

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE SECOND
QUARTER ENDED**

30TH JUNE 2006

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SECOND QUARTER ENDED 30TH JUNE 2006**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/6/2006 RM'000	Preceding Year Corresponding Quarter 30/6/2005 RM'000	Current Year To-date 30/6/2006 RM'000	Preceding Year Corresponding Period 30/6/2005 RM'000
Continuing Operations				
Revenue	72,867	56,310	122,731	104,982
Cost of sales	<u>(57,156)</u>	<u>(42,770)</u>	<u>(98,661)</u>	<u>(77,589)</u>
Gross profit	15,711	13,540	24,070	27,393
Other income	423	3	1,640	5
Administrative expenses	(1,678)	(1,328)	(3,220)	(2,743)
Selling and marketing expenses	(7,845)	(9,020)	(12,582)	(17,134)
Interest income	76	9	119	26
Finance costs	<u>(449)</u>	<u>(79)</u>	<u>(1,050)</u>	<u>(79)</u>
Profit before tax	6,238	3,125	8,977	7,468
Income tax expense	<u>(88)</u>	<u>65</u>	<u>489</u>	<u>2,418</u>
Profit for the period from continuing operations	6,150	3,190	9,466	9,886
Profit for the period	<u>6,150</u>	<u>3,190</u>	<u>9,466</u>	<u>9,886</u>
Attributable to:				
Equity holders of the parent	<u>6,150</u>	<u>3,190</u>	<u>9,466</u>	<u>9,886</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for the profit from continuing operations	9.77	5.32	15.03	16.48
Basic, for profit for the period	<u>9.77</u>	<u>5.32</u>	<u>15.03</u>	<u>16.48</u>

Note:

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

CYMAO HOLDINGS BERHAD

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2006

	As At 30/6/2006 (Unaudited) RM'000	As At 31/12/2005 (Audited) RM'000 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	86,232	42,522
Deferred tax assets	4,956	2,684
	<u>91,188</u>	<u>45,206</u>
Current assets		
Inventories	43,995	35,900
Trade receivables	38,000	35,132
Other receivables	18,448	39,878
Tax refundable	145	23
Cash and bank balances	11,838	11,405
	<u>112,426</u>	<u>122,338</u>
TOTAL ASSETS	<u>203,614</u>	<u>167,544</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	75,000	60,000
Share premium	17,374	32,418
Retained earnings	62,280	55,814
Total equity	<u>154,654</u>	<u>148,232</u>
Non-current liabilities		
Borrowings	12,559	6,329
Deferred tax liability	4,699	-
	<u>17,258</u>	<u>6,329</u>
Current liabilities		
Borrowings	14,028	4,536
Trade payables	9,470	3,632
Other payables	8,151	4,815
Tax payables	53	-
	<u>31,702</u>	<u>12,983</u>
Total liabilities	<u>48,960</u>	<u>19,312</u>
TOTAL EQUITY AND LIABILITIES	<u>203,614</u>	<u>167,544</u>
Net Assets Per Share (RM)	2.06	2.47

Note:

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 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 SECOND QUARTER ENDED 30TH JUNE 2006

	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Total RM'000
At 1st January 2005	60,000	32,418	19,253	111,671
Net profit for the period	-	-	9,886	9,886
At 30th June 2005	<u>60,000</u>	<u>32,418</u>	<u>29,139</u>	<u>121,557</u>
At 1st January 2006				
As previously stated	60,000	32,418	31,004	123,422
Effect of adopting FRS 3	-	-	24,810	24,810
At 1st January 2006 (restated)	<u>60,000</u>	<u>32,418</u>	<u>55,814</u>	<u>148,232</u>
Bonus issue	15,000	(15,000)	-	-
Bonus shares listing expenses	-	(44)	-	(44)
Profit for the period	-	-	9,466	9,466
Dividend paid	-	-	(3,000)	(3,000)
At 30th June 2006	<u>75,000</u>	<u>17,374</u>	<u>62,280</u>	<u>154,654</u>

Note:

