

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE FOURTH
QUARTER ENDED**

31 DECEMBER 2010

CYMAO HOLDINGS BERHAD(Company No.:445931-U)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010 - UNAUDITED**

	3 months ended		12 months ended	
	31/12/2010	31/12/2009 (Restated)	31/12/2010	31/12/2009 (Restated)
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	24,772	35,138	123,673	124,160
Cost of sales	(24,140)	(31,628)	(109,637)	(112,659)
Gross profit	632	3,510	14,036	11,501
Other income	154	440	584	1,040
Other operating expenses	35	(687)	(540)	(1,820)
Administrative expenses	(3,336)	(2,255)	(8,549)	(7,011)
Selling and marketing expenses	(2,977)	(2,502)	(8,256)	(9,590)
Interest income	20	31	38	119
Finance costs	(57)	204	(268)	(115)
Loss before tax	(5,529)	(1,259)	(2,955)	(5,876)
Income tax expense	450	(171)	(1,039)	(169)
Loss for the period from continuing operations	(5,079)	(1,430)	(3,994)	(6,045)
Loss for the period	(5,079)	(1,430)	(3,994)	(6,045)
Other comprehensive income, net of tax				
Currency translation differences arising from consolidation	202	(26)	(55)	(30)
	202	(26)	(55)	(30)
Total comprehensive income	(4,877)	(1,456)	(4,049)	(6,075)
Loss attributable to:				
Owners of the Company	(5,079)	(1,430)	(3,994)	(6,045)
Minority interest	-	-	-	-
Loss for the period	(5,079)	(1,430)	(3,994)	(6,045)
Total comprehensive income attributable to:				
Owners of the Company	(4,877)	(1,456)	(4,049)	(6,075)
Minority interest	-	-	-	-
Total comprehensive income for the period	(4,877)	(1,456)	(4,049)	(6,075)
Basic earnings per ordinary share (sen):				
Loss from continuing operations	(6.77)	(1.91)	(5.33)	(8.06)
	(6.77)	(1.91)	(5.33)	(8.06)

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

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	As At 31/12/2010 (Unaudited) RM'000	As At 31/12/2009 (Audited) RM'000 (Restated)
ASSETS		
Property, plant and equipment	74,743	73,900
Land use right	359	-
Timber concession right	2,715	6,863
Other receivables	7,391	3,382
Deferred tax assets	6,234	6,234
Total non-current assets	91,442	90,379
Inventories	37,974	33,760
Trade receivables	9,482	14,349
Other receivables	4,845	9,869
Tax refundable	776	172
Cash and bank balances	6,259	4,615
Total current assets	59,336	62,765
Total assets	150,778	153,144
Equity		
Share capital	75,000	75,000
Share premium	17,374	17,374
Treasury shares	(40)	(31)
Foreign currency translation reserve	118	173
Retained earnings	43,436	47,430
Total equity	135,888	139,946
Liabilities		
Deferred tax liability	1,652	1,528
Total non-current liabilities	1,652	1,528
Borrowings	-	2,332
Trade payables	1,853	3,295
Other payables	11,385	5,948
Derivative financial instruments	-	8
Tax payables	-	87
Total current liabilities	13,238	11,670
Total liabilities	14,890	13,198
Total equity and liabilities	150,778	153,144
Net assets per share attributable to equity holders of the Company (RM)	1.81	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

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 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	Translation Reserve				
	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000
At 1 January 2009	75,000	17,374	208	(31)	53,397	145,943	-	145,943
-effect of adopting FRS139	-	-	-	-	86	86	-	86
At 1 January 2009, as restated	75,000	17,374	208	(31)	53,483	146,029	-	146,029
Effect of adopting FRS139	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statement of a foreign entity	-	-	(30)	-	-	(30)	-	(30)
Loss for the period	-	-	-	-	(6,045)	(6,045)	-	(6,045)
At 31 December 2009	75,000	17,374	173	(31)	47,438	139,954	-	139,954
At 1 January 2010	75,000	17,374	173	(31)	47,438	139,954	-	139,954
previously stated	-	-	-	-	(8)	(8)	-	(8)
-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	-	-	(55)	-	-	(55)	-	(55)
Loss for the period	-	-	-	-	(3,994)	(3,994)	-	(3,994)
At 31 December 2010	75,000	17,374	118	(40)	43,436	135,888	-	135,888

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

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010 – UNAUDITED**

	Twelve months ended	
	31/12/2010	31/12/2009
	RM'000	RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,955)	(5,876)
Adjustments for:		
Depreciation of property, plant and equipment	10,764	10,855
Depletion of forest crop	4,148	-
Profit on disposal of equipment	(49)	(70)
Equipment written off	15	-
Goodwill arising from business combination	-	258
Net unrealised foreign exchange losses	-	(36)
Bad debts written off	70	46
Interest income	(37)	(119)
Finance costs	166	115
Operating profit before working capital changes	12,122	5,173
(Increase)/Decrease in inventories	(4,213)	6,211
Decrease/(Increase) in receivables	8,206	(8,145)
Increase in payables	3,993	848
Cash generated from operation	20,108	4,087
Interest paid	(166)	(115)
Taxes (paid)/recovered	(1,596)	122
Net cash generated from operating activities	18,346	4,094
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	(4,006)	(1,387)
Timber concession rights	-	(3,064)
Deposit for acquisition of a subsidiary	-	(2,000)
Deposit for acquisition of leasehold land	-	(4,275)
Movement in fixed deposits under pledged	(87)	271
Purchase of property, plant and equipment	(10,402)	(1,493)
Proceeds from sales of equipment	65	109
Interest received	37	119
Net cash used in investing activities	(14,393)	(11,720)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers' acceptance drawn down	6,821	-
Repayment of term loan	(2,332)	(2,603)
Repayment of bankers' acceptance	(6,821)	-
Purchase of treasury shares	(9)	-
Net cash used in financing activities	(2,341)	(2,603)
Net increase/(decrease) in cash and cash equivalents	1,612	(10,229)
Effects of exchange rate changes	(55)	1
Cash and cash equivalents at beginning of financial period	3,061	13,289
Cash and cash equivalents at end of financial period	4,618	3,061

