



富佳木業有限公司
FOCUS LUMBER BERHAD
Registration No.: 198901011405 (188710-V)

ANNUAL REPORT

2021



GEARED TOWARDS AN
IMPROVED PERFORMANCE



32ND

ANNUAL GENERAL MEETING

BOARDCAST VENUE:

Leadership Room, Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

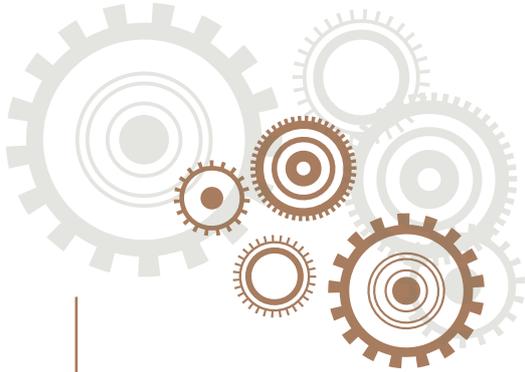
DATE & TIME:

Friday, 20 May 2022 at 10.00 a.m.

CONTENTS

02 Corporate Information	10 Management Discussion & Analysis	42 Additional Compliance Information	101 Notice of Thirty-Second Annual General Meeting
03 Group Structure	16 Sustainability Statement	43 Directors' Responsibility Statement	106 Statement Accompanying Notice of Thirty-Second Annual General Meeting
04 Directors' Profile	20 Corporate Governance Overview Statement	44 Financial Statements	107 Administrative Guide for the Thirty-Second Annual General Meeting
07 Key Senior Management's Profile	32 Audit Committee Report	98 List of Properties	
09 5-Years Financial Highlights	36 Statement on Risk Management & Internal Control	99 Analysis of Shareholdings	PROXY FORM

CORPORATE INFORMATION



BOARD OF DIRECTORS

DATUK AZNAM BIN MANSOR

*Chairman/Independent
Non-Executive Director*

LIN HAO WEN

Managing Director

LIN FONG MING

Executive Director

LIN HAO YU

Executive Director

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*)
Datuk Aznam Bin Mansor (*Member*)

NOMINATION COMMITTEE

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

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

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

COMPANY SECRETARIES

Wong Wai Foong (MAICSA 7001358)
SSM PC NO. 202008001472
Wong Peir Chyun (MAICSA 7018710)
SSM PC NO. 202008001742
Yeo Chiou Yean (MAICSA 7058868)
SSM PC NO. 202008002607

REGISTERED OFFICE

12A, Jalan Teluk Likas
88450 Kota Kinabalu, Sabah
Tel : 088-393255/393257/393258
Fax : 088-393169
Email : focuskk@focuslumber.com.my

CORPORATE INFORMATION

*Senior Independent
Non-Executive Director:*
Datuk Aznam Bin Mansor
Email : am@lh-ag.com

FACTORY

Mile 3, Jalan Masak,
Kampung Ulu Patikang,
Locked Bag 13 SM-88,
89009 Keningau, Sabah
Tel : 087-335457/335458/
334761/334766
Fax : 087-335459
Email : focuskqu@focuslumber.com.my

AUDITORS

PKF PLT (202206000012
(LLP0030836-LCA) & AF 0911)
Lot 23-1 & 25-1, 1st Floor
Lintas Plaza, Lorong Lintas Plaza
88300 Kota Kinabalu, Sabah
Tel : 088-267 723
Fax : 088-267 721

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
Amlslamic Bank Berhad
Public Bank Berhad
Agro Bank (Malaysia) Berhad
UOB (Malaysia) Berhad

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 : 03-2783 9299
Fax : 03-2783 9222

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad

STOCK NAME/CODE

FLBHD / 5197

WEBSITE

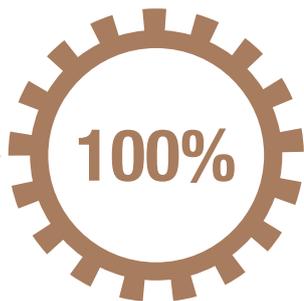
www.focuslumber.com.my

CORPORATE STRUCTURE

**FOCUS LUMBER BERHAD**

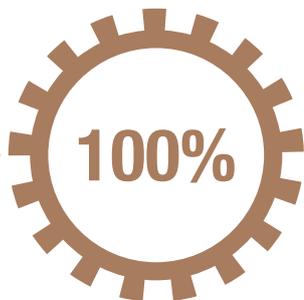
198901011405 (188710-V)

- Incorporated on 30 October 1989
- Manufacturing and sale of plywood, veneer, laminated veneer lumber, and investment holding

**UNTUNG RIA SDN BHD**

199701018819 (434316-V)

- Incorporated on 9 June 1997
- Generation and sale of electricity

**FOCUS LAYO FLOORING SDN BHD**

201901034550 (1343880-U)

- Incorporated on 25 September 2019
- Dormant company



DIRECTORS' PROFILE

DATUK AZNAM BIN MANSOR

*Chairman /
Independent Non-
Executive Director*

Age

63

Gender

Male

Nationality

Malaysian

Date appointed

24 November 2010

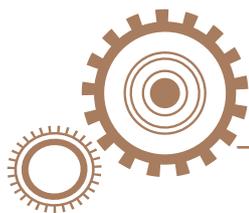
Datuk Aznam Bin Mansor, is the Chairman and Independent Non-Executive Director of the Company. He is also a member of the Remuneration Committee and Audit Committee as well as the Chairman of Nomination Committee of the Company.

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 of Mikro MSC 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.

He has attended 5 out of 5 Board Meetings held during the financial year ended 31 December 2021.



LIN HAO WEN

Managing Director

Age

43

Gender

Male

Nationality

Taiwanese

Date appointed

14 July 2009

Mr Lin Hao Wen 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. He is the Chairman of Employees'

Share Option Scheme Committee. He also holds directorship in the subsidiaries of the Company.

He is the son of Mr. Lin Fong Ming and the brother of Mr. Lin Hao Yu, whom both are Executive Directors and major shareholders of the Company.

He has attended 5 out of 5 Board Meetings held during the financial year ended 31 December 2021.

DIRECTORS' PROFILE (CONTINUED)

LIN FONG MING

*Executive Director***Age**

72

Gender

Male

Nationality

Taiwanese

Date appointed

19 November 2015

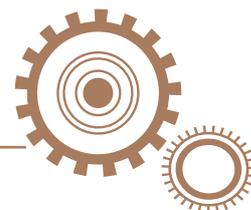
Mr Lin Fong Ming is one of our Company's founders. He graduated with a Diploma in Science from the Tung Fang Institute of Technology. He possesses about 40 years of experience in the trading of timber and plywood manufacturing. He has been playing an instrumental role in charting the strategic direction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

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 Executive Director and major shareholder of the Company.

He has attended 5 out of 5 Board Meetings held during the financial year ended 31 December 2021.



LIN HAO YU

*Executive Director***Age**

45

Gender

Male

Nationality

Taiwanese

Date appointed

15 July 2016

Mr Lin Hao Yu graduated from Advanced Vocational School of Agriculture & Technology in Sheng Li Gung Shan Taiwan major in Electrical & Mechanical Engineering. He has about twenty two (22) years of working experience in the timber industry. Prior joining to our Group, he started his working career with the Company in 1998 as a General Production Manager. Then he left to join a veneer production factory in Cambodia from 2000 to 2003 as a Production and Human Resource Manager. He returned to Malaysia to join a company involved in sawmilling from 2004 to 2008, holding the position as a Production Manager and also in charge of the sales and marketing department.

From 2009 till 2015, he started his own business of sawmill factory. He possesses a sufficient and broad experience in production, marketing, and human resource. In addition, he is familiar with Sabah timber industry and lumber concession and trading operation.

He is also a member of Employees' Share Option Scheme Committee.

He is the son of Mr. Lin Fong Ming, the Executive Director and major shareholder of the Company and the brother of Mr. Lin Hao Wen, the Managing Director and major shareholder of the Company.

He has attended 5 out of 5 Board Meetings held during the financial year ended 31 December 2021.

DIRECTORS' PROFILE (CONTINUED)

WONG YOKE NYEN

Independent Non-Executive Director

Age

63

Gender

Male

Nationality

Malaysian

Date appointed

24 November 2010

Mr Wong Yoke Nyen, our Independent Non-Executive Director, is also the Chairman of the Audit Committee and member of Remuneration Committee and Nomination Committee and Employees' Share Options Scheme Committee of the Company.

He 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 as well as a member of the Corporate Finance faculty of the Institute of Chartered Accountants in England and Wales and Chartered Institute for Securities Investment, United Kingdom.

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

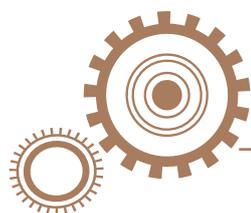
thirty (30) years of dedicated corporate finance and investment banking experience. He was the Executive Vice President cum Head of Corporate Finance Division in Aseambankers Malaysia Berhad. In 2004, he started WYNCORP Advisory Sdn Bhd, a private company licensed to provide corporate finance advisory services.

He is currently the Managing Director of WYNCORP Advisory Sdn Bhd. He was an Honorary Advisor to the Master Builders Association Malaysia. He is an Independent Non-Executive Chairman of Benalec Holdings Berhad, Independent Non-Executive Director of Sentoria Group Berhad, Hap Seng Consolidated Berhad and Export-Import Bank of Malaysia 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.

He has attended 5 out of 5 Board Meetings held during the financial year ended 31 December 2021.



NG TIAN MENG

Independent Non-Executive Director

Age

66

Gender

Male

Nationality

Malaysian

Date appointed

24 November 2010

Mr Ng Tian Meng, our Independent Non-Executive Director, is also the Chairman of Remuneration Committee and a member of Audit Committee, Nomination Committee and Employees' Share Options Committee of the Company.

He has approximately 31 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 of Engineers, Malaysia and 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.

He has attended 5 out of 5 Board Meetings held during the financial year ended 31 December 2021.



None of the Directors has:

- any conviction for offences within the past 5 years other than traffic offences; and particulars at any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
- Any conflict of interest with the Company.

KEY SENIOR MANAGEMENT'S PROFILE

MENG QING QUAN

*Assistant General
Manager*

Age

48

Gender

Male

Nationality

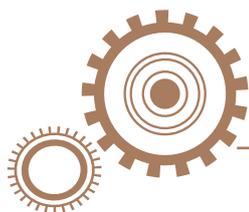
China

Mr Meng Qing Quan hold a Diploma in Faculty of Management Engineering from Huaiyin Institute of Technology, China. He was appointed as Assistant General Manager for the Company on 20 February 2020.

Before joining the Company, he started as a Machine Operator at Jiangsu Longteng Chemical Co., Ltd., China in 1992. He was then promoted to Production Manager in 1998. In 2000, he worked as a Factory Manager of Lianyun Gangbaiyi Wooden Industry Limited Company, a plywood factory in China for nine (9) years.

He joined Focus Lumber Berhad in 2009 as a Senior Technical Supervisor and get promoted to the Assistant Factory Manager in 2015. He was responsible for machinery maintenance and repair as well as plywood production.

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



TEH YONG KHIM

Financial Controller

Age

37

Gender

Male

Nationality

Malaysian

Mr Teh Yong Khim ("Mr Teh") holds a Bachelor of Accounting from the University of Malaya. He is a Member of the Malaysian Institute of Accountants (MIA) and also a Permanent Affiliate of the Association of Chartered Certified Accountants (ACCA).

During his final year study at the university, he worked as part-time audit staff at HS Teoh & Co. After graduating from university in August 2008, he pursued his career as an auditor in KPMG Singapore for 3 years where he gained solid experience in the areas of auditing and accountancy.

After returning to Sabah in year 2012, Mr Teh joined Focus Lumber Berhad as an Accountant. He was then promoted to the position of Financial Controller on 11 June 2018.

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

KEY SENIOR MANAGEMENT'S PROFILE (CONTINUED)

LIEW SOON HIN

*Logs Purchasing
Manager*

Age

64

Gender

Male

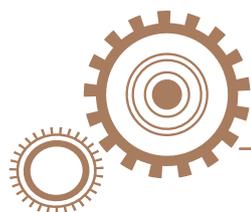
Nationality

Malaysian

Mr Liew Soon Hin was appointed as the Logs Purchasing Manager of the Company on 1 November 2015. He has more than 40 years' of experience in procurement of logs and inspecting, scaling and grading of the logs purchased. The recruitment was to fulfil the vacant position, where our previous Logs Purchasing Manager, Yang Hsi-Hsien resigned in June 2016. In 1997, he actually joined the Company as Logs Supervisor for 11 years.

He graduated from Chiwen Secondary School in Negeri Sembilan in 1975. Before joining the Company, he started his first job as a Camp Manager at Rimyasa Development Sdn Bhd from 1979 to 1996 where he gained the knowledge and experience of procurement of logs. In 2008, he then worked as a Camp Manager at Gasing Selatan Sdn Bhd, a logs contractor based in Keningau.

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



LIN FU MAO

*Purchasing Manager
(Store Department)*

Age

66

Gender

Male

Nationality

Taiwanese

Mr Lin Fu Mao, origins from Kaohsiung, Taiwan, was appointed as Purchasing Manager on 1 July 2016 mainly to take over Lu Kuan-Cheng's job, our previous Executive Director who resigned on 03 August 2016. He graduated from Gang Shan Secondary School, Taiwan in 1971.

He then moved to Miri, Sarawak, Malaysia in 2011 for his career and worked in Country Forest Industries Sdn. Bhd., a plywood and veneer manufacturing company as a Purchasing Manager till 2016.

He is the brother-in-law of Mr. Lin Fong Ming, the Executive Director and major shareholder of the Company.

Before working in Malaysia, he was the Purchasing Supervisor of Pheapimex Fu-Chan (Cambodia) Co. Ltd., a timber related company located in Cambodia from 1995 till 2008.



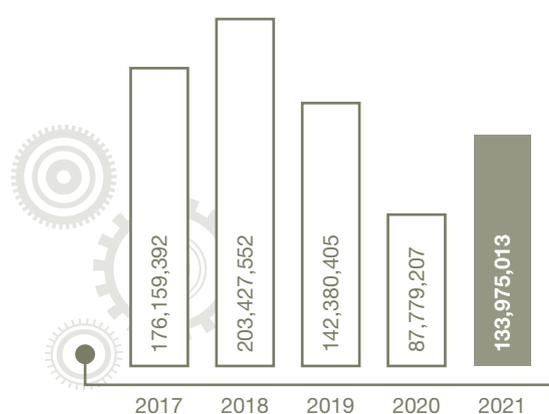
None of the Key Senior Management has:

- any conviction for offences within the past 5 years other than traffic offences and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year;
- Any conflict of interest with the Company; and
- Any directorship in public companies and listed issuers.

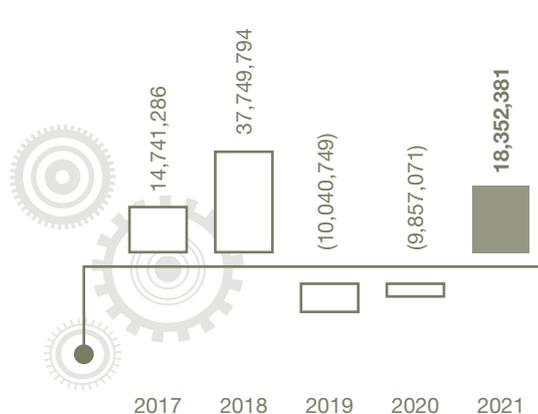
5-YEARS FINANCIAL HIGHLIGHTS

	2021	2020	2019	2018	2017
Operating Results (RM)					
Revenue	133,975,013	87,779,207	142,380,405	203,427,552	176,159,392
Gross profit/ (loss)	22,295,730	(6,128,073)	(2,546,982)	43,549,967	19,464,368
Operating income/ (loss)	17,405,601	(11,130,714)	(11,829,335)	35,250,186	13,011,800
Profit/ (Loss) before tax	18,352,381	(9,857,071)	(10,040,749)	37,749,794	14,741,286
Profit/ (Loss) after tax	15,402,991	(9,038,899)	(6,976,368)	28,415,739	11,716,847
Key Balance Sheet Data (RM)					
Total assets	183,124,999	166,661,017	180,635,474	197,114,341	185,638,658
Total liabilities	14,011,460	8,421,592	8,617,735	14,303,318	14,153,386
Total equities	169,113,539	158,239,425	172,017,739	182,811,023	171,485,272
Valuation					
Basic earnings/ (loss) per share (sen)	15.58	(9.01)	(6.82)	27.48	11.35
Diluted earnings/ (loss) per share (sen)	15.58	(9.01)	(6.68)	27.41	11.35
Net assets per share (RM)	1.71	1.60	1.68	1.78	1.66

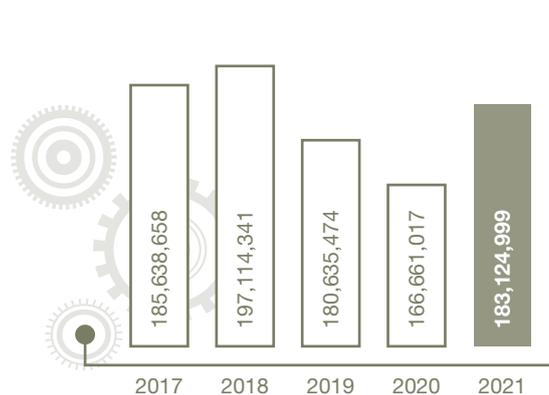
Revenue



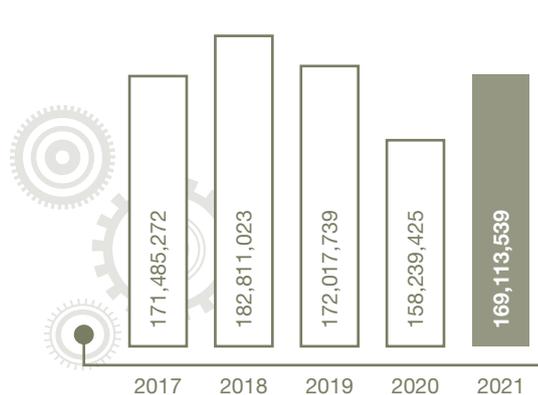
Profit/ (Loss) before tax



Total assets



Total equities



MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

Focus Lumber Berhad (“FLBHD” or “the Company”) was listed on the Main Market of Bursa Securities on 28 April 2011. The principal activities of the Company are manufacturing and sale of plywood, veneer, laminated veneer lumber (“LVL”) and investment holding. Through its subsidiary, Untung Ria Sdn Bhd, the Group reuses bulk waste to generate biomass energy to supply electricity to the Group’s manufacturing plant.

The Group had set up a subsidiary, Focus Layo Flooring Sdn Bhd with the purpose of exploring business opportunities in the second processing of wood products such as wood flooring, kitchen cabinets, etc but the plan was put on hold due to the outbreak of Covid-19 pandemic. As at the date of Annual Report, this subsidiary has not commenced its operations.

**FINANCIAL PERFORMANCE REVIEW**

	2021 RM	2020 RM	Variance	
			RM	%
Revenue	133,975,013	87,779,207	46,195,806	53
Non-operating income	946,933	1,273,643	(326,710)	(26)
Operating profit/ (loss)	17,405,448	(11,130,714)	28,536,162	(256)
Profit/ (Loss) before tax	18,352,381	(9,857,071)	28,209,452	(286)
Profit/ (Loss) after tax	15,402,991	(9,038,899)	24,441,890	(270)

For the financial year 2021, revenue of the Group improved by circa 53% due to higher production and selling price. The Group was operating under a more relax SOP environment during the year with the both production and sales volume grew moderately. Selling price increased in current year as a result of strong demand on wood products, particularly from United States.

The Group posted an operating profit of RM17.41 million as compared to operating loss of RM11.13 million reported in 2020. This was mainly attributed to the increase in selling price as well as the improved production volume vis-à-vis 2020. Strong financial performance in year 2021 included the recovery of impaired log advances amounting to RM1.68 million. However, non-operating income reduced by 26% in current financial year due to lower return from money market funds.

In overall, the Group recorded an after-tax profit of RM15.40 million as compared to loss of RM9.04 million reported in 2020. On 21 February 2022, the Board had recommended a second interim dividend of 3 sen per share for the financial year ended 31 December 2021. After taking into consideration of the first interim dividend of 5 sen per share, total dividend in respect of financial year ended 31 December 2021 will be 8 sen per share versus 3 sen per share for 2020.

FINANCIAL POSITION REVIEW

	2021 RM	2020 RM	Variance	
			RM	%
Total assets	183,124,999	166,661,017	16,463,982	10
Total liabilities	14,011,460	8,421,592	5,589,868	66
Total equities	169,113,539	158,239,425	10,874,114	7
Net assets per share	1.71	1.60	0.11	7

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

FINANCIAL POSITION REVIEW (CONTINUED)

The Group's total assets amounted to RM183.12 million as at 31 December 2021, represented an increase of RM16.46 as compared to previous year end. Inventories reduced by RM7.87 million while trade and other receivables increased by RM35.36 million. This was mainly attributed to the total sales in December 2021, particularly the 12,000 m3 of plywood loaded to the bulk vessels that month. On the other hand, cash and bank balances decreased by RM11.96 million, pending the collection of trade receivables for sales occurred in December 2021.

The Group's total liabilities grew by circa 66% to RM14.01 million as at 31 December 2021. The increase was mainly attributed to the recognition of deferred tax liabilities in year 2021 and higher contract liabilities as at year end. As the Group turned profitable in the current financial year, together with the full utilization of all unabsorbed capital allowances and tax losses, this resulted in the occurrence of deferred tax liabilities as at the end of 2021. Contract liabilities was mainly made up from the deferred freight income for bulk vessels shipment in December 2021.

