



富佳木業有限公司

FOCUS LUMBER BERHAD

Registration No.: 198901011405 (188710-V)

Annual Report
2 0 2 3



Embed Resilience,
Enable Growth

34

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, 24 May 2024 at 10.00 a.m.

ANNUAL GENERAL MEETING

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PROXY FORM



Access the full version of this report, or view a summary of our FYE 2023 performance at www.focuslumber.com.my

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK AZNAM BIN MANSOR

*Chairman /
Non-Independent Non-Executive Director*

LIN, HAO-WEN

Managing Director

LIN, HAO-YU

Executive Director

LIN, PEI-WEN

Executive Director

TEH YONG KHIM

Executive Director

CHONG SHU PHIN

Independent Non-Executive Director

KENNETH CHIN KAH KIONG

Independent Non-Executive Director

NAR CHIN KEOW

Independent Non-Executive Director

AUDIT COMMITTEE*Chairman*

Kenneth Chin Kah Kiong

Member

Nar Chin Keow

Chong Shu Phin

REMUNERATION COMMITTEE*Chairman*

Chong Shu Phin

Member

Kenneth Chin Kah Kiong

Nar Chin Keow

NOMINATION COMMITTEE*Chairperson*

Nar Chin Keow

Member

Kenneth Chin Kah Kiong

Chong Shu Phin

COMPANY SECRETARIES

Wong Peir Chyun (MAICSA 7018710)

SSM PC NO. 202008001742

Ng Seng Hoo (MAICSA 7068810)

SSM PC NO. 202008004089

REGISTERED OFFICE

12A, Jalan Teluk Likas,

88450 Kota Kinabalu, Sabah

Tel : 088-393255/393257/393258

Fax : 088-393169

Email : focuskk@focuslumber.com.my

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

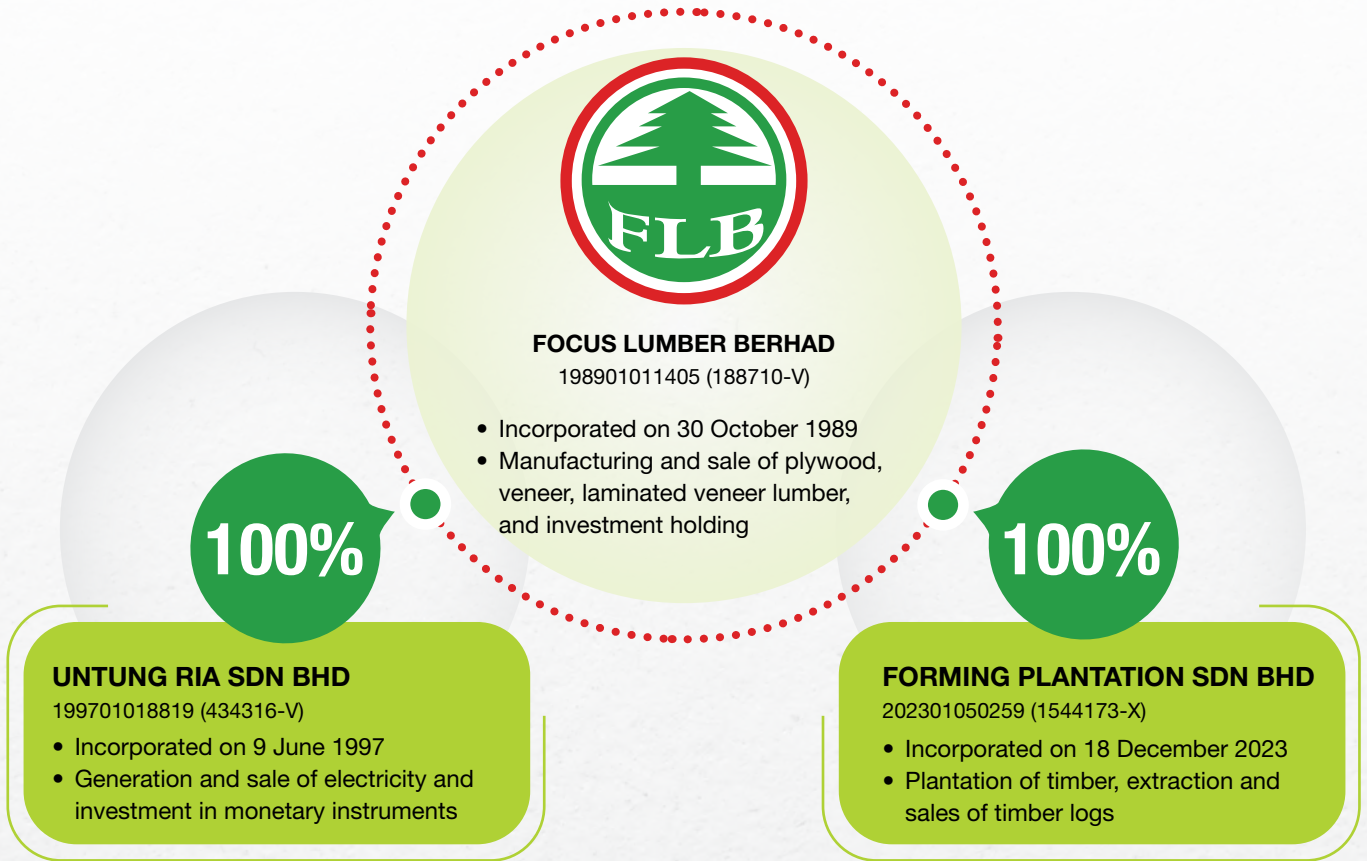
FLBHD / 5197

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%

FORMING PLANTATION SDN BHD

202301050259 (1544173-X)

- Incorporated on 18 December 2023
- Plantation of timber, extraction and sales of timber logs

DIRECTORS' PROFILE

DATUK AZNAM BIN MANSOR

Chairman / Non-Independent Non-Executive Director



Male

AGE

65

Appointed on 24 November 2010

Datuk Aznam Bin Mansor is the Chairman and Non-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



Male

AGE

45

Appointed on 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 was the Chairman of the Company's Employees' Share Option Scheme ("ESOS") Committee, which was dissolved on 10 June 2023 following the expiry of the ESOS of the Company. He

also holds directorship in the subsidiaries of the Company.

He is the spouse of Ms Lin, Pei-Wen, (Executive Director and major shareholder) and brother of Mr Lin, Hao-Yu, (Executive Director and major shareholder).

LIN, HAO-YU

Executive Director



Male

AGE

47

Appointed on 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 four (24) 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 was also a member of the Company's ESOS Committee, which had since dissolved on 10 June 2023. He holds directorship in the wholly owned subsidiaries of the Company.

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

DIRECTORS' PROFILE

LIN, PEI-WEN

Executive Director



Female

AGE 41

Appointed on 1 June 2022

Ms Lin, Pei-Wen our Executive Director graduated from Chang Jung Christian University with the Bachelor Degree of Accounting and Information System. She obtained her Master Degree in Business Administration in April 2018 from the 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 holds directorship in the wholly-owned subsidiary of the Company.

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

TEH YONG KHIM

Executive Director



Male

AGE 39

Appointed on 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 Malaysian Institute of Accountants (MIA) and 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.

NAR CHIN KEOW

Independent Non-Executive Director



Female

AGE 56

Appointed on 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 has over 30 years of working experience in the legal profession. She started her legal career as an intern with Bakers & McKenzie, an international law firm in Sydney, Australia in 1988. 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.

Ms Nar 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, 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. On 18 July 2017, she was admitted as an Australian lawyer in the Supreme Court of Victoria, Australia.

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. In 2019, she was appointed as the Registrar of the Anglican Diocese of Sabah which post she still holds to date on a voluntary

basis. In March 2024 she was selected by Property Hunter, a property portal and media agency under their annual recognition program WIRE as one of 8 women in Sabah recognised for their contribution in the real estate industry for 2024.

Currently, she is the Managing Partner of a 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.

DIRECTORS' PROFILE

KENNETH CHIN KAH KIONG

Independent Non-Executive Director



Male

AGE

50

Appointed on 19 May 2023

Mr Kenneth Chin Kah Kiong, our Independent Non-Executive Director, is also the Chairman of Audit Committee and a member of Nomination Committee and Remuneration Committee of the Company.

He graduated with a professional degree in Association of Chartered Certified Accountants ("ACCA") and is member of ACCA and Malaysian Institution of Accountants ("MIA").

He has more than 24 years of extension experience in various spectrum of finance functions encompassing accounting, taxation, financial reporting, corporate finance across industries including construction, property development, hotel, retail and food & beverages in public listed companies. Senior leadership positions held by him included Executive Director of the Benalec Holdings Berhad, Chief Financial Officer of Focus Point Holdings Berhad, and Group Financial Controller in Karambunai Corp Bhd.

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

CHONG SHU PHIN

Independent Non-Executive Director



Male

AGE

55

Appointed on 19 May 2023

Mr Chong Shu Phin, our Independent Non-Executive Director, is also the Chairman of Remuneration Committee and a member of Nomination Committee and Audit Committee of the Company.

He holds a Bachelor Degree in Electronic and Computer Engineering from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia). He started his career with Sony TV Industries (M) Sdn. Bhd. in April 1990 as a design Engineer. He joined a consultancy firm in January 1995 as an Electrical

Engineer involving in M&E engineering consultancy works mainly on design and project management. Currently, he is one of the Director of Jurutera Perunding M&E NTM (S) Sdn. Bhd.

He is also a Registered Electrical Energy Manager (REEM) registered with the Energy Commission in February 2010. He involved in Sustainable Energy Management System Program mainly as an Energy Manager and perform Energy Audit for commercial and Industrial buildings.

He 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



Male

AGE

50

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

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

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

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

LIN, FU-MAO

Purchasing Manager (Store Department)



Male

AGE

68

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:

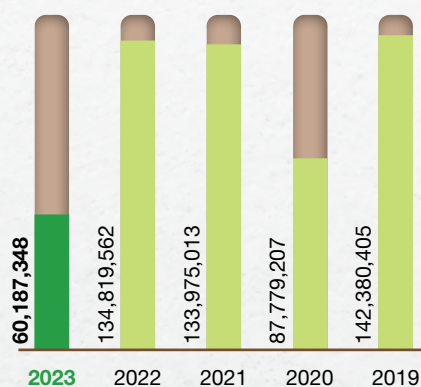
- any conviction for offences within the past 5 years other than traffic offences and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year;
- any conflict of interest with the Company; and
- any directorship in public companies and listed issuers.

5-YEARS FINANCIAL HIGHLIGHTS

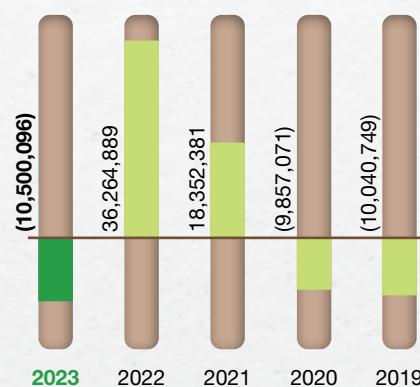
	2023	2022	2021	2020	2019
Operating Results (RM)					
Revenue	60,187,348	134,819,562	133,975,013	87,779,207	142,380,405
Gross (loss)/ profit	(6,581,714)	39,585,948	22,295,730	(6,128,073)	(2,546,982)
Operating (loss)/ income	(13,513,968)	34,623,194	17,405,601	(11,130,714)	(11,829,335)
(Loss)/ Profit before tax	(10,500,096)	36,264,889	18,352,381	(9,857,071)	(10,040,749)
(Loss)/ Profit after tax	(7,888,421)	27,669,710	15,402,991	(9,038,899)	(6,976,368)
Key Balance Sheet Data (RM)					
Total assets	178,573,692	197,443,613	183,124,999	166,661,017	180,635,474
Total liabilities	4,859,070	6,880,731	14,011,460	8,421,592	8,617,735
Total equities	173,714,622	190,552,882	169,113,539	158,239,425	172,017,739
Valuation					
Basic (loss)/ earnings per share* (sen)	(3.61)	13.52	7.56	(4.51)	(3.41)
Net dividend per share* (sen)	2.00	8.64	4.00	1.50	2.50
Net assets per share* (RM)	0.80	0.88	0.86	0.80	0.84

* The comparative basic (loss)/ earnings 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.

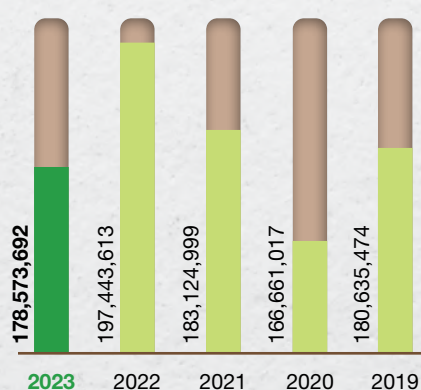
Revenue (RM)



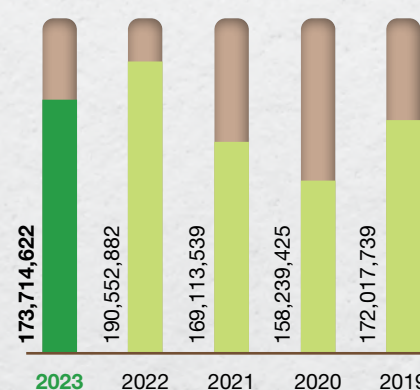
(Loss)/ Profit before tax (RM)



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 (mainly in the US market), home renovation, furniture and house constructions industries. Apart from plywood, we also sell core veneer and LVL to our customers in 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.

In addition, 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 this 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 and 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.

During the current financial year, we de-registered Focus Layo Flooring Sdn Bhd after the proposed wood flooring manufacturing operation did not materialise as a result of the outbreak of Covid-19 pandemic. On 10 October 2023, the Company had entered into an Industrial Tree Planting Agreement (“ITPA”) with Rakyat Berjaya Sdn Bhd where permission is granted to the Company to plant, rehabilitate and harvest forests under the principles of sustainable forest management and environmental conservation for economic, environmental and social purpose. A new wholly-owned subsidiary, Forming Plantation Sdn Bhd was set up on 18 December 2023 with the purpose of undertaking the planting, rehabilitating and harvesting of forests under the ITPA.

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 our investment in new machineries and automation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND OPERATION REVIEW

For financial year (“FY”) ended 31 December 2023, the Group recorded a revenue of RM60.19 million, a decrease of 55% as compared to RM134.82 million recorded in FY 2022. FY 2023 was a challenging year for the Group, as the weak global lumber market conditions experienced in late year 2022 continued throughout the current financial year. Ongoing inflationary pressure and high interest rates in the United States has given rise to persistent affordability concerns resulting in consumers re-evaluating their discretionary spending. As a result, the Group reported operating loss of RM13.51 million, compared to operating profit of RM34.62 million in FY 2022.

Non-operating income for financial year ended 31 December 2023 was RM3.01 million, which improved by 84% compared to previous financial year. Non-operating income which are mainly gains from money market funds, improved significantly in FY 2023 as result of rates hike by the Bank Negara in May 2022.

The Group reported net loss after tax of RM7.89 million in FY 2023 compared to net profit after tax of RM27.67 million in FY 2022. Our results for FY 2023 were primarily impacted by lower plywood pricing. In addition, FY 2023 was also affected by impairment of our property, plant and equipment by RM1.55 million due to lower recoverable amount, and higher inventory written down on our wood products.

MANUFACTURING DIVISION

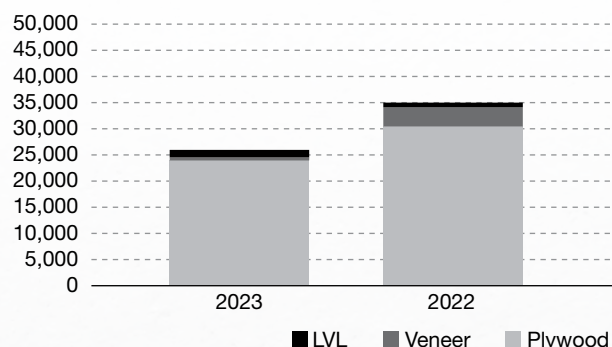


Financial Performance

Sales from manufacturing division decreased by 55%, principally reflecting a challenging period for the Group with price deflation and weaker demand for our plywood products, especially in the US market. High interest rates in the US caused the slowdown in the US housing sector and recreational vehicle (“RV”) sector in FY 2023. In line with lower selling price, our result from manufacturing division fell into loss position in current financial year. Sales from manufacturing division contributed 100% 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

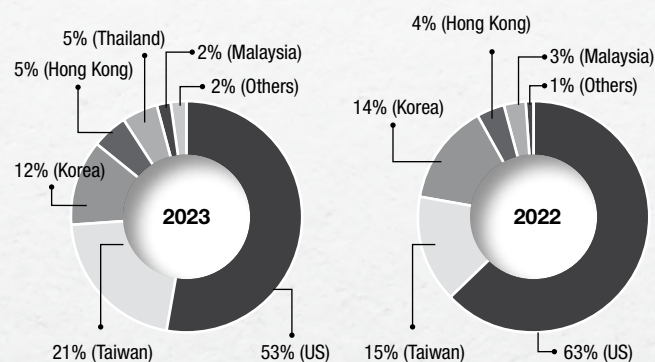
Sales Volume (M3)



Total sales volume dropped by 26% due to weaker demand for plywood during FY 2023 compared to extremely strong demand especially in the first half of 2022.

