



ANNUAL REPORT 2003

**CYMAO HOLDINGS BERHAD** (445931-U)

9.1 KM Jalan Batu Sapi, 90000 Sandakan, Sabah

Tel: 089-612233 Fax: 089-612607

Web site: [www.cymao.com](http://www.cymao.com)



# Contents

Corporate Information	2
Group Structure	3
Directors' Profile	4
Chairman's Statement	6
Corporate Governance Statement	7
Audit Committee Report	11
Statement of Internal Control	13
Statement of Directors' Responsibility	14
Financial Statements	15
Analysis of Shareholdings	44
List of Properties	46
Notice of Sixth Annual General Meeting	47
Statement Accompanying Notice of Annual General Meeting	48
Proxy Form	49

# Corporate Information

## BOARD OF DIRECTORS

Datuk Mohd. Zain Bin Omar	<i>(Chairman and Independent Non-Executive Director)</i>
Lin, Tsai-Rong	<i>(Managing Director)</i>
Lin, Kai-Min	<i>(Executive Director)</i>
Lin, Kai-Hsuan	<i>(Executive Director)</i>
Lin Hsu, Li-Chu	<i>(Non-Independent Non Executive Director)</i>
Hiew Seng	<i>(Independent Non Executive Director)</i>

## COMPANY SECRETARY

Katherine Chung Mei Ling (MAICSA 7007310)

## REGISTERED OFFICE

Room 2.01, 2nd Floor  
Alliance Bank Building  
TB 1086, Jalan Utara  
91000 Tawau, Sabah  
Tel : 089-774836  
Fax : 089-766100

## CORPORATE OFFICE

9.1 KM, Jalan Batu Sapi  
90000 Sandakan, Sabah  
Tel : 089-612233  
Fax : 089-612607

## PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad  
Jalan Pelabuhan/Leboh Tiga  
90000 Sandakan, Sabah

Public Bank Berhad  
Ground Floor, Wisma Sandaraya  
Third Avenue  
90000 Sandakan, Sabah

Standard Chartered Bank Malaysia Berhad  
Jalan Pelabuhan/Leboh Tiga  
90000 Sandakan, Sabah

RHB Bank Berhad  
Area Business Centre East Malaysia  
1st & 2nd Floor, RHB Bank Berhad  
81/83, Jalan Gaya  
88000 Kota Kinabalu, Sabah

## AUDITORS

Ernst & Young  
Chartered Accountants  
2nd Floor, Sabah Bank Building  
Jalan Utara  
91000 Tawau, Sabah

## REGISTRAR

Signet Share Registration Services Sdn. Bhd.  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-27212222  
Fax : 03-27212530/03-27212531

## LISTING

Main Board of Bursa Malaysia Securities Berhad



# Group Structure



**CYMAO HOLDINGS BERHAD**

(Company No.: 445931-U)



100%

**CYMAO PLYWOOD SDN. BHD.**

(Company No.: 196313-M)

# Directors' Profile

## DATUK MOHD. ZAIN BIN OMAR

Aged 61, was appointed Chairman and Independent Non-Executive Director of Cymao Holdings Berhad on 13 November 2003. He graduated from Maktab Latihan Harian, Pulau Pinang and began his career as a teacher from 1963 to 1982. Subsequently, he entered politics and became a Member of State Assembly for the Constituency of Bayan Lepas and State Executive Committee as well as Chairman of Cultural, Youth and Sport Committee from 1982 to 1986. From 1986 to 1990, he became a Member of State Assembly for the Constituency of Teluk Kumbar and State Executive Committee as well as Chairman of Infrastructure Committee. From 1990 to 1995, he served as a Member of State Assembly for the Constituency of Teluk Kumbar for the second term as well as Chairman of Audit Committee of State of Pulau Pinang. At present, he is a Member of Parliament for the Constituency of Balik Pulau. He has been a member of the Board of Directors of Lembaga Tabung Haji Malaysia since 2002.

## LIN TSAI-RONG

Aged 68, was appointed Managing Director of Cymao Holdings Berhad on 13 November 2003. He obtained a Bachelor of Science majoring in Plant Pathology from National Chong Hsien University, Taiwan in 1958. He started his career in wood-based industries 40 years ago with Cymao Plywood and Lumber Co. Ltd ("CPLC"), Taiwan. From 1962 to 1989, he worked his way up from being the Production Line Foreman, Supervisor, Section Chief, Production Manager, Factory Manager, Director of R&D to Vice President of CPLC. He has in-depth and comprehensive knowledge of running an efficient and innovative wood-based company. In 1991, He founded CPSB and built the company into what it is today. Being the Managing Director of CPSB, he commands very strong and loyal support from the production workforce necessary to ensure the success of the business.

## LIN KAI-MIN

Aged 34, was appointed Executive Director of Cymao Holdings Berhad on 13 November 2003. He graduated from Fu-Jen University, Taiwan with a Bachelor of Science majoring in Accounting in 1993. He joined CPSB in 1994 as a Production Line Foreman and was given extensive production training. He became the Log Purchasing Manager from 1997 to 1998 in CPSB and subsequently headed its Finance Department. Armed with extensive training and experience from all aspects of production, raw materials and accounting, he is now heading the Marketing department of CPSB.

## LIN KAI-HSUAN

Aged 36, was appointed as Executive Director of Cymao Holdings Berhad on 13 November 2003. He graduated from University of California Los Angeles, USA with a Bachelor of Science in Applied Mathematics and a minor in economics in 1991. He subsequently obtained a Master of Science in Forest Science with emphasis in Expert System from A & M University, Texas, USA 1993. He joined CPSB in 1994 as the Quality controller, then took on the job of R&D Coordinator in 1997 and was involved in setting up the Technical Support Department, Material Handling Vehicle Management System, Operator Selection and Training System and Process Improvement Committee in 1999. He was promoted to Factory Manager of CPSB in 2000 and to Vice President in 2001.

### LIN HSU, LI-CHU

Aged 61, was appointed Non-Independent Non-Executive Director of Cymao Holdings Berhad on 13 November 2003. She was a teacher at National His-Chih Primary School from 1960 to 1981 after earning her Diploma in Education from National Taipei Teachers' College in 1961.

### HIEW SENG

Aged 53, is appointed Independent Non-Executive Director of Cymao Holdings Berhad on 25 February 2004. He is Chartered Accountant by training. He is a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants. Presently he is the Principal in Charge of the Kajang Branch Office of Messrs. S K Hiew & Associates, Chartered Accountants. He began his accountancy training as an articled clerk in 1974 with a firm of Chartered Accountants in London, United Kingdom. Upon his qualification as a Chartered Accountant, he joined an international accounting firm in Kuala Lumpur as a qualified assistant, from 1980 to 1982.

### FAMILY RELATIONSHIP OF DIRECTORS

Save as disclosed for Lin, Tsai-Rong is the father of Lin, Kai-Hsuan and Lin, Kai-Min, Lin Hsu, Li-Chu is the wife of Lin, Tsai-Rong and Hsu, How-Tong (a substantial shareholder) is the brother of Lin Hsu, Li-Chu, none of the other Directors has any family relationship with any Directors and/or substantial shareholders of the Company.

### CONFLICT OF INTEREST

None of the Directors has any conflict of interest with the Company.

### CONVICTION OF OFFENCE

None of the Directors has been convicted of any offence within the past 10 years.

### SHAREHOLDINGS

The particulars of the Directors' shareholding are set out in page 44 of this Annual Report.

# Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present to you, our valued shareholders, the Annual Report and the Audited Financial Statements of **CYMAO HOLDINGS BERHAD** Group and also for the Company for the financial year ended 31 December 2003.

## CORPORATE EVENT

I am pleased to highlight that the Company completed the acquisition of Cymao Plywood Sdn Bhd ("Cymao Plywood") on 3 November 2003, as an integral part of the listing exercise undertaken by the Company since 2001. The listing exercise involved issue of 50,999,998 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.43 for the said acquisition and the public issue of 9,000,000 new ordinary shares of RM1.00 each at an issue price of RM2.50 per share. The Company is now listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 19 March 2004. After completion of the listing exercise, the total issued and paid-up capital of the Company stands at RM60,000,000.

