

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE FOURTH
QUARTER ENDED**

31 DECEMBER 2011

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011 - UNAUDITED**

	3 months ended		12 months ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
		(Restated)		(Restated)
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	34,768	24,771	117,559	123,672
Cost of sales	(37,638)	(24,350)	(111,600)	(109,847)
Gross profit/(loss)	(2,870)	421	5,959	13,825
Other income	296	(138)	1,116	292
Other operating expenses	(256)	305	(480)	(278)
Administrative expenses	(3,943)	(3,130)	(10,559)	(8,343)
Selling and marketing expenses	(1,653)	(2,976)	(6,379)	(8,255)
Interest income	1	20	52	38
Finance costs	(47)	(7)	(236)	(218)
Loss before tax	(8,472)	(5,505)	(10,527)	(2,939)
Income tax expense	(994)	281	(3,627)	(1,208)
Loss for the period from continuing operations	(9,466)	(5,224)	(14,154)	(4,147)
Loss for the period	(9,466)	(5,224)	(14,154)	(4,147)
Other comprehensive (loss)/income, net of tax				
Currency translation differences arising from consolidation	201	202	239	(55)
	201	202	239	(55)
Total comprehensive loss	(9,265)	(5,022)	(13,915)	(4,202)
Loss attributable to:				
Owners of the Company	(9,466)	(5,224)	(14,154)	(4,147)
Minority interest	-	-	-	-
Loss for the period	(9,466)	(5,224)	(14,154)	(4,147)
Total comprehensive loss attributable to:				
Owners of the Company	(9,265)	(5,022)	(13,915)	(4,202)
Minority interest	-	-	-	-
Total comprehensive loss for the period	(9,265)	(5,022)	(13,915)	(4,202)
Basic earnings per ordinary share (sen):				
Loss from continuing operations	(12.63)	(6.97)	(18.88)	(5.53)
	(12.63)	(6.97)	(18.88)	(5.53)

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 31 DECEMBER 2011**

	As At 31/12/2011 (Unaudited) RM'000	As At 31/12/2010 (Audited) RM'000
ASSETS		
Property, plant and equipment	72,822	75,087
Land use right	269	-
Timber concession right	-	2,714
Other receivables	12	7,204
Deferred tax assets	3,133	6,100
Total non-current assets	76,236	91,105
Inventories	38,632	37,974
Trade receivables	14,111	9,439
Other receivables	6,854	5,095
Tax refundable	581	746
Derivatives	11	11
Cash and bank balances	8,025	6,258
Total current assets	68,214	59,523
Total assets	144,450	150,628
Equity		
Share capital	75,000	75,000
Share premium	17,374	17,374
Treasury shares	(40)	(40)
Foreign currency translation reserve	357	118
Retained earnings	29,129	43,283
Total equity	121,820	135,735
LIABILITIES		
Borrowings - Long term	1,861	-
Deferred tax liability	1,618	1,656
Total non-current liabilities	3,479	1,656
Borrowings - Short term	2,166	-
Trade payables	4,910	3,984
Other payables	12,074	9,252
Tax payables	1	1
Total current liabilities	19,151	13,237
Total liabilities	22,630	14,893
Total equity and liabilities	144,450	150,628
Net assets per share attributable to equity holders of the Company (RM)	1.62	1.81

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

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE TEWLVE MONTHS ENDED 31 DECEMBER 2011**

	Attributable to Owners of the Company							
	Non-Distributable				Distributable			
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
Balance at 1 January 2011	75,000	17,374	118	(40)	43,283	135,735	-	135,735
Exchange differences on translation of financial statement of a foreign entity	-	-	239	-	-	239	-	239
Total comprehensive loss for the period	-	-	-	-	(14,154)	(14,154)	-	(14,154)
Balance at 31 December 2011	75,000	17,374	357	(40)	29,129	121,820	-	121,820
Balance at 1 January 2010	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)
Total comprehensive loss for the period	-	-	-	-	(4,147)	(4,147)	-	(4,147)
Balance at 31 December 2010	75,000	17,374	118	(40)	43,283	135,735	-	135,735

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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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011 – UNAUDITED**

