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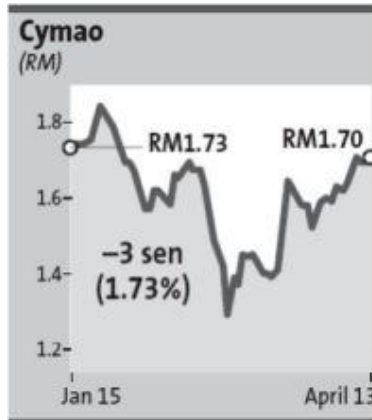
Monday April 16, 2007

Cymao to boost earnings base by going upstream in PNG

By YVONNE TAN

PETALING JAYA: Timber company Cymao Holdings Bhd is set to venture upstream as a logging contractor in Papua New Guinea in an effort to diversify and boost its earnings base, analysts said.

“We view the development positively as it would enable Cymao to reduce its intake of logs from third parties. It will also give Cymao control over the quality of logs for its downstream plywood operations and an opportunity to expand its revenue base to include log trading,” said Standard and Poor’s (S&P) in a report released last Friday.



The company’s wholly owned subsidiary Kupiano Forest Products Ltd has been appointed by Magarida Timbers Ltd as the developer with the exclusive rights to extract, remove, process and market merchantable timber from an area of 72, 200ha.

S&P said the area was estimated to have 800,000 cu m of harvestable logs. The appointment is for a period of 10 years from April 11, 2007.

The research house noted that as Kupiano’s obligations were still subject to approvals by relevant authorities, S&P had not incorporated its potential contributions to Cymao’s earnings yet.

S&P has projected a “respectable” two-year net profit compounded annual growth rate of 13.6% for Cymao. “Our 2008 forecast could potentially be higher if we factor in the impact of the Papua New

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Guinea logging operations,” it said.

Commenting on the risks of the counter, S&P said these included a fluctuation in the plywood-to-log price spread due to volatility of timber prices.

It also said the Papua New Guinea venture carried country and execution risks, given Cymao’s lack of track record overseas.

For the financial year ended Dec 31, 2006, the company recorded a net profit of RM21.6mil on revenue of RM254.4mil compared with a net profit of RM16.3mil on revenue of RM245.8mil the previous year.

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