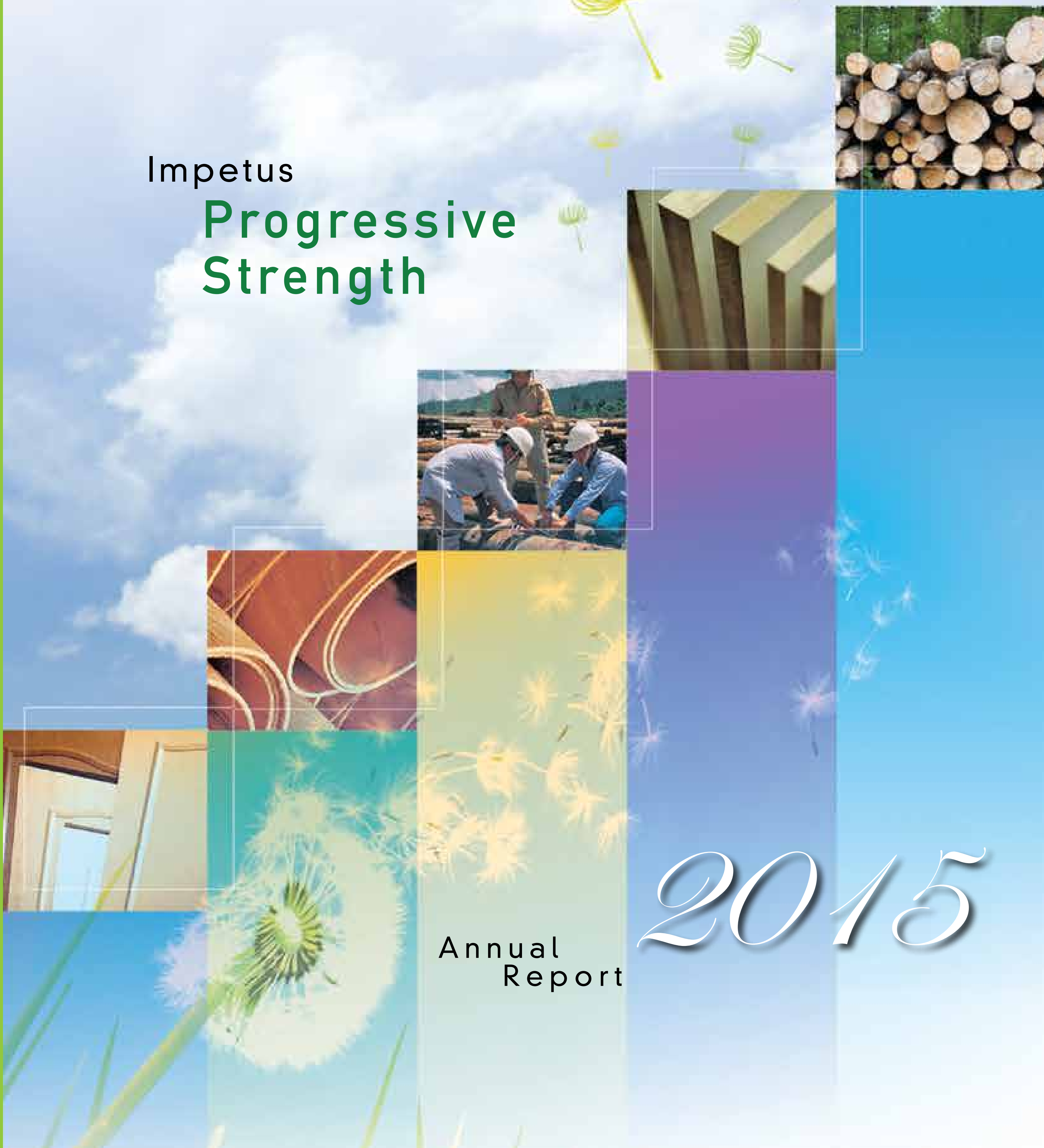
富佳木業有限公司
FOCUS LUMBER BERHAD
(Company No. 188710-V)

Impetus
Progressive Strength



Annual Report 2015

ANNUAL REPORT 2015

FOCUS LUMBER BERHAD (188710-V)

Contents

About Us

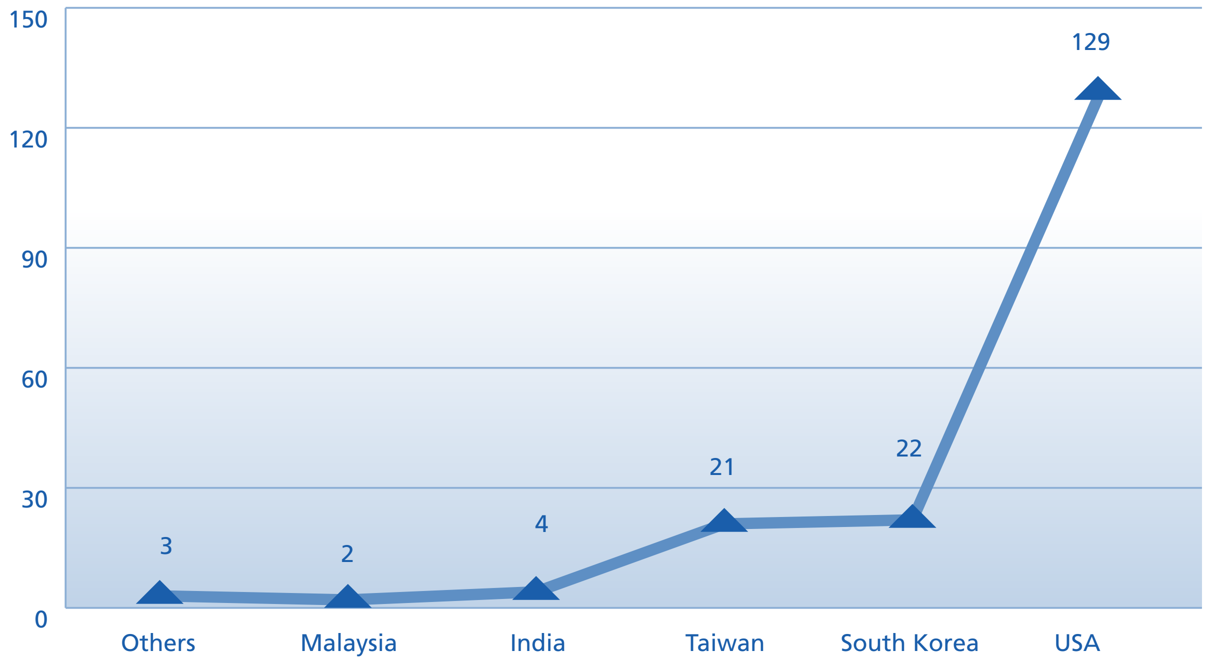
Focus Lumber Berhad specialize in the manufacturing and sale of plywood, veneer and laminated veneer lumber (LVL). The Company started from a Sendirian Berhad in the early 90's and has succeeded to list on the Main Market of Bursa Malaysia Securities Berhad on 28 April 2011.

Over the years, our Group has invested in advanced machineries to enhance the efficiency of our manufacturing process. Hence, our Group is able to blend our management's technical know-how with ability in operating the advance machineries to produce quality products. Hence our Group is now capable of the followings:-

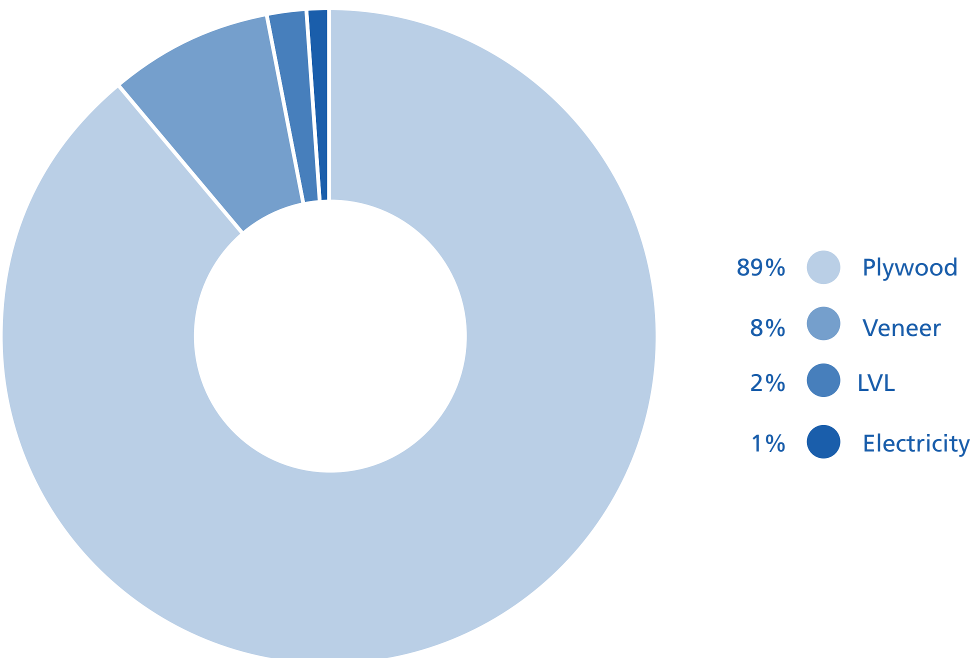
- Integrating different type of timber logs to produce plywood which has reduced the restriction in the use of only certain types of timber logs;
- Better production efficiency which increase the recovery logs resulting in lower production cost;
- Use of smaller logs (which are lower in cost) in the manufacturing operation which has resulted in lower cost of raw material and broaden the source of log supply for its production;
- Producing plywood with low content of formaldehyde;
- Our Group adopts the following standards in our plywood manufacturing:-
  - The product standard for imported wood veneer and platform (IHPA "C 2000) "C by the International Wood Products Association, US ("IHPA"); and
  - Export standard specification of Japanese plywood

Financial Highlights

GROUP REVENUE
RM (Million)



SALES
%



Corporate Information

BOARD OF DIRECTORS

Datuk Aznam Bin Mansor
Chairman / Independent Non-Executive Director

Lin Hao Wen
Managing Director

Yang Sen
Executive Director

Lu Kuan-Cheng
Executive Director

Lin Fong Ming
Executive Director
(Appointed with effect from 19 November 2015)

Wong Yoke Nyen
Independent Non-Executive Director

Ng Tian Meng
Independent Non-Executive Director

AUDIT COMMITTEE

Wong Yoke Nyen (Chairman)
Datuk Aznam Bin Mansor (Member)
Ng Tian Meng (Member)

REMUNERATION COMMITTEE

Ng Tian Meng (Chairman)
Wong Yoke Nyen (Member)
Lin Hao Wen (Member)

NOMINATION COMMITTEE

Datuk Aznam Bin Mansor (Chairman)
Wong Yoke Nyen (Member)
Ng Tian Meng (Member)

COMPANY SECRETARIES

Wong Wai Foong (MAICSA 7001358)
Wong Peir Chyun (MAICSA 7018710)
Liew Pui Ling (MAICSA 7058897)

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

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
AmIslamic Bank Berhad
Public Bank berhad
Agro Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK NAME/CODE

FLBHD / 5197

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@hotmail.com

BRANCH OFFICE

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

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No.8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel No : 03-2783 9299
Fax No : 03-2783 9222

Corporate Structure

Our existing corporate Group structure is as follows:-

FOCUS LUMBER BERHAD
(188710-V)

100%

UNTUNG RIA SDN BHD
(434316-V)

Untung Ria Sdn Bhd is principally involved in the generation, transmission, distribution and sale of electricity. Untung Ria Sdn Bhd reuses bulk waste to generate biomass energy to supply electricity to our Group's operations.

Directors' Profile

DATUK AZNAM BIN MANSOR
Malaysian, aged 57
Chairman/ Independent Non-Executive Director

Datuk 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 at Law of Lincoln's Inn in 1984 and 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 Hishammuddin 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. He is also the Senior Independent Non-Executive Director of the Company.

He has no family relationship with any Director and/or major shareholder of the Company.

LIN HAO WEN
Taiwanese, aged 37
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 of 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. Subsequently, on 1 March 2013, he was appointed as the Managing Director of the Company and as a member of the Remuneration Committee.

He is the son of Mr. Lin Fong Ming, a Director and major shareholder of the Company and the brother of Mr. Lin Hao Yu, the major shareholder of the Company.

YANG SEN
Taiwanese, aged 45
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.

He has no family relationship with any Director and/or major shareholder of the Company.

WONG YOKE NYEN
Malaysian, aged 57
Independent Non-Executive Director

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

Mr. Wong obtained a Bachelor of Arts with Second Class Honours (First Division) degree, after having completed a course in Accountancy from the City of London Polytechnic, UK (now known as London Metropolitan University, UK) in 1981. He is also a graduate of the Wharton Advance Management Program from The Wharton 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 twenty (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 corporate finance 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 and was an Honorary Advisor to the Master Builders Association Malaysia. He is also an Independent Non-Executive Director of XiDeLang Holdings Limited, Benalec Holdings Berhad and Sentoria Group Berhad.

He brings with him a wealth of expertise and experience in the investment banking and corporate advisory sectors to join the team.

He has no family relationship with any Director and/or major shareholder of the Company.

Directors' Profile

NG TIAN MENG

Malaysian, aged 60
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 30 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 (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.

He has no family relationship with any Director and/or major shareholder of the Company.

LU KUAN-CHENG

Taiwanese, aged 27
Executive Director

Lu Kuan-Cheng, our Executive Director, was appointed to our Board on 01 March 2015. He obtained his bachelor degree in Accounting from Feng-Chia University. He joined our group as the Purchase Manager in April 2014. After our Executive Director and Head of Purchasing Department, Mr. Lin Lieh-Ming, retired in December 2014, he was promoted to the new Head of Purchasing Department.

Prior to joining Focus Lumber Berhad, he worked in Country Forest Industries Sdn. Bhd., a plywood and veneer company located in Miri, Sarawak, as the Head of Finance Department from May 2012 to March 2014. Before working in Malaysia, he was the Account Manager of Fu-Chan Development Co. Ltd., a property development and construction company located in Kaohsiung City, Taiwan.

He has no family relationship with any Director and/or major shareholder of the Company.

LIN FONG MING

(Appointed with effect from 19 November 2015)
Taiwanese, aged 66
Executive Director

Lin Fong Ming, aged 66, is one of our company's founders. He graduated with a Diploma in Science from the Tung Fang Institute of Technology. He possesses about 40 years of experience in the trading of timber and plywood manufacturing. He had been playing an instrumental role in charting the strategic direction of our Group. Under his leadership, our Group has grown from a small company to a major player in the plywood manufacturing industry. With his vast experience in the industry and technical expertise and know-how in the manufacturing of plywood, our Group has been able to produce a wide range of quality plywood that meet customers' requirements and international quality standards. In year 2013, he resigned the position of Managing Director of our company due to health reason. And he was appointed to our Board as Executive Director on 19 Nov 2015.