As at 31 December 2021, total equities of the Group improved by 7% to RM169.11 million. Net asset per share of the Group stands at RM1.71 per share as at year end, an increase of RM0.11 compared to RM1.60 book valuation as at previous financial year end.

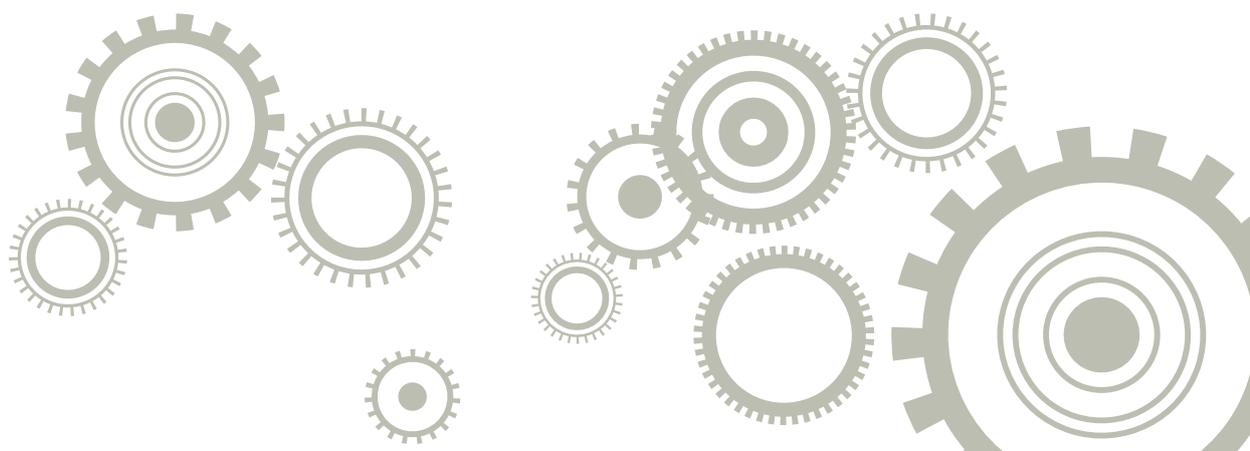
CASH FLOWS REVIEW

	2021 RM	2020 RM	Variance RM	%
Net cash (used in)/generated from operating activities	(772,091)	96,323	(868,414)	(902)
Net cash used in investing activities	(1,594,864)	(526,867)	(1,067,997)	203
Net cash used in financing activities	(7,909,544)	(2,638,422)	(5,271,122)	200
Net decrease in cash and cash equivalents	(10,276,499)	(3,068,966)	(7,207,533)	235
Effect of exchange rate changes	(108,064)	(147,530)	39,466	(27)
Cash and cash equivalents at 1 January	88,268,694	91,485,190	(3,216,496)	(4)
Cash and cash equivalents at 31 December	77,884,131	88,268,694	(10,384,563)	(12)

For the year ended 31 December 2021, the Group recorded net cash usage in operating activities of RM0.77 million despite of making profit net of tax of RM15.40 million. This was mainly attributed to the increase in trade receivables as at year end as a result of arrival of two bulk carriers in the month of December 2021.

The Group reported net cash usage in investing activities for year 2021 which was mainly from acquisition of property, plant and equipment. For financing purpose, the Group had paid dividend of RM7.91 million in year 2021 as compared to cash of RM2.64 million used for share purchase in year 2020.

Overall, the Group recorded net decrease of RM10.28 million in cash and cash equivalents before the effect of exchange rate changes. Subsequent to the year end, our cash and cash equivalents have increased as all trade related receivables as at 31 December 2021 had been collected in full.



MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

REVIEW BY OPERATING SEGMENT**Manufacturing Segment**

	2021	2020	Variance	
	M ³	M ³	M ³	%
Sales volume				
Plywood	46,334	38,803	7,531	19
Veneer	621	-	621	N/A
LVL	1,082	945	137	15
Total sales volume	48,037	39,748	8,289	21
Production volume				
Plywood	42,106	35,600	6,506	18
Veneer	661	-	661	N/A
LVL	1,041	1,011	30	3
Total production volume	43,808	36,611	7,197	20
	2021	2020	Variance	
	RM	RM	RM	%
Sales of goods				
Plywood	120,838,022	79,792,422	41,045,600	51
Veneer	967,943	-	967,943	N/A
LVL	1,680,780	1,396,133	284,647	20
Total sales of goods	123,486,745	81,188,555	42,298,190	52
Freight income				
Plywood	10,286,860	6,213,106	4,073,754	66
Veneer	44,575	-	44,575	N/A
LVL	73,824	56,284	17,540	31
Total freight income	10,405,259	6,269,390	4,135,869	66
Total revenue from manufacturing segment	133,892,004	87,457,945	46,434,059	53
Price of log (per m³)	570	542	28	5
Operating profit/ (loss)	17,046,184	(9,517,282)	26,563,466	(279)
Capital expenditure	1,639,306	555,610	1,083,696	195
	2021	2020	Variance	
				%
Average selling price of goods				
Plywood (US\$ per m ³)	628	495	133	27
Veneer (US\$ per m ³)	373	-	373	N/A
LVL (US\$ per m ³)	375	353	22	6
Plywood (RM per m ³) *	2,608	2,056	552	27
Veneer (RM per m ³) *	1,559	-	1,559	N/A
LVL (RM per m ³) *	1,553	1,477	76	5

* Translated using average spot rate of sales transaction

Entering into second year of the pandemic, lumber manufacturing sector still operated under a challenging environment which resulted from rising raw material costs, persistent labour shortage and concern on labour practices. However, the robust RV outlook and solid home buyer demand at United States have kept our plywood demand buoyant with improved prices. Selling price of plywood grew by 27% as compared to year 2020. In addition, easing of movement restriction allows us to extend our operating hours, increase production volume and reduce cost per cubic metre. As a result, our production in year 2021 increased by approximately 20% despite labour shortage. In line with higher production, sales volume grew 21%, with total revenue from manufacturing segment increased by 53% as compared to previous financial year.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

REVIEW BY OPERATING SEGMENT (CONTINUED)

Due to lack of plywood especially from North America region, customers are more tolerant with the quality of plywood and more willing to buy fall down grade plywood. Hence, management adapted to the change in customers' preference by prioritising the production volume while being mindful of the output ratio of premium grade quality plywood. This is aimed to take advantage of the high market price of plywood by producing and selling more volume since the selling price of fall down grade plywood also commands a reasonable profit margin. For year ended 31 December 2021, the Group reported an improved result with operating profit of RM17.05 million.

For the financial year ended 2021, we remained focus on the United States market which culminated to 77% of our total sales volume, proportion which is rather similar when compared to previous financial year. There is no major change in sales ratio by destination other than sales to Thailand which had reduced from 5% to 1% as a result of switching to other buyers who are able to offer better pricing. In addition, we have continued to supply core veneer to Korea since year 2019. Pie charts below show the proportion of our products sold by destination in 2021 and 2020. Our revenue information based on the geographical location of customers is disclosed under Note 36 to the Financial Statements.

Sales Volume by Destination**Electricity segment**

	2021 RM	2020 RM	Variance RM	%
Sales	2,039,322	2,640,173	(600,851)	(23)
Operating profit/ (loss)	359,417	(1,613,432)	1,972,849	(122)
Capital expenditure	657	-	657	N/A
Price per kWh	0.376	0.376	-	-

Revenue contributed from electricity segment continues shrinking in year 2021. This was partly due to reduced supply to our related company, Ho Lian Sawmill Sdn Bhd after they have successfully secured electricity supply from Sabah Electricity Sdn Bhd. Notwithstanding the decrease in revenue reported, electricity segment reported an operating profit of RM0.36 million as compared to loss recorded for year 2020. This was mainly attributed to lower depreciation charged as well as lesser repair and maintenance activities carried out during the financial year.

RISKS AND UNCERTAINTIES**Product demand and price fluctuations**

Our revenues and financial results are primarily dependent on the demand for and selling prices of our products. The demand for and price of plywood could be volatile and is subjected to factors such as global economic conditions, the global demand including that of the US RV industry, changes in industry production capacity and other factors which are beyond our control. Declines in demand, and corresponding reductions in prices for our products may also adversely affect our financial results.

We are unable to predict with any reasonable accuracy, the future market conditions, demand or pricing for any of our products due to these external factors.



MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

RISKS AND UNCERTAINTIES (CONTINUED)

Reliance on the US market and a single customer

85% (2020: 80%) of our revenue was derived from exports to the US market, and 40% (2020: 50%) of our revenue was from Ihlo Sales & Import Co. It is our strategic decision to focus on the US market as we are able to command a better pricing for our plywood due to the higher quality requirements of the RV sector, which is plywood with good finishing and low formaldehyde emission. There is no assurance that another slowdown in the US economy in the future or the loss of Ihlo Sales & Import Co. as our key customer, will not affect our financial performance accordingly.

Availability of logs supply and fluctuation in logs prices

Logs being the main raw material for the manufacturing of plywood, is important to us. We may face the risk of shortage in supply of logs as we do not own any timber concessions. Substantially all of our logs are harvested within Sabah. Forestry Department of Sabah controls the volumes that can be harvested every year. Determinations by Forestry Department of Sabah to reduce the volume of timber that may be harvested may reduce our ability to secure log supply and may increase our log purchase costs.

In addition, weather conditions and climate changes could also influence the supply of logs as there will be lesser logging activities during the monsoon months due to wet weather conditions.

In short, insufficient log supply might result in reduction in our production, increase in log purchase costs and directly affect our unit production cost.

Foreign currency exchange rates

We sell the majority of our products at prices denominated in USD. A significant portion of our operational costs and expenses are incurred in RM. Therefore, the strengthening of the RM relative to US dollar will reduce our revenue in RM, reduces operating margin and the cash flow availability. We are also exposed to the risk of exchange rate fluctuations in purchasing of machinery, spare parts and certain expenses denominated in foreign currencies. Exchange rate fluctuations would result in exchange gains or losses, which also lead to significant earnings sensitivity to changes in the RM/USD exchange rate.

The RM/USD exchange rate is affected by a broad range of factors which makes future rates difficult to be predicted accurately.

Competition

We compete with Southeast Asian producers, especially Indonesian producers, which may have lower productions costs than we do. Markets for our products are highly competitive. Our ability to maintain or improve the cost of production and the delivery of the plywood products to those markets is crucial. Factors such as cost and availability of raw materials, energy and labour, the ability to maintain high production volume and low production cost per unit, and the quality of our final products and quality of our customer services will affect our earnings. If one or more of our competitors become more successful in building up their own key competitive factors, our ability to attract and retain customers could be adversely affected. If we are unable to compete with other competitors effectively, such failure could have a material adverse effect on our business and financial results.

Environment

We are subject to stringent environmental laws and regulations relating to air emissions and pollutants which may affect our business operations. The environmental issues that we may encounter include bulk waste comprising timber materials, smoke from burning wood chip for the boiler and sawdust in the air at the working areas. We have incurred, and will continue to incur capital expenditures and operating costs to comply with environmental laws and regulations. We will also minimize the impact of our operations on the environment by recycling our bulk waste to generate biomass fuel for use in our production plant and office.

However, no assurance can be given that changes in these laws and regulations or their application will not have a material adverse effect on our business, financial condition and operational results.

Our products are subject to CARB certification in order to comply with internationally recognised standards, which involves amongst others, the production process including receiving and storing of raw materials, formulations of finished products and processing methods and machinery and/or tools used in production. Demand for our products may be reduced if we are unable to achieve such compliance, or are perceived by the public as failing to comply with these applicable standards: or if our customers who are required to comply with such standards for any other operations that are certified.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

RISKS AND UNCERTAINTIES (CONTINUED)

Workplace safety and health matters

We are also subject to various laws and regulations, including those which are related to workplace safety and workers' health. We have mitigated, and will continue to mitigate some of these potential workplace safety and health liability by purchasing, amongst others, employees' liability and workmen compensation insurance policies as well as putting in place a comprehensive safety and work-health standard operating procedure.

However, the risks of workplace safety and health costs and liabilities will always exist in our operations, and there can be no assurance that claims for damages resulting from our operations will not have any material adverse effect on our financial condition or results of operations.



CAPITAL STRUCTURE AND LIQUIDITY

The capital structure of the Company consists of ordinary shares and retained earnings. We manage our capital structure and make adjustments depending on the changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase our own shares.

The Company had at its 31st Annual General Meeting held on 28 May 2021, obtained an approval from the shareholders to purchase the shares up to 10% of the total issued share capital of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company.

The said approval will be expiring at the conclusion of the forthcoming 32nd Annual General Meeting of the Company unless the approval is renewed. During the financial year, no shares had been re-purchased from the market. As at 31 December 2021, total shares purchased of 8,014,700 units amounting to RM9.38 million are held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

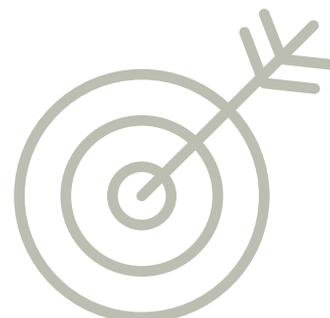
During the financial year, the Board had declared and paid an interim tax-exempted dividend of 5 sen per share to its shareholders. On 21 February 2022, the Board had recommended a second interim dividend of 3 sen per share for the financial year ended 31 December 2021 which is payable on 20 April 2022.

As at 31 December 2021, the Group's cash and bank balances were approximately RM29.61 million while money market funds stood at RM48.66 million. Our cash requirements, other than for operating purposes, are primarily for additions of property, plant and equipment, acquisitions, purchase of treasury shares and payment of dividends. The Group has estimated an annual capital expenditure requirement of RM5 million to RM10 million in order to maintain and improve its manufacturing facilities, unless there is a significant addition of advanced machineries, equipment, etc. Under normal business cycles and on the assumption that there is no major acquisition, our cash and cash equivalents and cash generated from operations should be sufficient to meet these requirements.

BUSINESS OUTLOOK

There is robust demand for wood products from North America driven by work-from-home arrangements during the pandemic. Besides, forecast from Recreational Vehicle Industry Association (RVIA) shows another strong year for Recreational Vehicle industry which is being driven by continued consumer demand and inventory restocking at dealership across North America after a record-breaking 2021. We are encouraged by the statistics and forecast issued by the RVIA and National Association of Home Builders (NAHB) as they indicate the fundamental demand for plywood which is also a key factor in determining the price of plywood at United States.

We expect to improve our production volume and achieve a better economy of scale going forward when hiring of foreign workers are allowed for the manufacturing sector in Malaysia. In view of the favourable operating environment, the Board of Directors is hopeful and confident that the Group is able to achieve a greater height in the financial year 2022.



SUSTAINABILITY STATEMENT

GENERAL

Business environment has presently evolved with greater emphasis on how businesses and business operations are impacting the economic, environmental and social issues that are related to their respective businesses. Sustainability evaluation will provide the various stakeholders with a better understanding and critical information on the environment which the businesses are operating in. This would enable a more in-depth analysis of the risks and the potential impact that the businesses are having on the stakeholder.

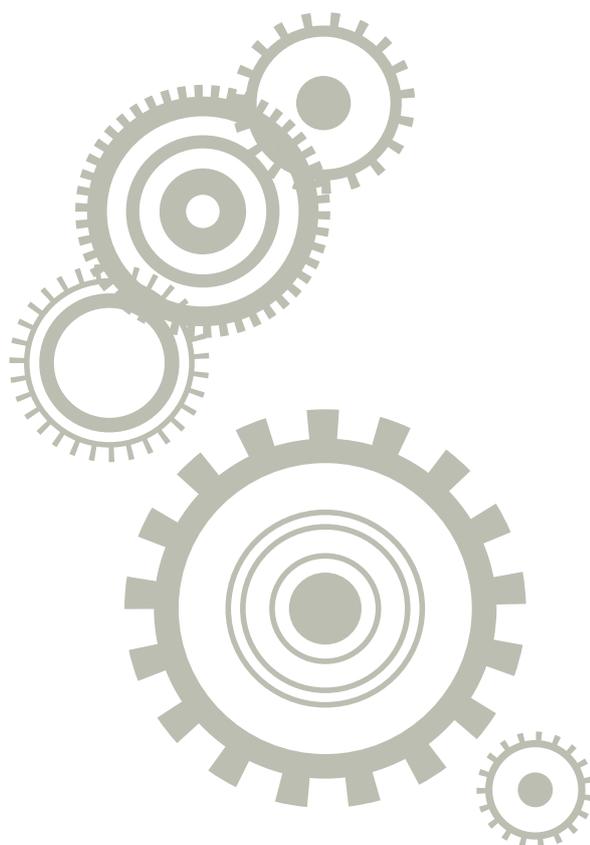
Focus Lumber Berhad and its subsidiaries, Untung Ria Sdn Bhd and Focus Layo Flooring Sdn Bhd (collectively known as “the Group”) are in the journey towards building a sustainable impact to economy, environmental and the local community. The Group is pleased to present its Sustainability Statement which showcases its sustainability progress for financial year ended 31 December 2021 in accordance with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

STAKEHOLDERS

The Group will continue with its focus to enhance its relationship with all the stakeholders as stakeholders would have significant influences in the Group’s business sustainability. The Group had undertaken several initiatives to address some of the stakeholders’ needs and expectations towards the achievement of a long-term sustainable growth.

Below are the highlights of Stakeholders’ area of interest and initiatives undertaken by the Group:

Stakeholder	Areas of Interest	Initiatives
Customers	<ul style="list-style-type: none"> Product pricing Product quality Compliance with International Quality Standards 	<ul style="list-style-type: none"> Visit customers to understand their needs on our products Continuous engagement with customers for better customer experience
Shareholders/Investors	<ul style="list-style-type: none"> Group financial performance Business strategy and governance 	<ul style="list-style-type: none"> Annual general meeting Company website Annual Reports
Suppliers	<ul style="list-style-type: none"> Service delivery Payment schedule Pricing of services Services/products quality 	<ul style="list-style-type: none"> Purchasing contract Purchasing policy Correspondences
Employees	<ul style="list-style-type: none"> Career development Employee welfare and health & safety 	<ul style="list-style-type: none"> Training Meeting / discussion Informal or festival gathering
Government/Regulators	<ul style="list-style-type: none"> Compliance Labour practices Environmental impact 	<ul style="list-style-type: none"> Active engagement with agencies/ associations Attend seminars on related regulatory issues
Community/Association	<ul style="list-style-type: none"> Community living issue Corporate social responsibilities activities 	<ul style="list-style-type: none"> Donations Charitable events



SUSTAINABILITY STATEMENT (CONTINUED)

ECONOMIC

The Group is a high-quality plywood manufacturer in Malaysia. The Group places the utmost importance on the approaches to achieve a sustainable business that will grow constantly during changes and challenges in the current global economic environment. The business plan will be reviewed and measured annually via the presentation of annual budgets at the Board meetings.

Despite the challenging economic and business environment, the Group continues to invest in new and advanced machinery with the aim to increase its production efficiency and enhance its product quality and efficiency in order to comply with the buyers' quality requirements.

By setting up a power plant, the Group has also reduced the dependency on fossil fuel and enhanced cost mitigation. Bulk and wood waste are reused to generate biomass energy to supply electricity to the Group's office, hostel and manufacturing plant.

ENVIRONMENT

The revenue and wealth of timber industry generally come from the Mother Nature and green forests. As such, it is vital that the Group is committed to reduce environmental impact of its operation by adopting practices such as waste management and launching of recycling programs to preserve the environment.

Legislation

In the production and marketing of our products, the Group is committed to legality and sustainability, through compliance with laws and regulations. The Group is a certified producer as our products conform with the formaldehyde emission requirements as defined in the following US federal and state regulations:

- (a) US Environmental Protection Agency (EPA) Toxic Substances Control Act (TSCA) Title VI, Formaldehyde Emission Standards for Composite Wood Products; and
- (b) California Air Resources Board (CARB) Airborne Toxic Control Measure (ATCM) to Reduce Formaldehyde Emissions from Composite Wood Products, Phase 2.

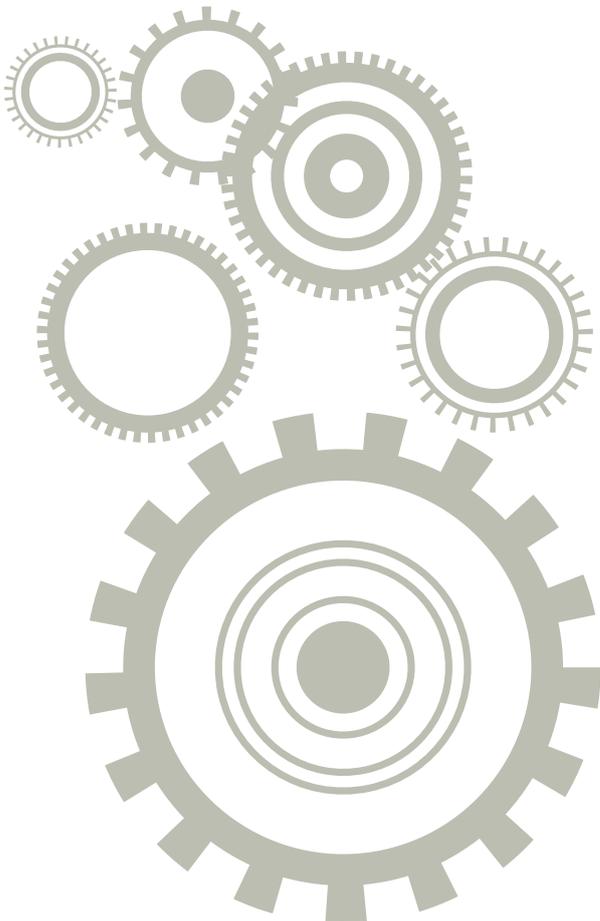
Besides, the Group complied with the requirements of the Sabah Timber Legality Assurance System (TLAS) Principle 5 (Mill Operations) and Principle 6 (Trade and Customs). The Group also works closely with the Sabah Forestry authority and its related agencies when they carried out the assessment and audit.

