
10.0 OTHER INFORMATION CONCERNING THE CYMAO GROUP

10.1 Approvals, Major Licences and Permits

	Type of Licence (CPSB)	Authority	Date of Issue	Expiry Date	Material Conditions
1.	Manufacturing licence for the production of laminated MDF	MITI	25.09.98	None	The shares of CPSB which are held by a non- Malaysian nationals cannot be sold without the prior consent of the MITI
2.	Manufacturing licence for the production of decorative blockboard	MITI	27.04.00	None	The shares of CPSB which are held by a non-Malaysian nationals cannot be sold without the prior consent of the MITI
3.	Manufacturing licence for the production of plywood, decorative plywood and blockboard	MITI	28.08.95	None	The shares of CPSB which are held by a non-Malaysian nationals cannot be sold without the prior consent of the MITI
4.	Licence to erect and/or operates plywood, laminated medium density fibreboard and coating mill	Forestry Department, Sabah	30.06.03	30.06.04	None
5.	Jetty licence	Royal Customs and Excise Malaysia	29.03.03	31.12.04	None
6.	Business licence under Trade Licensing Ordinance 1948 (Ordinan Pelesanan Perdagangan) pertaining to business of plywood and downstream products exporting agent	Sandakan Municipal Council	19.03.03	31.12.03*	None

Note:

* *CPSB had applied to the Sandakan Municipal Council for the renewal of the business licence on 12 February 2004, the approval of which is pending.*

10.0 OTHER INFORMATION CONCERNING THE CYMAO GROUP (Cont'd)

	Type of Licence (CPSB)	Authority	Date of Issue	Expiry Date	Material Conditions
7.	Manufacturing licence under Sales Tax Act- Manufacturing Licence to act as a licensed manufacturer	Royal Customs and Excise Malaysia	30.03.92	None	None
8.	Licence to export processed timber for the purpose of exporting plywood, fancy plywood, PVC overlay plywood, laminated MDF, cork fancy plywood, veneer and blockboard to any markets	Forestry Department, Sabah	01.01.03	30.06.04	None
9.	Certificates of Fitness of Occupation for two (2) factory warehouses both located at 9.1 KM, Jalan Batu Sapi, Locked Bag No. 13, 90000 Sandakan, Sabah	Sandakan Municipal Council	23.05.01	None	None
10.	Licence to employ immigrant workers	Sabah Labour Department	04.07.03	03.07.04	Licence is valid for employment of immigrant workers as covered under the licence. Application to renew this licence must be submitted within one (1) month before the expiry.
11.	Licence for import of logs	Ministry of Primary Industries	03.04.03	30.04.04	Import from Indonesia is not allowed and imported logs cannot be exported without being processed.
12.	Licence for import of logs	Ministry of Primary Industries	04.07.03	31.07.04	Import from Indonesia is not allowed and imported logs cannot be exported without being processed.

10.0 OTHER INFORMATION CONCERNING THE CYMAO GROUP (Cont'd)

10.2 Summary of Landed Properties

The details of the landed properties of the Cymao Group as at the date of this Prospectus are set out below:

	Registered Owner/Title No./ Postal Address	Land Area/ Built-up Area	Approximate Age of Building Years	Tenure	Description/ Existing Use	Audited NBV as at 31 August 2003 RM
(a)	CPSB/ TL 077565434 District of Sandakan/ Locked Bag 13, 90007 Sandakan, Sabah	32,780 m ² / 32,780 m ² *	8	Leasehold 99 years (expiring 31.12.2068)	Industrial land with plywood factory and ancillary building	6,657,914
(b)	CPSB/ TL 077574200 District of Sandakan/ Locked Bag 13, 90007 Sandakan, Sabah	19,627 m ² ^	-	Leasehold 99 years (expiring on 31.12.2096)	Industrial land with log conditioning shed, recovery lathc shed, hoist shed and temporary labour quarters.	1,055,305
						<u>7,713,219</u>

Notes:

- (i) *The landed properties referred to in items (a) and (b) above are both located at 9.1 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah. Both the landed properties are charged to Public Bank Berhad and HSBC Bank Malaysia Berhad respectively.*
 - (ii) *Any transfer, sub-lease and sub-division of the above land require the prior written consent of the Director of Lands and Surveys, Negeri Sabah.*
 - (iii) *The certificate of fitness was issued on 23 May 2001 in respect of the landed property referred to in item (a) above. No certificate of fitness has been obtained in respect of the landed properties referred to in item (b) above as the structures are temporary in nature and will be removed within two (2) months from the date of this Prospectus.*
 - (iv) *The land in item (b) is demised expressly and only for the purpose of erecting thereon for use of industrial purposes.*
- * *Built-up area of the mill and ancillary buildings which fully occupy the said land*
 ^ *Not applicable.*

11.0 FINANCIAL INFORMATION

11.1 Historical Financial Information

The following table sets out a summary of the proforma consolidated results of the Cymao Group for the five (5) financial years ended 31 December 1998 to 2002 and eight (8)-month period ended 31 August 2003. The proforma consolidated results are presented for illustrative purposes only and have been prepared on the assumption that the current Cymao Group structure has been in existence throughout the financial years/period under review. The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12.0 of this Prospectus.