He started his career in the timber industry as a timber trader in Taiwan, attached to a timber trading and plywood manufacturing company in Taiwan. Between 1981 and 2002, he and the other two (2) founders owned a timber trading company in Taiwan where he was a director of the company. Besides the plywood business, he also has investments in property development business in the PRC and a petrol station in Taiwan. Due to his extensive business experience and investments in various countries, he was appointed as the President of the East Malaysia Committee of Taipei Investors' Association in Malaysia from 2001 to 2004 and Vice National-President of Taipei Investors' Association Malaysia from 2003 to 2004. He was awarded the Best Overseas Chinese Entrepreneur by the Taiwanese government in 2005 in recognition of his entrepreneurship achievement overseas. In 2008, he was appointed as the Advisory Official in Malaysia for a year by the Taiwanese government to assist the government in handling Taiwanese residence affairs in Malaysia. In 2009, he was appointed for a two (2)-year term as an Overseas Compatriot Affair Commission member by the Taiwan government. His role as a member of the Overseas Compatriot Affair Commission is to act as one of the liaison person between the Taiwanese in Malaysia and the Taiwanese government.

Mr Lin Fong Ming is the father to Mr Lin Hao Wen, the Managing Director and major shareholder of the Company and Mr Lin Hao Yu, the major shareholder of the Company.

None of the Directors has:

- any conviction for offences within the past 10 years other than traffic offences; and
- Any conflict of interest with the Company.

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of FOCUS LUMBER BERHAD, it is my pleasure to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2015.

OVERVIEW OF THE INDUSTRY

The year 2015 was a challenging year for the plywood industry in general. The declining log supply from natural forest, shortages and irregular supply, will continue to be pressing issues for the industry as a whole in the coming years.

In addition to the above, the Group also had to deal with labour shortages, the implementation of minimum wages, high transportation costs and the international market's stringent regulatory requirements, which lead to an increase in the costs of production.

Despite all these issues, the Group's strategy of focusing on sales of plywood mainly to the US market, which has a higher demand compared to other international market, has served the Group well in the preceding year.

FINANCIAL PERFORMANCE

The revenue of the Group increased from RM150.42 million in the previous financial year to RM180.73 million, representing an increase of RM30.31 million. Higher revenue was recorded due to higher sales volume and stronger US dollar against Ringgit Malaysia.

The pre-tax profit was RM36.32 million, an increase of 109.94% against the previous year of RM17.30 million whilst the net profit after taxation was RM31.72 million.

Equity attributable to owners of the Company increased from RM130.53 million in the previous year to RM146.78 million while return on equity for the year under review was 12.45%.

OPERATIONAL REVIEW

The Group will continue to work on improving operational efficiency by enhancing the productivity of its workforce and its equipment fleet. Just to name a few, the Group has implemented the following:-

1. Investing in building human capital through learning and capability development;

2. Recycling of wood waste for biomass power generation; and

3. 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 a high level of confidence to our customers of our fulfilment of the requirements of the Lacey Act for the US market.

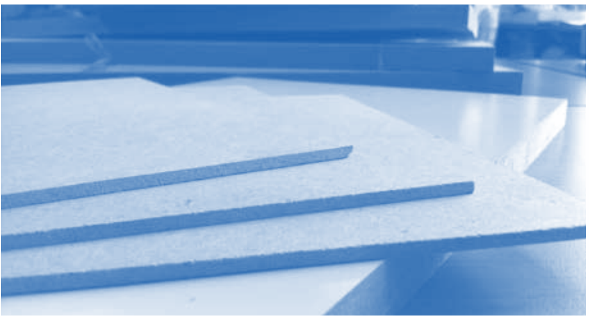
DIVIDEND

Paying dividend is part of our commitment to enhancing shareholders value. The following dividend payments were made during the financial year ended 31 December 2015:

- First interim tax exempt (single-tier) dividend: 5.0 sen per ordinary share, paid on 28 August 2015; and

- Second interim tax exempt (single-tier) dividend: 10.0 sen per ordinary share, paid on 21 December 2015.

Chairman's Statement



CORPORATE SOCIAL RESPONSIBILITY

The Group acknowledges the importance of Corporate Social Responsibility (CSR) and believes that CSR is the key to the sustainable development of the Group. The Group has continued to undertake activities consistent with good corporate practice and social responsibility with initiatives on human resources development, health and safety and community support.

Human Resources Development

Human capital is a vital asset to the Group. Our human resource management has ensured that our employees are achieving the ideal work-life balance by organizing recreational activities such as sports events, Labour Day Feast and more.

The Group has registered their employees for various training programmes throughout the year, in order for them to acquire additional skills, knowledge and experience. The Board believes that channeling effort towards human capital development will improve employees' performance, effectiveness and a sense of fulfillment.

In addition, by adopting the diversity policy, the Group ensured that a diverse mix of skills and talent exists amongst its directors, officers and employees and it is our belief that this will result in enhanced company performance.

Health & Safety

The Group has always regarded their employees' health & safety at work as the highest priority. Towards this end, we have placed a high level of emphasis on maintaining a safe, clean and healthy working environment through heightened safety awareness programmes and improvement to the level of support facilities such as fire prevention programs and improved rescue facilities.

Community Support

The Group's principle is to take good care of the local community in which we operate. The Board believes that reaching out to the local community is crucial to the upliftment of the standards of living of the local community. To fulfill this principle, the Group provided donations and sponsorship on charitable events. On July 4th 2015, the Group donated plywood with the value of RM56,195.40 to a campaign known as "Healing Kinabalu" organized by Homesign Network Sdn Bhd and M.B.M Hardware Enterprise in Tapak Tamu, Ranau. The campaign was organized to help on the reconstruction of Ranau neighborhood which were damaged due to the earthquakes and severe flood happened in June 2015.

STRATEGIES AND PROSPECTS

Despite the global economic conditions and the continued challenging impact of the implementation of the minimum wages system by the Malaysian Government, the Group remains positively optimistic about the prospects for the coming year. The Group will continue to work hard on improving its productivity by implementing various plans, investing in advanced machineries and reducing costs efficiently and effectively.

With a strong balance sheet, solid operating fundamentals and outstanding leadership of the Board, our Managing Director and the Management Team, I am confident that the Group will continue to deliver growth and sustainable shareholders returns in the year ahead.

APPRECIATION

On behalf of the Board, I wish to extend our appreciation to all the Directors, Management Team and employees of the Company for their continued diligence and dedication in their work, leading to a superior financial performance for the year.

I would also take this opportunity to thank all our valued shareholders, customers, suppliers and business associates for their continued support and confidence in the Group.

Datuk Aznam Bin Mansor
Chairman

Statement on Corporate Governance

The Board of Directors ("the Board") of Focus Lumber Berhad ("FLBHD") acknowledges the importance of the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance 2012 ("the Code") and is committed to adhere to the highest standards of Corporate Governance ("CG Guide") throughout the Group.

The following statement outlines the corporate governance principles and best practices adopted by the Group during the financial year ended 31 December 2015:-

Principle 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

► Roles and Responsibilities of the Board

The Board is collectively responsible for the overall conduct of the Group's business and takes full responsibility for the performance of the Company and the Group. The members of the Board exercise due diligence and care in discharging their responsibilities to ensure high ethical standards are applied, through compliance with relevant rules and regulations, directives and guidelines in addition to adopting the best practices in the Code and CG Guide, and act in the best interest of major as well as minority shareholders of FLBHD.

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 considerable knowledge, a wealth of business and professional experience relevant to the Company in the pursuit of its business objectives.

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 and is reviewed annually. The following are among the key responsibilities of the Board:-

(a) Reviewing and adopting the Company's strategic plans

The Board has put in place a strategy planning process, whereby the Managing Director presents to the Board its recommended strategies, together with the proposed business plans for the Board's review and approval. The Board will deliberate both Management and its own perspectives, and challenge the Management's views and assumptions to ensure the best outcomes.

(b) Overseeing the conduct of the Company's business

The Managing Director is responsible for the day-to-day management of the business and operations of the Group in respect of both regulatory and commercial functions. He is supported by Management and the Executive Directors. Management's performance, under the leadership of Managing Director, is assessed by the Board through monitoring the success in delivering the approved targets and business plans against the performance of the Group.

(c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.

The Audit Committee ("AC"), through guidance by the internal auditors, advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organization. The AC reviews the action plans implemented and makes relevant recommendations to the Board to manage risks.

(d) Succession Planning

The Board has entrusted the Nomination Committee ("NC") and Remuneration Committee ("RC") with the responsibilities to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

Statement on Corporate Governance

Principle 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

► Roles and Responsibilities of the Board (Cont'd)

(e) Overseeing the development and implementation of a shareholder communications policy for the Company

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community. To that end, the Board strives to provide shareholders and investors accurate, useful and timely information about the Company, its businesses andits activities via the timely release of quarterly financial results, press releases and announcements. Whilst the Company endeavors to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

(f) Reviewing the adequacy and integrity of management information and internal control system of the Company

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system.

Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

► Company Secretary

The Company Secretary is responsible for advising the Board on issues relating to compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. He/She is also responsible for advising Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving any other parties, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. All Directors have full and unrestricted access to the advice and services of the Company Secretary.

The Company complies with Recommendation 1.6 of the Code as the Company Secretaries are suitably qualified, competent and capable of carrying out the duties required as they are members of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and they carry out, among others, the following tasks:

a) Statutory duties as specified under the Companies Act 1965 and Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities");
b) Attending Board and Board Committee meetings and ensuring that the Board meetings are properly convened and proceedings are properly recorded;
c) Ensuring timely communication of Board level decisions to Management;
d) Ensuring that all appointments to the Board and Committees are properly made;
e) Maintaining records for the purposes of meeting statutory obligations;
f) Facilitating the provision of information as may be requested by the Directors from time to time; and
g) Supporting the Board in ensuring adherence to Board policies and procedures.

► Insider Trading

In line with the Listing Requirements of Bursa Securities and the relevant provisions of the Capital Markets and Services Act 2007, Directors, key management personnel and principal officers of the Company and the Group are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge, which have not been publicly announced. Notices on the closed period for trading in the Company's shares are circulated to Directors, key management personnel and principal officers who are deemed to be privy to any price sensitive information and knowledge, in advance of whenever the closed period is applicable.

Statement on Corporate Governance

Principle 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

► Conflict of Interest

Members of the Board are required to make a declaration to that effect at the Board meeting in the event that they have interests in proposals being considered by the Board, including where such interest arises through close family members, in line with various statutory requirements on the disclosure of Director's interest.

Any interested Directors would abstain from deliberations and decision of the Board on the subject proposal and, where appropriate, excuse themselves from being present in the deliberations.

► Code of Conduct and Ethics, Whistleblowing Policy and Sustainability Policy

In line with the recommendations of the Code, the Board has established the Code of Conduct and Ethics, Whistleblowing Policy and Sustainability Policy on 11 April 2013 and shall be reviewed by the Board annually.

The Code of Conduct and Ethics describes the behaviors 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.

The full details of the Code of Conduct and Ethics, Whistleblowing Policy and Sustainability Policy can be viewed at the Company's website.

The Company's Sustainability Policy has also been outlined in page 27 of this Annual Report.

Principle 2: STRENGTHEN COMPOSITION

► Board Composition and Balance

Under the Company's Articles of Association, the number of Directors shall not be less than two (2). As at the date of this Statement, there are seven (7) members of the Board, comprising of three (3) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Managing Director, the composition of which is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Securities.

The composition of the Board fairly reflects the interest of the significant shareholders, without compromising the interest of the minority shareholders.

The presence of Independent Non-Executive Directors on the Board, not only act as a caretaker of the minority shareholders but also fulfills a pivotal role in corporate accountability. The Board places great importance on the balance of its Independent Non-Executive Directors since they serve as an essential source of impartial and professional guidance to protect the interest of the shareholders.

The composition of the Board is fairly balanced and mix in view of skills and experiences which add value in governing the strategic direction of the Group.

► Board Diversity

Although the Board currently does not have female among its members, the Board recognizes the value of female member on the Board and has adopted a Gender Diversity Policy. This policy is disclosed at page 25 of this Annual Report. The Board further believes that it is more important to have the right mix of skills at the Board in order to enable the Board to carry out its duties effectively instead of immediately source for female member to meet the 30% women participation on Board level.

Statement on Corporate Governance

Principle 2: STRENGTHEN COMPOSITION (CONT'D)

► **Board Diversity (Cont'd)**

With adoption of the Gender Diversity Policy, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally during recruitment, promotion, remuneration and training.

The Group is also committed to workplace diversity ensuring that we value and respect our differences and that our workplace is fair, accessible, flexible and inclusive and free from discrimination.

A brief description of the background of each Director is stated on the Directors' Profiles in the pages 6 to 7 of this Annual Report.

► **Senior Independent Non-Executive Director**

The Board has identified Datuk Aznam Bin Mansor as the Senior Independent Non-Executive Director to whom concerns of shareholders and stakeholders may be conveyed.

► **Board Meetings and Supply of Information**

The Board is scheduled to meet quarterly with additional meetings to be convened when urgent matter need to be discussed and approved in between these scheduled meetings. Notices of meetings are given to the Board members in sufficient time prior to the meetings in order for them to be present. Whenever necessary, senior management or external advisors are also invited to attend the Board and Board Committee meetings to provide further clarity on agenda items being discussed to enable the Board and/or Board Committees to arrive at a considered and informed decision.

The Board has held five (5) Board Meetings during the financial year and the attendance record is as follows:-

Directors	Total Number of Meetings Attended in 2015
Datuk Aznam Bin Mansor	4/5
Lin Hao Wen	5/5
Ng Tian Meng	5/5
Wong Yoke Nyen	5/5
Yang Sen	5/5
Lu Kuan-Cheng	4/4
Lin Fong Ming (Appointed with effect from 19 November 2015)	N/A

The Board regularly reviews reports on progress against financial objectives, business development and also receive regular reports and presentations on strategy and updates, risks profiles and material litigation. Regular reports are also provided by Board Committees on their deliberations and recommendations.

The agenda and supporting papers are distributed in advance for all Board and Board Committee meetings to allow time for appropriate review to facilitate full discussion at the meetings. Board meeting agendas and Board meeting papers which include, among others, comprehensive management reports, minutes of meetings, project or investment proposals and supporting documents are targeted for dissemination to the Directors at least seven (7) days prior to Board meetings. However, papers that are deemed urgent may still be submitted to the Company Secretary to be tabled to the Board at the Board Meeting, subject to the approval of the Chairman and the Managing Director. Presentations to the Board are prepared and delivered in a manner that ensures a clear and adequate presentation of the object matter.

Statement on Corporate Governance

Principle 2: STRENGTHEN COMPOSITION (CONT'D)

► Board Meetings and Supply of Information (Cont'd)

The Board papers include, among others, the following documents or information:

- Reports of meetings of all committees of the Board including matters requiring the Board's deliberation and approval;
- Performance reports of the Group, which include information on financial, strategic business issues, major operational issues and updates; and
- Board papers for other matters for discussion/approval.