The Group would continue adhering to these legislations as most of our customers are concerned about the quality of our products, legality of our raw materials and sustainability of our business.

Waste Management

The Group is committed to protect the environment to reduce waste which are generated from the production. By adopting the waste management and recycling programs, wood waste from plywood production is used to generate biomass energy to supply electricity to the Group's office and production plant. Consequentially, the Group manages to reduce cost and reliance on energy fuel. During the financial year, Untung Ria Sdn Bhd had generated 7.79 million kwh electricity through burning of wood waste.

Besides, the Group also engaged a company specialising in waste management services to manage the glue waste from the manufacturing of plywood. Apart from proper handling of the glue waste, the production and quality control team are also working towards the target of reducing the glue waste from its production activities.



SUSTAINABILITY STATEMENT (CONTINUED)

SOCIAL

Social sustainability is the ability to develop processes and structures which not only meet the need of the Group's employees, customers and local communities but also supporting the future generations to maintain a healthy community. Lack of social development may lead to failure in business improvement.

Training and Development

The Group acknowledges that the employees are the most valuable assets to the Group. The Group continuous focus is to enhance the employees' skills and knowledge in performing their tasks efficiently as well as on their career growth and development. Every year Management will register their employees for various training programs held internally and externally to ensure the employees are competitive in today's market. The training programs provided mainly focus on enhancement of competency skills, compliance, safety & health and leadership development.

For the financial year ended 31 December 2021, most of the courses attended by our employees are conducted through online platform due to COVID-19 pandemic. The courses attended by our employees during the year includes:

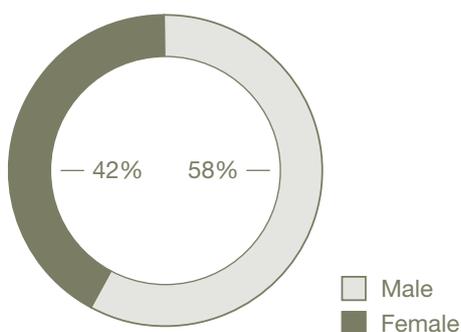
1. SAFETY AND HEALTH OFFICER TRAINING
Conducted by: INTESH Academy PLT
2. AUTHORISED ENTRANT AND STANDBY PERSON FOR CONFINED SPACE
Conducted by: National Institute of Occupational Safety and Health
3. 2022 BUDGET SEMINAR
Conducted by: Malaysian Institute of Accountants
4. FUNDAMENTAL PRINCIPLES IN PREPARING A TRANSFER PRICING DOCUMENTATION
Conducted by: Malaysian Institute of Accountants

Recruitment and Equal Opportunity

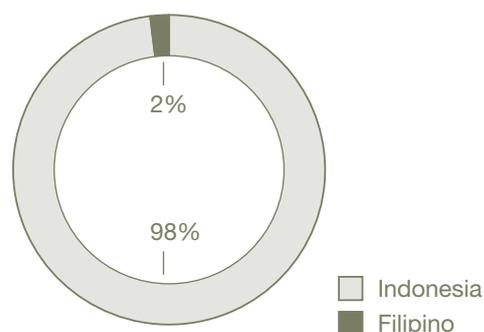
The Group encourages diversity in employment to ensure that the Company has an appropriate mix of skills and talent to conduct its business and achieve the Group's goals. The Group supports the principal of equal opportunities in respect to employment including hiring, training and career advancement with the aims of not discriminating the employees in terms of gender, age, ethnicity, cultural background or other personal factors by adopting a diversity policy within the Group.

The Group has a total of 637 employees as at 31 December 2021. Male employees constitute 58% of the Group's total workforce as the Group is mainly involved in manufacturing sector. There are total of 350 foreign workers in the Group. 98% of them are Indonesians and 2% are Filipinos respectively.

Employee Breakdown by Gender



Distribution of Foreign Workers



SUSTAINABILITY STATEMENT (CONTINUED)

Health and Safety

The Group has placed a high level of emphasis on maintaining a safe, clean and healthy working environment for the employees through awareness programme and improved facilities such as fire prevention and emergency rescue facilities.

A 10 to 15 minutes briefing by the Health and Safety officers to the factory workers before they start working was conducted about four to five times each week. Among the topic briefed included the use of personal protection equipment, risk, danger and hazard at workplace, safety concern for forklift driver, SOP during COVID-19 pandemic, etc.

Besides, Health and Safety Committee also hold quarterly meeting to discuss about the issues related to safety and health at workplace and worker quarters area. Suggestion and ideas about improvement on the safety and health of workers will then be recommended to the Management for further action.

As for new workers hired during the year, they will go through the safety induction which covers the explanation of Safe Operating Procedures at workplace, safety and health rules and policy.

COVID-19 RESPONSES

Since the outbreak of COVID-19 in year 2020, the Group has undertaken various prevention measures in compliance with the local guidelines. These include applying COVID-19 specific Standards Operating Procedure (“SOP”) such as temperature checks and hand sanitizing, daily sterilization of the factory environment, limiting visitors/customers, and registration of visitors/suppliers. The Group also arrange the workers to take their vaccination during the year. As of 31 December 2021, 100% of our workers are fully vaccinated.

Employees' Engagement and Development

The Group encourages employees to acquire new or advanced skills and knowledge through various training programs as well as organising indoor and outdoor activities regularly for team building and leadership skills development. The Group believes that employees' development would promote loyalty among the employees. Loyal employees would tend to be more productive in their daily work.

The Group has also provided financial supports to various associations and societies, such as Lions Club of Keningau, Loong San Tong Buddhist Society, PIBG SJKC Yuk Yin Keningau, etc. Total donations made in year 2021 amounted to RM9,960.

The Group remains committed to carrying out its corporate responsibilities in preserving and creating shared values for its stakeholders even in this challenging times.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Focus Lumber Berhad (“FLBHD” or “the Company”) acknowledges the importance of practicing high standards of corporate governance in the best interest of FLBHD and its stakeholders, and to protect and enhance shareholders’ value and the performance of the Company and its subsidiaries (“the Group”).

The Corporate Governance Overview Statement (“the Statement”) outlines an overview on how the Group achieved the the corporate governance principles and best practices during the financial year ended 31 December 2021. The statement is to be read together with the Corporate Governance Report 2021 (“CG Report”) of the Company which provides the details on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance 2021 (“MCCG”) during the financial year 2021. The CG Report is available on the Company’s website at www.focuslumber.com.my.

For financial year ended 31 December 2021, the Company complied with most of the principles and practices as set out in the MCCG, apart from departures on the following practices:-

- Practice 1.4 - The Chairman of the Board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee;
- Practice 4.1 - Takes responsibility for the governance of sustainability including setting company’s sustainability strategies, priorities and targets;
- Practice 4.2 - Communicates the company’s sustainability strategies, priorities and targets as well as performance against these targets to its internal and external stakeholders;
- Practice 5.9 - The board comprises at least 30% women directors; and
- Practice 13.6 - Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

BOARD LEADERSHIP AND EFFECTIVENESS

• 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 MCCG and CG Guide, and act in the best interest of all shareholders of FLBHD.

The authority for implementing the Board’s policies is delegated to the Managing Director within the limits authorised 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 role of the Chairman and Managing Director are strictly separated and clearly defined to ensure a balance of power and authority. The position of Chairman and Managing Director are held by different individuals. The Chairman is primarily responsible for the orderly conduct and working of the Board by ensuring that all its required functions and responsibilities are met whilst the Managing Director has the overall responsibility for the day-to-day running of the Group’s business operations and the implementation of Board policies and decisions. The separation of power seeks to facilitate an appropriate balance of power to prevent any single individual from dominating deliberations and the decision-making process.

The Non-Executive Directors are independent of management and free from any business relationship and decision-making that could interfere with the exercise of their independent judgment to the Company and Group.

The Managing Director as the key personnel is responsible to develop and put the business strategic plan into actions, monitors the Group’s operation progress and growth with the management team and implement corrective actions, where necessary.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

- **Roles and Responsibilities of the Board (continued)**

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, the duties and responsibilities of Independent Directors, Senior Independent Director, Board Committee, Secretary, structures of the Board Committees, procedures for the conduct of meetings, conflict of interest, etc. The Board Charter is reviewed annually. The Board had on 1 April 2021 reviewed the Board Charter to be in line with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and MCGG. More information on the Board Charter can be found on the Company’s website at www.focuslumber.com.my. The following are among the key responsibilities of the Board:-

- (a) Review and adopt the Company’s strategic plans;
- (b) Oversee the conduct of the Company’s business;
- (c) Identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures;
- (d) Succession Planning;
- (e) Oversee the development and implementation of a shareholder communications policy for the Company;
- (f) Review the adequacy and integrity of management information and internal control system of the Company;
- (g) Approve and monitor budgets, major capital commitments, capital management, acquisitions and divestitures;
- (h) Review and approve the Company’ financial statements and other reports to ensure the integrity of the Company’s financial and non-financial reporting; and
- (i) Monitor compliance with legal, regulatory requirements and ethical standards.

During the financial year under review, the Board and Management had performed the following activities:-

- (i) Proposed and declared interim single-tier dividend;
- (ii) Attended a training on Guidelines on Conduct of Directors of Listed Corporations and their subsidiaries, and Revised Malaysian Code on Corporate Governance for Board members and the Management;
- (iii) Deliberated and approved the Group’s budget and financial forecast;
- (iv) Deliberated and approved the Group’s quarterly financial report and audited financial statements;
- (v) Discussed the overall conduct of the business of the Group, which including the operational issues affecting the business such as shortage of manpower, logistic issue, etc; and
- (vi) Reviewed and established Information and Cyber Securities Policy.

- **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 Practice 1.5 of MCGG where the Company is supported by the Company Secretaries who 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”). The details of the role and responsibilities of the Company Secretaries are disclosed in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

- **Insider Trading**

In line with the MMLR 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.

- **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 interest 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.

Interested Directors would abstain from deliberations and decision making of the Board and, where appropriate, excuse themselves from the deliberations.

- **Code of Conduct and Ethics, Whistleblowing Policy and Sustainability Policy**

In line with the recommendations of MCCG, the Board has established the Code of Conduct and Ethics, Whistleblowing Policy and Sustainability Policy which are reviewed by the Board annually.

The Code of Conduct and Ethics describes the behaviors expected from the Company's employees and how the behaviours relate to the Company's Business Principles and core values.

Meanwhile, 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. If any employee believes reasonably and in good faith that malpractice exists in the work place, the employee should report the same immediately to his/her manager. However, if for any reason the employee is reluctant to do so, the employee can report the concerns to either the:

- Chairman of the Board (Email address: am@lh-ag.com); or
- Chairman of Audit Committee (Email address: nyen@wynccorp.com.my).

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

- **Board Composition and Balance**

The Board currently comprises of six (6) directors of which three (3) are Independent Non-Executive Directors, two (2) are Executive Directors and one (1) Managing Director. The composition of the Board is in compliance with Practice 5.2 of MCCG which stipulates that at least half of the Board comprises Independent Directors and exceeded the one-third (1/3) requirement of Independent Director as set out in Paragraph 15.02 of the MMLR 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 in the Board, not only act as a caretaker of the minority shareholders but also to fulfil 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 Board had via Nomination Committee ("NC") reviewed the composition of the Board and satisfied that the Board is fairly balanced with a good mix of skills and experiences which add value in governing the strategic direction of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

- Board Independence and Tenure of Independent Directors**

As at the date of this statement, all the Independent Non-Executive Directors would have served the Board for a cumulative term of twelve (12) years by 24 November 2022.

The Board has assessed the performance and independence of all the Independent Directors, Datuk Aznam Bin Mansor, Ng Tian Meng and Wong Yoke Nyen as well as their suitability to continue office as Independent Directors. It was concluded that all Independence Directors acted to the best of their abilities, in the best interests of the Group and they meet the independence criteria as set out in the MMLR of Bursa Securities. The Board had recommended and obtained the Shareholders' approval at the Company's last 31st AGM held on 28 May 2021 for Datuk Aznam Bin Mansor, Ng Tian Meng and Wong Yoke Nyen to continue office as Independent Directors of the Company.

- Senior Independent Director**

The Company's Chairman, Datuk Aznam Bin Mansor, is also the Senior Independent Director and serves as an independent point of contact for shareholders. The Senior Independent Director may be reached via email at am@lh-ag.com.

- Board Diversity**

Although the Board currently does not have female among its members, the Board recognises the value of female member in the Board and has adopted a Diversity Policy. The Board will identify suitable women candidates to be appointed to the Board in financial year 2022.

With adoption of the 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.

The Diversity Policy is made available at the Company's website www.focuslumber.com.my.

A brief description of the background of each Director is stated in the Directors' Profile in pages 4 to 6 of the Annual Report.

- Board Meetings and Supply of Information**

The Board is scheduled to meet at least five (5) times a year. Additional meetings to be convened when there are urgent matters to be discussed and approved by the Board in between these scheduled meetings. The 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, where necessary.

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

Directors	Total Number of Meetings Attended in 2021
Datuk Aznam Bin Mansor	5/5
Lin Hao Wen	5/5
Ng Tian Meng	5/5
Wong Yoke Nyen	5/5
Lin Fong Ming	5/5
Lin Hao Yu	5/5

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

- **Board Meetings and Supply of Information (continued)**

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 based on their deliberations and recommendations.

The agenda of meetings and supporting meeting materials which include, among others, comprehensive management reports, minutes of meetings, project or investment proposals together with the relevant supporting documents are distributed to the Board five business days in advance of all the Board and Board Committee meetings. This is to allow the Board and Board Committee to have sufficient time to review, prepare and facilitate full discussion at the meetings and thus, enable the Board to make an informed decision at each meeting.

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. In the event that the Board is considering a matter in which a Director has interest in, the relevant Director would declare their interest and abstain 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 from the management to ensure that they are appraised on key business, operational, corporate, legal and regulatory and industry matters.

The Board has unrestricted access to the advice and services of the appointed Company Secretaries to enable them to discharge their duties effectively.

Authority is also given to the Board to seek independent professional advice, if necessary, at the Company's expense from time to time in discharging 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 the Board's annual activities to assess not only the Board's performance but also to bring light improvement areas and remedial actions on the Board's administration and process.

The annual assessment of the Board is based on specific criteria such as the Board composition, Board development, Board strategy and management which include addressing the Group's material sustainability risk and opportunities, and Board meetings and procedures. The evaluation documents were endorsed by the Nomination Committee ("the NC") and approved by the Board before distributed to all the Board members to fill in their evaluation.

All Director would undertake self-assessment of the individual performance during the year based on the required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board as a whole, the Board committee, each individual Director(s) and Chairman of the Board.

The NC deliberated on the findings from the self-assessment exercise during the committee meeting held in February 2022. For financial year 2021 assessment, overall rating of the performance evaluation of the Board was above average. The NC was satisfied that the Board consist a good balance of Board structure where none of the Independent Non-Executive Directors are affiliated to the Executive Directors. The Directors are encouraged to communicate persuasively in a clear and non-confrontational manner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

- **Appointment to the Board**

The NC does not only rely on recommendations from existing board members, management or major shareholders in looking for suitable and qualified candidates. The NC also engage independent sources, such as independent recruiting firm to identify suitable qualified candidates.

The nominees to the Board will first be considered by the NC. The NC assess the suitability of the candidates, by taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies and other qualities, before recommending the proposed appointment to the Board for approval. For the position of Independent Non-Executive Director, the NC will also evaluate the candidate's ability to discharge such responsibilities as expected from an independent non-executive director.

All newly appointed Directors will be given briefing on the overall business operations of the Group.

There was no new Director appointed during the financial year 2021.

- **Re-election of Directors**

In accordance with the Constitution of the Company, one-third (1/3) of the Board, shall retire by rotation and be eligible for re-election at each Annual General Meeting ("AGM"), and Director who is appointed during the year shall retire at the next AGM following their appointment. 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.

During the financial year 2021, the NC had assessed the performance of all the Directors particularly the Directors who were standing for re-election at the 31st Annual General Meeting. The NC concluded that they met the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors as prescribed by the MMLR.

At the recommendation of the NC, the Board, save for the members who abstained from deliberations on their own re-election, recommended the proposed re-election of the Directors to the shareholders for approval at the AGM.

- **Board Committees**

The Board delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined Terms of References ("TOR"), primarily to assist the Board in discharging its responsibilities:-

- (1) Audit Committee ("AC")
- (2) NC
- (3) Remuneration Committee ("RC")

The Chairman of the abovesaid Board committees will report to the Board, the outcome of the respective committee meetings and such reports were recorded in the minutes of the Board meeting.

The Board had on 22 February 2021 and 19 November 2021, reviewed the TOR of its Board Committees to ensure that the TOR be in line with the MMLR of Bursa Securities and MCGG.

The full details of the TOR of the AC, NC and RC are published at the Company's website at www.focuslumber.com.my.

- 1) AC

The AC is authorised by the Board to investigate any activities within its TOR 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 summarised in the AC Report as stated on pages 32 to 35 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

- **Board Committees (continued)**

2) *NC*

The NC comprises of entirely Independent Non-Executive Directors, which is complied with the recommendations of MCCG. The composition of the NC comprise the following Directors:-

Chairman

Datuk Aznam Bin Mansor – Senior Independent Non-Executive Director

Members

Ng Tian Meng – Independent Non-Executive Director

Wong Yoke Nyen – Independent Non-Executive Director

The Chairman of the NC is the Senior Independent Non-Executive Director of the Company.

The NC meets at least once a year. During the financial year 2021, the NC had two (2) meetings to discuss the following matters:-

- carried out 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 to review the trainings attended by each individual Director. The NC is satisfied with the contribution and performance of each individual Director. The Independent Directors met the criteria of independence based on the MMLR of Bursa Securities;
- review the proposed re-election of Directors who retired in accordance with the Company's Constitution;
- reviewed the revised performance evaluation forms of AC, Board and Board Committees and individual director self/peer evaluation; and
- reviewed the terms of reference of NC in line with the MMLR of Bursa Securities and the MCCG.

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

Members	Total Number of Meetings Attended in 2021
Datuk Aznam Bin Mansor	2/2
Ng Tian Meng	2/2
Wong Yoke Nyen	2/2

3) *RC*

The RC comprises of solely Independent Non-Executive Directors as follows:-

Chairman

Ng Tian Meng – Independent Non-Executive Director

Members

Wong Yoke Nyen – Independent Non-Executive Director

Datuk Aznam Bin Mansor – Independent Non-Executive Director

The RC held two (2) meetings during the financial year 2021. The details of the attendance at meeting is as follows:

Members	Total Number of Meetings Attended in 2021
Ng Tian Meng	2/2
Wong Yoke Nyen	2/2
Datuk Aznam Bin Mansor	2/2

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

- **Board Committees (continued)**

- 3) *RC (continued)*

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, if 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. All Directors shall abstain from deliberating and decision making of their own remuneration. The Directors who are also the shareholders should abstain from voting at general meetings when the proposed resolution approving their Directors' fees and benefit was tabled to the shareholders for approval.

The Group complies with Practice 7.1 of the MCCG as it has a formulated a Bonus Policy and Salary Structure which provide a framework for remuneration paid to the members of the Board and the Management Team of the Company.

The details of the Bonus Policy and Salary Structure are disclosed in the CG Report.

- **Remuneration Procedure**

The RC assesses the appropriateness of Directors and Management Team's 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 all the Directors 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.

The Directors' fees payable to the Independent Non-Executive Directors and any benefit payable to the Directors of the Company shall approved by the Shareholders at the Annual General Meeting in accordance with Section 230 of the Companies Act 2016.

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

- **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 is 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 MCCG. The number of directorships in listed corporations held by any Board member at any one time shall comply with the MMLR 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 calendar 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

- **Board Committees (continued)**

- 3) *RC (continued)*

- **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 as required by the MMLR 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.

The Board through its NC, assessed the training needs for all the Directors by organizing the training in a group manner for all members during the year. Directors are encouraged to attend at least one (1) training in each financial year. List of schedule of training program is furnished to the Board to enable the Directors to choose the appropriate date and time of which training to attend.

During the financial year 2021, 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	• Guidelines on Conduct of Directors Listed Corporations and their Subsidiaries	October 2021
	• Revised Malaysian Code on Corporate Governance	October 2021
Lin Hao Wen	• Guidelines on Conduct of Directors Listed Corporations and their Subsidiaries	October 2021
	• Revised Malaysian Code on Corporate Governance	October 2021
Lin Hao Yu	• Guidelines on Conduct of Directors Listed Corporations and their Subsidiaries	October 2021
	• Revised Malaysian Code on Corporate Governance	October 2021
Lin Fong Ming	• Guidelines on Conduct of Directors Listed Corporations and their Subsidiaries	October 2021
	• Revised Malaysian Code on Corporate Governance	October 2021
Ng Tian Meng	• Guidelines on Conduct of Directors Listed Corporations and their Subsidiaries	October 2021
	• Revised Malaysian Code on Corporate Governance	October 2021
Wong Yoke Nyen	• Financial Institution Directors' Education (FIDE) Core Program – Banks Module A	January 2021
	• Financial Institution Directors' Education (FIDE) Core Program – Banks Module B	March 2021
	• Transformational Leadership Programme	May 2021
	• Implementing Amendments in the Malaysian Code of Corporate Governance	June 2021
	• Guidelines on Conduct of Directors Listed Corporations and their Subsidiaries	October 2021
	• Revised Malaysian Code on Corporate Governance	October 2021
	• ISRA Islamic Finance for Board Directors	November 2021

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

EFFECTIVE AUDIT AND RISK MANAGEMENT

• AUDIT COMMITTEE

The AC of the Company comprises three (3) Independent Non-Executive Directors of the Company. The Chairman of the AC is not the Chairman of the Board so as not to impair the objective of the Board's view of the AC's findings and recommendation. All the AC members are financially literate, possess the appropriate level of expertise and experience and strong understanding of the Company's business operation.

