

CYMAO HOLDINGS BERHAD

**(Company No.: 445931 – U)
(Incorporated in Malaysia)**

QUARTERLY FINANCIAL REPORT

**FOR THE THIRD
QUARTER ENDED**

30TH SEPTEMBER 2005

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30TH SEPTEMBER 2005**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/9/2005 RM'000	Preceding Year Corresponding Quarter 30/9/2004 RM'000	Current Year To-date 30/9/2005 RM'000	Preceding Year Corresponding Period 30/9/2004 RM'000
REVENUE	62,595	51,185	167,577	149,026
COST OF SALES	(51,244)	(39,826)	(128,833)	(116,322)
GROSS PROFIT	11,351	11,359	38,744	32,704
OTHER INCOME	7	17	12	32
OTHER OPERATING EXPENSES	-	-	-	(39)
SELLING EXPENSES	(7,896)	(2,991)	(25,030)	(9,229)
ADMINISTRATIVE EXPENSES	(1,174)	(1,403)	(3,917)	(3,374)
PROFIT FROM OPERATIONS	2,288	6,982	9,809	20,094
FINANCE COSTS, NET	62	37	9	66
PROFIT BEFORE TAXATION	2,350	7,019	9,818	20,160
TAXATION	490	(1,378)	2,908	(4,500)
PROFIT AFTER TAXATION	2,840	5,641	12,726	15,660
MINORITY INTEREST	-	-	-	-
NET PROFIT FOR THE PERIOD	2,840	5,641	12,726	15,660
EARNING PER SHARE (SEN)				
- Basic	4.73	9.40	21.21	27.11
- Diluted	N/A	N/A	N/A	N/A

Notes:

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004.

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2005**

	As At 30/9/2005 (Unaudited) RM'000	As At 31/12/2004 (Audited) RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	46,837	49,922
Deferred tax assets	2,749	-
	<u>49,586</u>	<u>49,922</u>
CURRENT ASSETS		
Inventories	58,245	49,535
Trade receivables	21,629	21,407
Other receivables	31,404	14,460
Cash and bank balances	6,689	11,155
	<u>117,967</u>	<u>96,557</u>
CURRENT LIABILITIES		
Borrowings	1,131	-
Trade payables	3,548	3,230
Other payables	5,834	6,544
Tax payables	12	35
	<u>10,525</u>	<u>9,809</u>
NET CURRENT ASSETS		
	<u>107,442</u>	<u>86,748</u>
	<u>157,028</u>	<u>136,670</u>
FINANCED BY:		
Share capital	60,000	60,000
Share premium	32,418	32,418
Retained profits	28,979	19,253
	<u>121,397</u>	<u>111,671</u>
Shareholders' equity	121,397	111,671
Negative goodwill	24,807	24,810
LONG-TERM LIABILITIES		
Borrowings	10,824	-
Deferred Tax Liability	-	189
	<u>157,028</u>	<u>136,670</u>
Net Tangible Assets Per Share (RM)	2.44	2.28

*Note:**The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2004.*

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30TH SEPTEMBER 2005**

	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
As 1st January 2004	51,000	21,863	2,789	75,652
Issue of share capital	9,000	13,500	-	22,500
Net profit for the year	-	-	20,964	20,964
Dividend paid	-	-	(4,500)	(4,500)
Listing expenses	-	(2,945)	-	(2,945)
As 31st December 2004	<u>60,000</u>	<u>32,418</u>	<u>19,253</u>	<u>111,671</u>
Net profit for the period	-	-	12,726	12,726
Dividend paid	-	-	(3,000)	(3,000)
As 30th September 2005	<u><u>60,000</u></u>	<u><u>32,418</u></u>	<u><u>28,979</u></u>	<u><u>121,397</u></u>

Notes:

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2004.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2005**

