

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE FIRST
QUARTER ENDED**

31 March 2007

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/3/2007 RM'000	31/3/2006 RM'000	31/3/2007 RM'000	31/3/2006 RM'000
Continuing Operations				
Revenue	49,466	49,864	49,466	49,864
Cost of sales	(39,956)	(41,505)	(39,956)	(41,505)
Gross profit	9,510	8,359	9,510	8,359
Other income	81	1,217	81	1,217
Administrative expenses	(1,797)	(1,542)	(1,797)	(1,542)
Selling and marketing expenses	(7,078)	(4,737)	(7,078)	(4,737)
Interest income	24	43	24	43
Finance costs	(650)	(601)	(650)	(601)
Profit before tax	90	2,739	90	2,739
Income tax expense	207	577	207	577
Profit for the period from continuing operations	297	3,316	297	3,316
Profit for the period	297	3,316	297	3,316
Attributable to:				
Equity holders of the parent	297	3,316	297	3,316
Earnings per share attributable to equity holders of the parent:				
Basic, for the profit from continuing operations	0.40	4.42	0.40	4.42
Basic, for profit for the period	0.40	4.42	0.40	4.42

Note:

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 31 MARCH 2007**

	As At 31/3/2007 (Unaudited) RM'000	As At 31/12/2006 (Audited & Restated) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	81,790	84,254
Prepaid lease payments	13,667	13,700
Deferred tax assets	4,105	3,531
	<u>99,562</u>	<u>101,485</u>
Current assets		
Inventories	73,962	65,592
Trade receivables	13,649	26,013
Other receivables	14,464	12,244
Tax refundable	393	164
Cash and bank balances	7,195	11,406
	<u>109,663</u>	<u>115,419</u>
TOTAL ASSETS	<u>209,225</u>	<u>216,904</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	75,000	75,000
Share premium	17,374	17,374
Treasury shares	(31)	(14)
Foreign currency translation reserve	(119)	(72)
Retained earnings	70,957	70,660
Total equity	<u>163,181</u>	<u>162,948</u>
Non-current liabilities		
Borrowings	8,029	8,979
Deferred tax liability	6,147	5,805
	<u>14,176</u>	<u>14,784</u>
Current liabilities		
Borrowings	12,739	17,965
Trade payables	8,897	9,332
Other payables	10,010	11,875
Tax payables	222	-
	<u>31,868</u>	<u>39,172</u>
Total liabilities	<u>46,044</u>	<u>53,956</u>
TOTAL EQUITY AND LIABILITIES	<u>209,225</u>	<u>216,904</u>
Net Assets Per Share (RM)	2.18	2.17

Note:

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

	Attributable to Equity Holders of the Parent					
	Non-Distributable			Distributable		
	Share Capital RM'000	Share Premium RM'000	Foreign Currency		Retained Earnings RM'000	Total RM'000
			Translation Reserve RM'000	Treasury Shares RM'000		
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)	60,000	32,418	-	-	55,814	148,232
Net profit for the period	-	-	-	-	3,316	3,316
At 31st March 2006	60,000	32,418	-	-	59,130	151,548
At 1st January 2007	75,000	17,374	(72)	(14)	70,660	162,948
Purchase of treasury shares	-	-	-	(17)	-	(17)
Exchange differences on translation of financial statement of a foreign entity	-	-	(47)	-	-	(47)
Profit for the period	-	-	-	-	297	297
At 31st March 2007	75,000	17,374	(119)	(31)	70,957	163,181

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 2006 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 FIRST QUARTER ENDED 31 MARCH 2007**

