

CYMAO HOLDINGS BERHAD

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

INTERIM

FINANCIAL STATEMENTS

**FOR THE FOURTH
QUARTER ENDED**

31 DECEMBER 2008

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To-date	Corresponding
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	24,960	37,134	130,702	179,033
Cost of sales	<u>(27,812)</u>	<u>(31,225)</u>	<u>(123,591)</u>	<u>(161,990)</u>
Gross (loss)/profit	(2,852)	5,909	7,111	17,043
Other income	401	871	909	1,223
Other operating expenses	(1,652)	6	(1,720)	(6)
Administrative expenses	(1,223)	(2,091)	(6,156)	(7,740)
Selling and marketing expenses	(2,436)	(3,511)	(12,105)	(17,552)
Interest income	51	41	101	88
Finance costs	<u>(129)</u>	<u>(194)</u>	<u>(548)</u>	<u>(1,180)</u>
(Loss)/profit before tax	(7,840)	1,031	(12,408)	(8,124)
Income tax expense	<u>51</u>	<u>941</u>	<u>51</u>	<u>3,024</u>
(Loss)/profit for the period from continuing operations	<u>(7,789)</u>	<u>1,972</u>	<u>(12,357)</u>	<u>(5,100)</u>
(Loss)/profit for the period	<u>(7,789)</u>	<u>1,972</u>	<u>(12,357)</u>	<u>(5,100)</u>
Attributable to:				
Equity holders of the parent	(7,789)	2,021	(12,357)	(5,100)
Minority interest	-	(49)	-	- *
	<u>(7,789)</u>	<u>1,972</u>	<u>(12,357)</u>	<u>(5,100)</u>
Earnings per share attributable				
to equity holders of the parent:				
Basic, for the (loss)/profit from continuing operations	<u>(10.39)</u>	<u>2.70</u>	<u>(16.48)</u>	<u>(6.80)</u>
Basic, for (loss)/profit for the period	<u>(10.39)</u>	<u>2.70</u>	<u>(16.48)</u>	<u>(6.80)</u>

*Note:*** Denotes RM200**The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.*

CYMAO HOLDINGS BERHAD

(Company No.:445931-U)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET**AS AT 3 DECEMBER 2008**

	As At 31/12/2008 (Unaudited) RM'000	As At 31/12/2007 (Audited & Restated) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	69,855	76,908
Prepaid lease payments	13,433	13,566
Deferred tax assets	6,264	6,263
	<u>89,552</u>	<u>96,737</u>
Current assets		
Inventories	37,647	54,132
Trade receivables	5,378	9,481
Other receivables	12,239	10,601
Tax refundable	313	257
Cash and bank balances	15,114	8,930
	<u>70,691</u>	<u>83,401</u>
TOTAL ASSETS	<u>160,243</u>	<u>180,138</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	75,000	75,000
Share premium	17,374	17,374
Treasury shares	(31)	(31)
Foreign currency translation reserve	203	(92)
Retained earnings	53,394	65,751
Total equity	<u>145,940</u>	<u>158,002</u>
Non-current liabilities		
Borrowings	2,438	4,856
Deferred tax liability	1,524	1,582
	<u>3,962</u>	<u>6,438</u>
Current liabilities		
Borrowings	2,497	3,836
Trade payables	3,374	6,427
Other payables	4,466	5,435
Tax payables	4	-
	<u>10,341</u>	<u>15,698</u>
Total liabilities	<u>14,303</u>	<u>22,136</u>
TOTAL EQUITY AND LIABILITIES	<u>160,243</u>	<u>180,138</u>
Net Assets Per Share (RM)	1.95	2.11