	Current Year To-date 30/9/2005 RM'000	Preceding Year Corresponding Period 30/9/2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,818	20,160
Adjustments for:		
Depreciation of property, plant and equipment	5,786	4,806
Unrealised foreign exchange gain	(92)	-
Profit on disposal of equipment	-	(1)
Interest income	(3)	(100)
Finance costs	5	34
Operating profit before working capital changes	<u>15,514</u>	<u>24,899</u>
Increase in inventories	(8,710)	(6,803)
Increase in receivables	(17,161)	(8,560)
Decrease in payables	(391)	(4,546)
Cash (used in) / generated from operation	<u>(10,748)</u>	<u>4,990</u>
Interest paid	(5)	(34)
Taxes paid	(65)	(14)
Net cash (used in)/generated from operating activities	<u>(10,818)</u>	<u>4,942</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	(3)	-
Purchase of property, plant and equipment	(2,701)	(13,106)
Proceeds from sales of equipment	-	1
Interest received	3	100
Net cash used in investing activities	<u>(2,701)</u>	<u>(13,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	22,500
Bank loan drawn down	13,193	-
Repayment of term loan	(1,140)	-
Net movement in bankers' acceptance	-	(1,191)
Net movement in export credit refinancing	-	(5,449)
Dividend paid	(3,000)	(4,500)
Net cash generated from financing activities	<u>9,053</u>	<u>11,360</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(4,466)</u>	<u>3,297</u>
CASH AND CASH EQUIVALENTS AT BEGINNING THE OF FINANCIAL PERIOD	11,155	5,629
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>6,689</u>	<u>8,926</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2004.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30TH SEPTEMBER 2005

1. Basis of preparation

The quarterly financial report is unaudited and has been prepared in accordance with the requirements of MASB 26 – Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2004.

The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the most recent annual audited financial statements for the year ended 31 December 2004.

2. Qualification of audit report of the preceding annual financial statements

The audit report of the Group’s preceding annual financial statements for the year ended 31 December 2004 was not subject to any qualification.

3. Seasonal or cyclical factors of interim operation

The Group’s business operation and performance are to a certain extent affected by weather conditions especially on the supply of logs.

4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year-to-date.

5. Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter results.

6. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity security for the current financial year-to-date.

7. Dividend paid

The final tax-exempt dividend of 5 sen per share amounted to RM3 million in respect of the financial year ended 31 December 2004 declared on 19 May 2005 was paid on 18 August 2005.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30TH SEPTEMBER 2005

8. Segmental information

	9 months ended 30 September 2005	
	Revenue RM'000	Profit before taxation RM'000
Investment Holding	3,557	2,842
Plywood Manufacturing	167,577	10,269
Shipping Services	563	255
Eliminations	(4,120)	(3,557)
	<u>167,577</u>	<u>9,809</u>
Finance costs (net)		9
Taxation		2,908
Profit after taxation		<u>12,726</u>

This being the first segmental reporting and hence no comparative figures are provided.

9. Valuation of property, plant and equipment

The property, plant and equipment had been bought forward, without any amendments from the previous audited financial statements for the financial year ended 31 December 2004.

10. Changes in the composition of the group

There were no changes in the composition of the Group during the quarter under review.

11. Changes in contingent liabilities or assets

There were no changes in contingent liabilities or assets since 31 December 2004 and up to the date of this report.

12. Capital commitments

Save as disclosed below, there is no other material capital commitment since the last annual balance sheet date.

Amount approved and contracted for:

RM16,000,000

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30TH SEPTEMBER 2005

13. Material events subsequent to the balance sheet date

There were no material events subsequent to 31 December 2004 and up to the date of this report.

14. Performance review

For the current quarter ended 30 September 2005, the Group recorded revenue of RM62.6million and profit before taxation of RM2.35million. Compared to the preceding year corresponding quarter, sales registered higher by RM11.4 million. This is mainly due to higher sales volume of 41,284m³ compared to the corresponding quarter of 35,565m³. However, despite the increase in sales volume by 16%, weak plywood price in the market and increased log prices during the quarter rendering fall in gross profit margin from 22% to 18%. As a result, profit before taxation for the current quarter declined by RM4.7 million compared to the preceding year corresponding quarter.

