Risk Management (ERM) Framework would include the following:

- Conduct risk awareness session to create a culture of risk awareness among Management and Staff
- Establish the risk management structure to be adopted based on the organisation structure and operations of respective departments
- Establish risk parameters (impact & likelihood) and risk appetite
- Establish risk profile based on the identification of risks impacting FLB and its corresponding controls
- Develop risk management policy

Control Environment

In striving to operate a sound system of risk management and internal control that drives the Group towards achieving its goals, the Board of Directors has put in place an organisation structure with formally defined lines of responsibility and delegation of authority.

The Board is responsible towards the overall effectiveness of the Group's risk management and internal control systems through establishing, directing and supervising the operation of a risk framework that adequately manages the various risks faced by the Group whilst the Audit Committee is overall responsible for providing assurance to the Board of Directors, as an independent party, on the effectiveness of the internal control systems and risk management in the Group.

The daily running of business is entrusted to the Managing Director, Executive Director and the management team. This close-to-operations management style enables timely identification and reporting of significant matters.

In order to inculcate a standard of ethical behaviour for directors and employees of the Group, a Code of Conduct and Code of Ethics have been established and communicated to all directors and employees of the Group.

The Group also maintains a Whistleblowing Policy to allow employees to raise concerns without fear of reprisals on possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, and in an appropriate way. Under the Group's Whistleblowing Policy, the employee should immediately report any malpractice that exists in the work place to his/ her manager. However, if the employee feels reluctant to do so, the employee has an option to either report it to the Chairman of the Board or the Audit Committee Chairman.

The Group's Code of Conduct, Code of Ethics and Whistleblowing Policy are published in the Company website at www.focuslumber.com.my

Internal Control

The Group has an established internal control structure and is committed to evaluating, enhancing and maintaining the structure to ensure effective control over the Group's business operations and to safeguard the Group's assets.

The key elements of the structure include:

- **Control Activities**

The Group's practice is guided by the Code of Conduct and Code of Ethics. Major decisions that require the approval of the Board are only made after detailed appraisal and review. Proposals for major capital expenditure and new investment by the Group are reviewed and approved by the Board of Directors.

Standard operating procedures are established to ensure operations undertaken by staff are properly guided for complete and accurate reporting.

- **Information and communication**

The Audit Committee holds meetings to deliberate on the findings and recommendations for improvement by the internal auditor on the state of the internal control system and reports to the Board. The Audit Committee also reviews and deliberates on any matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements of the Group.

Quarterly performance reports provide Management and the Board of Directors with information on financial performance and key business indicators.

- **Monitoring**

Periodic reviews of adequacy and integrity of selected areas of internal control system are carried out by the internal audit function and results of such reviews are reported to the Audit Committee. The internal audit function thereby provides independent assurance on the areas reviewed by the internal audit function to the Board on the effectiveness of the Group's internal control system.

Conclusion

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. There were no material losses that have arisen from any inadequacy or failure of the Group's system of internal control which required additional disclosure in the financial statements.

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.

Review of the Statement by External Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement. Their review was performed in accordance with Recommended Practice Guide (RPG) 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control, issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group. RPG 5 does not require the external auditors to, and they did not, consider whether this statement covers all risk and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

This Statement is made in accordance with the resolution of the Board of Directors dated 11 April 2013.

FINANCIAL STATEMENTS

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 2012.

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	11,600,226	10,462,367

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 2011 were as follows:

	RM
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
In respect of the financial year ended 31 December 2012:	
Interim tax exempt (single-tier) dividend of 12%, on 103,200,000 ordinary shares, declared on 19 November 2012 and paid on 4 February 2013	6,192,000
	12,384,000

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 Hao Wen	
Lu Chin Ting	(Retired on 26 June 2012)
Yang Sen	
Wong Yoke Nyen	
Ng Tian Meng	
Lin Fong Ming	(Resigned on 24 September 2012)
Chen Chun Hsiung	(Resigned on 24 September 2012)
Lin Lieh Ming	

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

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			
	1.1.2012	**Acquired**	**Sold**	**31.12.2012**
Direct interest:				
Ordinary shares of the Company				
Aznam Bin Mansor	9,087,000	-	(9,087,000)	-
Lin Hao Wen	6,313,550	-	-	6,313,550
Lin Lieh Ming	5,050,840	-	-	5,050,840
Yang Sen	3,156,776	-	-	3,156,776

Directors' interests (continued)

	Number of ordinary shares of RM0.50 each				
	1.1.2012	Acquired	Sold	31.12.2012	
Indirect interest:					
Ordinary shares of the Company					
Lin Hao Wen	12,627,100	-	-	12,627,100	@
Yang Sen	9,470,328	-	-	9,470,328	@

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

By virtue of Lin Hao Wen's and Yang Sen'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 corporation 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.

Other statutory information (continued)

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 financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

e) 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.

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 11 April 2013.

Lin Hao Wen **Lin Lieh Ming**

STATEMENT BY DIRECTORS

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

We, Lin Hao Wen and Lin Lieh Ming, 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 37 to 92 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and the cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 Profits 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 11 April 2013.

Lin Hao Wen

Lin Lieh Ming

STATUTORY DECLARATION

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

I, Lin Hao Wen, 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 37 to 92 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 Hao Wen
at Kota Kinabalu in the State of Sabah
on 11 April 2013

Lin Hao Wen

Before me,

INDEPENDENT AUDITORS' REPORT

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 2012 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 information, as set out on pages 37 to 92.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements 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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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.