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

	Attributable to Equity Holders of the Parent							
	Non-Distributable				Distributable			
	Share Capital RM'000	Share Premium RM'000	Foreign Currency		Treasury Shares RM'000	Retained Earnings RM'000	Minority Interest RM'000	Total Equity RM'000
			Translation Reserve RM'000					
At 1st January 2007	75,000	17,374	(72)	(14)	70,660	162,948	-	162,948
Purchase of treasury shares				(17)		(17)	-	(17)
Effect of adopting:FRS112					3,940	3,940		
Exchange differences on translation of financial statement of a foreign entity			(20)			(20)		(20)
Loss for the period	-	-	-	-	(5,100)	(5,100)	*	(5,100)
Minority interest on subsidiary acquired							*	*
Dividend paid	-	-	-	-	(3,749)	(3,749)	-	(3,749)
At 31st December 2007	75,000	17,374	(92)	(31)	65,751	158,002	-	154,062
At 1st January 2008	75,000	17,374	(92)	(31)	65,751	158,002	-	158,002
Exchange differences on translation of financial statement of a foreign entity	-	-	295	-	-	295	-	295
Loss for the period	-	-	-	-	(12,357)	(12,357)	-	(12,357)
At 31st December 2008	75,000	17,374	203	(31)	53,394	145,940	-	145,940

Note:

* Denotes RM200

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 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 FOURTH QUARTER ENDED 31 DECEMBER 2008**

	Current Year To-date 31/12/2008 RM'000	Preceding Year Corresponding Period 31/12/2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(12,408)	(8,124)
Adjustments for:		
Depreciation of property, plant and equipment	11,243	12,475
Loss on disposal of equipment	361	-
Equipment written off	64	61
Goodwill arising from business combination	-	7
Net unrealised foreign exchange losses/(gains)	830	(592)
Bad debts written off	1,124	-
Interest income	(101)	(88)
Finance costs	548	1,095
Operating profit before working capital changes	1,661	4,834
Decrease in inventories	16,485	11,460
Decrease in receivables	1,426	18,176
Decrease in payables	(4,019)	(8,760)
Cash generated from operation	15,553	25,710
Interest paid	(548)	(1,095)
Taxes recovery	-	170
Taxes paid	(60)	(253)
Net cash generated from operating activities	14,945	24,532
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	-	(6)
Movement in fixed deposits under pledged	(51)	(57)
Purchase of property, plant and equipment	(4,864)	(5,087)
Proceeds from sales of equipment	382	31
Interest received	101	89
Net cash used in investing activities	(4,432)	(5,030)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan drawn down	-	8,233
Bankers' acceptance drawn down	2,507	15,392
Export Credit Refinancing drawn down	-	4,644
Repayment of term loan	(3,014)	(13,505)
Repayment of bankers' acceptance	(3,250)	(16,149)
Repayment of export credit refinancing	-	(16,867)
Placement of fixed deposit	116	-
Purchase of treasury shares	-	(17)
Dividend paid	-	(3,749)
Net cash used in financing activities	(3,641)	(22,018)
Net increase/(decrease) in cash and cash equivalents	6,872	(2,516)
Effects of exchange rate changes	(624)	(17)
Cash and cash equivalents at beginning of financial period	7,041	9,574
Cash and cash equivalents at end of financial period	13,289	7,041

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

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

	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
Cash on hand and at bank	13,288	2,790
Deposit with a licensed bank	1,826	6,141
Cash and bank balances	<u>15,114</u>	<u>8,931</u>
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,825)</u>	<u>(1,890)</u>
	<u>13,289</u>	<u>7,041</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
 FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

1. Basis of Preparation

The interim financial statements have been prepared on a historical cost basis.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134₂₀₀₄: 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 2007. 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 2007.

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 2007.

3. Auditors' report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2007 was unqualified.

4. Segmental Information

	12 months ended	
	31/12/2008	31/12/2007
	RM'000	RM'000
Segment Revenue		
Revenue from continuing operations:		
Investment holding	-	22,740
Plywood manufacturing	178,752	263,323
Shipping services	708	1,230
	<hr/>	<hr/>
Total revenue including inter-segment sales	179,460	287,293
Elimination of inter-segment sales	(48,758)	(108,260)
Total revenue from continuing operations	<hr/> 130,702	<hr/> 179,033
Segment Results		
Results from continuing operations:		
Investment holding	(1,954)	21,515
Plywood manufacturing	(9,921)	(3,117)
Shipping services	(424)	(201)
Others	(54)	(580)
	<hr/>	<hr/>
	(12,353)	17,617
Elimination	(4)	(22,717)
Total results from continuing operations	<hr/> (12,357)	<hr/> (5,100)

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

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. Comment 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.

8. Dividend Paid

There were no dividends paid by the Company during the current quarter.

