



富佳木業有限公司

FOCUS LUMBER BERHAD

Registration No.: 198901011405 (188710-V)

ANNUAL REPORT

2022

Continuous the
Growth Pathways |



Access the full version of this report, or view a summary of our FYE 2022 performance at www.focuslumber.com.my



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PROXY FORM

33rd
**ANNUAL
GENERAL
MEETING**

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

DATE & TIME:

Friday, 19 May 2023 at 2.00 p.m.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK AZNAM BIN MANSOR

*Chairman / Independent
Non-Executive Director*

LIN, HAO-WEN

Managing Director

LIN, HAO-YU

Executive Director

LIN, PEI-WEN

Executive Director

TEH YONG KHIM

Executive Director

WONG YOKE NYEN

Independent Non-Executive Director

NG TIAN MENG

Independent Non-Executive Director

NAR CHIN KEOW

Independent Non-Executive Director

AUDIT COMMITTEE

Wong Yoke Nyen (*Chairman*)

Nar Chin Keow (*Member*)

Ng Tian Meng (*Member*)

REMUNERATION COMMITTEE

Ng Tian Meng (*Chairman*)

Wong Yoke Nyen (*Member*)

Nar Chin Keow (*Member*)

NOMINATION COMMITTEE

Nar Chin Keow (*Chairperson*)

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/
334761/334764/334766

Fax : 087-335459

Email : focuskgu@focuslumber.com.my

AUDITOR

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

GROUP STRUCTURE

**FOCUS LUMBER BERHAD**

198901011405 (188710-V)

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

**100%****UNTUNG RIA SDN BHD**

199701018819 (434316-V)

- Incorporated on 9 June 1997
- Generation and sale of electricity and investment in monetary instruments

**100%****FOCUS LAYO FLOORING SDN BHD**

201901034550 (1343880-U)

- Incorporated on 25 September 2019
- Dormant company
- In the process of striking off

DIRECTORS' PROFILE

DATUK AZNAM BIN MANSOR

Chairman / Independent Non-Executive Director

Age	: 64
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 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 Non-Independent Non-Executive Chairman of Mikro MSC Berhad.

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

LIN, HAO-WEN

Managing Director

Age	: 44
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 spouse of Ms Lin, Pei-Wen, the Executive Director, and brother of Mr Lin, Hao-Yu, the Executive Director and major shareholder of the Company.

DIRECTORS' PROFILE (CONT'D.)

LIN, HAO-YU*Executive Director*

Age	: 46
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-three (23) 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 holds directorship in Untung Ria Sdn. Bhd., a wholly-owned subsidiary company of Focus Lumber Berhad.

He is the brother of Mr Lin, Hao-Wen, the Managing Director and major shareholder of the Company, and brother-in-law of Ms Lin, Pei-Wen, the Executive Director of the Company.

LIN, PEI-WEN*Executive Director*

Age	: 40
Gender	: Female
Nationality	: Taiwanese
Date appointed	: 1 June 2022

Ms Lin, Pei-Wen our Executive Director was graduated from Chang Jung Christian University with the Bachelor Degree of Accounting and Information System and she obtained her Master Degree in Business Administration in April 2018 from National Sun Yat-Sen University in Taiwan.

She started her career in Ernst & Young Global Limited (E&Y) from September 2005 to December 2007 as junior auditor and was promoted to the audit team leader subsequently.

She joined Untung Ria Sdn. Bhd., a wholly owned subsidiary company of Focus Lumber Berhad, as Financial Controller from January 2008 to January 2016. In January 2016, she joined Da Yuan Yang Industrial Co., Ltd. as International Marketing Manager. Her job scopes cover international marketing, Customer Relationship Management and managing risks in relation to Environmental, Social and Governance (ESG) matters.

She is the spouse of Mr Lin, Hao-Wen, the Managing Director and substantial shareholder of the Company, sister-in-law of Mr Lin, Hao-Yu, the Executive Director and substantial shareholder of the Company.

DIRECTORS' PROFILE (CONT'D.)

TEH YONG KHIM

Executive Director

Age	: 38
Gender	: Male
Nationality	: Malaysian
Date appointed	: 1 December 2022

Mr Teh Yong Khim was appointed to the Board on 1 December 2022. He holds a Bachelor of Accounting Degree 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.

He joined Focus Lumber Berhad as an Accountant in April 2012. He was then promoted to the position of Financial Controller in year 2018 before his appointment as Executive Director. He had participated in various corporate exercises of Focus Lumber Berhad such as bonus issue of the Company's shares.

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

WONG YOKE NYEN

Independent Non-Executive Director

Age	: 64
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 a member of Remuneration Committee, 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 forty (40) 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 also an Independent Non-Executive Director of Sentoria Group Berhad, Hap Seng Consolidated Berhad and Pertama Digital Berhad. He brings with him a wealth of expertise and experience in the investment banking and corporate advisory sectors to join the team.

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

DIRECTORS' PROFILE (CONT'D.)

NG TIAN MENG*Independent Non-Executive Director*

Age	: 67
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 32 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.

NAR CHIN KEOW*Independent Non-Executive Director*

Age	: 55
Gender	: Female
Nationality	: Malaysian
Date appointed	: 1 June 2022

Ms Nar Chin Keow, our Independent Non-Executive Director, is also the Chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee of the Company.

Ms Nar while undergoing her law studies in Australia worked with Bakers & McKenzie, an international law firm in Sydney, Australia under internship from December 1988 to February 1989 and December 1989 to February 1990. She obtained an Ordinary Degree of Bachelor of Laws from University of Adelaide in 1990 and an Honours Degree of Bachelor of Laws with First Class Honours in 1991. She received a Butterworths Book Prize from the University of Adelaide in 1986 and was the recipient of the Taxation Institute of Australia Prize in 1989.

From January to December 1991, she underwent pupillage in Suhaimi Khor & Zulkifli, Kuala Lumpur under Matthias Chang Esq. and was admitted to the High Court of Malaya on 10 January 1992. In 1994, she was admitted to the High Court in Sabah and Sarawak in June 1994, then practised as a lawyer and partner in the legal firm Alex Pang & Co. in Kota Kinabalu until April 2002 when she started her own legal practice.

In 2014, she served in the Sabah Law Association Ethics and Etiquette subcommittee that oversees the legal course and examination for pupils which is a prerequisite for admission to the High Court in Sabah and Sarawak. On 18 July 2017, she was admitted as an Australian lawyer in the Supreme Court of Victoria, Australia. In 2019, she was appointed as the Registrar of the Anglican Diocese of Sabah which post she still hold todate on a voluntary basis.

Currently, she is the Managing Partner of legal firm C.K. Nar & Co which specialises in property, banking and contract law. She is also a Director of VFchin Interior Sdn Bhd.

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

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; and
- any conflict of interest with the Company.

KEY SENIOR MANAGEMENT'S PROFILE

MENG QING QUAN

Assistant General Manager

Age	: 49
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 Lianyungang 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.

LIN, FU-MAO

Purchasing Manager (Store Department)

Age	: 67
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.

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

None of the Key Senior Management has:

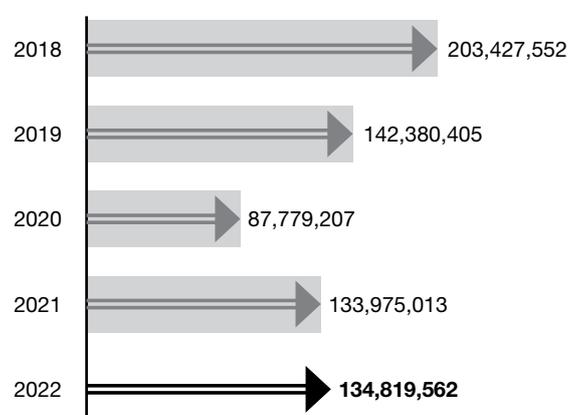
- any conviction for offences within the past 5 years other than traffic offences and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year;
- any conflict of interest with the Company; and
- any directorship in public companies and listed issuers.

5-YEARS FINANCIAL HIGHLIGHTS

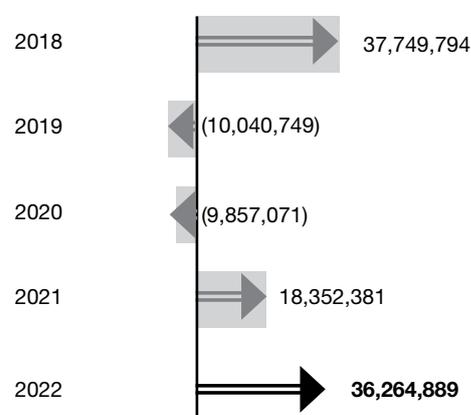
	2022	2021	2020	2019	2018
Operating Results (RM)					
Revenue	134,819,562	133,975,013	87,779,207	142,380,405	203,427,552
Gross profit/ (loss)	39,585,948	22,295,730	(6,128,073)	(2,546,982)	43,549,967
Operating income/ (loss)	34,623,194	17,405,601	(11,130,714)	(11,829,335)	35,250,186
Profit/ (Loss) before tax	36,264,889	18,352,381	(9,857,071)	(10,040,749)	37,749,794
Profit/ (Loss) after tax	27,669,710	15,402,991	(9,038,899)	(6,976,368)	28,415,739
Key Balance Sheet Data (RM)					
Total assets	197,443,613	183,124,999	166,661,017	180,635,474	197,114,341
Total liabilities	6,880,731	14,011,460	8,421,592	8,617,735	14,303,318
Total equities	190,552,882	169,113,539	158,239,425	172,017,739	182,811,023
Valuation					
Basic earnings/ (loss) per share* (sen)	13.52	7.56	(4.51)	(3.41)	13.74
Net dividend per share* (sen)	8.64	4.00	1.50	2.50	8.0
Net assets per share* (RM)	0.88	0.86	0.80	0.84	0.89

* The comparative basic earnings/ (loss) per share, net dividend per share and net assets per share have been restated to reflect the effect of bonus issue on the basis of one new ordinary share for every one existing ordinary share which was completed on 2 November 2022.

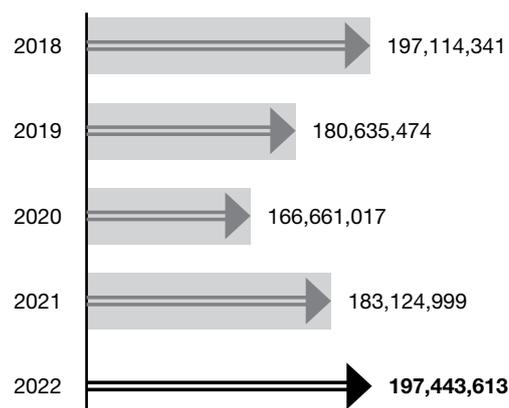
Revenue (RM)



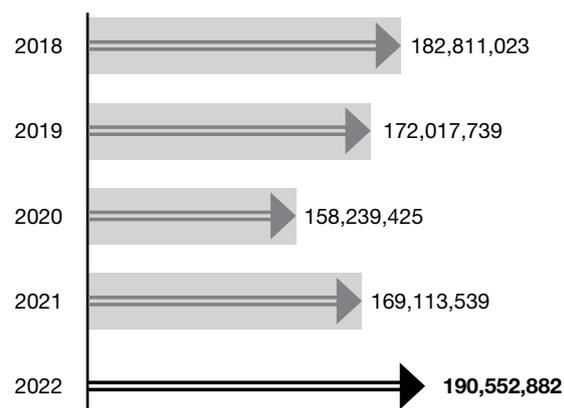
Profit/ (Loss) before tax (RM)



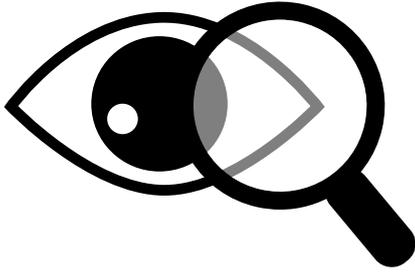
Total assets (RM)



Total equities (RM)



MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF BUSINESS AND OPERATIONS

Focus Lumber Berhad (“FLBHD” or “the Company”) is a leading manufacturer of wood products which comprise of plywood, veneer and laminated veneer lumber (“LVL”) in Malaysia.

Our plywood can be used in many different applications where high-quality and high-strength sheet materials are required. We produce mainly thin panel plywood of which the thickness is below 6mm and they are capable of further processing by laminate factories. These factories prefer thin panel plywood which is also a preferred choice for the Recreational Vehicle (“RV”) market in the United States (“US”), where most of our plywood is exported to. We also produce thick panel plywood ranging from 6mm to 18mm. Our plywood is widely used in various industries which include the RV industry (main in the US market), home decorating industry, furniture industry and house constructions. Apart from plywood, we also sell core veneer and LVL to our customers at Asia.

Our plywood is environmentally friendly and we were the first Malaysian plywood mill company certified as a California Air Resources Board (“CARB”) Certified Manufacturer by an independent accreditation firm. Our plywood also conforms with the formaldehyde emission requirements as defined in the US Environmental Protection Agency (“EPA”) Toxic Substances Control Act (“TSCA”) Title VI, Formaldehyde Emission Standards for Composite Wood Products.

Besides, we complied with the requirements of the Sabah Timber Legality Assurance System (“TLAS”) Principle 5 (Mill Operations) and Principle 6 (Trade and Customs). We continue adhering to these legislation as most of our customers are concerned about the quality of our products, legality of our raw materials and sustainability of our business.

Our wholly-owned subsidiary, Untung Ria Sdn Bhd (“Untung Ria”) is principally involved in the generation and sale of electricity and investment in monetary instruments. Untung Ria reuses bulk waste to generate biomass energy to supply electricity to the Group’s manufacturing plant. This has resulted in substantial cost savings for our Group as well as reduced our reliance on expensive fossil fuels.

Another wholly-owned subsidiary, Focus Layo Flooring Sdn Bhd (“Focus Layo”) is currently under the process of being struck-off through the application made in December 2022. Focus Layo was set up with the purpose to explore possible business opportunities of producing other wood products such as wood flooring, kitchen cabinets, etc but the plan is affected by the outbreak of Covid-19 pandemic.

OBJECTIVES AND STRATEGIES

Our strategy is to leverage on our competitive strength to further penetrate into existing and new markets. Our Group is continuously working towards improving quality of our products and reduce dependency on labour through the investment in new machineries.

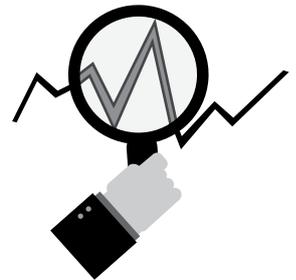
FINANCIAL AND OPERATION REVIEW

The Group recorded a revenue of RM134.82 million, improved slightly by 1% for the financial year 2022. This was mainly driven by the strong demand on plywood amidst low inventories caused primarily by the disruption to global supply chain resulting in significant surge in lumber prices since the fourth quarter of year 2021.

The Group reported an operating profit of RM34.62 million, which was 99% higher than the RM17.41 million reported a year earlier, due to the notable improvement from the uptrending of average selling price and strengthening of US dollar throughout the financial year.

Non-operating income of RM1.64 million, which was mainly gains from placement in money market funds, improved by 73% as compared to previous financial year as a result of rates hike by the Bank Negara during the financial year.

For the financial year 2022, the Group reported profit after tax of RM27.67 million, an increase of 80% from RM15.40 million recorded in 2021.

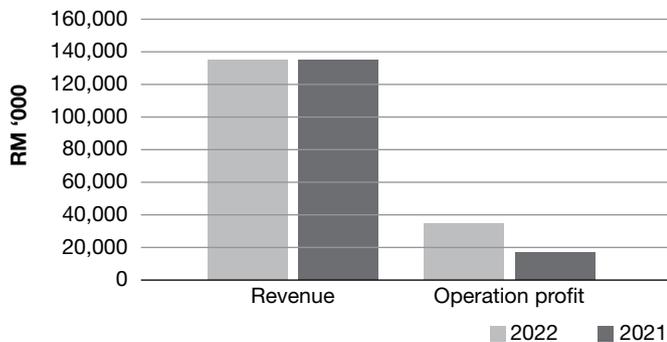


MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

MANUFACTURING DIVISION

Financial Performance

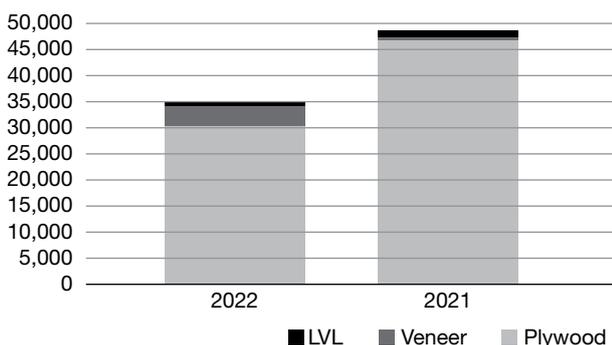
MANUFACTURING DIVISION



Sales from manufacturing division grew by 0.7% despite a decrease of sales volume of approximately 27% for the financial year 2022. This was mainly attributed to higher average selling price which was driven by strong demand for our products in the first half of year 2022 as well as strengthening of the USD during the year. In line with higher selling price, operating profit from manufacturing division soared to RM34.41 million from RM17.05 million reported in financial year 2021. Sales from manufacturing division contributed 100% of the total sales of the Group's total revenue as the electricity generated by the subsidiary was supplied wholly to the holding company during the current financial year.

Sales and Shipments

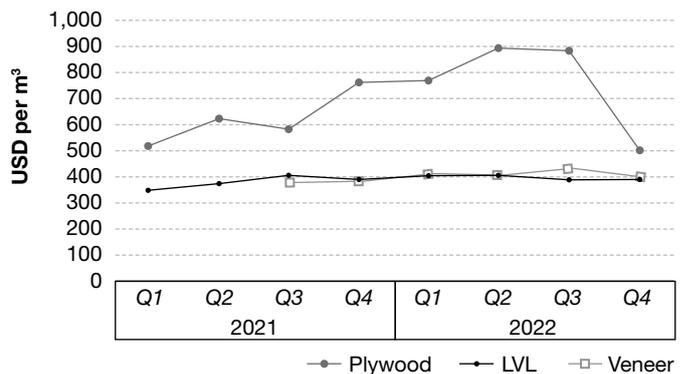
Sales Volume (M3)



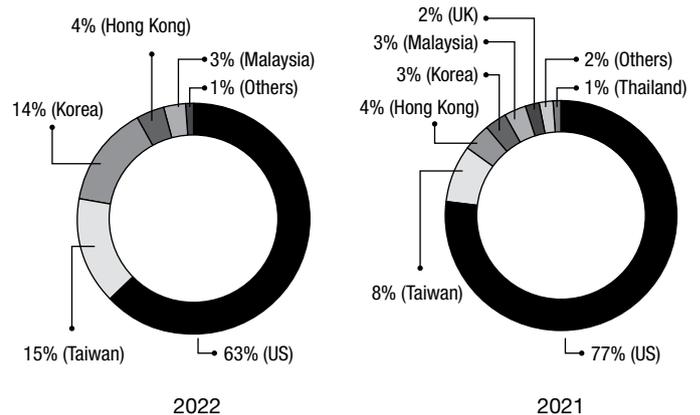
Total sales volume dropped by 27% due to the shipping and logistic challenges faced in the first half of the year, and significantly lower demand for plywood, particularly from US market on concerns of recession, dampened sales in the second half of the financial year 2022.

The average selling price of plywood increased by 37%, veneer by 15% and LVL by 9% as compared to previous financial year, was the consequence of strong global demand and favourable exchange rate. The graph below show the movement of average price in year 2021 and 2022.

Average Selling Price Trend



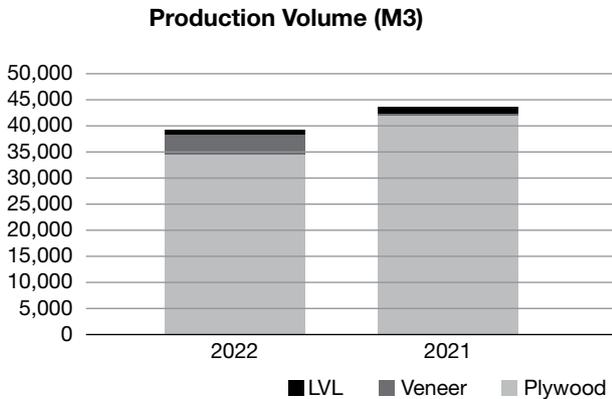
Sales Volume by Destination



In 2022, our wood products are mainly exported to several major markets in the world, with US being our largest buyer, constituting 63% of our total sales volume, followed by Taiwan, Korea and Hong Kong. Most of our customers were loyal customers who had established long-term relationship and trust in us, an essential criterion amidst the challenging economy. As compared to year 2021, sales to US and UK had reduced moderately due to the economy slowdown in the two regions as a result of inflationary pressure and increasing interest rates. On top of that, shipping and logistic challenges also contributed to the lower sales in year 2022 to US and UK. In contrast, delivery to Korea and Taiwan increased in year 2022, especially during the second half of the year as more orders for low-price wood products such as thick plywood, veneer and LVL were secured and delivered when the demand from the US market was impacted. Our revenue information based on the geographical location of customers is disclosed under Note 36 to the Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

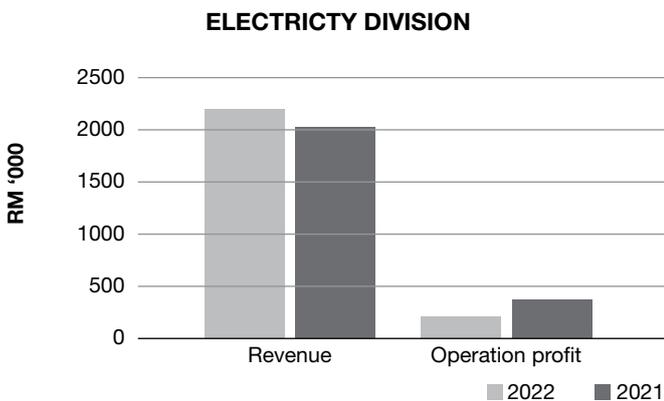
Production and Costs



In year 2022, the Group's total production volume declined by 10% year-on-year primarily due to planned production curtailment, especially in the fourth quarter of the current financial year in order to manage our inventory level and re-aligned our operating capacity in light of lower global demand in the second half of the year. We have experienced significant cost inflation across a number of our inputs including raw materials, consumables, staff costs, and transportation. Costs of goods sold were higher compared to 2021 due primarily to higher log costs, increased resin price and revision of minimum wage in May 2022. Freight charges increased in year 2022 due to higher shipping rates and strengthening of USD against MYR, was partially mitigated by lower sales volume. Despite the higher fuel and logistics costs, the lower sales volume also resulted in lower selling and distribution costs when compared to that in 2021.

