

CYMAO HOLDINGS BERHAD

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

QUARTERLY FINANCIAL REPORT

**FOR THE FORTH
QUARTER ENDED**

31ST DECEMBER 2005

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 31ST DECEMBER 2005**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|----------------------------------|--------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------|
| | Current Year Quarter 31/12/2005 RM'000 | Preceding Year Corresponding Quarter 31/12/2004 RM'000 | Current Year To-date 31/12/2005 RM'000 | Preceding Year Corresponding Period 31/12/2004 RM'000 |
| REVENUE | 78,232 | 46,122 | 245,809 | 195,148 |
| COST OF SALES | (67,186) | (34,780) | (196,019) | (151,102) |
| GROSS PROFIT | <u>11,046</u> | <u>11,342</u> | <u>49,790</u> | <u>44,046</u> |
| OTHER INCOME | 255 | 11 | 267 | 43 |
| OTHER OPERATING EXPENSES | - | - | - | (39) |
| SELLING EXPENSES | (5,077) | (4,347) | (30,107) | (13,576) |
| ADMINISTRATIVE EXPENSES | (2,518) | (1,877) | (6,435) | (5,251) |
| PROFIT FROM OPERATIONS | <u>3,706</u> | <u>5,129</u> | <u>13,515</u> | <u>25,223</u> |
| FINANCE COSTS, NET | (131) | 53 | (122) | 119 |
| PROFIT BEFORE TAXATION | <u>3,575</u> | <u>5,182</u> | <u>13,393</u> | <u>25,342</u> |
| TAXATION | (46) | 122 | 2,862 | (4,378) |
| PROFIT AFTER TAXATION | <u>3,529</u> | <u>5,304</u> | <u>16,255</u> | <u>20,964</u> |
| MINORITY INTEREST | - | - | - | - |
| NET PROFIT FOR THE PERIOD | <u><u>3,529</u></u> | <u><u>5,304</u></u> | <u><u>16,255</u></u> | <u><u>20,964</u></u> |
| EARNING PER SHARE (SEN) | | | | |
| - Basic | 5.88 | 8.84 | 27.09 | 36.10 |
| - 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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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2005

| | As At 31/12/2005 (Unaudited) RM'000 | As At 31/12/2004 (Audited) RM'000 |
|----------------------------------|-----------------------------------------------------|---------------------------------------------------|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 42,522 | 49,922 |
| Deferred tax assets | 2,685 | - |
| | <u>45,207</u> | <u>49,922</u> |
| CURRENT ASSETS | | |
| Inventories | 35,900 | 49,535 |
| Trade receivables | 35,132 | 21,407 |
| Other receivables | 39,878 | 14,460 |
| Tax refundable | 23 | - |
| Cash and bank balances | 11,402 | 11,155 |
| | <u>122,335</u> | <u>96,557</u> |
| CURRENT LIABILITIES | | |
| Borrowings | 4,536 | - |
| Trade payables | 3,632 | 3,230 |
| Other payables | 4,815 | 6,544 |
| Tax payables | - | 35 |
| | <u>12,983</u> | <u>9,809</u> |
| NET CURRENT ASSETS | <u>109,352</u> | <u>86,748</u> |
| | <u>154,559</u> | <u>136,670</u> |
| FINANCED BY: | | |
| Share capital | 60,000 | 60,000 |
| Share premium | 32,418 | 32,418 |
| Retained profits | 31,008 | 19,253 |
| Shareholders' equity | <u>123,426</u> | <u>111,671</u> |
| Negative goodwill | 24,804 | 24,810 |
| LONG-TERM LIABILITIES | | |
| Borrowings | 6,329 | - |
| Deferred Tax Liability | - | 189 |
| | <u>154,559</u> | <u>136,670</u> |
| Net Assets Per Share (RM) | 2.47 | 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.

