

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE THIRD
QUARTER ENDED**

30 SEPTEMBER 2010

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010 - UNAUDITED**

	3 months ended		9 months ended	
	30/9/2010	30/9/2009 (Restated)	30/9/2010	30/9/2009 (Restated)
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	30,485	42,002	98,901	89,022
Cost of sales	(24,614)	(36,149)	(85,497)	(81,031)
Gross profit	5,871	5,853	13,404	7,991
Other income	134	165	430	600
Other operating expenses	(78)	(207)	(575)	(1,133)
Administrative expenses	(1,830)	(1,973)	(5,213)	(4,756)
Selling and marketing expenses	(1,506)	(2,996)	(5,279)	(7,088)
Interest income	3	15	18	88
Finance costs	(61)	(83)	(211)	(319)
Profit/(Loss) before tax	2,533	774	2,574	(4,617)
Income tax expense	(687)	10	(1,489)	2
Profit/(Loss) for the period from continuing operations	1,846	784	1,085	(4,615)
Profit/(Loss) for the period	1,846	784	1,085	(4,615)
Other comprehensive income, net of tax				
Currency translation differences arising from consolidation	(135)	(40)	(257)	(4)
	(135)	(40)	(257)	(4)
Total comprehensive income	1,711	744	828	(4,619)
Profit/(Loss) attributable to:				
Owners of the Company	1,846	784	1,085	(4,615)
Minority interest	-	-	-	-
Profit/(Loss) for the period	1,846	784	1,085	(4,615)
Total comprehensive income attributable to:				
Owners of the Company	1,711	744	828	(4,619)
Minority interest	-	-	-	-
Total comprehensive income for the period	1,711	744	828	(4,619)
Basic earnings per ordinary share (sen):				
Profit/(Loss) from continuing operations	2.46	1.05	1.45	(6.15)
	2.46	1.05	1.45	(6.15)

The Condensed Consolidated Statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010**

	As At 30/9/2010 (Unaudited) RM'000	As At 31/12/2009 (Audited) RM'000 (Restated)
ASSETS		
Property, plant and equipment	76,902	73,900
Timber concession right	4,414	6,863
Other receivables	3,382	3,382
Deferred tax assets	6,234	6,234
Total non-current assets	90,932	90,379
Inventories	37,145	33,760
Trade receivables	9,149	14,349
Other receivables	7,583	9,869
Tax refundable	162	172
Cash and bank balances	7,256	4,615
Total current assets	61,295	62,765
Total assets	152,227	153,144
Equity		
Share capital	75,000	75,000
Share premium	17,374	17,374
Treasury shares	(40)	(31)
Foreign currency translation reserve	(84)	173
Retained earnings	48,515	47,430
Total equity	140,765	139,946
Liabilities		
Deferred tax liability	1,525	1,528
Total non-current liabilities	1,525	1,528
Borrowings	1,093	2,332
Trade payables	2,846	3,295
Other payables	4,502	5,948
Derivative financial instruments	-	8
Tax payables	1,496	87
Total current liabilities	9,937	11,670
Total liabilities	11,462	13,198
Total equity and liabilities	152,227	153,144
Net assets per share attributable to equity holders of the Company (RM)	1.88	1.87

The Condensed Consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 NINE MONTHS ENDED 30 SEPTEMBER 2010**

	Attributable to Equity Holders of the Parent							
	Non-Distributable				Distributable			
	Foreign Currency				Treasury Shares	Retained Earnings	Minority Interest	Total Equity
	Share Capital	Share Premium	Translation Reserve					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009								
At 1 January 2009, as previously stated	75,000	17,374	203	(31)	53,397	145,943	-	145,943
-effect of adopting FRS139	-	-	-	-	86	86	-	86
At 1 January 2009, as restated	75,000	17,374	203	(31)	53,483	146,029	-	146,029
Exchange differences on translation of financial statement of a foreign entity	-	-	(4)	-	-	(4)	-	(4)
Loss for the period	-	-	-	-	(4,615)	(4,615)	-	(4,615)
At 30 September 2009	75,000	17,374	199	(31)	48,868	141,410	-	141,410
At 1 January 2010								
At 1 January 2010 previously stated	75,000	17,374	173	(31)	47,438	139,954	-	139,954
-effect of adopting FRS139	-	-	-	-	(8)	(8)	-	(8)
At 1 January 2010, as restated	75,000	17,374	173	(31)	47,430	139,946	-	139,946
Purchase of treasury shares	-	-	-	(9)	-	(9)	-	(9)
Exchange differences on translation of financial statement of a foreign entity	-	-	(257)	-	-	(257)	-	(257)
Profit for the period	-	-	-	-	1,085	1,085	-	1,085
At 30 September 2010	75,000	17,374	(84)	(40)	48,515	140,765	-	140,765