	<-----Year ended 31 December----->					Eight (8)- month period ended 31 August 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	50,813	69,774	74,793	116,310	139,613	108,508
Profit before interest, tax and depreciation	9,623	14,334	16,830	18,618	20,264	16,259
Interest	(895)	(48)	(160)	(246)	(154)	(21)
Depreciation	(4,093)	(4,129)	(4,290)	(4,529)	(4,791)	(3,544)
Profit before exceptional item	4,635	10,157	12,380	13,843	15,319	12,694
Exceptional item	-	-	-	-	-	-
Profit before taxation	4,635	10,157	12,380	13,843	15,319	12,694
Taxation	(1,210)	2,107	683	835	(949)	(1,863)
Profit after taxation	3,425	12,264	13,063	14,678	14,370	10,831
No of ordinary shares assumed to be in issue ('000) *	51,000	51,000	51,000	51,000	51,000	51,000
Gross EPS (sen)	9.09	19.92	24.27	27.14	30.04	**37.33
Net EPS (sen)	6.72	24.05	25.61	28.78	28.18	**31.86
Tax exempt dividend rate (%) ***	-	-	-	-	-	49.02

Notes:

* Based on the issued and paid-up share capital of Cymao after the Acquisition but before the Public Issue.

** Annualised.

*** Based on number of ordinary shares assumed to be in issue.

(i) The proforma consolidated income statements are prepared based on the audited financial statements of Cymao and CPSB for the relevant financial years/period and are provided for illustrative purposes only on the assumption that the Cymao Group had been in existence throughout the period under review, after making such adjustments considered necessary.

(ii) The proforma consolidated income statements have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of Cymao and CPSB.

11.0 FINANCIAL INFORMATION (Cont'd)

- (iii) *The summarised proforma consolidated income statements for the financial years 1998 to 2002 have been restated to incorporate the prior year adjustment made in the 8-month period ended 31 August 2003. The prior year adjustment was in relation to the change in accounting policy on deferred taxation arising from the adoption of Standard No. 25, Income Taxes issued by the Malaysian Accounting Standards Board amounting to*
- *RM1.210 million of tax expense for the financial year 1998;*
 - *RM2.107 million, RM0.683 million, and RM0.835 million tax income for the financial years 1999 to 2001 respectively; and*
 - *RM0.949 million tax expense for the financial year 2002.*
- (iv) *Revenue represented invoiced value of veneer, plywood, decorative plywood, engineered wood flooring and layon less returns and discount.*
- (v) *For the financial year ended 31 December 1999, the improvement in revenue and profit before taxation was mainly attributed to the regional economic recovery that boosted sales volume and selling prices, and the increase in export to the USA which fetched higher selling prices.*
- (vi) *For the financial year ended 31 December 2000, the increase in revenue and profit before taxation was mainly attributed to CPSB's focus on the production and marketing of decorative plywood which fetched better margin.*
- (vii) *For the financial year ended 31 December 2001, the significant increase in revenue despite the sluggish global demand was mainly attributed to the increase in sales volume of plywood, in particular, to the USA. This was led by the research and development and marketing efforts of the company to supply quality plywood with various specifications to meet customer requirements. Despite a 55.51% increase in revenue, profit before taxation increased by 11.82% only. This was mainly due to lower average selling prices of timber products affected by the sluggish global demand.*
- (viii) *For the financial year ended 31 December 2002 and the eight (8)-month period ended 31 August 2003, the increase in revenue and profit before taxation was mainly attributed to the efforts to increase sales by obtaining repeat orders and securing a new major customers from the USA.*
- (ix) *CPSB was granted pioneer status (100% of the adjusted income) under the Promotion of Investment Act, 1986 for its plain plywood and decorative plywood operations until 31 August 1997, which was subsequently extended to 31 August 2002.*
- (x) *For the financial years ended 31 December 1998 to 2001, the Cymao Group was not liable for tax on profits from its plain plywood and decorative plywood operations in view of the pioneer status granted. Profits generated from veneer operation were not taxable due to the availability of capital allowances. Tax income and tax expense for these financial years were in respect of the origination and reversal of deductible temporary differences. The deductible temporary differences related to capital expenditure incurred for pioneer operations during the pioneer period which were deemed to be incurred on the first day of the post pioneer period (1 September 2002) as the application of the company for pioneer status was made prior to 1 January 1991.*
- (xi) *For the financial year ended 31 December 2002 and the eight (8)-month period ended 31 August 2003, the Cymao Group was not liable for tax on profits generated from operations in view of the availability of unabsorbed capital allowances. Tax expense for these financial year/period represented reversal of the deductible temporary differences previously provided.*
- (xii) *There were no exceptional or extraordinary items for the relevant financial years/period under review.*

11.0 FINANCIAL INFORMATION (Cont'd)

(xiii) *The gross and net EPS have been calculated based on the profit before and after taxation respectively and the adjusted number of ordinary shares in issue for each financial year/period under review. The gross and net EPS for the eight (8)-month period ended 31 August 2003 have been calculated on an annualised basis.*

(xiv) *The Group does not have any associated companies and has not been involved in any joint ventures during the financial years/period under review.*