	Current Year To-date 31/3/2007 R M'000	Preceding Year Corresponding Period 31/3/2006 R M'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	90	2,739
Adjustments for:		
Depreciation of property, plant and equipment	3,315	2,772
Negative goodwill arising from business combination	-	(1,198)
Interest income	(24)	(43)
Finance costs	<u>650</u>	<u>601</u>
Operating profit before working capital changes	4,031	4,871
(Increase)/decrease in inventories	(8,371)	926
Decrease in receivables	10,329	36,160
Decrease in payables	<u>(2,216)</u>	<u>(19,299)</u>
Cash generated from operation	3,773	22,658
Interest paid	(650)	(601)
Taxes recovery	11	-
Taxes paid	<u>(42)</u>	<u>(5)</u>
Net cash generated from operating activities	<u>3,092</u>	<u>22,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	-	(16,000)
Movement in fixed deposits under pledge	(19)	-
Purchase of property, plant and equipment	(818)	(545)
Interest received	<u>24</u>	<u>43</u>
Net cash used in investing activities	<u>(813)</u>	<u>(16,502)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan drawn down	8,009	11,185
Bankers' acceptance drawn down	4,026	-
Export Credit Refinancing drawn down	62	-
Repayment of term loan	(2,431)	(6,652)
Repayment of bankers' acceptance	(3,826)	-
Repayment of export credit refinancing	(12,284)	-
Purchase of treasury shares	<u>(17)</u>	<u>-</u>
Net cash (used in)/generated from financing activities	<u>(6,461)</u>	<u>4,533</u>
Net (decrease)/increase in cash and cash equivalents	(4,182)	10,083
Effects of exchange rate changes	(48)	-
Cash and cash equivalents at beginning of financial period	<u>9,575</u>	<u>10,315</u>
Cash and cash equivalents at end of financial period	<u>5,345</u>	<u>20,398</u>

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

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

	As at 31/3/2007 RM'000	As at 31/3/2006 RM'000
Cash on hand and at bank	4,343	3,613
Deposit with a licensed bank	<u>2,852</u>	<u>18,547</u>
Cash and bank balances	7,195	22,160
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,850)</u>	<u>(1,762)</u>
	<u>5,345</u>	<u>20,398</u>

Note:

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

1. Basis of Preparation

The interim financial statements have been prepared on a historical cost basis.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134₂₀₀₄: 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 2006. 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 2006.

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 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1st January 2007:

FRS 117	Leases
FRS 127	Related Party Disclosures

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective dates has been deferred.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group, other than the change discussed below:

FRS 117: Lease

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 January 2007, the unamortized amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and comparative amount as at 31 December 2006 has been restated.

3. Auditors' report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2006 was unqualified.

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

4. Segmental Information

	3 months ended	
	31/3/2007	31/3/2006
	RM'000	RM'000
Segment Revenue		
Revenue from continuing operations:		
Investment holding	-	-
Plywood manufacturing	71,561	68,874
Shipping services	367	375
Total revenue including inter-segment sales	71,928	69,249
Elimination of inter-segment sales	(22,462)	(19,385)
Total revenue from continuing operations	<u>49,466</u>	<u>49,864</u>
Segment Results		
Results from continuing operations:		
Investment holding	(219)	(353)
Plywood manufacturing	570	2,044
Shipping services	(54)	48
Others	-	1,198
	<u>297</u>	<u>2,937</u>
Elimination	-	-
Total results from continuing operations	<u>297</u>	<u>2,937</u>

5. 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 31 March 2007.

6. Changes in Estimates

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

7. Comment 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.

8. Dividend Paid

There were no dividends recommended or paid by the Company during the current quarter.

9. Carrying Amount of Revalued Assets

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2006 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

10. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review except for the share buy-back where the Company repurchased 10,000 of its own ordinary shares from the open market at the price RM1.68 per share. The total consideration paid for the repurchase including transaction costs was RM16,925 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.

11. Changes in the Composition of the Group

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

12. Capital Commitments

There are no commitments not provided for at the quarter ended 31 March 2007.

13. 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 2006 and up to the date of this report except as disclosed below:

	Group RM'000	Company RM'000
Corporate guarantee issue to a financial institution for credit facilities granted to a subsidiary company	-	33,000

14. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the end of the current quarter except for the following:

(a) Acquisition of Kupiano Forest Products (PNG) Ltd (“KFP”)

On 5th April 2007, the Group acquired a 100% equity interest in KFP, a company incorporated in Papua New Guinea and would engage logging activities, for a total consideration of PKG 2.00.