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 CASH FLOW
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 – UNAUDITED**

	Nine months ended	
	30/9/2010 RM'000	30/9/2009 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	2,574	(4,615)
Adjustments for:		
Depreciation of property, plant and equipment	7,970	7,492
Depletion of forest crop	2,711	-
Profit on disposal of equipment	-	(4)
Equipment written off	-	94
Goodwill arising from business combination	-	208
Interest income	(18)	(88)
Finance costs	210	319
Operating profit before working capital changes	13,447	3,406
(Increase)/Decrease in inventories	(3,385)	4,022
Decrease/(Increase) in receivables	7,477	(15,157)
(Decrease)/Increase in payables	(3,895)	5,473
Cash generated from/(used in) operation	13,644	(2,256)
Interest paid	(210)	(319)
Taxes recovery	-	93
Taxes paid	(63)	(13)
Net cash generated from/(used in) operating activities	13,371	(2,495)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	(2,006)	(1,350)
Timber concession rights	(262)	-
Movement in fixed deposits under pledged	(16)	301
Purchase of property, plant and equipment	(6,974)	(27)
Proceeds from sales of equipment	-	4
Interest received	18	88
Net cash used in investing activities	(9,240)	(984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers' acceptance drawn down	6,821	-
Repayment of term loan	(1,950)	(1,933)
Repayment of bankers' acceptance	(6,110)	-
Purchase of treasury shares	(9)	-
Net cash used in financing activities	(1,248)	(1,933)
Net increase/(decrease) in cash and cash equivalents	2,883	(5,412)
Effects of exchange rate changes	(257)	(4)
Cash and cash equivalents at beginning of financial period	3,061	13,289
Cash and cash equivalents at end of financial period	5,687	7,873

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

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

	As at 30/9/2010 RM'000	As at 30/9/2009 RM'000
Cash on hand and at bank	5,686	7,872
Deposit with a licensed bank	<u>1,570</u>	<u>1,524</u>
Cash and bank balances	7,256	9,396
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,569)</u>	<u>(1,523)</u>
	<u>5,687</u>	<u>7,873</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

1. Basis of Preparation

The interim financial statements is unaudited and 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 134₂₀₀₄: Interim Financial Reporting and paragraph 9.22 of the Main Market 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 2009. 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 31 December 2009.

2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standard (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2010.

One 1 January 2010, the Group adopted the following FRSs:-

FRSs, Amendments to FRSs and Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statement (Revised 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events after the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions

CYMAO HOLDINGS BERHAD

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

Other than for the application of FRS 8, FRS 101, Amendment to FRS 117 and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

The effects on the changes to accounting policies and the new accounting policies are as follows:

(i) FRS 8, Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

(ii) FRS 101 (revised), Presentation of Financial Statements

The Group applies revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

(iii) Amendment to FRS 117, Leases

The amendment clarifies the classification of lease of land and requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of this amendment will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions. The reclassification of leasehold land from prepaid land lease payments to property, plant and equipment has been accounted for retrospectively and certain comparatives as at 31 December 2009 have been restated as follows:

	Previously stated RM'000	Adjustment FRS 117 RM'000	Restated RM'000
Non-Current Assets			
Property, Plant and Equipment	60,601	13,299	73,900
Prepaid lease payments	13,299	(13,299)	-

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

(iv) **FRS 139, Financial Instruments : Recognition and Measurement**

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. It also sets out the requirements for the application of hedge accounting. Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the statement of financial position date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each year end except for those financial instruments measured at fair value through profit or loss.

Financial assets

- **Loans and receivables**

Prior to adoption of FRS 139, loans and receivables were stated at cost less allowance for doubtful debts. Under FRS 139, financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest methods. Gain and losses are recognised in the consolidated income statement when the loans and receivables are derecognised, impaired or through the amortisation process.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loan and borrowings, or as derivatives designated as hedging instruments in an effect hedge, as appropriate.

Derivatives

Prior to the adoption of FRS139, derivative contracts were recognised in the financial settlement date. With the adoption of FRS139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the profit or loss.

There were no outstanding derivatives including financial instruments designated as hedging instruments as at the current quarter ended.