The average selling price of plywood and veneer decreased by 40% and 9% respectively while price of LVL was comparable to the previous financial year. The consequence of weaker global demand was offset by the favourable exchange rates in current financial year.

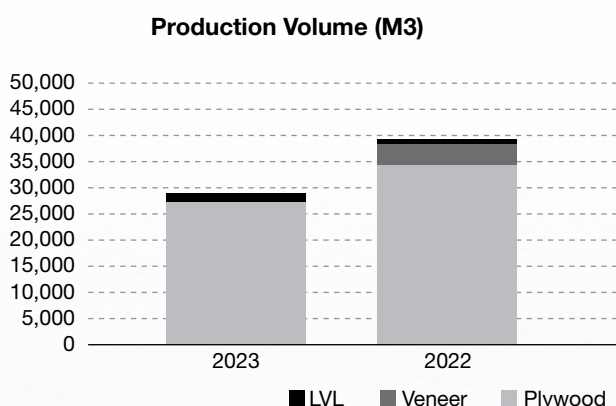
Sales Volume by Destination



In 2023, our export to US decreased to 53% year-over-year due to the slowdown in the US housing and RV sectors. Apart from planned production reduction to lessen inventory pressure, we also diversified our sales to other markets such as Thailand and Taiwan. However, sales to Taiwan were mainly thick plywood which carries low selling price. Although export to US had dropped by 10% against the previous year, US remains our largest buyer, followed by Taiwan, Korea, Hong Kong and Thailand. Most of our customers are loyal customers who had established long-term relationship and trust in us, an essential criterion amidst the challenging economy. Our revenue information based on the geographical location of customers is disclosed under Note 36 to the Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

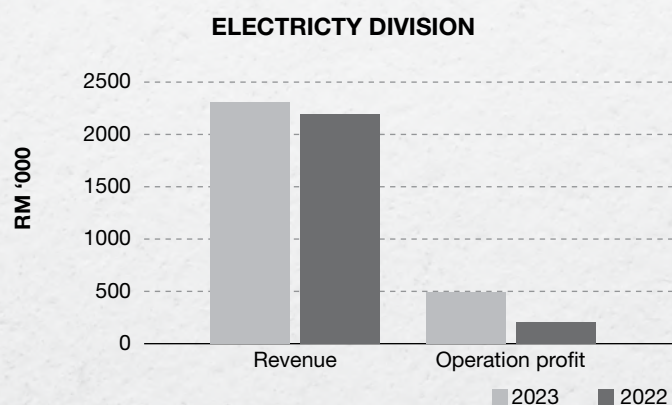
Production and Costs



In 2023, the Group’s total production volume declined by 27% as compared to 2022 due to planned production curtailment throughout the year as market demand for plywood remains weak. This was part of our effort to manage our inventory level and re-aligned our operating capacity. Cost of goods sold in 2023 were lower than 2022 primarily due to higher sales ratio of thick plywood which carries lower production cost. Production cost per m3 in FY 2023 was comparable to that in previous year despite lower production volume because of the improvement in production recovery rate for FY 2023. Other input costs such as prices of logs and resin also decreased slightly in 2023 as a consequence of easing in shipping and logistic constraints. Total freight charges decreased by 87% in 2023, as a result of lower sales volume and freight rate compared to the previous financial year. Other selling and distribution cost per m3 also decreased by approximately 11% compared to 2022.

ELECTRICITY DIVISION

Financial Results



Revenue from electricity segment in 2023 improved slightly by approximately 3% to RM2.26 million from RM2.20 million in 2022. The entire electricity generated in FY 2023 was supplied to the manufacturing division of the Group. Operating profit from electricity division improved from RM0.21 million to RM0.52 million mainly due to lower repair and maintenance cost in FY 2023.

Sales, Production and Costs

In 2023, Untung Ria generated 9,172,400 kWh electricity of which 35% was for its own consumption to operate the control room and machineries while the remaining 65% was sold to its holding company at a rate of RM0.376 per kWh. Although the available wood waste from our production decreased in line with lower production from our manufacturing division in 2023; however, biomass energy generated an increase of 5% because the Group purchased more wood waste from third parties compared to the 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 a 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 in US housing and RV sectors, changes in industry production capacity, inflationary pressures and other factors beyond our control. Decline 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 had been negatively affected by decline in product pricing. Continually, we have put in place, cost mitigation measures and production scheduling to manage our working capital and minimise losses. Severe and prolonged weakness in the markets resulting in weak demand for our wood products could substantially impair our financial position, operating results and cash flows.

We are unable to foresee 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

In 2023, 58% (2022: 80%) of our revenue was derived from exports to the US market. 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 our key customers, will not affect our financial performance accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Supplies 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.

Any interruption 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.

It should be noted that 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 incurred are 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 could result in exchange gains or losses which are earnings sensitive.

Foreign currency exchange rates are affected by a broad range of factors which makes accurate future planning difficult.

Labour Shortage

We operate in a labour-intensive industry which requires a lot of manpower 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 adversely affect on our operating results.

Competition

We compete with global producers, especially those from Southeast Asia, who 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 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 also adversely affect our financial results.

MANAGEMENT DISCUSSION AND ANALYSIS

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 be lower 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 regularly monitor and assess our financial performance to ensure that we maintain a strong financial position, 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, return 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. 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 33rd Annual General Meeting held on 19 May 2023, obtained the approval from the shareholders to purchase its own 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 34th Annual General Meeting of the Company unless the approval is renewed. During the financial year, the Company repurchased 257,700 ordinary shares from the market at an average price of RM0.61 per share. As at 31 December 2023, a total of 11,988,332 ordinary shares amounting to RM7.39 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

(RM22.98 million used)

- RM19.83 million cash used in operations
- RM0.33 million interest collected
- RM3.48 million net payment of income tax

INVESTING

(RM4.30 million used)

- RM4.40 million addition of property, plant and equipment
- RM0.10 million other proceeds

FINANCING

(RM8.25 million used)

- RM8.74 million dividends paid
- RM0.16 million shares repurchased
- RM0.65 million ESOS proceeds

NET MOVEMENT

(RM35.53 million decrease)

- RM123.72 million opening balance
- RM0.08 million unrealised loss
- RM88.11 million closing balance

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Activities

In 2023, cash flows used in operating activities totalled RM22.98 million. This cash activity was primarily driven by net loss before taxation of RM10.50 million after adjusting the non-cash items such as depreciation, amortisation and impairment of approximately RM7.34 million, combined with changes in our working capital components and tax paid of RM3.48 million, all of which was reduced by the interest collected of approximately RM0.33 million during the year. The changes in working capital components resulted in decrease in cash due to an increase in inventory of RM9.54 million, increase in trade and other receivables of RM3.09 million and increase in other current assets of RM4.08 million. As compared to FY 2022, the Group had a net cash inflow of RM54.05 million from operating activities, mainly driven by the operating profit of RM34.62 million and decrease in trade and other receivables of RM32.18 million.

Investing Activities

During FY 2023, our net cash used in investing activities was RM4.30 million, which was substantially attributed to cash paid for investments in property, plant and equipment. In 2022, our net cash used in investing activities was RM1.96 million, which was also mainly for the acquisition of property, plant and equipment.

Financing Activities

Net cash used in financing activities was RM8.25 million during the FY 2023, which primarily reflected the repurchase of shares and payments of dividends, offset by proceeds from the exercise of ESOS. Net cash used in financing activities was RM6.20 million during FY 2022, which was also for similar activities as that of FY 2023.

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 decreased to RM149.11 million as at 31 December 2023 from RM167.92 million as at 31 December 2022. Cash and cash equivalents as at 31 December 2023 amounted to RM88.11 million (2022: RM123.71 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 our requirements.

BUSINESS OUTLOOK

According to the latest quarterly forecast prepared for RVIA, RV shipments are expected to hit 350,000 units in 2024. This equals to approximately 12% increase over previous year end of 313,200 units. This is in line with their previous forecast that RV shipments are trending in the positive direction and on track for moderate gains. We are hopeful that interest rates in the US will start dropping in the second half of the year 2024 which will allow more consumers to follow through with their desire to purchase RV. Easing interest rates and inflation will be expected to trigger the recovery in the housing sector at US as well which may improve the demand and price of our products in year 2024.

We will continue adjusting our monthly production volume considering the sluggish recovery of plywood demand from US. Apart from that, we will continue supplying to Thailand which offers better pricing as compared to the other Asian countries. We are also hopeful that supply to UK will recover slowly although European customers are very particular on the ESG aspect of their supplier. We will continue to improve the Group's ESG matters and work on tracking the carbon footprint of our products in order to fulfill the requirements of certain customers.

In respect of the Industrial Tree Planting Agreement signed in 2023, the boundary demarcation activity was completed in February 2024. Currently, environmental impact assessment and preparation of the plantation development plan are ongoing as planned and we expect that the operation will begin within the expected timeframe.

As the demand for plywood recovers albeit slowly, we remain positive about the Group's prospect and hopeful that we can turnaround in 2024.



SUSTAINABILITY STATEMENT

About this Sustainability Statement

The Group is pleased to present its Sustainability Statement which showcases its sustainability progress for the financial year ended 31 December 2023 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 stakeholders.

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.

The Group is in the journey towards building a sustainable impact on the economy, environment and the local community. This statement focuses on the sustainability risks and opportunities that we have faced in 2023. 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 2023.

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 2023 to 31 December 2023 ("FY2023"), unless otherwise specified.

Reporting Scope

This statement covers sustainability matters of our 2 business divisions (manufacturing of wood products and generation of electricity) as illustrated below.



富佳木業有限公司

FOCUS LUMBER BERHAD
Registration No.: 198901011405 (188710-V)

UNTUNG RIA SDN BHD

FORMING PLANTATION SDN BHD[^]

[^] Incorporated on 18 December 2023

SUSTAINABILITY STATEMENT

Assurance Statement

The data presented in this Sustainability Statement is sourced internally from within the Group. It is compiled and measured against industry standards in alignment with our sustainability targets. To the best of our ability, the results are verified by the Management and undergo a review by the management level Sustainability Committee before being presented to the Board.

As part of our continuous improvement efforts, the Group is actively working to enhance our data collection processes, address any reporting gaps and expand our assurance has been sought for the disclosures made in this report.

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 year 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 Group'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.

<p>Compliance Requirement</p> <ul style="list-style-type: none"> To observe and comply with relevant legislation, regulations and codes of practice. 	<p>Incorporating Sustainability in Business Planning</p> <ul style="list-style-type: none"> To consider sustainability issues and integrate these considerations into our business decisions. 	<p>Employee Engagement for Sustainability</p> <ul style="list-style-type: none"> To promote and ensure that all employees are aware of and are committed to implementing and measuring sustainability activities considering environment, social, economic and governance factors. 	<p>Annual Sustainability Performance Reporting and Improvement</p> <ul style="list-style-type: none"> To annually report, review and to continuously strive to improve our sustainability performance.
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SUSTAINABILITY STATEMENT

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:

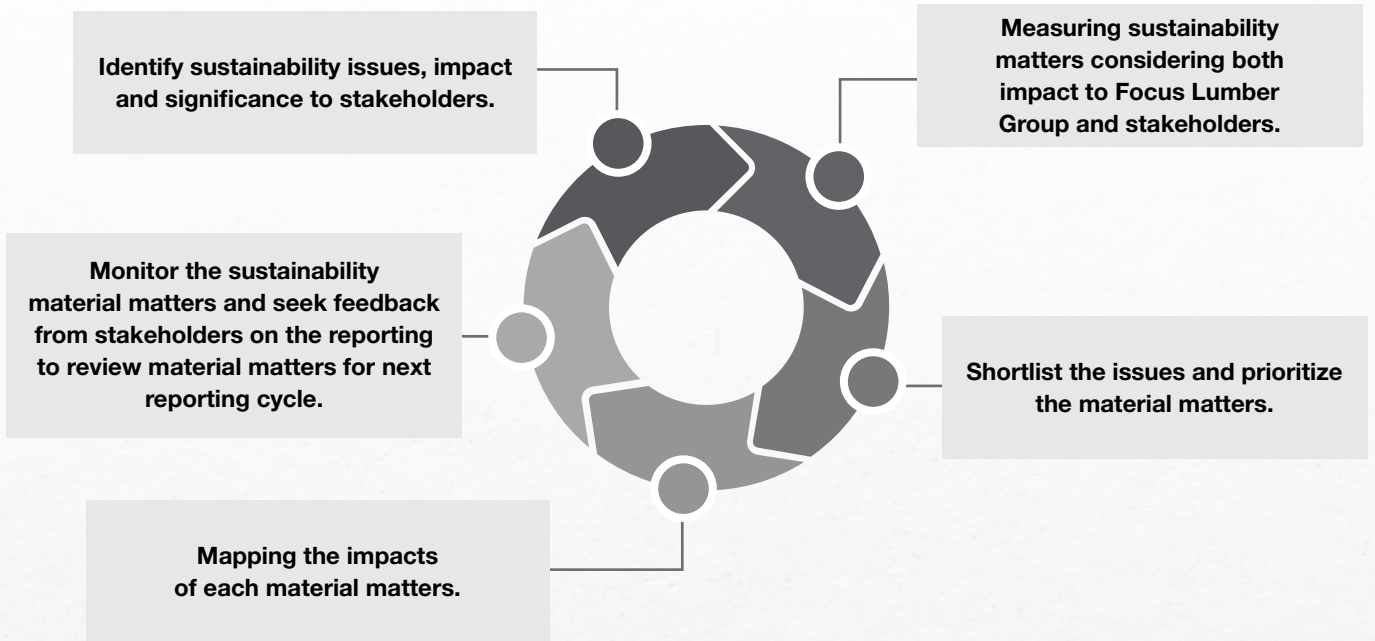
Key Stakeholders	Areas of Interest	Engagement Methodology	Frequency of Engagement
 Customers	<ul style="list-style-type: none"> Product pricing Product quality Compliance with International Quality Standards 	<ul style="list-style-type: none"> Visit customers to understand their needs on our products Continuous engagement with customers for better customer experience 	<ul style="list-style-type: none"> As needed On-going
 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"> Annually On-going Annually 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"> On-going As needed On-going
 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"> As needed On-going On-going
 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"> On-going On-going
 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"> On-going On-going

SUSTAINABILITY STATEMENT

Materiality Assessment and Key Sustainability Matters

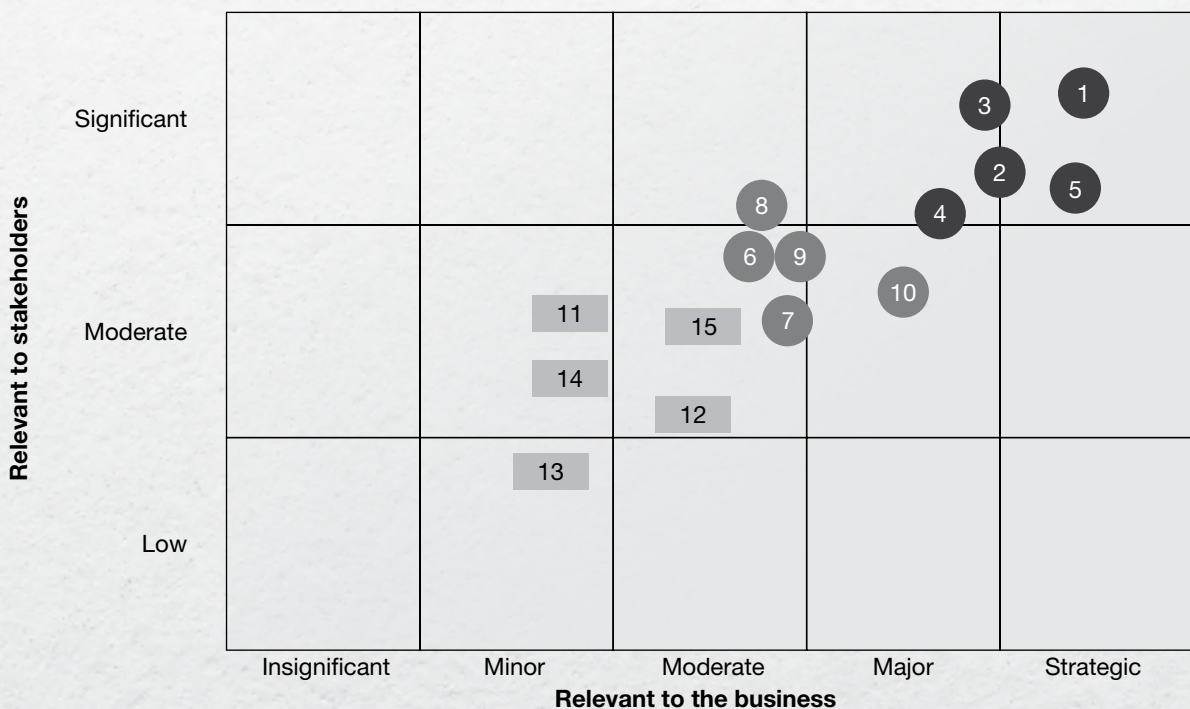
Focus Lumber applied the GRI Standards to identify and prioritise the key sustainability topics, to tailor its approach taken in relation to sustainability on the management of the ESG impacts of its business operations on its stakeholders.

