

CYMAO HOLDINGS BERHAD

(Company No.: 445931 – U)

(Incorporated in Malaysia)

INTERIM

FINANCIAL STATEMENTS

**FOR THE FIRST
QUARTER ENDED**

31ST MARCH 2006

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/3/2006	31/3/2005	31/3/2006	31/3/2005
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	49,864	48,672	49,864	48,672
Cost of sales	(41,505)	(34,819)	(41,505)	(34,819)
Gross profit	8,359	13,853	8,359	13,853
Other income	1,217	2	1,217	2
Administrative expenses	(1,542)	(1,415)	(1,542)	(1,415)
Selling and marketing expenses	(4,737)	(8,114)	(4,737)	(8,114)
Interest income	43	17	43	17
Finance costs	(601)	-	(601)	-
Profit before tax	2,739	4,343	2,739	4,343
Income tax expense	577	2,353	577	2,353
Profit for the period from continuing operations	3,316	6,696	3,316	6,696
Profit for the period	3,316	6,696	3,316	6,696
Attributable to:				
Equity holders of the parent	3,316	6,696	3,316	6,696
Earnings per share attributable to equity holders of the parent:				
Basic, for the profit from continuing operations	5.53	11.16	5.53	11.16
Basic, for profit for the period	5.53	11.16	5.53	11.16

Note:

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

	As At 31/3/2006 (Unaudited) RM'000	As At 31/12/2005 (Audited) RM'000 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	83,298	42,522
Deferred tax assets	3,738	2,684
	<u>87,036</u>	<u>45,206</u>
Current assets		
Inventories	41,120	35,900
Trade receivables	24,048	35,132
Other receivables	15,107	39,878
Tax refundable	139	23
Cash and bank balances	22,160	11,405
	<u>102,574</u>	<u>122,338</u>
TOTAL ASSETS	<u>189,610</u>	<u>167,544</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	60,000	60,000
Share premium	32,418	32,418
Retained earnings	59,130	55,814
Total equity	<u>151,548</u>	<u>148,232</u>
Non-current liabilities		
Borrowings	18,831	6,329
Deferred tax liability	3,444	-
	<u>22,275</u>	<u>6,329</u>
Current liabilities		
Borrowings	3,996	4,536
Trade payables	6,953	3,632
Other payables	4,838	4,815
	<u>15,787</u>	<u>12,983</u>
Total liabilities	<u>38,062</u>	<u>19,312</u>
TOTAL EQUITY AND LIABILITIES	<u>189,610</u>	<u>167,544</u>
Net Assets Per Share (RM)	2.53	2.47

Note:

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31ST MARCH 2006**

	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Total RM'000
At 1st January 2005	60,000	32,418	19,253	111,671
Net profit for the period	-	-	6,696	6,696
At 31st March 2005	<u>60,000</u>	<u>32,418</u>	<u>25,949</u>	<u>118,367</u>
At 1st January 2006				
As previously stated	60,000	32,418	31,004	123,422
Effect of adopting FRS 3	-	-	24,810	24,810
At 1st January 2006 (restated)	<u>60,000</u>	<u>32,418</u>	<u>55,814</u>	<u>148,232</u>
Profit for the period	-	-	3,316	3,316
At 31st March 2006	<u>60,000</u>	<u>32,418</u>	<u>59,130</u>	<u>151,548</u>

Note:

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

	Current Year To-date 31/3/2006 RM'000	Preceding Year Corresponding Period 31/3/2005 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,739	4,343
Adjustments for:		
Depreciation of property, plant and equipment	2,772	1,880
Negative goodwill arising from business combination	(1,198)	-
Interest income	(43)	(17)
Finance costs	601	-
Operating profit before working capital changes	4,871	6,206
Decrease/(Increase) in inventories	926	(2,047)
Decrease/(Increase) in receivables	36,160	(5,686)
(Decrease)/increase in payables	(19,299)	266
Cash generated from/(used in) operation	22,658	(1,261)
Interest paid	(601)	-
Taxes paid	(5)	(10)
Net cash generated from/(used in) operating activities	22,052	(1,271)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	(16,000)	-
Purchase of property, plant and equipment	(545)	(525)
Interest received	43	17
Net cash used in investing activities	(16,502)	(508)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan drawn down	11,185	-
Repayment of term loan	(6,652)	-
Net cash generated from financing activities	4,533	-
Net increase/(decrease) in cash and cash equivalents	10,083	(1,779)
Cash and cash equivalents at beginning of financial period	10,315	9,836
Cash and cash equivalents at end of financial period	20,398	8,057
Cash and cash equivalents at the end of financial period comprise the followings:		
	As at 31/3/2006 RM'000	As at 31/3/2005 RM'000
Cash on hand and at bank	3,613	8,057
Deposit with a licensed bank	18,547	1,319
Cash and bank balances	22,160	9,376
Less: Deposits with a licensed bank pledged for bank guarantee	(1,762)	(1,319)
	20,398	8,057