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

CYMAO HOLDINGS BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

	Current Year To-date 30/6/2006 RM'000	Preceding Year Corresponding Period 30/6/2005 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,977	7,468
Adjustments for:		
Depreciation of property, plant and equipment	5,617	3,792
Negative goodwill arising from business combination	(1,198)	-
Interest income	(119)	(26)
Finance costs	1,320	79
Operating profit before working capital changes	14,597	11,313
Increase in inventories	(1,948)	(10,076)
Decrease / (increase) in receivables	18,867	(13,708)
(Decrease)/increase in payables	(13,470)	610
Cash generated from / (used in) operation	18,046	(11,861)
Interest paid	(1,320)	(79)
Taxes paid	(11)	(21)
Net cash generated from/(used in) operating activities	16,715	(11,961)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	(16,000)	(4)
Payment of bonus share listing expenses	(44)	-
Purchase of property, plant and equipment	(6,331)	(2,214)
Proceeds from sales of equipment	7	-
Interest received	119	26
Net cash used in investing activities	(22,249)	(2,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan drawn down	24,566	13,193
Repayment of term loan	(16,272)	-
Dividend paid	(3,000)	-
Net cash generated from financing activities	5,294	13,193
Net decrease in cash and cash equivalents	(240)	(960)
Cash and cash equivalents at beginning of financial period	12,078	11,155
Cash and cash equivalents at end of financial period	11,838	10,195
Cash and cash equivalents at the end of financial period comprise the followings:		
	As at 30/6/2006 RM'000	As at 30/6/2005 RM'000
Cash on hand and at bank	5,053	6,875
Deposit with a licensed bank	6,785	3,320
Cash and bank balances	11,838	10,195
Less: Deposit with a licensed bank pledged for bank guarantees	(1,784)	(1,319)
	10,054	8,876

Note:

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

1. Basis of Preparation

The interim financial statements 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 134: Interim Financial Reporting and Appendix 9B of the 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 2005. 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 the year ended 31 December 2005.

2. Changes in the Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standard (“FRS”) effective for financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS101	Presentation of Financial Statements
FRS102	Inventories
FRS108	Accounting Policies, Changes in Estimates and Errors
FRS110	Events after the Balance Sheet Date
FRS116	Property, Plant and Equipment
FRS121	The Effects of Changes in Foreign Exchange Rates
FRS127	Consolidated and Separate Financial Statements
FRS132	Financial Instruments: Disclosure and Presentation
FRS133	Earnings Per Share
FRS136	Impairment of Assets

The adoption of FRS 101, 102, 108, 110, 116, 121, 127, 132 and 133 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) **FRS 3: Business Combinations and FRS 136: Impairment of Assets**

The new FRS 3 has resulted in consequential amendment to FRS 136.

Under FRS 3, any excess of the Group’s interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as “negative goodwill”), after reassessment, is now recognised immediately in profit or loss. Prior to 1st January 2006, negative goodwill was presented separately in the balance sheet. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1st January 2006 of RM24,810,169 was derecognised with a corresponding increase in retained earnings.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

3. Comparative

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously Stated RM'000	Adjustment FRS 3 RM'000	Restated RM'000
As at 31 December 2005			
Retained earnings	31,004	24,810	55,814

4. Auditors' report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

5. Segmental Information

	6 months ended	
	30/6/2006 RM'000	30/6/2005 RM'000
Segment Revenue		
Revenue from continuing operations:		
Investment holding	3,500	-
Plywood manufacturing	169,778	104,982
Shipping services	1,244	147
Total revenue including inter-segment sales	174,522	105,129
Elimination of inter-segment sales	(51,791)	(147)
Total revenue from continuing operations	122,731	104,982
Segment Results		
Results from continuing operations:		
Investment holding	1,820	(317)
Plywood manufacturing	8,345	10,135
Shipping services	406	68
Others	1,198	-
	11,769	9,886
Elimination	(2,303)	-
Total results from continuing operations	9,466	9,886

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

6. Unusual Items due to their Nature, Size or Incident

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30th June 2006 except as disclosed in Note 2.

7. Changes in Estimates

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

8. Comments about Seasonal or Cyclical Factors

The Group's business operation and performance are to a certain extent affected by weather conditions especially on the supply of logs.

9. Dividend Paid

A final tax-exempt dividend of 5 sen per share on 60,000,000 ordinary shares amounted to RM3,000,000 in respect of the financial year ended 31st December 2005 was declared on 5th April 2006 paid on 18th May 2006.

10. Carrying Amount of Revalued Assets

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2005 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date .

11. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date.