11.2 Segmental Analysis of Consolidated Revenue and Profit

(i) Analysis of Revenue

Product	←-----Year ended 31 December ----->					Eight (8)- Month Period Ended 31 August 2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Plywood						
- Export	27,957	43,012	38,959	74,600	80,608	55,859
- Local	2,175	3,798	4,274	5,203	15,673	9,330
Veneer						
- Export	7,743	9,916	11,811	944	-	-
- Local	316	468	671	189	-	-
Decorative plywood						
- Export	11,628	11,319	18,092	25,306	29,971	22,519
- Local	994	1,261	986	2,728	4,001	14,699
Engineered wood flooring						
- Export	-	-	-	5,109	5,371	3,481
- Local	-	-	-	-	-	-
Lay-on						
- Export	-	-	-	2,231	3,989	2,558
- Local	-	-	-	-	-	62
	50,813	69,774	74,793	116,310	139,613	108,508

11.0 FINANCIAL INFORMATION (Cont'd)

(ii) Analysis of Consolidated Profit Before Taxation

Product	<-----Year ended 31 December ----->					Eight (8)- Month Period Ended 31 August 2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Plywood						
- Export	2,550	6,261	6,449	8,879	8,845	6,535
- Local	198	553	707	619	1,720	1,091
Veneer						
- Export	706	1,443	1,955	112	-	-
- Local	29	68	111	22	-	-
Decorative Plywood						
- Export	1,061	1,648	2,995	3,012	3,288	2,635
- Local	91	184	163	325	439	1,720
Engineered wood flooring						
- Export	-	-	-	608	589	407
- Local	-	-	-	-	-	-
Lay-on						
- Export	-	-	-	266	438	299
- Local	-	-	-	-	-	7
	4,635	10,157	12,380	13,843	15,319	12,694

The overview of the revenue and profits, including taxation, for the five (5) financial years ended 31 December 1998 to 2002 and eight (8)-month period ended 31 August 2003 is set out in Section 11.1 above and the Accountants' Report in Section 12.0 of this Prospectus.

11.3 Directors' Declaration on Financial Performance

Save as disclosed in this Prospectus, the financial conditions and operations of the Company and its subsidiary company are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Cymao Group;

11.0 FINANCIAL INFORMATION (Cont'd)

- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position; and
- (v) substantial increases in revenue due to factors attributed to prices or volume of goods sold or the introduction of new products.

11.4 Working Capital, Borrowings, Contingent Liabilities, Material Commitments and Material Litigation

11.4.1 Working Capital

The Directors of Cymao Group are of the opinion that, after taking into account the cashflow, the banking facilities available and the proceeds from the Public Issue, the Group will have, for the period of twelve (12) months from the date of this Prospectus, adequate working capital.

11.4.2 Borrowings

As at 12 February 2004 (being the latest practicable date prior to the printing of this Prospectus), the Cymao Group does not have any outstanding borrowings from local and foreign financial institutions.

Nevertheless, the Group has obtained banking facilities from financial institutions as disclosed in Section 16.6 of this Prospectus. The said banking facilities are secured against legal charges over landed properties of CPSB, a debenture over all assets of CPSB, a joint and several guarantee by certain directors of CPSB and fixed deposits placed with financial institutions.

Throughout the eight (8) months period ended 31 August 2003 and the subsequent financial period immediately preceding 12 February 2004 (being the latest practicable date prior to the printing of this Prospectus), there have been no defaults of payments of either interest and/or principal sums in respect of banking facilities utilised/ outstanding during the said period.

Save as disclosed below, there are no other covenants under the banking facility which limit the CPSB's operating and financial liabilities:

Under the Debenture dated 11 November 2001 signed between CPSB ("Borrower") and Public Bank Berhad ("Bank") ("Debenture"), CPSB shall not, without consent in writing from the lender:

- (i) Incur, assume, guarantee or permit to exist any indebtedness except for the indebtedness under this Debenture.
- (ii) create or permit to exist any lien on any assets of the Borrower except any tax or other statutory lien provided that such lien shall be discharged within 30 days after final adjudication.
- (iii) enter into any transaction with any person or company except in the ordinary course of business on ordinary commercial terms and on the basis of arm's length arrangements or establish any exclusive purchasing or sales agency or enter into any transaction whereby the borrower might pay more than the ordinary commercial price for any purchase.

11.0 FINANCIAL INFORMATION *(Cont'd)*

- (iv) enter into any partnership profit sharing or royalty agreement or other similar arrangement whereby the Borrowers' income or profit are or might be shared with any other person or enter into any management contract or similar arrangement whereby the borrower's business or operations are managed by any other person.
- (v) have any subsidiary make or permit to give loans or lend or make advances to its holding company or to others including directors of the subsidiaries or holding or other related companies or guarantee any person including the directors of the subsidiaries or holding or any related companies provided that the Borrower shall be at liberty to invest in short marketable securities acquired solely so as to utilize such funds of the Borrower as are not immediately required for the Borrower's business.
- (vi) add, amend or vary its Memorandum and Articles of Association in any manner so as to make it inconsistent with the provisions of this Debenture.
- (vii) carry on business other than its existing business.
- (viii) decrease the authorised share capital as well as the issued share capital
- (ix) declare or pay dividend or bonus issue or make any distribution or share capital
- (x) not allow any court judgement entered against it remain unsatisfied for more than 14 days.

11.4.3 Contingent Liabilities

As at 12 February 2004 (being the latest practicable date prior to the printing of this Prospectus), the Cymao Group does not have any material contingent liabilities which upon becoming enforceable may have a material impact on the profit or net assets value of the Group.