## FINANCIAL PERFORMANCE

The Group recorded a profit after tax of RM2,800,000 on the back of revenue of RM20,000,000. This is the first set of the Group's Financial Statements for the Company with the inclusion of the results of its only subsidiary company for the two months period to 31 December 2003.

The Group is principally involved in the manufacture and sale of veneer, plywood, decorative plywood, engineering wood flooring and layon.

## PROSPECTS AND OUTLOOK

The future prospects of the Cymao Group are expected to be reasonably good. For the short term prospect, the Cymao Group aims to capitalise on the high plywood and related products' selling prices by enhancing its efficiency and productivity.

While at the same time, comprehensive research has commenced to study the utilisation of small diameter logs and plantation logs to minimise the dependency on natural forest for the production of high quality plywood. We have started to shift higher portion of the raw material to smaller diameter logs and plantation logs from Sabah and overseas.

The Cymao Group aims to enhance its competitive advantages of "One Stop Shopping" services by further product diversification and to move away from being a commodity plywood manufacturer. Besides creating new products or variation of existing products, our Research and Development ("R&D") will also emphasis on improvement of the recovery rate of the raw material for the purpose of significant cost reduction, and reduce our consumption dependency of round logs. We would expect the result of R&D could contribute positively to the financial performance of the Cymao Group.

The Group has embarked on an Export Market Plan, whereby the Company plans to enhance its presence in Europe and Middle East in 2004.

## APPRECIATION

On behalf of the Board of Directors, I wish to express my sincere gratitude and thanks to all our shareholders, customers, suppliers, bankers, business associates, relevant government authorities and shareholders for their continued support and co-operation extended to the Group.

I would also like to take this opportunity to thank the management and employees of the Group for their hard work, commitment, dedication and contributions in the discharge of their duties. You make the Group's competitiveness and success possible.

Lastly, I wish to express my sincere appreciation to my fellow members of the Board whose unfailing support and wise counsel have been inspiring.

**DATUK MOHD ZAIN BIN OMAR**  
CHAIRMAN



# Statement on Corporate Governance

The Board of Directors of Cymao Holdings Berhad ("the Board") is committed in ensuring that the principles and the best practices of corporate governance are practiced in the manner set out in the Malaysian Code on Corporate Governance ("Code"). The following statement describes the application of the principles and the necessary steps taken to ensure compliance with the code.

The Board recognizes that the process of inculcating the best practices is a continuous process and will require refinements along the way. In this regard, the Board will continue in its efforts to ensure that the highest standards of corporate governance are observed throughout the Group.

## BOARD OF DIRECTORS

### Board Composition

Cymao Group is led and managed by an experienced Board of Directors comprising of members with a wide range of experience and skills to effectively lead and control the Company.

The Board has 6 members comprising of 3 Executive Directors, a Non-Independent Non-Executive Director and 2 Independent Non-Executive Directors. The number of Independent Non-Executive Directors on the Board complies with paragraph 15.02 of the Listing Requirements ("Listing Requirements") of Bursa Malaysia which requires at least 2 Directors or 1/3 of the membership of the Board to be independent.

The profiles of the members of the Board are as shown on pages 4 to 5 of the Annual Report.

### Board Responsibilities

The Board is responsible for the overall performance of the Company by setting the directions and objectives, formulating the policies, strategic action plans and stewardship of the Company's resources. The Board regularly reviews the Company's business operations identifying risks and ensuring the existence of adequate internal controls and management systems to measure and manage risks and maintains full and effective control over the management of the Company.

The role of Chairman is held by Datuk Mohd Zain Bin Omar and is responsible for ensuring the Board effectiveness and conduct. The Managing Director, Lin, Tsai-Rong is responsible for the overall implementing the Board's policies and decisions, oversees the operations as well as co-ordinates the development and implementation of business and corporation strategies.

The Board has also delegated certain responsibilities to the Audit Committee which operate within defined terms of reference. The Audit Committee does not has executive power but report to the Board on all matters considered and their recommendations thereon.

### Board Meetings

Board Meetings will be held at least 4 times a year at quarterly intervals with additional meetings convened whenever necessary.

As Cymao Holdings Berhad was only admitted to the Main Board of Bursa Malaysia on 19 March 2004, no Board Meeting was held during the financial year ended 31 December 2003.

### Audit Committee

The Audit Committee currently comprises of 2 Independent Non-Executive Directors and an Executive Director. Hiew Seng, a member of the Malaysia Institute of Accountants is the Chairman of the Audit Committee.

Further details of the composition of the Audit Committee, its responsibilities and activities are found on page 11 of the Annual Report. The composition of the Audit Committee is in line with the Listing Requirements and the Code.

## Statement on Corporate Governance (Cont'd)

### Proposed Nomination & Remuneration Committee

The Board intends to set up a Nomination and Remuneration Committee comprising Non-Executive Directors, a majority of whom are independent directors. The Nomination Committee will be responsible for making recommendations for any appointments to the Board including the of subsidiary company. In making these recommendations, Nomination Committee will consider the required mix of skills and experience which the Directors should bring to the Board.

The Remuneration Committee will be responsible for setting the policy framework and for making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors.

Remuneration package of the Directors will be determined by the Board with the approval from shareholders at the Annual General Meeting. The Directors concerned shall abstain from deliberations and voting on decisions in respect of their individual remuneration.

### Supply of Information

Prior to the meetings of the Board or Audit Committee, the papers which include the agenda accompanied by minutes of the preceding meetings and reports relevant to the issues of the meetings are circulated in advance to ensure that Directors are given full and timely information before each meeting.

All information within the Group is accessible to the Directors in furtherance of their duties and all Directors have access to the services of the Company Secretary. They also entitle to seek independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group expense.

### Directors' Training

The Company does not have a formal training program for its new Directors as the Board will consider the appointment to the Board, individual of sufficient caliber to carry out the necessary duties of a Director. However 2 of the Board members have attended the Mandatory Accreditation Programme (MAP) organised by Research Institute Of Investment Analyst Malaysia (RIIAM). The rest of the Directors have registered with RIIAM to attend the MAP to be held in June 2004 which is still within the stipulated time to meet their MAP requirement. The Directors are constantly updated on the Group's business, and the competitive and regulatory environment in which it operates. They are also advised to attain the required points under the Continuing Education Programme in compliance with the Listing Requirements.

### Re-election

In accordance with the Company's Articles of Association, 1/3 of the Board, shall retire by rotation at each Annual General Meeting provided that all Directors shall retire from office once in every 3 years. These retiring Directors shall be eligible for re-election. The Board may appoint 1 or more of their body to the office of managing director for a term not exceeding 3 years at a time. The Managing Director shall subject to retirement by rotation or be taken into account in determining the rotation of retirement of Directors, but his appointment shall be automatically determined if he ceases from any cause to be a director. Details of Director seeking re-election are disclosed in the Statement Accompanying The Notice Of Annual General Meeting.

### Directors' Remuneration

The Directors' remuneration is endorsed by the Board for approval by the shareholders of the Company at the Annual General Meeting. Details of Directors' remuneration for the year ended 31 December 2003 are disclosed under Note 6 of the Financial Statements.

## SHAREHOLDERS AND INVESTORS

The Company recognizes the importance of communications with shareholders and investors. In this respect, the Company disseminates information to its shareholders and investors through its Annual Report and timely public announcements made by the Company to Bursa Malaysia and quarterly financial results released by the Company provides shareholders and investors with an overview of the Group's performances and operations. The Company's Annual General Meeting serves as a principal forum for dialogue with shareholders.

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board aim to provide and present a balanced and understandable assessment of the Group's position and prospects, primarily through the annual financial statements, quarterly reports as well as the Chairman's statement and review of operations in the Annual Report.