	Twelve months ended	
	31/12/2011	31/12/2010
	RM'000	RM'000
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(10,527)	(2,939)
Adjustments for:		
Depreciation of property, plant and equipment	12,692	11,317
Depletion of forest crop	2,715	4,148
Property, plant and equipment written off	-	1
Loss on disposal of equipment	2,357	-
Profit on disposal of plant & equipment	(4)	(77)
Impairment loss on property	-	259
Net fair value gain on derivatives	-	(19)
Net unrealised foreign exchange loss/(gain)	35	(57)
Amortisation of land use right	16	53
Bad debts written off	9	156
Interest income	(52)	(38)
Interest expense	137	39
Operating profit before working capital changes	7,378	12,843
Increase in inventories	(659)	(4,214)
(Increase)/decrease in receivables	(285)	3,311
Decrease in payables	3,748	3,993
Cash generated from operation	10,182	15,933
Interest paid	(137)	(39)
Taxes recovery	1,060	-
Taxes paid	(1,594)	(1,596)
Net cash generated from operating activities	9,511	14,298
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	15	(2,006)
Deposit for acquisition of machinery	-	(3,822)
Movement in fixed deposits under pledged	(31)	(87)
Purchase of property, plant and equipment	(12,182)	(4,592)
Proceeds from sales of equipment	207	125
Interest received	52	38
Net cash used in investing activities	(11,939)	(10,344)

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2011**

	Twelve months ended	
	31/12/2011	31/12/2010
	RM'000	RM'000
		(Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan drawn down	2,000	-
Bankers' acceptance drawn down	9,129	-
Repayment of term loan	(56)	(2,332)
Repayment of bankers' acceptance	(7,194)	-
Purchase of treasury shares	-	(10)
	<u>3,879</u>	<u>(2,342)</u>
Net cash generated from/(used in) financing activities	3,879	(2,342)
Net increase in cash and cash equivalents	1,451	1,612
Effects of exchange rate changes	135	(55)
Cash and cash equivalents at beginning of financial period	<u>4,618</u>	<u>3,061</u>
Cash and cash equivalents at end of financial period	<u>6,204</u>	<u>4,618</u>

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

	As at	As at
	31/12/2011	31/12/2010
	RM'000	RM'000
Cash on hand and at bank	5,325	2,417
Bank overdraft	(149)	-
Deposit with a licensed bank	<u>2,700</u>	<u>3,842</u>
Cash and bank balances	7,876	6,259
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,672)</u>	<u>(1,641)</u>
	<u>6,204</u>	<u>4,618</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 FOURTH QUARTER ENDED 31 DECEMBER 2011**

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
IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 13	Customer Loyalty Programmes

CYMAO HOLDINGS BERHAD

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011

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.

6. Changes in Estimates

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

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**

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

No segmental information has been presented as the Group is principally involved in the production of plywood in Malaysia.

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.

12. Capital Commitments

There were no capital commitments for the quarter ended 31 December 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
	<u> </u>	<u> </u>

14. 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 FOURTH QUARTER ENDED 31 DECEMBER 2011

15. Performance Review

The Group achieved sales revenue of RM35 million which is 40% higher than the corresponding quarter of the preceding year. Total sales volume for the quarter was 21,367m³ with timber logs accounted for 669m³ and plywood contributed 20,698m³. Logs sales revenue was 78% lower and plywood sales value was 37% higher compared with the corresponding quarter of the preceding year.

The timber concession expired in November 2011. All the timber in the concession area had been harvested. As it was at the tail end of the concession, the logs obtained were of small size and low quality of which a substantial reduction in selling price was given on their disposal compared with top quality logs. The volume harvested was insufficient for internal consumption. Purchase of logs from outside suppliers increased from 3,900 m³ to 28,000m³ during the quarter and the price paid was 35% higher compared with the corresponding quarter of the preceding year. In addition, the goods in the wholly-owned subsidiary, Xuzhou Richwood Co., Ltd. ("Xuzhou") which was incorporated in the People's Republic of China and Hanswood Corporation ("Hanwood") which was incorporated in Taiwan Republic of China were sold below cost of sales by RM1.5 million and RM0.69 million respectively. All these factors resulted in the gross loss of RM2.85 million.

