

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE SECOND
QUARTER ENDED**

30 JUNE 2007

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/6/2007 RM'000	30/6/2006 RM'000	30/6/2007 RM'000	30/6/2006 RM'000
Continuing Operations				
Revenue	48,982	72,867	98,448	122,731
Cost of sales	(50,312)	(57,156)	(90,268)	(98,661)
Gross (loss)/profit	(1,330)	15,711	8,180	24,070
Other income	38	423	119	1,640
Other operating expenses	(12)	-	(12)	-
Administrative expenses	(2,096)	(1,678)	(3,893)	(3,220)
Selling and marketing expenses	(3,191)	(7,845)	(10,269)	(12,582)
Interest income	8	76	32	119
Finance costs	(102)	(449)	(752)	(1,050)
(Loss)/profit before tax	(6,685)	6,238	(6,595)	8,977
Income tax expense	938	(88)	1,145	489
(Loss)/profit for the period from continuing operations	(5,747)	6,150	(5,450)	9,466
(Loss)/profit for the period	(5,747)	6,150	(5,450)	9,466
Attributable to:				
Equity holders of the parent	(5,708)	6,150	(5,411)	9,466
Minority interest	(39)	-	(39)	-
	(5,747)	6,150	(5,450)	9,466
Earnings per share attributable to equity holders of the parent:				
Basic, for the (loss)/profit from continuing operations	(7.61)	8.20	(7.22)	12.62
Basic, for (loss)/profit for the period	(7.61)	8.20	(7.22)	12.62

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

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007**

	As At 30/6/2007 (Unaudited) RM'000	As At 31/12/2006 (Audited & Restated) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	80,019	84,254
Prepaid lease payments	13,633	13,700
Deferred tax assets	4,936	3,531
	<u>98,588</u>	<u>101,485</u>
Current assets		
Inventories	65,858	65,592
Trade receivables	14,169	26,013
Other receivables	12,534	12,244
Tax refundable	433	164
Cash and bank balances	6,279	11,406
	<u>99,273</u>	<u>115,419</u>
TOTAL ASSETS	<u>197,861</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	12	(72)
Retained earnings	61,500	70,660
	<u>153,855</u>	<u>162,948</u>
Minority interest	<u>(33)</u>	<u>-</u>
Total equity	<u>153,822</u>	<u>162,948</u>
Non-current liabilities		
Borrowings	7,910	8,979
Deferred tax liability	6,065	5,805
	<u>13,975</u>	<u>14,784</u>
Current liabilities		
Borrowings	12,487	17,965
Trade payables	9,211	9,332
Other payables	8,171	11,875
Tax payables	195	-
	<u>30,064</u>	<u>39,172</u>
Total liabilities	<u>44,039</u>	<u>53,956</u>
TOTAL EQUITY AND LIABILITIES	<u>197,861</u>	<u>216,904</u>
Net Assets Per Share (RM)	2.05	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 SECOND QUARTER ENDED 30 JUNE 2007**

	Attributable to Equity Holders of the Parent								
	Non-Distributable				Distributable				
	Share Capital	Share Premium	Foreign Currency		Treasury Shares	Retained Earnings	Total	Minority Interest	Total Equity
			Translation Reserve						
RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	
At 1st January 2006									
As previously stated	60,000	32,418	-	-	31,004	123,422	-	123,422	
Effect of adopting FRS 3	-	-	-	-	24,810	24,810	-	24,810	
At 1st January 2006 (restated)	60,000	32,418	-	-	55,814	148,232	-	148,232	
Bonus issue	15,000	(15,000)				-	-	-	
Bonus shares listing expenses		(44)				(44)	-	(44)	
Net profit for the period	-	-	-	-	9,466	9,466	-	9,466	
Dividend paid	-	-	-	-	(3,000)	(3,000)	-	(3,000)	
At 30th June 2006	75,000	17,374	-	-	62,280	154,654	-	154,654	
At 1st January 2007	75,000	17,374	(72)	(14)	70,660	162,948	-	162,948	
Purchase of treasury shares	-	-	-	(17)	-	(17)	-	(17)	
Exchange differences on translation of financial statement of a foreign entity	-	-	84	-	-	84	-	84	
Profit for the period	-	-	-	-	(5,411)	(5,411)	(33)	(5,444)	
Dividend paid	-	-	-	-	(3,749)	(3,749)	-	(3,749)	
At 30th June 2007	75,000	17,374	12	(31)	61,500	153,855	(33)	153,822	

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 SECOND QUARTER ENDED 30 JUNE 2007**