#### Internal Control

The Board recognizes the responsibility for maintaining a sound system of internal controls which cover not only financial controls but also operational, compliance and risk management. A Statement on Internal Control of the Company is set out on page 13 of the Annual Report.

#### Relationships with Auditors

The external auditors, on completion of their annual audit, express an opinion on the annual financial statement. The Board and the Audit Committee have established a formal and transparent relationship with the external auditors. The external auditors may from time to time throughout the financial year highlight to the Audit Committee and the Board on matters that require the Board's attention.

### ADDITIONAL COMPLIANCE INFORMATION

#### (a) Utilisation of Proceeds

During the financial year the Company had yet to complete its corporate exercise involving the public issue of 9,000,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM2.50 per new ordinary share which rank pari passu with the existing ordinary shares. The public issue was allotted on 9 March 2004 and the proceeds raised from the public issue will be utilised in the following manner:

	RM'000
Capital expenditure	4,105
Acquisition of land	1,200
Construction of new factory and warehouse	2,500
Working capital	12,695
Estimated listing expenses	2,000
Total proceeds	22,500

#### (b) Share Buy-Back

The Company did not undertake any share buy-back exercise during the financial year.

#### (c) Options, Warrants or Convertible Securities

No options, warrants or convertible securities in the Company were issued or exercised during the financial year.

#### (d) America Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company does not have an ADR or GDR programs in place.

#### (e) Imposition Sanctions and/or Penalties

There are no sanctions or penalties imposed by any regulatory bodies on the Company or its subsidiaries, or on the Directors or management of the Company or its subsidiaries.

## Statement on Corporate Governance (Cont'd)

### ADDITIONAL COMPLIANCE INFORMATION

**(f) Non-audit Fees Payable to External Auditors**

The non-audit fees paid by the Group to the external auditors during the financial year ended 31 December 2003 amounted to RM239,000.

**(g) Variation in Results**

There was no material variance between the audited results for the financial year ended 31 December 2003 and the unaudited results previously announced.

**(h) Profit Guarantee**

The Company did not issue any profit forecast and profit guarantee during the financial year ended 31 December 2003.

**(i) Material Contracts Involving Directors' and Major Shareholders' Interests**

There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company and its subsidiaries which involved the interest of the Directors or major shareholders.

**(j) Revaluation Policy on Landed Properties**

The Company did not have a revaluation policy on landed properties.

**(k) Recurrent Related Party Transactions**

There was no related party transaction of a revenue or trading nature entered into between the Company and its subsidiary with the Directors, or major shareholders or persons connected with such Directors or major shareholders during the financial year.

**(l) Conflict of Interest**

None of the Directors or major shareholders of the Company has any interest, direct or indirect, in any business carrying on similar trade as the Company or its subsidiary and which is not quoted on a stock exchange.

There is no conflict the Group and its Adviser, Reporting Accountants, Solicitors and Valuers. The Adviser, Reporting Accountants, Solicitors and Valuers are paid a fee for their professional services.

# Audit Committee Report

## MEMBERS OF THE AUDIT COMMITTEE

Committee Chairman	:	Hiew Seng (Independent Non-Executive Director)
Committee Members	:	Datuk Mohd Zain Bin Omar (Independent Non-Executive Director)
	:	Lin, Kai-Min (Executive Director)

## TERMS OF REFERENCE

### 1. Composition Of The Audit Committee

- 1.1 The Audit Committee shall be appointed by the Board of Directors from among its members which fulfills the following requirements:
- the Audit Committee shall composed of no fewer than 3 members;
  - a majority of the Audit Committee shall be independent non-executive directors of the Company or its related corporation;
  - at least a member of the Audit Committee
    - must be a member of Malaysian Institute of Accountants; or
    - must have at least 3 years working experience, and
      - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;
  - no alternate director shall be appointed as a member of the Audit Committee.
- 1.2 The members of the Audit Committee shall elect a Chairman from among their members who shall be an independent non-executive director.
- 1.3 In the event of any vacancy in the Audit Committee resulting in the number of members is reduced to below 3, the Board of Directors shall, within 3 months of the event, appoint such number of new members as may be required to make up the minimum number of 3 members.
- 1.4 The Board of Directors shall review the term of office of the Audit Committee Members at least once every 3 years.

### 2. Objectives

The main objectives of the Audit Committee are to:

- provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities, particularly in relation to the accounting and management controls and financial reporting of the Company and the Group; and
- provide greater emphasis to audit functions performed by internal and external auditors by serving as a focal point of communication between Board of Directors, the external auditor, the internal auditor and the management by means of a forum for discussion that is independent of the management.

### 3. Authority Of The Audit Committee

The Audit Committee shall have the authority to:

- investigate any matter within its terms of reference;
- have the resources which are reasonable required to enable to perform its duties;
- have full and unrestricted access to any information pertaining to the Company and the Group;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise where necessary; and
- convene meetings with the external auditors at least once a year, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary.



## Audit Committee Report (Cont'd)

### 4. Functions

The functions of the Audit Committee should be to review the following and report the same to the Board:-

- 4.1 Matters concerning the nomination, appointment and re-appointment of external auditor, the audit fee and any questions of resignation and dismissal.
- 4.2 With the external auditor, the audit plan and his evaluation of the system of internal controls of the Company and the Group.
- 4.3 The external auditors' reports, areas of concern arising from the audit and any other matters the external auditors' may wish to discuss in the absence of management if necessary.
- 4.4 The extent of co-operation and assistance given by the employees to the external auditors.
- 4.5 The adequacy of the scope, functions and resources of the internal audit functions and the necessary authority to carry out its work.
- 4.6 The internal audit program, results and findings of the internal audit and whether any appropriate action is taken on the recommendations of the internal audit function.
- 4.7 Any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.8 The Group's quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirement;
- 4.9 Any additional duties as may from time to time prescribed by the Board.

### 5. Reporting of breaches to Bursa Malaysia

The Audit Committee shall report promptly to the Bursa Malaysia on any matters reported by it to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

### 6. Meetings And Reporting Procedures

- 6.1 The Audit Committee may regulate its own procedures and in particular, the calling of the meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such minutes.
- 6.2 The Audit Committee shall meet as often as the Chairman deems necessary but not less than 4 times a year. The Chairman shall also convene a meeting if requested by the external auditor to consider any matter within the scope and responsibilities of the Audit Committee.
- 6.3 A quorum for meeting of the Audit Committee meeting shall be 2 members and the majority of members present must be independent non-executive directors.
- 6.4 Other directors and employees shall attend any particular audit committee's meeting only at the invitation of the Audit Committee.
- 6.5 The Company Secretary shall be the secretary of the Audit Committee.
- 6.6 The Secretary shall circulate the minutes of the meeting of the Committee to all members of the Board.

### AUDIT COMMITTEE ATTENDANCE RECORD

The Audit Committee was formed on 14 November 2003. There was no audit committee meeting held during the financial year.

# Statement of Internal Control

## INTRODUCTION

The Board is committed to maintain a sound system of internal control in the Group and is pleased to provide the following Statement of Internal Control pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia.

## RESPONSIBILITY

The Board recognises its responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system can only provide reasonable assurance and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve its business objectives.

## RISK MANAGEMENT

The Board's primary objective and direction in managing the Group's principal business risks are to enhance the Group's ability to achieve its business objectives. In order to measure the achievement of the business objectives, the Board monitors the Group's performance and profitability at its Board meetings. The Group is structured such that the heads of each operating unit has clear reporting line and the management of the Group as a whole is assigned to the Board of Directors.

## ASSURANCE FUNCTION

The Board has identified certain shortcomings in implementing an effective internal control system, particularly the need to set up an internal audit department to assist the Audit Committee and to monitor the internal control system. Nevertheless, the Board confirms that there has had system of internal control during the year appropriate to the status of the Group's activities. Among the key processes of internal control identified by the Board are as follows:

- Clear organization structure with delineated reporting lines;
- Timely financial and operating reports;
- Regular visits to the operating unit of the Group's business by Managing Director and Executive Directors to ensure compliance with the Group's policies and procedures;
- Capable workforce with ongoing training efforts;
- Business continuity planning ; and
- Physical security and system access controls.