11.4.4 Material Commitments

As at 12 February 2004 (being the latest practicable date prior to the printing of this Prospectus), save as disclosed below, the Cymao Group does not have any material capital commitments for capital expenditure incurred or known to be incurred by the Cymao Group which may have a substantial impact on the profit or net asset value of the Group:

- The Company has entered into a sales and purchase agreement dated 17 December 2003 with Inovwood. Sdn Bhd ("Inovwood") to acquire from Inovwood one (1) piece of industrial land for a purchase consideration of RM1,200,000 to be satisfied by the proceeds from the Public Issuc. Further details of the aforesaid acquisition are provided in Section 3.9.

11.0 FINANCIAL INFORMATION (Cont'd)

11.4.5 Material Litigation

As at 12 February 2004 (being the latest practicable date prior to the printing of this Prospectus), neither the Company nor its subsidiary company are engaged in any material litigation or arbitration, either as plaintiff or defendant, or any material claims against the Company or its subsidiary company, or material proceedings which, upon becoming enforceable, has a material effect on the business or financial performance or position of the Company or its subsidiary company and the Directors do not know of any proceedings pending or threatened of any facts likely to give rise to any proceedings which might materially affect the business or financial performance or position of the Company or its subsidiary company.

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11.0 FINANCIAL INFORMATION *(Cont'd)*

11.5 Consolidated Profit Estimate and Forecast

The Directors of Cymao Group estimate and forecast that the consolidated profit after taxation for the two (2) financial years ended/ending 31 December 2003 and 2004 respectively will be as follows:

Financial Year Ended/Ending 31 December	2003 Estimate RM'000	2004 Forecast RM'000
Revenue	165,152	189,349
Consolidated profit before taxation	19,224	23,701
Less: taxation	(2,744)	(3,034)
Consolidated profit after taxation	16,480	20,667
Less: pre-acquisition profits	(13,733)	-
Less: minority interest	-	-
Consolidated profit attributable to shareholders	2,747	20,667
Weighted average number of Cymao Shares in issue ('000) ¹	8,500	57,750
Enlarged number of Cymao Shares assumed in issue ('000)	60,000	60,000
Gross EPS (sen) ²	226.16	41.04
Net EPS (sen) ³	32.32	35.79
Fully diluted gross EPS (sen) ⁴	32.04	39.50
Fully diluted net EPS (sen) ⁴	4.58	34.45
Gross PE Multiple based on the issue price of RM2.50 per Share (times) ⁵	1.1	6.1
Net PE Multiple based on the issue price of RM2.50 per Share (times) ⁵	7.7	7.0
Fully diluted gross PE Multiple based on the issue price of RM2.50 per Share (times) ⁶	7.8	6.3
Fully diluted net PE Multiple based on the issue price of RM2.50 per Share (times) ⁶	54.6	7.3

Notes:

1. *Based on the assumption that the Public Issue will be completed by end March 2004.*
2. *Based on the consolidated profit before taxation divided by the weighted average number of shares in issue.*
3. *Based on the consolidated profit attributable to shareholders divided by the weighted average number of shares in issue.*
4. *Based on the enlarged share capital assumed in issue of 60,000,000 Cymao Shares.*
5. *Based on the gross and net EPS.*
6. *Based on the fully-diluted gross and net EPS.*

11.0 FINANCIAL INFORMATION (Cont'd)

The principal bases and assumptions upon which the estimate and forecast consolidated profit after taxation have been prepared are as follows:

1. Cymao will carry out the following, which hereinafter shall collectively be referred to as the "Listing Scheme":
 - (a) the acquisition by Cymao of the entire issued and paid-up share capital of Cymao Plywood Sdn Bhd ("CPSB") comprising 51,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM72,863,088 fully satisfied by the issuance of 50,999,998 new ordinary shares of RM1.00 each in Cymao, at approximately RM1.43 per share, credited as fully paid-up ("the Acquisition");
 - (b) the public issue of 9,000,000 new ordinary shares of RM1.00 each in Cymao at an issue price of RM2.50 per share ("the Public Issue"), and
 - (c) the listing of and quotation for Cymao's enlarged issued and fully paid-up share capital on the Main Board of Malaysia Securities Exchange Berhad.

The Acquisition has been completed on 3 November 2003 and the remaining of the Listing Scheme is expected to be completed by end March 2004.

2. There will be no material changes in the principal activities and structure of Cymao and its subsidiary company ("Cymao Group").
3. There will be no significant variations in the following estimate and forecast sales mix, average selling prices and sales volume of the Cymao Group's major timber products which will adversely affect the performance of the Cymao Group:

	Average Selling Price		Sales Volume	
	2003 RM/m ³	2004 RM/m ³	2003 m ³	2004 m ³
Plywood	1,026	1,026	96,620	102,100
Decorative plywood	1,938	1,938	28,620	31,800
Engineered wood flooring	1,406	1,406	4,460	7,080
Polyester plywood	-	1,900	-	2,000
Lay-on	1,748	1,748	2,450	5,270

4. There will be no significant changes in the prevailing market conditions or demand for the Cymao Group's timber products in local and overseas markets which will adversely affect the performance of the Cymao Group.
5. The Cymao Group will be able to secure the following volume of timber logs at the estimate and forecast average purchase prices for its production requirements during the estimate and forecast years and there shall be no significant variations which will adversely affect the performance of the Cymao Group:

	Average Purchase Price		Purchase Volume	
	2003 RM/m ³	2004 RM/m ³	2003 m ³	2004 m ³
Timber logs:				
- for veneer	300	300	224,140	246,550
- for sliced veneer	760	760	1,130	1,800
- for lay-on	380	380	5,440	11,710

11.0 FINANCIAL INFORMATION (Cont'd)

6. There will be no significant disruptions in the supply and quality of timber logs or any unfavourable conditions that will adversely affect the production and recovery rates of the Cymao Group's timber products.
7. The Cymao Group shall be able to achieve the estimate and forecast recovery rates for the production of its timber products and there shall be no significant variations which will adversely affect the performance of the Cymao Group.
8. There will be no unfavourable weather conditions, natural disasters or major disruption in the production of timber products arising from industrial disputes, labour shortage, or any abnormal circumstances that will adversely affect the operations of the Cymao Group.
9. There will be no major breakdown in the production facilities and equipment, major industrial disputes, economic and political changes in Malaysia and overseas or any abnormal circumstances which will adversely affect the operations of the Cymao Group.
10. The cost of materials, labour and overheads for the Cymao Group's operations will not change materially from the present levels.
11. The inflation rate will not change significantly from the present level which will adversely affect the performance of the Cymao Group.
12. There will be no material changes in the management, operation, marketing and accounting policies of the Cymao Group which will adversely affect the performance of the Cymao Group.
13. There will be no significant changes on the prevailing legislation and government regulations, rates and bases of duties, levies, cess and taxes, particularly, the royalty charges for the sale and purchase of timber products, which will adversely affect the performance of the Cymao Group.
14. There will be no significant variation in the exchange rates of foreign currencies, which are based on the prevailing exchange rate of RM3.80 to USD1.00 that will adversely affect the performance of the Cymao Group.
15. The existing financing facilities will remain available to the Cymao Group at the prevailing interest rates which will not change materially from the present levels.
16. Capital expenditure programme of the Cymao Group shall be implemented as planned and there shall be no variation which will adversely affect the operations including the production levels of the Cymao Group.
17. There will be no material acquisitions or disposals of property, plant and equipment other than those planned.
18. The proposed tax exempt dividend of RM25.0 million declared in the estimate year by CPSB prior to the Acquisition will be paid in the same year.
19. No dividend will be declared by Cymao in respect of the estimate year. Proposed tax exempt dividend of 5% in respect of the forecast year will be declared by Cymao and shall be payable in the following financial year.

11.0 FINANCIAL INFORMATION (Cont'd)

20. The gross proceeds from the Public Issue amounting to RM22,500,000 which are assumed to be received by end March 2004 will be utilised as follows:

	RM'000
Capital expenditure	4,105
Acquisition of land	1,200
Construction of a new factory	2,500
Working capital	12,695
Payment of estimated listing expenses	2,000
	<u>22,500</u>

21. The estimated expenses of approximately RM2.0 million in relation to the Listing Scheme will be set-off against the share premium account.

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11.0 FINANCIAL INFORMATION (Cont'd)

11.5.1 Reporting Accountants' Report on the Consolidated Profit Estimate and Forecast



AF : 0039

■ Chartered Accountants
Bangunan Sabah Bank,
2nd Floor, Jalan Utara,
91000 Tawau.

■ Phone : (089) 774-233
Fax : (089) 762-950

Mail Address :
W.D.T. 46,
91009 Tawau.

REPORTING ACCOUNTANTS' REPORT ON CONSOLIDATED PROFIT ESTIMATE AND FORECAST

(Prepared for inclusion in the Prospectus
to be dated 28 February 2004)

19 February 2004

The Board of Directors
Cymao Holdings Berhad
Room 2.01, 2nd Floor
Alliance Bank Building
TB 1086, Jalan Utara
91000 Tawau
Sabah

Dear Sirs,

CYMAO HOLDINGS BERHAD ("Cymao") CONSOLIDATED PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2003 AND CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2004

We have reviewed the estimate of consolidated profit after taxation for the year ended 31 December 2003 and forecast of consolidated profit after taxation for the year ending 31 December 2004 of Cymao and its subsidiary company ("Cymao Group") as set out in section 11.5 of the Prospectus to be dated 28 February 2004, in accordance with the professional standard in Malaysia applicable to the review of estimates and forecasts, AI 810. The estimate and forecast have been prepared in connection with the following:

- The public issue of 9,000,000 new ordinary shares of RM1.00 each in Cymao at an issue price of RM2.50 per share ("the Public Issue").
- The listing of and quotation for Cymao's enlarged issued and fully paid-up share capital on the Main Board of Malaysia Securities Exchange Berhad ("the Listing").

Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors as set out in section 11.5 of the Prospectus and are presented on a basis consistent with the accounting policies adopted and disclosed by the Cymao Group in the audited financial statements for the 8-month period ended 31 August 2003. The Directors of Cymao are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

11.0 FINANCIAL INFORMATION (Cont'd)



AF: 0039

Estimate and forecast, in this context, mean prospective information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variations could be material.

Subject to the matters stated in the preceding paragraphs:

- i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in section 11.5 of the Prospectus, do not provide a reasonable basis for the preparation of the estimate and forecast of consolidated profit after taxation; and
- ii) in our opinion, the estimate and forecast of consolidated profit after taxation, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Cymao Group in the audited financial statements for the 8-month period ended 31 August 2003.

