

# **CYMAO HOLDINGS BERHAD**

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

**INTERIM**

**FINANCIAL STATEMENTS**

**FOR THE SECOND  
QUARTER ENDED**

**30 JUNE 2011**

**CYMAO HOLDINGS BERHAD**

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SECOND QUARTER ENDED 30 JUNE 2011 - UNAUDITED**

	3 months ended		6 months ended	
	30/6/2011	30/6/2010	30/6/2011	30/6/2010
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>				
Revenue	26,023	33,020	53,917	68,416
Cost of sales	(20,327)	(28,331)	(46,801)	(60,883)
<b>Gross profit</b>	5,696	4,689	7,116	7,533
Other income	477	177	577	296
Other operating expenses	(28)	(237)	(79)	(505)
Administrative expenses	(2,238)	(1,776)	(4,213)	(3,383)
Selling and marketing expenses	(1,281)	(1,820)	(2,585)	(3,773)
Interest income	36	4	45	15
Finance costs	(47)	(52)	(86)	(150)
<b>Profit before tax</b>	2,615	985	775	33
Income tax expense	(241)	(802)	(287)	(802)
<b>Profit/(loss) for the period</b>	2,374	183	488	(769)
<b>Other comprehensive income/(loss), net of tax</b>				
Currency translation differences arising from consolidation	311	(4)	(77)	(122)
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	2,685	179	411	(891)
<b>Income/(loss) attributable to:</b>				
Owners of the Company	2,374	183	488	(769)
Minority interest	-	-	-	-
<b>Profit/(Loss) for the period</b>	2,374	183	488	(769)
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	2,685	179	411	(891)
Minority interest	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	2,685	179	411	(891)
<b>Basic earnings per ordinary share (sen):</b>				
Profit/(Loss) from continuing operations	3.17	0.24	0.65	(1.03)
	3.17	0.24	0.65	(1.03)

*The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 JUNE 2011**

	<b>As At 30/6/2011 (Unaudited) RM'000</b>	<b>As At 31/12/2010 (Audited) RM'000</b>
<b>ASSETS</b>		
Property, plant and equipment	78,194	75,087
Timber concession right	693	2,714
Other receivables	2,410	7,204
Deferred tax assets	6,100	6,100
<b>Total non-current assets</b>	<b>87,397</b>	<b>91,105</b>
Inventories	36,134	37,974
Trade receivables	12,458	9,439
Other receivables	4,159	5,095
Tax refundable	1,533	746
Derivatives	-	11
Cash and bank balances	7,019	6,258
<b>Total current assets</b>	<b>61,303</b>	<b>59,523</b>
<b>Total assets</b>	<b>148,700</b>	<b>150,628</b>
<b>Equity</b>		
Share capital	75,000	75,000
Share premium	17,374	17,374
Treasury shares	(40)	(40)
Foreign currency translation reserve	41	118
Retained earnings	43,771	43,283
<b>Total equity</b>	<b>136,146</b>	<b>135,735</b>
<b>Liabilities</b>		
Borrowings - Long term	1,901	-
Deferred tax liability	1,656	1,656
<b>Total non-current liabilities</b>	<b>3,557</b>	<b>1,656</b>
Borrowings - Short term	986	-
Trade payables	2,867	3,984
Other payables	5,143	9,252
Tax payables	1	1
<b>Total current liabilities</b>	<b>8,997</b>	<b>13,237</b>
<b>Total liabilities</b>	<b>12,554</b>	<b>14,893</b>
<b>Total equity and liabilities</b>	<b>148,700</b>	<b>150,628</b>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>	<b>1.82</b>	<b>1.81</b>

*The Condensed Consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 SIX MONTHS ENDED 30 JUNE 2011**