The application of the above new policies has the following effects:

Group In thousands of RM	Retained earnings	
	2010	2009
At 1 January, as previously stated	47,438	53,397
Adjustment arising from adoption of FRS139		
-Recognition of derivatives previously not recognised	(8)	86
At 1 January, as restated	<u>47,430</u>	<u>53,483</u>

3. Auditors' Report

The auditors' report of the Company's preceding annual financial statements was not qualified.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010****4. Seasonality of operations**

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

5. Segmental Information

	9 months ended	
	30/9/2010	30/9/2009
	RM'000	RM'000
Segment Revenue		
Revenue from continuing operations:		
Investment holding	-	-
Plywood manufacturing	139,575	114,126
Sales of timber log	21,044	-
Shipping services	1,009	531
	<hr/>	<hr/>
Total revenue including inter-segment sales	161,628	114,657
Elimination of inter-segment sales	(62,727)	(25,635)
Total revenue from continuing operations	<hr/>	<hr/>
	98,901	89,022
Segment Results		
Results from continuing operations:		
Investment holding	(2,138)	(1,183)
Plywood manufacturing	244	(2,790)
Shipping services	(442)	(348)
Timber extraction	1,763	-
Others	1,950	(86)
	<hr/>	<hr/>
	1,377	(4,407)
Elimination	(292)	(208)
Total results from continuing operations	<hr/>	<hr/>
	1,085	(4,615)

5. Unusual Items due to their Nature, Size or Incident

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

6. Changes in Estimates

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

7. Dividend Paid

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

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

8. Carrying Amount of Revalued Assets

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2009 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

9. 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 as disclosed below:

During the quarter, the Company repurchased 6,000 of its issued ordinary shares from the open market at the price RM0.57 per share. The total consideration paid for the repurchase including transaction cost was RM3,465 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.

10. Changes in the Composition of the Group

On 20th August 2010, the Company has incorporated a wholly-owned subsidiary, Hanswood Corporation ("HWC") in the Taiwan Republic of China. HWC will commence operation in next financial year and the expected activity to manufacture plywood for domestic and export markets. The paid-up capital of HWC is US\$0.79 million and the investment is financed by internally generated fund.

11. Capital Commitments

There are no commitments not provided for the quarter ended 30 September 2010.

12. 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 2009 and up to the date of this report except as disclosed below:

	Group R M'000	Company R M'000
Corporate guarantee issue to a financial institution for credit facilities granted to a subsidiary company	-	43,000

13. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the end of the current quarter.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

14. Performance Review

During the quarter under review, the Group registered revenue of RM30 million which is 27% lower than the previous year's corresponding quarter. The Group's total sales volume was 23,921m³ included the timber logs of 6,097 m³, the plywood sales volume is 17,824 m³ or 45% lower as compared to the previous year corresponding quarter.

However, an improvement in the plywood price by 24% coupled with 80% of raw material sourced from our own timber concession resulted in a higher gross margin as compared with the corresponding quarter of the preceding year. The Group recorded a profit before taxation of RM2.5 million as compared with RM0.77 million in the corresponding quarter of the preceding year.

15. Variation of Results Against Preceding Quarter

The Group's current quarter results registered a profit before taxation of RM2.5 million as compared with the RM0.99 million in the preceding quarter. This is mainly due to the contribution from the Group's own timber concession which has commenced logging extraction in March 2010.

16. Commentary on Prospects

The demand and pricing of plywood is expected to remain at the same level for the next quarter. However, the subsidiary which owns a timber concession supplies majority of the extracted logs for Group's consumption the quality of which is under the Group's absolute control resulting in better recovery rate and thus better margin for all products.

All export sales are denominated in the United States Dollar ("USD") which rates are fluctuating and trending downward. This is detrimental to all export sales. The management has taken the necessary steps to hedge the currency to minimise the conversion loss in exchange. Barring any unforeseen circumstances, the improved margin will have a positive impact on the Group's performance for the year ending 2010.

17. 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 the Group has not provided any profit forecast or profit guarantee for the year ending 31 December 2009.

18. Income Tax Expense

	Current Year Quarter ended 30/9/2010 RM'000	Current Year To-date 30/9/2010 RM'000
Income tax:		
Current Taxation	687	1,488
Deferred tax	-	1
	<u>687</u>	<u>1,489</u>

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

The effective tax rate for the current quarter was higher than the statutory tax rate principally due to income arising from the logging extraction. However, there were no income tax expenses in plywood manufacturing due to losses incurred for the quarter under review.

19. Sales of Unquoted Investments and Properties

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

20. Purchases or Disposals of Quoted Securities

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

21. Status of 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.

22. Borrowings (Secured)

	As at 30/09/2010 RM'000	As at 31/12/2009 RM'000
Short-term	1,093	2,332
Long-term	-	-
	<u>1,093</u>	<u>2,332</u>
	USD '000	RM '000 equivalent
Borrowings denominated in foreign currency:		
United States Dollar	<u>124</u>	<u>382</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 amounting to US\$1,000,000. As at the date of this report, there were 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. Dividend Payable

No dividend has been recommended for the quarter under review.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

26. 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	
	30/09/2010	30/09/2009 (Restated)	30/09/2010	30/09/2009 (Restated)
Basic earnings per share				
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	1,846	784	1,085	(4,615)
Weighted average number of shares in issue ('000)	74,971	74,980	74,973	74,980
Basic earnings per share (Sen)	2.46	1.05	1.45	(6.15)
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A