Note:

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

2. Changes in the Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standard (“FRS”) effective for financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS101	Presentation of Financial Statements
FRS102	Inventories
FRS108	Accounting Policies, Changes in Estimates and Errors
FRS110	Events after the Balance Sheet Date
FRS116	Property, Plant and Equipment
FRS121	The Effects of Changes in Foreign Exchange Rates
FRS127	Consolidated and Separate Financial Statements
FRS132	Financial Instruments: Disclosure and Presentation
FRS133	Earnings Per Share
FRS136	Impairment of Assets

The adoption of FRS 101, 102, 108, 110, 116, 121, 127, 132 and 133 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) **FRS 3: Business Combinations and FRS 136: Impairment of Assets**

The new FRS 3 has resulted in consequential amendment to FRS 136.

Under FRS 3, any excess of the Group’s interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as “negative goodwill”), after reassessment, is now recognised immediately in profit or loss. Prior to 1st January 2006, negative goodwill was presented separately in the

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

balance sheet. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1st January 2006 of RM24,810,169 was derecognised with a corresponding increase in retained earnings.

3. Comparative

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously Stated RM'000	Adjustments FRS 3 RM'000	Restated RM'000
As at 31 December 2005			
Retained earnings	31,004	24,810	55,814

4. Auditors' report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

5. Segmental Information

	3 months ended	
	31/3/2006 RM'000	31/3/2005 RM'000
Segment Revenue		
Revenue from continuing operations:		
Investment holding	-	-
Plywood manufacturing	68,874	48,672
Shipping services	375	-
Total revenue including inter-segment sales	69,249	48,672
Elimination of inter-segment sales	(19,385)	-
Total revenue from continuing operations	49,864	48,672
Segment Results		
Results from continuing operations:		
Investment holding	(353)	(160)
Plywood manufacturing	2,044	6,856
Shipping services	48	-
Others	1,198	-
	2,937	6,696
Elimination	-	-
Total results from continuing operations	2,937	6,696

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

6. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31st March 2006 except as disclosed in Note 2.

7. Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter results.

8. Comments about Seasonal or Cyclical Factors

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

9. Dividend Paid

There was no dividend declared and/or paid by the Company during the current financial year-to-date.

10. Carrying Amount of Revalued Assets

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2005 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date

11. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date.

12. Changes in the Composition of the Group

Acquisition of a Subsidiary

On 20 January 2006, the Group completed the acquisition in 100% equity interest in Inovwood Sdn Bhd ("Inovwood"), comprising of 9,500,000 ordinary shares of RM1.00 each for a purchase consideration of RM16,000,000 satisfied by cash. Accordingly, the results of Inovwood have been consolidated in the financial period ended 31st March 2006.

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

13. Capital Commitments

As at the date of this report, there are no material capital commitments.

14. Changes in Contingent Liabilities or Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2005 and up to the date of this report.

15. 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.

16. Performance Review

For the current quarter ended 31 March 2006, the Group recorded revenue of RM49.9 million and profit before taxation of RM2.73 million. Compared to the preceding year corresponding quarter, sales have increased by RM1.1 million contributed by volume increase of 15%. However, gross profit margin fell by 11% due to high log costs brought about by heavy rainfall in Sabah. As a result, profit before taxation for the current quarter declined by RM1.6 million compared to the preceding year corresponding quarter. Included in other income, in accordance with FRS 3, for the current year quarter and current year-to-date is an amount of RM1.198 million, being the recognition of the excess of the net fair value of identifiable assets and liabilities of its subsidiary acquired over the cost of investment of the subsidiary acquired during the period.