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

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

Risk, Opportunities and Management Action Plans (Continued)

Material Topics	Risks	Opportunities	Impact to the Key Stakeholders	Management Approach
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 ABAC 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

SUSTAINABILITY STATEMENT

Risk, Opportunities and Management Action Plans (Continued)

Material Topics	Risks	Opportunities	Impact to the Key Stakeholders	Management Approach
Environmental 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
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 of employees 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 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.

SUSTAINABILITY STATEMENT

Risk, Opportunities and Management Action Plans (Continued)

Material Topics	Risks	Opportunities	Impact to the Key Stakeholders	Management Approach
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 Targets and Performance

To ensure effective implementation of sustainability initiatives across the Group, FLB has set the targets for our material matters and monitor the progress of our approach towards the targets throughout FY2023. The table below presents our targets developed for our material matters for FY2023 and FY2024 as well as our performance against the targets set for FY2023:

Material Matters	Target for FY2023	Performance for FY2023	Target for FY2024
ECONOMIC			
Product and service quality	<ul style="list-style-type: none"> We were studying to establish a realistic target based on the available analysis and data 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Quality claim below 0.35% of total revenue
Procurement practices	<ul style="list-style-type: none"> To ensure appointed waste management supplier has DOE license Perform evaluation on suppliers and monitor their performance on annual basis to ensure vendors meet minimum quality requirement and compliance requirement 	<ul style="list-style-type: none"> Achieved Achieved 	<ul style="list-style-type: none"> To ensure appointed waste management supplier has DOE license Perform evaluation on suppliers and monitor their performance on annual basis to ensure vendors meet minimum quality requirement and compliance requirement
Anti-Corruption	<ul style="list-style-type: none"> To maintain zero corruption and bribery case To organise briefing or awareness training in relation to anti-corruption to employees To organise briefing or awareness training in relation to whistleblowing policy of the Group To maintain zero whistleblowing case reported to the Chairman of the Board and Audit Committee 	<ul style="list-style-type: none"> Achieved Achieved Achieved Achieved 	<ul style="list-style-type: none"> To maintain zero corruption and bribery case To brief all new employees about our ABAC and Whistleblowing Policy To maintain zero whistleblowing case reported to Chairman of the Board and Audit Committee
ENVIRONMENT			
Energy	<ul style="list-style-type: none"> To reduce diesel consumption by 1% To reuse wood waste to generate biomass energy to supply electricity to the Group's operation 	<ul style="list-style-type: none"> Achieved Achieved 	<ul style="list-style-type: none"> To reduce diesel consumption to 12.00 litre per m3 To reuse available wood waste to generate biomass energy
Water	<ul style="list-style-type: none"> To use river water for factory operation 	<ul style="list-style-type: none"> Achieved 	<ul style="list-style-type: none"> To continue using treated river water for factory operation
Emissions	<ul style="list-style-type: none"> To achieve dust loads below the required limit of 150mg/Nm3 To achieve zero fine imposed by environmental authorities 	<ul style="list-style-type: none"> Achieved Achieved 	<ul style="list-style-type: none"> To achieve dust loads below the required limit of 150mg/Nm3 To achieve zero fine imposed by environmental authorities

SUSTAINABILITY STATEMENT

Sustainability Targets and Performance (Continued)

Material Matters	Target for FY2023	Performance for FY2023	Target for FY2024
Effluent and Waste Management	<ul style="list-style-type: none"> To reduce 1% of glue waste from production activities To recycle available wood waste from production 	<ul style="list-style-type: none"> Not achieved Achieved 	<ul style="list-style-type: none"> To reduce glue waste from production activities to 0.48 kg per m3 To recycle available wood waste from production
Environment Compliance	<ul style="list-style-type: none"> To achieve zero case of non-compliance to environmental regulatory To achieve zero fined imposed by environmental authorities 	<ul style="list-style-type: none"> Achieved Achieved 	<ul style="list-style-type: none"> To achieve zero case of non-compliance to environmental regulatory To achieve zero fined imposed by environmental authorities
SOCIAL			
Employment	<ul style="list-style-type: none"> To achieve employee turnover rate below 35% To achieve at least 35% local employees from total workforce 	<ul style="list-style-type: none"> Achieved Achieved 	<ul style="list-style-type: none"> To achieve employee turnover rate below 32% To achieve at least 35% local employees from total workforce
Diversity and Equal Opportunities	<ul style="list-style-type: none"> At least 1 female at Board level To achieve gender ratio of at least 1/3 for female in the Group 	<ul style="list-style-type: none"> Achieved Achieved 	<ul style="list-style-type: none"> To maintain at least 2 females at Board level To achieve gender ratio of at least 1/3 for female in the Group
Occupational Health and Safety	<ul style="list-style-type: none"> To achieve zero case of non-compliance to OHS regulatory To achieve zero case of fatalities Reduce accident cases and severity rate as compared to 2022 Reduce 1% of LTIFR 	<ul style="list-style-type: none"> Achieved Achieved Achieved Not achieved 	<ul style="list-style-type: none"> To achieve zero case of non-compliance to OHS regulatory To achieve zero case of fatalities Reduce accident cases to below 5 cases and reduce severity rate by comparing with year 2023 Reduce LTIFR to below 2.20
Training and Education	<ul style="list-style-type: none"> To allocate at least RM6,000 for training and development 	<ul style="list-style-type: none"> Achieved 	<ul style="list-style-type: none"> To achieve 4 training hours average per employee per year for all levels except general workers and security guards (Total 276 hours with 65 employees and 4 NEDs) To allocate at least RM8,000 for training and development
Local Communities	<ul style="list-style-type: none"> To allocate RM50,000 budget on community engagement such as charitable events, donations, etc To organise at least 4 employee engagement activities 	<ul style="list-style-type: none"> Achieved Achieved 	<ul style="list-style-type: none"> To allocate RM50,000 budget on community engagement such as charitable events, donations, etc To organise at least 4 employee engagement activities

SUSTAINABILITY STATEMENT



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**

In FY2023, the Group’s revenue, which was fully contributed from its manufacturing segment, reduced by 55% as compared to FY2022. Demand for plywood was weak since the second half of FY2022 as a result of ongoing inflationary pressure and high interest rates particularly in the United States (“US”). Focus Lumber recognised the impact of the current operating environment and diverted more sales to Asia Pacific countries such as Taiwan, Thailand and Australia. While the rates hike by US Federal is coming to the end with rates cut is projected in the second half of FY2024, we are looking forward to realign our capacity to meet the demand from US when their housing and RV sectors recover.

- **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 March 2023, our Quality Control Manual was revised and reviewed by Benchmark Holdings, LLC (BMH) upon their visit for the purpose of third-party certification audit. 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 will 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.

During the FY2023, the customers had made a quality claim of approximately RM0.23 million, equivalent to 0.38% of the sales for FY2023. The claim was mainly due to poorer than expected quality of plywood especially for inventory which had been kept for some time as a result of weak market demand since the second half of FY2022. The Management takes note of this issue and will continue to streamline our manufacturing and quality control process. The Management aims to keep the quality claim from customers at below 0.35% of total sales for FY2024.

- **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.

During the FY2023, the Group had conducted evaluation on 7 suppliers which were selected based on their business transaction value with the Group in previous year. The result of the evaluation showed that the average rating of these suppliers was above 4 out of the full score of 5.

In the manufacturing process of plywood and laminated veneer lumber, glue waste will be generated from the clean up of glue spreader equipment and glue mixing tanks. The Group has appointed a company which is approved by Department of Environment to manage our glue waste on a scheduled basis.

SUSTAINABILITY STATEMENT



Economic

- **Anti-Corruption**

ABAC Policy

It is the policy of the Group 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 ABAC Policy to set out its responsibilities, and of those working for it, in observing and upholding its position on bribery and corruption; and provide information and guidance to those working for it on how to recognise and deal with bribery and corruption issue. The ABAC Policy and its framework was established and it applied to the Company and its subsidiaries at all levels, including 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 ABAC 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-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.

During the FY2023, several briefing awareness had been conducted at Kota Kinabalu and Keningau premises from 19 October 2023 to 3 November 2023 with all the employees participating in the briefing session. We achieved our target set for FY2023 with no bribery and corruption case reported and we strive to maintain our clean track record for FY2024.

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 contact details of the Chairman of the Board and Audit Committee are as follows:

- Chairman of the Board (Email address: am@lh-ag.com); or
- Chairman of Audit Committee (Email address: kenneth.ckk73@gmail.com).

During the FY2023, several briefing awareness had been conducted at Kota Kinabalu and Keningau premises from 19 October 2023 to 3 November 2023 with all the employees participating in the briefing session. We achieved our target set for FY2023 with no whistleblowing case reported to the Chairman of the Board and Audit Committee and we strive to maintain our clean track record for FY2024.



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

SUSTAINABILITY STATEMENT



Environment

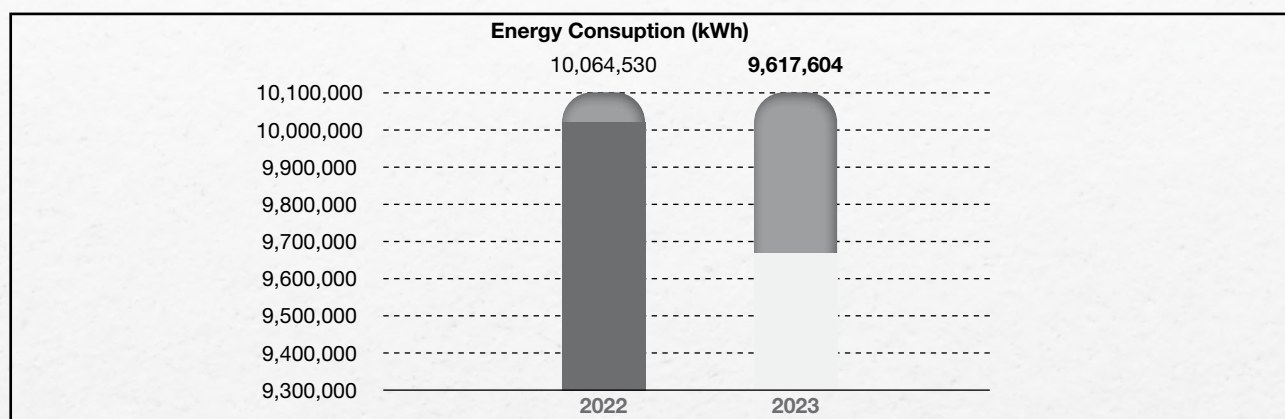
Addressing Task Force on Climate Related Financial Disclosures (“TCFD”)

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**

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 unauthorised 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 FY2023, we have also replaced a total 802 units of lights to LED lights.

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



The energy consumption in FY2023 was 9,617,604 kWh which saw a decrease by 4% as compared to energy consumption of 10,064,530 kWh in FY2022. The Group has also reduced the consumption of diesel in generating electricity through purchase of more wood waste from external parties. They were used together with the wood waste generated from our operation to generate biomass energy and supply electricity to the Group’s office, hostel and manufacturing plant.

In the FY2023, the Group achieved the target of reducing diesel consumption by 1% with total consumption of diesel reduced significantly from 1,027,100 litre in FY2022 to 405,150 litre in current financial year. The decrease was mainly coming from the lower consumption from generator set for generating electricity. Total diesel consumption by net production per cubic metre in current financial year was 14.30 litre per m³. The Group aims to achieve the target of reducing it to 12.00 litre per m³ in FY2024.

The following table illustrates the electricity generated from biomass, diesel and those supplied by Sabah Electricity Sdn Bhd (“SESB”) for FY2023 and FY2022:

Year	FY2022	FY2023
	kWh	kWh
Electricity generated from biomass	8,771,900	9,172,400
Estimated generation from diesel	1,254,122	405,902
Electricity supplied from SESB	38,508	38,924

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

SUSTAINABILITY STATEMENT



Environment

Addressing Task Force on Climate Related Financial Disclosures (“TCFD”) (Continued)

- 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 generated from the boiler. We regularly assess our water consumption and are working towards setting a method to correlate our production activity with the water consumption.

The table below shows water consumption from each sites:

Sites	FY2022	FY2023
	(m3)	(m3)
FLBHD Keningau office & hostel	1,634	2,418
FLBHD Keningau factory	Use river water	Use river water
FLBHD KK	1,265	1,627
Untung Ria Sdn Bhd	Use river water	Use river water
Total Water Consumption	2,899	4,045

- Emissions**

Dust emissions are a common issue in our operations due to the nature of the process. During our manufacturing process, 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 Group’s factory and power plant at Keningau.

The following table shows the average result of emissions at the Group for FY2023:

Site	Quarter	Dust Load (mg/Nm3)	Permissible Dust Load Limit (mg/Nm3)
FLBHD Keningau Factory	Q2	54.56	150
FLBHD Keningau Factory	Q4	145.09	150
Untung Ria Sdn Bhd	Q2	75.01	150
Untung Ria Sdn Bhd	Q4	147.44	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 FY2023. The results show that the emission results are within the required permissible limit of 150 mg/Nm³. 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 FY2023 for non-compliance on emissions. We strive to continue to have zero case and zero fines in the future.

SUSTAINABILITY STATEMENT



Environment

Addressing Task Force on Climate Related Financial Disclosures (“TCFD”) (Continued)

- **Effluent and Waste Management**

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	FY2023
Generated	17,190	16,972
Disposed	20,919	18,668
Recycled	-	-
Total Non-Hazardous Waste (Wood waste) (m3)	FY2022	FY2023
Generated	46,074	31,833
Disposed	-	-
Recycled	46,074	31,833

During FY2023, glue waste generated amounted to 16,972 kg, equivalent to 0.591 kg per m3 net production of wood products. The target of 1% reduction as compared to FY2022 was not achieved because of the quality deterioration of our glue in June 2023. In order to eliminate the risk of producing poor quality plywood, approximately 10,500 kg of glue from respective delivery was not used in our production of plywood and treated as glue waste for proper disposal.

There are zero case and zero fines in FY2023 for non-compliance on waste management. We strive to continue to have zero case and zero fines in FY2024.

- **Environmental Compliance**

The Group acknowledges the direct impact of its manufacturing and sales of plywood activities on the environment and has been taking measures to reduce and mitigate pollution. Our commitment to strict compliance with environmental regulations is a 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 FY2023, we achieved zero case of non-compliance and fines imposed by the environmental authorities. It demonstrates that our Group is making progress towards sustainability (FY2022: 0 case). We have maintained our target to achieve zero reports and penalties for FY2024.



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 that 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 cognizance of the importance of social sustainability, which involves developing processes and structures to 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.