On 13th June 2006, a bonus issue of 15,000,000 new ordinary shares of RM1.00 each in the Company were issued and credited as fully paid-up to the shareholders of the Company on the basis of one (1) new ordinary share for every four (4) existing ordinary shares held.

12. Changes in the Composition of the Group

Save as disclosed below, there is no other material capital commitment since the last annual balance sheet date.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

13. Capital Commitments

Save as disclosed below, there is no other material capital commitment since the last annual balance sheet date.

Amount approved and contracted for: RM2,280,000

Amount approved but not contracted for: RM4,720,000

14. 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 2005 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	-	<u>21,000</u>

15. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to 31st December 2005 and up to the date of this report.

16. Performance Review

For the current quarter ended 30th June 2006, the Group registered a top line and bottom line growth of 29% and 93% respectively. This translates into RM16.6 million and RM3.1 million increased in revenue and profit before taxation respectively compared to preceding year corresponding quarter. Sales volume has increased by 49% to 56,679m³ being the main contribution factor to the revenue growth which mainly springboard from the encouraging results in the Middle East market as the infrastructure development in this region has been positive. At the same time, the Group also maintains its position in the US and UK markets. In addition, plywood prices have increased by nearly 20% where the Group benefitted from it in the late current quarter under review. As a result, profit before taxation has increased by RM3.1 million.

17. Variation of Results Against Preceding Quarter

The revenue increased by RM23 million compared to the preceding quarter due to volume increased by 46%. Higher volume and better selling price have contributed to the increase which resulted profit before taxation increased by RM3.5 million from RM2.7 million to RM6.2 million.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

18. Commentary on Prospects

The increase in plywood prices in the market augurs well for the Group to deliver encouraging results. These favourable prices are expected to maintain for the rest of this financing year and beyond. Therefore, a better performance is expected for the rest of the financial year.

The Group has begun to make its entry in China to produce plywood. On 1 August 2006, the Group announced the incorporation of Xuzhou Richwood Co. Ltd. (“Richwood”) to manufacture softwood plywood which will add on the product range to the Group. Leveraging on the low cost of production and availability of raw materials in China, the annual production capacity in Richwood will eventually reach 84,000m³ which will bring to a total of 264,000m³ of annual capacity to the Group by financial year ending 2007. The expansion by the Group into China will help to serve the existing customers in US, UK and Middle East markets.

19. 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 Group has not provided any profit forecast or profit guarantee for the period ended 30th June 2006.

20. Income Tax Expense

	Current Year Quarter ended 30/6/2006 RM'000	Current Year To-date 30/6/2006 RM'000
Income tax:		
Taxation on interest income	52	76
Deferred tax	36	(565)
	<u>88</u>	<u>(489)</u>

The effective tax rate for the current quarter was lower than the statutory tax rate principally due to the availability of double tax deduction for freight charges.

21. Sales of Unquoted Investments and Properties

There were no sales of unquoted investments and properties during the current quarter and financial year-to-date.

22. Purchases or Disposals of Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter and financial year-to-date.

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

23. Corporate Proposals

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

24. Borrowings

	As at 30/6/2006 RM'000	As at 31/12/2005 RM'000		
Short-term borrowings:				
Secured	14,028	4,536		
Long-term borrowings:				
Secured	12,559	6,329		
	<u>26,587</u>	<u>10,865</u>		
			USD'000	RM'000 equivalent
Borrowings denominated in foreign currency – United States Dollars		<u>6,684</u>		<u>24,566</u>

25. Off Balance Sheet Financial Instruments

As 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>
United States Dollar	8,000,000	September to December 2006

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

26. Changes in Material Litigation

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

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30TH JUNE 2006

27. Dividend Payable

The Board has recommended 1st interim tax-exempt dividend of 5 sen per share amounting to RM3,750,000 for the financial year ending 31 December 2006 (30th June 2005: 2.5 sen per share amounted to RM1,500,000). The entitlement date will be 19 September 2006 and payment date will be 6 October 2006.

28. 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.

	3 months ended		Year-To-Date Ended	
	30/6/06	30/6/05	30/6/06	30/6/05
Basic earnings per share				
Profit attributable to ordinary equity holders of the parent (RM'000)	6,150	3,190	9,466	9,886
Weighted average number of shares in issue ('000)	62,967	60,000	62,967	60,000
Basic earnings per share (Sen)	9.77	5.32	15.03	16.48
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A