

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE THIRD
QUARTER ENDED**

30 SEPTEMBER 2012

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012 - UNAUDITED**

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30/9/2012 RM'000	30/9/2011 RM'000 (Restated)	30/9/2012 RM'000	30/9/2011 RM'000 (Restated)
Continuing Operations				
Revenue	30,932	28,874	91,530	82,791
Cost of sales	(31,801)	(27,161)	(90,168)	(73,962)
Gross (loss)/profit	(869)	1,713	1,362	8,829
Other income	354	243	1,770	820
Other operating expenses	(612)	(145)	(1,485)	(224)
Administrative expenses	(1,830)	(2,459)	(6,136)	(6,715)
Selling and marketing expenses	(1,943)	(2,141)	(4,433)	(4,726)
Interest income	23	6	25	51
Finance costs	(20)	(47)	(157)	(90)
Loss before tax	(4,897)	(2,830)	(9,054)	(2,055)
Income tax expense	(762)	(2,346)	(2,305)	(2,633)
Loss for the period	(5,659)	(5,176)	(11,359)	(4,688)
Other comprehensive loss, net of tax				
Currency translation differences arising from consolidation	130	115	(46)	38
Total comprehensive loss attributable to:				
Owners of the Company	(5,529)	(5,061)	(11,405)	(4,650)
Loss attributable to:				
Owners of the Company	(5,659)	(5,176)	(11,359)	(4,688)
Non-controlling interest	-	-	-	-
Loss for the period	(5,659)	(5,176)	(11,359)	(4,688)
Total comprehensive loss attributable to:				
Owners of the Company	(5,529)	(5,061)	(11,405)	(4,650)
Non-controlling interest	-	-	-	-
Total comprehensive loss for the period	(5,529)	(5,061)	(11,405)	(4,650)
Basic earnings per ordinary share (sen):				
Loss from continuing operations	(7.55)	(6.90)	(15.15)	(6.25)

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 SEPTEMBER 2012**

	As At 30/9/2012 RM'000	As At 31/12/2011 (restated) RM'000	As At 1/1/2011 (restated) RM'000
ASSETS			
Property, plant and equipment	62,092	71,906	73,912
Land use right	1,082	1,122	1,175
Timber concession right	-	-	2,715
Other receivables	52	52	7,204
Deferred tax assets	793	3,081	6,100
Total non-current assets	64,019	76,161	91,106
Inventories	35,358	38,633	37,974
Trade receivables	15,110	14,111	9,439
Other receivables	9,158	6,849	5,095
Tax refundable	388	581	746
Derivatives	-	-	11
Cash and bank balances	4,797	8,231	6,258
Total current assets	64,811	68,405	59,523
Total assets	128,830	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	17,930	29,289	43,401
Total equity	110,329	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	3,871	2,166	-
Trade payables	5,555	4,910	3,984
Other payables	5,596	12,276	9,253
Tax payables	-	1	1
Total current liabilities	15,022	19,353	13,238
Total liabilities	18,501	22,832	14,894
Total equity and liabilities	128,830	144,566	150,629
Net assets per share attributable to owners of the Company (RM)	1.47	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.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 loss for the period	-	-	38	-	(4,688)	(4,650)
At 30 September 2011 (restated)	75,000	17,374	38	(40)	38,713	131,085
At 1 January 2012 (restated)	75,000	17,374	111	(40)	29,289	121,734
Total comprehensive loss for the period	-	-	(46)	-	(11,359)	(11,405)
At 30 September 2012	75,000	17,374	65	(40)	17,930	110,329

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.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 – UNAUDITED**

	Nine months ended	
	30/9/2012	30/9/2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(9,054)	(2,055)
Adjustments for:		
Depreciation of property, plant and equipment	9,688	9,682
Depletion of forest crop	-	2,715
Loss on disposal of plant and equipment	34	-
Interest income	(25)	(51)
Finance costs	157	90
Operating profit before working capital changes	800	10,381
Decrease/(Increase) in inventories	3,274	(3,056)
(Increase)/decrease in receivables	(3,308)	1,927
Decrease in payables	(6,035)	(800)
Cash (used in)/generated from operation	(5,269)	8,452
Interest paid	(157)	(90)
Taxes recovery	201	99
Taxes paid	(27)	(1,095)
Net cash (used in)/generated from operating activities	(5,252)	7,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	-	15
Movement in fixed deposits under pledged	159	(31)
Purchase of property, plant and equipment	(1,261)	(11,072)
Proceeds from sales of equipment	1,393	-
Interest received	25	51
Net cash generated from/(used in) investing activities	316	(11,037)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan drawn down	-	2,000
Bankers' acceptance drawn down	7,342	3,955
Repayment of term loan	(63)	(36)
Repayment of bankers' acceptance	(5,456)	(1,621)
Net cash generated from financing activities	1,823	4,298
Net (decrease)/increase in cash and cash equivalents	(3,113)	627
Effect of exchange rate changes on cash and cash equivalents	(45)	48
Cash and cash equivalents at beginning of financial period	6,204	4,618
Cash and cash equivalents at end of financial period	3,046	5,293

