

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE SECOND
QUARTER ENDED**

30 JUNE 2012

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2012 - UNAUDITED**

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Continuing Operations				
Revenue	27,164	26,023	60,598	53,917
Cost of sales	(27,319)	(20,327)	(58,367)	(46,801)
Gross (loss)/profit	(155)	5,696	2,231	7,116
Other income	980	477	1,416	577
Other operating expenses	(711)	(28)	(873)	(79)
Administrative expenses	(1,850)	(2,249)	(4,306)	(4,256)
Selling and marketing expenses	(1,154)	(1,281)	(2,490)	(2,585)
Interest income	1	36	2	45
Finance costs	(13)	(36)	(137)	(43)
(Loss)/profit before tax	(2,902)	2,615	(4,157)	775
Income tax expense	(781)	(241)	(1,543)	(287)
(Loss)/profit for the period	(3,683)	2,374	(5,700)	488
Other comprehensive (loss)/income, net of tax				
Currency translation differences arising from consolidation	(142)	311	(176)	(77)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(3,825)	2,685	(5,876)	411
(Loss)/income attributable to:				
Owners of the Company	(3,683)	2,374	(5,700)	488
Non-controlling interest	-	-	-	-
(Loss)/income for the period	(3,683)	2,374	(5,700)	488
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(3,825)	2,685	(5,876)	411
Non-controlling interest	-	-	-	-
Total comprehensive (loss)/income for the period	(3,825)	2,685	(5,876)	411
Basic earnings per ordinary share (sen):				
(Loss)/income from continuing operations	(4.91)	3.17	(7.60)	0.65

The above Condensed Consolidated Income Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

	As At 30/6/2012 RM'000	As At 31/12/2011 (restated) RM'000	As At 1/1/2011 (restated) RM'000
ASSETS			
Property, plant and equipment	65,438	71,906	73,912
Land use right	1,095	1,122	1,175
Timber concession right	-	-	2,715
Other receivables	52	52	7,204
Deferred tax assets	1,556	3,081	6,100
Total non-current assets	68,141	76,161	91,106
Inventories	43,751	38,633	37,974
Trade receivables	12,764	14,111	9,439
Other receivables	8,935	6,849	5,095
Tax refundable	494	581	746
Derivatives	-	-	11
Cash and bank balances	5,336	8,231	6,258
Total current assets	71,280	68,405	59,523
Total assets	139,421	144,566	150,629
Equity			
Share capital	75,000	75,000	75,000
Share premium	17,374	17,374	17,374
Treasury shares	(40)	(40)	(40)
Foreign currency translation reserve	(65)	111	-
Retained earnings	23,589	29,289	43,401
Total equity	115,858	121,734	135,735
LIABILITIES			
Borrowings - Long term	1,861	1,861	-
Deferred tax liability	1,618	1,618	1,656
Total non-current liabilities	3,479	3,479	1,656
Borrowings - Short term	4,011	2,166	-
Trade payables	6,591	4,910	3,984
Other payables	9,482	12,276	9,253
Tax payables	-	1	1
Total current liabilities	20,084	19,353	13,238
Total liabilities	23,563	22,832	14,894
Total equity and liabilities	139,421	144,566	150,629
Net assets per share attributable to owners of the Company (RM)	1.54	1.62	1.81

* Upon the adoption of the MFRS framework, the consolidated statement of financial position as at 31 December 2011 has been restated.

The above Condensed Consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	Attributable to Equity Holders of the Parent					Total Equity RM'000
	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	
At 1 January 2011 (restated)	75,000	17,374	-	(40)	43,401	135,735
Total comprehensive income for the year	-	-	(77)	-	488	411
At 30 June 2011 (restated)	75,000	17,374	(77)	(40)	43,889	136,146
At 1 January 2012 (restated)	75,000	17,374	111	(40)	29,289	121,734
Total comprehensive income for the year	-	-	(176)	-	(5,700)	(5,876)
At 30 June 2012	75,000	17,374	(65)	(40)	23,589	115,858

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

CYMAO HOLDINGS BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE 2012 – UNAUDITED**

	Six months ended	
	30/6/2012	30/6/2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(4,157)	775
Adjustments for:		
Depreciation of property, plant and equipment	6,873	6,834
Depletion of forest crop	-	2,021
Equipment written off	405	-
Interest income	(2)	(45)
Finance costs	137	43
Operating profit before working capital changes	<u>3,256</u>	<u>9,628</u>
(Increase)/decrease in inventories	(5,119)	1,840
(Increase)/decrease in receivables	(739)	2,723
Decrease in payables	<u>(1,113)</u>	<u>(5,227)</u>
Cash (used in)/generated from operation	(3,715)	8,964
Interest paid	(137)	(43)
Taxes recovery	87	-
Taxes paid	<u>(19)</u>	<u>(1,075)</u>
Net cash (used in)/generated from operating activities	<u>(3,784)</u>	<u>7,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Movement in fixed deposits under pledged	178	40
Purchase of property, plant and equipment	(783)	(9,941)
Interest received	2	45
Net cash used in investing activities	<u>(603)</u>	<u>(9,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan drawn down	-	2,000
Bankers' acceptance drawn down	4,650	1,621
Repayment of term loan	(42)	(33)
Repayment of bankers' acceptance	<u>(2,614)</u>	<u>(700)</u>
Net cash generated from financing activities	<u>1,994</u>	<u>2,888</u>
Net (decrease)/increase in cash and cash equivalents	(2,393)	878
Effects of exchange rate changes	(176)	(77)
Cash and cash equivalents at beginning of financial period	<u>6,204</u>	<u>4,618</u>
Cash and cash equivalents at end of financial period	<u>3,635</u>	<u>5,419</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

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

	As at 30/6/2012 RM'000	As at 30/6/2011 RM'000
Cash in hand and at bank	3,635	3,056
Deposit with a licensed bank	<u>1,701</u>	<u>3,963</u>
Cash and bank balances	5,336	7,019
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,701)</u>	<u>(1,600)</u>
	<u><u>3,635</u></u>	<u><u>5,419</u></u>

The above Condensed Consolidated Cash Flow Statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

1. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS)

These condensed consolidated interim financial statements (Condensed Report) have been prepared in accordance with *MFRS 134: Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad. This Condensed Report also complies with *IAS 34: Interim Financial Reporting* issued by the International Accounting Standards Board (IASB). For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs).

