

# **CYMAO HOLDINGS BERHAD**

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

**INTERIM**

**FINANCIAL STATEMENTS**

**FOR THE THIRD  
QUARTER ENDED**

**30<sup>TH</sup> SEPTEMBER 2006**

**CYMAO HOLDINGS BERHAD**

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE THIRD QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2006**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	Current Year Quarter 30/9/2006 <b>RM'000</b>	Preceding Year Corresponding Quarter 30/9/2005 <b>RM'000</b>	Current Year To-date 30/9/2006 <b>RM'000</b>	Preceding Year Corresponding Period 30/9/2005 <b>RM'000</b>
<b>Continuing Operations</b>				
Revenue	85,097	62,595	207,828	167,577
Cost of sales	(63,170)	(51,244)	(161,831)	(128,833)
<b>Gross profit</b>	21,927	11,351	45,997	38,744
Other income	(62)	7	1,578	12
Administrative expenses	(2,427)	(1,174)	(5,647)	(3,917)
Selling and marketing expenses	(8,821)	(7,896)	(21,403)	(25,030)
Interest income	42	19	161	45
Finance costs	(5)	43	(1,055)	(36)
<b>Profit before tax</b>	10,654	2,350	19,631	9,818
Income tax expense	(989)	490	(500)	2,908
<b>Profit for the period from continuing operations</b>	9,665	2,840	19,131	12,726
<b>Profit for the period</b>	9,665	2,840	19,131	12,726
Attributable to:				
Equity holders of the parent	9,665	2,840	19,131	12,726
<b>Earnings per share attributable to equity holders of the parent:</b>				
Basic, for the profit from continuing operations	12.89	3.79	25.51	16.97
Basic, for profit for the period	12.89	3.79	25.51	16.97

*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 30<sup>TH</sup> SEPTEMBER 2006

	As At 30/9/2006 (Unaudited) RM'000	As At 31/12/2005 (Audited) RM'000 (Restated)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	91,115	42,522
Deferred tax assets	4,550	2,684
	<u>95,665</u>	<u>45,206</u>
<b>Current assets</b>		
Inventories	50,226	35,900
Trade receivables	43,269	35,132
Other receivables	19,224	39,878
Tax refundable	145	23
Cash and bank balances	6,800	11,405
	<u>119,664</u>	<u>122,338</u>
<b>TOTAL ASSETS</b>	<u>215,329</u>	<u>167,544</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	75,000	60,000
Share premium	17,374	32,418
Treasury shares	(14)	-
Foreign currency translation reserve	36	-
Retained earnings	71,945	55,814
<b>Total equity</b>	<u>164,341</u>	<u>148,232</u>
<b>Non-current liabilities</b>		
Borrowings	12,587	6,329
Deferred tax liability	5,302	-
	<u>17,889</u>	<u>6,329</u>
<b>Current liabilities</b>		
Borrowings	11,268	4,536
Trade payables	10,554	3,632
Other payables	11,180	4,815
Tax payables	97	-
	<u>33,099</u>	<u>12,983</u>
<b>Total liabilities</b>	<u>50,988</u>	<u>19,312</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>215,329</u>	<u>167,544</u>
<b>Net Assets Per Share (RM)</b>	2.19	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**

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THIRD QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2006**