SUSTAINABILITY STATEMENT



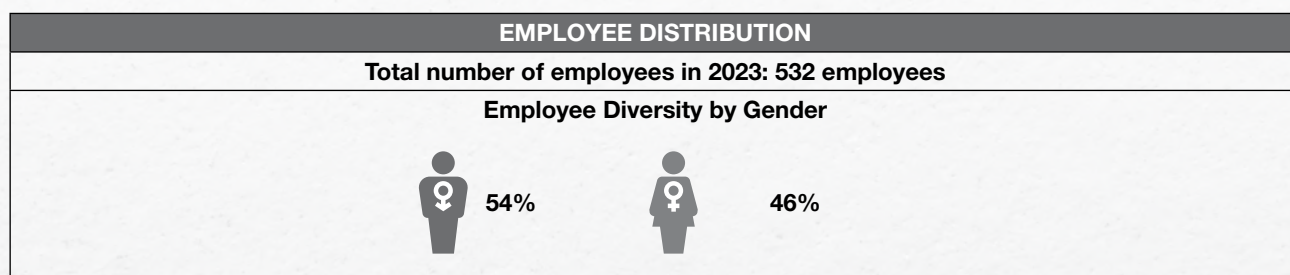
Social

• Employment, Diversity and Equal Opportunities

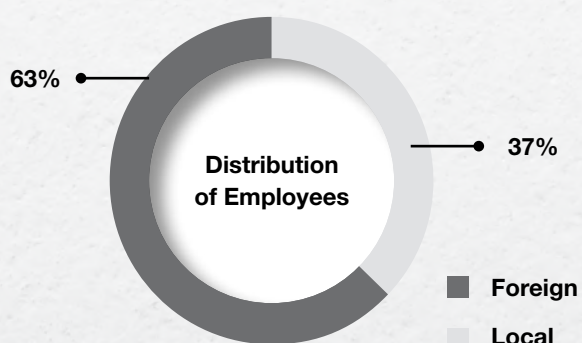
The Group encourages diversity in employment to ensure that the Group has an appropriate mix of skills and talent to conduct its business and achieve the Group’s goals. The Group supports the principle of equal opportunities in respect to employment including hiring, training and career advancement with the aim 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.

As at 31 December 2023, we reported a total workforce of 532 employees. Male employees constituted 54% of the Group’s total workforce as the Group is mainly involved in manufacturing sector, while female employees constituted of 46% of the Group’s total workforce. The Group has met the target of achieving gender ratio of at least 1/3 for female in the Group. Besides, the Company also achieved the target of having at least 1 female representation in the Board of Focus Lumber.



We also have employees who are both local and foreign from Taiwan, China, Indonesia and Philippines. The following chart illustrates the summary of local and foreign employees in FY2023:



In FY2023, we barely achieved the target of employing at least 35% local employees. 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.

Turnover and New Hires of Employees

The following table illustrates the summary of employee turnovers and new hires in FY2023:

	Resigned	Hired
Focus Lumber Berhad	92	69
Untung Ria Sdn Bhd	2	-
Total	94	69

In current financial year, the Group had achieved the target of employees turnover rate of below 35%. The Group has set a target of turnover rate below 32% for FY2024.

SUSTAINABILITY STATEMENT

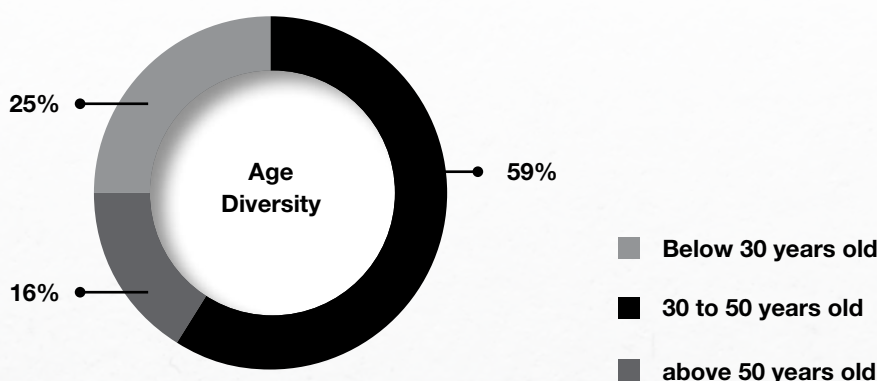


Social

- Employment, Diversity and Equal Opportunities (Continued)**

Age Diversity

The following chart illustrates the summary of age diversity in FY2023:



- 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.

Following is detailed information of the types of training, number of employees trained, training hours and total costs of the training recorded in FY2023:

FY 2023			
Type of Training	Number of Pax	Total Hours of Training	Total Cost (RM)
Workshop on Key Changes to the Employment Act 1955: Reflection Towards Labour Ordinance Sabah and Sarawak	2	32	3,180
Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under Listing Requirements	8	16	5,300
Mandatory Accreditation Programme	2	24	5,830
2024 Budget Seminar	1	8	385
Getting Ready for e-Invoicing in Malaysia	8	64	1,060
Accounting for Biological Assets; MFRS and MPERS	1	8	320
Total	22	152	16,075*

* Certain course fees were covered under Human Resource Development Fund

The Group invested more in employee training in FY2023 when compared to FY2022 with total hours of training increased from 100 hours in FY2022 to 152 hours. 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. The Group also met the target of allocating at least RM6,000 for employees training in the current financial year and aims to provide more training and development for the employees in the coming years.

Such investment leads to increased 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.

SUSTAINABILITY STATEMENT



Social

• 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 strives 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.

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 FY2023:

Type of Training	Number of Pax	Total Hours of Training	Total Cost (RM)
Safe Handling of Forklift Truck	15	120	4,452
Seminar Keselamatan Kebakaran	3	24	3,900
Authorised Entrant and Standby Person for Confined Space	1	8	516
Total	19	152	8,868*

* Certain course fees were covered under Human Resource Development Fund

The Group continued investing more in employee training in respect of health and safety in FY2023. 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. In FY2023, the Group successfully reduced the accident cases and severity rate as compared to FY2022. Despite a lower lost time injury cases, the Group did not achieve the target of reducing the Lost Time Injury Frequency Rate (“LTIFR”) by 1% due to the decreased total manhours of work in FY2023 as a result of realignment of operating capacity. LTIFR in FY2023 was 2.32 cases per 1 million manhours of work, increased slightly from 2.24 recorded in previous financial year.

Apart from that, the Group achieved the target of zero case of non-compliance to OHS regulator and zero case of fatalities cases in FY2023. The Group aims to maintain the zero case targets in coming years.

The following table illustrates the statistics of accidents and Lost Time Injury (LTI) cases in FY2023:

	FY2023			
	LTI		Non-LTI	
	Major Accidents	Minor Accidents	First Aid Injury	Medical Treatment
Number of accidents	-	3	-	-

SUSTAINABILITY STATEMENT



Social

Local Communities

Apart from encouraging employees to attend various training programmes, the Group also organising indoor and outdoor activities regularly for team building and leadership skills development. The Group believes that employees' development would promote loyalty among the employees. Loyal employees would tend to be more productive in their daily work.

In FY2023, the Group achieved the target of organising at least 4 employee engagement activities. Some activities for our employees in FY2023 were stated below:

List of Activities in FY2023:

Kota Kinabalu Office CNY Celebration and Annual Lunch
 Keningau Office CNY Celebration and Annual Lunch
 Programme for Committee Election and AGM for Focus Lumber Labour Union
 Dinner and Dialogue with Keningau Factory Supervisors
 Labour Day Activity

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 FY2023, the Group has achieved the target of contributing at least RM50,000 to community engagement. Among the charities and donations made in FY2023 were stated as below:

List of Donations	RM
Jabatan Perhutanan Sabah	1,500
Ji Her Charity and Moral Uplifting Society	10,000
Persatuan Wanita Cina Keningau	500
Kaohsiung Children Development Association	1,734
JPKK Kampung Patikang Ulu	500
Rotary Club of Kota Kinabalu Pearl Sabah	10,000
Jawatankuasa Kempen Bahasa Malaysia	500
Persatuan Taekwando Daerah Keningau	500
Sekolah Jenis Kebangsaan (C) St. James	4,000
Sabah Government Services Welfare and Recreational Club	3,000
Taiwan Chamber of Commerce & Industry Malaysia	20,000
Tenom Tshung Tsin Secondary School	1,000
PDRM Daerah Keningau	849
Total amount donated	54,083

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 recognise that this journey requires ongoing effort, collaboration, and innovation and have a responsibility to minimise our impact on the environment, promote ethical and responsible business practices, and contribute to the well-being of our communities.

Moving forward, we will prioritise 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 2023 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 stakeholders.

The statement is to be read together with the Corporate Governance Report 2023 (“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 2023. The CG Report is available on the Company’s website at www.focuslumber.com.my.

For financial year ended 31 December 2023, the Company complied with most of the principles and practices set out in the MCCG, apart from departures on the following practices:-

- (a) Practice 5.2 – At least half of the Board comprises Independent Directors; and
- (b) Practice 5.9 – The Board comprises at least 30% women directors.

Explanations on the abovementioned departures are further elaborated in the CG Report which is available on Company’s website at www.focuslumber.com.my.

BOARD LEADERSHIP AND EFFECTIVENESS

Board of Directors

The Board currently comprises of eight (8) directors including three Independent Non-Executive Directors, one Non-Independent Non-Executive Director, one Managing Director and three Executive Directors.

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 2023 was as follows:-

Directors	Board	AC	NC	RC
Datuk Aznam Bin Mansor	6/6	-	-	-
Lin, Hao-Wen	6/6	-	-	-
Ng Tian Meng (<i>Resigned on 19 May 2023</i>)	3/3	3/3	2/2	2/2
Wong Yoke Nyen (<i>Resigned on 19 May 2023</i>)	3/3	3/3	2/2	2/2
Lin, Hao-Yu	4/6	-	-	-
Lin, Pei-Wen	6/6	-	-	-
Nar Chin Keow	6/6	5/5	2/2	2/2
Teh Yong Khim	6/6	-	-	-
Kenneth Chin Kah Kiong (<i>Appointed on 19 May 2023</i>)	3/3	2/2	-	-
Chong Shu Phin (<i>Appointed on 19 May 2023</i>)	3/3	2/2	-	-

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.

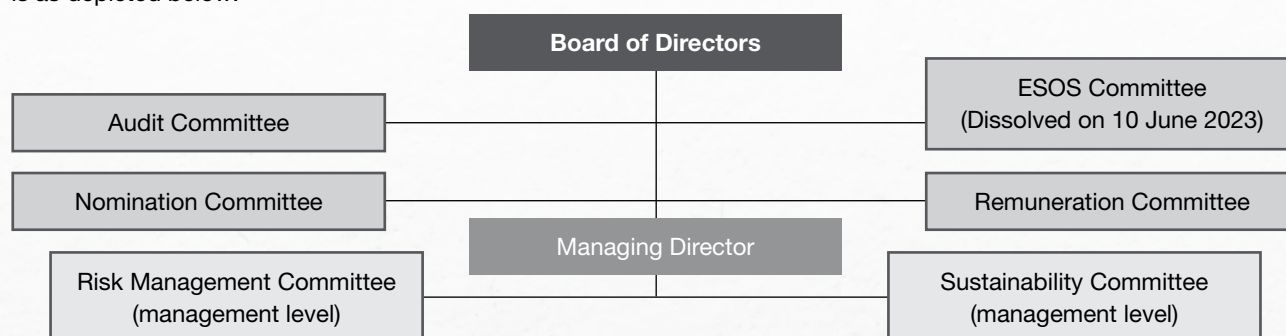
CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Board of Directors (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

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

Board of Directors (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 Chairman set the board meeting agenda, and ensure adequate time is allocated for discussion of issues tabled to the board for deliberation. 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. For financial year 2023, the Board reviewed and approved the Board Charter on 27 March 2023. 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

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 NC comprises three Independent Non-Executive Directors. During the financial year 2023, the composition of the NC was changed following the resignation of Mr Wong Yoke Nyen and Mr Ng Tian Meng as Independent Non-Executive Directors of the Company on 19 May 2023 after serving the Board as Independent Directors for a cumulative period of 12 years and the appointment of Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin as the new Independent Non-Executive Directors of the Company. Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin were appointed as members of the NC effective 19 May 2023.

The NC held two (2) meetings in financial year 2023 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;
- 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; and
- conducted assessment on the proposed appointment of new Directors based on the Directors' Fit and Proper Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

For the Directors appointed during the financial year 2023, the NC 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. The NC also assesses their level of independence and satisfied that their 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 Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin as Independent Non-Executive Director on 19 May 2023.

There were also changes to the composition of AC and RC on 19 May 2023 whereby Mr Kenneth Chin Kah Kiong was appointed as Chairman and members of AC and RC whilst Mr Chong Shu Phin was appointed as Chairman and members of RC and AC respectively, after the resignation of Mr Wong Yoke Nyen and Mr Ng Tian Meng as Independent Non-Executive Directors.

Board Independence and Tenure of Independent Directors

The Board currently comprises of eight (8) directors of which three (3) are Independent Non-Executive Directors. The composition of the Board complies with one-third (1/3) requirement of Independent Director as set out in Paragraph 15.02 of the MMLR of Bursa Securities. As at the date of this statement, none of the Independent Non-Executive Directors have served the Board for a cumulative term of nine (9) years or more.

During the financial year 2023, the Board assessed the performance and independence of Ms Nar Chin Keow as well as her suitability to continue office as Independent Director. Besides, the Board also assesses the level of independence of Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin prior to their appointment. It was concluded that Independent Directors met the independence criteria as set out in the MMLR of Bursa Securities.

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. Currently, there are two (2) woman Directors in the Board which fulfils the requirement of Paragraph 15.02(1)(b) of the MMLR of Bursa Securities.

All the 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 specialised 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 page 4 to 6 of the Annual Report 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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 20 February 2023. For financial year 2023 Board performance assessment, it was conducted on 19 February 2024. The 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.

The Board through its NC assessed the training needs for all the Directors by organising 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

During the financial year 2023, 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"> Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements 	21 August 2023
Lin, Hao-Wen	<ul style="list-style-type: none"> Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements 	21 August 2023
Lin, Hao-Yu	<ul style="list-style-type: none"> Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements 	21 August 2023
Lin, Pei-Wen	<ul style="list-style-type: none"> Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements 	21 August 2023
Teh Yong Khim	<ul style="list-style-type: none"> Mandatory Accreditation Programme (MAP) Session on MFRS Application and Implementation Committee (MAIC) Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements 2024 Budget Seminar Getting Ready for e-Invoicing in Malaysia Accounting for Biological Assets MFRS and MPERS 	7-9 February 2023 14 August 2023 21 August 2023 7 November 2023 30 November 2023 20 December 2023
Nar Chin Keow	<ul style="list-style-type: none"> Bursa Malaysia Immersive Session: The Board "Agender" Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements 	13 March 2023 21 August 2023
Kenneth Chin Kah Kiong	<ul style="list-style-type: none"> Mandatory Accreditation Programme Part II: Leading for Impact (LIP) Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements 	7-10 August 2023 21 August 2023
Chong Shu Phin	<ul style="list-style-type: none"> Professional Electric Motors Operation and Control to Improve Energy Efficiency Sabah Uniform Building By-Law Conflict of Interest and The Enhanced Sustainability Practices and Disclosures as prescribed under the Listing Requirements Mandatory Accreditation Programme (MAP) 	7-10 August 2023 11 August 2023 21 August 2023 28-30 August 2023
Ng Tian Meng [^]	<ul style="list-style-type: none"> Procedures and Processes In The Convening of Meetings Seminar Percukaian Kebangsaan 2022 (Bajet 2023) Introduction of the Movable Property Security Interest Bill for Malaysia & Proposed Amendments to the Trust Companies Act 1949 Webinar Series: Corporate Governance Case Studies 	7 March 2023 8 March 2023 17 March 2023 16 May 2023

[^] Resigned on 19 May 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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 2023, the RC met two (2) times to consider the remuneration package for the Executive Directors 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.

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 ("AC")

During the financial year 2023, there was a change in the composition of AC, whereby Mr Wong Yoke Nyen and Mr Ng Tian Meng resigned as Independent Non-Executive Directors on 19 May 2023 and Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin were appointed as new Independent Non-Executive Directors with effect thereon. Both Mr Kenneth Chin Kah Kiong and Mr Chong Shu Pin were appointed as Chairman and member of the AC on 19 May 2023, subsequent to the resignation of Mr Wong Yoke Nyen and Mr Ng Tian Meng. The AC comprises wholly of Independent Non-Executive Directors. Mr Kenneth Chin Kah Kiong is not the Chairman of the Board so as not to impair the objectivity 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

Audit Committee (“AC”)

The AC is responsible to carry out a review of the performance of External Auditor, including assessment of suitability and independence of External Auditor in the performance of their obligations as External Auditor. The AC 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 2023, 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.

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 47 to 50 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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 33rd Annual General Meeting ("AGM") 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 and the External Auditor were in attendance virtually via video conferencing.

The Notice of 33rd AGM was dispatched to the shareholders on 20 April 2023, 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 33rd AGM. Questions posted by shareholders were made visible to all meeting participants during the meeting.

The Company conducted electronic polling at the AGM. 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 (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 2023.

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 2023 were approved by the Board on 15 April 2024.