All issues raised, discussions, deliberations, decisions and conclusions including dissenting views made at Board meetings along with clear actions to be taken by responsible parties are recorded in the minutes. Where the Board is considering a matter in which a Director has interest, the relevant Director immediately discloses the interest and abstains from participating in any discussion or decision making on the subject matter.

The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. As and when the need arises, the Directors are also provided with ad-hoc reports, information papers and relevant training where necessary to ensure they are appraised on key business, operational, corporate, legal, regulatory and industry matters.

The Board has complete and unrestricted access to the advice and services of the appointed Company Secretary to enable them to discharge their duties effectively. The appointment of company secretaries is based on the capability and proficiency determined by the Board. The company secretaries are responsible for ensuring the Board meetings procedures are followed and that applicable rules and regulation are complied with.

Authority is also given to the Board to seek independent professional advice, if necessary, at the Company's expense from time to time in the performance of their duties. All Board Committees also have access to independent professional advice on the same basis.

► Board Performance Evaluation

A formal evaluation of the Board's effectiveness assessment has been developed as part of FLBHD Board's annual activities to assess not only the Board's performance but also brings to light improvement areas and remedial actions on the Board's administration and process.

The annual performance evaluation of the Board was primarily based on the answers to a detailed questionnaire which took into consideration the principles as enunciated in the CG Guide and the Code. The questionnaire was endorsed by the NC and approved by the Board before it was distributed to all the respective Board members.

► Appointment to the Board

The nominees to the Board are first considered by the NC, taking into consideration the various skills, competencies, experience and other qualities required before they are recommended to the Board. The NC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies and other qualities, before recommending their appointment to the Board for approval. For the position of independent non-executive director, the NC will evaluate the candidate's ability to discharge such responsibilities as expected from an independent non-executive director.

Statement on Corporate Governance

Principle 2: STRENGTHEN COMPOSITION (CONT'D)

► Re-election of Directors

In accordance with the Articles of Association of the Company, one-third (1/3) of the Board, shall retire from office by rotation and be eligible for re-election at each Annual General Meeting ("AGM"). The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment and all Directors (including the Managing Director) shall retire at least once in every three (3) years. Newly appointed Directors during the year must offer themselves to the shareholders for re-election at the first AGM following their appointment.

Directors who are of or over the age of seventy (70) years old are required to retire from office at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM in accordance with Section 129(6) of the Companies Act, 1965.

Based on the results of the assessment undertaken for the financial year, the NC (save for the members who had abstained from deliberations on their own re-election/reappointment) recommended to the Board that:

- Wong Yoke Nyen and Ng Tian Meng, who are due for retirement by rotation pursuant to Article 67 of the Company's Article of Association at the Twenty-Sixth AGM and be eligible for re-election; and
- Lin Fong Ming, who also retires pursuant to Article 73 of the Company's Article of Association at the Twenty-Sixth AGM, be eligible for re-election.

The Board, save for the members who had abstained from deliberations on their own reelection/re-appointment, supported the NC's views and recommended that shareholders vote in favor of the resolutions for their re-election/ re- appointment at the AGM. None of the Company Director has reached the age of seventy (70) years old during the financial year.

► Board Committees

The Board delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in discharging its responsibilities. 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 AC is authorized by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and members of the senior management of the Group. The composition of the AC and the activities carried out by the AC are summarized in the AC Report as stated on page 29 of this Annual Report.

The full details of the Terms of Reference of the AC are published in the Company's website.

(b) Nomination Committee

The NC comprises of entirely Independent Non-Executive Directors, of which complied with the recommendations under the Code as follows:

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

The Chairman of the NC is the Senior Independent Director of the Company which is in compliance with Recommendation 2.1 of the Code.

Statement on Corporate Governance

Principle 2: STRENGTHEN COMPOSITION (CONT'D)

► Board Committees (Cont'd)

(b) Nomination Committee (Cont'd)

The NC meets at least once a year. During the financial year ended 31 December 2015, the NC held two (2) meetings to discuss the following matters:

- reviewed the Term of Reference of NC;

- carried assessment on the contribution and performance of Board, Board Committees and each individual Director and this includes assessment on the independence of the Independent Directors as well as review the trainings attended by each individual Director. The Board is satisfied with the contribution and performance of each individual Director. The Independent Directors complies with the criteria of Independence based on the Listing Requirements of Bursa Securities; and

- recommended the appointment of Mr. Lu Kuan-Cheng and Mr. Lin Fong Ming as Executive Directors.

The detail of the attendance record of the NC meeting is as follows:

Members	Total Number of Meeting Attended in 2015
Datuk Aznam Bin Mansor	2/2
Ng Tian Meng	2/2
Wong Yoke Nyen	2/2

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

i) To assess and recommend to the Board, the candidates for all directorships to be filled by the shareholders or the Board, in consideration of the candidates:

- skills, knowledge, expertise and experience;
- professionalism;
- integrity;
- ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors, when carrying out evaluation of candidates for the position of Independent Non-Executive Directors; and
- time commitment;

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 review training programs for the Board and 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;

Statement on Corporate Governance

Principle 2: STRENGTHEN COMPOSITION (CONT'D)

► Board Committees (Cont'd)

(b) Nomination Committee (Cont'd)

vii) To develop the criteria for recruitment process and to assess the independence of Independent Non-Executive Directors annually, especially on those who has served for more than nine (9) years;

viii) To apply the process as determined by the Board, 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 Officer where all assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented;

ix) To review Board's succession plans; and

x) To facilitate achievement of Board gender diversity policies and targets and review the Gender Diversity Policy from time to time.

The full details of the NC's Terms of Reference are published in the Company's website.

(c) Remuneration Committee

The RC comprised of the following members:-

- Ng Tian Meng – Chairman / Independent Non-Executive Director
- Wong Yoke Nyen – Member / Independent Non-Executive Director
- Lin Hao Wen – Member / Managing Director

The RC held one (1) meeting during the financial year ended 31 December 2015. The details of the attendance at meeting are as follows:

Members	Total Number of Meeting Attended in 2015
Ng Tian Meng	1/1
Wong Yoke Nyen	1/1
Lin Hao Wen	1/1

The primary purpose of the RC is to assist the Board in fulfilling its oversight responsibility to shareholders by ensuring that the Company has coherent remuneration policies that fairly and responsibly reward individuals having regard to performance, the risk management framework, the law and the highest standards of governance.

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 the decisions on their own remuneration.

Determination of remuneration packages of the Independent Non-Executive Directors, including Independent Non-Executive Chairman, shall be determined by the Board 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 and Procedure to provide a framework for remuneration paid to the members of the Board and the Management Team of the Company.

Statement on Corporate Governance

Principle 2: STRENGTHEN COMPOSITION (CONT'D)

► Board Committees (Cont'd)

(c) Remuneration Committee (Cont'd)

The Remuneration Policy recognizes the need for the Company to attract, motivate and retain qualified members of the Board and 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 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.

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; and
- Building a partnership between the Company and its Directors and Management Team by encouraging share ownership in the Company by the Directors and Management Team.

The full details of the RC's Terms of Reference are published in the Company's website.

► Remuneration Procedure

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

The RC assesses the appropriateness of Directors 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 Independent Non-Executive Directors' remuneration package reflects the experience, expertise and level of responsibilities undertaken by the Independent Non-Executive Directors.

In relation to recommended remuneration for Directors, it will be presented at the AGM for shareholders' approval. All non-executive Directors will receive their annual Director's fees upon shareholders' approval at the AGM.

The basic salaries of the Executive Directors are fixed and any revision to the basic salary will be reviewed and recommended by the RC and approved by the Board, taking into account the individual performance, the inflation price index, and information from independent sources on the rates of salary for similar positions in other comparable companies. The Group operates a bonus scheme for all employees, including the Executive Directors. Bonuses payable to the Executive Directors are reviewed by the RC and approved by the Board. The Executive Directors are not entitled to annual fees.

Statement on Corporate Governance

Principle 2: STRENGTHEN COMPOSITION (CONT'D)

► Remuneration Procedure (Cont'd)

• Directors' Remuneration

The details of the Directors' remuneration of the Company for the financial year ended 31 December 2015 are provided as below:-

	Executive Directors RM	Non-Executive Directors RM	Total RM
Salaries and other emoluments	622,000	-	622,000
Directors' fee	-	244,800	244,800
Meeting Allowance	14,000	14,000	28,000
	636,000	**258,800**	**894,800**

The total Directors' remuneration analysed in the band of RM50,000 for the financial year 2015 are as follows:

	No. of Directors	
Band of Remuneration	**Executive Directors**	**Non-Executive Directors**
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	2	-
TOTAL	**3**	**3**

Principle 3: REINFORCE INDEPENDENCE

The Board recognizes the importance of independence and objectivity in the decision making process. Each Independent Non-Executive Director has declared his independence to the Board based on criteria of assessing independence as set out in the Listing Requirements.

The Group complies with Recommendation 3.4 of the Code whereby the position of Chairman and Managing Director were held by different individuals and the Chairman, Datuk Aznam Bin Mansor is a Non-Executive Member of the Board.

► Tenure of Independent Directors

As at the date of this statement, none of the Independent Directors has served more than nine (9) years on the Board.

However, the Board may seek shareholders' approval to re-elect a non-executive Director who has served over the cumulative term if it deems that it is in the best interest of the Group to retain such an individual due to his or her irreplaceable insights and invaluable knowledge.

Statement on Corporate Governance

Principle 4: FOSTER COMMITMENT

► Time Commitment of the Board Members

The Board is mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills. Thus, each director is expected to commit sufficient time and required to notify the Board prior to accepting any additional appointment of directorships in other public listed companies. The notification shall include an indication of time commitment required under the new appointment as recommended by The Code. The number of directorships in listed corporations held by any Board member at any one time shall comply with the Listing Requirements of Bursa Securities. Currently, all the Directors of the Company hold not more than five (5) directorships in the public listed corporations.

To facilitate the Directors' time planning, a corporate calendar is prepared and circulated to all the Directors in advance of each new year. The corporate calendar provides Directors with the scheduled dates for meetings of the Board, Committees of the Board, the AGM and the closed periods for dealings in securities by the Directors based on the targeted dates of announcement of the Company's quarterly results.

► Directors' Training

The Board also firmly believes that it is important for its Directors to invest the time and effort to update their knowledge and enhance their skill-set through relevant training programs. This will ensure that members of the Board are kept abreast of the latest developments in the areas of the capital markets, regulatory and corporate governance while equipping themselves with the know-how to contribute further to the effectiveness of the Board.

All Directors of the Company had attended and successfully completed the Mandatory Accreditation Programme (MAP) as required by the Listing Requirements of Bursa Securities. The Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to further enhance their knowledge and to ensure Directors keep abreast with new developments in the business environment and enhance their skills and knowledge.

During the financial year 2015, the Directors have attended the following training programmes to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively:

Directors	Name of Conferences, Seminars and Training Programmes	Date
Datuk Aznam Bin Mansor	• Family Business Management: Transgenerational Entrepreneurs hip	15 June 2015
	• Revisiting Islamic Philantrophy for Sustainable Opportunities Finance	12 August 2015
	• Common Breaches of The Listing Requirements with Case Studies	21 August 2015
Lin Hao Wen	• Common Breaches of The Listing Requirements with Case Studies	21 August 2015
Yang Sen	• Common Breaches of The Listing Requirements with Case Studies	21 August 2015
Wong Yoke Nyen	• Audit Oversight Board Conversation with Audit Committees	7 May 2015
	• Technical Analysis Series: Bridging The Gap Between Fundamental Analysis & Technical Analysis	13 June 2015
	• Get Ready For The Next Global Financial Crisis	08 August 2015
	• Common Breaches of The Listing Requirements with Case Studies	21 August 2015
	• 11th Tricor Tax & Corporate Seminar	04 November 2015
Ng Tian Meng	• Common Breaches of The Listing Requirements with Case Studies	21 August 2015
Lu Kuan-Cheng	• Mandatory Accreditation Programme	08-09 April 2015
	• Common Breaches of The Listing Requirements with Case Studies	21 August 2015

* Lin Fong Ming ***(Appointed with effect from 19 November 2015)*** has attended Mandatory Accreditation Programme on 29 Jun 2011. However, he did not participate in any training programme in 2015 due to time constrain after his appointment to the Board.

Statement on Corporate Governance

Principle 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

► ACCOUNTABILITY AND AUDIT

Financial Reporting and Disclosure

The Board aims to provide and present a clear, balanced and comprehensive view of the Group's financial performance and prospects, primarily through the annual audited financial statements, quarterly announcements of results and the annual report as well as corporate announcement on significant developments affecting the Company in accordance with the Listing Requirements. The AC 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.

Relationship with External Auditors

The Company's transparent and professional relationship with the external auditors is primarily maintained through the AC and the Board. The key features underlying the AC's relationship with both internal auditors and the external auditors are detailed in the AC Report of this Annual Report at pages 29 to 32. The AC is of the opinion that the external auditors are independent with respect to the Group, within the meaning of the provisions of the Bye-Laws on Professional Independence of the Malaysian Institute of Accountants. In addition, to the best of the AC's knowledge, the AC is not aware of any non-audit services that had compromised the external auditors' independence for the financial year ended 31 December 2015.

Annually, prior to the commencement of the audit engagement, the external auditors confirm to the AC on their independence and during the financial year ended 31 December 2015, the external auditors have met once with the AC without the presence of the Executive Management.

► 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, Listing Requirements of Bursa Securities 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.

The AC, under its Terms of Reference, is tasked to assist the Board in making sure that the Financial Statements are prepared in accordance with the approved and applicable Malaysian Financial Reporting Standards and are in accordance with the provision of the Companies Act, 1965.

The Board is satisfied that in preparing the financial statements of the Company and the Group for the financial year ended 31 December 2015, the Company and the Group have used appropriate accounting policies and applied them consistently and prudently. The Board is of the opinion that the financial statements have prepared in accordance with all relevant approved accounting standards and have been prepared on a going concern basis.

Statement on Corporate Governance

Principle 6: RECOGNISE AND MANAGE RISKS

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.

The Statement on Risk Management and Internal Control which provides an overview of the state of risk management and internal control within the Group is disclosed on pages 33 to 38 of this Annual Report.

Principle 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board is committed to provide accurate, clear, timely and complete disclosure of material information pertaining to the Company's performance and operations to shareholders, investors and public generally. In responding to the recommendations contained in the Code and the disclosure obligations contained in the Listing Requirements of Bursa Securities, the Group has formalized a Corporate Disclosure Policy.

The disclosures made by the Company and the Group to Bursa Securities, shareholders, investors and media are handled by the Managing Director or Company Secretary within the prescribed disclosure requirements under the Listing Requirements and guided by the Corporate Disclosure Guide issued by Bursa Securities. Such disclosures would only be released to Bursa Securities, shareholders, investors and media after having reviewed and approved by the Board.