This letter has been prepared solely for inclusion in the Prospectus in connection with the Public Issue and the Listing. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Ernst & Young'.

ERNST & YOUNG
AF: 0039
Chartered Accountants
Tawau, Malaysia

A handwritten signature in black ink, appearing to be 'Pang Pak Lok'.

PANG PAK LOK
1228/03/05 (J)
Partner

11.0 FINANCIAL INFORMATION *(Cont'd)*

11.6 Directors' Analysis of the Consolidated Profit Estimate and Forecast

The Directors of Cymao have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit estimate and forecast of the Cymao Group for the two financial years ended/ending 31 December 2003 and 2004 respectively and are of the opinion that the consolidated profit estimate and forecast are fair and reasonable in light of the future plans, strategies and prospects of the Cymao Group as set out in Section 6.0 of this Prospectus and after taking into consideration the estimated and forecast liquidity and working capital requirements of the Group.

The Group estimates a revenue of RM165.15 million, increased by RM25.54 million or 18.3% compared to the proforma consolidated revenue of RM139.61 million for the financial year ended 31 December 2002. This is mainly attributed to the estimated increase in the sales volume of decorative plywood from 17,217 m³ for financial year ended 31 December 2002 to 28,620 m³ for the estimate year ended 31 December 2003. This is in view of the continuous demand for decorative plywood from the USA market.

The Group's profit after taxation but before pre-acquisition profit is estimated to increase by 14.7% to RM16.48 million for the financial year ended 31 December 2003 as compared to RM14.37 million recorded for the financial year ended 31 December 2002, in line with the increase in revenue.

For the year ending 31 December 2004, the Group forecast a revenue of RM189.35 million, increased by RM24.20 million or 14.7% compared to the revenue of RM165.15 million for the financial year ended 31 December 2003. This is mainly attributed to the forecast increase in the sales volume of timber products from 132,150m³ for the estimate year to 148,250 m³ for the forecast year ending 31 December 2004, representing a 12.2% increase in total sales volume. During the forecast year ending 31 December 2004, the Group plans to commence the production of a new product, polyester plywood, with forecast sales volume of 2,000m³.

The forecast increase in the Group's profit after taxation by RM4.19 million or 25.4% to RM20.67 million for the financial year ending 31 December 2004 is the result of the increase in sales volume which also contributed to an increase in profit margin due to economies of scale.

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11.0 FINANCIAL INFORMATION (Cont'd)

11.7 Sensitivity Analysis

The following sensitivity analyses are prepared by the management of the Group and have been independently verified by the Reporting Accountants. The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 11.5 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the selling prices of timber products, sales volume of timber products and prices of logs purchase. Notwithstanding the impacts of the variations in these variables, to the revenue and profit after tax (before pre-acquisition profit) for the financial years ended/ending 31 December 2003 and 2004 respectively, there may exist other factors which have not been taken into account, whose variations may have a significant effect, either positively or negatively, on the financials of the Group

The additional bases and assumptions that have been made under each scenario below is that the taxation of the respective companies were arrived at after taking into consideration of the estimate and forecast capital allowances available for each scenario.

11.7.1 Variations in selling prices of timber products

Variation in RM terms	<-----2003----->		<-----2004----->	
	Revenue RM'000	Profit after taxation RM'000	Revenue RM'000	Profit after taxation RM'000
+10%	181,665	28,356	208,284	34,284
+5%	173,410	22,418	198,817	27,475
Base case	165,152	16,480	189,349	20,667
-5%	156,894	10,542	179,882	13,859
-10%	148,637	4,604	170,414	7,050

Variation in % terms	<-----2003----->		<-----2004----->	
	Revenue (%)	Profit after taxation (%)	Revenue (%)	Profit after taxation (%)
+10%	10%	72%	10%	66%
+5%	5%	36%	5%	33%
Base case	0%	0%	0%	0%
-5%	-5%	-36%	-5%	-33%
-10%	-10%	-72%	-10%	-66%

Based on the above assumptions, the sensitivity analysis shows that the Group will still remain profitable during the estimate and forecast years despite a 5% and 10% downward variation on selling prices of timber products.

11.0 FINANCIAL INFORMATION (Cont'd)

11.7.2 Variations in sales volume of timber products

Variation in RM terms	<-----2003----->		<-----2004----->	
	Revenue RM'000	Profit after taxation RM'000	Revenue RM'000	Profit after taxation RM'000
+10%	181,665	18,650	208,284	23,407
+5%	173,410	17,312	198,817	22,034
Base case	165,152	16,480	189,349	20,667
-5%	156,894	15,135	179,882	19,296
-10%	148,637	14,302	170,414	17,930

Variation in % terms	<-----2003----->		<-----2004----->	
	Revenue (%)	Profit after taxation (%)	Revenue (%)	Profit after taxation (%)
+10%	10%	13%	10%	13%
+5%	5%	5%	5%	7%
Base case	0%	0%	0%	0%
-5%	-5%	-8%	-5%	-7%
-10%	-10%	-13%	-10%	-13%

Based on the above assumptions, the sensitivity analysis shows that the Group will still remain profitable during the estimate and forecast years despite a 5% and 10% downward variation on sales volume of timber products.