The AC is authorised by the Board to investigate any activities within its TOR and has unrestricted access to both the internal and external auditors and members of the senior management of the Company.

The AC recognises the importance of independence of its External Auditor and that no possible conflict of interest whatsoever should arise. Hence, the AC has incorporated a policy in its TOR that a former key audit partner and/or its affiliate is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.

The AC is responsible to carry out a review of the performance of External Auditor, including assessment of suitability and independence of External Auditor in the performance of their obligations as External Auditor. The AC would obtain the written assurance from the External Auditors which confirmed that they were and had been independent throughout the conduct of the audit engagement in accordance to the terms of all relevant professional and regulatory requirements, including the By-Laws of the Malaysian Institute of Accountants.

The AC would also undertake an annual assessment of the quality of audit which encompassed the performance of the External Auditor, including the quality of services, sufficiency of resources, communications and interaction with AC, and their independence, level of non-audit fees, rotation of audit partner, objectivity and professionalism. Assessment questionnaires were used as a tool to obtain input from the Financial Controller.

• 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 MMLR. The AC assists the Board in scrutinising 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 the internal auditors and the external auditors are detailed in the AC Report of this Annual Report at pages 32 to 35. 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 By-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 2021.

Annually, prior to the commencement of the audit engagement, the External Auditors must confirm to the AC on their independence and during the financial year ended 31 December 2021, the External Auditors have met two (2) times with the AC without the presence of the Executive Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

• 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 36 to 41 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

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 MCGG and the disclosure obligations contained in the MMLR of Bursa Securities, the Group has formalised 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 and/or Company Secretary within the prescribed disclosure requirements under the MMLR 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 been reviewed and approved by the Board.

To comply with Principle 12.1 of the MCGG and Paragraph 9.21 of the MMLR, 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.

Dialogue between the Company and Investors

The Board recognises 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 Company'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 Company 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. The Notice of 31st AGM was dispatched to the shareholders on 28 April 2021, more than 28 days before the meeting date and was in excess of the 21 days requirement under the Companies Act 2016. This would allow the shareholders to make the necessary arrangements to attend the AGM in person or through corporate representatives, proxies or attorneys.

The shareholders 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 Constitution 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

General Meetings (continued)

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.

Pursuant to Paragraph 8.29A(1) of the MMLR, any resolutions set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting of the Company are voting by poll by the shareholders. The votes cast at the general meeting will be validated by a scrutineer, who is independent of the person undertaking the polling process, is not an officer of the Company and is not interested in the resolution to be passed at the general meeting.

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

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

The Company held its 2021 AGM virtually and leverage on technology to enhance the communication with the shareholders of the Company.

COMPLIANCE STATEMENT

The Board is of the opinion that the Group has substantially complied with the Best Practices of MCCG throughout the financial year ended 31 December 2021.

In order to comply with the departures of the practices of MCCG, the Board will re-look into its composition and committed to appoint additional Independent Non-Executive Directors, including women directors before 1 June 2023 and restructure the composition of the Board Committees. In addressing the key risks pertaining to the Environment, Social and Governance ("ESG"), the Board will formally set the Group's sustainability strategy, priorities and targets in financial year 2022. The progress and achievement against the targets will be reported to the Board and published in our Annual Report moving forward. The Board also recognised the importance of communications and meaningful relationship with our stakeholders and ensure the Management and Company Secretaries to circulate the minutes of the general meeting to the shareholders not later than 30 business days after the general meeting.

The Group will continuously make effort to adopt the departures of the Practices prescribed by the MCCG. Explanations on those departure of the Practices can be found in the CG Report which is available on the Company's website at www.focuslumber.com.my.

AUDIT COMMITTEE REPORT

The Audit Committee (“AC”) is established to assist the Board to ensure timely and accurate financial reporting, proper implementation of risk management policies and internal controls, and compliance with legal and regulatory requirements by the Company and its subsidiaries (“the Group”).

1. MEMBERS

The AC comprises of the following members:-

Chairman

Wong Yoke Nyen *Independent Non-Executive Director*

Members

Datuk Aznam Bin Mansor *Independent Non-Executive Director*

Ng Tian Meng *Independent Non-Executive Director*

2. MEETINGS OF THE COMMITTEE

During the financial year ended 31 December 2021, five (5) AC meetings were held and the details of attendance of the meetings are as follows:-

Name	Total Number of Meetings Attended in 2021
Wong Yoke Nyen	5/5
Datuk Aznam Bin Mansor	5/5
Ng Tian Meng	5/5

The representatives of the External Auditors, Internal Auditors and other officers of the Company were invited to attend and brief the AC on specific issues during the AC meetings.

3. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

In compliance with Paragraph 15.20 of the Main Market Listing Requirements of Bursa Securities, the term of office and performance of the AC and each of its members are being assessed by the Nomination Committee prior to recommending to the Board for notation. During the financial year 2021, the Board is satisfied that the AC has discharged its function, duties and responsibilities in accordance with the terms of reference of the AC. The details of the terms of reference of the AC are available on the Company’s website at www.focuslumber.com.my

4. SUMMARY OF WORK OF THE AUDIT COMMITTEE

The main activities and work carried out by the AC during the financial year 2021 were as follows:-

4.1 Financial Reporting

- a. Reviewed the unaudited quarterly financial results of the Group for the fourth quarter of 2020 and the annual audited financial statements of 2020 of the Company at the meetings held on 22 February 2021 and 1 April 2021, respectively;
- b. Reviewed the unaudited quarterly financial results of the Group for the first, second, and third quarters of 2021 before recommending to the Board for consideration and approval at the meetings held on 28 May 2021, 27 August 2021 and 19 November 2021 respectively;
- c. 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 transactions are sufficient; and
- d. Obtained assurance from the Financial Controller that:
 - i. Appropriate accounting policies has been adopted and applied consistently;
 - ii. Prudent judgements and reasonable estimates have been made in accordance with requirements as set out in MFRS; and
 - iii. The Annual and Quarterly Financial Statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and Company.

AUDIT COMMITTEE REPORT (CONTINUED)

4. SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONTINUED)

4.2 External Audit

- a. Reviewed and approved the External Auditors' 2021 Audit Planning Memorandum outlining their scope of work, areas of audit emphasis such as revenue, valuation of inventories, impairment assessment, etc and proposed fee for the statutory audit, together with assurance-related fee for the review of the Statement of Internal Control and Risk Management as well as fees from other non-audit related services on 19 November 2021;
- b. Obtained the written assurance from External Auditors to confirm that they were and had been independent throughout the conduct of their audit engagement;
- c. Had two (2) private meetings with the External Auditors on 22 February 2021 and 19 November 2021 without the presence of Executive Directors and Management staff, in order to provide the External Auditors with an avenue to candidly express any concerns they may have, including those relating to their ability to perform their work without restraint or interference. External auditors are satisfied with the co-operation and the working relationship accorded thus far. The AC Chairman also invited the External Auditors to communicate to him at any time if any incidents or matters had arisen during the course of their audits that needed his attention or that of the AC;
- d. Reviewed the audited financial statements for the financial year ended 31 December 2020 before recommending for the Board of Directors' approval on 1 April 2021;
- e. Reviewed and discussed the key audit matter identified by the External Auditors and determined the materiality of the matter raised on 1 April 2021. Key audit matters highlighted by the External Auditors included the impairment of property, plant and equipment and appropriateness on the valuation of the inventories;
- f. Noted that upon an enquiry by the External Auditors, all AC members verbally confirmed that they had no knowledge of any actual, suspected or alleged fraud and non-compliance with law or regulations affecting the Group; and
- g. Undertook an annual assessment of the quality of audit which encompassed the performance of Messrs PKF PLT as the External Auditors, including the quality of services, sufficiency of resources, communications and interaction with the AC, and their independence, level of non-audit fees, rotation of audit partner, objectivity and professionalism on 1 April 2021 before recommending for the Board to propose to shareholders the re-appointment of the External Auditors at the Annual General Meeting of the Company. Assessment questionnaires were used as a tool to obtain input from the Financial Controller.

4.3 Internal Audit

- a. Reviewed the progress of internal audit plan 2021/2022 at the meeting held on 22 February 2021, 28 May 2021, 27 August 2021 and 19 November 2021;
- b. Reviewed with the Internal Auditor, the internal audit reports, their evaluation of the internal control system and the follow-up on the audit findings at the meetings held on 22 February 2021, 28 May 2021, 27 August 2021 and 19 November 2021; and
- c. Reviewed the adequacy (including the scope, methodology, competency, resources and authority) and performance (including compliance with relevant standards and regulations, quality of internal audit and quality of report) of the Internal Auditor on 22 February 2021.

4.4 Risk Management

- a. Reviewed the report submitted by the Risk Management Committee on key risks facing the Group during the meeting held on 28 May 2021 and 19 November 2021 to ensure that mitigation action plans have been put in place; and
- b. Reviewed and recommended the appointment of additional new member of Risk Management Committee on 19 November 2021.

AUDIT COMMITTEE REPORT (CONTINUED)

4. SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONTINUED)

4.5 Others

- a. Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report in accordance with the MMLR of Bursa Securities on 1 April 2021;
- b. Reviewed the terms of reference of the AC in line with Malaysian Code of Corporate Governance 2021 Practice 9.2 on 19 November 2021;
- c. Reviewed and approved the Cyber Security Policy on 19 November 2021; and
- d. Reviewed and approved the Budget for year 2022 on 19 November 2021.

5. INTERNAL AUDIT FUNCTIONS

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

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 AC.

The AC has full and direct access to the Internal Auditor, reviewed the reports on all audits performed and monitors its performance. The AC also reviewed 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 AC. Based on these audits, the outsourced Internal Auditors provided the AC 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 was as follows:-

- Seek endorsement on the internal audit plan and whether any change was required during the quarterly AC meeting.
- Performed internal audit reviews and follow-up reviews on the following areas:

No.	Audited Area	Audit Work Taken On
1	Sales and Marketing <ul style="list-style-type: none"> • Price development • Selling to order processing • Discount authorization • Distribution and invoicing • Payment to marketing agents 	7 December 2020 to 11 December 2020
2	Follow-up review on Purchasing and Finance	25 January 2021
3	Follow-up review on Sales and Marketing, and Finance	29 March 2021
4	MCCG 2021 Gap Review <ul style="list-style-type: none"> A. Board Leadership and Effectiveness <ul style="list-style-type: none"> I. Board Responsibilities II. Board Composition III. Remuneration B. Effective Audit and Risk Management <ul style="list-style-type: none"> I. Audit Committee II. Risk Management and Internal Control Framework C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders <ul style="list-style-type: none"> I. Engagement with Stakeholders II. Conduct of General Meetings 	5 July 2021
5	Follow-up review on MCCG 2021 Gap Review	9 November 2021

AUDIT COMMITTEE REPORT (CONTINUED)

5. INTERNAL AUDIT FUNCTIONS (CONTINUED)

- 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 the AC meetings held on 22 February 2021, 28 May 2021, 27 August 2021 and 19 November 2021 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 AC has met four (4) times with the Internal Auditors 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 31 December 2021 was RM50,880.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to preserve throughout Focus Lumber Berhad and its subsidiaries (“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 of Bursa Malaysia Securities Berhad 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 is 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 working group, comprising a Risk Manager and Head of Departments from all functions is established to assist the Audit Committee 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 overseeing the conduct of the Group’s operations through various Board Committees. The establishment of various Board Committees are the main platforms where 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 framework and process are regularly reviewed by the Audit Committee and the outcome of the review will be reported to the Board.

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 could potentially be encountered by the Group.

RISK MANAGEMENT FRAMEWORK

The Board firmly believes that an effective risk management is critical to the Group’s continued profitability and the enhancement of shareholder value. Therefore, the Board has put in place a formal enterprise risk management framework guided by Committee of Sponsoring Organizations of the Treadway Commission that allows a more structured and focused approach to identify, evaluate, monitor and report the principal risks that could affect the achievement of the Group’s business objectives.

The framework is continually monitored to ensure that it is responsive to the changes in the business environment.

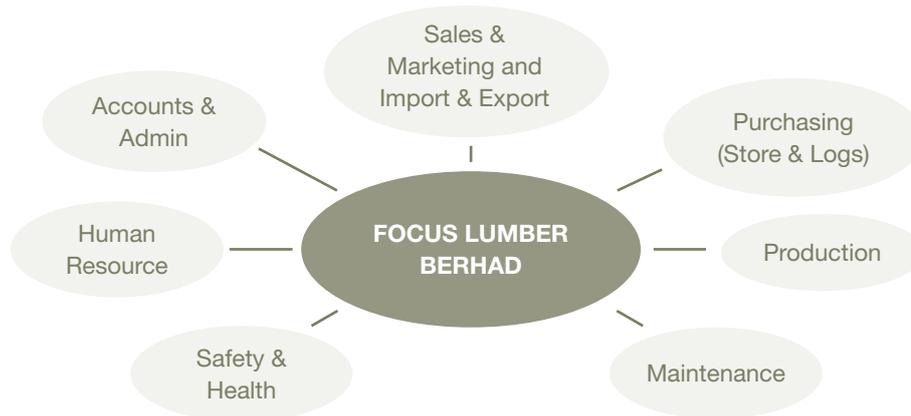
The RMC meets at least twice a year at appropriate times and otherwise as required, to review the risks that affect the achievement of the Group’s business objectives. The RMC submits its report on the key risks faced by the Group to the Audit Committee on semi-annually basis. In the event there are significant risks being identified, the RMC will report the same to the Audit Committee immediately.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

RISK MANAGEMENT PROCESS

The Management is responsible for reviewing risks on an on-going basis so that risks impeding the 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 risks reviewed and the status of implementation of action plans for review by the Audit Committee. The review undertaken involves the following functions/operating units:



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

FOCUS LUMBER BERHAD



The risks identified remain the foundation for the development of a risk profile and an action plan is 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.

RISK MANAGEMENT ACTIVITIES

During the financial year 2021, a new risk is being identified by the RMC which is the cyber security threat. The Group is facing risk of losing its information and data under the cyber-attack which may resulted in the failure of the Group in complying with relevant rules and regulations. The new risk had been updated in the Risk Register and reported to the Audit Committee accordingly. During the financial year, Mr Lin Hao Yu, an Executive Director had been appointed as a member of RMC.

In mitigation of the compliance risk due to the cyber security threat, the Group has put in place the following measures, amongst others:

- Formalised Information and Cyber Security Policy which was communicated to all employees;
- Establishing procedures and a list of best practices to prevent any form of computer virus, spyware or other malware from being into the Company's environment; and
- Timely backup of essential information into external hard disk and Cloud server.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

AUDIT COMMITTEE

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

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

The Audit Committee deliberates on the abovementioned issues and assesses the state of the Group's management of risks as well as internal controls and management actions on the control issues identified on a half-yearly basis. The internal control recommendations by the Internal Auditors and External Auditors will be followed-up and reported to the Audit Committee to monitor the implementation of the preventive and corrective actions to mitigate such identified 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 business operation 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 Ethics has 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 the Group's investments and business operations. 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 Ethics**

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, inter alia, issues in respect of 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 by the Board. 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.

- **Anti-Bribery and Anti-Corruption Policy**

The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates, and is committed to counter bribery.

The Group has put in place an Anti-Bribery and Anti-Corruption Policy to set out its responsibilities, and of those working for it, in observing and upholding its position on bribery and corruption; and provide information and guidance to those working for it on how to recognize and deal with bribery and corruption issue.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL (CONTINUED)

- **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 established 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 Chairman of Audit Committee.

Full details of the Group's Code of Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy are published in the Company's website at www.focuslumber.com.my.

- **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 during 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 Auditors 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 Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the Board is pleased to set out below its internal audit function.

The Group's internal audit function is outsourced to GovernAce Advisory & Solutions Sdn Bhd ("GovernAce"), a professional internal audit services provider. This ensures that the outsourced internal Auditor is independent as it is not involved in the operations of the Group. The outsourced Internal Auditor reports directly to the Audit Committee. The outsourced Internal Auditor is led by a management team who are registered with professional bodies, and comprises:-

- (a) Director - Certified Internal Auditor ("CIA"), Certified Practising Accountant with CPA Australia, a Chartered Member of Institute of Internal Auditors Malaysia ("CMIIA") and Accountants registered with Malaysian Institute of Accountants
- (b) Manager - AMIIA

Mr. Ryan Chong, the Director of GovernAce, leads the team on the Group engagement and he is assisted by Ms. Ong Ai Sim, the Manager. All project management and reporting are conducted by Mr. Ryan Chong and Ms. Ong Ai Sim.

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. This is effected through its recommendations for improvement in internal controls and other related matters, based on the International Professional Practices Framework guided by Institute of Internal Auditors. The audit process also includes the follow-up on the implementation of recommendations of all issues reported to the Audit Committee to ensure improvement actions are taken. Based on the follow-ups conducted during the year, all actions have been implemented towards improvements in the related areas.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL (CONTINUED)

- **Internal audit function (continued)**

During the financial year, a summary of activities carried out by the outsourced Internal Auditor include:

- Seeking endorsement on the internal audit plan and whether any change was required during the quarterly AC meeting
- Performed internal audit reviews and follow-up reviews on the following areas:

No.	Audited Area	Audit Work Taken On
1	Sales and Marketing <ul style="list-style-type: none"> • Price development • Selling to order processing • Discount authorization • Distribution and invoicing • Payment to marketing agents 	7 December 2020 to 11 December 2020
2	Follow-up review on Purchasing and Finance	25 January 2021
3	Follow-up review on Sales and Marketing, and Finance	29 March 2021
4	MCCG 2021 Gap Review <p>A. Board Leadership and Effectiveness</p> <p>I. Board Responsibilities</p> <p>II. Board Composition</p> <p>III. Remuneration</p> <p>B. Effective Audit and Risk Management</p> <p>I. Audit Committee</p> <p>II. Risk Management and Internal Control Framework</p> <p>C. Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</p> <p>I. Engagement with Stakeholders</p> <p>II. Conduct of General Meetings</p>	5 July 2021
5	Follow-up review on MCCG 2021 Gap Review	9 November 2021

- Issued reports on the results of the internal audit review, identification of weaknesses with suggested recommendations to management for further action to improve the system of internal control.
- Attended Audit Committee's meetings held on 22 February 2021, 28 May 2021, 27 August 2021 and 19 November 2021 to table and discuss the Internal Audit Reports.

During the year, the Audit Committee has met four (4) times with the Internal Auditors to review the internal audit function and the soundness of internal control system. The costs incurred for the outsourced internal audit function in respect of the financial year ended 31 December 2021 was RM50,880.00.

ASSURANCE FROM THE MANAGEMENT

The Board has also received assurance from the Managing Director and the Financial Controller on 28 March 2022 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 2021, based on the risk management model adopted by the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the External Auditors has reviewed the 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 has reported to the Board that nothing has come to their attention that caused them to believe that this Statement is inconsistent with their understanding of the processes that the Board has adopted in terms 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 implemented 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 Financial Controller; 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 had 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.

This statement was approved by the Board of Directors on 28 March 2022.

ADDITIONAL COMPLIANCE INFORMATION

The following is presented in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:-

1. Utilisation of Proceeds raised from Corporate Proposal

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2021.

2. Audit and Non-audit Fees

The amount of audit fee paid to the external auditors by the Company and the Group for the financial year ended 31 December 2021 are RM90,000.00 and RM99,700.00 respectively. The amount of non-audit fees paid to the external auditors by the Company and Group for the financial year ended 31 December 2021 is RM22,000.00 and RM27,000.00 respectively for corporate tax compliance and advisory services rendered.

3. 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.

4. Recurrent Related Party Transactions (“RRPTs”)

RRPTs entered into the Company and the Group are disclosed under Note 31(a) & (b) to the Financial Statements on pages 88 to 89.

5. Employees’ Share Option Scheme (“ESOS”)

The Employees’ Share Option Scheme of the Company (“ESOS”) was implemented on 11 June 2018 and shall be in force for a duration of five (5) years.

The total number of options granted, exercised, lapsed and outstanding under the ESOS is set out in the table below:-

Description	Number of Options as at 31 December 2021	
	All Eligible Employees including Directors	Directors
Options granted	15,480,000	6,650,000
Options exercised	(3,684,000)	(1,030,000)
Options lapsed	(1,012,000)	-
Options outstanding	10,784,000	5,620,000

In accordance with the Company’s ESOS By-Laws, not more than 70% of the Company’s ordinary shares available under the Scheme shall be allocated, in aggregate, to Directors and senior management of the Group. Since the commencement of the Scheme up to the financial year ended 31 December 2021, the Company has granted 55.88% of options to the Directors and senior management.