ELECTRICITY DIVISION

Financial Results



Revenue from electricity segment improved slightly by approximately 8% to RM2.20 million from RM2.04 million a year earlier. The entire electricity generated in financial year 2022 was supplied to the manufacturing division of our holding company. Despite of higher revenue reported, operating profit from electricity division shrunk to RM0.21 million from RM0.36 million in previous financial year, mainly due to higher staff cost as a result of revision of minimum wages from 1 May 2022.

Sales, Production and Costs

In year 2022, Untung Ria generated 8,771,900 kWh electricity of which 33% was its own consumption to operate the control room and machineries while the remaining was sold to the holding company at a rate of RM0.376 per kWh. Although the available wood waste from our production decreased in line with a lower production from our manufacturing division in year 2022, biomass energy generated increased 13% because the Group purchased more wood waste from third parties as compared to previous year. Apart from reducing dependence on expensive diesel fuels, maximising the generation and consumption of biomass energy is part of the Group's contribution towards greener environment.

RISKS AND UNCERTAINTIES

Product Demand and Price Fluctuations

Our revenue and financial results are primarily dependent on the demand and selling prices of our products, which are subjected to significant fluctuations. The demand and prices for wood products are volatile and are affected by factors such as global economic conditions, particularly US housing and RV markets, changes in industry production capacity, inflationary pressures and other factors beyond our control. Declines in demand and corresponding reductions in prices for our products may also adversely affect our financial condition and results of operations.

In the past, we have been negatively affected by declines in product pricing and have cost mitigation measures and production scheduling to manage working capital and minimise losses. Severe and prolonged weakness in the markets for our wood products could seriously harm our financial position, operating results and cash flows.

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 outside our control.

Reliance on the US Market and A Single Customer

80% (2021: 85%) of our revenue was derived from exports to the US market, and 44% (2021: 40%) of our revenue was from Ihlo Sales & Import Co. It is our strategic decision to focus on the US market as we can 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

Costs and Availability of Raw Materials

We rely heavily on certain raw materials, including logs, resin, and energy sources, including wood chips and diesel fuel, in our manufacturing processes. Competition and shortage of supply may result in increased demand and costs for these raw materials and consumables. Supply might also be interrupted due to weather conditions. We have experienced cost inflation across several inputs including raw materials and energy, which increased our operating costs and reduce our operating margins.

COVID-19 has had a significant impact on global supply chains, which has impacted supply and costs of those materials and consumables. Any interruptions to the procurement and supply of logs, resins, production inputs and other supplies, or the availability of skilled personnel, as well as increasing rates of inflation, could have an adverse impact on our future cash flows and earnings.

There is no assurance that we will be able to fully offset the effects of higher raw material or energy costs through hedging arrangements, price increases, productivity improvements or cost-reduction programs.

Foreign Currency Exchange Rates Fluctuation

We sell most of our products at prices denominated in USD. A significant portion of our operational costs and expenses are incurred in MYR. Therefore, the strengthening of the MYR relative to US dollar will reduce our revenue in MYR, 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 such as JPY and EUR. Exchange rates fluctuations would result in exchange gains or losses, could also lead to significant earnings sensitivity.

The foreign currency exchange rates are affected by a broad range of factors which makes future rates difficult to be predicted accurately.

Labour Shortage

We operate in a labour-intensive industry which requires a large amount of labour to produce our products. Any shortage of labour due to lack of supply or government restrictions on the employment of foreign workers may disrupt our operations and cause reduction or delays in our production which could result in an adverse effect on our operating results.

Competition

We compete with global producers, especially those from Southeast Asia, which may have greater financial resources and lower productions costs than we do. Currency devaluations can have the effect of reducing our competitors' costs and making our products less competitive in certain markets. Our ability to maintain or improve the cost of production and the delivery of our products to those markets is crucial. Factors such as cost and availability of raw materials, energy and labour, the ability to maintain high production rate 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.

Compliance with Laws and Regulations

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 minimise the impact of our operations on the environment by recycling our bulk waste to generate biomass energy for use in our production plant and office.

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 through employees' liability and workmen compensation insurance coverage as well as putting in place a comprehensive safety and work-health standard operating procedure.

More burdensome regulatory requirements in these or other areas may increase our administrative costs and adversely affect our financial condition, operating results, and cash flows. Moreover, failure to comply with the regulatory requirements applicable to our business could expose us to litigation and substantial fines and penalties that could adversely affect our financial results.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

Shipping and Transportation Challenges

Our business depends on our ability to deliver a high volume of products to our customers. We rely primarily on third-party transportation providers for the delivery of our products. These third-party transportation providers include truckers, bulk and container shippers. Our ability to obtain transportation services from these transportation service providers is subject to risks which include, without limitation, availability of equipment and operators, disruptions due to weather, and labour disputes.

Shipping and containers capacity constraints could affect our ability to ship our products to our customers and could result in increased inventories, increased transportation and storage costs. Any failure of third-party transportation providers to deliver finished goods in a timely manner, could harm our reputation, negatively affect customer relationships or disrupt production at our factory. Freight charges and other transportation costs are also subject to risks that include, without limitation, increased rates due to competition and increased fuel costs.

If we are unable to obtain transportation services or if our transportation costs increase, our revenues may decrease due to our inability to deliver products to market and our operating expenses may increase, both of which would adversely affect our results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

Our objective in managing capital is to always ensure adequate liquidity and financial flexibility, particularly at the lower points in the business cycle. We monitor and assess our financial performance to ensure that we maintain a strong balance sheet, considering the anticipated direction of the business cycle. 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.

We expect our material cash requirements for the next twelve (12) months will be for our investments in property, plant and equipment. We expect our primary sources of liquidity to be cash flows from sales and operating activities in the normal course of our operations and proceeds from exercise of ESOS by our employees. We expect that these sources will be sufficient to fund our ongoing cash requirements for the foreseeable future, including at least the next twelve months.

Share Repurchases

The Company had at its 32nd Annual General Meeting held on 20 May 2022, 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 33rd Annual General Meeting of the Company unless the approval is renewed. During the financial year, the Company repurchased 4,859,300 ordinary shares (8,270,000 ordinary shares inclusive of bonus issue adjustment) from the market at an average price of RM1.13 per share (RM0.66 per share considering of the effect on bonus issue). As at 31 December 2022, a total of 11,730,632 ordinary shares amounting to RM7.23 million are held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

Sources and Uses of Cash and Cash Equivalents

OPERATING

(RM54.05 million generated)

- RM60.95 million cash generated from operations
- RM0.40 million interest collected
- RM7.30 million income tax paid

INVESTING

(RM1.96 million used)

- RM2.02 million addition of PPE
- RM0.06 million other proceeds

FINANCING

(RM6.20 million used)

- RM9.21 million dividends paid
- RM5.48 million shares repurchased
- RM8.49 million ESOS proceeds

NET MOVEMENT

(RM45.89 million increase)

- RM77.88 million opening balance
- RM0.06 million unrealised loss
- RM123.71 million closing balance

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D.)

Operating Activities

In 2022, cash flows from operating activities totaled RM54.05 million. This cash activity was primarily driven by net profit before taxation of RM36.26 million after adjusting for non-cash depreciation and amortization of approximately RM3.43 million, combined with changes in our working capital components and interest collected, all of which was reduced by the payment of corporate tax of approximately RM7.30 million during the year. The changes in working capital components resulted in an increase in cash due to a decrease in trade and other receivables of RM32.18 million and a decrease in other current assets of RM6.81 million was offset by an increase in inventory of RM10.15 million. The Group had a net cash outflow of RM0.77 million from operating activities in year 2021, mainly due to the increase in trade and other receivables of RM35.86 million.

Investing Activities

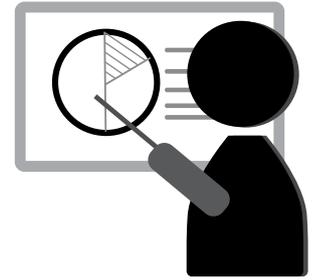
During fiscal 2022, our net cash used in investing activities was RM1.96 million, which was substantially attributed to cash paid for investments in property, plant and equipment of RM2.02 million. In 2021, our net cash used in investing activities was RM1.59 million, which was mainly acquisition of property, plant and equipment as well.

Financing Activities

Net cash used in financing activities was RM6.20 million during the year 2022, which primarily reflected the repurchase of shares and payments of dividends, offset by proceed from the exercise of ESOS. Net cash used in financing activities was RM7.91 million during fiscal 2021, was the payment of dividend.

Working Capital and Cash and Cash Equivalents

Working capital is an important measurement used to determine the efficiencies of our operations and our ability to readily convert assets in to cash. Working capital is defined as current assets less current liabilities. Management of working capital helps us monitor our goals to enhance our return on working capital assets. Working capital increased to RM167.92 million as at 31 December 2022 from RM149.99 million as at 31 December 2021. Cash and cash equivalents as at 31 December 2022 amounted to RM123.71 million (2021: RM77.88 million). 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**

RV shipments are expected to fall through the first half of 2023 as consumers are squeezed by inflation, higher interest rates, and a slowing economy. This will affect the demand of our thin plywood for the US market. However, the pace of that decline is expected to ease and begin to recover in the latter part of the year. Due to this, we expect that the operating environment to be challenging before the recovery of US economy, particularly in the housing and RV industry.

In the short-term, we shift our focus to other markets in order to secure more orders while the US economy recovers. We have recently continued our supply to our customers at Thailand, UK and Australia. We expect our supply to UK to improve in year 2023 after the shipping and logistic constraint eased. We also target to further penetrate into European market going forward in order to reduce our significant reliance on US market.

Near-term challenges, including relatively high and rising interest rates, and inflationary pressures, are expected to cause a temporary slowing of demand for our products, however, we are confident that we will be able to navigate through these periods and respond to opportunities for long-term growth ahead.

SUSTAINABILITY STATEMENT

About this Sustainability Statement

The Company is pleased to present its Sustainability Statement which showcases its sustainability progress for the financial year ended 31 December 2022 in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Introduction

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.

Any successful corporation must follow sound corporate governance principles. A risk assessment was carried out to detect potential danger for corruption inside operations in order to provide a firm foundation for ethics and integrity.

Our Commitment to Business Sustainability

Sustainability is an inherent component of running a successful company, and we constantly work to conduct our business in an ethical, open, and responsible manner, expecting our business partners to act in a similar manner.

Focus Lumber is in the journey towards building a sustainable impact to the economy, environment and the local community. This statement focuses on the sustainability risks and opportunities that we have faced in 2022. Through this Sustainability Statement, we provide the focus on the Group's commitments on the aspects of economic, environmental and social ("EES"), and ensure that we have disclosed our performance on these issues transparently. This statement is intended to go into further depth about our strategy for sustainable business. Additionally, it refers stakeholders to additional, more in-depth information on environmental, social, and ethical issues in our Annual Report 2022.

Reporting Standards

This Sustainability Statement was prepared in accordance with the following regulatory and guidance:

- Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia Securities");
- Sustainability Reporting Guide, 2nd Edition ("SRG") issued by Bursa Malaysia Securities;
- Malaysian Code on Corporate Governance, updated on 28 April 2021 ("MCCG 2021"); and
- Global Reporting Initiative ("GRI") 2021.

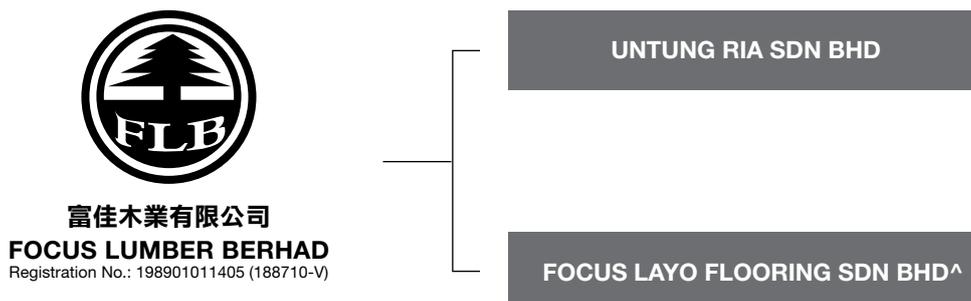
Efforts were made to meet the core principles of the GRI standards and improve the sustainability disclosure.

Reporting Period

Complementing the Annual Report, this Sustainability Statement discloses all relevant sustainability information from 1 January 2022 to 31 December 2022 ("FY2022"), unless otherwise specified.

Reporting Scope

This statement covers sustainability matters of our 2 business divisions as illustrated below.



^ In the process of Striking Off

SUSTAINABILITY STATEMENT (CONT'D.)

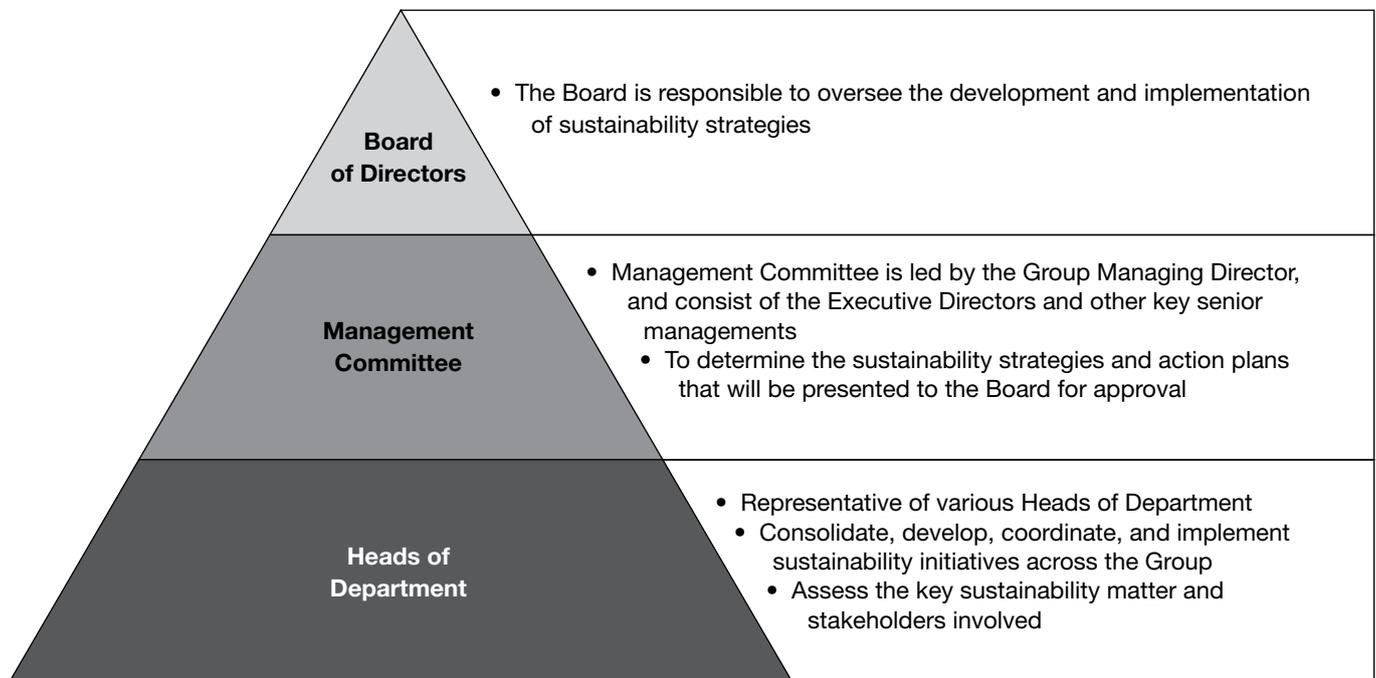
Governance

We embrace a strong governance structure and a clear line of accountability enables the Group to deliver its commitment to sustainability. The Group's efforts towards sustainable operations are driven by the directives and inputs from the Board and management. A strong governance structure also enables a consistent approach towards sustainability efforts and initiatives as well as gaining the confidence and trust of our shareholders, business partners, employees and stakeholders.

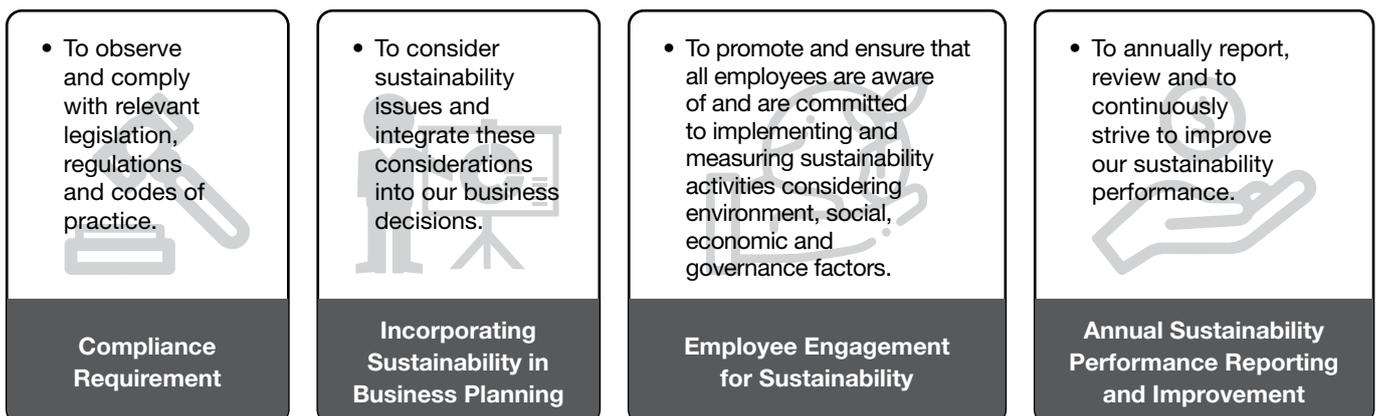
Sustainability Governance

Sustainability governance helps a company implement sustainability strategy across the business, manage goal-setting and reporting processes, strengthen relations with external stakeholders, and ensure overall accountability.

A three-tier sustainability governance structure was formed in October 2022, comprising the Board of Directors, the Management Committee and the Heads of Department. Their roles and responsibilities are described in more detail below.

**Sustainability Policy**

A sustainability policy is developed within the framework of economic, social, and environmental sustainability. This Policy was established and approved by the Board on 11 April 2013, that aims to guide the Group's action towards achieving a sustainable future for both the Group and our community as a whole. It ensures ethical practices of the Focus Lumber's financial performance, management and operation with the view to contributing to the overall environmental sustainability while creating value from sustainable practices. Below are the principles of the sustainability policy.



SUSTAINABILITY STATEMENT (CONT'D.)

Policies and Procedures

The Group has also established several other policies to establish guidelines and requirements to support ethical laws and regulations, aid in governance, and demonstrate the reliability of our company. They are as follows:

 Directors' Fit and Proper Policy	 Remuneration Policy and Procedures	 Anti-Bribery and Anti-Corruption Policy
 Code of Conduct Ethics	 Whistle Blowing Policy	 Diversity Policy
 Succession Planning Policy	 Rights of Shareholders	 Corporate Disclosure Policy

Stakeholders' Engagement

We see ourselves as a local company with a big worldwide reach. Our operations, which are influenced by our business, in turn, are greatly influenced by our stakeholders. The Group 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.