9. Carrying Amount of Revalued Assets

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2007 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

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 interim period under review.

12. 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: RM9,250,000

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

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 2007 and up to the date of this report except as disclosed below:

	Group R M'000	Company R M'000
Corporate guarantee issue to a financial institution for credit facilities granted to a subsidiary company	-	<u>43,000</u>

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

During the quarter under review, the Group registered revenue of RM25 million which is 33% poorer from the previous year's corresponding quarter. The Group's total sales volume was at 17,619m³ or 32% lower against the previous year corresponding quarter. Although an improvement in average selling price of 2% coupled with declining average log cost by 8% compared to previous year corresponding quarter but the poorer market demand on the export sales coupled with major products sold at lower margin, thus further dampened the current quarter results registered with a negative gross margin.

16. Variation of Results Against Preceding Quarter

The Group's current quarter results registered a loss of RM8.1 million which is RM6.3 million higher than preceding quarter. These is mainly caused by the drop in average selling price and sales volume by 6% and 21% respectively compared to preceding quarter and write down of its inventories to Net Realisable Value amounting to RM2.2 million. Furthermore, the Group has written-off RM1.05 million of irrecoverable debts.

17. Commentary on Prospects

The Global economic is expected to be challenging in 2009 in the light of the economic recession began in the US and reverberated through many Europe and Asian countries. The impact of the crisis is bound to have some influence on consumer and industrial demand for commodities including timber.

The Group will remain cautious on the impact of economic slowdown and will continuously enhance productivity and cost controlling and as well as profitability of its products in this challenging environment. In respond to this,

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the Group is actively seeking other market opportunities. In addition, the Group will further strengthen its competitive advantage in term of quality, recovery rate and operational efficiency.

The Board remains 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 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 31 December 2008.

19. Income Tax Expense

	Current Year Quarter ended 31/12/2008 RM'000	Current Year To-date 31/12/2008 RM'000
Income tax:		
Current Taxation	7	7
Deferred tax	(58)	(58)
	<u>(51)</u>	<u>(51)</u>

The current taxation charge is in respect of interest income, which is assessed separately.

20. Sales of Unquoted Investments and Properties

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

21. Purchases or Disposals of Quoted Securities

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

22. Status of Corporate Proposals**(a) Proposed acquisition of Poly-Ply Industries Sdn. Bhd. ("PISB")**

On 4 September 2008, the Company announced on its proposal to acquire 1,000,000 ordinary shares of RM1 each ("Share Sales") being the entire issued and paid-up capital of PISB for a total cash consideration of RM2,000,000.; and

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(b) Proposed acquisition of property

On 4 September 2008, the Company announced that it had entered into a Sale and Purchase Agreement with Hong Brothers Holdings Sdn Bhd to acquire a parcel of land measuring 1.7654 hectares together with the plymill factory erected thereon situated at GM460, Lot 740, Mukim of Kapar, District of Klang, Selangor Darul Ehsan for a total cash purchase consideration of RM7,250,000.000.

The completion dates for the above proposals are expected to be extended to the end of first quarter for the year ending 31 December 2009 due to non-completion of condition precedents of the agreements.

23. Borrowings (Secured)

	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
Short-term	2,497	3,836
Long-term	2,438	4,856
	<u>4,935</u>	<u>8,692</u>
	USD '000	RM '000 equivalent
Borrowings denominated in foreign currency:		
United States Dollar	<u>1,423</u>	<u>4,935</u>

24. Off Balance Sheet Financial Instruments

At 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	2,000,000	January to February 2009

As the foreign currency hedging contracts are 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.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
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25. Changes in Material Litigation

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

26. Dividend Payable

There were no dividend has been recommended for the financial year ended 31 December 2008.

27. 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	
	31/12/2008	31/12/2007	Ended 31/12/2008	31/12/2007
Basic earnings per share				
Loss attributable to ordinary equity holders of the parent (RM'000)	(7,789)	2,021	(12,357)	(5,100)
Weighted average number of shares in issue ('000)	74,980	74,981	74,980	74,981
Basic earnings per share (Sen)	(10.39)	2.70	(16.48)	(6.80)
Diluted earnings per share (Sen)	N/A	N/A	N/A	N/A