Other reporting responsibilities

The supplementary information set out in Note 33 on page 93 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

1. As stated in Note 2 to the financial statements, Focus Lumber Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. 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

Yong Voon Kar
1769/04/14 (J/PH)
Chartered Accountant

Kota Kinabalu, Malaysia
11 April 2013

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	4	132,803,282	122,150,080	132,703,533	122,048,407
Cost of sales		(102,216,987)	(88,105,263)	(103,806,648)	(88,620,892)
Gross profit		30,586,295	34,044,817	28,896,885	33,427,515
Other items of income					
Interest income	5	386,620	150,672	386,620	150,672
Other income	6	365,271	2,919,906	425,271	2,978,395
Other items of expense					
Administrative expenses		(5,475,295)	(6,463,266)	(5,369,178)	(6,351,719)
Selling and distribution costs		(17,245,995)	(14,377,493)	(17,245,995)	(14,377,493)
Finance costs	7	-	(1,347)	-	(1,347)
Other expenses		(232,848)	(944,012)	(232,848)	(944,012)
Profit before tax	8	8,384,048	15,329,277	6,860,755	14,882,011
Income tax expense	11	3,216,178	(1,609,347)	3,601,612	(1,493,896)
Profit net of tax		11,600,226	13,719,930	10,462,367	13,388,115
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		11,600,226	13,719,930	10,462,367	13,388,115
Profit attributable to:					
Owners of the Company		11,600,226	13,719,930	10,462,367	13,388,115
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	12	11.24	13.81		
Diluted	12	11.24	13.81		

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

AS AT 31 DECEMBER 2012

	Note	Group			Company		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets							
Non-current assets							
Property, plant and equipment	13	38,830,187	43,716,588	46,987,450	23,092,445	26,479,010	28,155,268
Investment properties	14	2,871,110	1,476,551	1,517,720	2,871,110	1,476,551	1,517,720
Investment in a subsidiary	15	-	-	-	5,000,000	5,000,000	15,000,000
Other investments	16	1,149,040	1,149,040	1,149,040	1,149,040	1,149,040	1,149,040
Deferred tax assets	17	2,916,968	3,302,402	3,417,853	-	-	-
		45,767,305	49,644,581	53,072,063	32,112,595	34,104,601	45,822,028
Current assets							
Inventories	18	18,413,364	26,663,266	22,284,827	18,413,364	26,663,266	22,284,827
Other investments	16	-	2,600,000	-	-	2,600,000	-
Trade and other receivables	19	8,640,543	8,885,045	6,347,490	8,542,896	8,858,748	6,304,826
Tax refundable		1,309,611	4,444,811	3,679,073	1,309,611	4,444,811	3,679,073
Cash and bank balances	20	57,536,491	33,818,985	28,810,477	57,316,096	33,745,201	28,716,322
		85,900,009	76,412,107	61,121,867	85,581,967	76,312,026	60,985,048
Total assets		131,667,314	126,056,688	114,193,930	117,694,562	110,416,627	106,807,076

STATEMENTS OF FINANCIAL POSITION (Cont'd)

AS AT 31 DECEMBER 2012

	Note	Group			Company		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Equity and liabilities							
Current liabilities							
Trade and other payables	22	7,235,907	6,456,659	9,155,980	10,682,894	7,098,478	17,719,191
Dividends payable		6,192,000	6,192,000	-	6,192,000	6,192,000	-
		13,427,907	12,648,659	9,155,980	16,874,894	13,290,478	17,719,191
Net current assets		72,472,102	63,763,448	51,965,887	68,707,073	63,021,548	43,265,857
Non-current liability							
Deferred tax liabilities	17	2,362,222	2,939,070	2,880,341	2,362,222	2,939,070	2,880,341
Total liabilities		15,790,129	15,587,729	12,036,321	19,237,116	16,229,548	20,599,532
Net assets		115,877,185	110,468,959	102,157,609	98,457,446	94,187,079	86,207,544
Equity attributable to the owners of the Company							
Share capital	23	51,600,000	51,600,000	45,500,000	51,600,000	51,600,000	45,500,000
Share premium	23	883,420	883,420	-	883,420	883,420	-
Retained earnings	24	63,393,765	57,985,539	56,657,609	45,974,026	41,703,659	40,707,544
Total equity		115,877,185	110,468,959	102,157,609	98,457,446	94,187,079	86,207,544
Total equity and liabilities		131,667,314	126,056,688	114,193,930	117,694,562	110,416,627	106,807,076

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		|-------------- Non-distributable	----------|	Distributable
	Note	Equity, total RM	Share capital RM	Share premium RM	Retained earnings RM
Group					
Opening balance at 1 January 2012		110,468,959	51,600,000	883,420	57,985,539
Total comprehensive income		11,600,226	-	-	11,600,226
Transactions with owners					
Dividends on ordinary shares	31	(6,192,000)	-	-	(6,192,000)
Total transactions with owners		(6,192,000)	-	-	(6,192,000)
Closing balance at 31 December 2012		115,877,185	51,600,000	883,420	63,393,765
Opening balance at 1 January 2011		102,157,609	45,500,000	-	56,657,609
Total comprehensive income		13,719,930	-	-	13,719,930
Transactions with owners					
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 expenses		(336,580)	-	(336,580)	-
Total transactions with owners		(5,408,580)	6,100,000	883,420	(12,392,000)
Closing balance at 31 December 2011		110,468,959	51,600,000	883,420	57,985,539

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Equity, total RM	Non-distributable Share capital RM	Non-distributable Share premium RM	Distributable Retained earnings RM
Company					
Opening balance at 1 January 2012		94,187,079	51,600,000	883,420	41,703,659
Total comprehensive income		10,462,367	-	-	10,462,367
Transactions with owners					
Dividends on ordinary shares	31	(6,192,000)	-	-	(6,192,000)
Total transactions with owners		(6,192,000)	-	-	(6,192,000)
Closing balance at 31 December 2012		98,457,446	51,600,000	883,420	45,974,026
Opening balance at 1 January 2011		86,207,544	45,500,000	-	40,707,544
Total comprehensive income		13,388,115	-	-	13,388,115
Transactions with owners					
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 expenses		(336,580)	-	(336,580)	-
Total transactions with owners		(5,408,580)	6,100,000	883,420	(12,392,000)
Closing balance at 31 December 2011		94,187,079	51,600,000	883,420	41,703,659