To comply with Paragraph 9.21 of the Listing Requirements, the Group also maintains a website at www.focuslumber.com.my that allows all shareholders and investors to gain access to the information relating to annual reports, policies, financial highlights and terms of reference of the respective Board Committees.

Principle 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Dialogue between the Company and Investors

The Board recognizes the importance of an effective communications channel between the Board, stakeholders, institutional investors and the investing public at large, both in Malaysia and internationally, with the objective of providing a clear and complete picture of the Group's performance and position as much as possible.

In this respect, the Company is committed to 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 or via the Company's website. Information that is price sensitive or may be regarded as undisclosed material information about the Group is not disclosed to any party until it is already in the public domain through proper disclosure.

General Meetings

The Group's AGM and Extraordinary General Meetings represent the primary platforms for direct two-way dialogue and communication between the shareholders, Board and Management of the Group. Shareholders are notified of the meeting and provided with a copy of the Company's annual report at least twenty one (21) days before the meeting. They are encouraged and will be given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are encouraged to participate in the open question and answer session on the resolutions to be proposed or about the Group's operations in general. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Articles of Association to attend and vote on their behalf. The Chairman and Board members are in attendance to respond to the shareholders' queries and to provide clarification on the queries.

Statement on Corporate Governance

Principle 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

Dialogue between the Company and Investors (Cont'd)

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.

Other than through the issuance of its Annual Reports, the Group has been actively promoting proactive engagements and communications with its shareholders and stakeholders through the following channels:

- Release of financial results on a quarterly basis;
- Press releases and announcements to Bursa Securities and subsequently to the media; and
- An Investor Relations section on the Group's website.

COMPLIANCE STATEMENT

The Board considers that the Group has substantially complied with the Best Practices of the Code throughout the financial year ended 31 December 2015.

ADDITIONAL COMPLIANCE INFORMATION

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

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

   There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2015.

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 2015 amounted to RM27,000.00 for corporate tax compliance and advisory services rendered.

3. **Sanctions and/or Penalties**

   No sanctions and/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.

Statement on Corporate Governance

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

5. Variation of Results

There were no variation of 10% or more between the audited results for the financial year 2015 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 26 to the Financial Statements on pages 81 and 82.

7. Share Buy-Back

The Company did not undertake any share buy-back exercise during the financial year 2015.

8. Options or Convertible Securities

No options or convertible securities were issued during the financial year 2015.

9. Depository Receipt Programme

The Company did not sponsor any Depository Receipt Programme during the financial year 2015.

10. Profit Guarantee

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

This statement is made in accordance with the approval of the Board of Directors on 5 April 2016.

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 mean 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 regardless of age, gender, ethnicity, cultural background or other personal factors 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. There will be no preference given to male applicants for a position and will ensure that any women with appropriate experience and qualifications are considered equally in the recruitment and selection process.

(b) Training: All internal and external training opportunities will be based on merit and in light of Company and individual needs regardless of age, gender, ethnicity, cultural background or other personal factors. 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 based on skill and merit regardless of age, gender, ethnicity, cultural background or other personal factors.

3. Achieving Diversity

The Company recognises the importance of having participation of women in 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 delegated by the Board to continuously look for people with diverse skills and talent that can contribute to the Company. Upon identifying the appropriate candidate to be appointed as Director or Board Member, the Nomination Committee will make their recommendations to the Board for approval.

Diversity Policy

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.

Promoting workplace diversity is everyone's responsibility and includes:

- practising and promoting behaviour consistent with the Company's Code of Conduct;
- respecting different ways of thinking and using our employees' different perspectives to improve business outcomes;
- treating each other with respect and dignity;
- providing a safe, secure and healthy workplace;
- making decisions genuinely based on equity and fairness;
- valuing the diversity of people; and
- taking appropriate actions to eliminate discrimination.

5. Reporting Responsibility

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

Any breach of compliance with the Diversity Policy is to be reported directly to the Chairman of the Board or the Chairman of the Audit Committee.

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

Chairman of the Board	Chairman of the Audit Committee
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 exist 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.

The Board will review this policy as necessary to ensure that they meet the objectives of relevant legislations and remain effective for the Group. The Board may implement changes to this policy from time to time subject to the approval of the Group's Board of Directors.

Sustainability Policy

The Group recognises 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.

This Policy is based upon the following principles:

- To observe and comply with all relevant legislation, regulations and codes of practice.
- To consider sustainability issues and integrate these considerations into our business decisions.
- To promote and ensure that all employees are aware of and are committed to implementing and measuring sustainability activities considering environment, social and governance factors.
- To annually report, review and to continuously strive to improve our sustainability performance.

The Group practices its Sustainability Policy on the following approach:-

1. The Business

The Group places the utmost importance on the approaches to achieving a viable and sustainable business that will grow and sustain even during the changes and challenges in the current global economic environment. Emphasis is placed not only for the current financial period but over the future as well. In arriving at this, the Group had drawn up a 5-year plan on the positioning of the Group and this dynamic strategy will be reviewed and measured every year via an annual budget together with the bases and assumptions thereon.

The Group has invested in advanced machineries to increase production capacity, to improve the quality of our product and to enhance the efficiency of the manufacturing process. Better production efficiency increases the recovery of logs resulting in lower production cost. Using smaller logs has also resulted in lower cost of raw material and broadens the source of log supply for its production.

Besides, setting up a power plant which reuses bulk waste to generate biomass energy to supply electricity to the office, hostel, and production plant has also significantly reduced our dependency on fossil fuel and enhanced cost mitigation.

2. 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 organised, 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. The Group also adopts a Diversity Policy which will provide equal opportunities in respect to employment and for its workplace in regardless of age, gender, ethnicity, cultural background or other personal factors. This is to ensure the Company having a diverse mix of skills and talent among employees in order to enhance Company performance.

Sustainability Policy

3. 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.

The Group has complied the following legislation in reducing the environment impact:-

(i) Lacey Compliance Verification (LCV) Program in affirming the legality of sourced forest products used in the manufacture of our products, which will give a high level of confidence to our customers of our fulfilment of the requirements of the Lacey Act for the US market.

(ii) The Group is certified as a CARB Certified Manufacturer by Professional Service Industries, Inc. (which is known as Benchmark Holdings in 2011). The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished good for sale in California.

(iii) JAS Certification for General Plywood under the Law Concerning Standardization and Proper Labelling of Agriculture and Forestry Products (Law No. 175 of 1950) which is granted by Benchmark Holdings.

4. The Community

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

5. The Stakeholders

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

Initiatives undertaken by the Group to improve its governance sustainability includes:

a. Adhering to the requirements of all laws and regulatory requirements, standards, and better practices to which the Company subscribes and establishes;

b. Having robust policies and procedures in place to ensure the adequacy and integrity of the Company's internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

c. Continuously improving the Company's internal control system; and

d. Maintaining a dedicated website which facilitates easy access to corporate information, annual reports, press releases and company announcements to its shareholders, prospective investors, stakeholders and the general community.

6. The Governance

The Group has no tolerance towards fraud and unethical practices and conducts in all its business dealings with our stakeholders and within the Group. The Group will promote the best Corporate Governance requirement as well as sustainability practices to maintain the integrity of marketplace.

Disclosure and Review

The Company will disclose the application of this Policy in the Corporate Social Responsibility in the Annual Report.

This Policy shall be reviewed annually by the Board.

Audit Committee Report

1. CONSTITUTION

The Audit Committee was established to assist the Board to ensure timely and accurate financial reporting, proper implementation of risk management policies and internal control, and compliance with legal and regulatory requirements.

MEMBERS

The Audit Committee comprises of the following members:-

Wong Yoke Nyen
Chairman, Independent Non-Executive Director

Datuk 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 2015, 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%
Datuk Aznam Bin Mansor	4/5	80%
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 review the external auditor's audit plan, evaluation of system of internal controls and audit report and report the same to the Board of Directors;

(2) to consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

(3) 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;

(4) to ensure reliability of the financial statements and its compliance with applicable financial reporting standards;

(5) 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 (CONT'D)

3.1 Duties and Responsibilities of Audit committee (Cont'd)

(6) 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);

(7) to review the external auditors' management letter and management's responses;

(8) 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 programme, process or investigation undertaken 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;

(e) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and

(f) ensure the internal audit function is independent of the activities it audits and the internal audit function reports directly to the Audit Committee.

(9) to consider any related-party transactions and conflict of interest situation that may arise within the company or group including any transaction, procedure or course of conduct that raise questions of management integrity;

(10) to 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;

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

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

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

(14) 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;

Audit Committee Report

3. SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

3.2 Rights of the Audit Committee (Cont'd)

(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 2015 were as follows:-

a. Reviewed the unaudited quarterly financial results of the Company and Group to ensure the financial statements were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) before recommending to the Board for consideration and approval at the meetings held on 9 February 2015, 21 May 2015, 21 August 2015 and 17 November 2015 respectively;

b. Reviewed the external auditors' scope of work and audit plan for the financial year ended 31 December 2015;

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. Reviewed the audited financial statements before recommending for the Board of Directors' approval;

f. Assessed the suitability and independence of the External Auditor including the adequacy of their resources, experience of the firm and staff assigned, level of non-audit fees and rotation of partner;

g. The Audit Committee had one private meeting with External Auditors in 2015 without the presence of Executive Board members and Management staff; and

h. Obtained assurance from the Accountant that:

   i. Appropriate accounting policies has been adopted and applied consistently;

   ii. Prudent judgements and reasonable estimates has been made in accordance with requirements as set out in MFRS; and

   iii. The Annual and Quarterly Financial Statements did not contain material misstatements of the financial position of the Group and Company.

Audit Committee Report

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 with Paragraph 15.27 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 auditor, 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.

The summary of activities carried out by the outsourced internal auditor during the financial period include:-

- Developed the internal audit plan for year 2015.
- Performed internal audit review on the following areas:

No.	Audited Area	Audit Work Taken On
1	Review on the status of the Company's Compliance with Chapter 15 of the Listing Requirement of Bursa Securities and the Malaysia Code on Corporate Governance 2012	19 January 2015 to 30 January 2015
2	Conducted follow-up review on Compliance Report	30 April 2015
3	• Production process and reporting • Safety • Machinery maintenance	22 June 2015 to 26 June 2015
4	Conducted follow-up review on Production Process and Reporting, Safety and Machinery maintenance	17 September 2015 to 18 September 2015

- 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.
- Attended Audit Committee meetings on 9 February 2015, 21 May 2015, 21 August 2015 and 17 November 2015 to table and discuss the audit reports.

The relevant Management members were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes. The outsourced internal auditor conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately.

During the year, the Audit Committee has met four (4) times to carry out its responsibilities 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 31December 2015 amounted to RM48,720.00.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board is committed to preserve throughout the Group a sound system of risk management and internal controls and good corporate governance practices as set out in the Board's Statement on Risk Management and Internal Control made in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and guided by the Statement on Risk Management & 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.

Management is responsible for assisting the Board in implementing the processes for identifying, evaluating, monitoring and reporting risks and internal controls throughout the period. The Board is assisted by the Audit Committee to oversee the implementation of a system of risk management and internal controls. The Risk Management Committee (RMC) is established to assist the Board in overseeing the risk management issues of the Group and to report to the Audit Committee directly on the Group's overall co-ordination of risk management activity and ensuring that the necessary processes are in place.

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 the Management Team 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.

Statement on Risk Management and Internal Control

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 put in place 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 framework is continually monitored to ensure it is responsive to the changes in the business environment.

The RMC shall meet at least two times a year at appropriate times and otherwise as required, to review risks that affect the achievement of the Group's business objectives. The RMC submits its report on the key risks facing the Group to the Audit Committee half-yearly. In the event of significant risks being identified, it will be reported to the Audit Committee immediately.

RISK MANAGEMENT PROCESS

The Management is responsible for reviewing risks on an ongoing basis so that risks impedingthe achievement of objectives are adequately identified, evaluated, managed and controlled.

On a semi-annually basis, RMC prepares a report detailing the significant risks, the status of risk reviews and the status of implementation of action plans for review by the Audit Committee.

The risk management process starts with the identification of all risks affecting the Company's achievement of its vision and mission and the linkage between risk management and its objectives can be illustrated below:

FOCUS LUMBER BERHAD

Strategies

1. Penetration into existing & new markets
2. Penetrate into industries such as furniture, home decorating and house constructions
3. Investment in new machinery and continuous manufacturing process enhancement

Respective Risk Owner's Objectives

Risk Category

- Strategic
- Operational
- Financial
- Compliance

The risks identified remain the foundation in developing a risk profile and an action plan to assist the Board of Directors and Management to adequately respond to these risks. All the risks identified are maintained in Risk Register to facilitate monitoring from time to time.

Statement on Risk Management and Internal Control

AUDIT COMMITTEE

The Audit Committee supports the Board's oversight function on risk management and internal control through the following:

- Ensuring an effective risk management process and management of key business risks in accordance with the Group's tolerance of risks.
- Assessing the effectiveness of the Group's internal control system vis-à-vis the risks, control environment and compliance requirements.
- Ensuring an appropriate Whistleblowing policy is in place.

The Audit Committee deliberates on the abovementioned to assess the state of the Group's management of risks and internal controls and management actions on the control issues identified on a half-yearly basis. The internal control recommendations by the internal auditors and the external auditors are followed-up and reported to the Audit Committee to monitor the implementation of preventive and corrective actions to mitigate related risks.

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 daily running of business is entrusted to the Managing Director, Executive Directors 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.

INTERNAL CONTROL

The Group has established its internal control structure and is committed to providing the fundamental discipline on risk management and control. These internal control structures apply to all of the Group's investments. The Group has continuously been undertaking efforts to enhance its internal control structures within the Group.

The key elements of the Group's internal control structures are as follows:

- **Code of Conduct and Practice**

  The Group's practice is guided by the Code of Conduct and Ethics, which sets out the principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. The Group's Code of Conduct and Ethics covers such as compliance with respective local laws and regulations, integrity, conduct in the work place, business conduct, protection of the Group's assets, confidentiality, conflict of interest and fair dealing practices.

  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.

Statement on Risk Management and Internal Control

- **Whistleblowing Policy and Procedures**

  As the Group expects the highest standards of integrity, probity, transparency and accountability from all employees to preserve and protect the Group's interests and reputation, the Group takes a serious view of any acts of wrong doing by any of its employees.

  The Board has approved 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.

  Full details of the Group's Code of Conduct and Ethics and Whistleblowing Policy are published in the Company website.

- **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.

- **On-Going 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.

- **Internal audit function**

  Pursuant to Paragraph 9.25(1), Part A of Appendix 9C(30) of the Listing Requirement of Bursa Securities, the Board is pleased to set out below its internal audit function.