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 2023, the AC comprised the following:-

Chairman

Kenneth Chin Kah Kiong *(Independent Non-Executive Director) – Appointed on 19 May 2023*
Wong Yoke Nyen *(Independent Non-Executive Director) – Resigned on 19 May 2023*

Members

Nar Chin Keow (f) *(Independent Non-Executive Director)*
Chong Shu Phin *(Independent Non-Executive Director) - Appointed on 19 May 2023*
Ng Tian Meng *(Independent Non-Executive Director) - Resigned on 19 May 2023*

The Chairman of the AC, Mr Kenneth Chin Kah Kiong is member of the Association of Chartered Certified Accountants (“ACCA”) and Malaysian Institution of Accountants (“MIA”). He has more than 24 years of extensive experience in various spectrum of finance functions encompassing accounting, taxation, financial reporting, corporate finance across industries including construction, property development, hotel, retail and food & beverages in public listed companies. He fulfills other requirements as prescribed and approved by the Bursa Malaysia. Accordingly, the Company complies with the requirements of Paragraph 15.09(1)(c) 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 recommendation to the Board for notation. During the financial year 2023, 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 19 February 2024, 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 2023 and all five (5) meetings were attended by all members of the AC. The attendance of the AC in all its meetings during financial year 2023, were as follows:-

AC	Attendance
Kenneth Chin Kah Kiong (Chairman) (Appointed as AC Chairman on 19 May 2023)	2/2
Wong Yoke Nyen (Chairman) (Resigned as AC Chairman on 19 May 2023)	3/3
Ng Tian Meng (ceased as AC member on 19 May 2023)	3/3
Chong Shu Phin (appointed as AC member on 19 May 2023)	2/2
Nar Chin Keow	5/5

The Managing Director, Executive Director, representatives of the External Auditors and Internal Auditors 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 27 March 2023 and 24 November 2023.

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

SUMMARY OF WORK OF THE AUDIT COMMITTEE

The main activities and work carried out by the AC during the financial year 2023 were as follows:-

Financial Reporting

- a. Reviewed the unaudited quarterly financial results of the Group for the fourth quarter of 2022 and the annual audited financial statements of 2022 of the Company at the meetings held on 20 February 2023 and 27 March 2023, respectively;
- b. Reviewed the unaudited quarterly financial results of the Group for the first, second, and third quarters of 2023 before recommending to the Board for consideration and approval at the meetings held on 19 May 2023, 21 August 2023 and 24 November 2023 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' 2023 Audit Planning Memorandum outlining their scope of work, areas of audit emphasis such as revenue recognition, existence and valuation of inventories, impairment assessment of property, plant and equipment, impairment assessment of investment property, 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 for other non-audit related services on 24 November 2023;
- 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 2023;
- c. Had two (2) private meetings with the External Auditors on 27 March 2023 and 24 November 2023 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 2022 before recommending for the Board of Directors' approval on 27 March 2023;
- e. Reviewed and discussed the Key Audit Matter ("KAM") identified by the External Auditors and determined the materiality of the matter raised on 27 March 2023. 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 or non-compliance with law or regulations affecting the Group;
- g. Reviewed and discussed with the External Auditors on the accounting treatment in relation to the Company's new industrial tree planting activities on 24 November 2023;

AUDIT COMMITTEE REPORT

SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONTINUED)

External Audit (continued)

- h. 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 27 March 2023 before recommending for the Board to propose to shareholders the re-appointment of the External Auditors at the 33rd 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 being tabled to the AC for deliberation; 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 2023/2024 at the meeting held on 20 February 2023, 19 May 2023, 21 August 2023 and 24 November 2023;
- 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 20 February 2023, 19 May 2023, 21 August 2023 and 24 November 2023;
- 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 20 February 2023, 19 May 2023, 21 August 2023 and 24 November 2023; and
- d. Reviewed and approved the Internal Audit Plan 2024 and recommended the proposed audit fee to the Board for approval on 24 November 2023.

Risk Management

- a. Reviewed the reports submitted by the Risk Management Committee on key risks facing the Group during the meeting held on 19 May 2023 and 24 November 2023 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 27 March 2023;
- b. Reviewed the variance analysis between actual result, budget and forecasted result on 20 February 2023, 19 May 2023, 21 August 2023 and 24 November 2023; and
- c. Reviewed and recommended the Budget for year 2024 to the Board for approval on 24 November 2023.

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

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	Maintenance <ul style="list-style-type: none"> • Monitoring of Machinery Maintenance Process • Request and usage of spare parts by Maintenance • Monitoring the turnaround time for repairing of Machinery 	7 February 2023 to 10 February 2023
2	Follow-up Internal Control review on Maintenance	5 May 2023
3	Warehouse <ul style="list-style-type: none"> • Receiving of raw materials from vendors • Issuing of materials from warehouse to Production • Receiving of finished goods from Production and updating into system • Loading and delivery of goods to customers • Inventory damaged and write off 	24 July 2023 to 28 July 2023
4	Follow-up Internal Control review on Maintenance and Warehouse	23 October 2023

- 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 20 February 2023, 19 May 2023, 21 August 2023 and 24 November 2023 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 2023, 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 2023 was RM50,880 (2022: 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 2023.

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 system 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 system of internal control and risk management where such system 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 Audit Committee ("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 system 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 risks 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 system 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 system, 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 system 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 action plans are developed.

Key Risk Management and Internal Control Processes

Risk Management Framework

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

The Board has established a formal risk management framework that enables the management of risks within defined risks parameters. The framework involves a continual process for identifying, assessing, monitoring and reporting significant risks faced by executives, departments operating units and ultimately the Group. Risks are monitored and managed through ownership from line management demonstrating their commitment to 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 assessment of the overall risk environment of the Group.

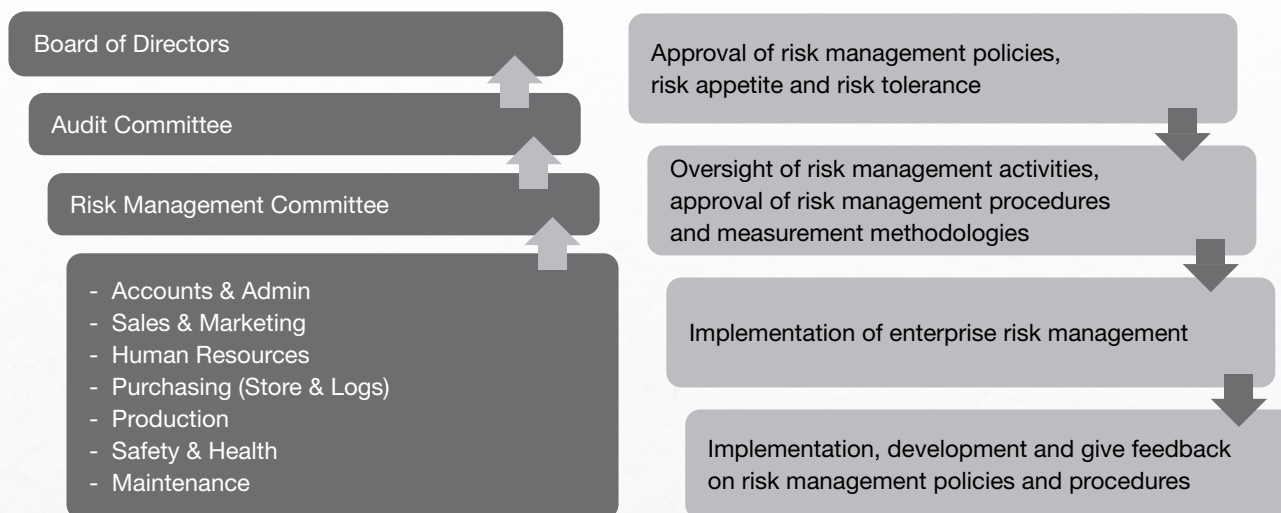
The Board firmly believes that effective risk management is critical to the Group's continued profitability and the enhancement of shareholder value. With the assistance of Management, the Board has outlined the overall approach of the Group's risk management activities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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:

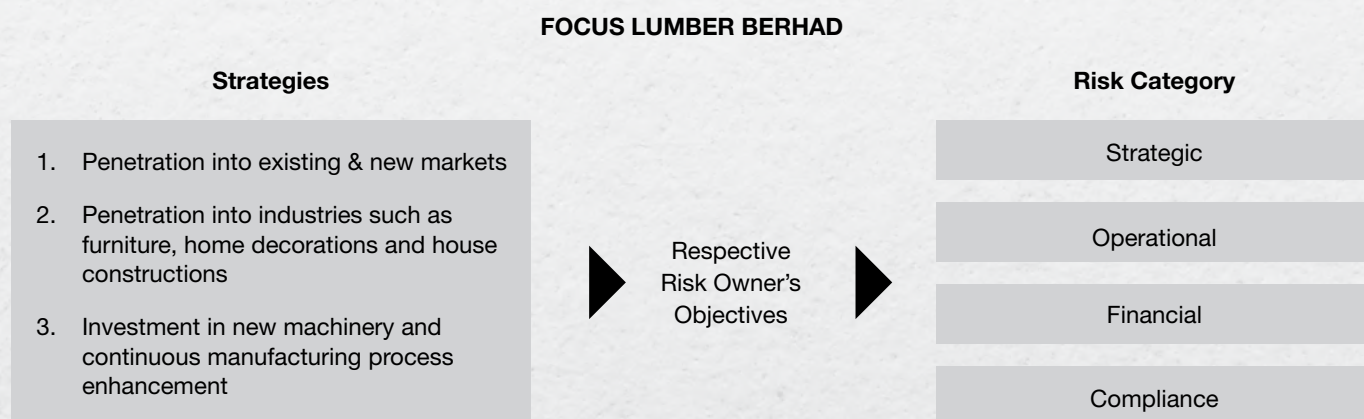


The Board is responsible for oversight of the Group’s risk management framework, risk appetite/ risk tolerance and risk management policies. The AC is supported by the management level Risk Management Committee (“RMC”). RMC identifies and communicates the material risks (present and potential) in terms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

The individual operating units are responsible for identifying, mitigating and managing risks within their respective 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 the 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

Key Risk Management and Internal Control Processes (continued)

Risk Management Process

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.

<u>Likelihood</u>	<u>Impact</u>			
	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 a risk register to facilitate monitoring from time to time.

Risk Management Activities

During the financial year 2023, the risk register for Account and Admin Department was updated to reflect the change of the responsible personnel from Financial Controller to Executive Director. In addition, the revised Risk Management Policy and Procedures Manual of the Group was tabled for the AC for review. The revised Risk Management Policy and Procedures Manual was approved by the Board on 19 May 2023.

Internal Audit Function

The Group's internal audit function, is outsourced to an independent professional firm, to assist 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:-

- 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
- 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 system 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 evaluates the adequacy and effectiveness of the risk management and internal control system. The AC also reviews the internal audit function and quality of internal audits. The minutes of the AC meetings are tabled to the Board. Further details of the activities undertaken by the AC are set out in the AC Report.

During the financial year 2023, the AC met four (4) times with the Internal Auditors to review the internal audit function and the soundness of its internal control system. The costs incurred for the outsourced internal audit function in respect of the financial year ended 31 December 2023 was RM50,880.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Key Risk Management and Internal Control Processes (continued)

Other Internal Control Processes

Other key elements of internal control are as follows:

- (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 AC 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. The AC reviews quarterly reports, 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 governs the management of sustainability within the Group which covers the key activities related to materiality assessment, setting of KPI and sustainability-related targets, and reporting timeframe;
- (j) submission of solvency assessment report on a quarterly or semi-annually basis with the future solvency position deliberated at Board meetings;

Assurance from the Management

The Board has also received assurance from the Managing Director and the Executive Director on 15 April 2024 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 system adopted by the Group.

Review of the Statement by External Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors has reviewed the Statement on Risk Management & Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide 3 : Guidance for Auditors on Engagements to Report on the Statement on Risk Management and 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. AAPG 3 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 system 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 15 April 2024.

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 2023.

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 2023 are RM95,000.00 and RM103,000.00 respectively. The amount of non-audit fees paid to the external auditors by the Company and Group for the financial year ended 31 December 2023 is RM20,000.00 and RM25,000.00 respectively for corporate tax compliance and advisory services rendered.

3. Material Contracts

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

4. Recurrent Related Party Transactions ("RRPTs")

RRPTs entered into the Company and the Group are disclosed under Note 31(a) & (b) to the Financial Statements on page 96.

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

The Employees' Share Option Scheme of the Company ("ESOS") was implemented on 11 June 2018 for a duration of five (5) years, had expired on 10 June 2023 with all unexercised share options lapsed on the expiry date.

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 2023	
	All Eligible Employees including Directors	Directors
Options granted	5,172,000	2,820,000
Options exercised	(1,284,000)	-
Options lapsed	(3,888,000)	(2,820,000)
Options outstanding	-	-

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

DIRECTORS' RESPONSIBILITY STATEMENT

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.

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

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
Loss for the financial year attributable to:		
Owners of the Company	(7,888,421)	(8,766,136)

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 2022:	
Interim single-tier dividend of 2 sen per ordinary share declared on 20 February 2023 and paid on 22 March 2023	4,368,633
In respect of the financial year ended 31 December 2023:	
Interim single-tier dividend of 2 sen per ordinary share declared on 24 November 2023 and paid on 22 December 2023	4,368,633
	<u>8,737,266</u>

The Directors do not recommend any final dividend for the current financial year ended 31 December 2023.

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
 Lin, Pei-Wen
 Nar Chin Keow
 Teh Yong Khim
 Chong Shu Phin (Appointed on 19 May 2023)
 Kenneth Chin Kah Kiong (Appointed on 19 May 2023)
 Ng Tian Meng (Resigned on 19 May 2023)
 Wong Yoke Nyen (Resigned on 19 May 2023)

DIRECTORS' REPORT

Directors (continued)

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

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:	At 1.1.2023	Number of ordinary shares		At 31.12.2023
		Acquired	Sold	
Datuk Aznam Bin Mansor	1,591,200	-	-	1,591,200
Lin Hao Wen	30,602,041	-	(3,600,000)	27,002,041
Lin Hao Yu	29,272,223	-	-	29,272,223
Teh Yong Khim	1,040,000	-	-	1,040,000

Direct interest:	At 1.1.2023	Number of options over ordinary shares		At 31.12.2023
		Lapsed		
Datuk Aznam Bin Mansor	1,500,000	(1,500,000)		-
Lin Hao Wen	300,000	(300,000)		-
Lin Hao Yu	280,000	(280,000)		-

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

Directors' benefits

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

There were no arrangements during and at the end of the financial year, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate apart from the 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 RM2,187,905.

DIRECTORS' REPORT

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 2023 was RM38,700.

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 RM91,853,964 to RM92,652,004 by way of issuance of 1,284,000 ordinary shares pursuant to the Company's ESOS at an exercise price of RM0.505 per ordinary share.

There were no debentures issued during the financial year.

Treasury shares

During the financial year, the Company repurchased 257,700 of its issued ordinary shares from the open market at an average price of RM0.61 per share. The total consideration paid for the repurchase including transaction costs was RM157,676. The shares repurchased are being held as treasury shares in accordance with Section 127 (4) of the Companies Act, 2016.

As at 31 December 2023, the Company held as treasury shares a total of 11,988,332 (2022: 11,730,632) of its 230,420,000 (2022: 229,136,000) issued ordinary shares. Such treasury shares are held at a carrying amount of RM7,386,847 (2022: RM7,229,171) 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 exercise period of the ESOS expired during the current financial year.

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.

DIRECTORS' REPORT

Options granted over unissued shares (continued)

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

- (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.

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

Date of offer	Exercise price	Number of options			At 31.12.2023
		At 1.1.2023	Exercised	Lapsed	
21 June 2018	RM0.505	2,352,000	(1,284,000)	(1,068,000)	-
31 October 2018	RM0.595	2,820,000	-	(2,820,000)	-
		5,172,000	(1,284,000)	(3,888,000)	-

Other statutory information

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

- (i) all known bad debts had been written off and adequate allowance had been 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.

DIRECTORS' REPORT

Other statutory information (continued)

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 2023 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.

Significant event

Details of significant event is 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 2023.

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 15 April 2024

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 64 to 104 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 2023 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 15 April 2024

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 64 to 104 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 15 April 2024)

TEH YONG KHIM

(MIA No. 36504)

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FOCUS LUMBER BERHAD

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 2023 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 material accounting policies, as set out on pages 64 to 104.