## ONGOING BOARD REVIEW

The Board believes that the development of the system of internal control is an ongoing process and has taken steps to establish a sound Group's internal control system and propose to set up the internal audit department to provide the Board with an independent assurance on the system of internal control.

# Statement of Directors' Responsibility

## for preparing the Annual Audited Financial Statements

The Directors are responsible for ensuring the financial statements for each financial year are drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group and the Company as at the end of financial year and the results and cash flows for the financial year.

The Directors consider that, in preparing the annual financial statements, the Company and the Group have used appropriate accounting policies and applied them consistently and make judgement and estimates that are reasonable and prudent. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia.

The Directors are also responsible to take such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

# Financial Statements

Directors' Report	16
Statement by Directors	20
Statutory Declaration	20
Report of the Auditors	21
Income Statements	22
Balance Sheets	23
Statements of Changes in Equity	24
Cash Flow Statements	25
Notes to the Financial Statements	26

# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary are stated in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	Group RM	Company RM
Net profit/(loss) for the year	2,794,891	(15,510)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effect arising from the acquisition of a subsidiary as disclosed in Note 12 to the financial statements.

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the last financial year.

No dividend is proposed in respect of the current financial year.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Mohd Zain Bin Omar	(appointed on 13.11.2003)
Lin, Tsai-Rong	(appointed on 13.11.2003)
Lin, Kai-Min	(appointed on 13.11.2003)
Lin, Kai-Hsuan	(appointed on 13.11.2003)
Lin Hsu, Li-Chu	(appointed on 13.11.2003)
Hiew Seng	(appointed on 25.2.2004)
Hsu, How-Tong	(appointed on 13.11.2003 and resigned on 25.2.2004)
Tsai, Shang-Hung @ John Tsai	(appointed on 13.11.2003 and resigned on 25.2.2004)
John Liaw Chee Shing	(appointed on 13.11.2003 and resigned on 25.2.2004)
DatukHajjahFarudah@ Faridah Bte Abu Hassan	(appointed on 13.11.2003 and resigned on 25.2.2004)
Katherine Chung Mei Ling	(resigned on 14.11.2003)
Lin Kui Mee	(resigned on 14.11.2003)



### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

Direct Interest in Ordinary Shares of the Company – Cymao Holdings Berhad	Number of Ordinary Shares of RM 1 Each			
	1 January 2003	Bought	Sold	31 December 2003
Datuk Mohd Zain Bin Omar	-	1,050,000	-	1,050,000
Lin, Tsai-Rong	-	16,830,000	-	16,830,000
Hsu, How-Tong	-	4,950,000	-	4,950,000
Datuk Hajjah Farudah @ Faridah Bte Abu Hassan	-	600,000	-	600,000

Lin, Tsai-Rong by virtue of his interest in shares in the Company is also deemed interested in shares of the Company's subsidiary to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company during the financial year.

### ISSUE OF SHARES

Pursuant to the Extraordinary General Meeting of the members on 27 October 2003:

- (a) the authorised share capital of the Company was increased from RM100,000 to RM100,000,000 by the creation of an additional 99,900,000 ordinary shares of RM1 each; and
- (b) the issued and paid-up share capital of the Company was increased from RM2 to RM51,000,000 by an allotment of 50,999,998 ordinary shares of RM1 each to satisfy the total purchase consideration of RM72,863,088 for the acquisition of Cymao Plywood Sdn. Bhd.

The new allotment during the financial year rank pari passu in all respects with the existing shares.

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

### OTHER STATUTORY INFORMATION (CONT'D)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### SIGNIFICANT EVENTS

- (a) On 10 September 2003, the Company obtained approval from the Securities Commission on its proposed restructuring and listing on the Main Board of Bursa Malaysia Securities Berhad. The restructuring scheme involves the following:
- (i) acquisition of the entire issued and paid-up share capital of Cymao Plywood Sdn. Bhd. for a total purchase consideration of RM72,863,088 fully satisfied by the issuance of 50,999,998 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.43 per share. The acquisition of Cymao Plywood Sdn. Bhd. was completed on 3 November 2003;
  - (ii) the public issue of 9,000,000 new ordinary shares of RM1 in the Company at an issue price of RM2.50 per share; and
  - (iii) the listing of and quotation for the Company's enlarged issued and fully paid-up share capital on the Main Board of Bursa Malaysia Securities Berhad.
- (b) On 17 December 2003, the Company entered into a sale and purchase agreement with Inovwood Sdn. Bhd. to acquire a piece of industrial land for a purchase consideration of RM1,200,000 to be satisfied by the proceeds from the Public Issue.

### SUBSEQUENT EVENTS

- (a) The public issue of 9,000,000 new ordinary shares of RM1 each in the Company at an issue price of RM2.50 per ordinary share was completed on 9 March 2004.
- (b) The enlarged issued and paid-up share capital of 60,000,000 ordinary shares of RM1 each in the Company were successfully listed and quoted on the Main Board of Bursa Malaysia Securities Berhad on 19 March 2004.

### SHARE OPTIONS

There were no options granted during the financial year to take up unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares under option at 31 December 2003.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

HIEW SENG

LIN, KAI-MIN

Sandakan, Sabah  
Malaysia

23 April 2004

# Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, HIEW SENG and LIN, KAI-MIN being two of the directors of CYMAO HOLDINGS BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 22 to 43 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

HIEW SENG

LIN, KAI-MIN

Sandakan, Sabah

Malaysia

23 April 2004

# Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, LIN, KAI-MIN being the director primarily responsible for the financial management of CYMAO HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 22 to 43 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly

declared by the abovenamed

LIN, KAI-MIN at Sandakan

in the State of Sabah

on 23 April 2004

LIN, KAI-MIN

Before me,

Pesuruhjaya Sumpah

William Liaw Wah Fong

No. S 018

# Report of the Auditors

## to the Members of Cymao Holdings Berhad

We have audited the accompanying financial statements set out on pages 22 to 43. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary was not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174 (3) of the Act.

Ernst & Young  
AF: 0039  
Chartered Accountants

Pang Pak Lok  
1228/3/05 (J)  
Partner

Tawau, Sabah  
Malaysia

23 April 2004



# Income Statements

For the Year Ended 31 December 2003

	Note	Group 2003 RM	Company 2003 RM	2002 RM
Revenue	3	19,992,268	-	-
Cost of sales		(13,379,300)	-	-
Gross profit		6,612,968	-	-
Other operating income		5,972	-	-
Selling expenses		(2,729,868)	-	-
Administrative expenses		(656,098)	(15,510)	(512)
Profit/(loss) from operations	4	3,232,974	(15,510)	(512)
Interest income	7	22,113	-	-
Finance costs	8	(36,960)	-	-
Profit/(loss) before taxation		3,218,127	(15,510)	(512)
Taxation	9	(423,236)	-	-
Net profit/(loss) for the year		2,794,891	(15,510)	(512)
Earnings per share (sen)				
Basic	10	32.9		
Dividend per share (sen)			-	

The accompanying notes form an integral part of the financial statements.

# Balance Sheets

As at 31 December 2003

	Note	Group 2003 RM	Company 2003 RM	2002 RM
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	11	38,955,665	-	-
Investment in a subsidiary	12	-	72,863,088	-
Deferred tax assets	22	4,147,297	-	-
		43,102,962	72,863,088	-
<b>CURRENT ASSETS</b>				
Inventories	13	37,634,419	-	-
Trade receivables	14	26,229,852	-	-
Other receivables	15	7,925,078	908,580	526,683
Cash and bank balances	16	5,629,190	2	2
		77,418,539	908,582	526,685
<b>CURRENT LIABILITIES</b>				
Borrowings	17	6,640,295	-	-
Trade payables	18	4,535,100	-	-
Other payables	19	8,870,026	930,542	533,135
Tax payable		14,382	-	-
		20,059,803	930,542	533,135
<b>NET CURRENT ASSETS/(LIABILITIES)</b>				
		57,358,736	(21,960)	(6,450)
		100,461,698	72,841,128	(6,450)
<b>FINANCED BY:</b>				
Share capital	20	51,000,000	51,000,000	2
Share premium	21	21,863,090	21,863,090	-
Retained profits/(accumulated losses)		2,788,439	(21,962)	(6,452)
Shareholders' equity		75,651,529	72,841,128	(6,450)
Negative goodwill		24,810,169	-	-
		100,461,698	72,841,128	(6,450)

The accompanying notes form an integral part of the financial statements.

