

On behalf of the Board of Directors of Cymao Holdings Berhad ("Cymao" or the "Company"), we are pleased to announce that Cymao has on 29 December 2009 entered into a Sale and Purchase of Shares Agreement to acquire 1,500,000 ordinary shares of RM1 each ("Sale Shares") being the entire issued and paid-up capital of Malsa Wood Products Sdn Bhd ("MWPSB") (Company No. 238949-T) for a purchase consideration of RM2,000,000 plus liabilities which amounts to RM2,000,000. The said liabilities will be settled by the Vendors by utilizing part of the purchase consideration amounting to RM2,000,000 to pay off a portion of the total liabilities as reflected in the managements accounts of MWPSB as at 24 December 2009 ("Proposed Acquisition").

## **1. Information on MWPSB**

MWPSB was incorporated on 28 April 1992 under the Companies Act, 1965 as a private limited company.

The authorised share capital of MWPSB is 2,000,000 comprising of 2,000,000 ordinary shares of RM1 each of which RM1,500,000 divided into 1,500,000 ordinary shares of RM1 each have been issued and fully paid-up.

MWPSB is currently a property letting company and has a negative net assets of RM127,420 as at 24 December 2009.

MWPSB owns 3 parcels of land held under titles Town Lease 077529447 (approximately 6.29 acres), Town Lease 077523687 (approximately 2.84 acres) and Town Lease 077523678 (approximately 1.515 acres) in the District of Sandakan State of Sabah together with buildings erected thereon.

Cymao is currently renting the land and building from MWPSB for a monthly rental of RM15,000 as the land is adjacent to Cymao's existing operations.

Subsequent to the completion of Proposed Acquisition, MWPSB will be a wholly-owned subsidiary of Cymao.

## **2. Basis of Purchase Consideration**

The cash purchase consideration for the Sale Shares of RM2,000,000 plus another RM2,000,000 for the settlement of liabilities for the Proposed Acquisition was arrived at on a willing buyer-willing seller basis, free from liens and encumbrances after taking into consideration of the negative net tangible assets ("NTA") in the management financial statements of MWPSB as at 24 December 2009 and adjustment for valuation of land and buildings of MWPSB as appraised by Messrs C H Williams Talhar & Wong (Sabah) Sdn. Bhd. on 23 December 2009, an independent firm of professional registered valuers, using the comparison method for land and net current replacement cost method for buildings. The total market value of the land and buildings is RM3,550,000.

The total purchase consideration of RM4,000,000 in respect of the Proposed Acquisition will be settled upon the signing of the Sale and Purchase of Shares Agreement.

## **3. Source of Funding**

The Proposed Acquisition is funded with internally generated funds.

## **4. Rationale and Prospects for the Proposed Acquisition**

In view of Cymao is an occupant of the land and building of MWPSB which is adjacent to Cymao's current operation instead of Cymao paying high rental

throughout the year, the rental payment will be ceased upon completion of the Proposed Acquisition. With the newly acquired subsidiary, Cymao will have a more spacious area for running its existing operation and room for future expansion of plywood factory.

**5. Liabilities to be assumed after the Proposed Acquisition**

There are no liabilities to be assumed by Cymao arising from the Proposed Acquisition other than those liabilities incurred by MWPSB in the ordinary course of business operations.

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

Vendors	Date of investment	No. of Malsa Shares allotted/acquired	Consideration	Accumulated cost of acquiring the shares (RM)
Chua Peng Boon @ Choy Ah Mun	15.12.1993	225,000	Cash	225,000
	01.03.1995	45,000	Cash	270,000
	01.06.2001	255,000	Cash	525,000
Lim Nyek Kiong @ Lim Nyuk Min	04.05.1992	1	Cash	1
	15.12.1993	224,999	Cash	225,000
	01.03.1995	30,000	Cash	255,000
Lim Nyuk Sang @ Freddy Lim	24.09.1993	1	Cash	1
	15.12.1993	524,999	Cash	525,000
	01.03.1995	45,000	Cash	570,000
Wong Nyan That	15.12.1993	75,000	Cash	75,000
	01.03.1995	75,000	Cash	150,000

**7. Background information on the Vendors**

**(a) Chua Peng Boon @ Choy Ah Mun**

A Malaysian, holds a 35% equity interest MWPSB and he is a director of MWPSB.

**(b) Lim Nyek Kiong @ Lim Nyuk Min**

A Malaysian, holds a 17% equity interest in MWPSB and he is a director of MWPSB.

**(c) Lim Nyuk Sang @ Freddy Lim**

A Malaysian, holds a 38% equity interest in MWPSB and he is a shareholder in MWPSB.

**(d) Wong Nyan That**

A Malaysian, holds a 10% equity interest in MWPSB and he is a shareholder in MWPSB.

## **8. Financial Effects**

The proforma financial effects of the Proposed Acquisition on the share capital, NTA, earnings and shareholding structure of Cymao are as follows:

### **8.1 On Share Capital**

The share capital of Cymao will remain unchanged as the consideration for the Proposed Acquisition is payable in cash.

### **8.2 On NTA**

As the Proposed Acquisition is to be satisfied in cash, it does not have any material effect on the NTA of the Cymao Group for the financial year ending 31 December 2009.

### **8.3 On Earnings**

The Proposed Acquisition is not expected to have any material effects on the earnings of Cymao for the financial year ending 31 December 2009 as the Proposed Acquisition is only expected to be completed towards the end of the year. Positive contributions are expected for future financial years.

### **8.4 On Shareholding**

The Proposed Acquisition will not have any effect on the shareholding structure of the Company.

### **8.5 Gearing**

The Proposed Acquisition is to be financed by internally generated funds and therefore it will have no effect on the gearing of the Cymao Group.

## **9. Risk Factors**

The Proposed Acquisition is subject to normal business risk.

## **10. Approval Required**

No approval from the shareholders and the relevant government authorities is required for the Proposed Acquisition, save for the presentation for registration at the Land Registry

## **11. Directors and Substantial Shareholders interest**

None of the Directors, major shareholders of Cymao or its subsidiaries and/or persons connected with them have any interest, direct or indirect in the Proposed Acquisition.

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

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

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

The Proposed Acquisition is expected to be completed by end of 31 December 2009.

### **14. Documents for Inspection**

Copies of the Sale and Purchase of Shares Agreement, the Valuation Report, audited consolidated financial statements of Cymao for the past 2 financial years ended 31 December 2007 and 31 December 2008 and the last quarterly financial results for the period ended 30 September 2009 will be available for inspection at the registered office of Cymao for a period of 3 months following the date of the announcement.

This announcement is dated 29 December 2009.