11.7.3 Variations in log purchase prices

Variation in RM terms	<-----2003----->		<-----2004----->	
	Revenue RM'000	Profit after taxation RM'000	Revenue RM'000	Profit after taxation RM'000
+10%	165,152	10,430	189,349	13,814
+5%	165,152	13,455	189,349	17,240
Base case	165,152	16,480	189,349	20,667
-5%	165,152	19,505	189,349	24,093
-10%	165,152	22,530	189,349	27,520

Variation in % terms	<-----2003----->		<-----2004----->	
	Revenue (%)	Profit after taxation (%)	Revenue (%)	Profit after taxation (%)
+10%	0%	-37%	0%	-33%
+5%	0%	-18%	0%	-17%
Base case	0%	0%	0%	0%
-5%	0%	18%	0%	17%
-10%	0%	37%	0%	33%

11.0 FINANCIAL INFORMATION (Cont'd)

Based on the above assumptions, the sensitivity analysis shows that the Group will still remain profitable during the estimate and forecast years despite a 5% and 10% upward variation on log purchase prices.

11.7.4 Breakeven Analysis

The breakeven percentage of variations to selling prices of timber products, sales volume of timber products and log purchase prices for the Group's operation is as follows:

Variation to:	Breakeven % of variation	
	2003	2004
Selling prices of timber products	-13.88%	-15.18%
Sales volume of timber products	-74.91%	-79.78%
Log purchase prices	27.24%	30.16%

11.8 Dividend Forecast

It will be the policy of the Directors of Cymao in recommending dividends to allow shareholders to participate in the profits of the Group whilst retaining adequate reserves for its future growth.

On 28 June 2003, CPSB paid an interim tax-exempt dividend of 49.02% amounting to RM25,000,000 to the shareholders of CPSB.

The Company does not propose to declare any additional dividend for the financial year ended 31 December 2003. However, the Company proposes to declare a tax exempt dividend of 5%, (based on the enlarged issued and paid-up share capital of Cymao) for the financial year ending 31 December 2004 as follows:

For the financial year ending 31 December	Forecast 2004
Tax exempt dividend per Share (sen)	5
Dividend per Share (%)	5
Dividend yield based on the issue price of RM2.50 per Share (%)	2.0
Dividend cover (times)	6.9

However, it should be noted that the proposed future dividends will be waived if the Group is in a loss position for the relevant financial year/period or the Group has insufficient cashflows to meet any dividend payment. Also, the Directors of Cymao have full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interests of the Company.

11.0 FINANCIAL INFORMATION (Cont'd)

11.9 Proforma Consolidated Balance Sheets as at 31 August 2003

The proforma consolidated balance sheets of Cymao Holdings Berhad as at 31 August 2003 set out below are provided for illustrative purposes only to show the effects of the proposed acquisition and the proposed public issue on the assumption that these transactions were completed on 31 August 2003:

	Audited as at 31 August 2003 RM'000	Proforma I After Acquisition RM'000	Proforma II After I and Public Issue RM'000
PROPERTY, PLANT AND EQUIPMENT	-	39,580	47,385
DEFERRED TAX ASSETS	-	5,003	5,003
NEGATIVE GOODWILL ON CONSOLIDATION	-	(21,848)	(21,848)
CURRENT ASSETS			
Inventories	-	35,066	35,066
Trade receivables	-	23,263	23,263
Other receivables	597	3,874	3,874
Cash and bank balances	-	4,248	16,943
	<u>597</u>	<u>66,451</u>	<u>79,146</u>
CURRENT LIABILITIES			
Borrowings	-	4,873	4,873
Trade payables	-	3,754	3,754
Other payables	604	7,695	7,695
Tax payable	-	8	8
	<u>604</u>	<u>16,330</u>	<u>16,330</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(7)</u>	<u>50,121</u>	<u>62,816</u>
	<u>(7)</u>	<u>72,856</u>	<u>93,356</u>
Share capital	*	51,000	60,000
Share premium	-	21,863	33,363
Accumulated losses	(7)	(7)	(7)
Shareholders' funds	<u>(7)</u>	<u>72,856</u>	<u>93,356</u>
(Net liabilities)/Proforma NTA per share (RM)	(3,500.00)	1.86	1.92

Note:

* Denotes RM2.00.

11.0 FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. The proforma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the audited balance sheet as at 31 August 2003 of the transactions as stated in notes 2 and 7 below, had the transactions been implemented and completed on that date, and on basis which are consistent with the accounting policies of Cymao Holdings Berhad ("Cymao") as disclosed in its audited financial statements for the 8-month period ended 31 August 2003.

A. Proforma I – After the Acquisition

Proforma I is stated after incorporating the effects of the following:

2. The acquisition by Cymao of the entire issued and paid-up share capital of Cymao Plywood Sdn Bhd ("CPSB") comprising 51,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM72,863,088 fully satisfied by the issuance of 50,999,998 new ordinary shares of RM1.00 each in Cymao, at approximately RM1.43 per share, credited as fully paid-up ("the Acquisition").

The Acquisition has been completed on 3 November 2003.

3. Inter-company balances have been eliminated in arriving at the proforma consolidated balance sheets.
4. The proforma consolidated balance sheets of Cymao are arrived at using the acquisition method of accounting for CPSB.