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 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Operating activities				
Profit before tax	8,384,048	15,329,277	6,860,755	14,882,011
Adjustments for:				
Depreciation of investment properties	54,790	41,169	54,790	41,169
Depreciation of property, plant and equipment	4,834,894	4,954,185	3,005,322	3,144,111
Gain on disposal of plant and machinery	(65,562)	(504,377)	(65,562)	(504,377)
Interest expense	-	1,347	-	1,347
Interest income	(386,620)	(150,672)	(386,620)	(150,672)
Plant and equipment scrapped	2	-	2	-
Total adjustments	4,437,504	4,341,652	2,607,932	2,531,578
Operating cash flows before changes in working capital	12,821,552	19,670,929	9,468,687	17,413,589
Changes in working capital				
Decrease/(increase) in inventories	8,249,902	(4,378,439)	8,249,902	(4,378,439)
Decrease/(increase) in receivables	244,502	(2,537,555)	315,852	(2,553,922)
Increase/(decrease) in payables	779,248	(2,699,321)	3,584,416	(10,620,713)
Total changes in working capital	9,273,652	(9,615,315)	12,150,170	(17,553,074)
Cash flows from/(used in) operations	22,095,204	10,055,614	21,618,857	(139,485)
Interest paid	-	(1,347)	-	(1,347)
Interest received	105,073	22,266	105,073	22,266
Income tax paid	(1,108,600)	(2,200,905)	(1,108,600)	(2,200,905)
Income tax refunded	7,268,564	-	7,268,564	-
Net cash flows generated from/(used in) operating activities	28,360,241	7,875,628	27,883,894	(2,319,471)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Investing activities				
(Placement)/withdrawal in short-term deposits	(2,757,528)	2,526,822	(2,757,528)	2,526,822
Interest received	281,547	128,406	281,547	128,406
Withdrawal/(placement) of structured investment	2,600,000	(2,600,000)	2,600,000	(2,600,000)
Proceeds from disposal of plant and equipment	100,000	542,638	100,000	542,638
Purchase of property, plant and equipment	(1,432,282)	(1,721,584)	(1,102,546)	(1,506,114)
Redemption of redeemable non-cumulative preference shares in subsidiary	-	-	-	10,000,000
Net cash flows (used in)/generated from investing activities	(1,208,263)	(1,123,718)	(878,527)	9,091,752
Financing activities				
Dividends paid on ordinary shares	(6,192,000)	(6,200,000)	(6,192,000)	(6,200,000)
Proceeds from issuance of ordinary shares	-	7,320,000	-	7,320,000
Share issuance expenses	-	(336,580)	-	(336,580)
Net cash flows (used in)/generated from financing activities	(6,192,000)	783,420	(6,192,000)	783,420
Net increase in cash and cash equivalents	20,959,978	7,535,330	20,813,367	7,555,701
Cash and cash equivalents at 1 January	33,751,375	26,216,045	33,677,591	26,121,890
Cash and cash equivalents at 31 December	54,711,353	33,751,375	54,490,958	33,677,591

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 Mile 3, Jalan Masak, Kampung Ulu Patikang, Locked Bag 13 SM-88, 89009 Keningau, 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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

For the periods up to and including the financial year ended 31 December 2011, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards ("FRS").

These financial statements, for the financial year ended 31 December 2012 are the Group's first MFRS annual financial statements. MFRS 1 First time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied. The date of transition to MFRS is 1 January 2011.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

The transition from FRS to MFRS has not had a material impact on the statements of comprehensive income, statements of financial position and statements of cash flows.

2.3 Significant accounting policies and application of MFRS 1

The audited financial statements of the Group and the Company for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (Continued)

2.3 Significant accounting policies and application of MFRS 1 (Continued)

The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011.

2.4 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013

2. Summary of significant accounting policies (continued)

2.4 Standards issued but not yet effective (continued)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

2. Summary of significant accounting policies (continued)

2.4 Standards issued but not yet effective (continued)

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.5 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.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.6 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.

2.7 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.

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.

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

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.

2.9 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 2.8.

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2. Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

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 off 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 2.8 up to the date of change in use.

2.10 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.

2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

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

2.11 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.

2.12 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.

2. Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

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

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

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

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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.12 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. Summary of significant accounting policies (continued)

2.13 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.

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.

2.14 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 and have a short maturity of generally within three months when acquired. These also include bank overdrafts that form an integral part of the Group's cash management.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.15 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 and work in progress: 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.

2.16 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.

2.17 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, 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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.17 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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.18 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.

2.19 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.

2.20 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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.20 Leases (continued)

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 2.21(c).

2.21 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 reliably measured. 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 significant 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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.22 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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.22 Income taxes (continued)

b) Deferred tax (continued)

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 in adjusted against goodwill on acquisition.

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.

2.23 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.

2.24 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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Summary of significant accounting policies (continued)

2.25 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 statements of financial position of the Group.

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 2.1% (2011: 1.8%) variance in the Group's profit for the year.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

3. Significant accounting judgements and estimates (continued)

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 investment tax allowances and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised unutilised investment tax allowances and unabsorbed capital allowances of the Group was RM29,680,948 (31 December 2011: RM28,524,876, 1 January 2011: RM29,125,336).

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.

4. Revenue

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sale of veneer	7,375,325	7,346,257	7,375,325	7,346,257
Sale of plywood	123,864,674	112,142,683	123,864,674	112,142,683
Sale of laminated veneer lumber	1,463,534	2,559,467	1,463,534	2,559,467
Sale of electricity	99,749	101,673	-	-
	132,803,282	122,150,080	132,703,533	122,048,407

5. Interest income

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest income from:				
Fixed deposits	157,157	97,437	157,157	97,437
Structured investment	124,390	30,969	124,390	30,969
Foreign currency account	60,414	13,807	60,414	13,807
Current account	44,659	2,760	44,659	2,760
Other sources	-	5,699	-	5,699
	386,620	150,672	386,620	150,672

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6. Other income

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Gain on disposal of plant and machinery	65,562	504,377	65,562	504,377
Insurance claims	69,867	-	69,867	-
Foreign exchange gain - realised	50,287	1,922,532	50,287	1,921,021
Bad debts recovered	6,000	4,000	6,000	4,000
Rental income from land	18,000	21,000	78,000	81,000
Rental income from investment properties	112,000	102,000	112,000	102,000
Sundry income	43,555	365,997	43,555	365,997
	365,271	2,919,906	425,271	2,978,395

7. Finance costs

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense on:				
Bank overdraft	-	1,347	-	1,347

8. Profit before tax

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Employee benefits expense	12,011,818	12,518,415	11,384,962	11,846,672
Auditors' remuneration:				
- statutory audit	78,000	75,000	68,000	65,000
- other services	140,148	103,090	134,148	97,090
Depreciation of investment properties	54,790	41,169	54,790	41,169