# Statements of Changes in Equity

For the Year Ended 31 December 2003

Group	Note	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits/ (Accumulated Losses) RM	Total RM
At 1 January 2003		2	-	(6,452)	(6,450)
Net profit for the year		-	-	2,794,891	2,794,891
Issue of share capital	20	50,999,998	21,863,090	-	72,863,088
<b>At 31 December 2003</b>		<b>51,000,000</b>	<b>21,863,090</b>	<b>2,788,439</b>	<b>75,651,529</b>
<b>Company</b>					
At 1 January 2002		2	-	(5,940)	(5,938)
Net loss for the year		-	-	(512)	(512)
<b>At 31 December 2002</b>		<b>2</b>	<b>-</b>	<b>(6,452)</b>	<b>(6,450)</b>
At 1 January 2003		2	-	(6,452)	(6,450)
Net loss for the year		-	-	(15,510)	(15,510)
Issue of share capital	20	50,999,998	21,863,090	-	72,863,088
<b>At 31 December 2003</b>		<b>51,000,000</b>	<b>21,863,090</b>	<b>(21,962)</b>	<b>72,841,128</b>

The accompanying notes form an integral part of the financial statements.

# Cash Flow Statements

For the Year Ended 31 December 2003

	Group 2003 RM	Company 2003 RM	2002 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before taxation	3,218,127	(15,510)	(512)
Adjustments for:			
Depreciation of property, plant and equipment	1,884,314	-	-
Interest income	(22,113)	-	-
Finance costs	36,960	-	-
Operating profit/(loss) before working capital changes	5,117,288	(15,510)	(512)
Increase in inventories	(7,084,725)	-	-
Decrease/(increase) in receivables	1,685,782	(381,897)	(526,683)
Increase in payables	181,077	397,407	527,195
Cash used in operations	(100,578)	-	-
Interest paid	(36,960)	-	-
Net cash used in operating activities	(137,538)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of a subsidiary, net of cash acquired (Note 12)	3,084,505	-	-
Interest received	22,113	-	-
Purchase of property, plant and equipment	(1,224,286)	-	-
Net cash generated from investing activities	1,882,332	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bankers' acceptances	1,914,000	-	-
Proceeds from Export Credit Refinancing	5,449,295	-	-
Repayment of bankers' acceptances	(723,000)	-	-
Repayment of Export Credit Refinancing	(2,755,901)	-	-
Net cash generated from financing activities	3,884,394	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,629,188	-	-
<b>CASH AND CASH EQUIVALENTS</b>			
AT BEGINNING OF THE YEAR	2	2	2
<b>CASH AND CASH EQUIVALENTS</b>			
AT END OF THE YEAR (Note 16)	5,629,190	2	2

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

31 December 2003

## 1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiary are stated in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad subsequent to the financial year. The register office of the Company is located at Room 2.01, 2nd Floor, Alliance Bank Building, TB 1086, Jalan Utara, 91000 Tawau, Sabah. The principal place of business of the Company is located at 9.1 KM Jalan Batu Sapi, 90000 Sandakan, Sabah.

The numbers of employees in the Group as at 31 December 2003 was 1,848. The Company had no employees as at 31 December 2003 and 2002.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 April 2004.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25	Income Taxes
MASB 27	Borrowings Costs
MASB 29	Employee Benefits

The adoption of MASB 25, MASB 27 and MASB 29 have not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year or to changes in comparatives.

### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary. A subsidiary is a company in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

A subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the result of a subsidiary acquired or disposed of during the financial year is included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill which were not previously recognised in the consolidated income statement.



**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(c) Negative Goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary over the cost of acquisition at the date of acquisition. Negative goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet.

**(d) Investment in a Subsidiary**

The Company's investment in a subsidiary is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

**(e) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

Long leasehold land is depreciated over the period of 67 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2%
Plant and machinery	10% - 20%
Motor vehicles	20%
Furniture, fixtures and equipment	10%

Construction-in-progress is not depreciated until it is completed and ready for use.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

**(f) Inventories**

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**(g) Cash and Cash Equivalents**

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(h) Provisions for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### (j) Employee Benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

As required by law, employers in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

#### (k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

#### (l) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(l) Foreign Currencies (Cont'd)**

All exchange rate differences are taken to the income statement. The principal exchange rate for every unit of foreign currency ruling at balance sheet date used is as follows:

	2003 RM	2002 RM
United States Dollar	3.80	3.80

**(m) Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

**(n) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

**(i) Receivables**

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

**(ii) Payables**

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**(iii) Interest-Bearing Borrowings**

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are recognised in the income statements as an expense in the period in which they are incurred.

**(iv) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction that would otherwise have been avoided.

## Notes to the Financial Statements 31 December 2003 (Cont'd)

### 3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group 2003 RM	Company 2003 RM	2002 RM
Sales of decorative plywood	2,561,507	-	-
Sales of engineering wood flooring	387,168	-	-
Sales of layon	1,040,907	-	-
Sales of plywood	16,002,686	-	-
	<hr/> 19,992,268	-	-

### 4. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated after charging/(crediting):

Staff costs (Note 5)	2,092,081	-	-
Directors' remuneration (Note 6)	26,000	-	-
Auditors' remuneration	30,000	15,000	300
Depreciation of property, plant and equipment (Note 11)	1,884,314	-	-
Loss on foreign exchange	2,155	-	-
Rental of premises	28,383	-	-
	<hr/> 2,092,081	-	-

### 5. STAFF COSTS

Bonus	20,852	-	-
Employees' Provident Fund contributions	11,112	-	-
Salaries, wages and allowances	2,058,516	-	-
SOCSO contributions	1,601	-	-
	<hr/> 2,092,081	-	-

### 6. DIRECTORS' REMUNERATION

	Group 2003 RM	Company 2003 RM	2002 RM
<b>Directors of the Company</b>			
Executive:			
Bonus	1,000	-	-
Salaries	25,000	-	-
	<hr/> 26,000	-	-

## Notes to the Financial Statements 31 December 2003 (Cont'd)

### 6. DIRECTORS' REMUNERATION (CONT'D)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2003	2002
Executive directors:		
Below RM50,000	2	-

### 7. INTEREST INCOME

	Group 2003 RM	Company	
	2003 RM	2002 RM	2002 RM
Interest on:			
Fixed deposits	22,113	-	-

### 8. FINANCE COSTS

	Group 2003 RM	Company	
	2003 RM	2002 RM	2002 RM
Interest on:			
Bankers' acceptances	5,263	-	-
Bank overdrafts	4,277	-	-
Export Credit Refinancing	17,426	-	-
Letter of credit	9,994	-	-
	36,960	-	-

### 9. TAXATION

	Group 2003 RM	Company	
	2003 RM	2002 RM	2002 RM
Tax expense for the year:			
Malaysian income tax	6,192	-	-
Deferred tax:			
Relating to origination and reversal of temporary differences (Note 22)	417,044	-	-
	423,236	-	-

## Notes to the Financial Statements 31 December 2003 (Cont'd)

### 9. TAXATION (CONT'D)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 2003 RM	Company 2003 RM	2002 RM
Profit/(loss) before taxation	3,218,127	(15,510)	(512)
Taxation at Malaysian statutory tax rate of 28% (2002:28%)	901,076	(4,343)	(143)
Expenses not deductible for tax purposes	279,318	4,343	143
Expenses double deducted for tax purposes	(504,743)	-	-
Utilisation of unabsorbed capital allowances	(669,459)	-	-
Deferred tax liability recognised during the year	417,044	-	-
Tax expense for the year	423,236	-	-

Unutilised tax losses and unabsorbed capital allowances are analysed as follows:

Tax savings recognised during the year arising from:

Utilisation of unabsorbed capital allowances	669,459	-	-
Unabsorbed capital allowances carried forward	17,552,734	-	-
Unutilised tax losses carried forward	84,677	-	-

The effective tax rate of the Group is lower than the statutory tax rate mainly due to the availability of double tax deduction for freight charges.