This Condensed Report is the Group's first MFRS compliant Condensed Report and hence *MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards* (MFRS 1) has been applied.

The date of transition to the MFRS framework is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from FRS to MFRS is described in Note 2.1 below.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business combination

MFRS1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combination under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be nil as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences of RM118,302 (30 June 2011: RM118,302; 31 December 2011: RM118,302) were adjusted to retained earnings.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012**

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

Reconciliation of equity as at 1 January 2011

RM'000	FRS as at 01.01.2011	Reclassification	MFRS as at 01.01.2011
Equity			
Foreign currency translation reserve	118	(118)	-
Retained earnings	43,283	118	43,401

Reconciliation of equity as at 30 June 2011

RM'000	FRS as at 30.06.2011	Reclassification	MFRS as at 30.06.2011
Equity			
Foreign currency translation reserve	41	(118)	(77)
Retained earnings	43,771	118	43,889

Reconciliation of equity as at 31 December 2011

RM'000	FRS as at 31.12.2011	Reclassification	MFRS as at 31.12.2011
Equity			
Foreign currency translation reserve	229	(118)	111
Retained earnings	29,171	118	29,289

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

2.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after	
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

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.

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 SECOND QUARTER ENDED 30 JUNE 2012****8. Carrying Amount of Revalued Assets**

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2011 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

9. Segmental Information

The Group's main business activities are manufacturing and sale of plywood products which are principally located in Malaysia and Taiwan Republic of China.

Performance is measured based on segment profit before tax as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry.

	Malaysia	Taiwan Republic of China	Others	Elimination on inter- segment transactions and balance	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment loss	(3,767)	(1,962)	(13)	42	(5,700)
Included in the measure of segment profit/(loss) are:					
Revenue from external customers	53,966	7,549	-	-	61,515
Inter-segment revenue	25,139	251	-	(25,390)	-
Depreciation/Amortisation	6,391	393	-	89	6,873
Segment assets	263,456	14,032	749	(138,816)	139,421
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments	368	414	-	-	782
Segment liabilities	53,777	15,740	-	(45,955)	23,562

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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 30 June 2012.

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 2011 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

The Group achieved sales revenue of RM27 million which is 4% higher than the corresponding quarter of the preceding year. Total plywood sales volume for the quarter was 16,998.87m³ or 32% higher against the previous year corresponding quarter. There were no logs sales recorded for the current quarter ended.

For the quarter under review, the Group paid an average 25% to 30% more for the logs sourced from outside for plywoods production as all the timbers in the concession had been extracted. In addition, certain plywoods had to be outsourced to fulfill particular orders; a total of 1,468.3 m³ were purchased at an average price of 28 % above the Group's inventory cost. These factors resulted in our overall gross loss of RM 155,000. The Group suffered a loss before tax of RM 2.9 million compared with RM2.6 million profit before tax for the correspondence quarter of the preceding year.

16. Variation of Results Against Preceding Quarter

The Group's current quarter registered a loss before taxation of RM2.9 million which is higher than the preceding quarter due to the volume shipped decreased by 13% coupled with the high operation cost incurred during the quarter under review.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012**
17. Commentary on Prospects

The Group is consciously endeavouring to strengthen its competitive advantage in term of quality, recovery rate and operational efficiency to improve the margin of our products. Baring any unforeseen circumstances, 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 ending 31 December 2012.

19. Additional disclosure – Loss before tax

	3 months ended		6 months ended	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Loss/(profit) before tax is arrived at after charging/(crediting):				
Amortisation and depreciation	2,913	4,859	6,873	8,855
Interest expense	13	36	137	43
Interest income	(1)	(36)	(2)	(45)

There were no impairment loss on receivables, 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
	30/6/2012	30/6/2012
	RM'000	RM'000
Income tax:		
Current Taxation	18	18
Deferred tax	763	1,525
	<u>781</u>	<u>1,543</u>

The current tax charge is in respect of interest income which is assessed separately.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012****21. Retained Earnings**

	As at 30/06/2012 RM'000	As at 31/12/2011 (restated) RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	47,380	51,715
- Unrealised	(3,128)	(1,603)
	<u>44,252</u>	<u>50,112</u>
Less: Consolidation adjustments	(20,663)	(20,823)
	<u>23,589</u>	<u>29,289</u>
Total Group retained earnings as per consolidated financial statements	<u>23,589</u>	<u>29,289</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 30/06/2012 RM'000	As at 31/12/2011 RM'000
Short-term	4,011	2,166
Long-term	1,861	1,861
	<u>5,872</u>	<u>4,027</u>

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 SECOND QUARTER ENDED 30 JUNE 2012****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	
	30/06/2012	30/06/2011	Ended 30/06/2012	30/06/2011
Basic earnings per share				
(Loss)/profit attributable to ordinary equity holders of the parent (RM'000)	(3,683)	2,374	(5,700)	488
Weighted average number of shares in issue ('000)	74,964	74,964	74,964	74,964
Basic earnings per share (Sen)	(4.91)	3.17	(7.60)	0.65
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A