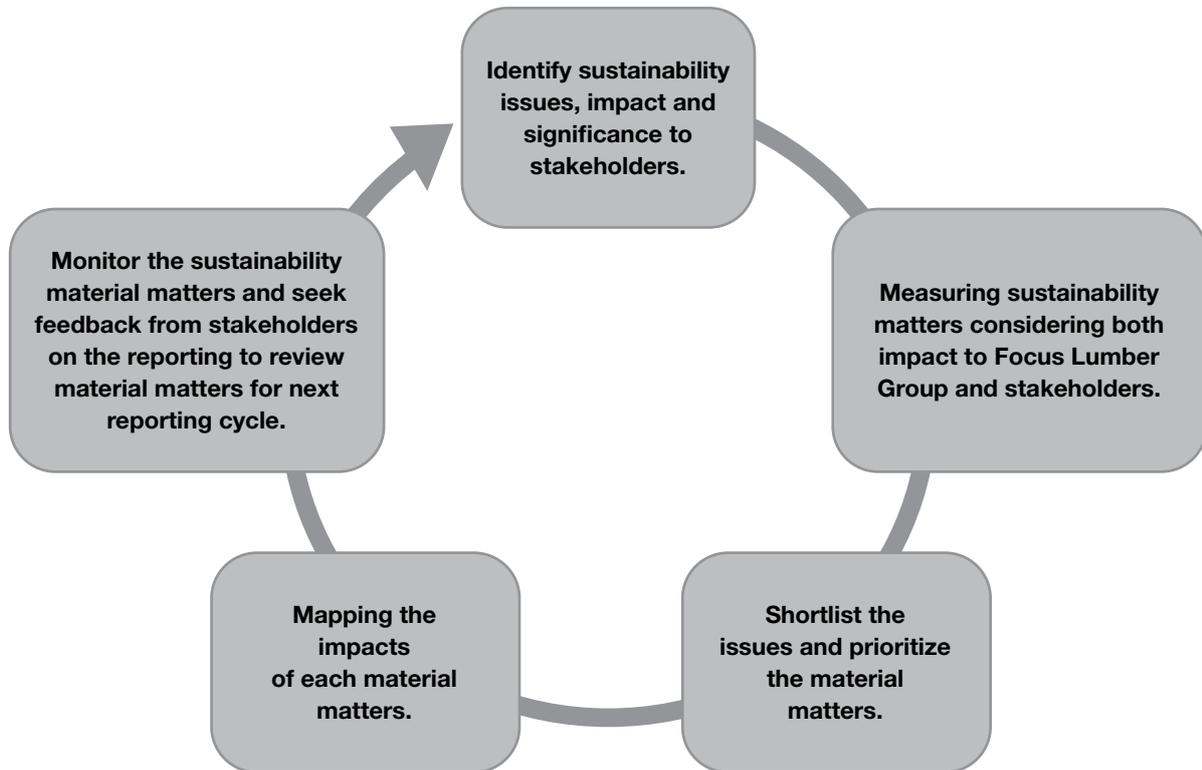
Below are the highlights of Stakeholders' area of interest and initiatives undertaken by the Group:

Key Stakeholders	Areas of Interest	Engagement Methodology	Frequency of Engagement
 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 	<ul style="list-style-type: none"> Monthly
 Shareholders and 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 Quarterly Report 	<ul style="list-style-type: none"> Quarterly
 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 	<ul style="list-style-type: none"> Monthly
 Employees	<ul style="list-style-type: none"> Career development Employee welfare and health and safety 	<ul style="list-style-type: none"> Training Meeting/discussion Informal or festival gathering 	<ul style="list-style-type: none"> Annually
 Government	<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 	<ul style="list-style-type: none"> Regularly
 Community	<ul style="list-style-type: none"> Community living issue Corporate social responsibilities activities 	<ul style="list-style-type: none"> Donations Charitable events 	<ul style="list-style-type: none"> Ad Hoc

Materiality Assessment and Key Sustainability Matters

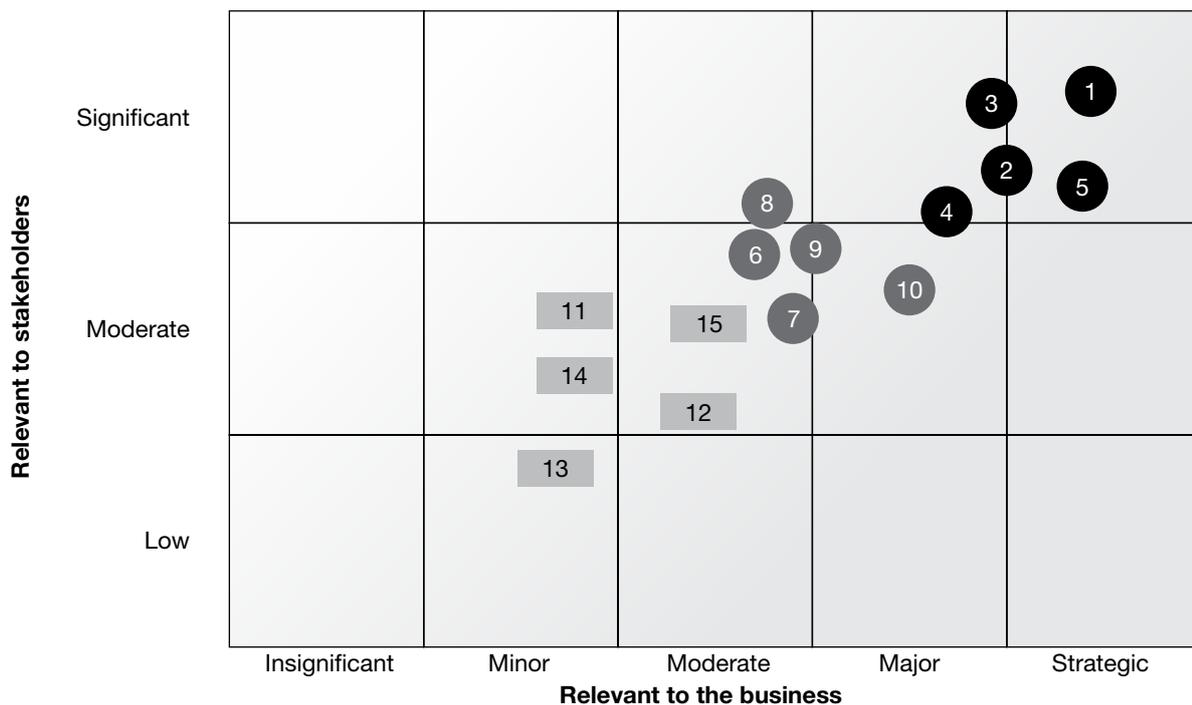
Focus Lumber applied the GRI Standards to identify and prioritize the key sustainability topics, to tailor its approach taken in relation to sustainability on the management of the ESG impacts of its business operations on its stakeholders.

5 steps were taken by Focus Lumber to arrive at the list of material factors for reporting:



Based on the above assessment process, it resulted in the identification of 15 material matters, of which 8 were ranked as highly material.

SUSTAINABILITY MATERIALITY PROFILE



SUSTAINABILITY STATEMENT (CONT'D.)

Materiality Assessment and Key Sustainability Matters (Continued)

ECONOMIC		ENVIRONMENT		SOCIAL	
1	Economic Presence	6	Energy	11	Employment
2	Market Presence	7	Water	12	Diversity and Equal Opportunities
3	Product and Service Quality	8	Emissions	13	Training and Education
4	Procurement Practices	9	Effluent and Waste Management	14	Occupational Health and Safety
5	Anti-Corruption	10	Environment Compliance	15	Local Communities

Risk, Opportunities and Management Action Plans

By conducting a material assessment, the Group identifies the most significant sustainability issues that address and prioritise actions accordingly. This process enables the Group to identify potential risks that could negatively impact its operations, as well as opportunities to create a positive impact on its communities and key stakeholders. By effectively managing risks and capitalising on opportunities, the Group creates long-term value for its key stakeholders while also contributing to sustainable development to achieve its goals and thrive in the long run.

Material Topics	Risks	Opportunities	Impact to the Key Stakeholders	Management Approach
ECONOMIC				
Economic Presence	<ul style="list-style-type: none"> Potentially affect financial performance Changes in consumer demand Fluctuations in raw material prices Competition from existing and new players 	<ul style="list-style-type: none"> Re-assess the Group's strategies Collaboration with stakeholders to address the opportunities 	<ul style="list-style-type: none"> Shareholders and Investors Customers Suppliers 	<ul style="list-style-type: none"> Diversifying product portfolio Hedging against price fluctuations Regularly monitoring and adapting to changes in the economic environment
Market Presence	<ul style="list-style-type: none"> Change in consumer preferences Changes in economic conditions, or competition can lead to fluctuations in demand for plywood products. 	<ul style="list-style-type: none"> Growing consumer demand for products Entry into new markets 	<ul style="list-style-type: none"> Shareholders and Investors Customers Suppliers 	<ul style="list-style-type: none"> Diversifying customer base Closely monitor market trends Investing in new technologies and processes
Product and Service Quality	<ul style="list-style-type: none"> Reputational damage Reduce in customers' satisfaction Legal claims and regulatory fines 	<ul style="list-style-type: none"> Increased customer loyalty Expansion into new markets Higher profit margins 	<ul style="list-style-type: none"> Shareholders and Investors Customers Suppliers 	<ul style="list-style-type: none"> Leverage on customers' feedback Monitoring on quality control processes Suppliers are adhering to Focus Lumber's quality control standards
Procurement Practices	<ul style="list-style-type: none"> Supply chain disruptions Selecting suppliers who are unable to meet our expectation and requirements, or may have financial or legal issues Overpaying for goods or material and not obtaining the best value for money 	<ul style="list-style-type: none"> Reducing costs through effective sourcing and negotiation Streamlining the supply chain and reducing waste 	<ul style="list-style-type: none"> Shareholders and Investors Suppliers 	<ul style="list-style-type: none"> Diversifying supplier base Constantly assessing suppliers' performance Implementing strict compliance and quality control processes

SUSTAINABILITY STATEMENT (CONT'D.)

Risk, Opportunities and Management Action Plans (Continued)

Material Topics	Risks	Opportunities	Impact to the Key Stakeholders	Management Approach
ECONOMIC				
Anti-Corruption	<ul style="list-style-type: none"> • Reputational risk. 	<ul style="list-style-type: none"> • Establish reputation as an ethical employer who practices transparency and accounting measures 	<ul style="list-style-type: none"> • Shareholders and Investors • Employees 	<ul style="list-style-type: none"> • Review anti-bribery and anti-corruption policy annually. • Develop legal framework and enforcement mechanisms • Provide awareness training on anti-bribery and anti-corruption annually to all management and employees.
ENVIRONMENT				
Energy	<ul style="list-style-type: none"> • Power outages and disruptions in energy supply • Increase price of energy commodities. • Increase in the amount of greenhouse gases released into the atmosphere. 	<ul style="list-style-type: none"> • Develop competitive advantage in renewable energy such as biomass to generate electricity. 	<ul style="list-style-type: none"> • Government • Shareholders and Investors • Employees 	<ul style="list-style-type: none"> • To reuse wood waste to generate biomass energy to supply electricity to operation. • To replace existing lights to LED lights.
Water	<ul style="list-style-type: none"> • Water supply shortages leading to disruption of production processes and daily usage. 	<ul style="list-style-type: none"> • Constructing rainwater harvesting system. • To use renewable resources (river water) 	<ul style="list-style-type: none"> • Government • Shareholders and Investors • Employees 	<ul style="list-style-type: none"> • Consider alternative water sources (river water) for daily usage.
Emissions	<ul style="list-style-type: none"> • Public health affected • Shortages of food and water 	<ul style="list-style-type: none"> • Transition to clean energy transition • Improving energy efficiency 	<ul style="list-style-type: none"> • Government • Shareholders and Investors • Employees 	<ul style="list-style-type: none"> • Deploy appropriate tools and equipment to filter and/or purify air. • Monitoring and keeping pollution below allowable limits.
Effluent and Waste Management	<ul style="list-style-type: none"> • Lead to pollution of air, water and soil. • Serious public health 	<ul style="list-style-type: none"> • Recycling efforts help cut cost due to reduce purchasing and selling off reusable wastes generate small revenue. 	<ul style="list-style-type: none"> • Government • Shareholders and Investors • Employees 	<ul style="list-style-type: none"> • To ensure compliance with regulatory requirements • Manage waste properly with reduce, reuse and recycle practice.
Environment Compliance	<ul style="list-style-type: none"> • Increased production costs due to compliance measures • Lead to regulatory penalties and fines if not complied 	<ul style="list-style-type: none"> • Increased brand reputation and customer loyalty • Potential costs savings through the implementation of eco-friendly processes and technologies • Improved long-term viability and competitiveness in the market 	<ul style="list-style-type: none"> • Government • Shareholders and Investors 	<ul style="list-style-type: none"> • Regularly monitoring and staying up-to-date with environmental regulations • Implementing internal controls and systems to ensure compliance • Conducting regular environmental audits and assessments

SUSTAINABILITY STATEMENT (CONT'D.)

Risk, Opportunities and Management Action Plans (Continued)

Material Topics	Risks	Opportunities	Impact to the Key Stakeholders	Management Approach
SOCIAL				
Employment	<ul style="list-style-type: none"> Inadequate pool of qualified and capable personnel to contribute to growth and core business. 	<ul style="list-style-type: none"> Effective talent management methods and plans to create a reliable talent pipeline. 	<ul style="list-style-type: none"> Shareholders and Investors Employees 	<ul style="list-style-type: none"> To recruit and retain potential and performing employees. To prioritise local employees hired.
Diversity and Equal Opportunities	<ul style="list-style-type: none"> Employee retention Challenges in recruiting the right talents 	<ul style="list-style-type: none"> Gaining a competitive advantage in having a diverse pool of employees with various skills and experiences. 	<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> To achieve average gender ratio at employee. To ensure age balance in the workplace.
Occupational Health and Safety	<ul style="list-style-type: none"> Accidents and injuries result in regulatory penalties and reputational damage 	<ul style="list-style-type: none"> Emphasis on health and safety culture attracts and retains top industry talent Reputation as a safe and reputable manufacturer attracts investors. 	<ul style="list-style-type: none"> Shareholders and Investors Employees 	<p>A strengthening of OHS practices in identified key focus areas, which include:</p> <ul style="list-style-type: none"> Creating track record of zero non-compliance to OHS regulatory, zero fatalities at all worksites, reduce number of accidents and LTI; Upskilling OHS capability; and An effective communication programme.
Training and Education	<ul style="list-style-type: none"> May lead to high wastes of resources and financial loss. Lack of relevant skills and competencies hinders growth. 	<ul style="list-style-type: none"> Effective talent development programmes retain and attract top-quality industry talent. Develop a learning culture in the organisation that is tied to KPI and career progression 	<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> Plan and execute the training and development activities, and continuously improve the programs based on feedback and evaluation. Setting a target to provide an average of 8 training hours per employee.
Local Communities	<ul style="list-style-type: none"> Estranged relationship with local community that leads to unawareness of the Group's noble courses for sustainable environment and future 	<ul style="list-style-type: none"> Social responsibility programmes increase visibility and safeguard reputation as a caring and environmentally-responsible organisation. 	<ul style="list-style-type: none"> Shareholders and Investors Community 	<ul style="list-style-type: none"> Continue donations for charity and organise more community related activities for enhanced engagement.

SUSTAINABILITY STATEMENT (CONT'D.)

1. ECONOMIC

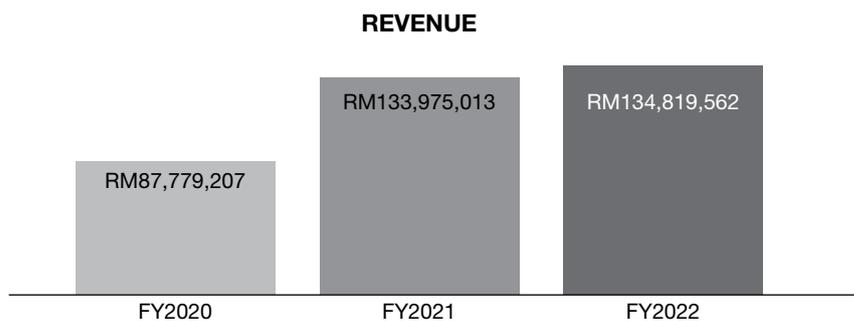
Our principal activities are manufacturing and sale of plywood, veneer and Laminated Veneer Lumber (“LVL”). Plywood is the core product, generating the bulk of the Group’s revenue. We place the utmost importance on achieving a sustainable business that continue to grow and thrive despite changes and challenges in the global economic environment.

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 to comply with the buyers’ quality requirements.

- **Economic Presence and Market Presence**

Focus Lumber recognises the impact of the pandemic on the world and has adapted its approach to ensure resilience and agility in these changing times. In doing so, the Group has accelerated its transformation, which allows it to continue to operate effectively and respond to any new challenges and opportunities. In FY2022, the Group’s revenue was largely dependent on its manufacturing segment, which included manufacturing and sales of plywood, veneer and laminated veneer lumber, indicates our significant economic presence in this industry.

The following chart shows the total revenue for the Group:



Increase in demand and tight supply of plywood since last financial year contributed to the increase in the revenue in FY2022 by approximately 1% as opposed to FY2021 and increase in 53% in FY2021 as opposed to FY2020.

- **Product and Service Quality**

Product and service quality is essential for the success of our business, and it is particularly important in the manufacturing industry, like us, where defects or poor workmanship may have serious consequences. We pay close attention to the quality of our products and ensure we meet our customers’ expectations.

We ensure quality is invested in quality control processes that check for defects and other issues at every stage of the production process. In June 2020, a revised Quality Control Manual was submitted to Benchmark Holdings, LLC (BMH) for third-party certification. This certification covers the production and quality control processes used for manufacturing composite wood panels. However, the scope of this certification only applies to the specific range of composite wood products, resin systems, and/or production lines as identified in valid MH certification documents. Composite wood products that are not specifically included within the Group’s scope of the certification are not eligible to be manufactured, labelled, distributed, or sold by the Group as certified products.

Focus Lumber is responsible for assuring that appropriate records are generated and maintained to demonstrate the production and quality control processes conform to the procedures defined or referenced in the quality control manual. The Group would continue adhering to legislations as most of our customers are concerned about the quality of our products, legality of our raw materials and sustainability of our business.

SUSTAINABILITY STATEMENT (CONT'D.)

1. ECONOMIC (CONTINUED)

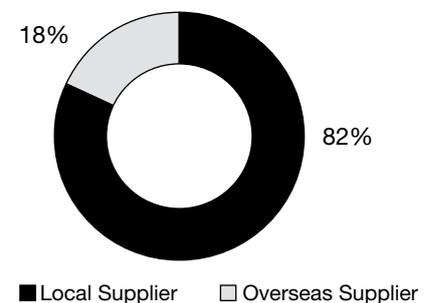
- Procurement Practices**

We rely on our suppliers as the main support system to ensure that we offer high-quality products and services. Our mission is to provide the best possible quality to our customers while also promoting sustainable business practices, and we work closely with our suppliers to achieve this goal. In order to maintain uninterrupted business operations, we evaluated our suppliers for potential sustainability risks. Our suppliers are required to undergo a performance evaluation process using a specific set of assessment criteria which evaluates their invoicing and pricing, products, staff, delivery, payment term, schedule, regulatory compliance, and after sale service. We are also committed to collaborating with local suppliers whenever feasible, which helps to support the sustainability of the local economy and products.

The total amount of purchases from local and overseas for FY2022 was as follows:

	Focus Lumber Berhad	Untung Ria Sdn Bhd	Focus Layo Flooring Sdn Bhd
Local Purchases (RM)	71,877,348	512,862	9,503
Overseas Purchases (RM)	15,839,973	-	-
Total (RM)	87,717,321	512,862	9,503

Based on the table, most of the suppliers were locally based. 82% of our procurement spending went to local suppliers while 18% went to foreign suppliers due to the unavailability of local option.

PROCUREMENT SPENDING

- Anti-Corruption**

It is the policy of Focus Lumber to conduct all of its business in an honest and ethical manner and to act in good faith. 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 ("ABAC") 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. The ABAC Policy and its framework was established and it applied to Focus Lumber and its subsidiaries at all levels, including Focus Lumber Directors, employees (whether permanent or temporary) and trainees.

This Policy is also applicable to contractors, suppliers, agents and third parties who hold themselves as representing the Group. The Board has the responsibility of reviewing and approving the Group's Anti-Bribery and Anti-Corruption Policy at least once every 3 years, or earlier if deemed necessary, to ensure that the policy continues to remain relevant. The Group upholds all relevant laws related to anti-bribery and corruption in all the jurisdictions where it conducts its business. This includes not only Malaysian laws, such as Companies Act 2016 (Malaysia), and the Malaysian Anti-Corruption Commission Act (MACCA) 2009 and its Amendment Act 2018 but also any relevant international laws and regulations.

Target for FY2022	Performance of FY2022
We were studying to establish a realistic target based on the available analysis and data.	Zero case of anti-bribery and anti-corruption reported.

There were no cases reported in relation to bribery and corruption in FY2022 (FY 2021: 0) and target set for FY2022. We strive to maintain our clean track record and corruption for FY2023 and set the target for FY2023 to achieve zero corruption and bribery case.

SUSTAINABILITY STATEMENT (CONT'D.)

1. ECONOMIC (CONTINUED)

Whistleblowing Policy

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 wrongdoing by any of its employees.

The Board has established Whistleblowing Policy, enforced with effect from 11 April 2013, 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 workplace 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.

The employee can report the concerns to either the:

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

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

Target for FY2022	Performance of FY2022
We were studying to establish a realistic target based on the available analysis and data.	Zero whistleblowing case reported.

There was no target set for FY2022. However, we have set the target for FY2023 which is to have zero whistleblowing case.

2. ENVIRONMENT

Addressing Task Force on Climate Related Financial Disclosures ("TCFD")

The management of the group is considering the impact of climate change on businesses and how it affects them. As a result, they have been assessing their own risks related to climate change. They are taking preparatory measures to comply with the TCFD standards, which require companies to disclose climate-related financial information. This requirement has been made mandatory by Bursa Malaysia, and the management has set a target to meet this requirement by 2025.

- **Energy**

Action Plans	2023 Targets	2022 Achievements
To monitor diesel consumption	To reduce 1% of diesel consumption as compared to previous year	• 27.49 litre per m3 (FY2021: 32.88 litre per m3)
To change all lights that need replacing to LED lights	Replacing all lights to LED lights	• 71 units of lights replaced to LED lights
To maintain the use of biomass energy to generate electricity	To reuse wood waste to generate biomass energy to supply electricity to group's operation	• 8,771,900 kWh of electricity generated (FY2021: 7,788,700 kWh)

We rely on electricity as our primary energy source to operate our business and commercial centres. Therefore, we acknowledge that the consumption of electricity is a significant factor in our energy emissions. One of the initiatives that we have considered and executed to reduce the overall consumption of electricity as a general practice is to switch off lights, air-conditioners and electrical appliances when not in use. We also have security guards around the sites. As part of their routine duties, the security guards conduct a thorough inspection of the premises to ensure that the property is secure and free from any potential threats. This includes checking all areas of the building and outdoor spaces to identify any unauthorized individuals or suspicious activity. Additionally, the security guards are responsible for verifying that all lights and electrical equipment have been properly switched off at the end of each day. We have adopted energy saving initiatives by using LED lights and in FY2022, we have also replaced a total 71 units of lights to LED lights.

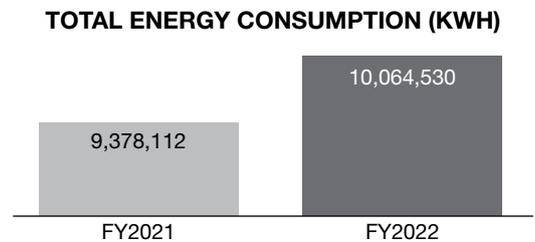
SUSTAINABILITY STATEMENT (CONT'D.)

2 ENVIRONMENT (CONTINUED)

- Energy (Continued)**

The following chart shows the year-on-year energy consumption for the Group:

The energy consumption in FY2022 was 10,064,530kW/h which saw an increase by 7% in FY2021 with energy consumption of 9,378,112kW/h. 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.



The following table illustrates the energy generated from biomass and diesel for FY2022:

Year	FY2022
Unit	kWh
Electricity generated from biomass	8,771,900
Estimated generation based on volume of diesel consumed for genset	1,254,122

We regularly assess our energy consumption and are working towards setting a standard to gauge our progress.

- Water**

Action Plans	2023 Targets	2022 Achievements
To maintain the use of renewable resource (river water)	To use river water to reduce water consumption	<ul style="list-style-type: none"> Achieved. Continued using river water

The Group is committed to responsible water resource management and is actively taking steps to optimise our water consumption. This is especially important in our line of industry, where water is a valuable resource and proper management is necessary to protect the surrounding ecosystems.