	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	
<b>At 1 January 2011</b>	75,000	17,374	118	(40)	43,283	135,735	-	135,735
Purchase of treasury shares	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statement of a foreign entity	-	-	(77)	-	-	(77)	-	(77)
Profit for the period	-	-	-	-	488	488	-	488
<b>At 30 June 2011</b>	75,000	17,374	41	(40)	43,771	136,146	-	136,146
<b>At 1 January 2010</b>	75,000	17,374	173	(31)	47,438	139,954	-	139,954
Purchase of treasury shares	-	-	-	(6)	-	(6)	-	(6)
Exchange differences on translation of financial statement of a foreign entity	-	-	(122)	-	-	(122)	-	(122)
Loss for the period	-	-	-	-	(769)	(769)	-	(769)
<b>At 30 June 2010</b>	75,000	17,374	51	(37)	46,669	139,057	-	139,057

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 SIX MONTHS ENDED 30 JUNE 2011 – UNAUDITED**

	Six months ended	
	30/6/2011	30/6/2010
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	775	33
Adjustments for:		
Depreciation of property, plant and equipment	6,834	5,352
Depletion of forest crop	2,021	1,162
Interest income	(14)	(15)
Finance costs	83	150
Operating profit before working capital changes	9,699	6,682
Decrease/(Increase) in inventories	1,840	(374)
Decrease/(Increase) in receivables	2,723	(1,107)
Decrease in payables	(5,227)	(1,043)
Cash generated from operation	9,035	4,158
Interest paid	(83)	(150)
Taxes paid	(1,075)	(11)
Net cash generated from operating activities	7,877	3,997
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash acquired	-	(2,006)
Timber concession right	-	(530)
Movement in fixed deposits under pledged	40	(12)
Purchase of property, plant and equipment	(9,941)	(293)
Interest received	14	15
Net cash used in investing activities	(9,887)	(2,826)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank loan drawn down	2,000	-
Bankers' acceptance drawn down	1,621	5,281
Repayment of term loan	(33)	(1,331)
Repayment of bankers' acceptance	(700)	(4,053)
Purchase of treasury shares	-	(6)
Net cash generated from/(used in) financing activities	2,888	(109)
Net increase in cash and cash equivalents	878	1,062
Effects of exchange rate changes	(77)	(122)
Cash and cash equivalents at beginning of financial period	4,618	3,061
Cash and cash equivalents at end of financial period	5,419	4,001

**CYMAO HOLDINGS BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

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

	<b>As at 30/6/2011 RM'000</b>	<b>As at 30/6/2010 RM'000</b>
Cash on hand and at bank	3,056	4,000
Deposit with a licensed bank	<u>3,963</u>	<u>1,569</u>
Cash and bank balances	7,019	5,569
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,600)</u>	<u>(1,568)</u>
	<u>5,419</u>	<u>4,001</u>

*The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.*

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

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**1. Basis of Preparation**

The interim financial statements, other than for financial instruments, have been prepared under the historical cost convention. Financial instruments have been fair valued in accordance to FRS 139 Financial Instruments: Recognition and Measurement.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: 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 2010. 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 2010.

**2. Significant Accounting Policies**

The significant accounting policies adopted are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2010, except for the adoption of the following new Financial Reporting Standard (FRSs), Amendments to FRSs and IC interpretations which are applicable for the Group's financial period beginning 1 January 2011.

**2.1 Adoption of FRSs, Amendments to FRSs and IC Interpretations**

On 1 January 2011, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations:-

FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash – Settled Share-based Payment Transactions
FRS 3	Business Combinations (revised)
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 132	Financial Instruments: Presentation (paragraphs 11, 16 and 97E relating to classification of Right Issues)
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining whether an Arrangement Contains a Lease
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

**CYMAO HOLDINGS BERHAD**

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

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IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 13	Customer Loyalty Programmes
Amendments to IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfer of Assets from Customers
Improvements to FRSs (2010)	
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 3	Business Combinations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 13	Customer Loyalty Programmes
Technical Release 3:	Guidance on Disclosures of Transition to IFRSs
Technical Release 4:	Shariah Compliant Sale Contracts

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not have any significant effect on the financial performance, position or presentation of financial information of the Group, other than the enhanced disclosures about fair value measurement and liquidity risk required by Amendments to FRS 7 "Improving Disclosures about Financial Instruments". Such enhanced disclosures will be presented in the audited financial statements of the Group for the financial year ending 31 December 2011.