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010**

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

	As at 31/12/2010 RM'000	As at 31/12/2009 RM'000
Cash on hand and at bank	2,417	3,060
Deposit with a licensed bank	<u>3,842</u>	<u>1,555</u>
Cash and bank balances	6,259	4,615
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,641)</u>	<u>(1,554)</u>
	<u>4,618</u>	<u>3,061</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 FOURTH QUARTER ENDED 31 DECEMBER 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.

On 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

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:

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010

(i) **FRS 8, Operating Segments**

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. In compliance, 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)	-

(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. Gains and losses are recognised in the consolidated income

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

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.

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.

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.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**
5. Segmental Information

	12 months ended	
	31/12/2010	31/12/2009
	RM'000	RM'000
Segment Revenue		
Revenue from continuing operations:		
Investment holding	-	-
Plywood manufacturing	177,366	163,533
Sales of timber log	25,028	-
Shipping services	1,317	724
Total revenue including inter-segment sales	<u>203,711</u>	<u>164,257</u>
Elimination of inter-segment sales	<u>(80,038)</u>	<u>(40,097)</u>
Total revenue from continuing operations	<u>123,673</u>	<u>124,160</u>
Segment Results		
Results from continuing operations:		
Investment holding	(454)	(1,720)
Plywood manufacturing	(502)	(3,995)
Shipping services	(729)	(511)
Timber extraction	(1,566)	-
Others	(157)	(189)
	<u>(3,408)</u>	<u>(6,415)</u>
Elimination	<u>(586)</u>	<u>370</u>
Total results from continuing operations	<u>(3,994)</u>	<u>(6,045)</u>

6. 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.

7. Changes in Estimates

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

8. Dividend Paid

There were no dividends 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 2009 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

10. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the reporting quarter.

12. Capital Commitments

There are no commitments not provided for the quarter ended 31 December 2010.

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 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

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 registered revenue of RM25 million which is 30% lower than the previous year's corresponding quarter. The Group's total sales volume was 18,113m³ included the timber logs of 3,053 m³, the plywood sales volume is 15,060 m³ or 29% lower as compared to the previous year corresponding quarter.

In addition, the fluctuating and downward trend of the United States Dollar ("USD") vis-à-vis the Malaysian Ringgit reduced the plywood price by 4%. This resulted in a drop of gross profit margin by 7.4% as compared with the corresponding quarter of the preceding year.

The Group recorded a loss before taxation of RM5.5 million as compared with RM1.3 million loss in the corresponding quarter of the preceding year.

16. Variation of Results Against Preceding Quarter

The Group's current quarter registered a loss before taxation of RM5.5 million as compared with the profit before taxation RM2.5 million in the preceding quarter. This loss is mainly due to write down of its inventories on the finished products to Net Realisable Value amounting to RM1.6 million and the plywood and logs sales volume reduced by 15% and 50% respectively as compared with the preceding quarter. In addition, the 2% decline in the plywood price has further dampened the current quarter results.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

17. 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 the 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 2011.

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 the Group has not provided any profit forecast or profit guarantee for the year ended 31 December 2010.

19. Income Tax Expense

	Current Year Quarter ended 31/12/2010 RM'000	Current Year To-date 31/12/2010 RM'000
Income tax:		
Current Taxation	(528)	960
Deferred tax	78	79
	<u>(450)</u>	<u>1,039</u>

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 and shipping services due to the profit to offset against previous year losses for the quarter under review.

20. Sales of Unquoted Investments and Properties

There were no sales of unquoted investments and properties during the current quarter and for the financial year ended 31 December 2010.

21. 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.

22. Status of Corporate Proposals

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

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
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23. Borrowings (Secured)

	As at 31/12/2010 RM'000	As at 31/12/2009 RM'000
Short-term	-	2,332
Long-term	-	-
	<u>-</u>	<u>2,332</u>

24. Off Balance Sheet Financial Instruments

At 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>
USD	500,000	January to February 2011

As the foreign currency hedging contracts are to hedge the Group's export sales proceeds in the 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.

25. Changes in Material Litigation

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

26. Dividend Payable

No dividend has been recommended 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	
	31/12/2010	31/12/2009 (Restated)	31/12/2010	31/12/2009 (Restated)
Basic earnings per share				
Loss attributable to ordinary equity holders of the parent (RM'000)	(5,079)	(1,430)	(3,994)	(6,045)
Weighted average number of shares in issue ('000)	74,969	74,980	74,969	74,980
Basic earnings per share (Sen)	(6.77)	(1.91)	(5.33)	(8.06)
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A