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 2023, 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>(1) Impairment of property, plant and equipment</p> <p>The Group's and Company's operating results have significantly deteriorated in the current financial year, which is an indicator that the Group's property, plant and equipment may be impaired.</p> <p>The Group has engaged independent valuer to value its property, plant and equipment to determine the recoverable amount of certain significant property, plant and equipment that are exhibiting impairment indicators due to the significant losses suffered by the Group's and the Company's operations.</p> <p>This independent valuer used industry/market accepted valuation methodology and approaches to determine the fair value of the underlying asset. Due to the measurement of fair value being inherently judgemental and the carrying value of these assets being material to the Group and to the Company, we have considered this to be a key audit matter.</p>	<p>Our audit procedures include, among others:</p> <ul style="list-style-type: none"> • Obtained independence confirmation from the professional valuer; • Obtained the valuations of property, plant and equipment prepared by the independent professional valuers and evaluated the valuation reports for appropriateness of the methodology used and reasonableness of the underlying basis and assumptions used; • Assessed the competency, capabilities and objectivity of the independent professional valuer; • Obtained an understanding of the methodology adopted by the independent professional valuer in estimating the fair value of the above-mentioned assets and assessed whether such methodology is reasonable; and • Discussion with the independent professional valuers to obtain understanding of market value used as input to the valuations models and of the adjustments made to the observable inputs.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FOCUS LUMBER BERHAD

Key Audit Matters (continued)

Area of focus	How our audit addressed the key audit matter
<p>(2) 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.
<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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FOCUS LUMBER BERHAD

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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FOCUS LUMBER BERHAD

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

Kota Kinabalu

Dated 15 April 2024

CHAU MAN KIT

02525/03/2026 J
CHARTERED ACCOUNTANT

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contract with customers	5	60,187,348	134,819,562	60,187,348	134,819,562
Cost of sales		(66,769,062)	(95,233,614)	(67,381,867)	(95,641,403)
Gross (loss)/profit		(6,581,714)	39,585,948	(7,194,519)	39,178,159
Interest income	6	341,554	422,472	341,103	422,179
Other operating income	7	3,814,062	6,125,704	3,415,081	5,896,649
Administrative expenses		(6,324,360)	(7,675,015)	(6,291,186)	(7,640,460)
Other operating expenses		(1,749,638)	(2,194,220)	(1,773,577)	(2,194,220)
(Loss)/Profit before taxation	8	(10,500,096)	36,264,889	(11,503,098)	35,662,307
Income tax expense	11	2,611,675	(8,595,179)	2,736,962	(8,521,733)
(Loss)/Profit for the financial year		(7,888,421)	27,669,710	(8,766,136)	27,140,574
(Loss)/Profit attributable to:					
Owner of the Company		(7,888,421)	27,669,710	(8,766,136)	27,140,574
(Loss)/Earnings per share attributable to owners of the Company (sen per share)					
- Basic	12	(3.61)	13.52		
- Diluted	12	(3.61)	13.33		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	22,594,980	22,994,006	19,612,266	20,634,011
Investment property	14	1,968,763	2,050,795	1,968,763	2,050,795
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	-	-
		24,712,783	25,213,248	26,730,070	27,833,847
Current assets					
Inventories	18	47,969,734	40,980,806	46,943,524	40,980,806
Trade and other receivables	19	7,825,379	4,850,242	8,771,692	4,874,180
Other current assets	20	6,364,267	2,284,477	5,220,092	2,284,477
Tax recoverable		3,206,147	1,218	3,205,037	-
Other current financial assets	21	73,948,342	96,239,413	60,891,217	82,549,057
Cash and bank balances	22	14,547,040	27,864,209	13,835,344	27,146,592
		153,860,909	172,220,365	138,866,906	157,835,112
TOTAL ASSETS		178,573,692	197,433,613	165,596,976	185,668,959
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	92,652,004	91,853,964	92,652,004	91,853,964
Treasury shares	24	(7,386,847)	(7,229,171)	(7,386,847)	(7,229,171)
Employee share option reserve	25	-	852,937	-	852,937
Retained profits	27	88,449,465	105,075,152	75,241,474	92,744,876
TOTAL EQUITY		173,714,622	190,552,882	160,506,631	178,222,606
Non-current liability					
Deferred tax liabilities	17	105,772	2,582,486	-	2,582,486
		105,772	2,582,486	-	2,582,486
Current liabilities					
Trade and other payables	28	4,156,537	3,779,874	4,493,584	4,345,496
Contract liabilities	29	596,761	86,187	596,761	86,187
Tax payable		-	432,184	-	432,184
		4,753,298	4,298,245	5,090,345	4,863,867
TOTAL LIABILITIES		4,859,070	6,880,731	5,090,345	7,446,353
TOTAL EQUITY AND LIABILITIES		178,573,692	197,433,613	165,596,976	185,668,959

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 2023

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 2022		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
Loss for the financial year		-	-	-	(7,888,421)	(7,888,421)
Purchase of treasury shares	24	-	(157,676)	-	-	(157,676)
Forfeiture of equity-settled share options	25	-	-	(703,317)	-	(703,317)
Exercise of employee share options	23/25	798,040	-	(149,620)	-	648,420
Dividends on ordinary shares	30	-	-	-	(8,737,266)	(8,737,266)
At 31 December 2023		92,652,004	(7,386,847)	-	88,449,465	173,714,622

Company

At 1 January 2022		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
Loss for the financial year		-	-	-	(8,766,136)	(8,766,136)
Purchase of treasury shares	24	-	(157,676)	-	-	(157,676)
Forfeiture of equity-settled share options	25	-	-	(703,317)	-	(703,317)
Exercise of employee share options	23/25	798,040	-	(149,620)	-	648,420
Dividends on ordinary shares	30	-	-	-	(8,737,266)	(8,737,266)
At 31 December 2023		92,652,004	(7,386,847)	-	75,241,474	160,506,631

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 2023

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from operating activities					
(Loss)/Profit before taxation		(10,500,096)	36,264,889	(11,503,098)	35,662,307
Adjustments for:					
Allowance of impairment losses on property, plant and equipment	13	1,553,596	-	1,553,596	-
Depreciation of investment property	14	82,032	82,032	82,032	82,032
Depreciation of property, plant and equipment	13	3,155,763	3,347,049	2,739,001	2,955,708
Forfeiture of equity-settled share option	25	(703,317)	(35,619)	(703,317)	(35,619)
Interest income	6	(341,554)	(422,472)	(341,103)	(422,179)
Inventory written down	18	2,553,265	21,318	2,553,265	21,318
Gain on disposal of property, plant and equipment	7	(73,412)	(39,375)	(65,000)	(39,375)
Property, plant and equipment written off	8	74,298	1	74,298	1
Advances written off	8	27,500	-	51,437	-
Impairment of investment in a subsidiary	8	-	-	1	-
Loss on dissolution of a subsidiary	8	1	-	-	-
Unrealised net fair value loss on derivatives	8	-	396,096	-	396,096
Unrealised loss on foreign exchange		168,543	62,104	168,543	62,104
Operating (loss)/profit before working capital changes		(4,003,381)	39,676,023	(5,390,345)	38,682,393
Change in inventories		(9,542,193)	(10,149,799)	(8,515,983)	(10,056,005)
Change in receivables		(3,090,242)	32,184,111	(4,036,553)	32,043,122
Change in other current assets		(4,079,790)	6,807,379	(2,935,615)	6,807,344
Change in payables		376,663	(3,359,126)	148,088	(3,187,068)
Change in contract liabilities		510,574	(4,208,936)	510,574	(4,208,936)
Cash (used in)/from operations		(19,828,369)	60,949,652	(20,219,834)	60,080,850
Interest received		329,060	402,984	328,609	402,691
Income tax refunded		1,175,589	-	1,175,589	-
Income tax paid		(4,658,334)	(7,301,336)	(4,658,334)	(7,300,666)
Net cash (used in)/from operating activities		(22,982,054)	54,051,300	(23,373,970)	53,182,875
Cash flow from investing activities					
Acquisition of property, plant and equipment	13	(4,403,219)	(2,019,641)	(3,345,150)	(1,857,653)
Investment in a subsidiary		-	-	(1)	-
Proceeds from disposal of property, plant and equipment		92,000	39,380	65,000	39,380
Interest received		7,332	19,468	7,332	19,468
Net cash used in investing activities		(4,303,887)	(1,960,793)	(3,272,819)	(1,798,805)
Cash flows from financing activities					
Dividends paid	30	(8,737,266)	(9,211,518)	(8,737,266)	(9,211,518)
Proceeds from exercise of employees share options		648,420	8,493,440	648,420	8,493,440
Purchase of treasury shares	24	(157,676)	(5,476,670)	(157,676)	(5,476,670)
Net cash used in financing activities		(8,246,522)	(6,194,748)	(8,246,522)	(6,194,748)
Net (decrease)/increase in cash and cash equivalents		(35,532,463)	45,895,759	(34,893,311)	45,189,322
Effect of exchange rate changes		(75,777)	(62,104)	(75,777)	(62,104)
Cash and cash equivalents at beginning of the financial year		123,717,786	77,884,131	109,309,813	64,182,595
Cash and cash equivalents at end of financial year	22	88,109,546	123,717,786	74,340,725	109,309,813

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 15 April 2024.

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 financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the material 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 101: Disclosure of Accounting Policies
- Amendments to MFRS 108: Definition of Accounting Estimates
- Amendments to MFRS 112: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to MFRS 112: International Tax Reform—Pillar Two Model Rules

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 2023 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. Significant accounting judgments and estimates (continued)

Key sources of estimation uncertainties (continued)

(iv) Allocation of cost of inventories

The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs, and an appropriate proportion of production overheads. Management analyses the types and complexities involved in production when making judgments about proportioning the production overheads. The management determined the cost of converting raw materials into work-in-progress and finished goods allocated to each respective product in a manner with manufacturing the product based on its size or quality across all products.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material accounting policies

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

Certain immaterial accounting policies have been voluntarily disclosed to ensure completeness in the financial statements of the Group and of the Company as follows:

(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.

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) 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.

(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.

(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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material 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.

(e) Contract assets and contract liabilities

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

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

(f) Income tax

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

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

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

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material accounting policies (continued)

(h) Property, plant and equipment

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

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

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

The principal annual rates of depreciation used are as follows:

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

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

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material 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:

(i) Raw materials

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

(ii) 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.

(iii) 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material accounting policies (continued)

(m) Financial instruments (continued)

(i) Financial assets (continued)

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

The Group and the Company only have financial assets at amortised cost and 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 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.

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

Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material accounting policies (continued)

(m) Financial instruments (continued)

(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.

The Group and the Company only have financial liabilities measured at amortised cost as follows:

Financial liabilities measured at amortised cost

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

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

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

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

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

(n) Cash and cash equivalents

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

(o) Impairment

(i) Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material accounting policies (continued)

(o) Impairment (continued)

(i) Impairment of financial assets (continued)

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.

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

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

(ii) Impairment of non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material accounting policies (continued)

(p) Equity instruments

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

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

(q) Borrowings costs

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

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

(r) Leases

(i) Classification

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

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

(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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. Material 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".

(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

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

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. Revenue from contract with customers

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contracts with customers:				
Sale of veneer, plywood and laminated veneer lumber	57,812,927	116,022,348	57,812,927	116,022,348
Freight income	2,374,421	18,797,214	2,374,421	18,797,214
	<u>60,187,348</u>	<u>134,819,562</u>	<u>60,187,348</u>	<u>134,819,562</u>
Timing of the revenue from contracts with customers:				
Point in time	57,812,927	116,022,348	57,812,927	116,022,348
Over time	2,374,421	18,797,214	2,374,421	18,797,214
	<u>60,187,348</u>	<u>134,819,562</u>	<u>60,187,348</u>	<u>134,819,562</u>

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

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

6. Interest income

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest income from:				
Fixed deposits	12,494	7,312	12,494	7,312
Foreign currency account	95,415	81,757	95,415	81,757
Current account	233,645	321,227	233,194	320,934
Money market funds	-	12,176	-	12,176
	<u>341,554</u>	<u>422,472</u>	<u>341,103</u>	<u>422,179</u>

7. Other operating income

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Distribution income from money market funds	277,355	165,885	201,047	146,965
Net gain on foreign exchange - realised	198,785	3,439,190	198,785	3,439,190
Net gain on money market funds	2,666,504	1,399,542	2,276,043	1,113,207
Net fair value gain on derivatives - realised	51,600	-	51,600	-
Bad debts recovered	60,000	440,000	60,000	440,000
Gain on disposal of property, plant and equipment	73,412	39,375	65,000	39,375
Rental income from:				
- land	300	8,700	76,500	84,900
- investment property	264,000	264,000	264,000	264,000
Sundry income	222,106	369,012	222,106	369,012
	<u>3,814,062</u>	<u>6,125,704</u>	<u>3,415,081</u>	<u>5,896,649</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

8. (Loss)/Profit before taxation

Other than disclosed in Note 6 and 7, (loss)/profit before taxation is arrived at after charging:	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Impairment losses on property, plant and equipment (Note 13)	1,553,596	-	1,553,596	-
Auditors' remuneration:				
- Statutory audit	103,000	103,000	95,000	95,000
- Other services	25,000	25,000	20,000	20,000
Depreciation of investment property (Note 14)	82,032	82,032	82,032	82,032
Depreciation of property, plant and equipment (Note 13)	3,155,763	3,347,049	2,739,001	2,955,708
Direct operating expenses arising from investment property – rental generating properties	124,449	125,187	124,449	125,187
Inventory written off (Note 18)	2,533,265	21,318	2,533,265	21,318
Non-executive Directors' remuneration (Note 10)	(4,205)	507,550	(4,205)	507,550
Net fair value loss on derivatives				
- realised	-	1,736,020	-	1,736,020
- unrealised	-	396,096	-	396,096
Net loss on foreign exchange				
- unrealised	168,543	62,104	168,543	62,104
Advances written off	27,500	-	51,437	-
Impairment of investment in a subsidiary	-	-	1	-
Loss on dissolution of a subsidiary	1	-	-	-
Property, plant and equipment written off	74,298	1	74,298	1
Rental of land	87,283	88,917	87,283	88,917
Rental of office premises	192,000	192,000	192,000	192,000

9. Employee benefits expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Salaries, wages, bonuses, incentives and allowances	13,631,284	15,768,232	12,739,587	14,921,024
Contributions to defined contribution plan	576,003	665,295	552,609	642,990
Social security contributions	155,912	177,318	144,149	166,066
Forfeiture of share options	(278,912)	(76,969)	(278,912)	(76,969)
Other benefits	8,241	10,740	7,818	10,282
	14,092,528	16,544,616	13,165,251	15,663,393

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM2,132,253 (2022: RM2,621,321) as further disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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	
	2023 RM	2022 RM
Executive Directors' remuneration (Note 9):		
- Fees and allowances	30,400	20,700
- Salaries and bonus	2,166,600	2,628,948
- Forfeiture of share options	(108,315)	(32,534)
- Contributions to defined contribution plan	40,800	2,244
- Social security contributions	2,649	1,953
- Other benefits	119	10
	2,132,253	2,621,321
Estimated money value of benefits-in-kind	59,857	77,858
	2,192,110	2,699,179
Non-executive Directors' remuneration (Note 8):		
- Fees and meeting allowance	420,200	466,200
- (Forfeiture)/Grant of share options	(424,405)	41,350
	(4,205)	507,550
Total Directors' remuneration	2,187,905	3,206,729

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	
	2023 RM	2022 RM	2023 RM	2022 RM
Current taxation	108	8,516,654	-	8,516,584
Deferred taxation (Note 17)	(2,411,102)	75,807	(2,536,415)	2,105
	(2,410,994)	8,592,461	(2,536,415)	8,518,689
(Over)/Under provision in prior years:				
- Current taxation	(154,476)	-	(154,476)	-
- Deferred taxation (Note 17)	(46,205)	2,718	(46,071)	3,044
	(2,611,675)	8,595,179	(2,736,962)	8,521,733

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

11. Income tax expense (continued)

A reconciliation of income tax expense applicable to (loss)/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	
	2023 RM	2022 RM	2023 RM	2022 RM
(Loss)/Profit before taxation	(10,500,096)	36,264,889	(11,503,098)	35,662,307
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	(2,520,024)	8,703,573	(2,760,744)	8,558,954
Non-taxable income	(889,722)	(309,681)	(777,697)	(236,420)
Non-tax deductible expenses	229,011	198,569	232,285	196,155
Deferred tax assets not recognised	769,741	-	769,741	-
	(2,410,994)	8,592,461	(2,536,415)	8,518,689
(Over)/Under provision in prior years				
- Current taxation	(154,476)	-	(154,476)	-
- Deferred taxation	(46,205)	2,718	(46,071)	3,044
	(2,611,675)	8,595,179	(2,736,962)	8,521,733

12. (Loss)/Earnings per share

(a) Basic

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/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	
	2023	2022
(Loss)/Profit net of tax attributable to owners of the Company (RM)	(7,888,421)	27,669,710
Weighted average number of ordinary shares in issue	218,321,299	204,590,564
Basic (loss)/earnings per share (sen)	(3.61)	13.52

(b) Diluted

Diluted (loss)/earnings per share amounts are calculated by dividing (loss)/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.