	<b>Attributable to Equity Holders of the Parent</b>					<b>Total RM'000</b>
	<b>Non-Distributable</b>		<b>Distributable</b>			
	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Foreign Currency Translation Reserve RM'000</b>	<b>Treasury Shares RM'000</b>	<b>Retained Earnings RM'000</b>	
<b>At 1st January 2005</b>	60,000	32,418	-	-	19,253	111,671
Net profit for the period	-	-	-	-	12,726	12,726
Dividend paid	-	-	-	-	(3,000)	(3,000)
<b>At 30th September 2005</b>	<b>60,000</b>	<b>32,418</b>	<b>-</b>	<b>-</b>	<b>28,979</b>	<b>121,397</b>
<b>At 1st January 2006</b>						
As previously stated	60,000	32,418	-	-	31,004	123,422
Effect of adopting FRS 3	-	-	-	-	24,810	24,810
<b>At 1st January 2006 (restated)</b>	<b>60,000</b>	<b>32,418</b>	<b>-</b>	<b>-</b>	<b>55,814</b>	<b>148,232</b>
Bonus Issue	15,000	(15,000)	-	-	-	-
Bonus shares listing expenses	-	(44)	-	-	-	(44)
Purchase of treasury shares	-	-	-	(14)	-	(14)
Exchange differences on translation of financial statement of a foreign entity	-	-	36	-	-	36
Profit for the period	-	-	-	-	19,131	19,131
Dividend paid	-	-	-	-	(3,000)	(3,000)
<b>At 30th September 2006</b>	<b>75,000</b>	<b>17,374</b>	<b>36</b>	<b>(14)</b>	<b>71,945</b>	<b>164,341</b>

*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

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## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE THIRD QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2006

	Current Year To-date 30/9/2006 RM'000	Preceding Year Corresponding Period 30/9/2005 RM'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	19,631	9,818
Adjustments for:		
Depreciation of property, plant and equipment	8,609	5,786
Negative goodwill arising from business combination	(1,126)	-
Interest income	(161)	(3)
Finance costs	1,055	(87)
Operating profit before working capital changes	28,008	15,514
Increase in inventories	(8,179)	(8,710)
Decrease / (increase) in receivables	12,822	(17,161)
Decrease in payables	(9,358)	(391)
Cash generated from / (used in) operation	23,293	(10,748)
Interest paid	(1,055)	(5)
Taxes paid	(17)	(65)
Net cash generated from/(used in) operating activities	22,221	(10,818)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash acquired	(16,000)	(3)
Purchase of property, plant and equipment	(14,202)	(2,701)
Proceeds from sales of equipment	3	-
Interest received	161	3
Net cash used in investing activities	(30,038)	(2,701)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank loan drawn down	30,035	13,193
Repayment of term loan	(24,474)	(1,140)
Payment of share issue expenses	(44)	-
Purchase of treasury shares	(14)	-
Dividend paid	(3,000)	(3,000)
Net cash generated from financing activities	2,503	9,053
Net decrease in cash and cash equivalents	(5,314)	(4,466)
Effects of exchange rate changes	36	-
Cash and cash equivalents at beginning of financial period	12,078	11,155
Cash and cash equivalents at end of financial period	6,800	6,689

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## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE THIRD QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2006

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Cash and cash equivalents at the end of financial period comprise of the followings:

	<b>As at 30/9/2006 RM'000</b>	<b>As at 30/9/2005 RM'000</b>
Cash on hand and at bank	5,015	5,370
Deposit with a licensed bank	1,785	1,319
Cash and bank balances	<u>6,800</u>	<u>6,689</u>
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,784)</u>	<u>(1,319)</u>
	<u>5,016</u>	<u>5,370</u>

*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.*

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## EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2006

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### 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<sub>2004</sub>: 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:

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

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### 3. Comparative

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

	<b>Previously Stated RM'000</b>	<b>Adjustments FRS 3 RM'000</b>	<b>Restated RM'000</b>
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

	<b>9 months ended</b>	
	<b>30/9/2006 RM'000</b>	<b>30/9/2005 RM'000</b>
<b>Segment Revenue</b>		
Revenue from continuing operations:		
Investment holding	3,500	3,557
Plywood manufacturing	283,356	167,577
Shipping services	1,975	563
Total revenue including inter-segment sales	288,831	171,697
Elimination of inter-segment sales	(81,003)	(4,120)
Total revenue from continuing operations	207,828	167,577
<b>Segment Results</b>		
Results from continuing operations:		
Investment holding	1,467	2,871
Plywood manufacturing	18,334	13,208
Shipping services	578	204
Others	1,126	-
	21,505	16,283
Elimination	(2,374)	(3,557)
Total results from continuing operations	19,131	12,726



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## **EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2006**

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### **6. Unusual Items due to their Nature, Size or Incident**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30<sup>th</sup> September 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 recommended or paid by the Company during the current quarter.