  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 and is headed by a management team who are registered with professional bodies as follows:

  (a) Chief Operating Officer – Certified Chartered Accountant and a registered member of Malaysian Institute of Accountants (MIA)

  (b) Director – Certified Internal Auditor, Certified Practising Accountant with CPA Australia, a member of Institute of Internal Auditors Malaysia (IIAM) and Malaysian Institute of Accountants (MIA)

  (c) Manager – Chartered Member of the Institute of Internal Auditors Malaysia

Statement on Risk Management and Internal Control

- **Internal audit function (Cont'd)**

The Group's Internal Audit plays a pivotal role in improving the effectiveness of risk management, control and governance processes of the Group's operations through its recommendations for improvement in internal controls and consulting services on related matters. Built into the audit process is also a process of follow-up of the implementation of recommendations of major issues reported to the Audit Committee to ensure improvement actions are taken. Based on the follow-up conducted during the year, actions have been taken towards improvements in the related areas.

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

- Developed the internal audit plan for year 2015

- Performed internal audit review on the following areas:

No.	Audited Area	Audit Work Taken On
1	Review on the status of the Company's Compliance with Chapter 15 of the Listing Requirement of Bursa Securities and the Malaysia Code on Corporate Governance 2012	19 January 2015 to 30 January 2015
2	Conducted follow-up review on Compliance Report	30 April 2015
3	• Production process and reporting • Safety • Machinery maintenance	22 June 2015 to 26 June 2015
4	Conducted follow-up review on Production Process and Reporting, Safety and Machinery maintenance	17 September 2015 to 18 September 2015

- 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.

- Attended Audit Committee's meetings to table and discuss the audit reports.

- Followed-up on the implementation of corrective action plans agreed by Management.

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 2015 amounted to RM48,720.00.

ASSURANCE FROM THE MANAGEMENT

The Board has also received assurance from the Managing Director and the Management Team on 05 Apr 2016 that the Group's risk management framework and internal control system are operating adequately and effectively, in all material respects during the financial year ended 31 December 2015, based on the risk management model adopted by the Group.

Statement on Risk Management and Internal Control

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirement of Bursa Securities, the external auditors have reviewed this Statement on Risk Management & Internal Control. 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 their view 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 risk management and internal control systems of the Group.

CONCLUSION

Based on the processes taken through the Board and its Committees during the financial year under review and up to the date of issuance of the financial statements and assurance provided by the Group's Managing Director and the Management Team, the Board is of the view that the risk management and internal control system as described in this Statement is operating adequately and effectively, in all material aspects, to mitigate the Group's major risks. 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. There is continual focus on measures to protect shareholder value and business sustainability.

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 2015.

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 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	31,722,340	32,067,739
Profit attributable to:		
Owners of the Company	31,722,340	32,067,739

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 2014 were as follows:

	RM
In respect of the financial year ended 31 December 2015:	
Interim tax exempt (single-tier) dividend of 10%, on 103,200,000 ordinary shares of RM0.50 each, declared on 30 July 2015 and paid on 28 August 2015	5,160,000
Interim tax exempt (single-tier) dividend of 20%, on 103,200,000 ordinary shares of RM0.50 each, declared on 17 November 2015 and paid on 21 December 2015	10,320,000
	15,480,000

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:

Datuk Aznam Bin Mansor
Lin Hao Wen
Lu Kuan-Cheng
Ng Tian Meng
Yang Sen
Wong Yoke Nyen
Lin Fong Ming (Appointed on 19 November 2015)

Directors' Report

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 26 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 during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
	1.1.2015/Date of appointment	**Acquired**	**Sold**	**31.12.2015**
Direct interest:				
Ordinary shares of the Company				
Lin Fong Ming	9,029,360	-	-	9,029,360
Lin Hao Wen	6,313,550	2,715,810	-	9,029,360
Lu Kuan Cheng	9,203,000	-	(1,679,185)	7,523,815
Yang Sen	3,156,776	1,232,105	-	4,388,881
Indirect interest:				
Ordinary shares of the Company				
Lin Fong Ming	15,961,620	-	(9,186,160)	6,775,460 ^
Lin Hao Wen	12,627,100	5,471,620	(18,098,720)	-
Yang Sen	9,470,328	3,696,315	(13,166,643)	-

^ Deemed interested by virtue of shares held by his son pursuant to Section 134(12)c, of the Companies Act, 1965

On 10 December 2015, Lin Fong Ming, Lin Hao Wen and Yang Sen ceased to have indirect interests in their family members' shareholdings in the Company as they ceased to have an influence over the decision in dealings of their respective shares.

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

Directors' Report

OTHER STATUTORY INFORMATION

a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

   ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

b) At the date of this report, the directors are not aware of any circumstances which would render:

   i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

   ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or 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 5 April 2016.

Lin Hao Wen | **Yang Sen**

Statement by Directors

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

We, Lin Hao Wen and Yang Sen, 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 46 to 93 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 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 supplementary 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 5 April 2016.

Lin Hao Wen **Yang Sen**

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 46 to 93 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 5 April 2016

Lin Hao Wen

Before me,

Independent Auditors' Report

To the Members of Focus Lumber Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Focus Lumber Berhad, which comprise the statements of financial position as at 31 December 2015 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 46 to 93.

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 2015 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.

Independent Auditors' Report

To the Members of Focus Lumber Berhad (Incorporated in Malaysia)

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

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
Kota Kinabalu, Malaysia
5 April 2016

Chong Ket Vui, Dusun
2944/01/17(J)
Chartered Accountant

Statements of Comprehensive Income

For the financial year ended 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Revenue	4	**180,732,725**	150,418,522	**180,618,103**	150,266,089
Cost of sales		**(124,570,876)**	(111,447,242)	**(127,519,638)**	(113,470,550)
Gross profit		**56,161,849**	38,971,280	**53,098,465**	36,795,539
Other items of income					
Interest income	5	**1,777,962**	1,138,361	**1,777,962**	1,138,361
Other income	6	**7,588,277**	2,928,523	**10,148,107**	6,988,523
Other items of expense					
Administrative expenses		**(4,717,270)**	(4,390,645)	**(4,580,049)**	(4,106,987)
Selling and distribution costs		**(23,182,788)**	(19,685,004)	**(23,182,788)**	(19,685,004)
Other expenses		**(1,310,796)**	(1,667,495)	**(1,310,796)**	(1,667,495)
Profit before tax	7	**36,317,234**	17,295,020	**35,950,901**	19,462,937
Income tax expense	10	**(4,594,894)**	(1,262,854)	**(3,883,162)**	(790,955)
Profit net of tax, representing total comprehensive income for the year		**31,722,340**	16,032,166	**32,067,739**	18,671,982
Profit attributable to:					
Owners of the Company		**31,722,340**	16,032,166	**32,067,739**	18,671,982
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	11	**30.74**	15.54		
Diluted	11	**30.74**	15.54		

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

Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Assets					
Non-current assets					
Property, plant and equipment	12	**33,820,401**	33,757,327	**22,622,410**	20,939,663
Investment properties	13	**2,625,016**	2,707,047	**2,625,016**	2,707,047
Investment in a subsidiary	14	**-**	-	**5,000,000**	5,000,000
Other investments	15	**149,040**	149,040	**149,040**	149,040
Deferred tax assets	16	**1,333,721**	2,045,453	**-**	-
		37,928,178	38,658,867	**30,396,466**	28,795,750
Current assets					
Other investments	15	**17,201,093**	1,000,000	**17,201,093**	1,000,000
Inventories	17	**25,912,102**	23,500,710	**25,912,102**	23,500,710
Trade and other receivables	18	**16,627,000**	15,746,257	**16,402,509**	15,721,210
Other current assets	19	**3,460,969**	259,311	**3,460,969**	259,311
Income tax refundable		**286,595**	1,635,826	**286,595**	1,635,826
Derivatives	20	**-**	5,969	**-**	5,969
Cash and bank balances	21	**57,819,111**	59,422,335	**57,745,571**	58,906,030
		121,306,870	101,570,408	**121,008,839**	101,029,056
Total assets		**159,235,048**	140,229,275	**151,405,305**	129,824,806
Equity and liabilities					
Current liabilities					
Trade and other payables	23	**9,443,435**	6,531,762	**13,939,692**	8,798,692
Derivatives	20	**-**	570,536	**-**	570,536
		9,443,435	7,102,298	**13,939,692**	9,369,228
Net current assets		**111,863,435**	94,468,110	**107,069,147**	91,659,828
Non-current liability					
Deferred tax liabilities	16	**3,015,982**	2,593,686	**3,015,982**	2,593,686
Total liabilities		**12,459,417**	9,695,984	**16,955,674**	11,962,914
Net assets		**146,775,631**	130,533,291	**134,449,631**	117,861,892
Equity attributable to the owners of the Company					
Share capital	24	**51,600,000**	51,600,000	**51,600,000**	51,600,000
Share premium	24	**883,420**	883,420	**883,420**	883,420
Retained earnings	25	**94,292,211**	78,049,871	**81,966,211**	65,378,472
Total equity		**146,775,631**	130,533,291	**134,449,631**	117,861,892
Total equity and liabilities		**159,235,048**	140,229,275	**151,405,305**	129,824,806

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

Statements of Changes in Equity

For the financial year ended 31 December 2015

	Note	Equity, total RM	Non-distributable Share capital (Note 24) RM	Non-distributable Share premium (Note 24) RM	Distributable Retained earnings (Note 25) RM
Group					
Opening balance at 1 January 2015		130,533,291	51,600,000	883,420	78,049,871
Total comprehensive income		31,722,340	-	-	31,722,340
Transactions with owners					
Dividends on ordinary shares	31	(15,480,000)	-	-	(15,480,000)
Total transactions with owners		(15,480,000)	-	-	(15,480,000)
Closing balance at 31 December 2015		146,775,631	51,600,000	883,420	94,292,211
Opening balance at 1 January 2014		122,757,125	51,600,000	883,420	70,273,705
Total comprehensive income		16,032,166	-	-	16,032,166
Transactions with owners					
Dividends on ordinary shares	31	(8,256,000)	-	-	(8,256,000)
Total transactions with owners		(8,256,000)	-	-	(8,256,000)
Closing balance at 31 December 2014		130,533,291	51,600,000	883,420	78,049,871

	Note	Equity, total RM	Non-distributable Share capital (Note 24) RM	Non-distributable Share premium (Note 24) RM	Distributable Retained earnings (Note 25) RM
Company					
Opening balance at 1 January 2015		117,861,892	51,600,000	883,420	65,378,472
Total comprehensive income		32,067,739	-	-	32,067,739
Transactions with owners					
Dividends on ordinary shares	31	(15,480,000)	-	-	(15,480,000)
Total transactions with owners		(15,480,000)	-	-	(15,480,000)
Closing balance at 31 December 2015		134,449,631	51,600,000	883,420	81,966,211
Opening balance at 1 January 2014		107,445,910	51,600,000	883,420	54,962,490
Total comprehensive income		18,671,982	-	-	18,671,982
Transactions with owners					
Dividends on ordinary shares	31	(8,256,000)	-	-	(8,256,000)
Total transactions with owners		(8,256,000)	-	-	(8,256,000)
Closing balance at 31 December 2014		117,861,892	51,600,000	883,420	65,378,472

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

Statements of Cash Flows

For the financial year ended 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Operating activities					
Profit before tax		**36,317,234**	17,295,020	**35,950,901**	19,462,937
Adjustments for:					
Depreciation of investment properties	7	**82,031**	82,032	**82,031**	82,032
Depreciation of property, plant and equipment	7	**4,772,556**	4,706,102	**2,890,585**	2,848,823
Dividend income	6	**-**	-	**(2,500,000)**	(4,000,000)
Dividend income from other investments	6	**(101,093)**	-	**(101,093)**	-
Gain on disposal of plant and machinery	6	**-**	(1)	**-**	(1)
Interest income	5	**(1,777,962)**	(1,138,361)	**(1,777,962)**	(1,138,361)
Plant and equipment written off	7	**-**	162,329	**-**	-
Net fair value gain on derivatives - unrealised	6/7	**(564 ,567)**	(218,902)	**(564 ,567)**	(218,902)
Foreign exchange gain - unrealised	6	**(380,154)**	(487,236)	**(380,154)**	(487,236)
Total adjustments		**2,030,811**	3,105,963	**(2,351,160)**	(2,913,645)
Operating cash flows before changes in working capital		**38,348,045**	20,400,983	**33,599,741**	16,549,292
Changes in working capital					
Increase in inventories		**(2,411,392)**	(1,196,855)	**(2,411,392)**	(1,196,855)
Increase in receivables		**(456,016)**	(4,744,423)	**(256,572)**	(4,740,672)
(Increase)/decrease in other current assets		**(3,201,658)**	1,231,855	**(3,201,658)**	1,231,825
Increase/(decrease) in payables		**2,911,673**	(1,237,522)	**5,141,000**	(2,500,762)
Total changes in working capital		**(3,157,393)**	(5,946,945)	**(728,622)**	(7,206,464)
Cash flows from operations		**35,190,652**	14,4 54,038	**32,871,119**	9,342,828
Interest received		**398,627**	551,843	**398,627**	551,843
Income tax refunded		**21,437**	-	**21,437**	-
Income tax paid		**(2,133,072)**	(305,922)	**(2,133,072)**	(305,922)
Net cash flows generated from operating activities		**33,477,644**	14,699,959	**31,158,111**	9,588,749

Statements of Cash Flows

For the financial year ended 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Investing activities					
Dividend received		**101,093**	-	**2,601,093**	4,000,000
Purchase of other investments		**(17,201,093)**	-	**(17,201,093)**	-
Placement in short-term deposits		**(8,549,613)**	(124 ,938)	**(8,549,613)**	(124 ,938)
Interest received		**1,027,352**	586,518	**1,027,352**	586,518
Proceeds from disposal of other investments		**1,000,000**	-	**1,000,000**	-
Proceeds from disposal of plant and equipment		**-**	2	**-**	2
Purchase of property, plant and equipment	12	**(4,835,630)**	(2,680,646)	**(4,573,332)**	(1,998,086)
Net cash flows (used in)/generated from investing activities		**(28,457,891)**	(2,219,064)	**(25,695,593)**	2,463,496
Financing activity					
Dividends paid on ordinary shares		**(15,480,000)**	(16,512,000)	**(15,480,000)**	(16,512,000)
Net cash flows used in financing activity		**(15,480,000)**	(16,512,000)	**(15,480,000)**	(16,512,000)
Net decrease in cash and cash equivalents		**(10,460,247)**	(4,031,105)	**(10,017,482)**	(4,459,755)
Effect of exchange rate changes on cash and cash equivalents		**307,410**	450,899	**307,410**	450,899
Cash and cash equivalents at 1 January		**56,352,455**	59,932,661	**55,836,150**	59,84 5,006
Cash and cash equivalents at 31 December	21	**46,199,618**	56,352,455	**46,126,078**	55,836,150

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

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, 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 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 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.