We closely monitor the water consumption in all our sites as it is a step in reducing water usage and identifying areas where improvements can be made. The use of river water is a positive step towards reducing water consumption, as it reduces the need for treated water from other sources. We also recycle the use of water through the condensation of steam.

The table below shows water consumption from each sites:

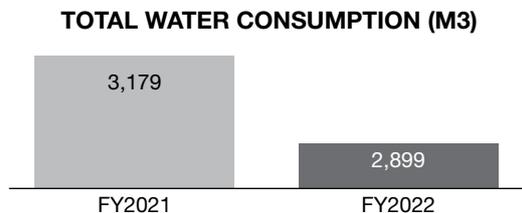
Sites	FY2022 (m3)	FY2021 (m3)
FLBHD Keningau office & hostel	1,634	1,926
FLBHD Keningau factory	Use river water	Use river water
FLBHD KK	1,265	1,253
Untung Ria Sdn Bhd	Use river water	Use river water
Total Water Consumption	2,899	3,179

SUSTAINABILITY STATEMENT (CONT'D.)

2 ENVIRONMENT (CONTINUED)

- Water (Continued)**

The following chart shows the year-on-year water consumption for the Group:



In FY2022, there was a reduction of 280m3 (9%) in water consumption compared to FY2021. This indicated that measures were taken to reduce water usage and that those efforts were successful in achieving a reduction.

- Emissions**

Action Plans	2023 Targets	2022 Achievements
To maintain and safeguard the health of the community	<ul style="list-style-type: none"> Dust loads below the required limit of 150mg/Nm3 Zero fines imposed by environmental authorities 	<ul style="list-style-type: none"> Dust loads below the required limit of 150mg/Nm3 Zero fines imposed by environmental authorities in FY2022

Dust emissions are a common issue in our operations due to the nature of the process. During the production of plywood, wood chips are heated and processed into veneer sheets using various machinery and equipment. As a result, dust particles are generated and released into the air, which can pose a health hazard to workers and the environment. The Group is taking measures to ensure that the plant processes are in compliance with any emission limits set by regulatory authorities to prevent macro environmental pollution. The dust emissions are monitored from the FLBHD Keningau factory and Untung Ria Sdn Bhd.

The following table shows the average result of emissions at the Group:

Site	Quarter	Dust Load (mg/Nm3)	Permissible Dust Load Limit (mg/Nm3)
FLBHD Keningau Factory	Q1	70.99	150
FLBHD Keningau Factory	Q3	15.87	150
Untung Ria Sdn Bhd	Q1	145.64	150
Untung Ria Sdn Bhd	Q3	19.14	150

The dust emission measurements were carried out according to the Malaysian Standard MS1596:2003. The dust emission measurements were carried out at the power plant boiler by a third party where reports on results will be provided at the end of testing. The tests were conducted on a semi-annual basis for FY2022. The results show that the emission results are within the required permissible limit of 150 mg/Nm3, whereby we have achieved 70.99mg/Nm3 and 15.87mg/Nm3 at FLBHD Keningau Factory and 145.64 mg/Nm3 and 19.14 mg/Nm3 at Untung Ria. We are committed to preserving the environment by adhering to the legal guidelines set forth in environmental regulations and continually monitoring our emissions to ensure they remain within acceptable limits.

There are zero fines in FY2022 for non-compliance on emissions. We strive to continue to have zero case and zero fines in FY2023.

SUSTAINABILITY STATEMENT (CONT'D.)

2 ENVIRONMENT (CONTINUED)

- Effluent and Waste Management**

Action Plans	2023 Targets	2022 Achievements
To ensure compliance with regulatory requirements	<ul style="list-style-type: none"> Zero environmental compliance violation Zero fines imposed by environmental authorities 	<ul style="list-style-type: none"> Zero case of non-compliance in FY2022 Zero fines imposed by environmental authorities in FY2022
To monitor glue waste from its production activities	<ul style="list-style-type: none"> To reduce 1% of glue waste from production activities 	<ul style="list-style-type: none"> 0.4793 kg per m³ of glue waste generated

The Group is committed to protecting the environment by reducing waste generated from its production activities, through adoption of waste management and recycling programs. By converting wood waste into biomass energy, the Group is able to reduce its reliance on traditional energy fuels and cut down on energy costs.

Several efforts are taken to handle and dispose of its glue waste that is generated during the manufacturing of plywood in a responsible and sustainable way. This includes engaging a company specialising in waste management services to manage the glue waste. In addition, the production and quality control team are also working towards reducing the amount of glue waste generated from production activities.

Total Hazardous Waste (Glue waste) (kg)	FY2022
Generated	17,190
Disposed	20,919
Recycled	-

Total Non-Hazardous Waste (Wood waste) (m ³)	FY2022
Generated	46,074
Disposed	-
Recycled	46,074

There are zero case and zero fines in FY2022 for non-compliance on waste management. We strive to continue to have zero case and zero fines in FY2023.

- Environmental Compliance**

Action Plans	2023 Targets	2022 Achievements
To ensure compliance with regulatory requirements	<ul style="list-style-type: none"> Zero case of non-compliance to environmental regulatory Zero fines imposed by environmental authorities 	<ul style="list-style-type: none"> Zero case of non-compliance in FY2022 Zero fines imposed by environmental authorities in FY2022

The Group acknowledges the direct impact of a manufacturing and sales of plywood activities on the environment and been taking measures to reduce and mitigate pollution. Our commitment to strict compliance with environmental regulations is crucial step towards a healthier ecosystem. To maintain a healthy ecosystem, we are dedicated to reducing and mitigating environmental pollution within our business divisions. Therefore, we are committed to ensure that we have strict compliance with regulatory requirements.

In FY2022, we achieved zero case of non-compliance and fines imposed by the environmental authorities. It demonstrates that our Group is making progress towards sustainability (FY2021: 0). We have set a target to achieve zero reports and penalties for FY2023.

SUSTAINABILITY STATEMENT (CONT'D.)

3 SOCIAL

Focus Lumber continues to embrace the importance of prioritising the well-being of our employees and creating a safe and discrimination-free workplace. We recognise employees are a valuable asset for the Group, and their health, safety and well-being are important to achieving business and sustainability goals. By committing to creating a safe and supportive working environment, the Group ensures that our employees are engaged and motivated, which contribute to increased productivity and profitability.

The Group takes cognizant the importance of social sustainability, which involves developing processes and structures the meet the needs of our employees, customers and local communities, while supporting the needs of future generations. Prioritising social sustainability as part of our overall sustainability strategy, enables the Group to contribute to the development of healthy and sustainable communities and secure our sustainable business.

• **Employment, Diversity and Equal Opportunities**

The Group encourages diversity in employment to ensure that the Group 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 values diversity in workforce and recognises the importance of having a mix of skills and talent to achieve our business and sustainability goals. The Group supports equal opportunities in all aspects of employment, including hiring, training, and career advancement, and aims to eliminate discrimination based on various personal factors such as gender, age, ethnicity, and cultural background. This adoption of a diversity policy within the Group helps to ensure that these principles are upheld, and the Group creates a more inclusive workplace culture that values and respects all employees.

In FY2022, we reported a total workforce of 557 employees. Male employees constituted 57% (FY2021: 58%) of the Group’s total workforce as the Group is mainly involved in manufacturing sector, while female employees constituted of 43% (FY2021: 42%) of the Group’s total workforce. Although gender equality is crucial, the traditionally male-dominated nature of plywood manufacturing industry means that the gender ratio of male employees is higher than that of females. Where filling management vacancies, we participate in various roadshows and job fairs, which we have found to be effective to reaching a diverse pool of job candidates, including female applicants. These events provide us with an opportunity to showcase our culture, values, and job opportunities in person, which can help attract more female applicants who may not have considered our company before.



EMPLOYEE DISTRIBUTION	
Total number of employees in 2022: 557 employees	
Employee Diversity by Gender	
 57%	 43%

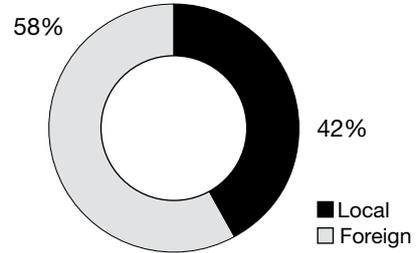
SUSTAINABILITY STATEMENT (CONT'D.)

3 SOCIAL (CONTINUED)

We also have employees that are both local and foreign from Taiwan, China, Indonesia and Philippines. The following chart illustrates the summary of local and foreign employees in FY2022:

We are committed to increase more local hires by also participating in roadshows and job fairs. By participating in job fairs and roadshows, the interaction with local job seekers in person helps to build relationships and establish a direct connection with potential candidates.

DISTRIBUTION OF EMPLOYEES



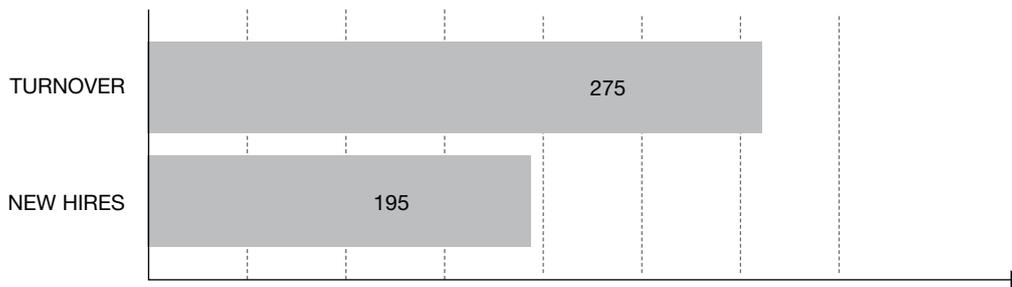
Turnover and New Hires of Employees

The following table illustrates the summary of employee turnovers and new hires in FY2022:

Year	FY2022
Focus Lumber Berhad	274
Untung Ria Sdn Bhd	1
Total Turnover	275

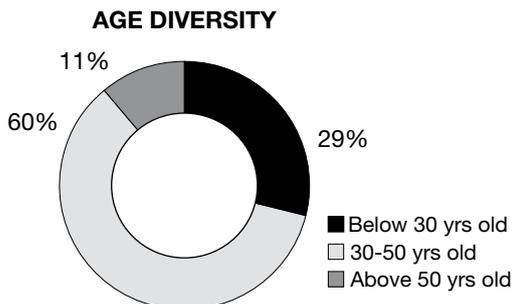
Year	FY2022
Focus Lumber Berhad	195
Untung Ria Sdn Bhd	0
Total New Hires	195

NEW HIRES AND TURNOVER FY2022



Age Diversity

The following chart illustrates the summary of age diversity in FY2022:



• Training and Education

The Group values our employees and acknowledges that the employees are the most valuable assets to the Group. The Group's 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, and leadership development.

SUSTAINABILITY STATEMENT (CONT'D.)

3 SOCIAL (CONTINUED)

- Training and Education (Continued)**

Following is detailed information of the types of training, number of employees trained, training hours and total costs of the training recorded in FY2022 and FY2021:

FY 2022			
Type of Training	Number of Pax	Hours of Training	Total Cost (RM)
Mandatory Accreditation Programme	3	36	8,745
Guidance for Preparation of Sustainability Statement	10	40	4,770
Strategic Tax Considerations for Business Restructuring (covered under HRDF)	1	8	650
Withholding Taxes and Other Related Tax Issues	1	8	480
Investment Incentives in Malaysia under the Income Tax Act 1967 and Relevant Public Rulings (covered under HRDF)	1	8	480
TOTAL	16	100	15,125

FY 2021			
Type of Training	Number of Pax	Hours of Training	Total Cost (RM)
Guidelines on Conduct of Directors of Listed Corporations & Their Subsidiaries, Issued by SC & Malaysian Code on Corporate Governance (Revised 2021)	8	16	4,240
2022 Budget Seminar	1	8	300
Key Updates & Changes for Corporate Accountants	1	8	400
Fundamental Principles in Preparing A Transfer Pricing Documentation	1	8	450
TOTAL	11	40	5,390

The Group invested more in employee training in FY2022 when compared to FY2021 by 181% which is an increase of RM9,735. We believe in providing opportunities for professional development and growth to support employees in improving their skills and knowledge is pivotal, as it increases effectiveness and engagement in their work.

Such investment leads to increase productivity, better quality work, and improved morale amongst employees. The Group believes that it is likely to encourage employees to stay with us for longer, as they feel valued and supported in their career development.

- Occupational Health and Safety**

The Group places 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. The Health and Safety officers of the Group conduct regular briefings, four times per week to the factory workers before they start working. Among the topics covered in the briefing, included the use of personal protection equipment, risk, danger and hazard at workplace, and safety concern for forklift driver.

Newly hired workers undergo the safety induction which covers the explanation of Safe Operating Procedures at workplace, safety and health rules and policy. The Group continuously strive to achieve the highest standard of health and safety to protect our people and co-workers whilst continuing to support and cater to the needs of customers and communities.

SUSTAINABILITY STATEMENT (CONT'D.)

3 SOCIAL (CONTINUED)

- Occupational Health and Safety (Continued)

The health and safety training for employees is an essential aspect of any workplace. It is designed to provide employees with the necessary knowledge and skills to identify and mitigate potential hazards in their work environment, ensuring their safety and well-being. Such training typically covers topics such as emergency procedures, first aid, fire safety, hazardous substances handling, and personal protective equipment (“PPE”). Through health and safety training, employees can learn about the potential risks in their workplace, understand the safety protocols and regulations, and gain practical skills that can help them to prevent accidents and respond to emergencies effectively. This not only reduces the likelihood of injuries and accidents but also promotes a positive safety culture within the organization, creating a safe and healthy work environment for all.

The following table illustrates the occupational health and safety training recorded in FY2022 and FY2021:

FY 2022			
Type of Training	Number of Pax	Day(s) of Training	Total Cost (RM)
Authorised Entrant and Standby Person for Confined Space	1	2	884
Steam Engineers Examination Preparation Course	1	6	3,328
Authorised Gas Tester and Entry Supervisor for Confined Space	1	3	1,560
Course for Certified Environmental Professional in Bag Filter Operation	2	5	8,480
Training on Safe Handling of Chemical	25	2	6,000
Occupational First Aid, CPR & AED Training	15	2	3,750
TOTAL	45	20	24,002

FY 2021			
Type of Training	Number of Pax	Day(s) of Training	Total Cost (RM)
Safety and Health Officer Training	1	44	2,650
Authorised Entrant and Standby Person for Confined Space	1	1	516
TOTAL	2	45	3,166

The Group invested more in employee training in FY2022 when compared to FY2021 by 657.63% which is an increase of RM20,836. We believe by training employees to follow safe work practices and to identify and respond to hazards, companies can reduce the risk of workplace accidents and injuries and create a safer work environment for everyone.

The following table illustrates the statistics of accidents and Lost Time Injury (LTI) in FY2022:

FY 2022				
	LTI		Non-LTI	
	Major Accidents	Minor Accidents	First Aid Injury	Medical Treatment
Number of accidents	2	2	1	1
LTI Days	23	4	0	0

SUSTAINABILITY STATEMENT (CONT'D.)

3 SOCIAL (CONTINUED)

- Occupational Health and Safety (Continued)**

The following table summarises the comparison of performance for FY2022 and our targets for the next reporting period:

Action Plans	2023 Targets	2022 Achievements
To reduce number of accident case and incident rate as compared with previous year	<ul style="list-style-type: none"> Reduce accident case, incident rate, accident frequency rate and severity rate by comparing with the previous year 	<ul style="list-style-type: none"> 6 accident cases in FY2022 (FY2021: 6 accident cases)
To have zero case of fatalities	<ul style="list-style-type: none"> Zero case of fatalities 	<ul style="list-style-type: none"> Zero fatality cases in FY2022 (FY2021: Zero)
To achieve a lower rate of LTI days	<ul style="list-style-type: none"> 1% of reduction of LTI days 	<ul style="list-style-type: none"> 27 LTI days in FY2022 (FY2021: 5 LTI days)

- Local Communities**

The Group encourages employees to acquire new or advanced skills and knowledge through various training programs as well as organizing 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 organized some activities for our employees in FY2022, which were stated below.

List of activities	RM
Majlis Berbuka Puasa Bersama	3,500
Mt KK Climbing (11 staff)	1,650
Annual Lunch KK	1,408
Annual Lunch Keningau	5,721
Kesatuan Pekerja-pekerja FLBHD	640
Total	12,919

Community Engagement

The Group remains committed to carrying out its corporate responsibilities in preserving and creating shared values for its stakeholders even in this challenging times. Our aim for FY2023 is to increase our involvement in community outreach efforts and create productive engagements with the people we serve.

In FY2022, the Group contributed to the community by donating a total amount of RM47,809 to the needy and contributing to the charitable events organised by the governmental and private organisations. For greater outreach across our community stakeholders, we strategically developed long-standing partnerships with various charities listed below.

List of Donations	RM
Dream It Possible Association	15,500
Persatuan Taekwon Do Daerah Keningau	1,700
Kg Ulu Patikang Cash donation	300
Kg Ulu Patikang Materials to construct alternative road	1,180
Program Love Teluk Likas Beach	250
SMJK Ken Hwa	10,000
SJK (C) Chung Hwa Kota Kinabalu	2,000

SUSTAINABILITY STATEMENT (CONT'D.)

3 SOCIAL (CONTINUED)

- Local Communities (Continued)

Community Engagement (Continued)

List of Donations	RM
Polis Diraja Malaysia	400
Persatuan Sukan, Rekreasi dan Kebajikan JPS	1,000
Rotary Club of Kota Kinabalu Pearl Sabah	1,000
Friends of the Police Association, Kaoh Hsiung Branch	7,392
National Sun Yat Sen University EMBA Club	3,087
Youth Sport Hakka Association	1,000
STIA Lumber Night 2023	2,000
Jawatankuasa Pesta Tahun Baru Cina Keningau	1,000
Total amount donated	47,809

Moving Forward

As we reflect on our sustainability achievements and challenges, we are more committed than ever to move forward towards a more sustainable future. We recognize that this journey requires ongoing effort, collaboration, and innovation and have a responsibility to minimize our impact on the environment, promote ethical and responsible business practices, and contribute to the well-being of our communities.

Moving forward, we will prioritize initiatives that support these goals, such as sourcing sustainable materials, reducing our environmental footprint, and engaging with stakeholders on sustainability issues. We will continue to monitor and report on our progress towards our sustainability targets, seeking feedback and insights from our stakeholders to inform our decision-making. We are excited to build on our sustainability achievements and make a positive impact on our environment and society.

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”).

This Corporate Governance Overview Statement (“CG Statement”) provides the summary of the Company’s corporate governance practices during the financial year ended 31 December 2022 with reference to the following three (3) principles set out in the Malaysian Code on Corporate Governance 2021 (“MCCG”):

- (a) Board leadership and effectiveness;
- (b) Effective audit and risk management; and
- (c) Integrity in corporate reporting and meaningful relationship with shareholders.

The statement is to be read together with the Corporate Governance Report 2022 (“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 2022. The CG Report is available on the Company’s website at www.focuslumber.com.my.

For financial year ended 31 December 2022, the Company complied with most of the principles and practices as set out in the MCCG, apart from departures on Practice 5.9 - The Board comprises at least 30% women directors.

BOARD LEADERSHIP AND EFFECTIVENESS

Board of Directors

The Board currently comprises of eight (8) directors of which four (4) are Independent Non-Executive Directors, three (3) are Executive Directors and one (1) Managing 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.

The Board scheduled to meet at least five (5) times a year with additional meetings to be convened when there are urgent matters to be discussed and approved by the Board in between these scheduled meetings. Meetings are also organised for the Board Committees which are the Audit Committee (“AC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”). Detail of attendance of each Director at the meetings of the Board and Board Committees held during the financial year 2022 was as follows:

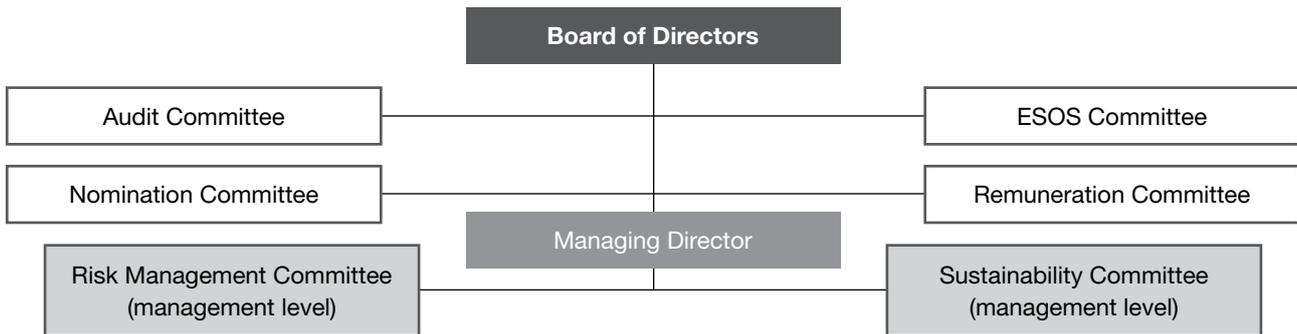
Directors	Board	AC	NC	RC
Datuk Aznam Bin Mansor <i>(relinquished membership from the AC, NC and RC effective 22 August 2022)</i>	5/5	4/4	4/4	3/3
Lin, Hao-Wen	5/5	-	-	-
Ng Tian Meng	5/5	5/5	5/5	4/4
Wong Yoke Nyen	5/5	5/5	5/5	4/4
Lin Fong Ming <i>(Resigned on 29 November 2022)</i>	4/4	-	-	-
Lin, Hao-Yu	5/5	-	-	-
Lin, Pei-Wen <i>(Appointed on 1 June 2022)</i>	2/2	-	-	-
Nar Chin Keow <i>(Appointed on 1 June 2022)</i>	2/2	1/1	1/1	1/1
Teh Yong Khim <i>(Appointed on 1 December 2022)</i>	-	-	-	-

Board and Board Committee meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention to the meeting agenda. The senior management or external advisors were 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)*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 exercised 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 the Company. In order to ensure that the responsibilities of the Board are effectively discharged, the Board delegates certain responsibilities to the Board Committees, Managing Director and the Management. The Governance Structure of the Company is as depicted below:



The Board has established Board Committees to perform certain of its functions and to provide recommendations and advice. The Board Committees operates under clearly defined Terms of Reference ("TOR") as approved by the Board and which are periodically reviewed. The Chairman of the respective Board Committees will report to the Board on the outcome of any discussions and make recommendations thereon to the Board for approval. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

Board Leadership

In fostering a strong culture of corporate governance in the Group, the Board has always strived to comply with the Best Practices of Corporate Governance. The Chairman leads the Board by setting the tone at the top and managing the Board effectiveness by focusing on strategy, governance, compliance and sustainability.