	Current Year To-date 30/6/2007 RM'000	Preceding Year Corresponding Period 30/6/2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(6,595)	8,977
Adjustments for:		
Depreciation of property, plant and equipment	6,665	5,617
Goodwill arising from business combination	7	-
Negative goodwill arising from business combination	-	(1,198)
Interest income	(30)	(119)
Finance costs	607	1,320
Operating profit before working capital changes	654	14,597
Increase in inventories	(266)	(1,948)
Decrease in receivables	11,739	18,867
Decrease in payables	(3,741)	(13,470)
Cash generated from operation	8,386	18,046
Interest paid	(607)	(1,320)
Taxes recovery	11	-
Taxes paid	(85)	(11)
Net cash generated from operating activities	7,705	16,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	(6)	(16,000)
Payment of bonus share listing expenses	-	(44)
Movement in fixed deposits under pledge	(18)	253
Purchase of property, plant and equipment	(2,363)	(6,331)
Proceeds from sales of equipment	-	7
Interest received	30	119
Net cash used in investing activities	(2,357)	(21,996)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan drawn down	9,036	24,566
Bankers' acceptance drawn down	11,338	-
Export Credit Refinancing drawn down	2,316	-
Repayment of term loan	(8,877)	(16,272)
Repayment of bankers' acceptance	(6,090)	-
Repayment of export credit refinancing	(14,539)	-
Purchase of treasury shares	(17)	-
Dividend paid	(3,749)	(3,000)
Net cash (used in)/generated from financing activities	(10,582)	5,294
Net (decrease)/increase in cash and cash equivalents	(5,234)	13
Effects of exchange rate changes	83	-
Cash and cash equivalents at beginning of financial period	9,575	10,041
Cash and cash equivalents at end of financial period	4,424	10,054

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

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

	As at 30/6/2007 R M'000	As at 30/6/2006 R M'000
Cash on hand and at bank	4,423	5,053
Deposit with a licensed bank	<u>1,856</u>	<u>6,785</u>
Cash and bank balances	6,279	11,838
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,855)</u>	<u>(1,784)</u>
	<u>4,424</u>	<u>10,054</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 SECOND QUARTER ENDED 30 JUNE 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 124	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 SECOND QUARTER ENDED 30 JUNE 2007**

4. Segmental Information

	6 months ended	
	30/6/2007	30/6/2006
	RM'000	RM'000
Segment Revenue		
Revenue from continuing operations:		
Investment holding	5,400	3,500
Plywood manufacturing	136,901	169,778
Shipping services	798	1,244
Total revenue including inter-segment sales	<u>143,099</u>	<u>174,522</u>
Elimination of inter-segment sales	<u>(44,651)</u>	<u>(51,791)</u>
Total revenue from continuing operations	<u>98,448</u>	<u>122,731</u>
Segment Results		
Results from continuing operations:		
Investment holding	4,680	1,820
Plywood manufacturing	(4,604)	8,345
Shipping services	(65)	406
Others	(197)	1,198
	<u>(186)</u>	<u>11,769</u>
Elimination	<u>(5,225)</u>	<u>(2,303)</u>
Total results from continuing operations	<u>(5,411)</u>	<u>9,466</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 30 June 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

A final tax-exempt dividend of 5 sen per share amounting to RM3,749,000 was paid on 28 May 2007 in respect of financial year ended 31 December 2006.

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 SECOND QUARTER ENDED 30 JUNE 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.

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 30 June 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.

15. Performance Review

During the quarter under review, the Group's registered revenue of RM49million which is 33% decrease compared to previous year corresponding quarter. Total volume shipped for the quarter was 37,070m³ which is 35% lower than that of the previous year corresponding quarter. Sales volume suffered as a result of demand from US has slow down significantly due to overstocking of plywood and drop in the construction activities. The dumping of plywood products by China into Middle East and South Korea has affected the order book of the Group. In addition, selling price has also fallen by 7% compared to previous year corresponding quarter coupled with higher average log cost by 19% has further dampened the current quarter results registered with a negative gross margin. Overall, a loss before taxation of RM6.7 million was recorded.

16. Variation of Results Against Preceding Quarter

The Group's current quarter results registered a loss of RM6.7 million mainly contributed by slow down in demand in major markets the Group supply to, fallen plywood price and higher log costs. These factors have contributed negatively compared to preceding quarter. Though volume shipped has increased by 17%, selling price has decreased by 13% coupled with no

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

corresponding drop in log cost compared to preceding quarter, gross profit has dropped by 22% resulting loss of RM6.7 million for the quarter.

17. Commentary on Prospects

Plywood prices are now firm and log cost has come down which would help to contain the margin squeeze. However, the slow down in US and other major markets coupled with the uncertainty over the impact of sub-prime mortgage on the global economy, the demand for plywood is expected to be weak. The competition to supply plywood will be more challenging in view of the shrinking market size. Based on these observations, the Board believes that the Group is highly probable it may not 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 30 June 2007.

19. Income Tax Expense

	Current Year Quarter ended 30/6/2007 RM'000	Current Year To-date 30/6/2007 RM'000
Income tax:		
Taxation	(25)	-
Deferred tax	(913)	(1,145)
	<u>(938)</u>	<u>(1,145)</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.

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
 FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

23. Borrowings (Secured)

	As at 30/6/2007 RM'000	As at 31/12/2006 RM'000
Short-term	12,487	17,965
Long-term	7,910	8,979
	<u>20,397</u>	<u>26,944</u>
	USD '000	RM '000 equivalent
Borrowings denominated in foreign currency:		
United States Dollar	<u>3,310</u>	<u>11,404</u>

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 Ended	
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
Basic earnings per share				
(Loss)/Profit attributable to ordinary equity holders of the parent (RM'000)	(5,708)	6,150	(5,411)	9,466
Weighted average number of shares in issue ('000)	74,984	75,000	74,988	75,000
Basic earnings per share (Sen)	(7.61)	8.20	(7.22)	12.62
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A