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 Changes in accounting policies

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

On 1 January 2015, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014

The nature and impact of the new and amended MFRSs and IC Interpretation are described below:

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The amendments to MFRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

These amendments have been applied retrospectively. The application of these amendments had no impact on the disclosures or the amounts recognised in the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (Cont'd)

Annual Improvements to MFRSs 2010–2012 Cycle (Cont'd)

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below.

MFRS 2 Share-based Payment

This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. The Group did not grant any awards during the second half of 2014. Thus, this amendment did not impact the Group.

MFRS 3 Business Combinations

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group.

MFRS 8 Operating Segments

The amendments are to be applied retrospectively and clarify that:
- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

The Group has not applied the aggregation criteria as mentioned above. The Group continues to present the reconciliation of segment assets to total assets.

MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between gross and carrying amounts of the asset. This amendment did not have any impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (Cont'd)

Annual Improvements to MFRSs 2010–2012 Cycle

MFRS 124 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. This amendment is not applicable to the Group as the Group does not receive any management services from other entities.

Annual Improvements to MFRSs 2011–2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group has applied the amendments for the first time in the current year.

MFRS 3 Business Combinations

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively. The Group is not a joint arrangement and thus this arrangement is not relevant to the Group.

MFRS 13 Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable). The Group does not apply the portfolio exception.

MFRS 140 Investment Property

The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:
- the property meets the definition of investment property in terms of MFRS 140; and
- the transaction meets the definition of a business combination under MFRS 3,

to determine if the transaction is a purchase of an asset or is a business combination.

In previous financial years, the Group has applied MFRS 3 and not MFRS 140 in determining whether an acquisition is of an asset or is a business combination. Accordingly, this amendment did not have any impact to the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The standards and interpretation 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
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MRFS 127: Equity method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

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:

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:
- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (Cont'd)

MFRS 15 Revenue from Contracts with Customers (Cont'd)

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2.4 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

b) Exposure, or rights, to variable returns from its investment with the investee; and

c) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

a) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

b) Potential voting rights held by the Company, other vote holders or other parties;

c) Rights arising from other contractual arrangements; and

d) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (Cont'd)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.5 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 that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was measured.

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

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The costs include the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.14. 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment (Cont'd)

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 to 40 years
- Motor vehicles: 4 years
- Heavy equipment: 5 years
- Plant and machinery: 15 to 20 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 de-recognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment property is met.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

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 2.6.

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 2.6 up to the date of change in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 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 or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculation are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exist, the Group estimates the asset's or CGU's recoverable amount. 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.

2.9 Subsidiary

A subsidiary is an entity over which the Group has all the following:

- power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its investment with the investee; and
- the ability to use its power over the investee to affect its returns.

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement

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

a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Subsequent measurement

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

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (Cont'd)

a) Financial assets (Cont'd)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2015 and 2014.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss as finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (Cont'd)

a) Financial assets (Cont'd)

Derecognition (Cont'd)

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

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

b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (Cont'd)

b) Impairment of financial assets (Cont'd)

Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (Cont'd)

b) Impairment of financial assets (Cont'd)

Financial liabilities at fair value through profit or loss (Cont'd)

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 23.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.11 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.

2.12 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.
- Consumables: purchase costs on weighted average basis.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Inventories (Cont'd)

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost net realisable value.

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

2.13 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 pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.14 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 incurred in connection with the borrowing of funds.

2.15 Employee benefits

Defined contribution plans

The Malaysian companies in the Group make contributions to the Employees' 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.

2.16 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Leases (Cont'd)

a) As lessee (Cont'd)

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

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

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.17(c).

Contingent rents are recognised as revenue in the period in which they are earned.

2.17 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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

a) Sales of goods

Revenue relating to sales of plywood, veneer, and laminated veneer lumber is recognised at 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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Income taxes

a) Current income tax

Current income tax assets and liabilities for current and prior periods 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 at the reporting date.

Current income 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investment in subsidiary, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be utilised.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Income taxes (Cont'd)

b) Deferred tax (Cont'd)

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.

2.19 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.

2.20 Share capital and share issuance expenses

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

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

2.21 Contingencies

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation that arises from past events but is not recognised because:

   i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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 5 to 15 years for timber industry, and 15 to 20 years for power utility industry. These are the common life expectancies applied in the timber and power utility industry. 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 12. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.8% (2014: 1.5%) variance in the Group's profit for the year.

b) Deferred tax assets

Deferred tax assets are recognised for unrealised net fair value losses on derivatives, unutilised tax losses, unutilised investment tax allowances and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which these deferred tax benefits 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 unrealised net fair value losses on derivatives, unutilised tax losses, unutilised investment tax allowances and unabsorbed capital allowances of the Group was RM 16,041,540 (2014: RM21,944,902).

Notes to the Financial Statements

For the financial year ended 31 December 2015

4. REVENUE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sale of veneer	**15,173,563**	12,747,977	**15,173,563**	12,747,977
Sale of plywood	**161,708,407**	134,954,026	**161,708,407**	134,954,026
Sale of laminated veneer lumber	**3,736,133**	2,564,086	**3,736,133**	2,564,086
Sale of electricity	**114,622**	152,433	**-**	-
	180,732,725	150,418,522	**180,618,103**	150,266,089

5. INTEREST INCOME

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest income from:				
Fixed deposits	**1,363,977**	555,718	**1,363,977**	555,718
Structured investment	**15,358**	30,800	**15,358**	30,800
Foreign currency account	**40,366**	48,471	**40,366**	48,471
Current account	**358,261**	503,372	**358,261**	503,372
	1,777,962	1,138,361	**1,777,962**	1,138,361

6. OTHER INCOME

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Bad debts recovered	**-**	3,000	**-**	3,000
Dividend income	**-**	-	**2,500,000**	4,000,000
Dividend income from other investments	**101,093**	-	**101,093**	-
Insurance claims	**-**	95,991	**-**	95,991
Gain on disposal of plant and machinery	**-**	1	**-**	1
Net gain on foreign exchange				
- realised	**6,662,171**	1,767,270	**6,662,001**	1,767,270
- unrealised	**380,154**	487,236	**380,154**	487,236
Net fair value gain on derivatives - unrealised	**-**	218,902	**-**	218,902
Rental income from land	**-**	18,000	**60,000**	78,000
Rental income from investment properties	**233,760**	216,000	**233,760**	216,000
Sundry income	**211,099**	122,123	**211,099**	122,123
	7,588,277	2,928,523	**10,148,107**	6,988,523

Notes to the Financial Statements

For the financial year ended 31 December 2015

7. PROFIT BEFORE TAX

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Employee benefits expense (Note 8)	**19,141,415**	16,427,355	**18,163,221**	15,497,143
Auditors' remuneration:				
- statutory audit	**85,000**	83,000	**75,000**	73,000
- other services	**27,000**	26,740	**21,000**	20,380
Depreciation of investment properties (Note 13)	**82,031**	82,032	**82,031**	82,032
Depreciation of property, plant and equipment (Note 12)	**4,772,556**	4,706,102	**2,890,585**	2,848,823
Direct operating expenses arising from investment properties				
- rental generating properties	**95,040**	95,040	**95,040**	95,040
Non-executive directors' remuneration (Note 9)	**258,800**	230,000	**258,800**	230,000
Net fair value loss on derivatives				
- realised	**1,875,363**	1,667,495	**1,875,363**	1,667,495
- unrealised	**(564,567)**	-	**(564,567)**	-
Plant and equipment written off (Note 12)	**-**	162,329	**-**	-
Rental of land	**55,167**	40,900	**55,167**	40,900
Rental of office premises	**168,000**	156,000	**168,000**	156,000

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries, wages, bonuses, incentives and allowances	**18,581,073**	16,008,866	**17,620,925**	15,092,421
Defined contribution plan	**491,219**	366,714	**474,552**	354,195
Social security contributions	**69,123**	51,775	**67,744**	50,527
	19,141,415	16,427,355	**18,163,221**	15,497,143

Included in employee benefits expense of the Group are executive directors' remuneration amounting to RM759,000 (2014: RM718,000) as further disclosed in Note 9.

Notes to the Financial Statements

For the financial year ended 31 December 2015

9. DIRECTORS' REMUNERATION

	Group and Company	
	2015 RM	2014 RM
Executive directors' remuneration:		
Other emoluments	**759,000**	718,000
Non-executive directors' remuneration		
Fees	**244,800**	216,000
Other emoluments	**14,000**	14,000
Total non-executive directors' remuneration	**258,800**	230,000
Total directors' remuneration	**1,017,800**	948,000

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	
	2015	2014
Executive directors:		
RM1 - RM50,000	**1**	-
RM50,001 - RM100,000	**-**	-
RM100,001 - RM150,000	**1**	-
RM150,001 - RM200,000	**-**	2
RM200,001 - RM250,000	**1**	-
RM250,001 - RM300,000	**-**	-
RM300,001 - RM350,000	**-**	1
RM350,001 - RM400,000	**1**	-
Non-executive directors:		
RM50,000 - RM100,000	**3**	3

Notes to the Financial Statements

For the financial year ended 31 December 2015

10. INCOME TAX EXPENSE

Major components of income tax expense

Major components of income tax expense for the financial years ended 31 December 2015 and 2014 are:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	**3,460,867**	312,296	**3,460,867**	312,296
- Overprovision in respect of previous years	**(1)**	-	**(1)**	-
	3,460,866	312,296	**3,460,866**	312,296
Deferred income tax (Note 16):				
- Origination and reversal of temporary differences	**1,497,126**	1,165,109	**778,293**	702,570
- Overprovision in respect of previous years	**(345,502)**	(214,551)	**(338,401)**	(223,911)
- Relating to change in tax rate	**(17,596)**	-	**(17,596)**	-
	1,134,028	950,558	**422,296**	478,659
Income tax expense recognised in profit or loss	**4,594,894**	1,262,854	**3,883,162**	790,955

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit before tax	**36,317,234**	17,295,020	**35,950,901**	19,462,937
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	**9,079,308**	4,323,755	**8,987,725**	4,865,734
Adjustments:				
Non-deductible expenses	**139,828**	178,252	**137,578**	173,734
Income not subject to taxation	**(25,273)**	-	**(650,273)**	(1,000,000)
Relating to change in tax rate	**(17,596)**	-	**(17,596)**	-
Reinvestment allowances	**(410,777)**	-	**(410,777)**	-
Expenses eligible for double deduction tax incentives	**(3,825,093)**	(3,024,602)	**(3,825,093)**	(3,024,602)
Overprovision of current income tax in respect of previous years	**(1)**	-	**(1)**	-
Overprovision of deferred income tax in respect of previous years	**(345,502)**	(214,551)	**(338,401)**	(223,911)
Income tax expense recognised in profit or loss	**4,594,894**	1,262,854	**3,883,162**	790,955

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The Malaysian statutory tax rate will be reduced to 24% effective from year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected the effects from reduction of tax rate.

Notes to the Financial Statements

For the financial year ended 31 December 2015

11. EARNINGS PER SHARE

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

The Company has no dilutive potential ordinary shares.

The followings reflect the profit and share data used in the computation of basic earnings per share:

	Group	
	2015 RM	**2014 RM**
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	**31,722,340**	16,032,166
	Number of Shares	**Number of shares**
Weighted average number of ordinary shares for basic earnings per share computation	**103,200,000**	103,200,000
Basic earnings per ordinary share (sen)	**30.74**	15.54

12. PROPERTY, PLANT AND EQUIPMENT

Group	Long Leasehold land RM	Factory and office buildings RM	Motor vehicles, heavy equipment, plant and machinery RM	Furniture, fittings, office equipment, and renovation RM	Total RM
Cost:					
At 1 January 2014	700,080	10,102,536	119,108,603	1,359,582	131,270,801
Additions	-	-	2,651,324	29,322	2,680,646
Disposals	-	-	(172,866)	-	(172,866)
Written off	-	-	(400,558)	-	(400,558)
At 31 December 2014 and 1 January 2015	700,080	10,102,536	121,186,503	1,388,904	133,378,023
Additions	-	320,800	4,465,761	49,069	4,835,630
Reclassifications	-	(4,180)	4,180	-	-
At 31 December 2015	700,080	10,419,156	125,656,444	1,437,973	138,213,653
Accumulated depreciation:					
At 1 January 2014	56,764	8,583,296	85,598,512	1,087,116	95,325,688
Depreciation charge for the year (Note 7)	9,461	170,640	4,436,428	89,573	4,706,102
Disposals	-	-	(172,865)	-	(172,865)
Written off	-	-	(238,229)	-	(238,229)
At 31 December 2014 and 1 January 2015	66,225	8,753,936	89,623,846	1,176,689	99,620,696
Depreciation charge for the year (Note 7)	9,461	177,020	4,495,292	90,783	4,772,556
Reclassifications	-	(690)	690	-	-
At 31 December 2015	75,686	8,930,266	94,119,828	1,267,472	104,393,252
Net carrying amount:					
At 31 December 2014	633,855	1,348,600	31,562,657	212,215	33,757,327
At 31 December 2015	624,394	1,488,890	31,536,616	170,501	33,820,401

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For the financial year ended 31 December 2015

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Long Leasehold land RM	Factory and office buildings RM	Motor vehicles, heavy equipment, plant and machinery RM	Furniture, fittings, office equipment, and renovation RM	Total RM
Cost:					
At 1 January 2014	700,080	10,102,536	90,790,330	1,325,641	102,918,587
Additions	-	-	1,977,524	20,562	1,998,086
Disposals	-	-	(172,866)	-	(172,866)
At 31 December 2014 and 1 January 2015	700,080	10,102,536	92,594,988	1,346,203	104,743,807
Additions	-	320,800	4,209,021	43,511	4,573,332
Reclassifications	-	(4,180)	4,180	-	-
At 31 December 2015	700,080	10,419,156	96,808,189	1,389,714	109,317,139
Accumulated depreciation:					
At 1 January 2014	56,764	8,583,296	71,426,576	1,061,550	81,128,186
Depreciation charge for the year (Note 7)	9,461	170,640	2,582,668	86,054	2,848,823
Disposals	-	-	(172,865)	-	(172,865)
At 31 December 2014 and 1 January 2015	66,225	8,753,936	73,836,379	1,147,604	83,804,144
Depreciation charge for the year (Note 7)	9,461	177,020	2,617,934	86,170	2,890,585
Reclassifications	-	(690)	690	-	-
At 31 December 2015	75,686	8,930,266	76,455,003	1,233,774	86,694,729
Net carrying amount:					
At 31 December 2014	633,855	1,348,600	18,758,609	198,599	20,939,663
At 31 December 2015	624,394	1,488,890	20,353,186	155,940	22,622,410

13. INVESTMENT PROPERTIES

	Group and Company 2015 RM	2014 RM
Cost:		
At 1 January and 31 December	**3,651,348**	3,651,348
Accumulated depreciation:		
At 1 January	**944,301**	862,269
Depreciation charge for the year (Note 7)	**82,031**	82,032
At 31 December	**1,026,332**	944,301
Net carrying amount:		
At 31 December	**2,625,016**	2,707,047

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

The Directors estimate the fair value of the investment properties to be approximately RM4,476,158 (2014: RM4,476,158). The fair value of investment properties was based on recent prices of similar properties. No valuation by independent professional valuer was carried out.