	Group	
	2023	2022
(Loss)/Profit net of tax attributable to owners of the Company (RM)	(7,888,421)	27,669,710
Weighted average number of ordinary shares in issue	218,321,299	204,590,564
Effect of dilution from:		
- Share options	-	2,921,787
Weighted average number of ordinary shares in issue and issuable	218,321,299	207,512,351
Diluted (loss)/earnings per share (sen)	(3.61)	13.33

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

13. Property, plant and equipment

Group	Long term leasehold land	Factory and office buildings	Motor vehicles, heavy equipment, plant and machinery	Furniture, fittings, office equipment, and renovation	Total
Cost	RM	RM	RM	RM	RM
At 1 January 2022	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
Additions	-	2,215,055	2,014,359	173,805	4,403,219
Disposal	-	-	(559,680)	-	(559,680)
Written off	-	(207,841)	(3,624,417)	(6,106)	(3,838,364)
At 31 December 2023	1,300,080	16,069,537	130,641,860	899,772	148,911,249
Accumulated depreciation					
At 1 January 2022	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
Charge for the financial year (Note 8)	17,364	322,825	2,718,955	96,619	3,155,763
Disposal	-	-	(541,092)	-	(541,092)
Written off	-	(133,567)	(3,624,397)	(6,102)	(3,764,066)
At 31 December 2023	198,132	10,744,487	113,174,929	645,125	124,762,673
Accumulated impairment losses					
At 1 January 2022/31 December 2022	-	-	-	-	-
Charge for the financial year (Note 8)	-	-	1,553,596	-	1,553,596
At 31 December 2023	-	-	1,553,596	-	1,553,596
Carrying amount					
At 31 December 2022	1,119,312	3,507,094	18,190,135	177,465	22,994,006
At 31 December 2023	1,101,948	5,325,050	15,913,335	254,647	22,594,980

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2022	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
Additions	-	2,215,055	957,471	172,624	3,345,150
Disposal	-	-	(425,429)	-	(425,429)
Written off	-	(207,841)	(3,624,417)	(6,106)	(3,838,364)
At 31 December 2023	1,300,080	16,069,537	99,551,531	822,435	117,743,583
Accumulated depreciation					
At 1 January 2022	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
Charge for the financial year (Note 8)	17,364	322,825	2,307,300	91,512	2,739,001
Disposal	-	-	(425,429)	-	(425,429)
Written off	-	(133,567)	(3,624,397)	(6,102)	(3,764,066)
At 31 December 2023	198,132	10,744,487	85,063,178	571,924	96,577,721
Accumulated impairment losses					
At 1 January 2022/31 December 2022	-	-	-	-	-
Charge for the financial year (Note 8)	-	-	1,553,596	-	1,553,596
At 31 December 2023	-	-	1,553,596	-	1,553,596
Carrying amount					
At 31 December 2022	1,119,312	3,507,094	15,838,202	169,403	20,634,011
At 31 December 2023	1,101,948	5,325,050	12,934,757	250,511	19,612,266

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14. Investment property

	Group and Company	
	2023	2022
	RM	RM
At cost		
At 1 January	3,651,348	3,651,348
Accumulated depreciation		
At 1 January	1,600,553	1,518,521
Charge for the financial year (Note 8)	82,032	82,032
At 31 December	1,682,585	1,600,553
Carrying amount		
At 31 December	1,968,763	2,050,795

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

The estimated fair value of the investment property is approximately RM3,505,000 (2022: RM3,634,000) as shown in Note 34.

15. Investments in subsidiary companies

	Company	
	2023	2022
	RM	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
		2023	2022	
		%	%	
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	Dormant
Forming Plantation Sdn. Bhd.	Malaysia	100	-	Dormant

On 29 December 2022, the Group had filed declaration to strike off the subsidiary with Suruhanjaya Syarikat Malaysia ("SSM") and the strike off was completed on 13 April 2023, which had no material effect on the earnings and net assets of the Group for the financial year ended 31 December 2023.

On 18 December 2023, a new subsidiary, Forming Plantation Sdn. Bhd. was incorporated with a share capital of RM1.

There is no material contribution to the Group's revenue or profit for the period between the date of incorporation and the reporting date by Forming Plantation Sdn. Bhd.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16. Intangible asset

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 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	
	2023 RM	2022 RM	2023 RM	2022 RM
At 1 January	(2,563,079)	(2,484,554)	(2,582,486)	(2,577,337)
Recognised in profit or loss (Note 11)	2,457,307	(78,525)	2,582,486	(5,149)
At 31 December	(105,772)	(2,563,079)	-	(2,582,486)

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	
	2023 RM	2022 RM	2023 RM	2022 RM
Deferred tax assets				
Cash and cash equivalents	75,777	-	75,777	-
Trade receivables	92,766	-	92,766	-
Unabsorbed capital allowances	2,418,623	-	2,418,623	-
Unutilised investment tax allowances	1,653,005	2,054,603	-	-
Unutilised tax losses	6,327,880	-	6,327,880	-
	10,568,051	2,054,603	8,915,046	-
Offsetting	(10,568,051)	(1,973,742)	(8,915,046)	-
	-	80,861	-	-

Deferred tax liabilities

Cash and cash equivalents	-	(62,104)	-	(62,104)
Temporary differences on qualifying property, plant and equipment	(11,008,769)	(12,671,995)	(8,915,046)	(10,698,253)
	(11,008,769)	(12,734,099)	(8,915,046)	(10,760,357)
Offsetting	10,568,051	1,973,742	8,915,046	-
	(440,718)	(10,760,357)	-	(10,760,357)

The above is presented in the financial statement after appropriate offsetting at the prevailing tax rate of 24% (2022: 24%) as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Deferred tax assets	-	19,407	-	-
Deferred tax liabilities	(105,772)	(2,582,486)	-	(2,582,486)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

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

	Group and Company	
	2023	2022
	RM	RM
Unutilised tax losses	(3,207,254)	-
Deferred tax assets at 24% (2022: 24%) not recognised in the financial statements	(769,741)	-

Year of expiry of unutilised tax losses is analysed as follows:

	2023	2022
	RM	RM
Expired by 2033	3,207,254	-
Tax rate	3,207,254 24%	- 24%
	769,741	-

The unabsorbed capital allowances disclosed above are available indefinitely for offsetting against future taxable profits of the Company whereas the unutilised tax losses are available to be carried forward up to the maximum of ten (10) years, subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

18. Inventories

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
At cost				
Raw material	3,637,247	1,882,691	3,637,247	1,882,691
Work-in-progress	7,005,747	7,445,902	7,005,747	7,445,902
Consumable	4,990,962	4,101,424	3,964,752	4,101,424
Finished goods	16,656,928	27,315,488	16,656,928	27,315,488
	32,290,884	40,745,505	31,264,674	40,745,505
At net realisable value				
Finished goods	15,678,850	235,301	15,678,850	235,301
Total inventories	47,969,734	40,980,806	46,943,524	40,980,806

The amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM60,068,265 (2022: RM70,623,831) and RM62,326,207 (2022: RM72,918,045) respectively.

The write-down of inventories to net realisable value recognised as an expense during the financial year amounted to RM2,533,265 (2022: RM21,318).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19. Trade and other receivables

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current				
Trade receivables				
Third parties	5,087,088	4,156,538	5,087,088	4,156,538
	<u>5,087,088</u>	<u>4,156,538</u>	<u>5,087,088</u>	<u>4,156,538</u>
Other receivables				
Worker recruitment and staff advances	65,785	89,822	65,786	89,822
Deposits	2,640,184	596,869	2,451,179	596,869
Sundry receivables	32,322	7,013	32,322	7,013
	<u>2,738,291</u>	<u>693,704</u>	<u>2,549,287</u>	<u>693,704</u>
Amount due from a subsidiary company	-	-	1,135,317	23,938
	<u>-</u>	<u>-</u>	<u>1,135,317</u>	<u>23,938</u>
Total trade and other receivables	<u>7,825,379</u>	<u>4,850,242</u>	<u>8,771,692</u>	<u>4,874,180</u>

The Company's normal trade credit term on trade receivables is 30 days (2022: 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 subsidiary company is 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	
	2023 RM	2022 RM	2023 RM	2022 RM
Deposits for log purchase	3,297,000	1,054,562	3,297,000	1,054,562
Prepaid freight charges	320,986	43,201	320,986	43,201
Prepaid operating expenses	2,746,281	1,186,714	1,602,106	1,186,714
	<u>6,364,267</u>	<u>2,284,477</u>	<u>5,220,092</u>	<u>2,284,477</u>

21. Other current financial assets

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Financial assets measured at amortised cost				
Investment in money market funds	73,948,342	96,239,413	60,891,217	82,549,057

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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

22. Cash and cash equivalents

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash in hand	39,596	29,706	39,596	29,706
Cash at banks	14,121,608	27,448,667	13,409,912	26,731,050
Fixed deposits with licensed bank	385,836	385,836	385,836	385,836
Cash and bank balances	14,547,040	27,864,209	13,835,344	27,146,592
Investment in money market funds (Note 21)	73,948,342	96,239,413	60,891,217	82,549,057
Less: Fixed deposits with maturity of more than three (3) months	(385,836)	(385,836)	(385,836)	(385,836)
Cash and cash equivalents	88,109,546	123,717,786	74,340,725	109,309,813

The weighted average effective interest rate as at the financial year end for short-term deposits was 3.30% (2022: 1.89%) per annum.

Fixed deposits with a licensed bank of the Group have an average maturity of 12 (2022: 12) months.

23. Share capital

	No. of ordinary shares		Group/Company	
	2023	2022	2023 RM	2022 RM
Issued and fully paid:				
At 1 January	229,136,000	106,884,000	91,853,964	57,691,137
Exercise of employee share options	1,284,000	8,034,000	798,040	11,319,227
Bonus issue	-	114,218,000	-	22,843,600
At 31 December	230,420,000	229,136,000	92,652,004	91,853,964

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. The exercise period of the ESOS expired during the current financial year.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM91,853,964 to RM92,652,004 by way of issuance of 1,284,000 ordinary shares pursuant to the Company's ESOS at an exercise price of RM0.505 per ordinary share.

24. Treasury shares

	No. of ordinary shares		Group/Company	
	2023	2022	2023 RM	2022 RM
At 1 January	11,730,632	8,014,700	7,229,171	9,378,259
Purchase of treasury shares	257,700	4,859,300	157,676	5,476,670
Bonus issue	-	9,348,070	-	-
Distribution as share dividends	-	(10,491,438)	-	(7,625,758)
At 31 December	11,988,332	11,730,632	7,386,847	7,229,171

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24. Treasury shares (continued)

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 257,700 (2022: 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 RM157,676 (2022: RM5,476,670) and this was presented as a component within shareholders' equity.

During the previous 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 ordinary shares held at the entitlement date on 14 December 2022.

25. Employee share option reserve

	Group and Company	
	2023 RM	2022 RM
At 1 January	852,937	3,714,343
Transactions with owners		
Exercise of employee share options	(149,620)	(2,825,787)
Forfeiture of equity-settled share options	(703,317)	(35,619)
At 31 December	-	852,937

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

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

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

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

Movement of share options during the financial year

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

	Group and Company			
	2023		2022	
	Number	WAEP RM	Number	WAEP RM
Outstanding at 1 January	5,172,000	0.55	10,784,000	1.10
- Effect of bonus issue	-	-	3,076,000	0.55
- Forfeited	(3,888,000)	0.57	(654,000)	0.83
- Exercised	(1,284,000)	0.51	(8,034,000)	1.06
Outstanding at 31 December	-	-	5,172,000	0.55
Exercisable at 31 December	-	-	5,172,000	0.55

The exercise price for options outstanding at the end of the year was none (2022: RM0.505 to RM0.595). The weighted average remaining contractual life for these options is Nil (2022: 0.44) years.

Fair value of share options granted

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

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

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

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

27. Retained profits

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28. Trade and other payables

Current	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade payables				
Third parties	2,113,627	1,115,066	2,086,339	1,088,321
Amount due to a subsidiary	-	-	403,992	632,515
	<u>2,113,627</u>	<u>1,115,066</u>	<u>2,490,331</u>	<u>1,720,836</u>
Other payables				
Accruals	1,956,899	2,518,220	1,917,242	2,478,072
Deposits received	48,500	113,500	48,500	113,500
Sundry payables	37,511	33,088	37,511	33,088
	<u>2,042,910</u>	<u>2,664,808</u>	<u>2,003,253</u>	<u>2,624,660</u>
Total trade and other payables	<u>4,156,537</u>	<u>3,779,874</u>	<u>4,493,584</u>	<u>4,345,496</u>

Trade payables are non-interest bearing and the normal credit terms granted to the Group are 30 to 60 days (2022: 30 to 60 days).

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

29. Contract liabilities

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Advances from contract customers for the delivery of plywood	281,560	40,995	281,560	40,995
Deferred freight income	315,201	45,192	315,201	45,192
	<u>596,761</u>	<u>86,187</u>	<u>596,761</u>	<u>86,187</u>

30. Dividends

	Group and Company	
	2023 RM	2022 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	-
In respect of the financial year ended 31 December 2023:		
Interim single-tier dividend of 2 sen per ordinary share declared on 24 November 2023 and paid on 22 December 2023	4,368,633	-
	<u>8,737,266</u>	<u>16,837,276</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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.

(b) Related parties' transactions

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

Name of related parties	Type of transaction	2023 RM	2022 RM
Group			
Director of the Company:			
Lin Hao Wen	Rental of office	192,000	192,000
Company			
With subsidiary companies:			
Forming Plantation Sdn. Bhd.	Share issue consideration	1	-
Untung Ria Sdn. Bhd.	Purchase of electricity	2,257,942	2,200,420
	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	
	2023 RM	2022 RM
Salaries, wages, bonuses, incentives and allowances	3,074,296	3,912,592
Contributions to defined contribution plan	40,800	33,952
Social security contributions	4,135	4,694
Share options granted under ESOS	(660,624)	29,541
Other benefits	119	103
Estimated money value of benefits-in-kind	59,857	77,858
	2,518,583	4,058,740
Included in the key management personnel are:		
Directors' remuneration	2,187,905	3,206,729
Key management personnel's remuneration	330,678	852,011
	2,518,583	4,058,740

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32. Commitments and contingencies

(a) Capital commitments

	Group/Company	
	2023	2022
	RM	RM
Capital expenditure commitments		
Approved and contracted for:		
- Acquisition of property, plant and equipment	2,032,778	806,750

(b) Contingent liability

	Group/Company	
	2023	2022
	RM	RM
Letter of guarantee in favour of Immigration Department of Malaysia for security deposit for the issuance of employment passes to foreign workers	118,250	127,500

33. Financial instruments

(a) Categories of financial instruments

Financial assets	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
<u>Measured at amortised cost</u>				
Trade and other receivables	7,825,379	4,850,242	8,771,692	4,874,180
Other current financial assets	73,948,342	96,239,413	60,891,217	82,549,057
Cash and bank balances	14,547,040	27,864,209	13,835,344	27,146,592
	96,320,761	128,953,864	83,498,253	114,569,829
Financial liability				
<u>Measured at amortised cost</u>				
Trade and other payables	4,156,537	3,779,874	4,493,584	4,345,496

(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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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:

Group/Company By country:	2023		2022	
	RM	% of total	RM	% of total
USA	4,783,966	94	2,212,897	53
Australia	-	-	140,225	4
Taiwan	-	-	672,931	16
Korea	164,376	3	1,130,485	27
Japan	138,746	3	-	-
	5,087,088	100	4,156,538	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. Financial instruments (continued)

(b) Financial risk management (continued)

(i) Credit risk

Trade receivables (continued)

As at reporting date, the Group has significant concentration of credit risk in the form of outstanding balance due from 2 (2022: 1) overseas customers representing 85% (2022: 48%) of the total trade receivables.