17. Variation of Results Against Preceding Quarter

The revenue decreased by RM28.3 million compared to the preceding quarter. The decrease is mainly due to the general low season during first quarter of the year. In addition, log costs are generally higher than that in the preceding quarter due low supply of logs as a result of heavy rainfall. Profit before taxation has thus decreased by RM0.9 million from RM3.6 million to RM2.7 million.

18. Commentary on Prospects

The current plywood prices have generally increased by more than 15% and the Group is expected to benefit from better selling from late second quarter onwards. The Board is confident that the performance of the Group for the remaining period of the financial year ending 31 December 2006 will be profitable.

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

19. Profit Forecast/Profit Guarantee

The disclosure requirements for explanatory note for the variance of actual and forecast profit and for the shortfall in profit guarantee are not applicable as Group has not provided any profit forecast or profit guarantee for the period ended 31st March 2006.

20. Income Tax Expense

	Current Year Quarter ended 31/3/2006 RM'000	Current Year To-date 31/3/2006 RM'000
Income tax:		
Taxation on interest income	24	24
Deferred tax	(601)	(601)
	<u>(577)</u>	<u>(577)</u>

The effective tax rate for the current quarter was lower than the statutory tax rate principally due to the availability of double tax deduction for freight charges.

21. Sales of Unquoted Investments and Properties

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

22. Purchases or Disposals of Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter and financial year-to-date.

23. Corporate Proposals

As at the date of this report, there were no other corporate proposals announced and not completed, save for the following corporate proposals as at 26th May 2006 (being the latest practicable date that shall not be earlier than 7 days from the date of this quarterly report).

On 27 February 2006, the Company announced the following corporate proposals:

- (a) The Proposed Adoption

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

The Listing Requirements of Bursa Securities (“Listing Requirements”) requires a listed company to ensure the provisions set out in Chapter 7 of the Listing Requirements are contained in the Articles of Association of the Company.

(b) The Proposed Bonus Issue

The Proposed Bonus Issue involves the issuance of 15,000,000 new ordinary shares of RM1.00 each (“Bonus Shares”), which will be credited as fully paid-up, on the basis of one (1) Bonus Share for every four (4) existing Cymao Shares held by shareholders whose names appear in the Record of Depositors of the Company on an entitlement date to be determined and announced later.

(c) The Proposed Share Buy-Back

The Board proposes to seek a shareholders’ mandate for the Proposed Share Buy-Back. This mandate, if obtained, would give authority to the Directors to exercise power of the Company to purchase its own shares in circumstances which the Directors consider would be in the interest of the Company. The total number of shares which may be purchased or acquired by the Company is limited to 10% of the issued and paid-up share capital.

On 28 April 2006, the abovementioned corporate proposals have been duly approved by the shareholders.

On 18 May 2006, the Bursa Securities has approved in principle for the Proposed Bonus Issue. The entitlement date for the Bonus Issue is determined to be at 9 June 2006 which was announced on 22 May 2006.

24. Borrowings

	As at 31/3/2006 RM'000	As at 31/12/2005 RM'000
Short-term borrowings:		
Secured	3,996	4,536
Long-term borrowings:		
Secured	18,831	6,329
	<u>22,827</u>	<u>10,865</u>
	USD'000	RM'000 equivalent
Borrowings denominated in foreign currency – United States Dollars	<u>5,542</u>	<u>20,607</u>

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31ST MARCH 2006

25. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

26. Changes in Material Litigation

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

27. Dividend Payable

No interim dividend has been proposed or declared for the financial period ended 31st March 2006 (31st March 2005: Nil).

28. Earnings Per Share

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 months ended		Year-To-Date Ended	
	31/3/06	31/3/05	31/3/06	31/3/05
Basic earnings per share				
Profit attributable to ordinary equity holders of the parent (RM'000)	3,316	6,696	3,316	6,696
Weighted average number of shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (Sen)	5.53	11.16	5.53	11.16
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A