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8. Profit before tax (continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Depreciation of property, plant and equipment	4,834,894	4,954,185	3,005,322	3,144,111
Direct operating expenses arising from investment properties -rental generating properties	79,200	47,540	79,200	47,540
Non-executive directors' remuneration	253,500	304,500	253,500	304,500
Plant and equipment scrapped	2	-	2	-
Foreign exchange losses - unrealised	232,848	944,012	232,848	944,012
Rental of land	28,217	24,700	28,217	24,700
Rental of office premise	104,000	-	104,000	-
Rental of parking lots and office equipment	9,947	15,084	9,947	15,084

9. Employee benefits expense

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries, wages, bonuses, incentives and allowances	11,705,953	12,218,199	11,091,030	11,559,934
Defined contribution plan	270,187	266,238	259,181	253,923
Social security contributions	35,678	33,978	34,751	32,815
	12,011,818	12,518,415	11,384,962	11,846,672

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM772,360 (2011: RM888,120) as further disclosed in Note 10.

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10. Directors' remuneration

	Group and Company	
	2012 RM	2011 RM
Executive directors' remuneration:		
Fees	-	-
Defined contribution plans	9,360	18,120
Other emoluments	763,000	870,000
Total executive directors' remuneration	772,360	888,120
Non-executive directors' remuneration		
Fees	180,000	180,000
Other emoluments	73,500	124,500
Total non-executive directors' remuneration	253,500	304,500
Total directors' remuneration	1,025,860	1,192,620

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	
	2012	2011
Executive directors:		
RM50,001 - RM100,000	1	2
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	3	3
RM200,001 - RM250,000	1	-
RM250,001 - RM300,000	-	1
Non-executive directors:		
RM50,000 - RM100,000	4	3
RM100,001 - RM150,000	-	1

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11. Income tax expense

Major components of income tax expense

Major components of income tax expense for the financial years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	97,375	2,014,621	97,375	2,014,621
- Overprovision in respect of previous years	(3,122,139)	(579,454)	(3,122,139)	(579,454)
	(3,024,764)	1,435,167	(3,024,764)	1,435,167
Deferred income tax:				
Origination and reversal of temporary differences	143,681	176,220	(240,452)	61,604
Overprovision in respect of previous years	(335,095)	(2,040)	(336,396)	(2,875)
	(191,414)	174,180	(576,848)	58,729
Income tax expense recognised in profit or loss	(3,216,178)	1,609,347	(3,601,612)	1,493,896

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

11. Income tax expense (continued)

Reconciliation between tax expense and accounting profit

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Accounting profit before tax	8,384,048	15,329,277	6,860,755	14,882,011
Tax at Malaysian statutory tax rate of 25% (2011: 25%)	2,096,012	3,832,320	1,715,189	3,720,503
Adjustments:				
Non-deductible expenses	161,393	575,496	158,083	572,697
Effect of expenses eligible for double deduction tax incentives	(2,016,349)	(2,216,975)	(2,016,349)	(2,216,975)
Over provision of current income tax in respect of previous year	(3,122,139)	(579,454)	(3,122,139)	(579,454)
Overprovision of deferred income tax in respect of previous years	(335,095)	(2,040)	(336,396)	(2,875)
Income tax expense recognised in profit or loss	(3,216,178)	1,609,347	(3,601,612)	1,493,896

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 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.

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12. Earnings per share (continued)

	Group 2012 RM	2011 RM
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	11,600,226	13,719,930
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic earnings per share computation	103,200,000	99,322,740
Basic earnings per ordinary share (sen)	11.24	13.81

13. Property, plant and equipment

	Leasehold land RM	Factory and office buildings RM	Motor vehicles heavy equipment Plant and machinery RM	Furniture, fittings, equipment, and renovation RM	Total RM
Group					
Cost:					
At 1 January 2011	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)
At 31 December 2011 and 1 January 2012	700,080	11,632,891	116,310,670	1,389,104	130,032,745
Additions	-	107,595	997,896	326,791	1,432,282
Transfer (Note 14)	-	(1,639,950)	-	(370,086)	(2,010,036)
Disposals	-	-	(40,519)	-	(40,519)
Scrapped	-	-	(121,500)	-	(121,500)
At 31 December 2012	700,080	10,100,536	117,146,547	1,345,809	129,292,972

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13. Property, plant and equipment (continued)

	Leasehold land RM	Factory and office buildings RM	Motor vehicles heavy equipment Plant and machinery RM	Furniture, fittings, equipment, and renovation RM	Total RM
Group (continued)					
Accumulated depreciation:					
At 1 January 2011	28,382	7,687,978	74,707,902	1,252,367	83,676,629
Depreciation charge for the year	9,460	465,777	4,428,712	50,236	4,954,185
Disposals	-	-	(2,314,657)	-	(2,314,657)
At 31 December 2011 and 1 January 2012	37,842	8,153,755	76,821,957	1,302,603	86,316,157
Depreciation charge for the year	9,461	352,137	4,409,850	63,446	4,834,894
Transfer (Note 14)	-	(190,607)	-	(370,080)	(560,687)
Disposals	-	-	(6,081)	-	(6,081)
Scrapped	-	-	(121,498)	-	(121,498)
At 31 December 2012	47,303	8,315,285	81,104,228	995,969	90,462,785
Net carrying amount:					
At 31 December 2011	662,238	3,479,136	39,488,713	86,501	43,716,588
At 31 December 2012	652,777	1,785,251	36,042,319	349,840	38,830,187
Company					
Cost:					
At 1 January 2011	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)
At 31 December 2011 and 1 January 2012	700,080	11,632,891	88,582,664	1,363,552	102,279,187
Additions	-	107,595	673,720	321,231	1,102,546
Transfer (Note 14)	-	(1,639,950)	-	(370,086)	(2,010,036)
Disposals	-	-	(40,519)	-	(40,519)
Scrapped	-	-	(121,500)	-	(121,500)
At 31 December 2012	700,080	10,100,536	89,094,365	1,314,697	101,209,678

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13. Property, plant and equipment (continued)