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31ST DECEMBER 2005**

| | Share Capital RM'000 | Share Premium RM'000 | Retained Profits RM'000 | Total RM'000 |
|---------------------------------|-------------------------------------|-------------------------------------|----------------------------------------|-------------------------|
| As at 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 at 31st December 2004 | <u>60,000</u> | <u>32,418</u> | <u>19,253</u> | <u>111,671</u> |
| As at 1st January 2005 | 60,000 | 32,418 | 19,253 | 111,671 |
| Net profit for the period | - | - | 16,255 | 16,255 |
| Dividend paid | - | - | (4,500) | (4,500) |
| As at 31st December 2005 | <u>60,000</u> | <u>32,418</u> | <u>31,008</u> | <u>123,426</u> |

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.

CYMAO HOLDINGS BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2005

| | Current Year To-date 31/12/2005 RM'000 | Preceding Year Corresponding Period 31/12/2004 RM'000 |
|---------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 13,393 | 25,342 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 7,763 | 6,611 |
| Equipment written off | 11 | - |
| Profit on disposal of equipment | - | (1) |
| Interest income | (211) | (153) |
| Finance costs | 334 | 34 |
| Operating profit before working capital changes | <u>21,290</u> | <u>31,833</u> |
| Decrease/(increase) in inventories | 13,635 | (11,901) |
| Increase in receivables | (39,142) | (1,712) |
| Decrease in payables | <u>(1,331)</u> | <u>(3,631)</u> |
| Cash (used in) / generated from operation | (5,548) | 14,589 |
| Interest paid | (334) | (34) |
| Taxes paid | <u>(69)</u> | <u>(21)</u> |
| Net cash (used in)/generated from operating activities | <u>(5,951)</u> | <u>14,534</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of a subsidiary, net of cash acquired | (3) | - |
| Movement in fixed deposits under pledge | (43) | (419) |
| Payment of share issue expenses | - | (2,945) |
| Purchase of property, plant and equipment | (3,336) | (17,577) |
| Proceeds from sales of equipment | 2,962 | 1 |
| Interest received | <u>211</u> | <u>153</u> |
| Net cash used in investing activities | <u>(209)</u> | <u>(20,787)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | - | 22,500 |
| Bank loan drawn down | 13,193 | - |
| Repayment of term loan | (2,328) | - |
| Net movement in bankers' acceptance | - | (1,191) |
| Net movement in export credit refinancing | - | (5,449) |
| Dividend paid | <u>(4,500)</u> | <u>(4,500)</u> |
| Net cash generated from financing activities | <u>6,365</u> | <u>11,360</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | |
| | 205 | 5,107 |
| CASH AND CASH EQUIVALENTS AT BEGINNING THE OF FINANCIAL PERIOD | | |
| | 9,836 | 4,729 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD | | |
| | <u>10,041</u> | <u>9,836</u> |
| Cash and cash equivalents are represented by: | | |
| Cash on hand and bank balances | 10,041 | 9,836 |
| Deposits with a licensed bank | <u>1,361</u> | <u>1,319</u> |
| | 11,402 | 11,155 |
| Less: Deposits with a licensed bank pledged for banking facilities | <u>(1,361)</u> | <u>(1,319)</u> |
| Cash and cash equivalents | <u>10,041</u> | <u>9,836</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 31ST DECEMBER 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 interim tax-exempt dividend of 2.5 sen per share amounting to RM1.5 million in respect of the financial year ended 31 December 2005 declared on 28 September 2005 was paid on 28 October 2005.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31ST DECEMBER 2005

8. Segmental information

| | 12 months ended 31 December 2005 | |
|-----------------------|-------------------------------------|-------------------------------------|
| | Revenue RM'000 | Profit before taxation RM'000 |
| Investment Holding | 5,087 | 3,774 |
| Plywood Manufacturing | 245,801 | 14,437 |
| Shipping Services | 1,015 | 266 |
| Eliminations | (6,094) | (4,962) |
| | <u>245,809</u> | <u>13,515</u> |
| Finance costs (net) | | (122) |
| Taxation | | 2,862 |
| Profit after taxation | | <u>16,255</u> |

This being the first segmental reporting for financial year ended 31 December 2005 and hence no comparative figures are available.