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 Chairman of the Board, Datuk Aznam Bin Mansor is not a member of AC, NC and RC, which complied with Practice 1.4 of the MCCG.

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 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 Board Charter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Access to Information and Advice

The Board regularly reviews reports on progress against financial objectives, business development and receives 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 (5) 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 Charter

The Board 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 27 March 2023 reviewed and approved the Board Charter. More information on the Board Charter can be found on the Company's website at www.focuslumber.com.my.

Good Business Conduct and Corporate Culture

Code of Conduct and Ethics

The Board is committed to conducting business in accordance with the highest standards of integrity, business ethics and complying with applicable laws, rules and regulations. In line with the recommendations of MCCG, the Board has established the Code of Conduct and Ethics Policy which is reviewed by the Board annually. The Code of Conduct and Ethics describes the behaviors expected from all the employees that enhance the standard of corporate governance and corporate behaviour.

Anti-Bribery and Anti-Corruption Policy ("ABAC Policy")

The Board also 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 Company has adopted the ABAC Policy as in compliance with the Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act"). The adoption of the ABAC Policy reflected the commitment by the Board and the Group to conduct all businesses in an honest and ethical manner requiring all Directors and employees to act professionally, fairly and with integrity in all our business dealings and relationships. The ABAC Policy provides guidance to employees concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Good Business Conduct and Corporate Culture (continued)

Whistleblowing Policy

Whistleblowing Policy is designed to create a positive environment in which employees can raise genuine concerns without fear of recrimination and enable prompt corrective action to be taken, where appropriate. The policy is designed to support the company's values, ensure employees raising concerns without fear of reprisals and provide a transparent and confidential process for dealing with concerns.

The Whistleblowing Policy states that all malpractices or wrongdoings reported by the whistle-blower are made to the immediate superior, Chairman of the Board or Chairman of Audit Committee.

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

Sustainability Management

The Board recognises the importance of sustainability development to businesses and is committed to ensure attention is given to environmental, social, economic and governance aspects as an integral part of its business operations. The Board is responsible for the development of the Group's sustainability strategies and ensures that there is an effective governance framework for sustainability within the Group.

A management level committee, which comprises of the Managing Director, Executive Directors and key senior management, was established under the governance structure with the primary purpose to assist the Board in the implementation of the strategic plan approved by the Board in managing the sustainability matters of the Group. Sustainability targets, implementation strategies, priorities and measurement method are being developed, discussed and monitored by the Board. Sustainability is included as one of the criteria in the performance evaluation of the Board and senior management.

In order to stay abreast with and understand the sustainability issues relevant to the company and its business, the Board also attended various training programme.

Board Composition and Diversity

Nomination Committee

The present NC comprises of three Independent Non-Executive Directors. During the financial year 2022, the NC had five (5) meetings to discuss the following matters:-

- performed annual assessment and reviewed the performance of individual Directors, effectiveness of the Board and Board Committee as a whole to ascertain that the individual Directors, the Board and the Board Committees have discharged their duties effectively according to the Board Charter and respective Board Committees' TOR;
- performed annual review and restructuring of the overall composition of the Board and Board Committees and satisfy that the Board is optimum and that there is appropriate mix of diversity (including gender), knowledge, skills, experience, expertise, attributes and core competencies in the Board's composition;
- reviewed the Directors' Fit and Proper Policy and recommended to the Board for approval;
- conducted assessment on Directors who are subject to re-election by rotation pursuant to the Company's Constitution and recommended to the Board for approval;
- conducted assessment and reviewed the proposed continuance of the Independent Directors which had served for a cumulative term of more than nine years; and
- conducted assessment on the proposed appointment of new Directors based on the Directors' Fit and Proper Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**Board Composition and Diversity (continued)***Review of Board Composition*

The NC assists the Board in determining the composition of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. The Board had via 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.

During the year 2022, there were changes to the Board composition. In June 2022, two female Directors, Ms Nar Chin Keow and Ms Lin, Pei-Wen, were appointed to the Board which fulfils the requirement of Paragraph 15.02(1)(b) of the MMLR of Bursa Securities. The NC had reviewed and assessed their experience, skills, time commitment and expertise and was satisfied that they had fulfilled the required criteria set by the Board and would be able to contribute meaningfully to the Group. NC also assesses the level of independence of Ms Nar Chin Keow and satisfied that her appointment is aligned with the Company's objectives and goals, and comply with MMLR of Bursa Malaysia. With the recommendation of the NC, the Board approved the appointment of Ms Nar Chin Keow as an Independent Non-Executive Director, and Ms Lin, Pei-Wen as an Executive Director of the Company effective from 1 June 2022.

Following the appointment of Ms Nar Chin Keow, a new Independent Non-Executive Director, to the Board, the composition of AC, NC and RC was restructured on 22 August 2022. The Chairman of the Board, Datuk Aznam Bin Mansor relinquished his membership in all Board Committees and was replaced by Ms Nar Chin Keow in order to comply with Practice 1.4 of the MCGG.

Another change in the Board composition following the resignation of Mr Lin Fong Ming on 29 November 2022 and in replacement, Mr Teh Yong Khim, the Financial Control of the Company was recommended by the NC as an Executive Director. The NC had conducted assessment before recommending his appointment to the Board for approval.

Board Independence and Tenure of Independent Directors

The Board currently comprises of eight (8) directors of which four (4) are Independent Non-Executive Directors. The composition of the Board is in compliance with one-third (1/3) requirement of Independent Director as set out in Paragraph 15.02 of the MMLR of Bursa Securities.

During the financial year 2022, the Board assessed the performance and independence of Datuk Aznam Bin Mansor, Wong Yoke Nyen and Ng Tian Meng as well as their suitability to continue office as Independent Directors. It was concluded that Independent Directors acted to the best of their abilities, in the best interests of the Group and they met the independence criteria as set out in the MMLR of Bursa Securities. The Board sought the Shareholders' approval through a two-tier voting process pursuant to Practice 5.3 of the MCGG at the Company's 32nd AGM held on 20 May 2022 for Datuk Aznam Bin Mansor, Ng Tian Meng and Wong Yoke Nyen to continue office as Independent Directors of the Company. A statement to support their re-election and the justifications was also provided in the Notice of 32nd AGM.

Diversity Policy

The Board has adopted a Diversity Policy which describes the Company's commitment to ensuring a diverse mix of skills and talent exist amongst its Directors, officers and employees, to enhance Company performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees. The Board is responsible for monitoring the Company performance in meeting the Diversity Policy requirements. During the year 2022, two (2) woman Directors were appointed to the Board which fulfils the requirement of Paragraph 15.02(1)(b) of the MMLR of Bursa Securities.

The eight (8) members of the Board are persons of high integrity and caliber who have sound knowledge and understanding of the Group's business and provide a diversity of breadth in experience and knowledge. They possess the background and expertise in specialized fields such as manufacturing, business management, engineering, corporate finance and investment banking, audit and accounting, legal and governance which are critical to the Group's business and sustainability. Each director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the best interest of the Group.

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, none of the Directors of the Company hold more than five (5) directorships in the public listed corporations.

A brief description of each Director, which include age, gender, tenure of service, directorship in other companies, etc is stated in the Directors' Profile in pages 4 to 7 of the Annual Report 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Board Composition and Diversity (continued)

Appointment of new Directors 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 engages independent sources, such as independent recruiting firm to identify suitable qualified candidates.

Following the amendments made to the MMLR of Bursa Malaysia, the Board has in May 2022 adopted a Directors' Fit and Proper Policy which sets out the approach, guidelines and procedures to ensure that a formal, rigorous and transparent process is adhered to for the appointment, re-appointment and/or re-election of the Directors. The said policy is available on the Company's corporate website.

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 as well as the Directors' Fit and Proper criteria in accordance with the Director' Fit and Proper Policy 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.

Board Effectiveness

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 conduct of Board meetings and procedures. The evaluation documents were endorsed by the NC and approved by the Board before distributed to all the Board members to fill in their evaluation.

All Directors 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 and Chairman of the Board.

The NC deliberated on the findings from the self-assessment exercise during the committee meeting held on 21 February 2022. For financial year 2022 assessment, overall rating of the performance evaluation of the Board was above average. The NC was satisfied that the Board consist of 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**Directors' Training (continued)**

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 schedules 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 2022, 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	<ul style="list-style-type: none"> Guidelines for Preparation of Sustainability Statement 	22 August 2022
Lin, Hao-Wen	<ul style="list-style-type: none"> Guidelines for Preparation of Sustainability Statement 	22 August 2022
Lin, Hao-Yu	<ul style="list-style-type: none"> Guidelines for Preparation of Sustainability Statement 	22 August 2022
Lin, Pei-Wen	<ul style="list-style-type: none"> Guidelines for Preparation of Sustainability Statement Mandatory Accreditation Programme (MAP) 	22 August 2022 23-25 August 2022
Teh Yong Khim	<ul style="list-style-type: none"> Guidelines for Preparation of Sustainability Statement Strategic Tax Considerations for Business Restructuring Investment Incentives In Malaysia Under the Income Tax Act 1967 and the Relevant Public Rulings Withholding Taxed and Other Related Tax Issues 	22 August 2022 28 November 2022 23 December 2022 28 December 2022
Nar Chin Keow	<ul style="list-style-type: none"> Guidelines for Preparation of Sustainability Statement Mandatory Accreditation Programme (MAP) 	22 August 2022 23-25 August 2022
Ng Tian Meng	<ul style="list-style-type: none"> Guidelines for Preparation of Sustainability Statement Seminar on "Corporate Liability & Establishing Adequate Procedures For Small Medium Enterprise" Webinar: Cukai Perkhidmatan (SST:CP) 	22 August 2022 21-22 September 2022 7 October 2022
Wong Yoke Nyen	<ul style="list-style-type: none"> Practical Strategies To Turn Pressure Into Positive Energy In Covid-19 Era Guidelines for Preparation of Sustainability Statement Board Briefing on Integrated Reporting Assessing Financial System Integrity - Anti-money Laundering & Combating the Financing of Terrorism, Corruption & Bribery, Custom Information & Permitted Disclosure Success, Survival & Sustainability Strategies in Competitive Environment Using Sun Zi's Art of War Approach Compliance with Listing Requirements - Reporting of Financial Statements 	27 March 2022 22 August 2022 24 August 2022 24 August 2022 5 September 2022 12 September 2022

Level and Composition of Remuneration*Remuneration Committee*

The RC comprises wholly Independent Non-Executive Directors. 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 with regards to performance, the risk management framework, the law and the highest standards of governance.

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

During the financial year 2022, the RC met four (4) times to consider the remuneration package for the Executive Directors and Senior Management as well as Directors' fees and benefits for the Independent Non-Executive Directors. All deliberations of the RC are properly documented in the minutes of RC meetings and recommended for Board's approval.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Level and Composition of Remuneration (continued)

Remuneration Policy and Procedures

The Remuneration Policy and Procedures is designed with the aim to support the Group's key strategies and create a strong performance-oriented environment, and be able to attract, motivate and retain talent.

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 remuneration package for Executive Directors and Senior Management is linked to scope of the duty and responsibilities, individual performance, achievement of the Group's budget and information from independent sources on the rate of salary for similar positions in other comparable companies.

All Directors abstained 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 detailed remuneration of the individual Directors and Key Senior Management are disclosed in the CG Report.

EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The AC comprises wholly of Independent Non-Executive Directors. The Chairman of the AC, Mr Wong Yoke Nyen, 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. None of the AC members were former audit partners who are required to observe a cooling-off period of at least three (3) years before being appointed in accordance with the TOR of the 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 Company.

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 obtained 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 also undertakes 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 Management.

In February 2022, the NC reviewed the composition and performance evaluation of the AC and is satisfied that the AC had discharged its function, duties and responsibilities in accordance with the TOR of the AC. To maintain an independent and effective AC, Independent Non-Executive Directors who are financially literate, possess the appropriate level of expertise and experience and have a strong understanding of the Company's business operation were considered for membership on the AC. The performance evaluation of the individual Director is used in determining the re-appointment for their next term and recommended for Board's approval.

In August 2022, the composition of the AC was restructured in a way that Datuk Aznam Bin Mansor relinquished his membership in order to comply with the Practice 1.4 of the MCGG. Nar Chin Keow, new Independent Non-Executive Director was appointed in financial year 2022, in his stead as a member of the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

Effective Risk Management and Internal Control Framework

The Board acknowledges its responsibility for maintaining a sound risk management and internal control framework, 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 risk management and internal control system also aimed at identifying and managing any risks that the Company may encounter in pursuit of its business objectives.

The Board entrusts the AC with the overall responsibility for overseeing the risk management activities of the Group. The AC is also responsible to assist the Board in ensuring the adequacy and effectiveness of internal controls.

The Board is of the view that the Group's risk management and internal control framework is in place for the financial year under review and up to the date of issuance of the financial statements.

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 49 to 52 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communications with Stakeholders

The Board is committed to provide accurate, clear, timely and complete disclosure of material information pertaining to the development of the Group to its stakeholders. 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. In responding to the recommendations contained in the MCCG and the disclosure obligations contained in the MMLR of Bursa Securities, the Group has formalised a Corporate Disclosure Policy.

The disclosures made by the Group to Bursa Securities and its stakeholders 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 and its stakeholders after having been reviewed and approved by the Board.

To ensure thorough public dissemination, the Company has leveraged on information technology including making announcements via Bursa LINK (The Listing Information Network) of Bursa Securities and establishing a dedicated section for "Investors Relations" on the Company's website at www.focuslumber.com.my where updates on the Group, corporate information, profiles of Directors, annual report, policies and TOR of respective Board Committees.

Conduct of General Meetings

The Board is of the view that the General Meetings are an important platform to meet the shareholders and for the shareholders to address their concerns. Shareholders are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to convey their expectations and concerns. Shareholders are also 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 Company held its 32nd AGM and EGM virtually and leveraged on technology to enhance the communication with the shareholders of the Company. The Chairman of the Board and Chairman of the AC were physically present at the broadcast venue together with the Company Secretaries. The other members of the Board, Financial Controller and the External Auditor were in attendance virtually via video conferencing.

The Notice of 32nd AGM was dispatched to the shareholders on 21 April 2022, at least 28 days before the meeting date and was in excess of the 21 days requirement under the Companies Act 2016. At the same time, shareholders were advised to take advantage of the remote participation and voting (RPV) facilities. To further encourage engagement between the Directors and shareholders, shareholders were also invited to send questions before and during the meeting to Tricor's TIH Online website in relation to the agenda items for the 32nd AGM and the EGM. Questions posted by shareholders were made visible to all meeting participants during the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D.)

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

Conduct of General Meetings (continued)

The Company conducted electronic polling at the AGM and EGM. The poll results were verified by the appointed scrutineer, Scrutineer Solutions Sdn. Bhd. and visible on the screen, upon which the Chairman declared that all the resolutions were carried. The poll results were also announced by the Company via Bursa LINK on the same day for the benefit of all shareholders. The minutes of the AGM/ EGM (including all the Questions and Answers at the meeting) were also made available on our website within thirty (30) business days after the conclusion of the general meetings.

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 2022.

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

This Corporate Governance Overview Statement with inclusion of the AC Report, together with the Corporate Governance Report 2022 were approved by the Board on 27 March 2023.

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”).

COMPOSITION OF THE AUDIT COMMITTEE

The AC comprises three (3) members who are all Independent Non-Executive Directors. The AC meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and Practice 9.4 of the Malaysian Code of Corporate Governance (“MCCG”).

As at 31 December 2022, the AC comprised the following:-

Chairman

Wong Yoke Nyen *(Independent Non-Executive Director)*

Members

Ng Tian Meng *(Independent Non-Executive Director)*

Nar Chin Keow (f) *(Independent Non-Executive Director)*

The Chairman of the AC, Mr Wong Yoke Nyen is 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. He has more than forty (40) years of working experience in the area of auditing, accountancy and corporate finance. He fulfills other requirements as prescribed and approved by the Bursa Malaysia. Accordingly, the Company complies with the requirements of Paragraph 15.09(1) of MMLR of Bursa Securities.

The AC Chairman is also not the Chairman of the Board which is in line with Practice 9.1 of the MCCG.

In compliance with Paragraph 15.20 of the MMLR 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 2022, 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, which was revised and approved by the Board on 20 February 2023, is available on the Company’s website at www.focuslumber.com.my.

MEETINGS OF THE AC

The AC met five (5) times during the financial year 2022 which were attended by all members of AC. The attendance of the AC at the meetings during financial year 2022, were as follows:-

AC	Attendance
Wong Yoke Nyen (Chairman)	5/5
Ng Tian Meng	5/5
Datuk Aznam Bin Mansor (ceased as AC member on 22 August 2022)	4/4
Nar Chin Keow (Appointed as a member of AC on 22 August 2022)	1/1

The Managing Director, representatives of the External Auditors, Internal Auditors, and certain members of Senior Management were invited to attend and brief the AC on specific issues during the AC meetings. The role of the AC is to ensure that recommendations made by both internal and external auditors, as well as by regulators, are addressed and dealt with in a timely manner.

In performing its function, the AC had met the external auditors twice without the presence of any executive member of the Board and management staff on 28 March 2022 and 29 November 2022.

All deliberations at the AC meetings were properly recorded. The minutes of the AC meetings were tabled for confirmation at the meetings that followed and subsequently presented to the Board for notation. The AC Chairman also reported to the Board on the activities and significant matters discussed at each AC meeting.

AUDIT COMMITTEE REPORT (CONT'D.)

SUMMARY OF WORK OF THE AUDIT COMMITTEE

The main activities and work carried out by the AC during the financial year 2022 were as follows:-

Financial Reporting

- a. Reviewed the unaudited quarterly financial results of the Group for the fourth quarter of 2021 and the annual audited financial statements of 2021 of the Company at the meetings held on 21 February 2022 and 28 March 2022, respectively;
- b. Reviewed the unaudited quarterly financial results of the Group for the first, second, and third quarters of 2022 before recommending to the Board for consideration and approval at the meetings held on 20 May 2022, 22 August 2022 and 29 November 2022 respectively;
- c. Reviewed related party transactions entered into by the Group and the Company to ensure that such transactions were at arm's length as well as in line with the Group's normal commercial terms;
- d. Discussed and confirmed with the Management 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 the 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 the Company.

External Audit

- a. Reviewed and approved the External Auditors' 2022 Audit Planning Memorandum outlining their scope of work, areas of audit emphasis such as revenue recognition, existence and valuation of inventories, related party transactions and balances and management override of controls and also 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 29 November 2022;
- b. Obtained the written assurance from External Auditors to confirm that they were and had been independent throughout the conduct of their audit engagement for financial year 2022;
- c. Had two (2) private meetings with the External Auditors on 28 March 2022 and 29 November 2022 without the presence of Managing Director, Executive Directors and Management, 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 2021 before recommending for the Board of Directors' approval on 28 March 2022;
- e. Reviewed and discussed the Key Audit Matter ("KAM") identified by the External Auditors and determined the materiality of the matter raised on 28 March 2022. The KAM highlighted by the External Auditors was on valuation basis and methodology undertaken for inventories;
- f. 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;
- 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 28 March 2022 before recommending for the Board to propose to shareholders the re-appointment of the External Auditors at the 32nd Annual General Meeting of the Company. Assessment questionnaires were used as a tool to obtain input from the personnel who had substantial contact with the External Auditors before tabled to the AC for deliberation;

AUDIT COMMITTEE REPORT (CONT'D.)

SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONTINUED)*External Audit (continued)*

- h. Reviewed the External Auditors Policy on the changes made in respect of the rotation of audit partner in compliance with the relevant requirements before recommending for the Board of Directors' approval on 28 March 2022; and
- i. Noted from the representation by the External Auditors that they are exempted from the publication of the External Auditors' Transparency Report but they confirmed their adherence to the practices as stated in the required content of such report.

Internal Audit

- a. Reviewed the progress of internal audit plan 2022/2023 at the meeting held on 21 February 2022, 20 May 2022, 22 August 2022 and 29 November 2022;
- 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 21 February 2022, 20 May 2022, 22 August 2022 and 29 November 2022;
- 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 21 February 2022, 22 August 2022 and 29 November 2022; and
- d. Reviewed and approved the Internal Audit Plan 2023/2024 and recommended the proposed audit fee to the Board for approval on 29 November 2022.

Risk Management

- a. Reviewed the reports submitted by the Risk Management Committee on key risks facing the Group during the meeting held on 20 May 2022 and 29 November 2022 to ensure that mitigation action plans have been put in place.

Others

- a. Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report in accordance with the MMLR of Bursa Securities on 28 March 2022;
- b. Reviewed the variance analysis between actual result, budget and forecasted result on 21 February 2022, 20 May 2022, 22 August 2022 and 29 November 2022; and
- c. Reviewed and recommended the Budget for year 2023 to the Board for approval on 29 November 2022.

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.

AUDIT COMMITTEE REPORT (CONT'D.)

INTERNAL AUDIT FUNCTIONS (CONTINUED)

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 year were 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	Human Resource <ul style="list-style-type: none"> • Review the worker's attendance • Maintenance of worker's database • Calculation and approval of worker's payroll • Monitoring on statutory contributions • Review the compliance to rules and regulations 	21 December 2021
2	Follow-up Internal Control review on Human Resource	25 April 2022
3	Production and Quality Control <ul style="list-style-type: none"> • Production planning • Raw material requisition for production • Production reporting • Rework and wastage • Health and safety • Quality inspection on work in progress and finished goods • Receiving of finished goods by warehouse 	7 July 2022 to 15 July 2022
4	Follow-up Internal Control review on Production and Quality Control	24 October 2022

- 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 21 February 2022, 20 May 2022, 22 August 2022 and 29 November 2022 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 financial year 2022, the AC 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 2022 was RM50,880 (2021: RM50,880).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board recognises the importance of a sound system of risk management and internal control framework. The Board's Statement on Risk Management and Internal Control outlines the nature and scope of the Group's system of internal control and risk management in financial year 2022.