	Leasehold land RM	Factory and office buildings RM	Motor vehicles heavy equipment Plant and machinery RM	Furniture, fittings, equipment, and renovation RM	Total RM
Company (continued)					
Accumulated depreciation:					
At 1 January 2011	28,382	7,687,978	66,016,335	1,238,028	74,970,723
Depreciation charge for the year	9,460	465,777	2,621,682	47,192	3,144,111
Disposals	-	-	(2,314,657)	-	(2,314,657)
At 31 December 2011 and 1 January 2012	37,842	8,153,755	66,323,360	1,285,220	75,800,177
Depreciation charge for the year	9,461	352,137	2,584,296	59,428	3,005,322
Transfer (Note 14)	-	(190,607)	-	(370,080)	(560,687)
Disposals	-	-	(6,081)	-	(6,081)
Scrapped	-	-	(121,498)	-	(121,498)
At 31 December 2012	47,303	8,315,285	68,780,077	974,568	78,117,233
Net carrying amount:					
At 31 December 2011	662,238	3,479,136	22,259,304	78,332	26,479,010
At 31 December 2012	652,777	1,785,251	20,314,288	340,129	23,092,445

14. Investment properties

	Group and Company RM
Cost:	
At 1 January 2011 and 31 December 2011	1,641,312
Transfer from property plant and equipment	2,010,036
At 31 December 2012	3,651,348

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14. Investment properties (continued)

	Group and Company RM
Accumulated depreciation:	
At 1 January 2011	123,592
Charge for the year	41,169
At 31 December 2011	164,761
Transfer from property plant and equipment	560,687
Charge for the year	54,790
At 31 December 2012	780,238
Net carrying amount:	
At 31 December 2011	1,476,551
At 31 December 2012	2,871,110

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

The Directors estimate the fair values of the investment properties to be approximately RM4,263,008.

15. Investment in a subsidiary

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Cost			
Unquoted shares	5,000,000	5,000,000	15,000,000

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

Name of subsidiary	Principal activities	Proportion (%) of ownership interest 2012	2011
Untung Ria Sdn. Bhd.	Generation, transmission, distribution and sale of electricity	100%	100%

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16. Other investments

	Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Current			
Cost			
Held-to-maturity investment			
- Short-term structured investment	-	2,600,000	-
Non-current			
Cost			
Investment in Golf and Country Club membership	149,040	149,040	149,040
Held-to-maturity investment			
- Structured investment	1,000,000	1,000,000	1,000,000
	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.

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.

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17. Deferred tax

Deferred income tax as at reporting date relates to the following:

	As at 1 January 2011 RM	Recognised in profit or loss RM	As at 31 December 2011 RM	Recognised in profit loss RM	As at 31 December 2012 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	(6,743,822)	(24,065)	(6,767,887)	(97,604)	(6,865,491)
Deferred tax assets:					
Unabsorbed capital allowances	705,475	(150,115)	555,360	289,018	844,378
Unutilised investment tax allowances	6,575,859	-	6,575,859	-	6,575,859
	7,281,334	(150,115)	7,131,219	289,018	7,420,237
	537,512	(174,180)	363,332	191,414	554,746
Company					
Deferred tax liabilities:					
Property, plant and equipment	(2,880,341)	(58,729)	(2,939,070)	(178,759)	(3,117,829)
Deferred tax assets:					
Unabsorbed capital allowances	-	-	-	755,607	755,607
	(2,880,341)	(58,729)	(2,939,070)	576,848	(2,362,222)

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17. Deferred tax (continued)

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Group			
Presented after appropriate offsetting as follows:			
Deferred tax assets	2,916,968	3,302,402	3,417,853
Deferred tax liabilities	(2,362,222)	(2,939,070)	(2,880,341)
	554,746	363,332	537,512
Company			
Presented after appropriate offsetting as follows:			
Deferred tax assets	-	-	-
Deferred tax liabilities	(2,362,222)	(2,939,070)	(2,880,341)
	(2,362,222)	(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, subject to no substantial change in shareholdings of the subsidiary under the Income Tax Act, 1967 and guidelines issued by the tax authority.

18. Inventories

	Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Cost			
Raw materials	1,564,091	919,671	1,104,927
Work-in-progress	5,079,051	6,160,326	5,090,324
Finished goods	9,162,725	16,803,312	12,111,365
Consumables	2,607,497	2,779,957	2,196,795
Logs in transits	-	-	1,781,416
	18,413,364	26,663,266	22,284,827

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19. Trade and other receivables

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Current						
Trade receivables						
Third parties	6,538,212	6,709,616	4,459,564	6,520,565	6,683,319	4,416,900
Other receivables						
Deposits for log purchase	659,889	718,404	1,219,719	659,889	718,404	1,219,719
Workers recruitment and staff advances	9,000	5,000	45,600	9,000	5,000	45,600
Deposits	251,103	90,403	84,104	171,103	90,403	84,104
Prepayments	79,939	31,274	153,884	79,939	31,274	153,884
Sundry receivables	1,102,400	1,330,348	384,619	1,102,400	1,330,348	384,619
	2,102,331	2,175,429	1,887,926	2,022,331	2,175,429	1,887,926
Less: Allowance for impairment	-	-	-	-	-	-
Other receivables, net	2,102,331	2,175,429	1,887,926	2,022,331	2,175,429	1,887,926
Total trade and other receivables	8,640,543	8,885,045	6,347,490	8,542,896	8,858,748	6,304,826
Cash and bank balances, and fixed deposits	57,536,491	33,818,985	28,810,477	57,316,096	33,745,201	28,716,322
Prepayments	(79,939)	(31,274)	(153,884)	(79,939)	(31,274)	(153,884)
Total loans and receivables	66,097,095	42,672,756	35,004,083	65,779,053	42,572,675	34,867,264

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19. Trade and other receivables (continued)

a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30-day (31 December 2011: 30-day, 31 January 2011: 30-day to 60-day) terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Neither past due nor impaired	6,529,206	6,683,319	4,426,016	6,520,565	6,683,319	4,416,900
1 to 30 days past due not impaired	9,006	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	-	-	-	-
	9,006	26,297	33,548	-	-	-
Impaired	-	-	-	-	-	-
	6,538,212	6,709,616	4,459,564	6,520,565	6,683,319	4,416,900

Receivables that are neither past due nor impaired

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

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 RM9,006 (31 December 2011: RM26,297, 1 January 2011: RM33,548) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

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19. Trade and other receivables (continued)

b) Deposits for log purchase

The amounts are unsecured and non-interest bearing.