As at financial year ended 31 December 2021, ESOS allocations to Non-Executive Directors are as follows: -

No.		Amount of ESOS granted	Amount of ESOS exercised
1.	Datuk Aznam Bin Mansor	1,500,000	-
2.	Wong Yoke Nyen	1,500,000	300,000
3.	Ng Tian Meng	1,500,000	300,000

DIRECTORS' RESPONSIBILITY STATEMENT

IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities as required by the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 the results and cash flow of the Group and the Company for the financial year then ended.

In the preparation of the financial statements, the Directors have:

- Adopted appropriate accounting policies and apply them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensured that applicable approved accounting standards have been complied with; and
- Ensured the financial statements has been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.



FINACIAL STATEMENTS

45 Directors' Report	51 Independent Auditors' Report	56 Statements of Changes in Equity
50 Statements By Directors	54 Statements of Profit or Loss and Other Comprehensive Income	57 Statements of Cash Flows
50 Statutory Declaration	55 Statements of Financial Position	58 Notes to the Financial Statements

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary company are stated in Note 15 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year ended 31 December 2021.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	15,402,991	15,463,813

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Company paid an interim tax-exempt dividend of 5 sen per ordinary share totaling RM4,943,465 in respect of the financial year ended 31 December 2021.

On 21 February 2022, the Company declared an interim tax-exempt dividend of 3 sen per ordinary share in respect of financial year ended 31 December 2021 which is payable on 20 April 2022.

The Directors do not recommend any final dividend for the current financial year ended 31 December 2021.

DIRECTORS

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

Datuk Aznam Bin Mansor
 Lin Hao Wen
 Lin Fong Ming
 Lin Hao Yu
 Wong Yoke Nyen
 Ng Tian Meng

Pursuant to Section 253 of the Companies Act 2016, the Directors of subsidiary companies during the financial year and up to date of this report are as follows:

Lin Fong Ming
 Lin Hao Wen

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

The holdings and deemed holdings in the ordinary shares of the Company and its related corporations of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholding kept under Section 59 of the Companies Act, 2016 in Malaysia are as follows:

Direct interest:	Number of ordinary shares			At 31.12.2021
	At 1.1.2021	Bought	Sold	
<i>Ordinary shares of the Company</i>				
Lin Fong Ming	9,169,360	-	-	9,169,360
Lin Hao Wen	9,179,360	-	-	9,179,360
Lin Hao Yu	8,376,760	205,800	-	8,582,560
Wong Yoke Nyen	220,000	-	-	220,000
Ng Tian Meng	300,000	-	-	300,000

Name of director	Number of options over ordinary shares			At 31.12.2021
	At 1.1.2021	Granted	Exercised	
<i>Share options of the Company</i>				
Datuk Aznam Bin Mansor	1,500,000	-	-	1,500,000
Lin Hao Wen	600,000	-	-	600,000
Lin Fong Ming	560,000	-	-	560,000
Lin Hao Yu	560,000	-	-	560,000
Wong Yoke Nyen	1,200,000	-	-	1,200,000
Ng Tian Meng	1,200,000	-	-	1,200,000

By virtue of their interest in the Company, all the Directors are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interest in according with Section 8 of the Companies Act, 2016.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate apart from the issue of the Employees Share Options Scheme.

DIRECTORS' REMUNERATION

The remuneration paid to or receivable by the Directors of the Group and Company during the financial year amounted to RM3,182,851.

DIRECTORS' REPORT (CONTINUED)

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains an indemnity insurance for the Directors and Officers of the Company and its subsidiaries throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Company in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officer Liabilities Insurance effected for the Directors and officers was RM20,000,000 per occurrence and in the aggregate. The amount of insurance premium paid by the Company for the financial year ended 31 December 2021 was RM32,692.

There was no indemnity given to or liability insurance effected for the auditors of the Group and of the Company during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 15 to the financial statements.

ISSUES OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees Share Options Scheme ("ESOS").

The salient features of the ESOS scheme are, inter alia, as follows:

- (i) Eligible Directors or employees of the Group are those who have fulfilled the following conditions:
 - attained the age of eighteen (18) years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - a permanent employee who has been confirmed and served for at least a continuous period of six (6) months and before the Date of Offer;
 - a contract Employee who has served for a period of at least six (6) months on a cumulative basis under the contract and/or previous contract; and
 - any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.
- (ii) The selection of any Eligible Person for participation in the ESOS and maximum number of shares under the ESOS exercisable by an option holder in a particular year shall be at the discretion of the ESOS committee and the decision of the ESOS committee shall be final and binding.
- (iii) No eligible person shall participate at any time in more than one (1) ESOS implemented by any company within the Group.
- (iv) Not more than 10% of the shares available under the ESOS shall be allocated to any individual eligible person, who either singly or collectively through persons connected with him holds 20% or more of the issued and paid-up share capital of the Company.
- (v) Not more than 70% of the new shares of the Company available under the ESOS shall be allocated in aggregate to the Directors and senior management of the Group.

DIRECTORS' REPORT (CONTINUED)

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

The movement in outstanding options offered to take up unissued ordinary shares and the exercise price is as follow:

Date of offer	Exercise price	Number of options			31.12.2021
		1.1.2021	Exercised	Forfeited	
21 June 2018	RM1.01	5,352,000	-	(188,000)	5,164,000
31 October 2018	RM1.19	5,620,000	-	-	5,620,000
		10,972,000	-	(188,000)	10,784,000

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) proper action had been taken in relation to the writing off of bad debts as the making of provision for doubtful debts and have satisfied themselves; and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

DIRECTORS' REPORT (CONTINUED)**SIGNIFICANT EVENT**

Details of significant event are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, Messrs PKF PLT (202206000012 (LLP0030836-LCA) & AF0911), have indicated their willingness to continue in office.

PKF PLT (202206000012 (LLP0030836-LCA) & AF0911) has converted from a conventional partnership, PKF (AF0911), to a limited liability partnership on 28 February 2022.

During the financial year, the total amount of fees paid to or receivable by the auditors as remuneration for their services as auditors of the Group and of the Company are RM99,700 and RM90,000 respectively.

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

LIN HAO WEN

Director

LIN HAO YU

Director

Kota Kinabalu

Dated 28 March 2022

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

In the opinion of the Directors, the accompanying financial statements set out on pages 54 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2021 and of their financial performances and cash flows for the financial year ended on that date.

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

LIN HAO WEN

Director

LIN HAO YU

Director

Kota Kinabalu

Dated 28 March 2022

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, TEH YONG KHIM, being the officer primarily responsible for the financial management of FOCUS LUMBER BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 54 to 97 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 in Malaysia.

Subscribed and solemnly declared by)
the abovenamed TEH YONG KHIM)
at Kota Kinabalu in the state of Sabah)
on 28 March 2022)

TEH YONG KHIM (MIA 36504)

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FOCUS LUMBER BERHAD
 REGISTRATION NO: 198901011405 (188710-V)
 (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of FOCUS LUMBER BERHAD, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 97.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2021, and of their financial performances and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area of focus	How our audit addressed the key audit matter
<p>Inventories</p> <p><u>Valuation of inventories</u></p> <p>The cost of conversion from raw materials to work in progress and finished goods may not be allocated to each respective products in a manner which appropriately reflects the costs associated with manufacture of the product according to its size or quality or in a consistent basis across all products.</p>	<p>Our audit procedures include, among others:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's process in determining an appropriate costing basis, including the allocation of costs of conversion in line with management policies; • Assessed the basis of allocation for the costs that were not separately identifiable between the products were applied on a rational and consistent basis and has factored in key variables like production volumes and selling prices; and • Performed clerical accuracy tests on the allocation of overhead costs.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF FOCUS LUMBER BERHAD
REGISTRATION NO: 198901011405 (188710-V)
(INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Area of focus	How our audit addressed the key audit matter
<p>Inventories</p> <p><u>Allocation of fixed overheads to units of production</u></p> <p>The fixed overhead costs allocated to units of inventories produced during the year may not be based on a normalised production capacity due to significant drop in production volume compared to the average volumes based on historical production data.</p> <p>The inventories on hand as at 31 December 2021 may therefore, be overstated with higher allocated fixed production overheads.</p>	<p>Our audit procedures include, among others:</p> <ul style="list-style-type: none"> Reviewed management's judgement in segregating the semi variable costs between fixed costs and variable costs and concluded whether the segregation is reasonable; Evaluated the normalised production capacity based on past few years of production volumes and ensured any period of abnormal production level is disregarded for the analysis; and Determined whether any adjustment for allocated fixed overhead costs to inventories is required by comparing the production volume used for the allocation to the normalised production volume.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF FOCUS LUMBER BERHAD
REGISTRATION NO: 198901011405 (188710-V)
(INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (i) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (iv) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PKF PLT
202206000012 (LLP0030836-LCA) & AF0911
CHARTERED ACCOUNTANTS

CHAU MAN KIT
02525/03/2024 J
CHARTERED ACCOUNTANT

Kota Kinabalu

Dated 28 March 2022

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contract with customers	5	133,975,013	87,779,207	133,892,004	87,457,945
Cost of sales		(111,679,283)	(93,907,280)	(111,375,437)	(92,676,571)
Gross profit/(loss)		22,295,730	(6,128,073)	22,516,567	(5,218,626)
Interest income	6	210,309	410,665	209,472	409,913
Other operating income	7	4,769,783	2,895,714	4,648,236	2,705,242
Administrative expenses		(7,985,407)	(6,028,663)	(7,945,605)	(5,988,875)
Other operating expenses		(938,034)	(1,006,714)	(938,034)	(993,679)
Profit/(Loss) before taxation	8	18,352,381	(9,857,071)	18,490,636	(9,086,025)
Income tax	11	(2,949,390)	818,172	(3,026,823)	577,850
Profit/(Loss) for the financial year		15,402,991	(9,038,899)	15,463,813	(8,508,175)
Profit/(Loss) attributable to:					
Owner of the Company		15,402,991	(9,038,899)	15,463,813	(8,508,175)
Earning/(Loss) per share attributable to owners of the Company (sen per share)					
Basic	12	15.58	(9.01)		
Diluted	12	15.58	(9.01)		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	24,321,420	26,085,811	21,732,072	23,104,205
Investment property	14	2,132,827	2,214,858	2,132,827	2,214,858
Investments in subsidiary companies	15	-	-	5,000,001	5,000,001
Intangible asset	16	149,040	149,040	149,040	149,040
Deferred tax assets	17	92,783	15,149	-	-
		26,696,070	28,464,858	29,013,940	30,468,104
Current assets					
Inventories	18	30,852,325	38,720,022	30,946,119	38,125,521
Trade and other receivables	19	37,034,333	1,668,255	36,917,282	1,600,944
Other current assets	20	9,091,856	6,153,949	9,091,821	6,153,914
Income tax refundable		784,352	2,909,278	783,734	2,908,884
Other current financial assets	21	49,057,905	47,176,115	35,672,805	36,689,242
Cash and bank balances	22	29,608,158	41,568,540	29,291,722	41,150,727
		156,428,929	138,196,159	142,703,483	126,629,232
TOTAL ASSETS		183,124,999	166,661,017	171,717,423	157,097,336
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	57,691,137	57,691,137	57,691,137	57,691,137
Treasury shares	24	(9,378,259)	(9,378,259)	(9,378,259)	(9,378,259)
Employee share option reserve	25	3,714,343	3,299,755	3,714,343	3,299,755
Retained profits	27	117,086,318	106,626,792	105,285,178	94,764,830
TOTAL EQUITY		169,113,539	158,239,425	157,312,399	146,377,463
Non-current liability					
Deferred tax liabilities	17	2,577,337	-	2,577,337	-
		2,577,337	-	2,577,337	-
Current liabilities					
Trade and other payables	28	7,139,000	7,844,441	7,532,564	10,142,722
Contract liabilities	29	4,295,123	577,151	4,295,123	577,151
		11,434,123	8,421,592	11,827,687	10,719,873
TOTAL LIABILITIES		14,011,460	8,421,592	14,405,024	10,719,873
TOTAL EQUITY AND LIABILITIES		183,124,999	166,661,017	171,717,423	157,097,336

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group	Note	Attributable to owners of the Company				Total equity RM
		Share capital RM	Treasury shares RM	Employee share option reserve RM	Retained profits RM	
At 1 January 2020		57,691,137	(6,739,837)	2,434,669	118,631,770	172,017,739
Loss for the financial year		-	-	-	(9,038,899)	(9,038,899)
Purchase of treasury shares	24	-	(2,638,422)	-	-	(2,638,422)
Grant of equity-settled share options	25	-	-	865,086	-	865,086
Dividends on ordinary shares	30	-	-	-	(2,966,079)	(2,966,079)
At 31 December 2020		57,691,137	(9,378,259)	3,299,755	106,626,792	158,239,425
Profit for the financial year		-	-	-	15,402,991	15,402,991
Grant of equity-settled share options	25	-	-	414,588	-	414,588
Dividends on ordinary shares	30	-	-	-	(4,943,465)	(4,943,465)
At 31 December 2021		57,691,137	(9,378,259)	3,714,343	117,086,318	169,113,539
Company						
At 1 January 2020		57,691,137	(6,739,837)	2,434,669	106,239,084	159,625,053
Loss for the financial year		-	-	-	(8,508,175)	(8,508,175)
Purchase of treasury shares	24	-	(2,638,422)	-	-	(2,638,422)
Grant of equity-settled share options	25	-	-	865,086	-	865,086
Dividends on ordinary shares	30	-	-	-	(2,966,079)	(2,966,079)
At 31 December 2020		57,691,137	(9,378,259)	3,299,755	94,764,830	146,377,463
Profit for the financial year		-	-	-	15,463,813	15,463,813
Grant of equity-settled share options	25	-	-	414,588	-	414,588
Dividends on ordinary shares	30	-	-	-	(4,943,465)	(4,943,465)
At 31 December 2021		57,691,137	(9,378,259)	3,714,343	105,285,178	157,312,399

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities					
Profit/(Loss) before taxation		18,352,381	(9,857,071)	18,490,636	(9,086,025)
Adjustments for:					
Depreciation of investment property	14	82,031	82,032	82,031	82,032
Depreciation of property, plant and equipment	13	3,404,354	4,967,864	3,011,439	3,000,992
Grant of equity-settled share option	25	414,588	865,086	414,588	865,086
Interest income	6	(210,309)	(410,665)	(209,472)	(409,913)
Inventory written down	18	-	76,535	-	76,535
Gain on disposal of property, plant and equipment		(30,000)	-	(30,000)	-
Property, plant and equipment written off	13	-	125	-	125
Reversal of allowance for impairment on log advances	7	(1,479,023)	(226,369)	(1,479,023)	(226,369)
Unrealised net fair value gain on derivatives	7	(305,971)	-	(305,971)	-
Unrealised net fair value loss on derivatives	8	-	144,957	-	144,957
Unrealised on loss on foreign exchange		599,734	147,530	599,734	147,530
Operating profit/(loss) before working capital changes		20,827,785	(4,209,976)	20,573,962	(5,405,050)
Change in inventories		7,867,697	3,292,495	7,179,402	3,886,996
Change in trade and other receivables		(35,864,336)	5,050,755	(35,814,596)	4,937,799
Change in other current assets		(1,458,884)	(1,431,727)	(1,458,884)	(1,654,889)
Change in trade and other payables		2,260,638	(2,498,434)	355,921	(1,874,607)
Change in contract liabilities		3,717,972	139,416	3,717,972	139,416
Cash (used in)/from operation		(2,649,128)	342,529	(5,446,223)	29,665
Interest received		201,798	396,516	201,442	395,764
Income tax refunded		2,266,664	-	2,266,664	-
Income tax paid		(591,425)	(642,722)	(591,000)	(642,220)
Net cash (used in)/generated from operating activities		(772,091)	96,323	(3,569,117)	(216,791)
Cash flow from investing activities					
Acquisition of property, plant and equipment	13	(1,639,963)	(555,610)	(1,639,306)	(555,610)
Proceeds from disposal of property, plant and equipment		30,000	-	30,000	-
Interest received		15,099	28,743	14,618	28,743
Net cash used in investing activities		(1,594,864)	(526,867)	(1,594,688)	(526,867)
Cash flow from financing activities					
Dividends paid	30	(7,909,544)	-	(7,909,544)	-
Purchase of treasury shares	24	-	(2,638,422)	-	(2,638,422)
Net cash used in financing activities		(7,909,544)	(2,638,422)	(7,909,544)	(2,638,422)
Net decrease in cash and cash equivalents		(10,276,499)	(3,068,966)	(13,073,349)	(3,382,080)
Effect of exchange rate changes		(108,064)	(147,530)	(108,064)	(147,530)
Cash and cash equivalents at beginning of the financial year		88,268,694	91,485,190	77,364,008	80,893,618
Cash and cash equivalents at end of financial year	22,	77,884,131	88,268,694	64,182,595	77,364,008

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a public limited liability company that is incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal activities of the Company are manufacturing and sale of plywood, veneer, LVL, and investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year ended 31 December 2021.

The registered office and principal place of business of the Company are located at 12A, Jalan Teluk Likas, 88450 Kota Kinabalu, Sabah, Malaysia and Mile 3, Jalan Masak, Kampung Ulu Patikang, Locked Bag 13SM-88, 89009 Keningau, Sabah, Malaysia respectively.

These financial statements were authorised for issue by the Directors in accordance with a resolution of the Board of Directors dated 28 March 2022.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”) issued by Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act, 2016 in Malaysia.

(b) Basis of measurement

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies.

(c) Functional and presentation currency

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

(d) Adoption of new and revised MFRS

During the financial year, the Group and the Company have adopted the following amendments to standards issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for current financial year:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2
- Amendment to MFRS 16: COVID-19-Related Rent Concessions

The adoption of the amendments to standards did not have any significant impact on the financial statements of the Group and of the Company.

(e) Standards issued but not yet effective

Certain new accounting standards and interpretations have been issued but not yet effective for 31 December 2021 reporting periods and have not been early adopted by the Group and the Company. These standards are not expected to have a material impact on the Group and the Company in the current or future reporting periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant accounting judgments and estimates

The preparation of the Group's and the Company'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.

Judgement made in applying accounting policies

The critical judgement made by the Directors in applying the Group's and the Company's accounting policies is as follows:

Judgement in determining the normal production capacity

The allocation of fixed production costs to inventories involves significant judgement on the normal production capacity of the plant. In making their judgement, the Directors have considered the average historical production levels and machine capacity.

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:

(i) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(ii) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group and the Company anticipate that the residual values of their property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. The management estimates the useful lives of the property, plant and equipment to be within four (4) to eighty-three (83) years.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment of advances made for log supplies

The Company routinely places advances with log suppliers for future deliveries of logs. The Group and the Company assess for indication of impairment for these advances at end of each reporting date based on indicators like prolonged delay in the log deliveries by the log suppliers and significant deterioration in their financial conditions. When such indications exist and the recoverable amounts are estimated to be lower than the carrying amounts, an impairment adjustment is made.

These estimates may change in subsequent reporting periods if the indication of impairment no longer exists and therefore the impairment adjustment will be reversed.

(iv) Slow moving allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgment and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant accounting judgments and estimates (continued)

Key sources of estimation uncertainty (continued)

(v) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(vi) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the statement of profit or loss and other comprehensive Income in the period in which actual realisation and settlement occurs.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences 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.

Assumptions about generation of future taxable profits would depend on the achievability of projected profits and this requires judgement of the management. These assumptions and judgement are subject to risks and uncertainty, hence there is possibility that changes in circumstances will alter expectations, which may impact on the amount of deferred tax assets recognised.

(vii) Fair value estimates for financial assets

The Group and the Company carry derivative financial assets at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value could differ if the Group and the Company use different valuation methodologies. Any changes in fair value of the assets would affect profit and/or equity.

(viii) Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the reporting date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. Potential voting rights are considered when assessing control only when such rights are substantive.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)

(b) Foreign currencies

(i) Functional and presentation currencies

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

(ii) Foreign currency transactions

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

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

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

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

(iii) Foreign operations

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

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

(c) Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with the customer when or as the Group and the Company transfers control of the goods or services promised in a contract and the customer obtains control of the goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be a point in time or over time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)

(c) Revenue recognition (continued)

The Group and the Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company performs.
- The Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's and the Company's performance does not create an asset with an alternative use to the Group and the Company and the Group and the Company has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group's and the Company recognises revenue at the point in time at which the performance obligation is satisfied.

(i) Bundled sales of plywood, veneer, laminated veneer lumber, and freight

The Group and the Company allocate transaction prices to both sale of plywood, veneer, laminated veneer lumber, and freight services based on the respective invoiced values which is the stand-alone selling prices.

(ii) Sales of plywood, veneer, and laminated veneer lumber

Revenue from sales of plywood, veneer, and laminated veneer lumber is recognised by the Group and the Company at the point of time when control of the goods has transferred, being when the goods have been shipped to the customers.

(iii) Freight services

The Group and the Company recognise revenue from freight services over time as the customer simultaneously receives and consumes the benefits provided by the Group and the Company. The output method is used to measure the stage of completion of the services.

(iv) Sales of electricity

Sales of electricity is recognised over time as the customer simultaneously receives and consumes the benefit provided by the Group. The output method measures the progress of completion of the services.

(d) Employee benefits

The Group and the Company recognise a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group and the Company consume the economic benefits arising from service provided by an employee in exchange for employee benefits.

(i) Short term benefits

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

Profit sharing and bonus payments are recognised when, and only when, the Group and the Company have a present legal or constructive obligation to make such payment as a result of past events and a reliable estimate of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)**(d) Employee benefits (continued)****(ii) Post-employment benefits (defined contribution plans)**

The Group and the Company make statutory contributions to the approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using Binomial model. Measurement inputs include share price on measurement date, exercise price of the instrument, various dates when the options become vested, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(e) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group and the Company perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group and the Company perform under the contract.