B. Proforma II – After I and Public Issue

Proforma II is stated after incorporating the effects of the following:

5. Public issue of 9,000,000 new ordinary shares of RM1.00 each in Cymao at an issue price of RM2.50 per share. ("Public Issue")
6. The estimated listing expenses of approximately RM2.0 million will be set-off against the share premium account.
7. The gross proceeds arising from the Public Issue amounting to RM22,500,000 will be utilised as follows:

	RM'000
Capital expenditure	4,105
Acquisition of land	1,200
Construction of a new factory	2,500
Working capital	12,695
Payment of estimated listing expenses	2,000
	<u>22,500</u>

11.0 FINANCIAL INFORMATION (Cont'd)

C. Others

8. The movement of the issued and paid-up share capital of Cymao after implementation of the Acquisition and the Public Issue set out above is as follows:

	RM'000
As at 31 August 2003	*
Issued pursuant to the Acquisition	51,000
	<u>51,000</u>
To be issued pursuant to the Public Issue	9,000
	<u>60,000</u>

* Denotes RM2.00.

9. Share premium is arrived at as follows:

	RM'000
As at 31 August 2003	-
Arising from the Acquisition	21,863
	<u>21,863</u>
Arising from the Public Issue	13,500
Less: Estimated listing expenses	<u>(2,000)</u>
	<u>33,363</u>

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11.0 FINANCIAL INFORMATION *(Cont'd)*

11.9.1 Reporting Accountants' Report on the Proforma Consolidated Balance Sheets as at 31 August 2003

ERNST & YOUNG AF : 0039

■ Chartered Accountants
Bangunan Sabah Bank,
2nd Floor, Jalan Utara,
91000 Tawau.

■ Phone : (089) 774-233
Fax : (089) 762-950

REPORTING ACCOUNTANTS' REPORT ON PROFORMA CONSOLIDATED BALANCE SHEETS

Mail Address :
W.D.T. 46,
91009 Tawau.

(Prepared for inclusion in the Prospectus
to be dated 28 February 2004)

19 February 2004

The Board of Directors
Cymao Holdings Berhad
Room 2.01, 2nd Floor
Alliance Bank Building
TB 1086, Jalan Utara
91000 Tawau
Sabah

Dear Sirs,

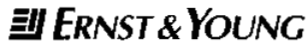
CYMAO HOLDINGS BERHAD ("Cymao") PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2003

We report on the proforma consolidated balance sheets set out in section 11.9 of the Prospectus to be dated 28 February 2004, which have been prepared for illustrative purposes only, to provide information about how the balance sheet of Cymao as at 31 August 2003 that has been presented might have been affected by the following transactions had the transactions been completed on that date:

- the acquisition by Cymao of the entire issued and paid-up share capital of Cymao Plywood Sdn Bhd comprising 51,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM72,863,088 fully satisfied by the issuance of 50,999,998 new ordinary shares of RM1.00 each in Cymao, at approximately RM1.43 per share, credited as fully paid-up ("the Acquisition");
- the public issue of 9,000,000 new ordinary shares of RM1.00 each in Cymao at an issue price of RM2.50 per share ("the Public Issue"); and
- the listing of and quotation for Cymao's enlarged issued and fully paid-up share capital on the Main Board of Malaysia Securities Exchange Berhad ("the Listing").

It is the responsibility of the Directors of Cymao to prepare the proforma consolidated balance sheets in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

11.0 FINANCIAL INFORMATION (Cont'd)



AF: 0039

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the proforma consolidated balance sheets with responsible officers of Cymao. Our work involved no independent examination of any of the underlying financial information other than our audit of the financial statements that included the audited balance sheet of Cymao as at 31 August 2003, on which we reported to the members of the company as of the date of our report.

In our opinion:

- a) the proforma consolidated balance sheets have been properly compiled on the bases stated; and
- b) within the context of the assumed date of the Acquisition, the Public Issue and the Listing:
 - i) such bases are consistent with the accounting policies of Cymao; and
 - ii) the adjustments set out are appropriate for the purposes of the proforma consolidated balance sheets pursuant to the Guidelines.

This letter has been prepared solely for inclusion in the Prospectus in connection with the Public Issue and the Listing. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully,

ERNST & YOUNG

AF: 0039

Chartered Accountants

Tawau, Malaysia

PANG PAK LOK

1228/03/05 (J)

Partner

11.0 FINANCIAL INFORMATION (Cont'd)

11.10 Trade Debtors

Based on the proforma balance sheet of Cymao as at 31 August 2003, the outstanding amount of trade debtors, ageing analysis and total number of trade debtors are as follows:

	Within Credit Period		Exceed Credit Period	Total
	< 45 Days	45 to 60 Days	>60 Days	
Number of trade debtors	31	-	1	32
Amount of trade debtors (RM'000)	23,230	-	33	23,263
Percentage of total trade debtors (%)	99.8	-	0.2	100

The Company's normal trade credit terms ranges from forty-five (45) to sixty (60) days. Other credit terms are assessed and approved on a case-by-case basis.

The Company has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables.

All known bad debts have been written off and provision has been made for any debts considered to be doubtful of collection. As at 31 August 2003 (being the date to which the last audited financial statements of the Group have been made up), there are no trade debtors who have exceeded their credit period which are in dispute in relation to the amount, nor have any legal actions commenced or been taken or had exceeded six (6) months.

As at 12 February 2004 (being the most practicable date prior to the printing of this Prospectus), the aforesaid trade debts of RM33,000 has been fully recovered by Cymao.