20. Cash and bank balances

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Cash on hand and at bank	54,352,339	33,410,890	25,885,427	54,131,944	33,337,106	25,791,272
Short-term deposits with licensed banks	3,184,152	408,095	2,925,050	3,184,152	408,095	2,925,050
Cash and bank balances	57,536,491	33,818,985	28,810,477	57,316,096	33,745,201	28,716,322
Less: Short-term deposits pledged with licensed banks for bank facilities	(2,825,138)	(67,610)	(2,594,432)	(2,825,138)	(67,610)	(2,594,432)
Cash and cash equivalents	54,711,353	33,751,375	26,216,045	54,490,958	33,677,591	26,131,890

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20. Cash and bank balances (continued)

Short term deposits are made for varying periods of between 1 month and 2 months depending on the immediate cash requirement of the Group and the Company. Short term and other deposits earn interest at the respective deposit rates. The weighted average effective interest rate as at 31 December 2012 for the Group and the Company was 2.78% (31 December 2011: 3.02%, 1 January 2011: 2.88%) per annum.

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 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.

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22. Trade and other payables

	Group 31.12.2012 RM	Group 31.12.2011 RM	Group 1.1.2011 RM	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Current						
Trade payables						
Third parties	5,312,397	4,611,035	7,140,912	5,111,985	4,465,995	6,964,882
Related party	-	58,060	48,627	68,488	58,060	48,627
Amount due to a subsidiary	-	-	-	3,596,066	825,148	8,856,944
	5,312,397	4,669,095	7,189,539	8,776,539	5,349,203	15,870,453
Other payables						
Accruals	954,748	1,361,571	1,028,747	938,748	1,333,239	995,916
Deposits received	19,000	17,000	101,872	19,000	17,000	17,000
Advance from customers	611,380	-	-	611,380	-	-
Sundry payables	338,382	408,993	835,822	337,227	399,036	835,822
	1,923,510	1,787,564	1,966,441	1,906,355	1,749,275	1,848,738
Total trade and other payables	7,235,907	6,456,659	9,155,980	10,682,894	7,098,478	17,719,191

a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 days (31 December 2011: 30 days, January 2011: 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 (31 December 2011: 30-days, 1 January 2011: 30-days) terms.

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23. Share capital and share premium

	Group and Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2012	2011	2012 RM	2011 RM
Issued and fully paid				
At 1 January	103,200,000	91,000,000	51,600,000	45,500,000
Issued during the year	-	12,200,000	-	6,100,000
At 31 December	103,200,000	103,200,000	51,600,000	51,600,000
Authorised share capital				
At 1 January and 31 December	300,000,000	300,000,000	150,000,000	150,000,000

	Group and Company	
	2012 RM	2011 RM
Share premium		
At 1 January	883,420	-
Share premium arising from issuance of shares	-	1,220,000
Share issuance expenses	-	(336,580)
At 31 December	883,420	883,420

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.

24. Retained earnings

The Company has elected for the irrevocable option under Finance Act 2007 to disregard the 108 balance. Hence, the Company will be able to distribute dividends out of its entire retained earnings as at 31 December 2012 and 2011 under the single tier system.

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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	
	2012 RM	2011 RM	2012 RM	2011 RM
Purchase of electricity from subsidiary	-	-	4,644,988	4,163,588
Purchase of edging tapes from a company in which one of the directors of the Company has interest	357,284	433,145	357,284	433,145
Rental income received from subsidiary	-	-	60,000	60,000
Rental of office paid to a director	104,000	-	104,000	-
Sales to a director	2,700	-	2,700	-

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.

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25. Related party transactions (continued)

b) Compensation of key management personnel

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	1,384,500	1,505,200	1,306,500	1,428,200
Defined contribution plan	23,220	42,420	23,220	42,420
	1,407,720	1,547,620	1,329,720	1,470,620

Included in the total remuneration of key management personnel are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors' remuneration	1,025,860	1,192,620	1,025,860	1,192,620

26. Capital commitments

Capital commitments as at the reporting date are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Approved and contracted for:				
Acquisition of machinery	279,000	611,200	279,000	361,200
Approved but not contracted for:				
Acquisition of machinery	186,091	-	-	-

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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	2012 Carrying amount RM	Fair Value RM	2011 Carrying amount RM	Fair Value RM
Financial assets:					
Other investment (non-current)					
- Golf & Country Club membership	16	149,040	#	149,040	#

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 (non-current)	
- Structured investment	16

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

The carrying amount of other investment is reasonable approximations of fair value due to the insignificant impact of discounting.

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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.

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			
	2012		2011	
	RM	% of total	RM	% of total
By country:				
USA	5,031,757	77%	4,369,941	65%
India	248,316	4%	526,196	8%
Japan	-	-	71,916	1%
Korea	549,570	8%	1,416,270	21%
Taiwan	690,922	11%	259,073	4%
Malaysia	17,647	<1%	66,220	1%
	6,538,212	100%	6,709,616	100%

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. Financial risk management objectives and policies (continued)

a) Credit risk (continued)

Credit risk concentration profile (continued)

	Company			
	2012		2011	
	RM	% of total	RM	% of total
By country:				
USA	5,031,757	77%	4,369,941	65%
India	248,316	4%	526,196	8%
Japan	-	-	71,916	1%
Korea	549,570	8%	1,416,270	21%
Taiwan	690,922	11%	259,073	4%
Malaysia	-	-	39,923	1%
	6,520,565	100%	6,683,319	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 with high credit ratings and no history of default.