Notes to the Financial Statements

For the financial year ended 31 December 2015

14. INVESTMENT IN A SUBSIDIARY

	Company 2015 RM	Company 2014 RM
Cost		
Unquoted shares	**5,000,000**	5,000,000

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 2015	Proportion (%) of ownership interest 2014
Untung Ria Sdn. Bhd. *	Generation and sale of electricity.	**100%**	100%

* Audited by Ernst & Young, Malaysia.

15. OTHER INVESTMENTS

	Group and Company 2015 RM	Group and Company 2014 RM
Non-current		
Cost		
Investment in Golf and Country Club membership	**149,040**	149,040
Current		
Cost		
Held-to-maturity investment		
- Structured investment	**-**	1,000,000
Held for trading investment		
- Money market fund (unquoted in Malaysia)	**17,201,093**	-
	17,201,093	1,000,000

a) Structured investment

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

The structured 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.

b) Money market fund

The money market fund which aims to provide income for investors through investments in fixed deposits with financial institutions and/or money market instruments.

The weighted average effective interest rate at 31 December 2015 was 3.61%.

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. DEFERRED TAX

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

Group	As at 1 January 2014 RM	Recognised in profit or loss RM	As at 31 December 2014 RM	Recognised in profit or loss RM	As at 31 December 2015 RM
Deferred tax liabilities:					
Property, plant and equipment	(6,219,768)	473,822	(5,745,946)	**389,428**	**(5,356,518)**
Other items	(206,009)	84,200	(121,809)	**(53,904)**	**(175,713)**
	(6,425,777)	558,022	(5,867,755)	**335,524**	**(5,532,231)**
Deferred tax assets:					
Derivatives	195,867	(54,725)	141,142	**(141,142)**	**-**
Unabsorbed capital allowances	215,639	(215,639)	-	**-**	**-**
Unutilised investment tax allowances	5,785,636	(853,963)	4,931,673	**(1,081,703)**	**3,849,970**
Unutilised tax losses	630,960	(384,253)	246,707	**(246,707)**	**-**
	6,828,102	(1,508,580)	5,319,522	**(1,469,552)**	**3,849,970**
	402,325	(950,558)	(548,233)	**(1,134,028)**	**(1,682,261)**

Company	As at 1 January 2014 RM	Recognised in profit or loss RM	As at 31 December 2014 RM	Recognised in profit or loss RM	As at 31 December 2015 RM
Deferred tax liabilities:					
Property, plant and equipment	(2,951,484)	91,758	(2,859,726)	**19,457**	**(2,840,269)**
Other items	(206,009)	84,200	(121,809)	**(53,904)**	**(175,713)**
	(3,157,493)	175,958	(2,981,535)	**(34,447)**	**(3,015,982)**
Deferred tax assets:					
Derivatives	195,867	(54,725)	141,142	**(141,142)**	**-**
Unabsorbed capital allowances	215,639	(215,639)	-	**-**	**-**
Unutilised tax losses	630,960	(384,253)	246,707	**(246,707)**	**-**
	1,042,466	(654,617)	387,849	**(387,849)**	**-**
	(2,115,027)	(478,659)	(2,593,686)	**(422,296)**	**(3,015,982)**

Notes to the Financial Statements

For the financial year ended 31 December 2015

16. DEFERRED TAX (CONT'D)

Group	2015 RM	2014 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	**1,333,721**	2,045,453
Deferred tax liabilities	**(3,015,982)**	(2,593,686)
	(1,682,261)	(548,233)

Company	2015 RM	2014 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	**-**	-
Deferred tax liabilities	**(3,015,982)**	(2,593,686)
	(3,015,982)	(2,593,686)

17. INVENTORIES

	Group and Company	
	2015 RM	2014 RM
Cost		
Raw materials	**4,833,372**	5,121,009
Work-in-progress	**4,068,355**	5,207,579
Finished goods	**13,695,057**	10,380,523
Consumables	**3,315,318**	2,791,599
	25,912,102	23,500,710

During the year, the amount of inventories recognised as an expense in cost of sales of the Group and the Company was RM124,570,876 and RM127,519,638 (2014: RM111,447,242 and RM113,470,550) respectively.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current				
Trade receivables				
Third parties	**13,009,164**	14,720,742	**12,987,573**	14,696,085

Notes to the Financial Statements

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18. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables				
Workers recruitment and staff advances	**754,113**	608,579	**754,113**	608,579
Deposits	**550,658**	416,936	**347,758**	416,546
Sundry receivables	**371,898**	-	**371,898**	-
GST recoverable	**1,941,167**	-	**1,941,167**	-
	3,617,836	1,025,515	**3,414,936**	1,025,125
Total trade and other receivables	**16,627,000**	15,746,257	**16,402,509**	15,721,210
Cash and bank balances (Note 21)	**57,819,111**	59,422,335	**57,745,571**	58,906,030
Total loans and receivables	**74,446,111**	75,168,592	**74,148,080**	74,627,240

Trade receivables

Trade receivables are non-interest bearing and are generally on 30-day (2014: 30-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	
	2015 RM	2014 RM	2015 RM	2014 RM
Neither past due nor impaired	**12,998,972**	14,708,208	**12,987,573**	14,696,005
1 to 30 days past due not impaired	**10,192**	12,454	**-**	-
31 to 60 days past due not impaired	**-**	-	**-**	-
61 to 90 days past due not impaired	**-**	-	**-**	-
More than 91 days past due not impaired	**-**	80	**-**	80
	10,192	12,534	**-**	80
Impaired	**-**	-	**-**	-
	13,009,164	14,720,742	**12,987,573**	14,696,085

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 trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM10,192 (2014: RM12,534) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

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19. OTHER CURRENT ASSETS

	Group and Company	
	2015	**2014**
	RM	**RM**
Deposits for log purchase	**3,238,168**	90,247
Prepaid operating expenses	**222,801**	169,064
	3,460,969	259,311

20. DERIVATIVES

	Group and Company		
	Contract/ Notional Amount	**Assets**	**Liabilities**
	RM	**RM**	**RM**
2015			
Non-hedging derivatives:			
Current:			
Forward currency contracts	**-**	**-**	**-**
2014			
Non-hedging derivatives:			
Current:			
Forward currency contracts	28,685,750	5,969	(570,536)

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

During the financial year, the Group recognised a gain of RM564,567 (2014: RM218,902) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 27.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Cash on hand and at bank	**35,053,625**	45,548,644	**34,980,085**	45,032,339
Short-term deposits with licensed banks	**22,765,486**	13,873,691	**22,765,486**	13,873,691
Cash and bank balances	**57,819,111**	59,422,335	**57,745,571**	58,906,030
Less: Short-term deposits pledged to licensed banks for bank facilities (Note 22)	**(3,169,378)**	(3,069,880)	**(3,169,378)**	(3,069,880)
Deposits with maturity of more than 3 months	**(8,450,115)**	-	**(8,450,115)**	-
Cash and cash equivalents	**46,199,618**	56,352,455	**46,126,078**	55,836,150

Notes to the Financial Statements

For the financial year ended 31 December 2015

21. CASH AND CASH EQUIVALENTS (CONT'D)

Cash at banks earn interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate as at 31 December 2015 for the Group was 4.0% (2014: 3.5%) per annum.

Deposits with licensed banks amounting to RM3,169,378 (2014: RM3,069,880) have been pledged as security for the Company's bank overdraft facility (Note 22).

Deposits are made for varying periods of between 1 month and 12 months (2014: 1 month and 3 months).

22. BORROWINGS

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

The overdraft facility is secured by the following:

i) certain fixed deposits (Note 21) of the Company;

ii) joint and several guarantees by certain directors of the Company; and

iii) negative pledge on all assets of the Company.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current				
Trade payables				
Third parties	**6,898,160**	4,304,754	**6,878,779**	3,775,155
Amount due to a subsidiary	**-**	-	**4,570,885**	2,830,430
	6,898,160	4,304,754	**11,449,664**	6,605,585
Other payables				
Accruals	**1,753,154**	1,498,956	**1,719,897**	1,470,205
Deposits received	**38,000**	36,000	**38,000**	36,000
Sundry payables	**754,121**	692,052	**732,131**	686,902
	2,545,275	2,227,008	**2,490,028**	2,193,107
Total trade and other payables, representing total financial liabilities carried at amortised cost	**9,443,435**	6,531,762	**13,939,692**	8,798,692

a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 day (2014: 30 to 60 day) terms.

b) Sundry payables

These amounts are non-interest bearing. Sundry payables are generally granted 30 to 60 day (2014: 30 to 60 day) terms.

Notes to the Financial Statements

For the financial year ended 31 December 2015

24. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2015	2014	2015 RM	2014 RM
Issued and fully paid				
At 1 January and 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	
	2015 RM	2014 RM
Share premium		
At 1 January and 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.

25. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2015 under the single tier system.

26. 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Purchase of electricity from subsidiary	**-**	-	**6,154,478**	5,106,717
Rental income received from subsidiary	**-**	-	**(60,000)**	(60,000)
Rental of office paid to a director	**168,000**	156,000	**168,000**	156,000

26. RELATED PARTY TRANSACTIONS (CONT'D)

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	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Short-term employee benefits	**1,387,600**	1,193,000	**1,387,600**	1,193,000
Defined contribution plan	**-**	6,000	**-**	6,000
	1,387,600	1,199,000	**1,387,600**	1,199,000

Included in the total remuneration of key management personnel are:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Directors' remuneration	**759,000**	718,000	**759,000**	718,000

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value assets and liabilities

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the Financial Statements

For the financial year ended 31 December 2015

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

b) Assets and liabilities measured at fair value

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:

	Group and Company			
	Quoted prices in active market for identical instruments (Level 1) RM	Significant observable inputs other than quoted prices (Level 2) RM	Significant unobservable inputs (Level 3) RM	Total RM
Recurring fair value measurements				
Financial assets at fair value through profit and loss				
Derivatives				
-2015	**-**	**-**	**-**	**-**
-2014	-	5,969	-	5,969
Financial liabilities at fair value through profit and loss				
Derivatives				
-2015	**-**	**-**	**-**	**-**
-2014	-	(570,536)	-	(570,536)

Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in fair value measurement for liabilities that are categorised within Level 2 of the fair value hierarchy:

<u>Derivatives</u>

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves.

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2015 and 2014.

Notes to the Financial Statements

For the financial year ended 31 December 2015

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

c) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	Group and Company				
	Quoted prices in active market for identical instruments (Level 1) RM	Significant observable inputs other than quoted prices (Level 2) RM	Significant unobservable inputs (Level 3) RM	Total RM	Carrying Amount RM
Assets					
Investment properties					
-2015	**-**	**-**	**4,476,158**	**4,476,158**	**2,625,016**
-2014	-	-	4,476,158	4,476,158	2,707,047

Determination of fair value

Investment properties

The fair value of investment properties was estimated by the directors at the reporting date based on recent prices of similar properties. No valuation by independent professional valuer was carried out.

d) 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
Other investments	
- Structured investment	15
- Money market fund	15
Trade and other receivables (current)	18
Trade and other payables (current)	23

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

The carrying amounts of trade and other receivables and payables are reasonable approximation of fair values due to their short-term nature.

Notes to the Financial Statements

For the financial year ended 31 December 2015

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

e) 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			
		2015		2014	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:					
Other investment (non-current)					
- Golf & Country Club membership	15	149,040	200,000	149,040	200,000

Fair value of Golf & Country Club membership was based on recent prices of golf membership of the same golf and country club.

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 trading in derivatives for speculative purposes shall be undertaken. The Group does 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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. 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.

<u>Exposure to credit risk</u>

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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

a) Credit risk (Cont'd)

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			
	2015		2014	
	RM	% of total	RM	% of total
By country:				
USA	**11,011,634**	**85**	12,438,726	84
India	**241,070**	**2**	426,574	3
Korea	**870,511**	**7**	670,275	5
Taiwan	**333,157**	**2**	1,160,510	8
Canada	**112,350**	**1**	-	-
Japan	**418,851**	**3**	-	-
Malaysia	**21,591**	**<1**	24,657	<1
	13,009,164	**100**	14,720,742	100

	Company			
	2015		2014	
	RM	% of total	RM	% of total
By country:				
USA	**11,011,634**	**85**	12,438,726	84
India	**241,070**	**2**	426,574	3
Korea	**870,511**	**7**	670,275	5
Taiwan	**333,157**	**2**	1,160,510	8
Canada	**112,350**	**1**	-	-
Japan	**418,851**	**3**	-	-
	12,987,573	**100**	14,696,085	100

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are with creditworthy debtors with good payments record with the Group. Cash and short-term deposits 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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	2015				2014			
Group	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial assets:								
Other investment	**17,201,093**	**-**	**-**	**17,201,093**	1,000,000	-	-	1,000,000
Trade and other receivables	**16,627,000**	**-**	**-**	**16,627,000**	15,746,257	-	-	15,746,257
Cash and bank balances	**57,819,111**	**-**	**-**	**57,819,111**	59,422,335	-	-	59,422,335
Derivatives - settled net	**-**	**-**	**-**	**-**	5,969	-	-	5,969
Total undiscounted financial assets	**91,647,204**	**-**	**-**	**91,647,204**	76,174,561	-	-	76,174,561
Financial liabilities:								
Trade and other payables	**9,443,435**	**-**	**-**	**9,443,435**	6,531,762	-	-	6,531,762
Derivatives - settled net	**-**	**-**	**-**	**-**	570,536	-	-	570,536
Total undiscounted financial liabilities	**9,443,435**	**-**	**-**	**9,443,435**	7,102,298	-	-	7,102,298
Total net undiscounted financial assets	**82,203,769**	**-**	**-**	**82,203,769**	69,072,263	-	-	69,072,263

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

b) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities (Cont'd)

	2015				2014			
Company	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial assets:								
Other investment	**17,201,093**	-	-	**17,201,093**	1,000,000	-	-	1,000,000
Trade and other receivables	**16,402,509**	-	-	**16,402,509**	15,721,210	-	-	15,721,210
Cash and bank balances	**57,745,571**	-	-	**57,745,571**	58,906,030	-	-	58,906,030
Derivatives - settled net	-	-	-	-	5,969	-	-	5,969
Total undiscounted financial assets	**91,349,173**	-	-	**91,349,173**	75,633,209	-	-	75,633,209
Financial liabilities:								
Trade and other payables	**13,939,692**	-	-	**13,939,692**	8,798,692	-	-	8,798,692
Derivatives - settled net	-	-	-	-	570,536	-	-	570,536
Total undiscounted financial liabilities	**13,939,692**	-	-	**13,939,692**	9,369,228	-	-	9,369,228
Total net undiscounted financial assets	**77,409,481**	-	-	**77,409,481**	66,263,981	-	-	66,263,981

Notes to the Financial Statements

For the financial year ended 31 December 2015

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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, and 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 99% (2014: 98%) of the Group's sales are denominated in foreign currencies whilst almost 97% (2014: 92%) of the Group's receivables are denominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to RM 23,194,360 (2014: RM18,188,590) for the Group.