### 10. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2003	Group 2002
Net profit for the year (RM)	2,794,891	-
Weighted average number of ordinary shares in issue	8,500,002	-
Basic earnings per share (sen)	32.9	-

#### (b) Diluted

No diluted earnings per share is disclosed as there are no dilutive potential ordinary shares.

## Notes to the Financial Statements 31 December 2003 (Cont'd)

### 11. PROPERTY, PLANT AND EQUIPMENT

	Long Leasehold Land and Buildings* RM	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fixtures and Equipment RM	Construction in Progress RM	Total RM
<b>Group</b>						
<b>Cost</b>						
Additions	5,060	1,209,701	-	3,912	5,613	1,224,286
Reclassification	60,648	-	-	-	(60,648)	-
Acquisition of a subsidiary (Note 12)	12,812,562	66,924,402	3,473,059	694,679	70,108	83,974,810
At 31 December 2003	12,878,270	68,134,103	3,473,059	698,591	15,073	85,199,096
<b>Accumulated Depreciation</b>						
Depreciation charge for the year (Note 4)	169,773	1,600,638	98,691	15,212	-	1,884,314
Acquisition of a subsidiary (Note 12)	4,697,313	36,398,671	2,828,034	435,099	-	44,359,117
At 31 December 2003	4,867,086	37,999,309	2,926,725	450,311	-	46,243,431
<b>Net Book Value</b>						
At 31 December 2003	8,011,184	30,134,794	546,334	248,280	15,073	38,955,665
Depreciation charge for 2002	-	-	-	-	-	-

#### \* Long Leasehold Land and Buildings

	Long Leasehold Land RM	Land Improvement RM	Buildings RM	Total RM
<b>Group</b>				
<b>Cost</b>				
Addition	-	-	5,060	5,060
Reclassification	-	-	60,648	60,648
Acquisition of a subsidiary	3,160,144	40,500	9,611,918	12,812,562
At 31 December 2003	3,160,144	40,500	9,677,626	12,878,270

## Notes to the Financial Statements 31 December 2003 (Cont'd)

### 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long Leasehold Land RM	Land Improvement RM	Buildings RM	Total RM
<b>Accumulated Depreciation</b>				
Depreciation charge for the year	15,132	101	154,540	169,773
Acquisition of a subsidiary	125,253	1,107	4,570,953	4,697,313
At 31 December 2003	140,385	1,208	4,725,493	4,867,086
<b>Net Book Value</b>				
At 31 December 2003	3,019,759	39,292	4,952,133	8,011,184
Depreciation charge for 2002	-	-	-	-

All the property, plant and equipment of the Group have been pledged for borrowings as disclosed in Note 17.

### 12. INVESTMENT IN A SUBSIDIARY

	Company	
	2003 RM	2002 RM
Unquoted shares, at cost	72,863,088	-

Details of the subsidiary are as follows:

Name of Subsidiary	Country of Incorporation	Equity Interest Held		Principal Activities
		2003 %	2002 %	
Cymao Plywood Sdn. Bhd.	Malaysia	100	-	Manufacturing and sales of vener, plywood, decorative plywood, engineering wood flooring and layon

Acquisition of a subsidiary:

On 3 November 2003, the Group acquired 100% equity interest in Cymao Plywood Sdn. Bhd. for a total consideration of RM72,863,088 fully satisfied by the issuance of 50,999,998 new ordinary shares of RM1.00 each of the Company at an issue price of approximately RM1.43 each.



**12. INVESTMENT IN A SUBSIDIARY (CONT'D)**

The effect of the acquisition on the financial results of the Group from the date of acquisition to 31 December 2003 is as follows:

	RM
Revenue	19,992,268
Operating costs	(16,743,784)
Interest income	22,113
Finance costs	(36,960)
Taxation	(423,236)
<b>Net profit</b>	<b>2,810,401</b>

The effect of the acquisition on the financial position of the Group as at 31 December 2003 is as follows:

	RM
Property, plant and equipment	38,955,665
Deferred tax assets	4,147,297
Inventories	37,634,419
Trade and other receivables	34,156,579
Cash and bank balances	5,629,188
Short term borrowings	(6,640,295)
Trade and other payables	(13,384,813)
Tax payable	(14,382)
	<b>100,483,658</b>

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary is as follows:

	3.11.2003 RM
Net assets acquired:	
Property, plant and equipment (Note 11)	39,615,693
Deferred tax assets	4,564,341
Inventories	30,549,694
Trade and other receivables	35,314,029
Cash and bank balances	3,084,505
Short term borrowings	(2,755,901)
Trade and other payables	(12,690,914)
Tax payable	(8,190)
<b>Fair value of total net assets</b>	<b>97,673,257</b>

## Notes to the Financial Statements 31 December 2003 (Cont'd)

### 12. INVESTMENT IN A SUBSIDIARY (CONT'D)

	3.11.2003 RM
Group's share of net assets	97,673,257
Negative goodwill	(24,810,169)
<b>Total consideration</b>	<b>72,863,088</b>
Satisfied by:	
Shares issued	(72,863,088)
Cash inflow arising on acquisition:	
Cash and cash equivalents of subsidiary acquired	(3,084,505)

### 13. INVENTORIES

	Group 2003 RM	Company 2003 RM	2002 RM
<b>At cost:</b>			
Logs	3,561,467	-	-
Veneer	4,207,936	-	-
Plywood	6,883,794	-	-
Decorative plywood	20,711,022	-	-
Engineering wood flooring	458,017	-	-
Layon	147,449	-	-
Materials and supplies	1,664,734	-	-
	<b>37,634,419</b>	<b>-</b>	<b>-</b>

There were no inventories stated at net realisable value as at the year end.

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM13,379,300.

### 14. TRADE RECEIVABLES

The Group's normal trade credit term ranges from 45 to 60 days. Other credit terms are assessed and approved on a cash-by case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

**15. OTHER RECEIVABLES**

	Group 2003 RM	2003 RM	Company 2002 RM
Advances	171,171	-	-
Deposits for supplies	2,192,567	-	-
Other deposits	2,649,511	-	-
Prepayments	1,603,592	908,580	526,683
Sundry receivables	1,308,237	-	-
	<u>7,925,078</u>	<u>908,580</u>	<u>526,683</u>

Deposits for supplies represent advances paid to log suppliers for logs to be purchased.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

**16. CASH AND CASH EQUIVALENTS**

	Group 2003 RM	2003 RM	Company 2002 RM
Cash on hand and at banks	4,646,790	2	2
Deposits with a licensed bank	982,400	-	-
Cash and bank balances	<u>5,629,190</u>	<u>2</u>	<u>2</u>
Cash and cash equivalents	<u>5,629,190</u>	<u>2</u>	<u>2</u>

Included in deposits with a licensed bank of the Group are deposits amounting to RM900,000 (2002 : Nil) pledged to a bank for banking facilities granted to a subsidiary as referred to in Note 17.

The average effective interest rate of deposits at the balance sheet date was 3.8% (2002 : Nil) per annum.

The average maturity of deposits as at the end of the financial year was 365 days (2002 : Nil).