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.

The Board entrusts the AC with the overall responsibility for overseeing the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies across the organisation, identification and management of strategy and key operational risks.

The AC evaluates the adequacy and effectiveness of the Group's internal control systems through submission of internal audit reports by Internal Auditors on a quarterly basis. Besides, the AC is responsible for routine half-yearly reporting of significant risk exposures to the Board and will closely monitor the risk that are identified. Audit issues, risk-related matters and actions taken by Management to address the issues were deliberated during the AC meetings and presented to the Board for their review and approval.

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.

Management's Responsibility

The Management is accountable to the Board and responsible for implementing the processes of identifying, evaluating, monitoring and reporting of risks and the effectiveness of internal control systems, taking appropriate and timely corrective actions as required. A management level committee which is led by the Managing Director has been formed to:

- (a) advise the AC on the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment;
- (b) make recommendations to the AC on priority risk areas and the appropriate action required;
- (c) monitor and ensure the Risk Management Policy is implemented effectively;
- (d) ensure that adequate organisational systems are in place for implementing, monitoring and reviewing assurances on controls;
- (e) oversee identification and implementation of the risk management action plan and risk registers; and
- (f) inform any serious untoward incidents and ensure that follow up actions plans are developed.

Key Risk Management and Internal Control Processes

Risk Management Framework

AC has the responsibility to oversee the overall risk management processes by identifying principal business risks and ensuring appropriate implementation of systems to manage these risks.

The Board has put in place a formal risk management framework which will allow for management of risks within defined risks parameters. The framework involves a continual process for identifying, assessing, monitoring and reporting significant risks faced by the executives, functions, operating units and ultimately the Group. Risks are monitored and managed through ownership from line management and this demonstrates the commitment from line management that they are managing their own risks and providing upwards assurance on increasing accountability and transparency throughout the Group. The effectiveness of the framework is assessed at least twice every year which includes a review of all significant risks by the respective risk owners and to assess the overall risk environment of the Group.

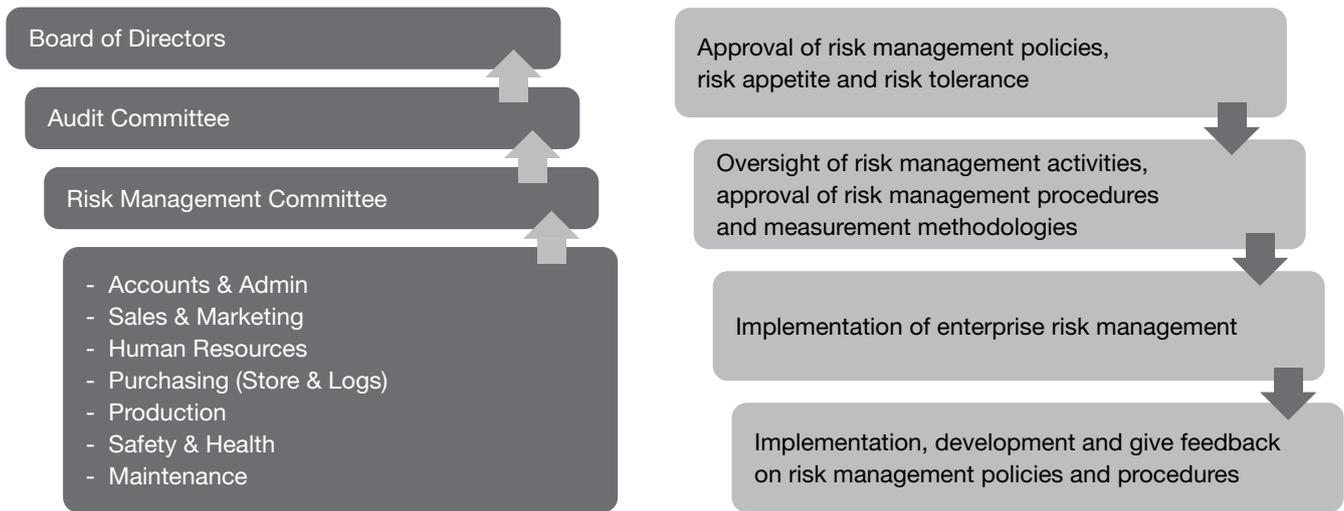
The Board firmly believe that an effective risk management is critical to the Group's continued profitability and the enhancement of shareholder value. The Board, with the assistance of the Management, has set out the overall approach of the Group's risk management activities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D.)

Key Risk Management and Internal Control Processes (continued)

Risk Management Process

The risk management oversight structure of the Group sets out the accountabilities and responsibilities for the risk management process which underlines the principal risk management and control responsibilities:

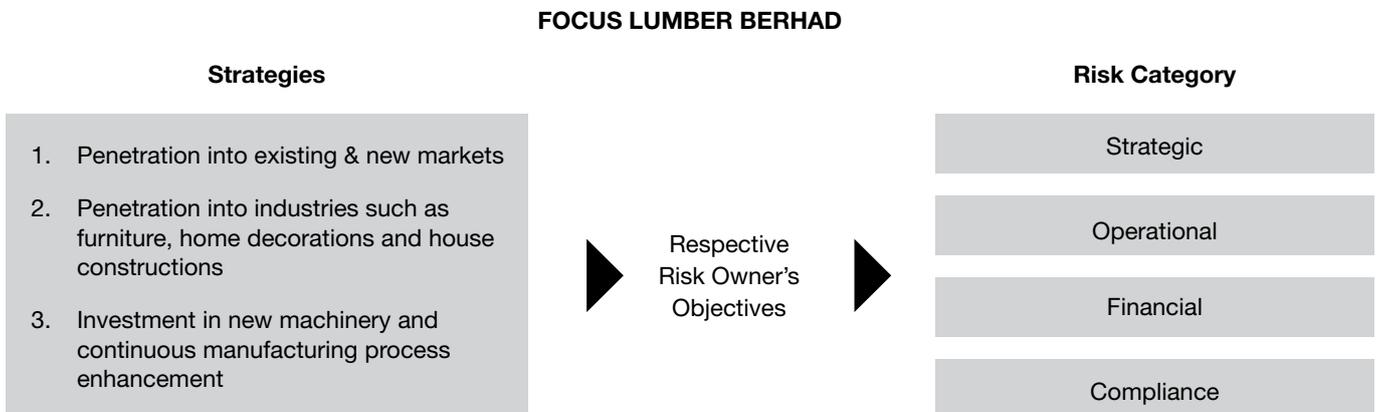


The Board is responsible for oversight of the Group’s risk management framework, risk appetite/ risk tolerance and risk management policies. The Audit Committees is supported by the management level Risk Management Committee (“RMC”). RMC identifies and communicates the material risks (present and potential) in terms of likelihood of exposures and impact on the Group’s business to the AC on half-yearly basis and such time as need arises.

The individual operating units are responsible for identifying, mitigating and managing risks within the lines of business and ensuring that the day-to-day business activities are carried out in accordance with established policies, procedures and limits.

The risk management policies are subject to review when need arises to ensure that they remain relevant and effective in managing the associated risks due to changes in the marketplace and regulatory environments.

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



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D.)

Key Risk Management and Internal Control Processes (continued)**Risk Management Process (continued)**

Risk is to be assessed by considering estimates of both likelihood and impacts. The risk evaluation process helps the Group to determine how best to utilise its resources in managing its risks at an enterprise level.

Likelihood	Impact			
	Insignificant	Minor	Moderate	Major
Almost certain	Medium - Effectiveness and adequacy of control should be periodically monitored.		High - Effectiveness and adequacy of control should be immediately monitored.	
Likely				
Possible	Low - Risks managed by existing controls.		Significant - Effectiveness and adequacy of control should be regularly monitored.	
Unlikely				

The risks that fall under the top right corner of the matrix should be given high priority, that is the Group should direct a significant proportion of its resources to manage these risks. The risks that fall under bottom right corner and top left corner are considered as significant and medium priority. Effectiveness and adequacy of the internal controls of these categories should be monitored regularly and periodically respectively. The risks at the bottom left corner are considered as low priority risks which are sufficiently managed with existing controls. All the risks identified are maintained in risk register to facilitate monitoring from time to time.

Internal Audit Function

The Group's internal audit function, which is outsourced to a firm of independent professionals, assists the Board and the AC in providing objective and independent assessment on the adequacy and effectiveness of the Group's risk management and internal control system.

The outsourced internal auditor is led by a team who are registered with professional bodies, and comprises:-

- (a) Director – Certified Internal Auditor, Certified Practising Accountant with CPA Australia, a Chartered Member of Institute of Internal Auditors Malaysia and Accountants registered with Malaysian Institute of Accountants; and
- (b) Manager - Associate Member of Institute of Internal Auditors Malaysia.

The outsourced internal auditor monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance to the AC on a quarterly basis.

The findings of the internal audits are tabled at the AC meetings for deliberation and the AC's expectations on the corrective measures will be communicated to the Management. The Internal Audit Plans are reviewed and approved by the AC.

The AC reviews any internal control issues identified by the internal auditor, the external auditors and Management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The AC also review the internal audit function and quality of internal audits. The minutes of the Audit Committees meetings are tabled to the Board. Further details of the activities undertaken by the AC are set out in the AC Report.

During the year, the AC 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 2022 was RM50,880.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D.)

Key Risk Management and Internal Control Processes (continued)

Other Internal Control Processes

Other key elements of internal control are as followed:

- (a) an organisation structure with formally defined lines of responsibility and delegation of authority;
- (b) operating policies and procedures, which incorporate regulatory and internal requirements, are prescribed in the form of circulars to line management in all operating units and updated as and when there are changes;
- (c) Board and Audit Committee meetings are carried out to assess the overall performance and internal controls of the Group;
- (d) submission of annual budget for approval and financial forecast for the remaining period of the financial year. Audit Committee reviews quarterly report, which are measured against budget and forecast to gauge performance;
- (e) internal control requirements such as system configuration controls, authority limits, and user access controls are embedded in computerised systems;
- (f) the professionalism and competency of employees are being emphasized through training;
- (g) regular operation and management meetings were held to discuss the management and operational issues;
- (h) quarterly reports are released to Bursa Malaysia Securities Berhad after being reviewed by the AC and approved by the Board;
- (i) establishment of a sustainability committee at management level that govern the management of sustainability within the Group which cover the key activities related to materiality assessment, setting of KPI and sustainability-related targets, and reporting timeframe; and
- (j) submission of solvency assessment report on a quarterly or semi-annually basis with the future solvency position deliberated at the Board meetings.

Assurance from the Management

The Board has also received assurance from the Managing Director and the Executive Director on 27 March 2023 that the Group's risk management framework and internal control system are operating adequately and effectively, in all material aspects, based on the risk management framework and internal control systems adopted by the Group.

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 Executive Director; 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 27 March 2023.

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 2022.

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 2022 are RM95,000 and RM103,000 respectively. The amount of non-audit fees paid to the external auditors by the Company and Group for the financial year ended 31 December 2022 is RM20,000 and RM25,000 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 102 and 103.

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 2022	
	All Eligible Employees including Directors	Directors
Options granted	15,480,000	6,650,000
Adjustment pursuant to bonus issue	3,076,000	1,550,000
Options exercised	(11,718,000)	(5,100,000)
Options lapsed	(1,666,000)	(280,000)
Options outstanding	5,172,000	2,820,000

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 2022, the Company has granted 55.88% of options to the Directors and senior management.

As at 31 December 2022, ESOS allocations to Non-Executive Directors are as follows: -

No.	Name of Non-Executive Director	Amount of ESOS granted after adjustment of bonus issue	Amount of ESOS exercised
1.	Datuk Aznam Bin Mansor	2,250,000	750,000
2.	Wong Yoke Nyen	1,870,000	1,130,000
3.	Ng Tian Meng	1,500,000	1,500,000

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.

FINANCIAL STATEMENTS

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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 2022.

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 companies are stated in Note 15 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	27,669,710	27,140,574

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 dividends declared by the Company were as follows:

	RM
In respect of the financial year ended 31 December 2021:	
Interim single-tier dividend of 3 sen per ordinary share declared on 21 February 2022 and paid on 20 April 2022*	3,019,899
In respect of the financial year ended 31 December 2022:	
Interim single-tier dividend of 3 sen per ordinary share declared on 20 May 2022 and paid on 15 July 2022*	3,075,615
Interim single-tier dividend of 3 sen per ordinary share declared on 22 August 2022 and paid on 30 September 2022*	3,116,004
Interim share dividend on the basis of 1 treasury share for every 50 existing shares declared on 22 August 2022 and being credited to respective equity holders on 30 September 2022*	2,468,987
Interim share dividend on the basis of 1 treasury share for every 25 existing shares declared on 29 November 2022 and being credited to respective equity holders on 30 December 2022	5,156,771
Interim single-tier dividend of 2 sen per ordinary share declared on 20 February 2023 and paid on 22 March 2023	4,368,633
	21,205,909

* *The interim single-tier dividend or the interim share dividend were declared and transacted before the one for one bonus issue which was completed on 2 November 2022.*

The Directors do not recommend any final dividend for the current financial year ended 31 December 2022.

DIRECTORS' REPORT (CONT'D.)

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, Hao-Yu
 Wong Yoke Nyen
 Ng Tian Meng
 Lin, Pei-Wen (Appointed on 1 June 2022)
 Nar Chin Keow (Appointed on 1 June 2022)
 Teh Yong Khim (Appointed on 1 December 2022)
 Lin Fong Ming (Resigned on 29 November 2022)

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, Hao-Wen
 Lin, Hao-Yu (Appointed on 29 November 2022)
 Lin Fong Ming (Resigned on 29 November 2022)

DIRECTORS' INTERESTS IN SHARES

The holdings and deemed holdings in the ordinary shares of the Company and its related corporations (other than wholly-owned subsidiaries) 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 1.1.2022 or date of appointment if later	Effect of bonus issue *	Acquired	Sold	At 31.12.2022
Datuk Aznam Bin Mansor	-	765,000	826,200	-	1,591,200
Lin, Hao-Wen	9,179,360	9,821,947	11,600,734	-	30,602,041
Lin, Hao-Yu	8,582,560	9,182,611	11,507,052	-	29,272,223
Wong Yoke Nyen	220,000	970,000	928,600	(211,000)	1,907,600
Ng Tian Meng	300,000	1,530,000	1,352,400	-	3,182,400
Teh Yong Khim	1,122,000	-	40,000	(122,000)	1,040,000

Direct interest:	Number of options over ordinary shares			
	At 1.1.2022	Effect of bonus issue *	Exercised	At 31.12.2022
Datuk Aznam Bin Mansor	1,500,000	750,000	(750,000)	1,500,000
Lin, Hao-Wen	600,000	150,000	(450,000)	300,000
Lin, Hao-Yu	560,000	140,000	(420,000)	280,000
Wong Yoke Nyen	1,200,000	370,000	(830,000)	740,000
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.

* Adjustment to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 2 November 2022.

DIRECTORS' REPORT (CONT'D.)

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 shares issued pursuant to the Employees Share Options Scheme ("ESOS").

DIRECTORS' REMUNERATION

The remuneration paid to or receivable by the Directors of the Group and Company during the financial year are amounted to RM3,206,729.

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 2022 was RM45,150.

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

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM57,691,137 to RM91,853,964 by way of:

- (i) Issuance of 8,034,000 ordinary shares pursuant to the Company's ESOS at exercise prices ranging between RM0.505 and RM1.19 per ordinary share; and
- (ii) Issuance of 114,218,000 ordinary shares through a bonus issue on the basis of 1 new ordinary share for every 1 existing ordinary share held in the Company, by way of capitalisation from the Company's retained profit account at an amount of RM0.20 for each bonus share.

There were no debentures issued during the financial year.

TREASURY SHARES

During the financial year, the Company:

- (i) repurchased 4,859,300 of its issued ordinary shares from the open market at an average price of RM1.13 per share. The total consideration paid for the repurchase including transaction costs was RM5,476,670. The shares repurchased are being held as treasury shares in accordance with Section 127 (4) of the Companies Act, 2016;
- (ii) distributed 2,077,330 treasury shares on 30 September 2022 on the basis of 1 treasury share for every 50 existing ordinary shares held at the entitlement date on 15 September 2022; and
- (iii) distributed 8,414,108 treasury shares on 30 December 2022 on the basis of 1 treasury share for every 25 existing ordinary shares held at the entitlement date on 14 December 2022.

As at 31 December 2022, the Company held as treasury shares a total of 11,730,632 (2021: 8,014,700) of its 229,136,000 (2021: 106,884,000) issued ordinary shares. Such treasury shares are held at a carrying amount of RM7,229,171 (2021: RM9,378,259) and further relevant details are disclosed in Note 24 to the financial statements.

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 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;
 - appointed as a Director of the Company or any company within the Focus Lumber Group for a minimum period of six (6) months before the Date of Offer; 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 (CONT'D.)

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 before bonus issue	Exercise price after bonus issue	Number of options				At 31.12.2022
			At 1.1.2022	Effect of bonus issue*	Exercised	Forfeited	
21 June 2018	RM1.01	RM0.505	5,164,000	1,526,000	(3,964,000)	(374,000)	2,352,000
31 October 2018	RM1.19	RM0.595	5,620,000	1,550,000	(4,070,000)	(280,000)	2,820,000
			10,784,000	3,076,000	(8,034,000)	(654,000)	5,172,000

* Adjustment to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 2 November 2022.

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) there are no bad debts to be written off and allowance to be made for doubtful debts; 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 the amount written off for 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 2022 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.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, PKF PLT, have indicated their willingness to continue in office.

The auditors' remuneration of the Group and of the Company are amounted to RM103,000 and RM95,000 respectively for the financial year ended 31 December 2022.

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 27 March 2023

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 66 to 112 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 2022 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 27 March 2023

STATUTORY DECLARATION

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

I, TEH YONG KHIM, being the Director 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 66 to 112 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 27 March 2023)

TEH YONG KHIM

(MIA No. 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 2022 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 66 to 112.

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 2022, 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 Group and 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>Costing of inventories</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 (CONT'D.)

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>Allocation of fixed overheads to units of production</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>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 of the Company 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 of the Company 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 (CONT'D.)

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 27 March 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Revenue from contract with customers	5	134,819,562	133,975,013	134,819,562	133,892,004
Cost of sales		(95,233,614)	(111,679,283)	(95,641,403)	(111,375,437)
Gross profit		39,585,948	22,295,730	39,178,159	22,516,567
Interest income	6	422,472	210,309	422,179	209,472
Other operating income	7	6,125,704	4,769,783	5,896,649	4,648,236
Administrative expenses		(7,675,015)	(7,985,407)	(7,640,460)	(7,945,605)
Other operating expenses		(2,194,220)	(938,034)	(2,194,220)	(938,034)
Profit before taxation	8	36,264,889	18,352,381	35,662,307	18,490,636
Income tax expense	11	(8,595,179)	(2,949,390)	(8,521,733)	(3,026,823)
Profit for the financial year		27,669,710	15,402,991	27,140,574	15,463,813
Profit attributable to:					
Owner of the Company		27,669,710	15,402,991	27,140,574	15,463,813
Earnings per share attributable to owners of the Company (sen per share)					
Before issuance of bonus shares	12				
- Basic		13.52	15.58		
- Diluted		13.33	15.58		
After issuance of bonus shares	12				
- Basic		13.52	7.56		
- Diluted		13.33	7.56		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	22,994,006	24,321,420	20,634,011	21,732,072
Investment property	14	2,050,795	2,132,827	2,050,795	2,132,827
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	19,407	92,783	-	-
		25,213,248	26,696,070	27,833,847	29,013,940
Current assets					
Inventories	18	40,980,806	30,852,325	40,980,806	30,946,119
Trade and other receivables	19	4,850,242	37,034,333	4,874,180	36,917,282
Other current assets	20	2,284,477	9,091,856	2,284,477	9,091,821
Tax recoverable		1,218	784,352	-	783,734
Other current financial assets	21	96,239,413	49,057,905	82,549,057	35,672,805
Cash and bank balances	22	27,864,209	29,608,158	27,146,592	29,291,722
		172,220,365	156,428,929	157,835,112	142,703,483
TOTAL ASSETS		197,433,613	183,124,999	185,668,959	171,717,423
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	91,853,964	57,691,137	91,853,964	57,691,137
Treasury shares	24	(7,229,171)	(9,378,259)	(7,229,171)	(9,378,259)
Employee share option reserve	25	852,937	3,714,343	852,937	3,714,343
Retained profits	27	105,075,152	117,086,318	92,744,876	105,285,178
TOTAL EQUITY		190,552,882	169,113,539	178,222,606	157,312,399
Non-current liability					
Deferred tax liabilities	17	2,582,486	2,577,337	2,582,486	2,577,337
		2,582,486	2,577,337	2,582,486	2,577,337
Current liabilities					
Trade and other payables	28	3,779,874	7,139,000	4,345,496	7,532,564
Contract liabilities	29	86,187	4,295,123	86,187	4,295,123
Tax payable		432,184	-	432,184	-
		4,298,245	11,434,123	4,863,867	11,827,687
TOTAL LIABILITIES		6,880,731	14,011,460	7,446,353	14,405,024
TOTAL EQUITY AND LIABILITIES		197,433,613	183,124,999	185,668,959	171,717,423

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 2022

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 2021		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
Profit for the financial year		-	-	-	27,669,710	27,669,710
Issuance of ordinary shares from bonus issue	23	22,843,600	-	-	(22,843,600)	-
Purchase of treasury shares	24	-	(5,476,670)	-	-	(5,476,670)
Forfeiture of equity-settled share options	25	-	-	(35,619)	-	(35,619)
Exercise of employee share options	23/25	11,319,227	-	(2,825,787)	-	8,493,440
Dividends on ordinary shares	24/30	-	7,625,758	-	(16,837,276)	(9,211,518)
At 31 December 2022		91,853,964	(7,229,171)	852,937	105,075,152	190,552,882
Company						
At 1 January 2021		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
Profit for the financial year		-	-	-	27,140,574	27,140,574
Issuance of ordinary shares from bonus issue	23	22,843,600	-	-	(22,843,600)	-
Purchase of treasury shares	24	-	(5,476,670)	-	-	(5,476,670)
Forfeiture of equity-settled share options	25	-	-	(35,619)	-	(35,619)
Exercise of employee share options	23/25	11,319,227	-	(2,825,787)	-	8,493,440
Dividends on ordinary shares	24/30	-	7,625,758	-	(16,837,276)	(9,211,518)
At 31 December 2022		91,853,964	(7,229,171)	852,937	92,744,876	178,222,606