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.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31ST DECEMBER 2005

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

13. Material events subsequent to the balance sheet date

There were no material events subsequent to 31 December 2005 and up to the date of this report.

14. Performance review

For the current quarter ended 31 December 2005, the Group recorded revenue of RM78.2million and profit before taxation of RM3.58 million. Compared to the preceding year corresponding quarter, sales registered higher by RM32.11 million due to increased sales volume by 23,272m³ or 68%. However, low plywood price and increased log prices eroded the profit margin from 25% to 14%. As a result, profit before taxation for the current quarter declined by RM1.6 million compared to the preceding year corresponding quarter.

15. Variation of results against preceding quarter

The revenue has increased by RM15.6 million or 25% due to sales volume increased by 37% compared to preceding quarter. The increased sales volume during the quarter under review resulted the profit before taxation to improve by RM1.23 million or 52%.

16. Commentary on Prospects

The outlook for the Group is expected to be promising as plywood prices are expected to be more stabilised. The focus will remain in the US market and further strengthen the positions in the UK and Europe markets. Demand from the US market will enhance the Group's order book on the post-Katrina rebuilding activities. In the UK market, the Group will stand to benefit from the strong campaigns carried out by the Greenpeace organisation against illegally sourced timber which has put pressure on buyers to procure plywood only from FSC certified manufacturers. The CE marking on the Group products will also enhance the Group's position in the Europe market.

Barring any unforeseen circumstances, the Board expects the Group to show positive growth and profitable for the ensuing financial year ending 31 December 2006.

17. Variances on profit forecast/profit guarantee

The Group has not provided any profit forecast or profit guarantee for the period ended 31 December 2005.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31ST DECEMBER 2005

18. Taxation

| | Current Year Quarter 31/12/2005 RM'000 | Current Year To-date 31/12/2005 RM'000 |
|----------------------|-------------------------------------------------|-------------------------------------------------|
| Malaysian income tax | (6) | 24 |
| Deferred taxation | 52 | (2,886) |
| | <u>46</u> | <u>(2,862)</u> |

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 acquisition was duly completed on 20 January 2006.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31ST DECEMBER 2005

22. Group's borrowings and debt securities

The Group's borrowings as at 31st December 2005 are as follows:

| | RM'000 |
|-------------------------------|---------------|
| Short-term borrowings: | |
| Secured | 4,536 |
| Long-term borrowings: | |
| Secured | 6,329 |
| | <u>10,865</u> |

| | USD'000 | RM'000 equivalent |
|--------------------------------------------------------------------|--------------|----------------------|
| Borrowings denominated in foreign currency – United States Dollars | <u>2,859</u> | <u>10,865</u> |

23. Off balance sheet financial instruments

During the quarter under review, the Group has fulfilled the obligations to deliver the outstanding forward foreign currency hedging contracts amounting to USD6,667,545 in January 2006. As at the date of this report, there are no other off-balance sheet financial instruments being entered into by the Group.

24. Changes in material litigation

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

25. Proposed and Declaration of Dividend

The Board proposed to declare a final tax-exempt dividend of 5 sen per share on 60,000,000 ordinary shares amounting to RM3,000,000 in respect of the financial year ended 31 December 2005 subject to shareholders' approval in the forthcoming Annual General Meeting. If shareholders' approval is obtained for the proposed final tax-exempt dividend, together with the first interim tax-exempt dividend paid on 28 October 2005, a total of 7.5 sen per share on 60,000,000 ordinary shares of dividend would be made for the financial year ended 31 December 2005.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31ST DECEMBER 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 31/12/2005 | Year-To-Date Ended 31/12/2005 |
|---------------------------------------------------|--------------------------------|-------------------------------------|
| Basic earnings per share | | |
| Net profit for the period (RM'000) | 3,529 | 16,255 |
| Weighted average number of shares in issue ('000) | 60,000 | 60,000 |
| Basic earnings per share (Sen) | 5.88 | 27.09 |
| Diluted earnings per share (Sen) | N/A | N/A |