(b) Acquisition of Syabas Mujur Sdn. Bhd. (“SMSB”)

On 19th April 2007, the Group acquired a 60% equity interest in SMSB, a company incorporated in Malaysia and would engage logging activities, for a total consideration of RM6,000. On 2nd April 2007, SMSB has entered into Timber Sale Agreement (“Agreement”) with Majlis Ugama Islam Sabah (“MUIS”) to purchase all commercial and merchantable timber to be extracted from the production area in Sandakan measuring an area of 5,981.29 hectares (“Licensed Area”).

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

15. Performance Review

During the quarter under review, the Group registered revenue of RM49.5 million which represents 1% drop compared to previous year corresponding quarter. Total volume shipped for the quarter was 31,677m³ which is 18% lower than that of the previous year corresponding quarter. Despite lower sales volume, the revenue maintains at the same level mainly due to higher plywood price by 15% compared to previous year corresponding quarter.

However, the quarter under review recorded an exceptional expense on freight costs amounted to RM1.9 million which was due to returned cargo from customer as a result of delayed shipment. The cargo delivery to customer was first delay as a result of held up in Belgian port for failure of the vessel to meet certain safety requirements while unloading third party's cargo. While the cargo was subsequently released, it was further delayed on arrival at customer's destination port in UK due to malfunction of operating cranes and took longer than expected for the port to rectify the unloading procedures. Customer has eventually abandoned the order due to late arrival of goods. Therefore, it was in the best interest of the Company to return the cargo without further incurring costs such as warehouse rental and demurrage charges. The returned cargo was subsequently dealt with in the normal course of business.

16. Variation of Results Against Preceding Quarter

The profit before tax has declined by RM4 million compared to the preceding quarter which mainly due to exceptional freight costs incurred of RM1.9 million incurred on returned cargo. Besides, selling price for the quarter under review has decreased by 15% mainly due to inventory built up in the US market resulted drop in demand for plywood in the market. Despite the drop in selling price, log cost was unchanged and resulted thinner gross margin with a drop by 4%.

17. Commentary on Prospects

Plywood prices are expected to pick up towards end of second quarter with full effect to be reflected in the third quarter results. The immediate plan being put in place is the logging operations to commence in Sabah and Papua New Guinea and contribution from these operations are expected to materialise in second half of the financial year. Barring any unforeseen circumstances, the Board expects the Group to be profitable for the financial year ending 2007.

18. 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 31 March 2007.

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

19. Income Tax Expense

	Current Year Quarter ended 31/3/2007 RM'000	Current Year To-date 31/3/2007 RM'000
Income tax:		
Taxation	25	25
Deferred tax	(232)	(232)
	<u>(207)</u>	<u>(207)</u>

The effective tax rate for the quarter under review was lower than the statutory tax rate principally due to unutilisation of capital allowances.

20. Sales of Unquoted Investments and Properties

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

21. Purchases or Disposals of Quoted Securities

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

22. 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.

23. Borrowings

	As at 31/3/2007 RM'000	As at 31/3/2006 RM'000
Short-term borrowings:		
Secured	12,739	3,996
Long-term borrowings:		
Secured	8,029	18,831
	<u>20,768</u>	<u>22,827</u>
	USD '000	RM '000 equivalent
Borrowings denominated in foreign currency – United States Dollars	<u>5,039</u>	<u>17,423</u>

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
 FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

24. Off Balance Sheet Financial Instruments

During the quarter under review, there were no off balance sheet financial instruments being the latest practicable date that shall not be earlier than 7 days from the date of this quarterly report.

25. Changes in Material Litigation

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

26. Dividend

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

27. 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	
	31/03/2007	31/03/2006	Ended 31/03/2007	31/03/2006
Basic earnings per share				
Profit attributable to ordinary equity holders of the parent (RM'000)	297	3,316	297	3,316
Weighted average number of shares in issue ('000)	74,987	75,000	74,993	75,000
Basic earnings per share (Sen)	0.40	4.42	0.40	4.42
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A