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 2022

	Note	Group		Company	
		2022 RM	2021 RM	2022 RM	2021 RM
Cash flows from operating activities					
Profit before taxation		36,264,889	18,352,381	35,662,307	18,490,636
Adjustments for:					
Depreciation of investment property	14	82,032	82,031	82,032	82,031
Depreciation of property, plant and equipment	13	3,347,049	3,404,354	2,955,708	3,011,439
(Forfeiture)/Grant of equity-settled share option	25	(35,619)	414,588	(35,619)	414,588
Interest income	6	(422,472)	(210,309)	(422,179)	(209,472)
Inventory written down	18	21,318	-	21,318	-
Gain on disposal of property, plant and equipment	7	(39,375)	(30,000)	(39,375)	(30,000)
Property, plant and equipment written off	13	1	-	1	-
Reversal of allowance for impairment on log advances	7	-	(1,479,023)	-	(1,479,023)
Unrealised net fair value gain on derivatives	7	-	(305,971)	-	(305,971)
Unrealised net fair value loss on derivatives	8	396,096	-	396,096	-
Unrealised loss on foreign exchange		62,104	599,734	62,104	599,734
Operating profit before working capital changes		39,676,023	20,827,785	38,682,393	20,573,962
Change in inventories		(10,149,799)	7,867,697	(10,056,005)	7,179,402
Change in receivables		32,184,111	(35,864,336)	32,043,122	(35,814,596)
Change in other current assets		6,807,379	(1,458,884)	6,807,344	(1,458,884)
Change in payables		(3,359,126)	2,260,638	(3,187,068)	355,921
Change in contract liabilities		(4,208,936)	3,717,972	(4,208,936)	3,717,972
Cash from/(used in) operations		60,949,652	(2,649,128)	60,080,850	(5,446,223)
Interest received		402,984	201,798	402,691	201,442
Income tax refunded		-	2,266,664	-	2,266,664
Income tax paid		(7,301,336)	(591,425)	(7,300,666)	(591,000)
Net cash from/(used in) operating activities		54,051,300	(772,091)	53,182,875	(3,569,117)
Cash flow from investing activities					
Acquisition of property, plant and equipment	13	(2,019,641)	(1,639,963)	(1,857,653)	(1,639,306)
Proceeds from disposal of property, plant and equipment		39,380	30,000	39,380	30,000
Interest received		19,468	15,099	19,468	14,618
Net cash used in investing activities		(1,960,793)	(1,594,864)	(1,798,805)	(1,594,688)
Cash flows from financing activities					
Dividends paid	30	(9,211,518)	(7,909,544)	(9,211,518)	(7,909,544)
Proceeds from exercise of employees share options		8,493,440	-	8,493,440	-
Purchase of treasury shares	24	(5,476,670)	-	(5,476,670)	-
Net cash used in financing activities		(6,194,748)	(7,909,544)	(6,194,748)	(7,909,544)
Net increase/(decrease) in cash and cash equivalents		45,895,759	(10,276,499)	45,189,322	(13,073,349)
Effect of exchange rate changes		(62,104)	(108,064)	(62,104)	(108,064)
Cash and cash equivalents at beginning of the financial year		77,884,131	88,268,694	64,182,595	77,364,008
Cash and cash equivalents at end of financial year	22	123,717,786	77,884,131	109,309,813	64,182,595

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

NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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, laminated veneer lumber ("LVL"), and investment holding. The principal activities of the subsidiary companies are set out in Note 15 to the financial statements.

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 27 March 2023.

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 3: Reference to the Conceptual Framework;
- Amendments to MFRS 9: Annual Improvements to MFRS Standards 2018 – 2020;
- Amendment to MFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021;
- Amendments to MFRS 16: Annual Improvements to MFRS Standards 2018 – 2020;
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use; and
- Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract.

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 2022 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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 uncertainties

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 period 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3. Significant accounting judgments and estimates (continued)**Key sources of estimation uncertainties (continued)****(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.

(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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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. Consistent accounting policies are applied for like transactions and events in similar circumstances.

(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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 goods or services 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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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; or
- 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 services

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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)**(f) Income tax (continued)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)**(h) Property, plant and equipment (continued)**

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)**(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)

(m) Financial instruments (continued)

(i) Financial assets (continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)**(m) Financial instruments (continued)****(i) Financial assets (continued)****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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)**(m) Financial instruments (continued)****(i) Financial assets (continued)****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:

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)**(m) Financial instruments (continued)****(ii) Financial liabilities (continued)****Financial liabilities measured at amortised cost (continued)**

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).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)**(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).

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. Significant accounting policies (continued)**(u) Fair value measurement (continued)**

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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Revenue from contracts with customers:				
Sale of veneer, plywood and laminated veneer lumber	116,022,348	123,486,745	116,022,348	123,486,745
Freight income	18,797,214	10,405,259	18,797,214	10,405,259
Sale of electricity	-	83,009	-	-
	134,819,562	133,975,013	134,819,562	133,892,004
Timing of the revenue from contracts with customers:				
Point in time	116,022,348	123,486,745	116,022,348	123,486,745
Over time	18,797,214	10,488,268	18,797,214	10,405,259
	134,819,562	133,975,013	134,819,562	133,892,004

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5. Revenue from contract with customers (continued)

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	
	2022 RM	2021 RM	2022 RM	2021 RM
Interest income from:				
Fixed deposits	7,312	7,496	7,312	7,496
Foreign currency account	81,757	5,938	81,757	5,938
Current account	321,227	195,860	320,934	195,504
Money market funds	12,176	1,015	12,176	534
	<u>422,472</u>	<u>210,309</u>	<u>422,179</u>	<u>209,472</u>

7. Other operating income

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Distribution income from money market funds	165,885	721,650	146,965	576,698
Net fair value gain on derivatives - unrealised	-	305,971	-	305,971
Net gain on foreign exchange - realised	3,439,190	888,336	3,439,190	888,336
Net gain on money market funds	1,399,542	153,155	1,113,207	100,360
Bad debts recovered	440,000	200,000	440,000	200,000
Reversal of allowance for impairment of logs advances (Note 20)	-	1,479,023	-	1,479,023
Gain on disposal of property, plant and equipment	39,375	30,000	39,375	30,000
Rental income from:				
- land	8,700	15,500	84,900	91,700
- investment property	264,000	264,000	264,000	264,000
Sundry income	369,012	712,148	369,012	712,148
	<u>6,125,704</u>	<u>4,769,783</u>	<u>5,896,649</u>	<u>4,648,236</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8. Profit before taxation

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Other than disclosed in Note 6 and 7, profit before taxation is arrived at after charging:				
Auditors' remuneration:				
- Statutory audit	103,000	99,700	95,000	90,000
- Other services	25,000	27,000	20,000	22,000
Depreciation of investment property (Note 14)	82,032	82,031	82,032	82,031
Depreciation of property, plant, and equipment (Note 13)	3,347,049	3,404,354	2,955,708	3,011,439
Direct operating expenses arising from investment property – rental generating properties	125,187	118,352	125,187	118,352
Inventory written off (Note 18)	21,318	-	21,318	-
Non-executive Directors' remuneration (Note 10)	507,550	526,813	507,550	526,813
Net fair value loss on derivatives				
- realised	1,736,020	338,300	1,736,020	338,300
- unrealised	396,096	-	396,096	-
Net loss on foreign exchange				
- unrealised	62,104	599,734	62,104	599,734
Property, plant and equipment written off	1	-	1	-
Rental of land	88,917	66,700	88,917	66,700
Rental of office premises	192,000	192,000	192,000	192,000

9. Employee benefits expense

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Salaries, wages, bonuses, incentives and allowances	15,768,232	16,346,533	14,921,024	15,637,454
Contributions to defined contribution plan	665,295	568,967	642,990	552,537
Social security contributions	177,318	177,307	166,066	167,842
Share options granted under ESOS	(76,969)	262,775	(76,969)	262,775
Termination benefits	-	33,725	-	33,725
Other benefits	10,740	8,949	10,282	8,606
	16,544,616	17,398,256	15,663,393	16,662,939

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM2,621,321 (2021: RM2,651,311) as further disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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	
	2022	2021
	RM	RM
Executive Directors' remuneration (Note 9):		
- Fees and allowances	20,700	15,000
- Salaries and bonus	2,628,948	2,562,000
- Share options granted under ESOS	(32,534)	72,533
- Contributions to defined contribution plan	2,244	-
- Social security contributions	1,953	1,778
- Other benefits	10	-
	<u>2,621,321</u>	<u>2,651,311</u>
Estimated money value of benefits-in-kind	77,858	4,727
	<u>2,699,179</u>	<u>2,656,038</u>
Non-executive Directors' remuneration (Note 8):		
- Fees and meeting allowance	466,200	375,000
- Share options granted under ESOS	41,350	151,813
	<u>507,550</u>	<u>526,813</u>
Total Directors' remuneration	<u>3,206,729</u>	<u>3,182,851</u>

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 expense

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Current taxation	8,516,654	449,687	8,516,584	449,486
Deferred taxation (Note 17)	75,807	2,505,824	2,105	2,582,049
	<u>8,592,461</u>	<u>2,955,511</u>	<u>8,518,689</u>	<u>3,031,535</u>
Under/(Over) provision in prior years:				
- Deferred taxation (Note 17)	2,718	(6,121)	3,044	(4,712)
	<u>8,595,179</u>	<u>2,949,390</u>	<u>8,521,733</u>	<u>3,026,823</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11. Income tax expense (continued)

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before taxation	36,264,889	18,352,381	35,662,307	18,490,636
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	8,703,573	4,404,571	8,558,954	4,437,753
Non-taxable income	(309,681)	(257,953)	(236,420)	(210,494)
Non-tax deductible expenses	198,569	270,774	196,155	266,157
Recognition of deferred tax assets which are not recognised previously	-	(1,461,881)	-	(1,461,881)
	8,592,461	2,955,511	8,518,689	3,031,535
Under/(Over) provision in prior years - Deferred taxation	2,718	(6,121)	3,044	(4,712)
	8,595,179	2,949,390	8,521,733	3,026,823

12. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit 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	
	2022	2021
Profit net of tax attributable to owners of the Company (RM)	27,669,710	15,402,991
Weighted average number of ordinary shares in issue	204,590,564	98,869,300
Bonus issue subsequent to year end, excluding treasury shares held by the Company	-	104,869,930
Adjusted weighted average number of ordinary shares in issue and issuable	204,590,564	203,739,230
Basic earnings per share (sen)		
- Before issuance of bonus shares	13.52	15.58
- After issuance of bonus shares	13.52	7.56

(b) Diluted

Diluted earnings per share amounts are calculated by dividing profit 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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12. Earnings per share (continued)

(b) Diluted (continued)

	Group	
	2022	2021
Profit net of tax attributable to owners of the Company (RM)	27,669,710	15,402,991
Weighted average number of ordinary shares in issue	204,590,564	98,869,300
Effect of dilution from:		
- Share options	2,921,787	-*
	207,512,351	98,869,300
Bonus issue subsequent to year end, excluding treasury shares held by the Company	-	104,869,930
Adjusted weighted average number of ordinary shares in issue and issuable	207,512,351	203,739,230
Diluted earnings per share (sen)		
- Before issuance of bonus shares	13.33	15.58
- After issuance of bonus shares	13.33	7.56

* 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 2021	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
Additions	-	268,037	1,722,772	28,832	2,019,641
Disposal	-	-	(293,397)	-	(293,397)
Written off	-	-	(161,200)	(3,424)	(164,624)
At 31 December 2022	1,300,080	14,062,323	132,811,598	732,073	148,906,074
Accumulated depreciation					
At 1 January 2021	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
Charge for the financial year (Note 8)	17,364	268,064	2,961,152	100,469	3,347,049
Disposal	-	-	(293,392)	-	(293,392)
Written off	-	-	(161,200)	(3,423)	(164,623)
At 31 December 2022	180,768	10,555,229	114,621,463	554,608	125,912,068
Carrying amount					
At 31 December 2021	1,136,676	3,507,121	19,428,520	249,103	24,321,420
At 31 December 2022	1,119,312	3,507,094	18,190,135	177,465	22,994,006

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2021	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
Additions	-	268,037	1,561,572	28,044	1,857,653
Disposal	-	-	(293,397)	-	(293,397)
Written off	-	-	-	(3,424)	(3,424)
At 31 December 2022	1,300,080	14,062,323	102,643,906	655,917	118,662,226
Accumulated depreciation					
At 1 January 2021	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
Charge for the financial year (Note 8)	17,364	268,064	2,575,299	94,981	2,955,708
Disposal	-	-	(293,392)	-	(293,392)
Written off	-	-	-	(3,423)	(3,423)
At 31 December 2022	180,768	10,555,229	86,805,704	486,514	98,028,215
Carrying amount					
At 31 December 2021	1,136,676	3,507,121	16,851,934	236,341	21,732,072
At 31 December 2022	1,119,312	3,507,094	15,838,202	169,403	20,634,011

14. Investment property

	Group and Company	
	2022 RM	2021 RM
At cost		
At 1 January	3,651,348	3,651,348
Accumulated depreciation		
At 1 January	1,518,521	1,436,490
Charge for the financial year (Note 8)	82,032	82,031
At 31 December	1,600,553	1,518,521
Carrying amount		
At 31 December	2,050,795	2,132,827

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 (2021: RM3,634,000) as shown in Note 34.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

15. Investments in subsidiary companies

	Company	
	2022 RM	2021 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
		2022 %	2021 %	
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

[^] On 29 December 2022, the Group had filed declaration to strike off the subsidiary with the Suruhanjaya Syarikat Malaysia (SSM).

16. Intangible asset

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 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	
	2022 RM	2021 RM	2022 RM	2021 RM
At 1 January	(2,484,554)	15,149	(2,577,337)	-
Recognised in profit or loss (Note 11)	(78,525)	(2,499,703)	(5,149)	(2,577,337)
At 31 December	(2,563,079)	(2,484,554)	(2,582,486)	(2,577,337)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Deferred tax assets				
Inventories	-	93,794	-	-
Trade receivables	-	491,670	-	491,670
Cash and cash equivalents	-	108,064	-	108,064
Unutilised investment tax allowances	2,054,603	2,404,470	-	-
	2,054,603	3,097,998	-	599,734
Offsetting	(1,973,742)	(2,711,400)	-	(599,734)
	80,861	386,598	-	-
Deferred tax liabilities				
Cash and cash equivalents	(62,104)	-	(62,104)	-
Derivatives	-	(396,096)	-	(396,096)
Temporary differences on qualifying property, plant and equipment	(12,671,995)	(13,054,208)	(10,698,253)	(10,942,542)
	(12,734,099)	(13,450,304)	(10,760,357)	(11,338,638)
Offsetting	1,973,742	2,711,400	-	599,734
	(10,760,357)	(10,738,904)	(10,760,357)	(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	
	2022 RM	2021 RM	2022 RM	2021 RM
Deferred tax assets	19,407	92,783	-	-
Deferred tax liabilities	(2,582,486)	(2,577,337)	(2,582,486)	(2,577,337)

18. Inventories

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
At cost				
Raw material	1,882,691	5,471,191	1,882,691	5,471,191
Work-in-progress	7,445,902	8,560,673	7,445,902	8,560,673
Consumable	4,101,424	4,312,951	4,101,424	4,312,951
Finished goods	27,315,488	12,507,510	27,315,488	12,601,304
	40,745,505	30,852,325	40,745,505	30,946,119
At net realisable value				
Finished goods	235,301	-	235,301	-
Total inventories	40,980,806	30,852,325	40,980,806	30,946,119

The amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM70,623,831 (2021: RM95,173,574) and RM72,918,045 (2021: RM96,441,592) respectively.

The write-down of inventories to net realisable value recognised as an expense during the financial year amounted to RM21,318 (2021: RMNil).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19. Trade and other receivables

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Current				
Trade receivables				
Third parties	4,156,538	36,358,994	4,156,538	36,358,994
Related party	-	4,947	-	-
	4,156,538	36,363,941	4,156,538	36,358,994
Other receivables				
Worker recruitment and staff advances	89,822	60,434	89,822	60,434
Deposits	596,869	602,965	596,869	464,434
Sundry receivables	7,013	6,993	7,013	6,993
	693,704	670,392	693,704	531,861
Amount due from a subsidiary company	-	-	23,938	26,427
Total trade and other receivables	4,850,242	37,034,333	4,874,180	36,917,282

The Company's normal trade credit term on trade receivables is 30 days (2021: 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Deposits for log purchase	1,054,562	4,869,148	1,054,562	4,869,148
Prepaid freight charges	43,201	3,813,645	43,201	3,813,645
Prepaid operating expenses	1,186,714	409,063	1,186,714	409,028
	2,284,477	9,091,856	2,284,477	9,091,821

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.

	Group and Company	
	2022 RM	2021 RM
Movement in allowance account for other current assets:		
At 1 January	-	2,070,741
Reversal of impairment loss for the financial year (Note 7)	-	(1,479,023)
Written off during the year	-	(591,718)
At 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21. Other current financial assets

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts	-	396,096	-	396,096
Financial assets measured at amortised cost				
Investment in money market funds	96,239,413	48,661,809	82,549,057	35,276,709
Total	96,239,413	49,057,905	82,549,057	35,672,805

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	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash in hand	29,706	14,932	29,706	14,932
Cash at banks	27,448,667	29,207,390	26,731,050	28,890,954
Fixed deposits with licensed bank	385,836	385,836	385,836	385,836
Cash and bank balances	27,864,209	29,608,158	27,146,592	29,291,722
Investment in money market funds (Note 21)	96,239,413	48,661,809	82,549,057	35,276,709
Less: Fixed deposits with maturity of more than three (3) months	(385,836)	(385,836)	(385,836)	(385,836)
Cash and cash equivalents	123,717,786	77,884,131	109,309,813	64,182,595

The weighted average effective interest rate as at the financial year end for short-term deposits was 1.89% (2021: 1.89%) per annum.

Fixed deposits with a licensed bank of the Group have an average maturity of 12 (2021: 12) months.

23. Share capital

	No. of ordinary shares		Group/Company	
	2022	2021	2022 RM	2021 RM
Issued and fully paid:				
At 1 January	106,884,000	106,884,000	57,691,137	57,691,137
Exercise of employee share options	8,034,000	-	11,319,227	-
Bonus issue	114,218,000	-	22,843,600	-
At 31 December	229,136,000	106,884,000	91,853,964	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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23. Share capital (continued)

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM57,691,137 to RM91,853,964 by way of:

- (i) Issuance of 8,034,000 ordinary shares pursuant to the Company's ESOS at an exercise prices ranged between RM0.505 and RM1.19 per ordinary share; and
- (ii) Issuance of 114,218,000 ordinary shares through a bonus issue on the basis of 1 new ordinary share for every 1 existing ordinary share held in the Company, by way of capitalisation from the Company's retained profit account at an amount of RM0.20 for each bonus share.

24. Treasury shares

	No. of ordinary shares		Group/Company	
	2022	2021	2022 RM	2021 RM
At 1 January	8,014,700	8,014,700	9,378,259	9,378,259
Purchase of treasury shares	4,859,300	-	5,476,670	-
Bonus issue	9,348,070	-	-	-
Distribution as share dividends	(10,491,438)	-	(7,625,758)	-
At 31 December	11,730,632	8,014,700	7,229,171	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 4,859,300 ordinary 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 RM5,476,670 and this was presented as a component within shareholders' equity.

During the financial year, the Company distributed treasury shares as share dividends as follows:

- (i) 2,077,330 treasury shares distributed on 30 September 2022 on the basis of 1 treasury share for every 50 existing ordinary shares held at the entitlement date on 15 September 2022; and
- (ii) 8,414,108 treasury shares distributed on 30 December 2022 on the basis of 1 treasury share for every 25 existing ordinary shares held at the entitlement date on 14 December 2022.

25. Employee share option reserve

	Group/Company	
	2022 RM	2021 RM
At 1 January	3,714,343	3,299,755
Transactions with owners		
Exercise of employee share options	(2,825,787)	-
(Forfeiture)/Grant of equity-settled share options	(35,619)	414,588
At 31 December	852,937	3,714,343

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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			
	2022		2021	
	Number	WAEP RM	Number	WAEP RM
Outstanding at 1 January	10,784,000	1.10	10,972,000	1.10
- Effect of bonus issue	3,076,000	0.55	-	-
- Forfeited	(654,000)	0.83	(188,000)	1.01
- Exercised	(8,034,000)	1.06	-	-
Outstanding at 31 December	5,172,000	0.55	10,784,000	1.10
Exercisable at 31 December	5,172,000	0.55	7,974,000	1.11

The range of exercise prices for options outstanding at the end of the year was RM0.505 to RM0.595 (2021: RM1.01 to RM1.19). The weighted average remaining contractual life for these options is 0.44 (2021: 1.44) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.

28. Trade and other payables

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Current				
Trade payables				
Third parties	1,115,066	3,971,253	1,088,321	3,956,957
Amount due to a subsidiary	-	-	632,515	452,305
	<u>1,115,066</u>	<u>3,971,253</u>	<u>1,720,836</u>	<u>4,409,262</u>
Other payables				
Accruals	2,518,220	3,032,919	2,478,072	2,988,813
Deposits received	113,500	72,740	113,500	72,740
Sundry payables	33,088	62,088	33,088	61,749
	<u>2,664,808</u>	<u>3,167,747</u>	<u>2,624,660</u>	<u>3,123,302</u>
Total trade and other payables	<u>3,779,874</u>	<u>7,139,000</u>	<u>4,345,496</u>	<u>7,532,564</u>

Trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 60 days (2021: 30 to 60 days).