(f) Income tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)

(f) Income tax (continued)

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

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

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

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

(g) Earnings per share

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

(h) Property, plant and equipment

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

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

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

The principal annual rates of depreciation used are as follows:

Leasehold land	74 – 83 years
Factory and office buildings	20 – 40 years
Motor vehicles	4 years
Heavy equipment	5 years
Plant and machinery	5 – 20 years
Furniture, fittings, office equipment, and renovation	5 years

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the term of plant and equipment. Any change in estimate of an item is adjusted prospectively over the remaining useful life, commencing in the current period.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)**(i) Investment property**

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses. The depreciation policy for investment property is accounted for in accordance with the accounting policy for property, plant and equipment as disclosed in Note 4 (h).

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

Investment property is derecognised when either it has 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 as disclosed in Note 4 (h) up to the date change in use.

(j) Intangible asset

Intangible asset is measured initially at cost. Subsequent to initial measurement, intangible asset is measured depending on whether it has a finite or infinite useful life.

Intangible asset with finite useful lives is amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Intangible asset with indefinite useful lives or not yet available for use is tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(k) Inventories

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

(a) Raw materials

The purchase costs of raw materials on a weighted average basis.

(b) 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.

(c) Consumable goods

Purchase cost of consumable goods on a weighted average basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)

(l) Derivative instruments

The Group's and the Company's trade derivatives include forward foreign exchange contracts.

Derivative instruments are initially recognised at fair value. For non-option derivatives, their fair value are normally zero or negligible at inception. For purchased or written options, their fair value are equivalent to the market premium paid or received. The derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

(m) Financial instruments

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

(i) Financial assets

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

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

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

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

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

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

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

Financial assets at amortised cost (debt instruments)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)

(m) Financial instruments (continued)

(i) Financial assets (continued)

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

The Group's and the Company's financial assets at amortised cost includes investments in money market funds, trade and other receivables, fixed deposits with a licensed bank and cash and bank balances.

Financial assets at fair value through OCI (debt instruments)

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

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

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

The Group and the Company have no debt instruments at fair value through OCI.

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

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

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

The Group and the Company have no equity instruments at fair value through OCI.

Financial assets at fair value through profit or loss

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)

(m) Financial instruments (continued)

(i) Financial assets (continued)

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

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

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

The Group's and the Company's financial assets at fair value through profit or loss include foreign exchange forward contract derivatives.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

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

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

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

(ii) Financial liabilities

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

Financial liabilities, within the scope of MFRS 9, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)**(m) Financial instruments (continued)****(ii) Financial liabilities (continued)****Financial liabilities at fair value through profit or loss**

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

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

Financial liabilities measured at amortised cost

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

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

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

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

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, at banks, deposits with licensed banks with maturity not exceeding Three (3) months and short-term, highly liquid investments which are readily convertible to cash with short periods to maturity and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts, if any.

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

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

ECLs are recognised in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)**(o) Impairment (continued)****(i) Impairment of financial assets (continued)**

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

For debt instruments at fair value through OCI, the Group and the Company may apply the low credit risk simplification. At every reporting date, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Company reassess the internal credit rating of the debt instrument.

In addition, the Group and the Company consider that there has been a significant increase in credit risk when contractual payments are more than one (1) year past due. It is the Group's and the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group and the Company consider a financial asset in default when contractual payments are one (1) year past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Impairment of non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)**(p) Equity instruments**

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised as an appropriation of retained profits upon declaration, and are only taken up as liabilities upon the necessary approval being obtained.

(q) Borrowings costs

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

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

(r) Leases**(i) Classification**

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Lease term

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)**(r) Leases (continued)****(iii) Recognition and initial measurement****As a lessee**

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group and the Company entities' incremental borrowing rate. Generally, the Group and the Company entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

As a lessor

When the Group and the Company act as lessor, they determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group and the Company are intermediate lessor, they account for their interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Company apply the exemption described above, then it classifies the sublease as an operating lease.

(iv) Subsequent measurement**As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)**(r) Leases (continued)****(iv) Subsequent measurement (continued)****As a lessee (continued)**

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option.

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company affects whether the Group and the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessor

The Group and the Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

(s) Provisions

Provisions are recognised when the Group and the Company have present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed. Where the effect of the time value of money is material, provisions are discounted using a current per-tax rate that reflects, where appropriate, the risks specific to the liability and the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(t) Segment reporting

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

(u) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (continued)

(u) Fair value measurement (continued)

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (ii) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(v) Contingencies

A contingent liability or asset is 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.

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

5. Revenue from contract with customers

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contracts with customers:				
Sale of veneer, plywood and laminated veneer lumber	123,486,745	81,188,555	123,486,745	81,188,555
Freight income	10,405,259	6,269,390	10,405,259	6,269,390
Sale of electricity	83,009	321,262	-	-
	<u>133,975,013</u>	<u>87,779,207</u>	<u>133,892,004</u>	<u>87,457,945</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Revenue from contract with customers (continued)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Timing of the revenue from contracts with customers:				
Point in time	123,486,745	81,188,555	123,486,745	81,188,555
Over time	10,488,268	6,590,652	10,405,259	6,269,390
	<u>133,975,013</u>	<u>87,779,207</u>	<u>133,892,004</u>	<u>87,457,945</u>

Transaction prices allocated to partially unsatisfied performance obligation for freight services relates to deferred freight services disclosed in Note 29.

The disaggregated revenue above is on a basis other than that used for revenue information disclosed for each reportable segment under Note 36 to the financial statements. This is because the freight income is not separately evaluated by the chief operating decision maker as freight income is not a profit-making business unit by itself although is assessed as a separate performance obligation under MFRS 15.

6. Interest income

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest income from:				
Fixed deposits	7,496	14,150	7,496	14,150
Foreign currency account	5,938	36,517	5,938	36,517
Current account	195,860	359,617	195,504	358,865
Money market funds	1,015	381	534	381
	<u>210,309</u>	<u>410,665</u>	<u>209,472</u>	<u>409,913</u>

7. Other operating income

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Distribution income from money market funds	721,650	1,277,009	576,698	1,010,337
Net fair value gain on derivatives				
- unrealised	305,971	-	305,971	-
Net gain on foreign exchange				
- realised	888,336	910,535	888,336	910,535
Net gain on money market funds	153,155	-	100,360	-
Bad debts recovered	200,000	-	200,000	-
Reversal of allowance for impairment of logs advances (Note 20)	1,479,023	226,369	1,479,023	226,369
Gain on disposal of property, plant and equipment	30,000	-	30,000	-
Rental income from:				
- land	15,500	10,613	91,700	86,813
- investment property	264,000	242,000	264,000	242,000
- car park lot	-	5,400	-	5,400
Sundry income	712,148	223,788	712,148	223,788
	<u>4,769,783</u>	<u>2,895,714</u>	<u>4,648,236</u>	<u>2,705,242</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Profit/(Loss) before taxation

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Other than those disclosed in Note 6 and 7, profit/(loss) before taxation has been arrived at after charging:				
Auditors' remuneration:				
- Statutory audit	99,700	99,700	90,000	90,000
- Other services	27,000	17,000	22,000	12,000
Depreciation of investment property (Note 14)	82,031	82,032	82,031	82,032
Depreciation of property, plant and equipment (Note 13)	3,404,354	4,967,864	3,011,439	3,000,992
Direct operating expenses arising from investment property - rental generating properties	118,352	132,511	118,352	132,511
Inventory written off (Note 18)	-	76,535	-	76,535
Non-executive Directors' remuneration (Note 10)	526,813	662,529	526,813	662,529
Net fair value loss on derivatives				
- realised	338,300	668,874	338,300	668,874
- unrealised	-	144,957	-	144,957
Net loss on foreign exchange				
- unrealised	599,734	147,530	599,734	147,530
Net loss on money market funds	-	45,354	-	32,320
Property, plant and equipment written off	-	125	-	125
Rental of car park lot	-	5,400	-	5,400
Rental of land	66,700	66,600	66,700	66,600
Rental of office premises	192,000	168,000	192,000	168,000

9. Employee benefits expense

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries, wages, bonuses, incentives and allowances	16,346,533	14,105,800	15,637,454	13,428,148
Contributions to defined contribution plan	568,967	486,671	552,537	478,022
Social security contributions	177,307	165,213	167,842	156,440
Share options granted under ESOS	262,775	543,157	262,775	543,157
Termination benefits	33,725	176,170	33,725	176,170
Other benefits	8,949	7,477	8,606	7,301
	17,398,256	15,484,488	16,662,939	14,789,238

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM2,651,311 (2020: RM1,910,588) as further disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Directors' remuneration

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

	Group and Company	
	2021	2020
	RM	RM
Executive Directors' remuneration (Note 9):		
- Fees and meeting allowance	15,000	19,000
- Salaries and bonus	2,562,000	1,736,000
- Share options granted under ESOS	72,533	153,810
- Social security contributions	1,778	1,778
	2,651,311	1,910,588
Estimated money value of benefits-in-kind	4,727	2,217
	2,656,038	1,912,805
Non-executive Directors' remuneration (Note 8):		
- Fees and meeting allowance	375,000	340,600
- Share options granted under ESOS	151,813	321,929
	526,813	662,529
Total Directors' remuneration	3,182,851	2,575,334

The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

11. Income tax

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Current taxation	449,687	181	449,486	-
Deferred tax (Note 17)	2,505,824	(772,453)	2,582,049	(530,509)
	2,955,511	(772,272)	3,031,535	(530,509)
Over provision in prior years				
- Deferred tax (Note 17)	(6,121)	(45,900)	(4,712)	(47,341)
	2,949,390	(818,172)	3,026,823	(577,850)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Income tax (continued)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before taxation	18,352,381	(9,857,071)	18,490,636	(9,086,025)
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	4,404,571	(2,365,698)	4,437,753	(2,180,646)
Non-taxable income	(257,953)	(306,482)	(210,494)	(242,481)
Non-tax deductible expenses	270,774	319,467	266,157	312,177
Recognition of deferred tax assets which are not recognised previously	(1,461,881)	-	(1,461,881)	-
Deferred tax assets not recognised in respect of tax losses	-	1,580,441	-	1,580,441
	2,955,511	(772,272)	3,031,535	(530,509)
Over provision in prior years - Deferred tax	(6,121)	(45,900)	(4,712)	(47,341)
	2,949,390	(818,172)	3,026,823	(577,850)

12. Earning/(Loss) per share

(a) Basic

Basic earning/(loss) per share amounts are calculated by dividing profit/(loss) for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2021 RM	2020 RM
Profit/(Loss) net of tax attributable to owners of the Company	15,402,991	(9,038,899)
Weighted average number of ordinary shares in issue	98,869,300	100,365,702
	Group	
	2021 Sen	2020 Sen
Basic earning/(loss) per share	15.58	(9.01)

(b) Diluted

Diluted earning/(loss) per share amounts are calculated by dividing profit/(loss) for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year after adjustment for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Earning/(Loss) per share (continued)

(b) Diluted (continued)

	Group	
	2021 RM	2020 RM
Profit/(Loss) net of tax attributable to owners of the Company	15,402,991	(9,038,899)
Weighted average number of ordinary shares in issue (basic)	98,869,300	100,365,702
Effect of dilution from:		
- Share options	-*	-*
Weighted average number of ordinary shares in issue (diluted)	98,869,300	100,365,702
	Group	
	2021 Sen	2020 Sen
Diluted earning/(loss) per share	15.58	(9.01)

* Nil due to anti-dilutive effect.

13. Property, plant and equipment

Group	Long term 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 2020	1,300,080	13,192,259	139,024,082	966,716	154,483,137
Additions	-	448,057	6,600	100,953	555,610
Written off	-	-	(8,812,069)	(416,786)	(9,228,855)
At 31 December 2020	1,300,080	13,640,316	130,218,613	650,883	145,809,892
Additions	-	153,970	1,430,211	55,782	1,639,963
Disposal	-	-	(105,401)	-	(105,401)
At 31 December 2021	1,300,080	13,794,286	131,543,423	706,665	147,344,454
Accumulated depreciation					
At 1 January 2020	128,676	9,763,096	113,456,992	636,183	123,984,947
Charge for the financial year (Note 8)	17,364	261,566	4,570,568	118,366	4,967,864
Written off	-	-	(8,812,030)	(416,700)	(9,228,730)
At 31 December 2020	146,040	10,024,662	109,215,530	337,849	119,724,081
Charge for the financial year (Note 8)	17,364	262,503	3,004,774	119,713	3,404,354
Disposal	-	-	(105,401)	-	(105,401)
At 31 December 2021	163,404	10,287,165	112,114,903	457,562	123,023,034
Carrying amount					
At 31 December 2020	1,154,040	3,615,654	21,003,083	313,034	26,085,811
At 31 December 2021	1,136,676	3,507,121	19,428,520	249,103	24,321,420

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Property, plant and equipment (continued)

Company	Long term 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 2020	1,300,080	13,192,259	108,856,390	892,005	124,240,734
Additions	-	448,057	6,600	100,953	555,610
Written off	-	-	(8,812,069)	(416,786)	(9,228,855)
At 31 December 2020	1,300,080	13,640,316	100,050,921	576,172	115,567,489
Additions	-	153,970	1,430,211	55,125	1,639,306
Disposal	-	-	(105,401)	-	(105,401)
At 31 December 2021	1,300,080	13,794,286	101,375,731	631,297	117,101,394
Accumulated depreciation					
At 1 January 2020	128,676	9,763,096	88,214,227	585,023	98,691,022
Charge for the financial year (Note 8)	17,364	261,566	2,609,819	112,243	3,000,992
Written off	-	-	(8,812,030)	(416,700)	(9,228,730)
At 31 December 2020	146,040	10,024,662	82,012,016	280,566	92,463,284
Charge for the financial year (Note 8)	17,364	262,503	2,617,182	114,390	3,011,439
Disposal	-	-	(105,401)	-	(105,401)
At 31 December 2021	163,404	10,287,165	84,523,797	394,956	95,369,322
Carrying amount					
At 31 December 2020	1,154,040	3,615,654	18,038,905	295,606	23,104,205
At 31 December 2021	1,136,676	3,507,121	16,851,934	236,341	21,732,072

14. Investment property

	Group and company	
	2021 RM	2020 RM
At cost		
At 1 January	3,651,348	3,651,348
Accumulated depreciation		
At 1 January	1,436,490	1,354,458
Charge for the financial year (Note 8)	82,031	82,032
At 31 December	1,518,521	1,436,490
Carrying amount		
At 31 December	2,132,827	2,214,858

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

The estimated fair value of the investment property is approximately RM3,634,000 (2020: RM3,634,000) as shown in Note 34.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Investments in subsidiary companies

	Company	
	2021 RM	2020 RM
Unquoted shares, at cost	5,000,001	5,000,001

Details of the subsidiaries are as follows:

Name of subsidiary companies	Country of incorporation	Proportion of ownership interest hold by the Group		Principal activities
		2021 %	2020 %	
Held by the Company				
Untung Ria Sdn. Bhd.	Malaysia	100	100	Generation and sale of electricity and investment in monetary instruments
Focus Layo Flooring Sdn. Bhd.	Malaysia	100	100	Dormant

16. Intangible asset

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At cost:				
Investment in Golf and Country Club membership	149,040	149,040	149,040	149,040

17. Deferred tax assets/(liabilities)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At 1 January	15,149	(803,204)	-	(577,850)
Recognised in profit or loss (Note 11)	(2,499,703)	818,353	(2,577,337)	577,850
At 31 December	(2,484,554)	15,149	(2,577,337)	-

The components of deferred tax assets and liabilities during the financial year recognised in profit and loss prior and after offsetting are as follows:

Deferred tax assets	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Inventories	93,794	-	-	-
Trade receivables	491,670	-	491,670	-
Cash and cash equivalents	108,064	147,530	108,064	147,530
Unabsorbed capital allowances	-	6,837,869	-	6,837,869
Unutilised investment tax allowances	2,404,470	2,962,819	-	-
Unutilised tax losses	-	4,420,721	-	4,420,721
	3,097,998	14,368,939	599,734	11,406,120
Offsetting	(2,711,400)	(14,305,818)	(599,734)	(11,406,120)
	386,598	63,121	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Deferred tax assets/(liabilities) (continued)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax liabilities				
Inventories	-	(594,502)	-	-
Derivatives	(396,096)	(90,125)	(396,096)	(90,125)
Temporary differences on qualifying property, plant and equipment	(13,054,208)	(13,621,191)	(10,942,542)	(11,315,995)
	(13,450,304)	(14,305,818)	(11,338,638)	(11,406,120)
Offsetting	2,711,400	14,305,818	599,734	11,406,120
	(10,738,904)	-	(10,738,904)	-

The above is presented in the financial statement after appropriate offsetting at the prevailing tax rate of 24% as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax assets	92,783	15,149	-	-
Deferred tax liabilities	(2,577,337)	-	(2,577,337)	-

No deferred tax asset has been recognised for the following items:

	Company	
	2021 RM	2020 RM
Unutilised tax losses	-	(6,585,171)
Deferred tax assets at 24% (2020: 24%) not recognised in the financial statements	-	(1,580,441)

The unutilised tax losses are available to be carried forward up to the maximum of seven (7) years, subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority. Deferred tax asset has not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

18. Inventories

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
At cost				
Raw material	5,471,191	1,513,374	5,471,191	1,513,374
Work-in-progress	8,560,673	12,148,054	8,560,673	11,897,209
Consumable	4,312,951	3,713,451	4,312,951	3,713,451
Finished goods	12,507,510	18,866,826	12,601,304	18,523,170
	30,852,325	36,241,705	30,946,119	35,647,204
At net realisable value				
Finished goods	-	2,478,317	-	2,478,317
Total inventories	30,852,325	38,720,022	30,946,119	38,125,521

The amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM95,173,574 (2020: RM79,092,863) and RM96,441,592 (2020: RM82,082,476) respectively.

The write-down of inventories to net realisable value recognised as an expense during the financial year amounted to RMNil (2020: RM76,535).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Trade and other receivables

Current	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade receivables				
Third parties	36,358,994	756,664	36,358,994	756,664
Related party	4,947	91,564	-	-
	<u>36,363,941</u>	<u>848,228</u>	<u>36,358,994</u>	<u>756,664</u>
Other receivables				
Worker recruitment and staff advances	60,434	218,724	60,434	218,724
Deposits	602,965	587,722	464,434	587,222
Sundry receivables	6,993	13,581	6,993	13,581
	<u>670,392</u>	<u>820,027</u>	<u>531,861</u>	<u>819,527</u>
Amount due from a subsidiary company	-	-	26,427	24,753
	<u>37,034,333</u>	<u>1,668,255</u>	<u>36,917,282</u>	<u>1,600,944</u>

The Company's normal trade credit term on trade receivables is 30 days (2020: 30 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due from a related party and a subsidiary company are unsecured, interest free and repayable on demand.

Information about the Group's exposure to credit risks and impairment losses for trade receivables is included in Note 33 to the financial statements.

20. Other current assets

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deposits for log purchase	4,869,148	7,427,035	4,869,148	7,427,035
Prepaid freight charges	3,813,645	275,056	3,813,645	275,056
Prepaid operating expenses	409,063	522,599	409,028	522,564
	<u>9,091,856</u>	<u>8,224,690</u>	<u>9,091,821</u>	<u>8,224,655</u>
Less: Allowance for impairment	-	(2,070,741)	-	(2,070,741)
	<u>9,091,856</u>	<u>6,153,949</u>	<u>9,091,821</u>	<u>6,153,914</u>

The allowance account in respect of other current assets is used to record impairment losses. The reduction in deposit for log purchase is due to prolonged delay in supply of logs by log suppliers and without financial capacity to refund.

Movement in allowance account for other current assets:	Group and Company	
	2021 RM	2020 RM
At 1 January	2,070,741	2,297,110
Reversal of impairment loss for the financial year (Note 7)	(1,479,023)	(226,369)
Written off during the year	(591,718)	-
At 31 December	<u>-</u>	<u>2,070,741</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Other current financial assets

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts	396,096	90,125	396,096	90,125
Financial assets measured at amortised cost				
Investment in money market funds	48,661,809	47,085,990	35,276,709	36,599,117
Total	49,057,905	47,176,115	35,672,805	36,689,242

The Group and the Company use forward currency contracts to manage some of the transaction exposures. 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.

Investment in money market funds involve mutual funds which invest in a portfolio of low-risk monetary debt instrument. The net asset value can be obtained from daily price quotes by the funds.

22. Cash and cash equivalents

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash in hand	14,932	48,812	14,932	48,812
Cash at banks	29,207,390	41,133,892	28,890,954	40,716,079
Fixed deposits with licensed bank	385,836	385,836	385,836	385,836
Cash and bank balances	29,608,158	41,568,540	29,291,722	41,150,727
Investment in money market Funds (Note 21)	48,661,809	47,085,990	35,276,709	36,599,117
Less: Fixed deposits with maturity of more than three (3) months	(385,836)	(385,836)	(385,836)	(385,836)
Cash and cash equivalents	77,884,131	88,268,694	64,182,595	77,364,008

The weighted average effective interest rate as at the financial year end for short-term deposits was 1.89% (2020: 3.65%) per annum.

Fixed deposits with a licensed bank of the Group have an average maturity of 12 (2020: 12) months.