Cash and bank balances

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

Investment in Money Market Funds

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

(ii) Liquidity risk

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

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

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

Group	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM
2023			
Financial liability			
Trade and other payables	4,156,537	4,156,537	4,156,537
2022			
Financial liability			
Trade and other payables	3,779,874	3,779,874	3,779,874
Company			
2023			
Financial liability			
Trade and other payables	4,493,584	4,493,584	4,493,584
2022			
Financial liability			
Trade and other payables	4,345,496	4,345,496	4,345,496

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33. Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Interest rate risk

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

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

(iv) Foreign currency risk

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

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

Approximately 98% (2022: 99%) of the Group's sales are denominated in foreign currencies whilst almost 100% (2022: 100%) of the Group's trade receivables are denominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amounted to RM3,898,869 (2022: RM3,477,918) 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)	
	2023	2022	2023	2022
	RM	RM	RM	RM
Effects on profit after taxation				
USD/RM				
Strengthened by 5%	341,466	288,598	341,466	288,598
Weakened by 5%	(341,466)	(288,598)	(341,466)	(288,598)

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

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34. Fair value information (continued)

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

Group/Company

2023	Carrying amount	Fair value measurement	Level 1	Level 2	Level 3
Non-financial asset	RM	RM	RM	RM	RM
Investment property	1,968,763	3,505,000	-	-	3,505,000

Group/Company

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

The fair value of the investment property was based on valuation by independent valuer as at 31 December 2023. 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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	
	2023	2022	2023	2022	2023	2022		2023	2022
	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:									
External customers	60,187,348	134,819,562	-	-	-	-		60,187,348	134,819,562
Inter-segment	-	-	2,257,942	2,200,420	(2,257,942)	(2,200,420)	(a)	-	-
Total revenue	60,187,348	134,819,562	2,257,942	2,200,420	(2,257,942)	(2,200,420)		60,187,348	134,819,562
Results:									
Interest income	328,609	402,691	451	293	12,494	19,488		341,554	422,472
Depreciation	2,739,001	2,955,708	416,762	391,341	82,032	82,032		3,237,795	3,429,081
Segment (loss)/profit	(14,034,215)	34,410,157	520,247	213,037	3,013,872	1,641,695		(10,500,096)	36,264,889
Assets:									
Additions to non-current assets	3,345,150	1,857,653	1,058,069	161,988	-	-	(b)	4,403,219	2,019,641
Segment assets	95,004,210	96,025,168	4,446,230	3,097,612	79,123,252	98,310,833	(c)	178,573,692	197,433,613
Segment liabilities	4,686,557	3,799,168	66,741	66,893	105,772	3,014,670	(d)	4,859,070	6,880,731

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	
	2023	2022
	RM	RM
Property, plant and equipment	4,403,219	2,019,641

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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	
	2023 RM	2022 RM
Money market funds	73,948,342	96,239,413
Deferred tax assets	-	19,407
Investment property	1,968,763	2,050,795
Tax recoverable	3,206,147	1,218
	<u>79,123,252</u>	<u>98,310,833</u>

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

	Group	
	2023 RM	2022 RM
Tax payable	-	432,184
Deferred tax liabilities	105,772	2,582,486
	<u>105,772</u>	<u>3,014,670</u>

(ii) Geographical information

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

	Revenue	
	2023 RM	2022 RM
Australia	264,550	130,171
Canada	235,164	786,762
China	85,296	-
Hong Kong	2,528,464	3,054,782
Korea	5,928,018	9,385,153
Malaysia	936,733	1,826,704
Japan	1,422,251	1,099,608
Taiwan	10,227,535	10,155,987
Thailand	3,547,300	-
United Kingdom	100,607	-
USA	34,911,430	108,380,395
	<u>60,187,348</u>	<u>134,819,562</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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:

	2023	2022
	RM	RM
Property, plant and equipment	22,594,980	22,994,006
Investment property	1,968,763	2,050,795
	<u>24,563,743</u>	<u>25,044,801</u>

(iii) Major customers

Revenue from 2 (2022: 2) major customers amounted to RM13,310,626 (22% of revenue) and RM11,590,740 (19% of revenue) (2022: RM59,661,836 (44% of revenue) and RM24,538,118 (18% of revenue)) arising from sale of plywood.

37. Significant event

On 10 October 2023, the Company entered into an Industrial Tree Planting Agreement with Rakyat Berjaya Sdn. Bhd. ("RBSB") where RBSB grants permission to the Company to plant, rehabilitate and harvest forests under the principles of sustainable forest management and environmental conservation for economic, environmental and social purposes in the Forest Reserve area of approximately 5,000 hectares at the Sungai Pinangah Forest Reserve within the concession area after taking into consideration the payment of all dues, royalties, charges, costs or premiums and fulfilment of terms and conditions by the Company to the Government of the State of Sabah. The harvested logs will be sold by the Company at prices stipulated in the agreement.

As of the date of this report, the Company had completed the boundary demarcation works while environmental impact assessment is underway. The Company has not commence any harvesting and planting activities in the said area. There is no financial impact reflected in the financial statements of the Group and the Company

LIST OF PROPERTIES

HELD BY THE GROUP AS AT 31 DECEMBER 2023

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 2023	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	32 years	Industrial land and building	RM5,518,499	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	26 years	Commercial building	RM1,968,763	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	RM553,238	2018

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2024

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

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2024

Size of holdings	No. of holders	%	No. of shares	%
1 - 99	180	5.682	6,892	0.003
100 - 1,000	202	6.376	84,016	0.038
1,001 - 10,000	1,122	35.417	5,433,514	2.488
10,001 - 100,000	1,444	45.580	40,879,990	18.715
100,001 - 10,921,582 (*)	217	6.850	119,022,589	54.490
10,921,583 and above (**)	3	0.095	53,004,667	24.266
Total	3,168	100.000	218,431,668	100.000

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2024

		Direct		Indirect	
		No. of shares	%	No. of shares	%
1	LIN, HAO-YU	29,272,223	13.401	-	-
2	LIN, HAO-WEN	13,607,214	6.229	-	-
3	LIN, PEI-WEN	13,394,827	6.132	-	-

DIRECTORS' SHAREHOLDINGS AS AT 29 MARCH 2024

		No. of Ordinary Shares Held			
		Direct		Indirect	
		No. of shares	%	No. of shares	%
1	DATUK AZNAM BIN MANSOR	1,591,200	0.728	-	-
2	LIN, HAO-WEN	13,607,214	6.229	-	-
3	LIN, HAO-YU	29,272,223	13.401	-	-
4	LIN, PEI-WEN	13,394,827	6.132	-	-
5	TEH YONG KHIM	1,040,000	0.476	-	-
6	KENNETH CHIN KAH KIONG	-	-	-	-
7	NAR CHIN KEOW	-	-	-	-
8	CHONG SHU PHIN	-	-	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2024

LIST OF TOP THIRTY LARGEST SHAREHOLDERS AS AT 29 MARCH 2024

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	LIN, PEI-WEN	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	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE HAU CHEE</i>	4,639,722	2.124
8	LEE KOK HIN	4,322,972	1.979
9	NG GHEK KIM	3,783,059	1.731
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>	3,260,700	1.492
12	LIM PEI TIAM @ LIAM AHAT KIAT	3,100,000	1.419
13	FONG TING WONG	3,078,017	1.409
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>	1,967,872	0.900
16	LOH KOK WAI	1,749,895	0.801
17	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG YOKE NYEN</i>	1,661,200	0.760
18	SIM MUI KHEE	1,600,000	0.732
19	AZNAM BIN MANSOR	1,591,200	0.728
20	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM PAY KAON</i>	1,500,000	0.686
21	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF CORE INCOME FUND	1,260,654	0.577
22	CGS INTERNATIONAL NOMINEES MALAYSIA (ASING) SDN BHD EXEMPT AN FOR <i>CGS INTERNATIONAL SECURITIES SINGAPORE PTE. LTD. (RETAIL CLIENTS)</i>	1,205,292	0.551
23	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SIAW KOK TONG (CCTS)</i>	1,150,020	0.526
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHEW KEW LEAN	1,100,000	0.503
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHONG SIEW CHIEN	954,720	0.437
26	LEE KA YONG	848,640	0.388
27	CHEE SAI MUN	832,936	0.381
28	PUBLIC INVEST NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)</i>	802,306	0.367
29	S'NG SUET WAI	742,559	0.339
30	BALVINDER SINGH A/L BHAGWAN SINGH	656,200	0.300
		132,560,034	60.673

NOTICE OF THIRTY-FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth (“34th”) 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, 24 May 2024 at 10.00 a.m. to transact the following businesses:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of the Directors and Auditors thereon. *[Please refer to Note III (1)]*
2. To approve the payment of Directors’ fees and benefits up to RM409,600 for the period from this 34th Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 1)**
3. To re-elect Lin Hao Wen who retires pursuant to Clause 76(3) of the Company’s Constitution, as Director of the Company. **(Resolution 2)**
4. To re-elect Teh Yong Khim who retires pursuant to Clause 76(3) of the Company’s Constitution, as Director of the Company. **(Resolution 3)**
5. To re-elect Kenneth Chin Kah Kiong who retires pursuant to Clause 78 of the Company’s Constitution, as Director of the Company. **(Resolution 4)**
6. To re-elect Chong Shu Phin who retires pursuant to Clause 78 of the Company’s Constitution, as Director of the Company. **(Resolution 5)**
7. To re-appoint Messrs PKF PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

Special Business

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

8. **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 7)**

“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-FOURTH ANNUAL GENERAL MEETING

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.

- 9. 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 PEIR CHYUN (MAICSA 7018710)

(SSM PC NO. 202008001742)

NG SENG HOO (MAICSA 7068810)

(SSM PC NO. 202008004089)

Company Secretaries

Kuala Lumpur

Date: 25 April 2024

NOTICE OF THIRTY-FOURTH ANNUAL GENERAL MEETING

NOTES:

I Important Notice

The 34th 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 34th 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 17 May 2024. 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-FOURTH ANNUAL GENERAL MEETING

- (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, 22 May 2024 at 10.00 a.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 2023

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 34th 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 34th AGM until the next AGM. 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-FOURTH ANNUAL GENERAL MEETING

3. Resolutions 2 to 5 – Re-election of Directors

Mr Lin Hao Wen, Mr Teh Yong Khim, Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this 34th AGM.

Please refer to the Statement Accompanying Notice of the 34th AGM for further details.

4. Resolution 6 – 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 7 – Ordinary Resolution: Proposed Renewal of Share Buy-Back Mandate

The proposed Resolution 7, 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 25 April 2024 for further information.

STATEMENT ACCOMPANYING NOTICE OF 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 34th 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 34th AGM:-

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

1. Lin Hao Wen
2. Teh Yong Khim

Pursuant to Clause 78 of the Company's Constitution

1. Kenneth Chin Kah Kiong
2. Chong Shu Phin

("the Retiring Directors")

The details of the abovenamed Retiring Directors are set out in their respective profiles on page 4 to 6 of the Annual Report 2023. The details of their interest in the securities of the Company can be found on page 106.

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 2023. 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.

Mr Kenneth Chin Kah Kiong and Mr Chong Shu Phin, the Independent Non-Executive Directors have confirmed that they fulfilled the independence criteria prescribed by the Main Market Listing Requirement of Bursa Malaysia Securities Berhad. They have also confirmed that they do 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 their 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 Lin Hao Wen, Teh Yong Khim, Kenneth Chin Kah Kiong and Chong Shu Phin 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-FOURTH ANNUAL GENERAL MEETING (“34TH AGM”) OF FOCUS LUMBER BERHAD

Date	: Friday, 24 May 2024
Time	: 10.00 a.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
Online Meeting Platform	: TIIH Online website at https://tiih.online

1. MODE OF MEETING

- The Company’s 34th AGM will be conducted entirely virtual **through live streaming from the Broadcast Venue**.
- The Broadcast Venue of the 34th 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 34th AGM in person at the Broadcast Venue on the day of the meeting.

2. SHAREHOLDERS’ PARTICIPATION AT THE 34TH 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 34th 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 34th 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 34th 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 34th AGM using the RPV facilities:

Procedure	Action
Before the 34th 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 34 th AGM remotely	<ul style="list-style-type: none"> • Registration is open from Tuesday, 23 April 2024 until the day of 34th AGM on Friday, 24 May 2024. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 34th AGM to ascertain their eligibility to participate the 34th 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 34th 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 17 May 2024, the system will send you an e-mail after 22 May 2024 to approve or reject your registration for remote participation. <i>(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).</i>

ADMINISTRATIVE GUIDE

FOR THE THIRTY-FOURTH ANNUAL GENERAL MEETING ("34TH AGM") OF FOCUS LUMBER BERHAD

3. PROCEDURES TO RPV VIA RPV FACILITIES (CONTINUED)

Procedure	Action
On the 34th 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 34th AGM at any time from 9.00 a.m. i.e. one hour before the commencement of meeting at 10.00 a.m. on Friday, 24 May 2024.
ii. Participate through Live Streaming	<ul style="list-style-type: none"> Select the corporate event: (Live Stream Meeting) Focus Lumber Berhad 34th AGM to engage in the proceedings of the 34th 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 34th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
iii. Online remote voting	<ul style="list-style-type: none"> Voting session commences from 10.00 a.m. on Friday, 24 May 2024 until a time when the Chairman announces the end of the session. Select the corporate event: (Remote Voting) Focus Lumber Berhad 34th 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 34th 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 17 May 2024 shall be eligible to participate in the 34th 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 34th 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 34th AGM yourself, please do not submit any Form of Proxy for the 34th AGM. You will not be allowed to participate in the 34th 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 34th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Wednesday, 22 May 2024 at 10.00 a.m.:-**
 - (i) In Hard copy:
 - a) By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;
 - b) By fax at 03-2783 9222 or e-mail to is.enquiry@my.tricorglobal.com.

ADMINISTRATIVE GUIDE

FOR THE THIRTY-FOURTH ANNUAL GENERAL MEETING (“34TH AGM”) OF FOCUS LUMBER BERHAD

4. ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY (CONTINUED)

(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 username (i.e. email address) and password. • Select the corporate event: Focus Lumber Berhad 34th 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/proxies 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/ proxies 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 34th 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 34th 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

FOR THE THIRTY-FOURTH ANNUAL GENERAL MEETING ("34TH AGM") OF FOCUS LUMBER BERHAD

5. VOTING AT MEETING

- The voting at the 34th 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 34th AGM at 10.00 a.m. Kindly refer to "Procedures to Remote Participation and Voting via RPV Facilities" provided above for guidance on how to vote remotely via TIIH Online.

6. RESULTS OF THE VOTING

The resolutions proposed at the 34th AGM and the results of the voting will be announced at the 34th 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 34th AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 34th AGM, shareholders may in advance, before the 34th 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, 22 May 2024. The Board of Directors will endeavor to address the questions received at the 34th 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 34th 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 Syafiqul Hafidz Bin Abdul Kadir
Email: Syafiqul.hafidz@my.tricorglobal.com
- 2) Hayman Daniel Muadzim Bin Abdul Khalid
Email: hayman.daniel@my.tricorglobal.com

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Proxy Form

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 Chairman of the Meeting, as ^my/our proxy to vote for ^me/us and on ^my/our behalf at the Thirty-Fourth 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, 24 May 2024 at 10.00 a.m. or any adjournment thereof, and to vote as indicated below:-

Resolution no.	Description of Resolution	For	Against
1	Payment of Directors' fees and benefits up to RM409,600 for the period from this 34 th Annual General Meeting until the next Annual General Meeting of the Company.		
2	Re-election of Lin Hao Wen as Director of the Company.		
3	Re-election of Teh Yong Khim as Director of the Company.		
4	Re-election of Kenneth Chin Kah Kiong as Director of the Company.		
5	Re-election of Chong Shu Phin as Director of the Company.		
6	Re-appointment of Messrs PKF PLT as Auditors of the Company.		
7	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 _____ 2024

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 34th 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 34th 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 **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 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 17 May 2024. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
- (2) A member entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
- (3) A member of the Company who is entitled to attend and vote at this AGM of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM.
- (4) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (5) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (6) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (7) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

- (8) A member who had appointed a proxy or attorney or authorised representative to participate at the AGM via RPV **must request his/ her proxy or attorney or authorised representative to register himself/ herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
- (9) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote:
 - (i) **In hard copy form**
In the case of an appointment made in hard copy form, the proxy form must be deposited at the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)] of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
 - (ii) **By electronic means via Tricor System, TIIH Online**
The proxy form can be electronically lodged with the Company's Share Registrar via TIIH Online at <https://tiih.online>. Please refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online.
- (10) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar situated at Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324-H)] of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
 - (11) Please ensure ALL the particulars as required in the proxy form is completed, signed and dated accordingly.
 - (12) Last date and time for lodging the proxy form is Wednesday, 22 May 2024 at 10.00 a.m.
 - (13) For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate appointment of authorised representative executed in the manner as stated in the proxy form with the 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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Stamp

FOCUS LUMBER BERHAD

Registration No.: 198901011405 (188710-V)

The Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd
[Registration No.: 197101000970 (11324-H)]

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

Please fold here



www.focuslumber.com.my



富佳木業有限公司

FOCUS LUMBER BERHAD

Registration No.: 198901011405 (188710-V)

12A, Jalan Teluk Likas,
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Email : focuskk@focuslumber.com.my