### **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 during the interim period under review except for the share buy-back as disclosed below:

During the quarter, the Company repurchased 10,000 of its issued ordinary shares from the open market at the price RM1.36 per share. The total consideration paid for the repurchase including transaction costs was RM13,701 and financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

### **12. Changes in the Composition of the Group**

On 31<sup>st</sup> July 2006, the Company has incorporated a wholly-owned subsidiary, Xuzhou Richwood Co., Ltd. ("XRCL") in the People's Republic of China. The principal

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activity of XRCL is to manufacture plywood for the export markets. The paid-up capital of XRCL is USD1.4 million and was internally funded by the Company.

### 13. Capital Commitments

The amount of commitments for the purchase of plant and equipment not provided for the quarter ended 30 September 2006 is as follows:

Amount approved but not contracted for	<u>RM2,200,000</u>
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### 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 except as disclosed below:

	Group RM '000	Company RM '000
Corporate guarantee issued to a financial institution for credit facilities granted to a subsidiary company	<u>-</u>	<u>21,000</u>

### 15. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the 31<sup>st</sup> December 2005 and up to the date of this report.

### 16. Performance Review

For the current quarter ended 30<sup>th</sup> September 2006, the revenue increased by 36% or RM22.5 million to RM85.1 million and translated into an increase in profit before tax by 4.5 times to RM10.7 million compared to preceding year corresponding quarter. The increase in sales volume by 28% to 53,609m<sup>3</sup> coupled with the increase in average selling price by 20% have contributed well to the bottomline despite the log costs have increased by nearly 10%.

### 17. Variation of Results Against Preceding Quarter

The revenue increased by RM12.2 million or 17% compared to the preceding quarter mainly due to better selling price increased by about 15% in the quarter under review resulted a favourable increase in profit before tax by RM4.5 million.

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### 18. Commentary on Prospects

The plywood industry is benefiting well from the increase in plywood prices. However, the log price has also increased and thus the costs of production. Notwithstanding the increase in log costs, the log to plywood price remains positive and the Company is expected to perform well for the rest of the financial year.

### 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 30<sup>th</sup> September 2006.

### 20. Income Tax Expense

	Current Year Quarter ended 30/9/2006 <b>RM'000</b>	Current Year To-date 30/9/2006 <b>RM'000</b>
Income tax:		
Taxation	50	126
Deferred tax	939	374
	<u>989</u>	<u>500</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.

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### 23. Corporate Proposals

As at the date of this report, there were no corporate proposals announced and not completed, being the latest practicable date that shall not be earlier than 7 days from the date of this quarterly report.

### 24. Borrowings

	<b>As at 30/9/2006 RM'000</b>	<b>As at 31/12/2005 RM'000</b>
<b>Short-term borrowings:</b>		
Secured	11,268	4,536
<b>Long-term borrowings:</b>		
Secured	12,587	6,329
	<u>23,855</u>	<u>10,865</u>
	USD '000	RM '000 equivalent
Borrowings denominated in foreign currency – United States Dollars	<u>5,572</u>	<u>20,530</u>

### 25. 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	2,540,000	October to December 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 recognised as exchange gains or losses in the income statement.

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### 26. Changes in Material Litigation

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

### 27. Dividend

No dividend has been recommended or paid for the quarter under review.

### 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, excluding treasury shares held by the Company.

	3 months ended		Year-To-Date Ended	
	30/9/06	30/9/05	30/9/06	30/9/05
Basic earnings per share				
Profit attributable to ordinary equity holders of the parent (RM'000)	9,665	2,840	19,131	12,726
Weighted average number of shares in issue ('000)	74,996	75,000	74,999	75,000
Basic earnings per share (Sen)	12.89	3.79	25.51	16.97
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A