23. Share capital

	No. of ordinary shares		Group/Company	
	2021	2020	2021 RM	2020 RM
Issued and fully paid:				
At 1 January/31 December	106,884,000	106,884,000	57,691,137	57,691,137

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

The Company has an Employees' Share Option Scheme under which options to subscribe for the Company's ordinary shares have been granted to Directors and employees of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Treasury shares

	No. of ordinary shares		Group/Company	
	2021	2020	2021 RM	2020 RM
At 1 January	8,014,700	4,522,300	9,378,259	6,739,837
Purchase of treasury shares	-	3,492,400	-	2,638,422
At 31 December	8,014,700	8,014,700	9,378,259	9,378,259

Treasury shares relate to ordinary shares of the Company that are reacquired and held by the Company and are recognised based on the amount of consideration paid and presented as a deduction from total equity.

The Company acquired Nil (2020: 3,492,400) shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RMNil (2020: RM2,638,422) and this was presented as a component within shareholders' equity.

25. Employee share option reserve

	Group/Company	
	2021 RM	2020 RM
At 1 January	3,299,755	2,434,669
Transactions with owners		
Grant of equity-settled share options	414,588	865,086
At 31 December	3,714,343	3,299,755

Employee share option reserve represents the equity-settled share options granted to Directors and employees (Note 26). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced by the forfeiture or exercise of the share options.

26. Employees' Share Option Scheme ("ESOS")

At an Extraordinary General Meeting held on 4 June 2018, the shareholders of the Company approved the establishment of ESOS of up to 15% of the total number of issued shares of the Company to eligible Directors and employees. Under the ESOS, all employees or Directors are entitled to a grant of options, once they have been in service for more than 6 months as at 11 June 2018. All options are to be settled by physical delivery of shares.

The terms and conditions relating to the grants of the share option program are as follows:

Grant date	Number of options	Vesting conditions	Contractual life of options
Options granted to employees 21 June 2018	8,830,000	20% options issued for each calendar year	5 years
Options granted to Directors 31 October 2018	6,650,000	20% options issued for each calendar year	5 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Employees' Share Option Scheme ("ESOS") (continued)Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	Group and Company			
	2021		2020	
	Number	WAEP RM	Number	WAEP RM
Outstanding at 1 January	10,972,000	1.10	11,344,000	1.10
- Forfeited	(188,000)	1.01	(372,000)	1.01
- Exercised	-	-	-	-
Outstanding at 31 December	10,784,000	1.10	10,972,000	1.10
Exercisable at 31 December	7,974,000	1.11	5,256,000	1.10

The range of exercise prices for options outstanding at the end of the year was RM1.01 to RM1.19 (2020: RM1.01 to RM1.19). The weighted average remaining contractual life for these options is 1.44 (2020: 2.44) years.

Fair value of share options granted

The fair value of the share options granted under the ESOS is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted. It takes into account historic dividends and share price fluctuation covariance of the Company.

The following table lists the significant inputs to the option pricing models are as follows:

Description of ESOS	Directors	Employees
Dividend yield (%)	4.44	5.22
Expected volatility (%)	34.92	36.53
Risk-free interest rate (% p.a.)	3.76	3.85
Expected life of option (years)	4.61	4.97
Weighted average share price (RM)	1.35	1.15

The expected life of the options is the ESOS duration based on management's best estimates. The expected volatility reflects the assumption that the historical volatility of the Group's share price over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

27. Retained profits

The Group's and the Company's policy is to treat all gains and losses that pass through the statements of profit or loss and other comprehensive income (i.e. non-owner transactions or events) as revenue reserves. Other than retained profits, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders. Accumulated losses are the opposite of retained profits and when an entity is in an accumulated loss position, it is prohibited from distributing cash dividends to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Trade and other payables

Current	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables				
Third parties	3,971,253	2,545,328	3,956,957	2,522,812
Amount due to a subsidiary	-	-	452,305	2,358,419
	3,971,253	2,545,328	4,409,262	4,881,231
Other payables				
Accruals	3,032,919	2,112,179	2,988,813	2,074,557
Deposits received	72,740	48,400	72,740	48,400
Dividend payable	-	2,966,079	-	2,966,079
Sundry payables	62,088	172,455	61,749	172,455
	3,167,747	5,299,113	3,123,302	5,261,491
Total trade and other payables	7,139,000	7,844,441	7,532,564	10,142,722

Trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 60 days (2020: 30 to 60 days).

Amount due to a subsidiary company is unsecured, interest free and repayable on demand.

29. Contract liabilities

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Advances from contract customers of plywood for the delivery	480,262	301,830	480,262	301,830
Deferred freight income	3,814,861	275,321	3,814,861	275,321
	4,295,123	577,151	4,295,123	577,151

30. Dividends

	Dividend declared in respect of the financial year		Dividend recognised in the financial year	
	2021 RM	2020 RM	2021 RM	2020 RM
Recognised during the year				
First interim dividend for 2020: 3.0 sen per share	-	2,966,079	-	2,966,079
First interim dividend for 2021: 5.0 sen per share	4,943,465	-	4,943,465	-
	4,943,465	2,966,079	4,943,465	2,966,079

31. Significant related party transactions

(a) Identities of related parties

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Significant related party transactions (continued)

(b) Related parties' transactions and outstanding balances

The aggregate value of transactions and outstanding balances of the related parties of the Group and of the Company were as follows:

Name of related parties	Type of transaction	Transaction value		Balance outstanding as at 31 December	
		2021 RM	2020 RM	2021 RM	2020 RM
Group					
Company which has common Directors with the Company and in which the Directors of the Company have financial interests:					
Ho Lian Sawmill Sdn. Bhd.	Sale of electricity	(83,009)	(321,262)	4,947	91,564
Director of the Company:					
Lin Hao Wen	Rental of office	192,000	168,000	-	-
Company					
With subsidiary companies:					
Focus Layo Flooring Sdn. Bhd.	Share issue consideration	-	-	26,427	24,753
Untung Ria Sdn. Bhd.					
	Purchase of electricity	1,956,313	2,318,911	(452,305)	(2,358,419)
	Rental income	(76,200)	(76,200)		
Director of the Company:					
Lin Hao Wen	Rental of office	192,000	168,000	-	-

(c) The remuneration of Directors and other members of key management during the financial year were as follows:

	Group/Company	
	2021 RM	2020 RM
Short-term employee benefits	3,765,261	2,750,564
Contributions to defined contribution plan	33,823	23,022
Share options granted under ESOS	289,662	475,739
Estimated money value of benefits-in-kind	4,727	2,217
	<u>4,093,473</u>	<u>3,251,542</u>
Included in the key management personnel are:		
Directors' remuneration	3,182,851	2,575,334
Key management personnel's remuneration	910,622	676,208
	<u>4,093,473</u>	<u>3,251,542</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Commitments and Contingencies**(a) Capital commitments**

	Group/Company	
	2021	2020
	RM	RM
Capital expenditure commitments Approved and contracted for:		
- Acquisition of property, plant and equipment	344,029	871,689

(b) Contingent liability

	Group/Company	
	2021	2020
	RM	RM
Letter of guarantee in favour of Immigration Department of Malaysia for security deposit for the issuance of employment passes to foreign workers	179,250	212,500

33. Financial instruments**(a) Categories of financial instruments**

Financial assets	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
<u>Measured at amortised cost</u>				
Trade and other receivables	37,034,333	1,668,255	36,917,282	1,600,944
Other current financial assets	48,661,809	47,085,990	35,276,709	36,599,117
Cash and bank balances	29,608,158	41,568,540	29,291,722	41,150,727
<u>Measured at fair value through profit or loss</u>				
Other current financial assets	396,096	90,125	396,096	90,125
	115,700,396	90,412,910	101,881,809	79,440,913
Financial liability				
<u>Measured at amortised cost</u>				
Trade and other payables	7,139,000	7,844,441	7,532,564	10,142,722

(b) Financial risk management

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

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

It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

(i) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial instruments (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

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

It is the Group's and Company'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 and the Company's exposure to bad debts is not significant.

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

Trade receivables

At each reporting date, the Group and the Company assesses whether any of the trade receivables are credit impaired based on whether there are receivables with significant financial difficulties or have defaulted in payments.

A collective impairment analysis is performed at each reporting date using a provision matrix to measure lifetime expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables without repayment are written off if past due for more than one (1) year but could still be subject to enforcement activities.

The ageing analysis of the Group's and Company's trade receivables as at reporting date indicate they are all not past due. These receivables are unsecured in nature.

As at the end of the reporting period, the Group did not recognise any individual or collective impairment losses. The Company believes that no impairment allowance is necessary in respect of these trade receivables as they are mostly settled by the customer's trade facilities upon delivery of goods and services and there are no associated significant historical defaults or forward looking elements.

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 profile of the Group's trade receivables at the reporting date are as follows:

Group By country:	2021		2020	
	RM	% of total	RM	% of total
USA	35,636,186	98	273,363	32
United Kingdom	-	-	483,301	57
Taiwan	354,915	<1	-	-
Korea	367,893	1	-	-
Malaysia	4,947	<1	91,564	11
	<hr/> 36,363,941	100	<hr/> 848,228	<hr/> 100

Company By country:	2021		2020	
	RM	% of total	RM	% of total
USA	35,636,186	98	273,363	36
United Kingdom	-	-	483,301	64
Taiwan	354,915	1	-	-
Korea	367,893	1	-	-
	<hr/> 36,358,994	100	<hr/> 756,664	<hr/> 100

As at reporting date, the Group has significant concentration of credit risk in the form of outstanding balance due from 2 (2020: 2) overseas customers representing 90% (2020: 89%) of the total trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial instruments (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that any loss allowance is not material and hence, it is not provided for.

Investment in Money Market Funds

The investment in Money Market Funds involve underlying investments in monetary debt instruments which have low credit risk. Consequently, the Group and the Company are of the view that any loss allowance is not material and hence, is not provided for.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient reserves by monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and financial liabilities while minimising the need for resorting to external financing.

As part of its overall liquidity management, the Group currently maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

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

Group	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM
2021			
Financial liability			
Trade and other payables	7,139,000	7,139,000	7,139,000
2020			
Financial liability			
Trade and other payables	7,844,441	7,844,441	7,844,441
Company			
2021			
Financial liability			
Trade and other payables	7,532,564	7,532,564	7,532,564
2020			
Financial liability			
Trade and other payables	10,142,722	10,142,722	10,142,722

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial instruments (continued)**(b) Financial risk management (continued)****(iii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The investment in financial assets is mainly short term in nature and have been mostly placed in fixed deposits and money market funds and any changes in future market interest rates is not expected to have material impact on fair value or future cash flows of financial instruments.

(iv) Foreign currency risk

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

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

Approximately 98% (2020: 99%) of the Group's sales are denominated in foreign currencies whilst almost 100% (2020: 89%) of the Group's trade 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) amounted to RM14,491,378 (2020: RM11,472,994) for the Group and the Company.

Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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

	Group		Company	
	Increase/(Decrease)		Increase/(Decrease)	
	2021	2020	2021	2020
Effects on profit/(loss) after taxation	RM	RM	RM	RM
USD/RM				
Strengthened by 5%	824,424	179,018	824,424	179,018
Weakened by 5%	(824,424)	(179,018)	(824,424)	(179,018)

34. Fair value information

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use the following fair value hierarchy for determining and disclosing the fair value by valuation technique:

- Level 1: quoted (unadjusted) prices in active market for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at the reporting date, the Group and the Company carried the following on the statement of financial position on a recurring basis:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. Fair value information (continued)

Group/Company

2021	Carrying amount RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial asset				
Derivatives				
- Forward currency contracts	396,096	-	396,096	-
2020	Carrying amount RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial asset				
Derivatives				
- Forward currency contracts	90,125	-	90,125	-

The following gives information on how the fair value is determined based on the valuation technique and input used:

Derivatives

The fair value of foreign currency forward contract is based on forward exchange rates (from observable forward exchange rates of the reporting date) and contracted forward rates discounted at a rate that reflects the credit risk of the various counterparties.

There is no transfers between Level 1 and Level 2 during the financial year.

The fair values of non-financial instrument that are not measured at fair value but fair value disclosure is required is as follows:

Investment property

Group/Company	Carrying amount RM	Fair value measurement RM	Level 1 RM	Level 2 RM	Level 3 RM
2021					
Non-financial asset					
Investment property	2,132,827	3,634,000	-	-	3,634,000
2020	Carrying amount RM	Fair value measurement RM	Level 1 RM	Level 2 RM	Level 3 RM
Non-financial asset					
Investment property	2,214,858	3,634,000	-	-	3,634,000

The fair value of the investment property was based on valuation by independent valuer as at 31 December 2020. The valuation was based on comparable approach using similar properties with significant unobservable inputs including factor adjustments made for location, size, accessibility, building conditions, and etc.

The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments.

35. Capital management

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

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. Capital management (continued)

The Group's is lowly geared as their working capital debts are sufficiently covered by cash and cash equivalents and they have no other external financing.

Under the requirements of Bursa Malaysia Guidance Note 3, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid up capital (excluding treasury shares). The Group has complied with this requirement. There are no other external capital requirements imposed on the Group and the Company.

36. Segment information**(i) Operating segment**

On the Group's reporting to chief operating decision maker for the purpose of resource allocator and assessment of segment performance, two (2) reportable operating segments based on production and services are as follows:

- (a) The manufacturing segment is business of manufacturing and sale of plywood, veneer and laminated veneer lumber; and
- (b) The electricity segment is the business of generation and sale of electricity.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

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.

	Manufacturing		Electricity		Adjustments and eliminations		Note	Per consolidated financial statements	
	2021	2020	2021	2020	2021	2020		2021	2020
	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:									
External customers	133,892,004	87,457,945	83,009	321,262	-	-		133,975,013	87,779,207
Inter-segment	-	-	1,956,313	2,318,911	(1,956,313)	(2,318,911)	(a)	-	-
Total revenue	133,892,004	87,457,945	2,039,322	2,640,173	(1,956,313)	(2,318,911)		133,975,013	87,779,207
Results:									
Interest income	201,595	395,382	356	752	8,358	14,531		210,309	410,665
Depreciation	3,011,439	3,000,992	392,915	1,966,872	82,031	82,032		3,486,385	5,049,896
Segment profit/(loss)	17,046,184	(9,517,282)	359,417	(1,613,432)	946,780	1,273,643		18,352,381	(9,857,071)
Assets:									
Additions to non-current assets	1,639,306	555,610	657	-	-	-	(b)	1,639,963	555,610
Segment assets	128,397,624	110,943,848	3,055,604	3,491,894	51,671,771	52,225,275	(c)	183,124,999	166,661,017
Segment liabilities	11,377,082	8,363,154	57,041	58,438	2,577,337	-	(d)	14,011,460	8,421,592

Notes: Nature of adjustment and eliminations to arrive at amounts reported in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Segment information (continued)

(i) Operating segment (continued)

- (a) Inter-segment revenues are eliminated on consolidation.
- (b) Additions to non-current assets consist of:

	Group	
	2021 RM	2020 RM
Property, plant and equipment	1,639,963	555,610

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

Reconciliation of assets

	Group	
	2021 RM	2020 RM
Money market funds	48,661,809	47,085,990
Deferred tax assets	92,783	15,149
Investment property	2,132,827	2,214,858
Income tax refundable	784,352	2,909,278
	51,671,771	52,225,275

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

	Group	
	2021 RM	2020 RM
Deferred tax liabilities	2,577,337	-

(ii) Geographical information

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

	Revenue	
	2021 RM	2020 RM
Canada	657,029	80,007
China	672,636	151,996
Hong Kong	3,388,529	2,878,739
India	2,781	126,197
Korea	2,376,587	1,089,222
Malaysia	2,357,924	1,224,670
Japan	993,961	846,796
Puerto Rico	156,578	267,697
Taiwan	6,280,613	4,439,198
Thailand	967,504	3,959,851
United Kingdom	1,940,763	1,689,948
USA	114,180,108	70,759,278
Vietnam	-	265,608
	133,975,013	87,779,207

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Segment information (continued)**(ii) Geographical information (continued)**

Non-current assets are in Malaysia and consists of the following items as presented in the consolidated statement of financial position:

	2021	2020
	RM	RM
Property, plant and equipment	24,321,420	26,085,811
Investment property	2,132,827	2,214,858
	<hr/> 26,454,247	<hr/> 28,300,669

(iii) Major customers

Revenue from 2 (2021: 1) major customers amounted to RM53,636,173 (40% of revenue) and RM29,780,390 (22% of revenue) (2020: RM43,987,656 (50% of revenue)) arising from sale of plywood.

37. Significant and subsequent events**(i) Declaration of dividend**

Subsequent to the financial year end on 21 February 2022, the Company declared an interim tax exempt (single-tier) dividend of 3 sen per share in respect of financial year ended 31 December 2021 which is payable on 20 April 2022.

(ii) ESOS options offered and granted

Subsequent to the financial year end, the Company issued 1,794,000 units of ordinary shares for cash pursuant to the Company's ESOS at exercise prices ranged from RM1.01 to RM1.19 per ordinary share.

LIST OF PROPERTIES

HELD BY THE GROUP AS AT 31 DECEMBER 2021

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 2021	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	<u>Land area</u> 94,700 square meters <u>Gross built-up area</u> 31,370.47 square meters	30 years	Industrial land and building	RM3,577,702	1991
2.	11F, Wisma Perindustrian, Jalan Istiadat, 88400 Likas Kota Kinabalu, Sabah Malaysia	99 years lease expiring on 31.12.2093	<u>Land area</u> 11,610 square meters <u>Gross built-up area</u> 990.20 square meters	24 years	Commercial building	RM2,132,827	1997
3.	Kampung Ulu Patikang Keningau, Sabah Malaysia	99 years lease expiring on 31.12.2093	<u>Land area</u> 7,030 square meters	N/A	Industrial land	RM569,045	2018

ANALYSIS OF SHAREHOLDINGS

Total number of Issued share	: 108,678,000
Number of treasury shares	: 8,014,700 ordinary shares
Class of shares	: Ordinary shares
Voting rights of shareholders	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AS AT 21 MARCH 2022

Size of holdings	No. of holders	%	No. of shares	%
1 - 99	13	0.477	431	0.001
100 - 1,000	387	14.202	269,200	0.267
1,001 - 10,000	1,583	58.092	8,043,989	7.991
10,001 - 100,000	638	23.413	19,641,600	19.512
100,001 - 5,033,164 (*)	101	3.706	50,183,710	49.853
5,033,165 AND ABOVE (**)	3	0.110	22,524,370	22.376
Total	2,725	100.000	100,663,300	100.000

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS AS AT 21 MARCH 2022

		Direct		Indirect	
		No. of shares	%	No. of shares	%
1	LIN HAO WEN	9,179,360	9.119	-	-
2	LIN FONG MING	9,169,360	9.109	-	-
3	LIN HAO YU	8,582,560	8.526	-	-

DIRECTORS' SHAREHOLDINGS AS AT 21 MARCH 2022

		No. of Ordinary Shares Held				No. of Share Options the Under Employee Share Option Scheme
		Direct		Indirect		
		No. of shares	%	No. of shares	%	
1	LIN HAO WEN	9,179,360	9.119	-	-	600,000
2	LIN FONG MING	9,169,360	9.109	-	-	560,000
3	LIN HAO YU	8,582,560	8.526	-	-	560,000
4	NG TIAN MENG	600,000	0.596	-	-	900,000
5	WONG YOKE NYEN	220,000	0.219	-	-	1,200,000
6	DATUK AZNAM BIN MANSOR	-	-	-	-	1,500,000

ANALYSIS OF SHAREHOLDINGS (CONTINUED)

LIST OF TOP THIRTY LARGEST SHAREHOLDERS AS AT 21 MARCH 2022

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
1	LIN FONG-MING	9,169,360	9.109
2	LIN, HAO-YU	7,041,460	6.995
3	PUBLIC NOMINEES (ASING) SDN BHDvz <i>PLEDGED SECURITIES ACCOUNT FOR LIN, HAO-WEN (E-KKU/KNG)</i>	6,313,550	6.271
4	RHB CAPITAL NOMINEES (ASING) SDN BHD WU CHIEN-CHANG	5,030,000	4.996
5	HUANG CHIA-HSING	5,000,000	4.967
6	LEE HAU GHEE	2,982,000	2.962
7	LIN HAO WEN	2,865,810	2.846
8	NG GHEK KIM	2,717,300	2.699
9	RHB CAPITAL NOMINEES (ASING) SDN BHD HSUEH CHEN-SHENG	2,663,800	2.646
10	LEE KOK HIN	1,998,300	1.985
11	SHIN KAO JACK	1,989,700	1.976
12	RHB NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIN HAO YU</i>	1,541,100	1.530
13	FONG TING WONG	1,440,000	1.430
14	CGS-CIMB NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)</i>	1,069,200	1.062
15	GAN KHO @ GAN HONG LEONG	984,200	0.977
16	KENANGA NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)</i>	966,000	0.959
17	LOH KOK WAI	867,800	0.862
18	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD <i>KAF CORE INCOME FUND</i>	829,800	0.824
19	LIM PEI TIAM @ LIAM AHAT KIAT	603,000	0.599
20	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM PAY KAON</i>	600,000	0.596
21	CHEE SAI MUN	489,900	0.486
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHEW KEW LEAN	450,000	0.447
23	LEE KA YONG	400,000	0.397
24	YANG GUANG	397,600	0.394
25	HO VOON FUI	396,600	0.393
26	PUBLIC INVEST NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)</i>	375,900	0.373
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHONG SIEW CHIEN	350,000	0.347
28	KHOE BOON HUAT	335,600	0.333
29	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)</i>	315,500	0.313
30	HSBC NOMINEES (ASING) SDN BHD <i>J.P. MORGAN SECURITIES PLC</i>	313,300	0.311
		60,496,780	60.098

NOTICE OF THE THIRTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Second (“32nd”) Annual General Meeting (“AGM”) of Focus Lumber Berhad (“the Company”) will be conducted entirely through live streaming from the broadcast venue at Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur on Friday, 20 May 2022 at 10.00 a.m. to transact the following businesses:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**
2. To approve the payment of Directors’ fees and benefits up to an amount of RM604,400 for the period from this 32nd Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 1)**
3. To re-elect Lin Fong Ming who retires pursuant to Clause 76(3) of the Company’s Constitution, as Director of the Company. **(Resolution 2)**
4. To re-elect Lin Hao Wen who retires pursuant to Clause 76(3) of the Company’s Constitution, as Director of the Company. **(Resolution 3)**
5. To re-appoint Messrs PKF PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

Special Business

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

6. **ORDINARY RESOLUTION** **(Resolution 5)**
CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - DATUK AZNAM BIN MANSOR
“THAT authority be and is hereby given to Datuk Aznam Bin Mansor who will have served as an Independent Non-Executive Director of the Company for a cumulative term of twelve years on 24 November 2022, to continue to serve as an Independent Non-Executive Director of the Company.”
7. **ORDINARY RESOLUTION** **(Resolution 6)**
CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - WONG YOKE NYEN
“THAT authority be and is hereby given to Wong Yoke Nyen who will have served as an Independent Non-Executive Director of the Company for a cumulative term of twelve years on 24 November 2022, to continue to serve as an Independent Non-Executive Director of the Company”
8. **ORDINARY RESOLUTION** **(Resolution 7)**
CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR - NG TIAN MENG
“THAT authority be and is hereby given to Ng Tian Meng who will have served as an Independent Non-Executive Director of the Company for a cumulative term of twelve years on 24 November 2022, to continue to serve as an Independent Non-Executive Director of the Company.”
9. **ORDINARY RESOLUTION** **(Resolution 8)**
AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016
“THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors of the Company be and are hereby authorised to allot 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 allotted pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) 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 from 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 after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting.”