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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

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

	2012				2011			
	On demand or within one year RM	One to five years RM	Over five years Total RM	Total RM	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group								
Financial assets:								
Other investment	-	1,000,000	-	1,000,000	2,600,000	1,000,000	-	3,600,000
Trade and other receivables	8,560,604	-	-	8,560,604	8,853,771	-	-	8,853,771
Cash and bank balances	57,536,491	-	-	57,536,491	33,818,985	-	-	33,818,985
Total undiscounted financial assets	66,097,095	1,000,000	-	67,097,095	45,272,756	1,000,000	-	46,272,756
Financial liabilities:								
Trade and other payables	7,235,907	-	-	7,235,907	6,456,659	-	-	6,456,659
Dividends payable	6,192,000	-	-	6,192,000	6,192,000	-	-	6,192,000
Total undiscounted financial liabilities	13,427,907	-	-	13,427,907	12,648,659	-	-	12,648,659
Total net undiscounted financial assets	52,669,188	1,000,000	-	53,669,188	32,624,097	1,000,000	-	33,624,097

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

	2012				2011			
	On demand or within one year RM	One to five years RM	Over five years Total RM	Total RM	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Company								
Financial assets:								
Other investment	-	1,000,000	-	1,000,000	2,600,000	1,000,000	-	3,600,000
Trade and other receivables	8,462,957	-	-	8,462,957	8,827,474	-	-	8,827,474
Cash and bank balances	57,316,096	-	-	57,316,096	33,745,201	-	-	33,745,201
Total undiscounted financial assets	65,779,053	1,000,000	-	66,779,053	45,172,675	1,000,000	-	46,172,675
Financial liabilities:								
Trade and other payables	10,682,894	-	-	10,682,894	7,098,478	-	-	7,098,478
Dividends payable	6,192,000	-	-	6,192,000	6,192,000	-	-	6,192,000
Total undiscounted financial liabilities	16,874,894	-	-	16,874,894	13,290,478	-	-	13,290,478
Total net undiscounted financial assets	48,904,159	1,000,000	-	49,904,159	31,882,197	1,000,000	-	32,882,197

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

28. Financial risk management objectives and policies (continued)

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 machinery that are denominated a currency other than in RM. The foreign currency in which these transactions are denominated is mainly US Dollars ("USD").

Approximately 91% (2011: 89%) of the Group's sales are denominated in foreign currencies whilst almost 76% (2011: 75%) and 0% (2011: 2%) 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 RM44,876,948 (2011: RM8,674,636).

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 2012 RM	Company 2012 RM
USD/RM	+5%	1,927,407	1,927,407

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 2012 and 31 December 2011.

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:

i. The manufacturing segment is business of manufacturing and sale of plywood, veneer and laminated veneer lumber.
ii. 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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

30. Segment information (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Manufacturing		Electricity		Adjustments and eliminations		Note	Per consolidated financial statements	
	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM		2012 RM	2011 RM
Revenue:									
External customers	132,703,533	122,048,407	99,750	101,673	-	-		132,803,282	122,150,080
Inter-segment	-	-	4,644,987	4,163,588	(4,644,988)	(4,163,588)	A	-	-
Total revenue	132,703,533	122,048,407	4,744,737	4,265,261	(4,644,988)	(4,163,588)		132,803,282	122,150,080
Results:									
Interest income	386,620	150,672	-	-	-	-		386,620	150,672
Depreciation and amortisation	3,005,322	3,144,111	1,829,572	1,810,074	54,790	41,169	B	4,889,684	4,995,354
Segment profit	6,860,755	14,882,011	1,523,293	447,266	-	-		8,384,048	15,329,277
Assets:									
Additions to non-current assets	1,102,546	1,506,114	329,736	215,470	-	-	C	1,432,282	1,721,584
Segment assets	108,674,412	100,191,036	16,055,784	17,337,659	6,937,118	8,527,993	D	131,667,314	126,056,688
Segment liabilities	7,086,827	6,273,330	149,080	183,329	8,554,222	9,131,070	E	15,790,129	15,587,729

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 Addition to depreciation and amortisation consist of:

	2012 RM	2011 RM
Depreciation of investment properties	54,790	41,169

C Additions to non-current assets consist of:

	2012 RM	2011 RM
Property, plant and equipment	1,432,282	1,721,584

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

	2012 RM	2011 RM
Other investments	1,149,040	3,749,040
Deferred tax assets	2,916,968	3,302,402
Investment properties	2,871,110	1,476,551
	6,937,118	8,527,993

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

	2012 RM	2011 RM
Deferred tax liabilities	2,362,222	2,939,070
Dividends payable	6,192,000	6,192,000
	8,554,222	9,131,070

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

30. Segment information (continued)

Geographical information

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

	2012 RM	2011 RM
Australia	-	1,135,854
Canada	217,222	-
People's Republic of China	936,802	967,849
Hong Kong	780,759	-
India	8,552,742	10,932,805
Japan	-	267,463
Korea	14,898,496	7,725,510
Malaysia	11,066,581	12,959,852
Republic of the Marshall Islands	162,689	-
Singapore	1,111,680	-
Taiwan	19,057,062	29,060,145
United Kingdom	547,863	-
USA	75,471,386	59,100,602
	132,803,282	122,150,080

31. Dividends

	Group and Company	
	2012 RM	2011 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
-Interim tax exempt (single-tier) dividend for 2012: 6 sen per ordinary share of RM0.50 each	6,192,000	-
	6,192,000	12,392,000

32. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 11 April 2013.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 2012 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained earnings of the Company and its subsidiary				
- Realised	63,091,867	59,620,559	48,569,096	46,621,081
- Unrealised	321,898	(1,615,020)	(2,595,070)	(4,917,422)
	63,413,765	58,005,539	45,974,026	41,703,659
Less: Consolidation adjustments	(20,000)	(20,000)	-	-
Retained earnings as per financial statements	63,393,765	57,985,539	45,974,026	41,703,659

LIST OF PROPERTIES

HELD BY THE GROUP AS AT 31 DECEMBER 2012

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 2012	Effective year of purchase
1	Mile 3, Jalan Masak, Kampung Ulu Patikang, Locked Bag 13 SM-88, 89009 Keningau, Sabah, Malaysia	99 years lease expiring on 31.12.2081	Land area 94,700 square meters Gross built-up area 31,370.47 square meters	21 years	Industrial land and building	1,515,981	1991
2	11F, Wisma Perindustrian, Jalan Istiadat, 88400 Likas, Kota Kinabalu, Sabah, Malaysia.	99 years lease expiring on 31.12.2093	Land area 11,610 square meters Gross built-up area 990.20 square meters	15 years	Commercial building	2,871,110	1997