15. Variation of results against preceding quarter

Compared with the preceding quarter, the revenue has increased by RM6.3 million from RM56.3 million to RM62.6 million. The increase is due to sales volume increased by 11% compared to preceding, lower spread of log-to-plywood prices resulting decrease in profit before taxation by RM0.78 million from RM3.13 million to RM2.35 million.

16. Current year prospects

Plywood prices are expected to recover during last quarter of the year. Log prices have also been stabilized and margins are expected to improve in the last quarter of the financial year ending 31 December 2005 and will carry through to the following financial year. The Board is confident that the Group will be profitable for the financial year ending 31 December 2005.

17. Variances on profit forecast/profit guarantee

The Group has not provided any profit forecast or profit guarantee for the period ended 30 September 2005.

18. Taxation

	Current Year Quarter 30/9/2005 RM'000	Current Year To-date 30/9/2005 RM'000
Malaysian income tax	20	30
Deferred taxation	(510)	(2,938)
	<u>(490)</u>	<u>(2,908)</u>

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30TH SEPTEMBER 2005

The effective tax rates for the periods are lower than the statutory tax rate principally due to the availability of double tax deduction for freight charges.

19. Sales of unquoted investments and properties

There were no sales of unquoted investments and /or properties during the current quarter and financial year-to-date.

20. Purchase or disposal of quoted securities

There was no purchase or disposal of quoted securities during the current quarter and financial year-to-date.

21. Status of Corporate proposal

On 6th June 2005, the Group announced that it had entered into a Sales and Purchase of Shares Agreement to acquire the entire issued and paid-up shares capital of Inovwood Sdn Bhd, a company incorporated in Malaysia, comprising of 9,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM16,000,000 to be satisfied by cash. On 18th August 2005, the Company further announced that the Ministry of International Trade and Industry has unconditionally approved the acquisition. The Group is in its final stage of completing the acquisition.

22. Group's borrowings and debt securities

The Group's borrowings as at 30th September 2005 are as follows:

	RM'000
Short-term borrowings:	
Secured	1,131
Long-term borrowings:	
Secured	10,824
	<u>11,955</u>

	USD'000	RM'000 equivalent
Borrowings denominated in foreign currency – United States Dollars	<u>3,172</u>	<u>11,955</u>

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30TH SEPTEMBER 2005

23. Off balance sheet financial instruments

As the date of this report, the Group has entered into the following forward foreign currency hedging contracts to hedge against export sales proceeds:

<u>Foreign Currency</u>	<u>Contract Amount</u>	<u>Maturity Date</u>
United States Dollar	6,667,545.00	November 2005 to January 2006

As the foreign currency hedging contracts are entered into to hedge the Group's export sales proceeds in United States Dollar, the contracted rates will be used to convert the foreign currency amounts into Ringgit Malaysia on or before the maturity dates. The Group does not foresee any credit and market risks associated with the hedging contracts being entered into.

There is no cash requirement for the above hedging instrument.

Any gains or losses arising from the hedging contracts will be recognized as exchange gains or losses in the income statement.

24. Changes in material litigation

As at the date of this report, the Group has not engaged in any material litigation.

25. Dividend

No Dividend has been proposed for the current quarter ended 30th September 2005.

26. Earnings Per Share

Basic earnings per share of the Group is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	Quarter Ended 30/9/05	Year-To-Date Ended 30/9/05
Basic earnings per share		
Net profit for the period (RM'000)	2,840	12,726
Weighted average number of shares in issue ('000)	60,000	60,000
Basic earnings per share (Sen)	4.73	21.21
Diluted earnings per share (Sen)	N/A	N/A