**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.

**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.



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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2011****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.

**8. Carrying Amount of Revalued Assets**

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2010 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

**9. Segmental Information**

	6 months ended	
	30/6/2011	30/6/2010
	RM'000	RM'000
<b>Segment Revenue</b>		
Revenue from continuing operations:		
Investment holding	-	-
Plywood manufacturing	77,801	94,019
Timber extraction	9,844	10,069
Shipping services	694	549
	<hr/>	<hr/>
Total revenue including inter-segment sales	88,339	104,637
Elimination of inter-segment sales	(34,422)	(36,221)
Total revenue from continuing operations	<hr/>	<hr/>
	53,917	68,416
<b>Segment Results</b>		
Results from continuing operations:		
Investment holding	(145)	(2,100)
Plywood manufacturing	2,617	(1,307)
Shipping services	(757)	(365)
Timber extraction	(909)	1,261
Others	(85)	1,974
	<hr/>	<hr/>
	721	(537)
Elimination	(233)	(232)
Total results from continuing operations	<hr/>	<hr/>
	488	(769)

**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 reporting quarter.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

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**12. Capital Commitments**

There were no capital commitments for the quarter ended 30 June 2011.

**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 2010 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	-	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 RM26 million which is 21% lower than the corresponding quarter of the preceding year. The Group's total sales volume was 14,512m<sup>3</sup> including the timber logs of 791m<sup>3</sup>, the plywood sales volume is 13,721m<sup>3</sup> or 26% lower than the corresponding quarter of the preceding financial year.

However, an improvement in the plywood prices average 18% during the quarter as compared with the corresponding quarter of the preceding year resulted in 7.7% improvement in the gross profit margin. The Group achieved a profit before taxation of RM2.6 million as compared with RM0.99 million in the corresponding quarter of the preceding year.

**16. Variation of Results Against Preceding Quarter**

The plywood prices increase by an average of 25% as compared with the preceding quarter whilst the log prices remained the same during the two quarters. The group registered a profit before taxation of RM2.6 million as compared with RM1.8 million loss in the preceding quarter.

**17. Commentary on Prospects**

Since the down grading of the United States of America's credit rating, the world markets have been reeling. The European economy is also grappling with its large and costly debts. The global economic outlook is uncertain. However, the Board has taken the precautionary measures to cushion the anticipated negative factors including the down sliding of the United States Dollar exchange rate. The plywood price has dropped by as much as 10% since the end of the second quarter. The blurry economic outlook makes it very difficult to foresee the performance of the Company for the year ending 2011. The third and fourth quarter results would not be as good as the second quarter.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

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**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 ending 31 December 2011.

**19. Income Tax Expense**

	<b>Current Year Quarter ended 30/6/2011 RM'000</b>	<b>Current Year To-date 30/6/2011 RM'000</b>
Income tax:		
Current Taxation	241	287
	<u>241</u>	<u>287</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. Even though the plywood manufacturing and shipping services have their respective adjusted taxable profit, each company has unutilised capital allowances and unabsorbed tax losses brought forward for offset against such taxable profits. Provision for income tax is not required.

**20. Sales of Unquoted Investments and Properties**

There were no sales of unquoted investments and properties during the current quarter.

**21. Purchases or Disposals of Quoted Securities**

There were no purchases or disposals of quoted securities during the current quarter.

**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.

**23. Borrowings (Secured)**

	<b>As at 30/06/2011 RM'000</b>	<b>As at 31/12/2010 RM'000</b>
Short-term	987	-
Long-term	1,901	-
	<u>2,888</u>	<u>-</u>

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

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**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 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 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	
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
Basic earnings per share				
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	2,374	183	488	(769)
Weighted average number of shares in issue ('000)	74,965	74,972	74,965	74,976
Basic earnings per share (Sen)	3.17	0.24	0.65	(1.03)
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A