**17. BORROWINGS**

	Group 2003 RM	2003 RM	Company 2002 RM
<b>Short Term Borrowings</b>			
Secured:			
Bankers' acceptance	1,191,000	-	-
Export Credit Refinancing	5,449,295	-	-
	<u>6,640,295</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements 31 December 2003 (Cont'd)

### 17. BORROWINGS (CONT'D)

The average effective interest rates at the balance sheet date for borrowings were as follows:

	Group 2003 %	Company 2003 %	Company 2002 %
Bankers' acceptance	4.5	-	-
Export Credit Refinancing	3.5	-	-

The above banking facilities are secured by the following:

- (a) legal charges over the landed properties of the Group;
- (b) a debenture creating fixed and floating charges over all the assets of the Group, both present and future as disclosed in Note 11;
- (c) a pledge against deposits with a licensed bank of the Group as disclosed in Note 16; and
- (d) a joint and several guarantee by certain directors of the Company.

### 18. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 days.

### 19. OTHER PAYABLES

	Group 2003 RM	Company 2003 RM	Company 2002 RM
Due to a subsidiary	-	910,229	-
Accruals	5,563,461	15,600	300
Advances	-	-	528,332
Deposits received	881,421	-	-
Due to directors	1,365,314	-	-
Sundry payables	1,059,830	4,713	4,503
	<hr/> 8,870,026	<hr/> 930,542	<hr/> 533,135

The amounts due to a subsidiary and directors are unsecured, interest-free and have no fixed terms of repayment.

## 20. SHARE CAPITAL

	Number of Ordinary Shares of RM 1 Each		Amount	
	2003	2002	2003 RM	2002 RM
Authorised:				
At 1 January	100,000	100,000	100,000	100,000
Created during the year	99,900,000	-	99,900,000	-
At 31 December	100,000,000	100,000	100,000,000	100,000
Issued and fully paid:				
At 1 January	2	2	2	2
Issue of shares for acquisition of a subsidiary	50,999,998	-	50,999,998	-
At 31 December	51,000,000	2	51,000,000	2

During the financial year, the authorised share capital of the Company was increased from RM100,000 to RM100,000,000 by the creation of an additional 99,900,000 ordinary shares of RM1 each in the Company.

Subsequent to the increase in the authorised share capital, the issued and paid-up share capital of the Company was increased from RM2 to RM51,000,000 by way of the issuance of RM50,999,998 ordinary shares of RM1 each at an issue price of approximately RM1.43 each to satisfy the purchase consideration of the acquisition of a subsidiary. The share premium arising thereon amounted to RM21,863,090 and this has been credited to the share premium account. The new ordinary shares rank pari passu in all respects with existing ordinary shares.

## 21. SHARE PREMIUM

	Group	Company	
	2003 RM	2003 RM	2002 RM
The share premium arose from the following:			
Issuance of 50,999,998 ordinary shares at a premium of approximately RM0.43 per share	21,863,090	21,863,090	-

## 22. DEFERRED TAX

	Group	Company	
	2003 RM	2003 RM	2002 RM
Acquisition of a subsidiary (Note 12)	(4,564,341)	-	-
Recognised in the income statement (Note 9)	417,044	-	-
At 31 December	4,147,297	-	-

## Notes to the Financial Statements 31 December 2003 (Cont'd)

### 22. DEFERRED TAX (CONT'D)

The components and movements of deferred tax assets during the financial year are as follows:

Deferred Tax Assets of the Group:

	Differences Between Allowances and Depreciation RM	Unutilised Tax Losses RM	Unabsorbed Capital Allowances RM	Total RM
Acquisition of a subsidiary Recognised in the income statement	401,315	(23,710)	(4,941,946)	(4,564,341)
	389,863	-	27,181	417,044
At 31 December 2003	791,178	(23,710)	(4,914,765)	(4,147,297)

The unutilised tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiary in which those items arose.

### 23. COMMITMENTS

	Group 2003 RM	Company 2003 RM	Company 2002 RM
Capital expenditure:			
Approved and contracted for:			
Property, plant and equipment	3,480,000	1,200,000	-

### 24. SIGNIFICANT EVENTS

- (a) On 10 September 2003, the Company obtained approval from the Securities Commission on its proposed restructuring and listing on the Main Board of Bursa Malaysia Securities Berhad. The restructuring scheme involves the following:
- acquisition of the entire issued and paid-up share capital of Cymao Plywood Sdn. Bhd. for a total purchase consideration of RM72,863,088 fully satisfied by the issuance of 50,999,998 new ordinary shares of RM1 each in the Company at an issue price of approximately RM1.43 per share. The acquisition of Cymao Plywood Sdn. Bhd. was completed on 3 November 2003;
  - the public issue of 9,000,000 new ordinary shares of RM1 in the Company at an issue price of RM2.50 per share; and
  - the listing of and quotation for the Company's enlarged issued and fully paid-up share capital on the Main Board of Bursa Malaysia Securities Berhad.
- (b) On 17 December 2003, the Company entered into a sale and purchase agreement with Inovwood Sdn. Bhd. to acquire a piece of industrial land for a purchase consideration of RM1,200,000 to be satisfied by the proceeds from the Public Issue.

### 25. SUBSEQUENT EVENTS

- (a) The public issue of 9,000,000 new ordinary shares of RM1 each in the Company at an issue price of RM2.50 per ordinary share was completed on 9 March 2004.
- (b) The enlarged issued and paid-up share capital of 60,000,000 ordinary shares of RM1 each in the Company were successfully listed and quoted on the Main Board of Bursa Malaysia Securities Berhad on 19 March 2004.

### 26. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its commodity price, interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

#### (b) Commodity Price Risk

The Group's earnings are affected by changes in the prices of its raw materials and its manufactured products .

#### (c) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts; the Group had no substantial long term interest-bearing assets as at 31 December 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity days and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

#### (d) Foreign Exchange Risk

The Group operates internationally and is exposed mainly to the United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposure.

Material foreign exchange transaction exposures are not hedged currently due to the Malaysian Ringgit being pegged to the United States Dollar.

26. FINANCIAL INSTRUMENTS (CONT'D)

(d) Foreign Exchange Risk (Cont'd)

The unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

At 31 December 2003:

Functional Currency of Group Companies	United States Dollar RM
<b>Trade Receivables</b>	
Ringgit Malaysia	24,282,948
<b>Other Receivables</b>	
Ringgit Malaysia	3,597,650
<b>Cash and Bank Balances</b>	
Ringgit Malaysia	760,116
<b>Other Payables</b>	
Ringgit Malaysia	(1,852,944)
	<hr/>
	26,787,770

(e) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raised committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(f) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.



**26. FINANCIAL INSTRUMENTS (CONT'D)****(g) Fair Values**

The financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company as at the end of the financial year are represented as follows:

		Group		Company	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>Financial Asset</b>					
Non-current unquoted shares	12	-	-	72,863,088	*
<b>Financial Liabilities</b>					
Amounts due to directors	19	1,365,314	**	-	-
Amount due to a subsidiary	19	-	-	910,229	**

\* It is not practicable to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable value.

\*\* It is not practicable to estimate the fair values of amounts due to directors and subsidiary due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

**(i) Cash and Cash Equivalents, Trade and Other Receivables and Payables**

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

**(ii) Interest-Bearing Borrowings**

The carrying values are deemed to equal fair values, which the Group estimates based on incremental rates of comparable borrowing arrangements.

**27. SEGMENTAL REPORTING**

No segmental information has been presented as the Group is operating principally in one industry and within one country.

**28. COMPARATIVE FIGURES**

There are no comparative figures in the consolidated financial statements as this is the first set of consolidated financial statements prepared by the Group.