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

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

	As at 30/9/2012 RM'000	As at 30/9/2011 RM'000
Cash in hand and at bank	3,077	5,294
Bank overdraft	(31)	-
Deposit with a licensed bank	<u>1,720</u>	<u>1,671</u>
Cash and bank balances	4,766	6,965
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,720)</u>	<u>(1,672)</u>
	<u>3,046</u>	<u>5,293</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2011

RM'000	FRS as at 30.09.2011	Reclassification	MFRS as at 30.09.2011
Equity			
Foreign currency translation reserve	156	(118)	38
Retained earnings	38,595	118	38,713

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 THIRD QUARTER ENDED 30 SEPTEMBER 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 loss 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	(6,421)	(1,960)	(13)	(660)	(9,054)
Included in the measure of segment profit/(loss) are:					
Revenue from external customers	81,217	10,313	-	-	91,530
Inter-segment revenue	42,518	709	-	(43,227)	-
Depreciation/Amortisation	8,971	628	-	89	9,688
Segment assets	257,536	9,122	749	(137,875)	129,532
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments	1,663	414	-	(816)	1,261
Segment liabilities	52,816	10,697	-	(45,013)	18,500

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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	-	10,000

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 RM31 million which is 7% higher than the corresponding quarter of the preceding year. Total plywood sales volume for the quarter was 18,232.39m³ or 1% higher against the previous year corresponding quarter. There were no logs sales recorded for the current quarter ended.

For the quarter under review, the company has intention to cease operation in Hanswood Corporation ("Hanswood") the wholly-owned subsidiary which was incorporated in Taiwan Republic of China. Therefore, the company is currently trying to clear the stocks by selling at discounted price to customers. This resulted the goods sold in Hanswood is below cost of sales by RM0.3 million.

In addition, the export sales in the wholly-owned subsidiaries, Cymao Plywood Sdn. Bhd. and Inovwood Sdn. Bhd. are significantly impacted by the fluctuating and downward trending of the United States Dollar ("USD"). The plywood pricing purchased from domestic outsource was increased by 10% coupled with the volume was significantly increased from 186.96 m³ to 1,927.74 m³. All these factors resulted in our overall gross loss of RM0.87 million. The Group suffered a loss before tax of RM 4.9 million compared with RM2.9 million for the corresponding quarter of the preceding year.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**
16. Variation of Results Against Preceding Quarter

The Group's current quarter registered a loss before taxation of RM4.9 million which is higher than the preceding quarter. This is mainly due to the goods sold as stock clearance with discounted price to customers in Hanswood. In addition, the fluctuating and downward trending of the USD vis-à-vis the Malaysian Ringgit coupled with the high operation cost incurred have further dampened the current quarter results.

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. Barring any unforeseen circumstances, the Board remain 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		9 months ended	
	30/9/2012	30/9/2011	30/9/2012	30/9/2011
	RM'000	RM'000	RM'000	RM'000
Loss/(profit) before tax is arrived at after charging/(crediting):				
Amortisation and depreciation	2,815	3,542	9,688	12,397
Interest expense	20	47	156	90
Interest income	(23)	(6)	(25)	(51)
Loss on disposal of plant and equipment	34	-	34	-

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 Quarter ended 30/9/2012 RM'000	Current Year To-date 30/9/2012 RM'000
Income tax:		
Current Taxation	-	18
Deferred tax	762	2,287
	<u>762</u>	<u>2,305</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 THIRD QUARTER ENDED 30 SEPTEMBER 2012**

21. Retained Earnings

	As at 30/09/2012	As at 31/12/2011 (restated)
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	43,185	51,715
- Unrealised	(3,891)	(1,603)
	<u>39,294</u>	<u>50,112</u>
Less: Consolidation adjustments	(21,364)	(20,823)
	<u>17,930</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 30/09/2012	As at 31/12/2011
	RM'000	RM'000
Short-term	3,871	2,166
Long-term	1,861	1,861
	<u>5,732</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 THIRD QUARTER ENDED 30 SEPTEMBER 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	
	30/09/2012	30/09/2011	Ended 30/09/2012	Ended 30/09/2011
Basic earnings per share				
Loss attributable to ordinary equity holders of the parent (RM'000)	(5,659)	(5,176)	(11,359)	(4,688)
Weighted average number of shares in issue ('000)	74,964	74,964	74,964	74,964
Basic earnings per share (Sen)	(7.55)	(6.90)	(15.15)	(6.25)
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A