During the current quarter, the Group disposed off all the properties, plant and equipment in Xuzhou. Loss on disposal was Renminbi 5 million or equivalent to RM2.4 million. Taking this one-off loss into account, the current quarter recorded a loss before taxation of RM8.45 million compared with RM5.5 million suffered 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 RM8.45 million compared to RM2.8 million for the preceding quarter. This loss is mainly due to the loss on disposal of all the assets in Xuzhou Richwood Co., Ltd. amounted to RM2.4 million as well as certain stocks sold below cost of sales as mentioned in Note 15. In addition, log prices from outside suppliers increased by an average of 5% and the need to write down the inventories of finished products to Net Realisable Value by RM1.9 million due to the declining US Dollar exchange rate with no proportionate increase in the US Dollar dominated export sales.

17. Commentary on Prospects

The demand and pricing of the plywood is expected to remain at the same level for the next quarter in view of the current unstable world economy. The Group is actively seeking for new timber concession for its own consumption. The Group is also consciously endeavouring to strengthen its competitive advantage in term of quality, recovery rate and operational efficiency to improve the margin of our products.

The Board remains confident in the long term prospects of the timber industry and feasibility of the Group's business.

18. Profit Forecast/Profit Guarantee

The disclosure requirements 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 2011.

CYMAO HOLDINGS BERHAD

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

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011**
19. Additional disclosure – Loss before tax

	3 months ended		12 months ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
Loss before tax is arrived at after charging/(crediting):				
Amortisation and depreciation	3,026	4,837	15,423	15,518
Bad debts written off	9	156	9	156
Impairment loss on property	-	259	-	259
Interest expense	47	7	137	39
Interest income	(1)	(20)	(52)	(38)
Loss on disposal of plant and equipment	2,357	-	2,357	-
Net fair value gain on derivatives	-	(19)	-	(19)
Net unrealised foreign exchange (gain)/loss	35	(57)	35	(57)
Profit on disposal of plant & equipment	(4)	(77)	(4)	(77)
Property, plant and equipment written off	-	1	-	1

There were no impairment loss on receivable, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investment and other exceptional items for the current quarter under review and financial year-to-date.

20. Tax Expense

	Current Year	Current Year
	Quarter ended	To-date
	31/12/2011	31/12/2011
	RM'000	RM'000
Income tax:		
Current Taxation	326	671
Deferred tax	668	2,956
	<u>994</u>	<u>3,627</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 for these subsidiaries is not required.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2011****21. Retained Earnings**

	As at 31/12/2011 RM'000	As at 31/12/2010 RM'000
Total retained earning of the Company and its subsidiaries		
- Realised	46,612	62,655
- Unrealised	3,040	5,968
	<u>49,652</u>	<u>68,623</u>
Less: Consolidation adjustments	<u>(20,523)</u>	<u>(25,341)</u>
Total Group retained earnings as per consolidated financial statements	<u>29,129</u>	<u>43,282</u>

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

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)

	As at 31/12/2011 RM'000	As at 31/12/2010 RM'000
Short-term	2,166	-
Long-term	1,861	-
	<u>4,027</u>	<u>-</u>

24. Changes in Material Litigation

Save for the outstanding material litigations as disclosed below, there are no other material litigations involving the Group:

A potential claim by Amsarudin Enterprise ("Amsarudin") against the Company's subsidiary Inovwood Sdn. Bhd. ("Inovwood") for the amount outstanding and owing to Amsarudin for the purchase of 1,421.95 m³ Sabah round logs consisted of 36cm – 45cm in diameter comprising species of mixed OT pursuant to the Sales and Purchase Agreement ("the Agreement") in writing dated 10th August 2011. Amsarudin had vide its solicitors on 9th November 2011 served a notice of demand for the outstanding amount of RM193,926.50 ("Outstanding Sum") on Inovwood, of which Inovwood is disputing.

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 FOURTH QUARTER ENDED 31 DECEMBER 2011****24. 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	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Basic earnings per share				
Loss attributable to ordinary equity holders of the parent (RM'000)	(9,466)	(5,224)	(14,154)	(4,147)
Weighted average number of shares in issue ('000)	74,964	74,971	74,964	74,973
Basic earnings per share (Sen)	(12.63)	(6.97)	(18.88)	(5.53)
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A