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

29. Contract liabilities

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Advances from contract customers for the delivery of plywood	40,995	480,262	40,995	480,262
Deferred freight income	45,192	3,814,861	45,192	3,814,861
	<u>86,187</u>	<u>4,295,123</u>	<u>86,187</u>	<u>4,295,123</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30. Dividends

	Group/Company	
	2022 RM	2021 RM
In respect of the financial year ended 31 December 2021:		
Interim single-tier dividend of 5 sen per ordinary share declared on 19 November 2021 and paid on 6 December 2021*	-	4,943,465
Interim single-tier dividend of 3 sen per ordinary share declared on 21 February 2022 and paid on 20 April 2022*	3,019,899	-
In respect of the financial year ended 31 December 2022:		
Interim single-tier dividend of 3 sen per ordinary share declared on 20 May 2022 and paid on 15 July 2022*	3,075,615	-
Interim single-tier dividend of 3 sen per ordinary share declared on 22 August 2022 and paid on 30 September 2022*	3,116,004	-
Interim share dividend on the basis of 1 treasury share for every 50 existing shares declared on 22 August 2022 and being credited to respective equity holders on 30 September 2022*	2,468,987	-
Interim share dividend on the basis of 1 treasury share for every 25 existing shares declared on 29 November 2022 and being credited to respective equity holders on 30 December 2022	5,156,771	-
	<u>16,837,276</u>	<u>4,943,465</u>

After the end of the financial year, the following dividend was declared by the Company. This dividend will be recognised in the subsequent financial year.

	Group/Company	
	2022 RM	2021 RM
Declared in respect of the financial year:		
Interim single-tier dividend of 2 sen (2021: 3 sen*) per ordinary share	4,368,633	3,019,899

* The interim single-tier dividend or the interim share dividend were declared and transacted before the one for one bonus issue which was completed on 2 November 2022.

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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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	
		2022 RM	2021 RM	2022 RM	2021 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)	-	4,947
Director of the Company:					
Lin, Hao-Wen	Rental of office	192,000	192,000	-	-
Company					
With subsidiary companies:					
Focus Layo Flooring Sdn. Bhd.	Share issue consideration	-	-	23,938	26,427
Untung Ria Sdn. Bhd.					
	Purchase of electricity	2,200,420	1,956,313	(632,515)	(452,305)
	Rental income	(76,200)	(76,200)		
Director of the Company:					
Lin, Hao-Wen	Rental of office	192,000	192,000	-	-

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

	Group/Company	
	2022 RM	2021 RM
Salaries, wages, bonuses, incentives and allowances	3,912,592	3,760,781
Contributions to defined contribution plan	33,952	33,823
Social security contributions	4,694	4,385
Share options granted under ESOS	29,541	289,662
Other benefits	103	95
Estimated money value of benefits-in-kind	77,858	4,727
	<u>4,058,740</u>	<u>4,093,473</u>
Included in the key management personnel are:		
Directors' remuneration	3,206,729	3,182,851
Key management personnel's remuneration	852,011	910,622
	<u>4,058,740</u>	<u>4,093,473</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 (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

	Group/Company	
	2022	2021
	RM	RM
Capital expenditure commitments		
Approved and contracted for:		
- Acquisition of property, plant and equipment	806,750	344,029

(b) Contingent liability

	Group/Company	
	2022	2021
	RM	RM
Letter of guarantee in favour of Immigration Department of Malaysia for security deposit for the issuance of employment passes to foreign workers	127,500	179,250

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

	Group		Company	
	2022	2021	2022	2021
Financial assets	RM	RM	RM	RM
<u>Measured at amortised cost</u>				
Trade and other receivables	4,850,242	37,034,333	4,874,180	36,917,282
Other current financial assets	96,239,413	48,661,809	82,549,057	35,276,709
Cash and bank balances	27,864,209	29,608,158	27,146,592	29,291,722
<u>Measured at fair value through profit or loss</u>				
Other current financial assets	-	396,096	-	396,096
	128,953,864	115,700,396	114,569,829	101,881,809
Financial liability				
<u>Measured at amortised cost</u>				
Trade and other payables	3,779,874	7,139,000	4,345,496	7,532,564

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

33. Financial instruments (continued)**(b) Financial risk management (continued)****(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.

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:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

33. Financial instruments (continued)**(b) Financial risk management (continued)****(i) Credit risk (continued)**Trade receivables (continued)

Group By country:	2022		2021	
	RM	% of total	RM	% of total
USA	2,212,897	53	35,636,186	98
Australia	140,225	4	-	-
Taiwan	672,931	16	354,915	<1
Korea	1,130,485	27	367,893	1
Malaysia	-	-	4,947	<1
	4,156,538	100	36,363,941	100

Company By country:	2022		2021	
	RM	% of total	RM	% of total
USA	2,212,897	53	35,636,186	98
Australia	140,225	4	-	-
Taiwan	672,931	16	354,915	1
Korea	1,130,485	27	367,893	1
	4,156,538	100	36,358,994	100

As at reporting date, the Group has significant concentration of credit risk in the form of outstanding balance due from 1 (2021: 2) overseas customers representing 48% (2021: 90%) of the total trade receivables.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

33. Financial instruments (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

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
2022			
Financial liability			
Trade and other payables	3,779,874	3,779,874	3,779,874
	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
Company			
2022			
Financial liability			
Trade and other payables	4,345,496	4,345,496	4,345,496
	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM
2021			
Financial liability			
Trade and other payables	7,532,564	7,532,564	7,532,564

(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 99% (2021: 98%) of the Group's sales are denominated in foreign currencies whilst almost 100% (2021: 100%) of the Group's trade receivables are denominated in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

33. Financial instruments (continued)**(b) Financial risk management (continued)****(iv) Foreign currency risk (continued)**

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 RM3,477,918 (2021: RM14,491,378) 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)	
Effects on profit after taxation	2022	2021	2022	2021
	RM	RM	RM	RM
USD/RM				
Strengthened by 5%	288,598	824,424	288,598	824,424
Weakened by 5%	(288,598)	(824,424)	(288,598)	(824,424)

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:

2022	Carrying amount	Level 1	Level 2	Level 3
Financial asset	RM	RM	RM	RM
Derivatives				
- Forward currency contracts	-	-	-	-
2021	Carrying amount	Level 1	Level 2	Level 3
Financial asset	RM	RM	RM	RM
Derivatives				
- Forward currency contracts	396,096	-	396,096	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34. Fair value information (continued)

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 2022	Carrying amount RM	Fair value measurement RM	Level 1 RM	Level 2 RM	Level 3 RM
Non-financial asset					
Investment property	2,050,795	3,634,000	-	-	3,634,000

Group/Company 2021	Carrying amount RM	Fair value measurement RM	Level 1 RM	Level 2 RM	Level 3 RM
Non-financial asset					
Investment property	2,132,827	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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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	
	2022	2021	2022	2021	2022	2021		2022	2021
	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:									
External customers	134,819,562	133,892,004	-	83,009	-	-		134,819,562	133,975,013
Inter-segment	-	-	2,200,420	1,956,313	(2,200,420)	(1,956,313)	(a)	-	-
Total revenue	134,819,562	133,892,004	2,200,420	2,039,322	(2,200,420)	(1,956,313)		134,819,562	133,975,013
Results:									
Interest income	402,692	201,595	293	356	19,487	8,358		422,472	210,309
Depreciation	2,955,708	3,011,439	391,341	392,915	82,032	82,031		3,429,081	3,486,385
Segment profit	34,410,157	17,046,184	213,037	359,417	1,641,695	946,780		36,264,889	18,352,381
Assets:									
Additions to non-current assets	1,857,653	1,639,306	161,988	657	-	-	(b)	2,019,641	1,639,963
Segment assets	96,025,168	128,397,624	3,097,612	3,055,604	98,310,833	51,671,771	(c)	197,433,613	183,124,999
Segment liabilities	3,799,168	11,377,082	66,893	57,041	3,014,670	2,577,337	(d)	6,880,731	14,011,460

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

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

	Group	
	2022	2021
	RM	RM
Property, plant and equipment	2,019,641	1,639,963

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

- (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	
	2022	2021
	RM	RM
Money market funds	96,239,413	48,661,809
Deferred tax assets	19,407	92,783
Investment property	2,050,795	2,132,827
Tax recoverable	1,218	784,352
	98,310,833	51,671,771

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

	Group	
	2022	2021
	RM	RM
Tax payable	432,184	-
Deferred tax liabilities	2,582,486	2,577,337
	3,014,670	2,577,337

(ii) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue	
	2022	2021
	RM	RM
Australia	130,171	-
Canada	786,762	657,029
China	-	672,636
Hong Kong	3,054,782	3,388,529
India	-	2,781
Korea	9,385,153	2,376,587
Malaysia	1,826,704	2,357,924
Japan	1,099,608	993,961
Puerto Rico	-	156,578
Taiwan	10,155,987	6,280,613
Thailand	-	967,504
United Kingdom	-	1,940,763
USA	108,380,395	114,180,108
	134,819,562	133,975,013

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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:

	2022	2021
	RM	RM
Property, plant and equipment	22,994,006	24,321,420
Investment property	2,050,795	2,132,827
	<u>25,044,801</u>	<u>26,454,247</u>

(iii) Major customers

Revenue from 2 (2021: 2) major customers amounted to RM59,661,836 (44% of revenue) and RM24,538,118 (18% of revenue) (2021: RM53,636,173 (40% of revenue) and RM29,780,390 (22% of revenue)) arising from sale of plywood.

37. Subsequent events**(i) Declaration of dividend**

Subsequent to the financial year end on 20 February 2023, the Company declared an interim single-tier dividend of 2 sen per share in respect of financial year ended 31 December 2022 which was paid on 22 March 2023.

(ii) ESOS options offered and granted

Subsequent to the financial year end, the Company issued 1,284,000 units of ordinary shares for cash pursuant to the Company's ESOS at exercise price of RM0.505 per ordinary share.

LIST OF PROPERTIES

HELD BY THE GROUP AS AT 31 DECEMBER 2022

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 2022	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	31 years	Industrial land and building	RM3,963,753	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	25 years	Commercial building	RM2,050,795	1997
3.	Kampung Ulu Patikang Keningau, Sabah Malaysia	99 years lease expiring on 31.12.2093	<u>Land area</u> 0.703 hectares	N/A	Industrial land	RM561,142	2018

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2023

Total number of issued share	: 230,420,000
Number of treasury shares	: 11,988,332 ordinary shares
Class of shares	: Ordinary shares
Voting rights of shareholders	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AS AT 20 MARCH 2023

Size of holdings	No. of holders	%	No. of shares	%
1 - 99	103	3.254	4,092	0.002
100 - 1,000	193	6.098	81,235	0.037
1,001 - 10,000	1,162	36.714	5,529,708	2.531
10,001 - 100,000	1,484	46.888	40,205,663	18.407
100,001 - 10,921,582 (*)	220	6.951	119,606,303	54.757
10,921,583 and above (**)	3	0.095	53,004,667	24.266
Total	3,165	100.000	218,431,668	100.000

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2023

		Direct		Indirect	
		No. of shares	%	No. of shares	%
1	LIN, HAO-YU	29,272,223	13.40	-	-
2	LIN, HAO-WEN	27,002,041	12.36	-	-

DIRECTORS' SHAREHOLDINGS AS AT 20 MARCH 2023

		No. of Ordinary Shares Held				No. of Share Options Under the Employee Share Option Scheme
		Direct		Indirect		
		No. of shares	%	No. of shares	%	
1	DATUK AZNAM BIN MANSOR	1,591,200	0.728	-	-	1,500,000
2	LIN, HAO-WEN	27,002,041	12.36	-	-	300,000
3	LIN, HAO-YU	29,272,223	13.400	-	-	280,000
4	LIN, PEI-WEN	-	-	-	-	-
5	TEH YONG KHIM	1,040,000	0.476	-	-	-
6	WONG YOKE NYEN	1,700,000	0.778	-	-	740,000
7	NG TIAN MENG	3,200,000	1.464	-	-	-
8	NAR CHIN KEOW	-	-	-	-	-

ANALYSIS OF SHAREHOLDINGS (CONT'D.)

AS AT 20 MARCH 2023

LIST OF TOP THIRTY LARGEST SHAREHOLDERS AS AT 20 MARCH 2023

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	%
1	LIN, HAO-YU	26,002,626	11.904
2	LIN, HAO-WEN	13,607,214	6.229
3	PUBLIC NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIN, HAO-WEN (E-KKU/KNG)</i>	13,394,827	6.132
4	RHB CAPITAL NOMINEES (ASING) SDN BHD WU CHIEN-CHANG	10,671,648	4.885
5	RHB CAPITAL NOMINEES (ASING) SDN BHD HSUEH CHEN-SHENG	10,624,318	4.863
6	HUANG CHIA-HSING	10,608,000	4.856
7	NG GHEK KIM	5,397,059	2.470
8	LEE KOK HIN	4,322,972	1.979
9	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE HAU CHEE</i>	3,759,522	1.721
10	RHB NOMINEES (ASING) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIN, HAO-YU</i>	3,269,597	1.496
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG TIAN MENG</i>	3,200,000	1.464
12	FONG TING WONG	3,078,017	1.409
13	LIM PEI TIAM @ LIAM AHAT KIAT	2,693,000	1.232
14	GAN KHO @ GAN HONG LEONG	2,573,840	1.178
15	KENANGA NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)</i>	2,009,140	0.919
16	LOH KOK WAI	1,749,895	0.801
17	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG YOKE NYEN</i>	1,700,000	0.778
18	AZNAM BIN MANSOR	1,591,200	0.728
19	CGS-CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR <i>CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)</i>	1,578,804	0.722
20	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM PAY KAON</i>	1,272,960	0.582
21	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF CORE INCOME FUND	1,260,654	0.577
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHEW KEW LEAN	1,100,000	0.503
23	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SIAW KOK TONG (CCTS)</i>	1,000,020	0.457
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHONG SIEW CHIEN	954,720	0.437
25	LEE KA YONG	848,640	0.388
26	CHEE SAI MUN	832,936	0.381
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOALKEY SYSTEM SDN BHD (MY1461)</i>	827,000	0.378
28	KHOE BOON HUAT	820,000	0.375
29	PUBLIC INVEST NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)</i>	797,506	0.365
30	CHONG SEM CHAN	660,380	0.302
		132,206,495	60.511

NOTICE OF THIRTY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Third (“33rd”) 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, 19 May 2023 at 2.00 p.m. to transact the following businesses:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 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 RM417,200.00 for the period from this 33rd Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 1)**
3. To re-elect Datuk Aznam Bin Mansor 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-Yu who retires pursuant to Clause 76(3) of the Company’s Constitution, as Director of the Company. **(Resolution 3)**
5. To re-elect Nar Chin Keow who retires pursuant to Clause 78 of the Company’s Constitution, as Director of the Company. **(Resolution 4)**
6. To re-elect Lin, Pei-Wen who retires pursuant to Clause 78 of the Company’s Constitution, as Director of the Company. **(Resolution 5)**
7. To re-elect Teh Yong Khim who retires pursuant to Clause 78 of the Company’s Constitution, as Director of the Company. **(Resolution 6)**
8. To re-appoint Messrs PKF PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

Special Business

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

9. **ORDINARY RESOLUTION
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** **(Resolution 8)**

“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”).

NOTICE OF THIRTY-THIRD ANNUAL GENERAL MEETING (CONT'D.)

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.

- 10. 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: 20 April 2023

NOTICE OF THIRTY-THIRD ANNUAL GENERAL MEETING (CONT'D.)

NOTES:

I IMPORTANT NOTICE

The 33rd 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 33rd 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>.

Please read these Notes carefully and follow the procedures in the Administrative Guide in order to participate remotely via RPV.

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 12 May 2023. 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.

NOTICE OF THIRTY-THIRD ANNUAL GENERAL MEETING (CONT'D.)

- (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, 17 May 2023 at 2.00 p.m..
- (13) For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative executed in the manner as stated in the proxy form 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.

III EXPLANATORY NOTES

Ordinary Business

1. Audited Financial Statements for the financial year ended 31 December 2022

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 33rd 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 33rd 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.

NOTICE OF THIRTY-THIRD ANNUAL GENERAL MEETING (CONT'D.)

3. Resolutions 2 to 6 – Re-election of Directors

The following Directors are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 33rd AGM:-

- (a) Datuk Aznam Bin Mansor
- (b) Lin, Hao-Yu
- (c) Nar Chin Keow
- (d) Lin, Pei-Wen
- (e) Teh Yong Khim

Please refer to the Statement Accompanying Notice of the 33rd AGM for further details.

4. Resolution 7 – 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. Resolution 8 – Ordinary Resolution: Proposed Renewal of Share Buy-Back Mandate**

The proposed Resolution 8, 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 20 April 2023 for further information.

STATEMENT ACCOMPANYING NOTICE OF THIRTY-THIRD 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 33rd AGM.

The following Directors are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 33rd AGM:-

Pursuant to Clause 76(3) of the Company's Constitution

1. Datuk Aznam Bin Mansor
2. Lin, Hao-Yu

Pursuant to Clause 78 of the Company's Constitution

1. Nar Chin Keow
2. Lin, Pei-Wen
3. Teh Yong Khim

("the Retiring Directors")

The details of the abovenamed Retiring Directors are set out in their respective profiles on pages 4 to 7 of the Annual Report 2022. The details of their interest in the securities of the Company can be found on page 114.

The Board had through the Nomination Committee ("NC") carried out the Board Effectiveness Evaluation on the Board, Board Committees and Directors for the financial year ended 31 December 2022. The Board is satisfied with the overall result of the Board Effectiveness Evaluation.

The Retiring 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. None of the Directors has any conflict of interest or potential conflict of interest, including interest in any business that is in competition with the Company and its subsidiaries.

Ms Nar Chin Keow, the Independent Non-Executive Director has confirmed that she fulfilled the independence criteria prescribed by the Main Market Listing Requirement of Bursa Malaysia Securities Berhad. She has also confirmed that she does not have any existing or potential conflict of interest, business, family or other special relationship within or outside of the Company that could affect the execution of her role as Independent Non-Executive Director.

The NC has also conducted a review and assessment on the fit and proper of the Retiring Directors in accordance with the Directors' fit and proper policy and agreed that the Retiring Directors met with the criteria prescribed in the Directors' Fit and Proper Policy.

The Board (save for Datuk Aznam Bin Mansor, Mr Lin, Hao-Yu, Ms Nar Chin Keow, Mr Lin, Pei-Wen and Mr Teh Yong Khim who have abstained from deliberation on discussions relating to their own re-election at the Board meetings) support the re-election of 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.

ADMINISTRATIVE GUIDE

FOR THE THIRTY-THIRD ANNUAL GENERAL MEETING (“33RD AGM”) OF FOCUS LUMBER BERHAD

Date : Friday, 19 May 2023
Time : 2.00 p.m.
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. MODE OF MEETING

- The Company’s 33rd AGM will be conducted entirely virtual **through live streaming from the Broadcast Venue**.
- The Broadcast Venue of the 33rd 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. Shareholders/proxy(ies) **WILL NOT BE ALLOWED** to attend the 33rd AGM in person at the Broadcast Venue on the day of the meeting.

2. SHAREHOLDERS’ PARTICIPATION AT THE 33RD 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 33rd 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 33rd 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 33rd 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 33rd AGM using the RPV facilities:

Procedure	Action
Before the 33rd 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 33 rd AGM remotely	<ul style="list-style-type: none"> Registration is open from Thursday, 20 April 2023 until the day of 33rd AGM on Friday, 19 May 2023. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 33rd AGM to ascertain their eligibility to participate the 33rd 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 33rd 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 12 May 2023, the system will send you an e-mail after 17 May 2023 to approve or reject your registration for remote participation. (Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).

ADMINISTRATIVE GUIDE (CONT'D.)

FOR THE THIRTY-THIRD ANNUAL GENERAL MEETING ("33RD AGM") OF FOCUS LUMBER BERHAD

3. PROCEDURES TO RPV VIA RPV FACILITIES (CONTINUED)

Procedure	Action
On the 33rd 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 33rd AGM at any time from 1.00 p.m. i.e. one hour before the commencement of meeting at 2.00 p.m. on Friday, 19 May 2023.
ii. Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: (Live Stream Meeting) Focus Lumber Berhad 33rd AGM to engage in the proceedings of the 33rd 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 33rd 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 2.00 p.m. on Friday, 19 May 2023 until a time when the Chairman announces the end of the session. Select the corporate event: (Remote Voting) Focus Lumber Berhad 33rd 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 33rd 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 12 May 2023 shall be eligible to participate in the 33rd 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 33rd 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 33rd AGM yourself, please do not submit any Form of Proxy for the 33rd AGM. You will not be allowed to participate in the 33rd 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 33rd AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Wednesday, 17 May 2023 at 2.00p.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 (CONT'D.)

FOR THE THIRTY-THIRD ANNUAL GENERAL MEETING ("33RD 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 33rd 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 33rd 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 33rd 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 (CONT'D.)

FOR THE THIRTY-THIRD ANNUAL GENERAL MEETING ("33RD AGM") OF FOCUS LUMBER BERHAD

5. VOTING AT MEETING

- The voting at the 33rd 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 33rd AGM at 2.00 p.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 33rd AGM and the results of the voting will be announced at the 33rd 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 33rd AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 33rd AGM, shareholders may in advance, before the 33rd 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, 17 May 2023. The Board of Directors will endeavor to address the questions received at the 33rd 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 33rd 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) Low Cheng Chuan +603 27839278
 Email: Cheng.Chuan.Low@my.tricorglobal.com

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CDS Account No.
No. of Shares held

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-Third 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, 19 May 2023 at 2.00 p.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 RM417,200.00 for the period from this 33 rd Annual General Meeting until the next Annual General Meeting of the Company.		
2	Re-election of Datuk Aznam Bin Mansor as Director of the Company.		
3	Re-election of Lin, Hao-Yu as Director of the Company.		
4	Re-election of Nar Chin Keow as Director of the Company.		
5	Re-election of Lin, Pei-Wen as Director of the Company.		
6	Re-election of Teh Yong Khim as Director of the Company.		
7	Re-appointment of Messrs PKF PLT as Auditors of the Company.		
8	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 _____ 2023 _____

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:

I IMPORTANT NOTICE

The 33rd 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 33rd 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 the 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 33rd website at <https://tjih.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide in order to participate remotely via RPV.

II 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 12 May 2023. 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 TIH Online website at <https://tjih.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, TIH Online**
The proxy form can be electronically lodged with the Company's Share Registrar via TIH Online at <https://tjih.online>. Please refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIH 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, 17 May 2023 at 2.00 p.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 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.

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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

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富佳木業有限公司

FOCUS LUMBER BERHAD

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