As at 9 April 2013

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 9 APRIL 2013

Size of holdings	No. of holders	%	No. of shares	%
1 – 99	3	0.40	100	0.00
100 – 1,000	100	13.17	86,800	0.08
1,001 – 10,000	440	57.97	2,504,800	2.43
10,001 – 100,000	181	23.85	5,964,400	5.78
100,001 – 5,159,999 (*)	29	3.82	49,453,668	47.92
5,160,000 and above (**)	6	0.79	45,190,232	43.79
Total	759	100.00	103,200,000	100.00

* Less than 5% of issued shares
** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS AS AT 9 APRIL 2013

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Chen Chun Hsiung	9,470,324	9.18	-	-
Lu Kuan Cheng	9,203,000	8.92	-	-
Lu Chin Ting	7,576,258	7.34	4,419,484 (1)	4.28
Lin Fong Ming	6,313,550	6.12	12,627,100 (1)	12.24
Lin Hao Wen	6,313,550	6.12	12,627,100 (2)	12.24
Lin Hao Yu	6,313,550	6.12	12,627,100 (2)	12.24
Lu Wei Hsu	4,419,484	4.28	7,576,258 (2)	7.34
Lu Wei Sheng	-	-	11,995,742 (2)	11.62
Yang Chien Chih	3,156,776	3.06	9,470,328 (1)	9.18
Yang Hsi Hsien	3,156,776	3.06	9,470,328 (2)	9.18
Yang Sen	3,156,776	3.06	9,470,328 (2)	9.18
Yang Wei Szu	3,156,776	3.06	9,470,328 (2)	9.18

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

ANALYSIS OF SHAREHOLDINGS (Cont'd)

DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Lin Hao Wen	6,313,550	6.12	12,627,100 [1]	12.24
Lin Lieh Ming	5,050,840	4.89	-	-
Yang Sen	3,156,776	3.06	9,470,328 [1]	9.18
Aznam Bin Mansor	-	-	-	-
Wong Yoke Nyen	-	-	-	-
Ng Tian Meng	-	-	-	-

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

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 9 APRIL 2013

No.	Name of shareholders	No. of shares held	%
1	Chen Chun Hsiung	9,470,324	9.18
2	RHB Capital Nominees (Asing) Sdn Bhd Pledged Securities Account for Lu Kuan Cheng	9,203,000	8.92
3	Lu Chin Ting	7,576,258	7.34
4	Lin Fong Ming	6,313,550	6.12
5	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Lin Hao Wen (E-KKU/KNG)	6,313,550	6.12
6	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Lin Hao Yu (E-KKU/KNG)	6,313,550	6.12
7	Lu Chun- Chien	5,050,840	4.89
8	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Lin Lieh Ming (E-KKU/KNG)	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 Pledged Securities Account for Yang Chien Chih (E-KKU/KNG)	3,156,776	3.06

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 9 APRIL 2013

No	Name of shareholders	No. of shares held	%
13	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Yang Hsi Hsien (E-KKU/KNG)	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 Sheng	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
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Son Huat	602,600	0.58
23	Ng Tin Choo	325,300	0.31
24	Ooi Chee Min	315,800	0.31
25	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Song Suei Feng (MQ0343)	315,500	0.30
26	Cheah Oi Chee	294,900	0.28
27	Ooi Sing Hwat	200,000	0.19
28	JF Apex Nominees (Asing) Sdn Bhd Pledged Securities Account for Chiang Ping-Chung (Margin)	162,000	0.16
29	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Young Ket Yee (E-TWU)	155,000	0.15
30	Su Chin Yung	133,000	0.13
		94,010,700	91.09

FOCUS LUMBER BERHAD
(Company No. 188710-V)
(Incorporated in Malaysia)

NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of FOCUS LUMBER BERHAD will be held at Zara's Boutique Hotel, Harbour City, Jalan Pantai Baru, Sembulan, 88100 Kota Kinabalu on Thursday, 23 May 2013 at 10.00 a.m. to transact the following business:-

A G E N D A

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 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 2012. **(Resolution 1)**

3. To re-elect the following Directors who retire pursuant to Article 67 of the Company's Articles of Association:-

   (i) Aznam Bin Mansor **(Resolution 2)**

   (ii) Wong Yoke Nyen **(Resolution 3)**

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

Special Business

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

5. 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 5)

6. 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: 30 April 2013

NOTES:

1. 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.

NOTES: *(Con'd)*

(b) 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 appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(c) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and that where the members appoint two (2) 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 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.

(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 (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.

(f) Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of 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) Only the members whose names appear on the Record of Depositors as at 13 May 2013 shall be entitle to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Audited Financial Statements for the year ended 31 December 2012

The Audited Financial Statements in Agenda 1 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.

3. Ordinary Resolutions 2 and 3 - Re-election of Directors

The Board had carried out assessment on the contribution and performance as well as the the independence of the Independent Directors standing for re-election and satisfied that they meet the criteria of independence as prescribed in the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

4. Explanatory Note on Special Business

Resolution No. 5 - Authority to Issue Shares

The proposed Resolution No. 5 is proposed for the purpose of granting a renewed 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.

As at the date of this notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Twenty-Second Annual General Meeting because there were no investment(s), acquisition(s) or working capital that require fund raising activity.

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PROXY FORM

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

CDS account no.	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-Third 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 Thursday, 23 May 2013 at 10.00 a.m. and, at every adjournment thereof for/against* the resolution(s) to be proposed thereat.

Item	AGENDA	Resolution	For	Against
	Ordinary Business			
1	Receive the Audited Financial Statements for the financial year ended 31 December 2012 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 2012.	1		
3(i)	Re-election of Encik Aznam Bin Mansor as Director of the Company pursuant to Article 67 of the Company's Articles of Association.	2		
3(ii)	Re-election of Mr. Wong Yoke Nyen as Director of the Company pursuant to Article 67 of the Company's Articles of Association.	3		
4	Re-appointment of Messrs Ernst & Young as Auditors and authorised the Directors to fix their remunerations.	4		
	Special Business			
5	Authority to the Director to Issue Shares pursuant to Section 132D of the Companies Act, 1965.	5		

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 ____________________ 2013

____

Signature/ Common Seal of Shareholder(s)

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

Notes:

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

Notes:

(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 (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(c) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and that where the members appoint two (2) 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 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.

(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 (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.

(f) Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of 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) Only the members whose names appear on the Record of Depositors as at 13 May 2013 shall be entitle to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.

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AFFIX
STAMP

The Share Registrar
Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

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