NOTICE OF THE THIRTY-SECOND ANNUAL GENERAL MEETING (CONTINUED)

10. **ORDINARY RESOLUTION** *(Resolution 9)*
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE AUTHORITY TO THE COMPANY TO PURCHASE ITS OWN SHARES UP TO TEN PER CENTUM (10%) OF THE TOTAL NUMBER OF ISSUED SHARES

“THAT subject always to the Companies Act 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (i) the aggregate number of issued shares in the Company (“Shares”) purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- (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 of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

(“Proposed Share Buy-Back”).

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the general meeting at which such resolution is passed, at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:-

- (i) To cancel all or part of the Purchased Shares;
- (ii) To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- (iii) To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- (iv) To resell all or part of the treasury shares;
- (v) To transfer all or part of the treasury shares for the purposes of or under the employees’ share scheme established by the Company and/or its subsidiaries;
- (vi) To transfer all or part of the treasury shares as purchase consideration;
- (vii) To sell, transfer or otherwise use the shares for such other purposes as the Minister charged with responsibility for companies may by order prescribe; and/or
- (viii) To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised 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 Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.

NOTICE OF THE THIRTY-SECOND ANNUAL GENERAL MEETING (CONTINUED)

11. To consider any other business of which due notice shall be given in accordance with the Companies Act 2016.

BY ORDER OF THE BOARD

WONG WAI FOONG (MAICSA 7001358)

(SSM PC NO. 202008001472)

WONG PEIR CHYUN (MAICSA 7018710)

(SSM PC NO. 202008001742)

YEO CHIOU YEAN (MAICSA 7058868)

(SSM PC NO. 202008002607)

Company Secretaries

Kuala Lumpur

Date: 21 April 2022

NOTES:

I IMPORTANT NOTICE

The 32nd AGM of the Company will be conducted entirely on virtual basis through live streaming via Remote Participation and Voting Facilities (“RPV”) provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”). Please follow the procedures provided in the Administrative Guide for the 32nd AGM in order to register, participate and vote remotely.

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which require the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **WILL NOT BE ALLOWED** to attend this Annual General Meeting (“AGM”) in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at this AGM via the RPV provided by Tricor via its **TIIH Online** website at <https://tiih.online>.

II NOTES ON APPOINTMENT OF PROXY

- (1) For the purpose of determining who shall be entitled to attend this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 13 May 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
- (2) A member entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- (3) A member of the Company who is entitled to attend and vote at this AGM of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM.
- (4) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (5) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (“Central Depositories Act”), 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.

NOTICE OF THE THIRTY-SECOND ANNUAL GENERAL MEETING (CONTINUED)

- (6) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (7) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (8) A member who had appointed a proxy or attorney or authorised representative to participate at the AGM via RPV **must request his/ her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
- (9) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote:
- (i) In hard copy form
- In the case of an appointment made in hard copy form, the proxy form must be deposited at the Company’s Share Registrar at Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)] of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
- (ii) By electronic means via Tricor System, TIIH Online
- The proxy form can be electronically lodged with the Company’s Share Registrar via TIIH Online at <https://tiih.online>. Please refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online.
- (10) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company’s Share Registrar situated at Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)] of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (11) Please ensure ALL the particulars as required in the proxy form is completed, signed and dated accordingly.
- (12) Last date and time for lodging the proxy form is Wednesday, 18 May 2022 at 10.00 a.m.
- (13) For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate appointment of authorised representative executed in the manner as stated in the proxy form with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)] of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

NOTICE OF THE THIRTY-SECOND ANNUAL GENERAL MEETING (CONTINUED)

III EXPLANATORY NOTES

Ordinary Business

1. Audited Financial Statements for the financial year ended 31 December 2021

The Audited Financial Statements in Agenda 1 is meant for discussion only as the approval of the shareholders is not required pursuant to the provisions of Sections 248(2) and 340(1) of the Companies Act 2016. Hence, this Agenda is not put forward for voting by shareholders.

2. Resolution 1 - Directors' Fees and Benefits

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The Proposed Resolution 1 for the Directors' fees and benefits proposed for the period from this 32nd AGM up to the date of next AGM are calculated based on the current Board size and number of scheduled Board and Committee Meetings from the 32nd AGM until the next AGM as well as the number of Independent Directors involved in the meeting. This resolution is to facilitate payment of Directors' fees and benefits on a current financial year basis. In the event the proposed amount is insufficient, (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for the shortfall.

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

Lin Fong Ming and Lin Hao Wen are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 32nd AGM.

Please refer to the Statement Accompanying Notice of the 32nd AGM for further details.

4. Resolution 4 - Re-appointment of Auditors

The Board has through the Audit Committee assessed the suitability and independence of the External Auditors, Messrs PKF PLT and considered the re-appointment of Messrs PKF PLT as Auditors of the Company. The Board and Audit Committee collectively agreed and satisfied that Messrs PKF PLT has the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

Special Business

5. Resolutions 5, 6 and 7 - Ordinary Resolution: Continuing in Office as Independent Non-Executive Directors

The Board had via the Nomination Committee conducted an annual performance evaluation and assessment of Datuk Aznam Bin Mansor, Wong Yoke Nyen and Ng Tian Meng, who will have served the Board as Independent Non-Executive Directors ("INEDs") for a cumulative term of twelve (12) years on 24 November 2022. The Board recommended that Datuk Aznam Bin Mansor, Wong Yoke Nyen and Ng Tian Meng shall continue to act as INEDs based on the following justifications:-

- a. They fulfill the criteria under the definition of "Independent Director" as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would be able to function as a check and balance, bring an element of objectivity to the Board;
- b. Their tenure with the Company has neither impaired nor compromised their independent judgement and ability to act in the best interest of the Company. They continue to remain objective and are able to exercise their independence judgement in expressing their view and participating in deliberations and decision making of the Board and Board Committee in the best interest of the Company;
- c. They have vast experience in a diverse range of business and have good understanding of the Company's business operations;
- d. They continue to exercise due care during their tenure as INEDs of the Company and carried out their professional duties in the interest of the Company and shareholders;
- e. They have devoted sufficient time and commitment to discharge their responsibility and professional obligations as INEDs; and
- f. They do not have any business dealings with the Company.

NOTICE OF THE THIRTY-SECOND ANNUAL GENERAL MEETING (CONTINUED)

6. Resolution 8 - Ordinary Resolution: Authority to Allot Shares

The proposed Resolution 8 is prepared for the purpose of granting a renewed general mandate (“General Mandate”) and empowering the Directors to allot shares in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

Please refer to the Statement Accompanying Notice of the 32nd AGM for further details.

7. Resolution 9 - Ordinary Resolution: Proposed Renewal of Share Buy-Back Mandate

The proposed Resolution 9, if passed, will give the Company the authority to purchase its own ordinary shares of up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 21 April 2022 for further information.

STATEMENT ACCOMPANYING NOTICE OF THIRTY-SECOND ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Directors Standing for Election

As of the date of this notice, there are no individuals who are standing for election or appointment as Directors at this 32nd AGM.

Directors who are seeking re-election at the 32nd AGM are:-

1. Lin Fong Ming
2. Lin Hao Wen

The details of the abovenamed retiring Directors are set out in their respective profiles on pages 4 to 5 of the Annual Report 2021. The details of their interest in the securities of the Company can be found on page 99.

The Board had through the Nomination Committee carried out the assessment on all Directors for the financial year ended 31 December 2021 and agreed that all Directors meet the criteria as prescribed by Paragraph 2.20A of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad on character, experience, integrity, competence and time to effectively discharge their role as Directors.

The Board (save for Mr Lin Fong Ming and Mr Lin Hao Wen who have abstained from deliberation on discussions relating to their own Re-election at the Board meetings) support the re-election of both the retiring Directors as it believes that the retiring directors have discharged their duties and responsibilities effectively, demonstrated commitment to their role, and will continue to make a strong contribution to the work of the Board and to the long-term sustainable success of the Company.

General Mandate on Authority for Directors to Allot Shares

The proposed Resolution 8 is prepared for the purpose of granting a renewed general mandate (“General Mandate”) obtained in previous year.

The General Mandate is to provide flexibility to the Company to allot 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 exercise 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 10% General Mandate granted to the Directors at the 31st AGM as there were no investment(s), acquisition(s) or working capital that require fund raising activity.

ADMINISTRATIVE GUIDE

FOR THE THIRTY-SECOND ANNUAL GENERAL MEETING (“32ND AGM”) OF FOCUS LUMBER BERHAD

Date : Friday, 20 May 2022
Time : 10.00 am
Broadcast Venue : Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

1. PRECAUTIONARY MEASURES AGAINST THE CORONAVIRUS DISEASE (“COVID-19”) AND MODE OF MEETING

- The Securities Commission Malaysia (“SC”) had, on 16 July 2021, issued a revised Guidance and FAQs on the Conduct of General Meetings for Listed Issuers (“SC Guidance Note”) whereby listed issuers are encouraged to continue leveraging technology in conducting general meetings beyond Movement Control Order.
- In line with the SC Guidance Note, the Company’s 32nd AGM will be conducted entirely **through live streaming from the Broadcast Venue**.
- The **Broadcast Venue** of the 32nd AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the meeting together with the essential individuals as indicated in the SC Guidance Note. Shareholders/proxy(ies) from the public WILL NOT BE ALLOWED to be physically present at the Broadcast Venue on the day of the meeting.

2. SHAREHOLDERS’ PARTICIPATION AT THE 32ND AGM VIA REMOTE PARTICIPATION AND VOTING (“RPV”) FACILITIES

- Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the 32nd AGM using RPV facilities provided by Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”).
- The RPV facilities are available on Tricor’s TIIH Online website at <https://tiih.online>.
- We **strongly encourage** you to participate the 32nd AGM via the RPV facilities. You may also consider appointing the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 32nd AGM.
- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

3. PROCEDURES TO RPV VIA RPV FACILITIES

Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 32nd AGM using the RPV facilities:

Procedure	Action
Before the 32nd AGM Day	
i. Register as a user with TIIH Online	<ul style="list-style-type: none"> • Using your computer, access to website at https://tiih.online. Register as a user under the “e-Services” by select “Create Account by Individual Holder”. Refer to the tutorial guide posted on the homepage for assistance. • Registration as a user will be approved within one (1) working day and you will be notified via e-mail. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
ii. Submit your request to attend 32 nd AGM remotely	<ul style="list-style-type: none"> • Registration is open from Thursday, 21 April 2022 until the day of 32nd AGM on Friday, 20 May 2022. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 32nd AGM to ascertain their eligibility to participate the 32nd AGM using the RPV. • Login with your user ID (i.e. e-mail address) and password and select the corporate event: (Registration) Focus Lumber Berhad 32nd AGM • Read and agree to the Terms & Conditions and confirm the Declaration. • Select “Register for Remote Participation and Voting”. • Review your registration and proceed to register. • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the Record of Depositors as at 13 May 2022, the system will send you an e-mail after 18 May 2022 to approve or reject your registration for remote participation. <i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).</i>

ADMINISTRATIVE GUIDE (CONTINUED)

FOR THE THIRTY-SECOND ANNUAL GENERAL MEETING ("32ND AGM") OF FOCUS LUMBER BERHAD

3. PROCEDURES TO RPV VIA RPV FACILITIES (CONT'D.)

On the 32 nd AGM Day	
i. Login to TIIH Online	<ul style="list-style-type: none"> Login with your user ID and password for remote participation at the 32nd AGM at any time from 9.00 a.m. i.e. one hour before the commencement of meeting at 10.00 a.m. on Friday, 20 May 2022.
ii. Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: (Live Stream Meeting) Focus Lumber Berhad 32nd AGM to engage in the proceedings of the 32nd AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 32nd AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
iii. Online remote voting	<ul style="list-style-type: none"> Voting session commences from 10:00 a.m. on Friday, 20 May 2022 until a time when the Chairman announces the end of the session. Select the corporate event: (Remote Voting) Focus Lumber Berhad 32nd AGM or if you are on the live stream meeting page, you can select "GO TO REMOTE VOTING PAGE" button below the Query Box. Read and agree to the Terms & Conditions and confirm the Declaration. Select the CDS account that represents your shareholdings. Indicate your votes for the resolutions that are tabled for voting. Confirm and submit your votes.
iv. End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the conclusion of the 32nd AGM, the Live Streaming will end.

Note to users of the RPV facilities:

- (i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
- (ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
- (iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169/011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

4. ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY

- Only members whose names appear on the Record of Depositors as at 13 May 2022 shall be eligible to participate in the 32nd AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf.
- In view that the 32nd AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
- If you wish to participate in the 32nd AGM yourself, please do not submit any Form of Proxy for the 32nd AGM. You will not be allowed to participate in the 32nd AGM together with a proxy appointed by you.
- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 32nd AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Wednesday, 18 May 2022 at 10.00 a.m:**
 - (i) In Hard copy:
 - a) By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;
 - b) By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com

ADMINISTRATIVE GUIDE (CONTINUED)

FOR THE THIRTY-SECOND ANNUAL GENERAL MEETING ("32ND AGM") OF FOCUS LUMBER BERHAD

4. ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY (CONT'D.)

(ii) By Electronic form:

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of form of proxy	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. Select the corporate event: Focus Lumber Berhad 32nd AGM - "Submission of Proxy Form". Read and agree to the Terms and Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. Appoint your proxy/proxies and insert the required details of your proxy/proxies or appoint the Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. Review and confirm your proxy(s) appointment. Print the form of proxy for your record.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Access TIIH Online at https://tiih.online Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder". Complete the registration form and upload the required documents. Registration will be verified, and you will be notified by email within one (1) to two (2) working days. Proceed to activate your account with the temporary password given in the email and re-set your own password. <p>Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.</p>
Proceed with submission of form of proxy	<ul style="list-style-type: none"> Login to TIIH Online at https://tiih.online Select the corporate exercise name: "Focus Lumber Berhad 32nd AGM : Submission of Proxy Form". Agree to the Terms & Conditions and Declaration. Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. Prepare the file for the appointment of proxies by inserting the required data. Submit the proxy appointment file. Login to TIIH Online, select corporate exercise name: " Focus Lumber Berhad 32nd AGM: Submission of Proxy Form". Proceed to upload the duly completed proxy appointment file. Select "Submit" to complete your submission. Print the confirmation report of your submission for your record.

ADMINISTRATIVE GUIDE (CONTINUED)FOR THE THIRTY-SECOND ANNUAL GENERAL MEETING ("32ND AGM") OF FOCUS LUMBER BERHAD**5. VOTING AT MEETING**

- The voting at the 32nd AGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Company has appointed Tricor to conduct the poll voting electronically ("e-voting") via Tricor e-Vote application ("Tricor e-Vote App") and Scrutineer Solutions Sdn Bhd as Independent Scrutineers to verify the poll results.
- Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the 32nd AGM at 10.00 a.m. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIIH Online.

6. RESULTS OF THE VOTING

The resolutions proposed at the 32nd AGM and the results of the voting will be announced at the 32nd AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.

7. PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

The Board recognises that the 32nd AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 32nd AGM, shareholders may in advance, before the 32nd AGM, submit questions to the Board of Directors via Tricor's TIIH Online website at <https://tiih.online>, by selecting "e-Services" to login, post your questions and submit it electronically no later than Wednesday, 18 May 2022. The Board of Directors will endeavor to address the questions received at the 32nd AGM.

8. ANNUAL REPORT

- The Annual Report is available on the Company's website at www.focuslumber.com.my and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.
- You may request for a printed copy of the Annual Report at <https://tiih.online> by selecting "Request for Annual Report / Circular" under the "Investor Services".
- Kindly consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

9. NO DOOR GIFT/FOOD VOUCHER

There will be no distribution of door gifts or food vouchers for the 32nd AGM since the meeting is being conducted on a virtual basis.

10. ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.

General Line : +603-2783 9299
Fax Number : +603-2783 9222
Email : is.enquiry@my.tricorglobal.com
Contact persons : -

- 1) En Muhammad Ashraff +603 27839276
Email: Muhammad.Ashraff@my.tricorglobal.com
- 2) Puan Titi +603 27839284
Email: Titi.Maryani@my.tricorglobal.com



PROXY FORM

I/We _____ Tel: _____
 [Full name in block, NRIC/Passport/Company No.]

of _____
 [Address]

being member(s) of **Focus Lumber Berhad**, hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairperson of the Meeting, as ^my/our proxy to vote for ^me/us and on ^my/our behalf at the Thirty-Second Annual General Meeting of the Company will be conducted entirely through live streaming from the broadcast venue at Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Friday, 20 May 2022 at 10.00 a.m. or any adjournment thereof, and to vote a indicated below:-

Resolution no.	Description of Resolution	For	Against
1	Payment of Directors' fees and benefits up to an amount of RM604,400 for the period from this 32 nd Annual General Meeting until the next Annual General Meeting of the Company.		
2	Re-election of Lin Fong Ming as Director of the Company.		
3	Re-election of Lin Hao Wen as Director of the Company.		
4	Re-appointment of Messrs PKF PLT as Auditors of the Company.		
5	Approval on the continuation of office for Datuk Aznam Bin Mansor as an Independent Non-Executive Director of the Company.		
6	Approval on the continuation of office for Wong Yoke Nyen as an Independent Non-Executive Director of the Company.		
7	Approval on the continuation of office for Ng Tian Meng as an Independent Non-Executive Director of the Company.		
8	Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
9	Proposed Renewal of Share Buy-Back Mandate		

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

Signed this _____ day of _____ 2022

Signature*
Member

^ Delete whichever is not applicable

* Manner of execution:

- If you are an individual member, please sign where indicated.
- If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.



Notes:

1. IMPORTANT NOTICE

As part of the initiatives to curb the spread of COVID-19, the 32nd AGM of the Company will be conducted entirely on virtual basis through live streaming via Remote Participation and Voting Facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor"). Please follow the procedures provided in the Administrative Guide for the 32nd AGM in order to register, participate and vote remotely.

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **WILL NOT BE ALLOWED** to attend this Annual General Meeting ("AGM") in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at this AGM via the RPV provided by Tricor via its **TIIH Online** website at <https://tiih.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide for 32nd AGM in order to participate remotely via RPV.

2. APPOINTMENT OF PROXY

- 1) For the purpose of determining who shall be entitled to attend this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 13 May 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
- 2) A member entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- 3) A member of the Company who is entitled to attend and vote at this AGM of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM.
- 4) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 5) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), 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.
- 6) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- 7) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

- 8) A member who had appointed a proxy or attorney or authorised representative to participate at the AGM via RPV **must request his/ her proxy or attorney or authorised representative to register himself/ herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
- 9) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote:
 - (i) **In hard copy form**
In the case of an appointment made in hard copy form, the proxy form must be deposited at the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)] of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
 - (ii) **By electronic means via Tricor System, TIIH Online**
The proxy form can be electronically lodged with the Company's Share Registrar via TIIH Online at <https://tiih.online>. Please refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online.
- 10) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar situated at Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)] of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- 11) Please ensure ALL the particulars as required in the proxy form is completed, signed and dated accordingly.
- 12) Last date and time for lodging the proxy form is Wednesday, 18 May 2022 at 10.00 a.m.
- 13) For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate appointment of authorised representative executed in the manner as stated in the proxy form with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)] of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

Please fold here

Affix
stamp

FOCUS LUMBER BERHAD

Registration No.: 198901011405 (188710-V)

The Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd
[Registration No.: 197101000970 (11324-H)]

Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Malaysia

Please fold here



富佳木業有限公司

FOCUS LUMBER BERHAD

Registration No.: 198901011405 (188710-V)

12A, Jalan Teluk Likas,
88450 Kota Kinabalu, Sabah, Malaysia.

Tel : 088-393 257/258
Fax : 088-393 169
Email : focuskk@focuslumber.com.my



www.focuslumber.com.my