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 functional currency of the Group entities, with all other variables held constant.

	Change in currency rate	Increase in profit net of tax			
		Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
USD/RM	+5%	1,356,823	139,326	1,356,823	139,326

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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

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 2015 and 31 December 2014.

The Group and its subsidiary are not subject to any externally imposed capital requirements.

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 and sale of electricity.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

30. SEGMENT INFORMATION (CONT'D)

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	
	2015	2014	2015	2014	2015	2014		2015	2014
	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:									
External customers	**180,618,103**	150,266,089	**114,622**	152,433	**-**	-		**180,732,725**	150,418,522
Inter-segment	**-**	-	**6,154,478**	5,106,717	**(6,154,478)**	(5,106,717)	A	**-**	-
Total revenue	**180,618,103**	150,266,089	**6,269,100**	5,259,150	**(6,154,478)**	(5,106,717)		**180,732,725**	150,418,522
Results:									
Interest income	**1,762,604**	1,107,561	**-**	-	**15,358**	30,800	B	**1,777,962**	1,138,361
Depreciation and amortisation	**2,890,585**	2,848,823	**1,881,971**	1,857,279	**82,031**	82,032	C	**4,854,587**	4,788,134
Segment profit	**35,950,901**	19,462,937	**2,866,333**	1,832,083	**(2,500,000)**	(4,000,000)	A	**36,317,234**	17,295,020
Assets:									
Additions to non- current assets	**4,573,332**	1,998,086	**262,298**	682,560	**-**	-	D	**4,835,630**	2,680,646
Segment assets	**126,410,156**	120,948,719	**11,516,022**	13,379,016	**21,308,870**	5,901,540	E	**159,235,048**	140,229,275
Segment liabilities	**9,368,807**	6,538,798	**74,628**	563,500	**3,015,982**	2,593,686	F	**12,459,417**	9,695,984

30. SEGMENT INFORMATION (CONT'D)

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

A Inter-segment revenues are eliminated onconsolidation.

B Addition to interest income consist of:

	2015 RM	2014 RM
Interest from structured investment	**15,358**	30,800

C Addition to depreciation and amortisation consist of:

Depreciation of investment properties	**82,031**	82,032

D Additions to non-current assets consist of:

Property, plant and equipment	**4,835,630**	2,680,646

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

Other investments	**17,350,133**	1,149,040
Deferred tax assets	**1,333,721**	2,045,453
Investment properties	**2,625,016**	2,707,047
	21,308,870	5,901,540

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

Deferred tax liabilities	**3,015,982**	2,593,686

Geographical information

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

	2015 RM	2014 RM
Canada	**312,781**	591,443
People's Republic of China	**181,224**	401,236
Hong Kong	**752,302**	338,531
India	**3,845,056**	7,388,472
Korea	**22,401,294**	20,956,042
Malaysia	**1,620,525**	3,336,418
Mexico	**-**	262,353
Republic of the Marshall Islands	**107,981**	96,545
Japan	**1,811,461**	172,579
Taiwan	**20,849,291**	19,242,364
USA	**128,850,810**	97,632,539
	180,732,725	150,418,522

Notes to the Financial Statements

For the financial year ended 31 December 2015

31. DIVIDENDS

	Group and Company	
	2015 RM	2014 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim tax exempt (single-tier) dividend for 2014: 8 sen per ordinary share of RM0.50 each	**-**	8,256,000
- Interim tax exempt (single-tier) dividend for 2015: 5 sen per ordinary share of RM0.50 each	**5,160,000**	-
- Interim tax exempt (single-tier) dividend for 2015: 10 sen per ordinary share of RM0.50 each	**10,320,000**	-
	15,480,000	8,256,000

32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 5 April 2016.

33. SUPPLEMENTARY INFORMATION - 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 2015 and 2014 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained earnings of the Company and its subsidiary				
- Realised	**95,614,318**	78,695,435	**84,602,039**	68,049,489
- Unrealised	**(1,302,107)**	(625,564)	**(2,635,828)**	(2,671,017)
	94,312,211	78,069,871	**81,966,211**	65,378,472
Less: Consolidation adjustments	**(20,000)**	(20,000)	**-**	-
Retained earnings as per financial statements	**94,292,211**	78,049,871	**81,966,211**	65,378,472

List of Properties

Held by the Group as at 31 December 2015

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 2015	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	22 years	Industrial land and building	RM1,428,721	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	16 years	Commercial building	RM2,625,016	1997

Analysis of Shareholdings

As at 31 March 2016

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 31 MARCH 2016

Size of holdings	No. of holders	%	No. of shares	%
1 - 99	9	0.30	260	0.00
100 - 1,000	488	16.47	382,700	0.37
1,001 - 10,000	1,813	61.19	8,567,700	8.30
10,001 - 100,000	572	19.31	16,169,481	15.67
100,001 - 5,159,999 (*)	77	2.60	48,437,674	46.94
5,160,000 and above (**)	4	0.13	29,642,185	28.72
Total	**2,963**	**100.00**	**103,200,000**	**100.00**

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

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

		Direct		Indirect	
		No. of shares	%	No. of shares	%
1	LIN FONG MING	9,029,360	8.75	-	-
2	LIN HAO WEN	9,029,360	8.75	-	-
3	LU KUAN-CHENG	7,523,815	7.29	-	-
4	LIN HAO YU	6,775,460	6.57	-	-

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2016

		Direct		Indirect	
		No. of shares	%	No. of shares	%
1	LIN FONG MING	9,029,360	8.75	6,775,460(1)	6.57
2	LIN HAO WEN	9,029,360	8.75	-	-
3	LU KUAN-CHENG	7,523,815	7.29	-	-
4	YANG SEN	4,388,881	4.25	-	-
5	DATUK AZNAM BIN MANSOR	-	-	-	-
6	WONG YOKE NYEN	-	-	-	-
7	NG TIAN MENG	-	-	-	-

(1) Deemed interest by virtue of shares held by his son pursuant to Section 134(12)(c) of the Companies Act, 1965

Analysis of Shareholdings

As at 31 March 2016

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 31 MARCH 2016

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
1	LIN FONG MING	9,029,360	8.75
2	RHB CAPITAL NOMINEES (ASING) SDN BHD LU KUAN CHENG	7,523,815	7.29
3	LIN HAO YU	6,775,460	6.57
4	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIN HAO WEN (E-KKU/KNG)	6,313,550	6.12
5	YANG CHIEN CHIH	4,388,881	4.25
6	YANG HSI HSIEN	4,388,881	4.25
7	YANG SEN	4,388,881	4.25
8	CHANG YUNG-SHENG	3,913,715	3.79
9	LIN HAO WEN	2,715,810	2.63
10	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	2,334,200	2.26
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIT PHENG	1,873,100	1.82
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (002)	1,750,800	1.70
13	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AIM 6939-405)	1,550,000	1.50
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN (6000051)	1,100,000	1.07
15	LU CHUN-CHIEN	1,074,440	1.04
16	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIT PHENG	1,050,000	1.02
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW TECK PENG	949,500	0.92
18	CHEN CHUN HSIUNG	827,824	0.80
19	TXM SERVICES SDN BHD	798,000	0.77
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	781,000	0.76
21	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SUNG PANG	598,100	0.58
22	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RONIE TAN CHOO SENG (8058147)	550,000	0.53
23	S'NG SUET WAI	549,000	0.53
24	AFFIN HWANG (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	520,000	0.50

Analysis of Shareholdings

As at 31 March 2016

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 31 MARCH 2016 (CONT'D)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
25	CHANG TIAN KWANG	500,000	0.48
26	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIT PHENG (M)	499,300	0.48
27	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	445,000	0.43
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD NG HAU CHING	400,000	0.39
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SUNG PANG	378,800	0.37
30	TEY YEE YEE	358,300	0.35
		68,325,717	**66.20**

Notice of Twenty-Sixth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth Annual General Meeting of FOCUS LUMBER BERHAD will be held at Zara's Boutique Hotel, Harbour City, Jalan Pantai Baru, Sembulan, 88100 Kota Kinabalu, Sabah on Friday, 20 May 2016 at 11.00 a.m. to transact the following businesses:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 and the Reports of the Directors and Auditors thereon. **(Please refer to Note 2)**

2. To approve the payment of Directors' Fees of RM244,800 in respect of the financial year ended 31 December 2015. **(Resolution 1)**

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

   (i) Wong Yoke Nyen **(Resolution 2)**
   (ii) Ng Tian Meng **(Resolution 3)**

4. To re-elect Lin Fong Ming who retires pursuant to Article 73 of the Company's Article of Association. **(Resolution 4)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

Special Business

To consider and, if thought fit, to pass the following resolutions, with or without modifications as Ordinary/ Special Resolutions of the Company:-

6. **Ordinary Resolution I**
   Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

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

7. **Ordinary Resolution II**
   Proposed Renewal of Shareholders' Mandate for the Authority to the Company to Purchase Its Own Shares up to Ten Per Centum (10%) of its Issued and Paid-Up Share Capital ("Proposed Renewal of Share Buy-Back Mandate")

   "THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")("Listing Requirement") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorized, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.50 each in the Company ("the Shares") as may be determined by the Directors of the Company from time to time through the stock market of Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

Notice of Twenty-Sixth Annual General Meeting

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits and/or share premium account of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) of the Company. As at 31 December 2015, the audited retained profits and share premium account of the Company were RM81,966,211 and RM883,420 respectively; and

(iii) the Directors of the Company may decide either to retain the shares purchases as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividend.

AND THAT the authority conferred by this resolution will commence immediately upon passing of this resolution and will, subject to renewal thereat, expiry at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution (unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by law to be held) but shall not prejudice the completion of purchase(s) by the Company or any person before that aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authorities;

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or Listing Requirements and all other relevant governmental and/or regulatory authorities." **(Resolution 7)**

8. **Special Resolution**
   Proposed Amendment to Articles of Association of the Company

   "THAT the proposed amendment to the Articles of Association of the Company as set out in the Annexure A be and is hereby approved and adopted." **(Resolution 8)**

9. 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)
LIEW PUI LING (MAICSA 7058897)

Secretaries

Kuala Lumpur
Date: 27 April 2016

Notice of Twenty-Sixth Annual General Meeting

NOTES:

1. Appointment of Proxy

i. 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.

ii. 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.

iii. 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 member appoint two (2) proxies, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

iv. 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.

v. 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.

vi. 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 the proxies.

vii. 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 & Issuing House Services Sdn. Bhd. (11324-H) of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

viii. Only the members whose names appear on the Record of Depositors as at 12 May 2016 shall be entitled to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Audited Financial Statements for the financial year ended 31 December 2015

The Audited Financial Statements in Agenda item 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 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 Requirements of Bursa Malaysia Securities Berhad.

Notice of Twenty-Sixth Annual General Meeting

4. Explanatory Notes on Special Business

i. Resolution No. 6 - Authority to Issue Shares

The proposed Resolution No. 6 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 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-Fifth Annual General Meeting because there were no investment(s), acquisition(s) or working capital that require fund raising activity.

ii. Resolution No. 7 - Proposed Renewal of Share Buy-Back Mandate

The proposed resolution 7, if passed will empower the Directors of the Company to purchase the Company's shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the retained profit and/or share premium of the Company. Please refer to the Statement to Shareholders dated 27 April 2016 for further information.

iii. Resolution No. 8 – Proposed Amendment to Articles of Association of the Company

The proposed Amendment to Articles of Association of the Company are to comply with the amendment to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to enhance administrative efficiency.

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Authority for Directors to Issue Shares Pursuant To Section 132D of The Companies Act, 1965

Kindly refer to item 4(i) of the Explanatory Notes on Special Business at page 101.

Annexure "A"

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

Article No.	Existing Article	Amended
106	The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and Auditors' reports shall not exceed four (4) months.	{Deleted}
107	Subject to the requirements of the Exchange and the Act, a copy of every balance sheet and profits and loss account which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' report relating thereto and of the Directors' report shall not more than six (6) months after close of the financial year and not less than twenty-one (21) days before the date of the meeting be sent in printed form or in compact disc read-only memory (CD-ROM) or digital versatile disc read-only memory (DCD-ROM) format or in a format that may be developed in the future for the playback of images to every Member of, and every holder of Debenture of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles. Provided that this Article shall not require a copy of these documents to be sent to any person of those address the Company is not aware of but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the Office.	Subject to the requirements of the Exchange and the Act, a copy of every balance sheet and profits and loss account which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' report relating thereto and of the Directors' report shall not more than four (4) months after close of the financial year and not less than twenty-one (21) days before the date of the meeting be sent in printed form or in compact disc read-only memory (CD-ROM) or digital versatile disc read-only memory (DCD-ROM) format or in a format that may be developed in the future for the playback of images to every Member of, and every holder of Debenture of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange or other stock exchange(s), if any, upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange or other stock exchange(s). Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or outside Malaysia but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office of the Company. In the event that the annual report is sent in CD-ROM form or such form of electronic media and a Member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) market days from the date of receipt of the Members' request or such period as may be prescribed by Exchange.

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

Proxy Form

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 ______________________

or failing whom the Chairman as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Sixth 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 Friday, 20 May 2016 at 11.00 a.m. and, at every adjournment thereof for/against* the resolution(s) to be proposed thereat.

Item	Agenda	Resolution	For	Against
1.	**Ordinary Business** Receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.			
2.	Approval on the payment of Directors' Fees of RM244,800 in respect of the financial year ended 31 December 2015.	1		
3(i)	Re-election of Wong Yoke Nyen as Director of the Company pursuant to Article 67 of the Company's Articles of Association.	2		
3(ii)	Re-election of Ng Tian Meng as Director of the Company pursuant to Article 67 of the Company's Articles of Association.	3		
4.	Re-election of Lin Fong Ming as Director of the Company pursuant to Article 73 of the Company's Articles of Association.	4		
5.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and authorised the Directors to fix their remunerations.	5		
6.	**Special Business** Authority for the Director to issue shares pursuant to Section 132D of the Companies Act, 1965.	6		
7.	Proposed Renewal of Share Buy-Back Mandate.	7		
8.	Proposed Amendment to Articles of Association of the Company	8		

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 ______________ 2016

____
Signature/Common Seal of Shareholder(s)
* 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 member 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 the 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 & Issuing House Services Sdn. Bhd. (11324-H) of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 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 12 May 2016 shall be entitled to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.

AFFIX
STAMP

THE SHARE REGISTRAR

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD (11324-H)
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No.8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

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