

## General Announcement

Reference No **CC-070423-63998**

Company Name : **CYMAO HOLDINGS BERHAD**  
Stock Name : **CYMAO**  
Date Announced : **23/04/2007**

Type : **Announcement**  
Subject : **ACQUISITION OF 6,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 60% EQUITY INTEREST IN SYABAS MUJUR SDN BHD WHICH HAS A TIMBER SALE AGREEMENT**

Contents :

On behalf of the Board of Directors of Cymao Holdings Berhad ("Cymao"), we are pleased to announce that Cymao has on 19 April 2007 acquired 6,000 ordinary shares of RM1.00 each being 60% of the total issued and paid-up share capital of Syabas Mujur Sdn Bhd ("SMSB") for a total cash consideration of RM6,000 on a willing-buyer-willing-seller basis, from Mr Chin Jin Kong ("the Acquisition").

### 1. Information on SMSB

SMSB was incorporated in Malaysia on 27 March 2006 under the Companies Act, 1965 as a private limited company.

The authorised share capital of SMSB is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each of which RM10,000.00 divided into 10,000 ordinary shares of RM1.00 each are issued and fully paid-up.  
SMSB is currently a dormant company and there are no accounts made up to date yet.

### 2. Source of Funding

The Acquisition is funded with internally generated funds.

### 3. Timber Sale Agreement

On 2 April 2007, SMSB has entered into a Timber Sale Agreement ("Agreement") with Majlis Ugama Islam Sabah ("MUIS") to purchase all the commercial and merchantable timbers to be extracted from the production area in Sandakan measuring an area of 5,981.29 hectares ("Licensed Area").

#### 3.1 Salient Terms of the Agreement

##### 3.1.1 Information on MUIS

MUIS is a statutory body established under the Majlis Ugama Islam Sabah Enactment Act 2004 and having its office at 5th Floor, Block A-1, Wisma MUIS, 88810 Kota Kinabalu, Sabah. MUIS would be issued with a Sustainable Forest Management Licence ("Licence")

to be issued by the Chief Minister of the Government of the State of Sabah for the Licensed Area.

### **3.1.2 Conditions Precedent**

The Agreement is conditional upon the following:

- (a) Issuance of Licence to MUIS;
- (b) Preparation of the Forest Management Plan ("the Plan") and reconcile the Plan with the Director of the Forestry Department ("Director") within two years from the commencement of the License;
- (c) Submission of Annual Work Plan to the Director; and
- (d) Procurement of necessary licenses to extract commercial and merchantable timber from the License Area for a period sufficient to enable SMSB to complete logging and removal of all extracted logs from the License Area.

### **3.1.3 Purchase Price**

The purchase price as jointly assessed and agreed between MUIS and SMSB is RM1,500,000.00 ("Purchase Price"). The Purchase Price is subject to re-negotiation in the event that the total value of timber extracted shall exceed the Purchase Price.

### **3.1.4 Royalty, etc.**

SMSB is obliged to make payment in relation to premium, royalty, deposits, cess, rehabilitation fee, levy or other charges to relevant authorities in respect of the timber operations.

## **4. Rationale and Prospects**

The Acquisition will be very strategic to Cymao Group's existing operation. The Licensed Area contains log species which are suitable for plywood production as well as export. Log costs form a major cost of production to Cymao Group and logs procurement are made with third party concessionaires where prices are subject to market conditions. Thus, the margin is highly affected by the log prices. Therefore, in order to control the cost of raw material efficiently, the Cymao Group is compelled to venture upstream by securing its own supply of logs.

The prospect of the Acquisition will be positive as the Licensed Area is located in Sandakan where the Cymao Group's plywood production facilities are situated. It is expected that the Acquisition will contribute positively to the Cymao Group by way of savings on log costs which are expected to be about 20-25%. In addition, sale of logs of export grades can provide additional revenue stream to Cymao Group's income.

## **5. Risk Factors**

The risk factors associated with the Acquisition mainly comprise amongst others; fluctuation in timber log prices, weather conditions and non-familiarity of loggings which may hinder the log productions.

SMSB will outsource the logging contract to a third party who is familiar with the logging operation which will help to mitigate certain risks as mentioned above.

**6. Financial Effect**

The Acquisition was satisfied in cash and will not have any material effect on the net tangible assets per share, earnings per share, share capital and substantial shareholders' shareholdings of the Cymao Group for the financial year ending 31 December 2007.

**7. Liabilities to be assumed pursuant to the Acquisition**

There are no liabilities to be assumed by Cymao as a result of the Acquisition.

**8. Original cost of investment and date of investment**

<b>Vendor</b>	<b>Date of Investment</b>	<b>No. of SMSB Shares Allotted</b>	<b>Consideration RM</b>
Chin Jin Kong	20 June 2006	6,000	6,000.00

**9. Background information on the Vendor**

Mr Chin Jin Kong is a Malaysian and held 60% equity interest in SMSB comprising 6,000 ordinary shares of RM1.00 each prior to the Acquisition

**10. Approval required**

The above Acquisition is not subject to any approval from the shareholders of Cymao or any relevant authorities.

**11. Directors and Substantial Shareholders interest**

None of the Directors, Major Shareholders or persons connected with the Directors or Major Shareholders of Cymao have any interest, direct or indirect in the Acquisition.

**12. Statements by the Board of Directors**

The Directors of Cymao are of the opinion that the Acquisition is in the best interest of the Company.

**13. Estimated Time Frame for Completion of the Acquisition**

The Acquisition has been completed as at the date of this announcement.

This announcement is dated on 23 April 2007.