# Analysis of Shareholdings

as at 30 April 2004

CLASS OF SHARE : ORDINARY SHARES OF RM1.00 EACH

VOTING RIGHTS : ONE VOTE PER RM1.00 SHARE

Size of Holdings	No. of Holders	%	No. of Shares	%
1 to 99	4	0.39	200	0.00
100 to 1,000	450	43.86	427,100	0.71
1,001 to 10,000	434	42.30	1,906,900	3.18
10,001 to 100,000	96	9.36	3,166,700	5.28
100,001 and 2,999,999	37	3.60	15,669,100	26.11
3,000,000 and above	5	0.49	38,830,000	64.72
<b>Total</b>	<b>1,026</b>	<b>100.00</b>	<b>60,000,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS WITH HOLDINGS OF 5% AND ABOVE AS AT 30 APRIL 2004

No.	Names	No. of Shares Held	
		Direct	Through Nominees
1.	Lin, Tsai-Rong	16,880,000 (28.13%)	0
2.	Tsay, Chung-Wen	6,600,000 (11.00%)	0
3.	Mendu Sdn. Bhd.	5,200,000 (8.67%)	800,000 (1.33%)
4.	Forum Timber Sdn. Bhd.	5,200,000 (8.67%)	800,000 (1.33%)
5.	Hsu, How-Tong	4,950,000 (8.25%)	0

## LIST OF DIRECTORS' REGISTERED SHAREHOLDING AS AT 30 APRIL 2004

No.	Names	No. of Shares Held	
		Direct	Through Nominees
1.	Datuk Mohd Zain Bin Omar	1,050,000 (1.75%)	0
2.	Lin, Tsai-Rong	16,880,000 (28.13%)	0
3.	Lin, Kai-Min	50,000 (0.083%)	0
4.	Lin, Kai-Hsuan	50,000 (0.083%)	0
5.	Lin Hsu, Li-Chu	50,000 (0.083%)	0
6.	Hiew Seng	50,000 (0.083%)	0

## Analysis of Shareholdings as at 30 April 2004 (Cont'd)

### LIST OF THIRTY (30) TOP SHAREHOLDERS AS AT 30 APRIL 2004

No.	Name	Shareholdings	%
1.	Lin, Tsai-Rong	16,880,000	28.13
2.	Tsay, Chung-Wen	6,600,000	11.00
3.	Forum Timber Sdn. Bhd.	5,200,000	8.67
4.	Mendu Sdn. Bhd.	5,200,000	8.67
5.	Hsu, How-Tong	4,950,000	8.25
6.	Amsec Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Osman Bin Omar (AM Finance)]	1,050,000	1.75
7.	Datuk Mohd Zain Bin Omar	1,050,000	1.75
8.	Chang, Huei-May	1,040,700	1.73
9.	Tsung, Wun-Lan	990,000	1.65
10.	Chen Huang, Kuei-Liang	990,000	1.65
11.	Amsec Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Mohammad Anuar Bin Mohd Yunus (AM Finance)]	840,500	1.40
12.	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Mendu Sdn. Bhd.]	800,000	1.33
13.	Kenanga Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Forum Timber Sdn. Bhd.]	800,000	1.33
14.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. [Dana Al-Aiman]	754,700	1.26
15.	Amsec Nominees (Tempatan) Sdn. Bhd. [Pledged securities account for Datuk Farudah @ Faridah Binti Abu Hassan (AmFinance)]	600,000	1.00
16.	Amanah Saham Mara Berhad	600,000	1.00
17.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. [ASM Premier Fund]	557,600	0.93
18.	Mayban Securities Sdn. Bhd. [CLR (A) for ASM Asset Management Sdn. Bhd.]	550,000	0.92
19.	Wang Tsang, Tsui-Ing	400,000	0.67
20.	Maksum Bin Latif	350,000	0.58
21.	Omar Bin Hj Mohamad	300,000	0.50
22.	M & A Securities Sdn. Bhd. [IVT (B)]	298,800	0.50
23.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. [Public Islamic Equity Fund]	283,500	0.47
24.	Bumiputra-Commerce Trustee Berhad [ASM First Public Fund]	280,000	0.47
25.	Bimsec Nominees (Tempatan) Sdn. Bhd. [Syarikat Takaful Malaysia Berhad]	254,000	0.42
26.	AmFinance Berhad [Pledged securities account for Mohammad Anuar Bin Mohd Yunus (Smart)]	242,700	0.40
27.	Universal Trustee (Malaysia) Berhad [KL City Sapphire Fund]	230,000	0.38
28.	Tengku Mohamed Fauzi Bin Tengku Abdul Hamid	210,000	0.35
29.	Chin Hau Bui	205,900	0.34
30.	Kuo Yeh, Ling-Yee	200,000	0.33

# List of Properties

No.	Location	Land Area (acres)	Description and Existing Use	Built-up Area (Sq.ft.)	Lease Tenure from/to	Approximate Age of Building	Net Book value as at 31December 2003
1.	TL 077565434 9.1 KM Jalan Batu Sapi, 90000, Sandakan Sabah	8.1	Industrial land with plywood factory and ancillary buildings	352,713	Leasehold 99 years (expiring 31.12.2068)	8	RM6,970,107
2.	TL 077574200 9.1 KM Jalan Batu Sapi, 90000, Sandakan Sabah	4.85	Industrial land with log conditioning shed and temporary labour quarters.	211,187	Leasehold 99 years (expiring 31.12.2096)	-	RM1,041,077

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be convened and held at Sanbay Hotel, Conference Room, Mile 1 1/4 Jalan Leila, 90000 Sandakan, Sabah on 30 June 2004 at 10.00 a.m. to transact the following business:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2003 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To re-elect the following Directors who retire in accordance to Article 88 of the Company's Articles of Association:
  - (a) Datuk Mohd Zain Bin Omar **Resolution 2**
  - (b) Lin, Tsai-Rong **Resolution 3**
  - (c) Lin, Kai-Min **Resolution 4**
  - (d) Lin, Kai-Hsuan **Resolution 5**
  - (e) Lin Hsu, Li-Chu **Resolution 6**
  - (f) Hiew Seng **Resolution 7**
3. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 8**
4. As Special Business:

To consider and if thought fit, pass the following resolution as Ordinary Resolution:

### ORDINARY RESOLUTION

- Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**Resolution 9**

By Order of the Board

Katherine Chung Mei Ling (MAICSA 7007310)  
Secretary

Tawau

Dated: 8 June 2004

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Room 2.01, 2nd Floor, Alliance Bank Building, TB 1086, Jalan Utara, 91000 Tawau, Sabah not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.
5. **EXPLANATORY NOTE ON SPECIAL BUSINESS**  
**Resolution No. 9**  
The proposed resolution is in relation to authority to allot shares pursuant to Section 132D of the Companies Act, 1965, if passed, will give the Directors of the Company, from the date of the above general meeting, authority to issue and allot shares from the unissued capital of the Company for such purpose as the Directors may deem fit and in the interest of the Company provided it does not exceed 10% of the issued share capital of the Company for the time being. This authority, unless revoked and varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

# Statement Accompanying

## The Notice of Sixth Annual General Meeting

Venue : Sanbay Hotel, Conference Room, Mile 1 1/4 Jalan Leila, 90000 Sandakan, Sabah  
Date : Wednesday, 30 June 2004  
Time : 10.00 a.m.

### 1. DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The Directors who are standing for re-election are Datuk Mohd Zain Bin Omar, Lin, Tsai-Rong, Lin, Kai-Min, Lin, Kai-Hsuan, Lin Hsu, Li-Chu and Hiew Seng. The details of the Directors seeking for re-election are disclosed under the Profile of Directors on pages 4 to 5. The Directors' shareholdings in the Company are disclosed under the Analysis of Shareholdings on page 44.

### 2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

The details of attendance of Directors at Board meetings are disclosed under the Statement on Corporate Governance on page 7.

# Proxy form

I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Cymao Holdings Berhad hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_ or failing him/her \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Sanbay Hotel, Conference Room, Mile 1 1/4 Jalan Leila, 90000 Sandakan, Sabah on 30 June 2004 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated below:

		FOR	AGAINST
Resolution 1	Adoption of Audited Financial Statements Accounts for the financial year ended 31 December 2003 and the Reports of the Directors and Auditors thereon.		
Resolution 2	Re-election of Datuk Mohd Zain Bin Omar.		
Resolution 3	Re-election of Lin, Tsai-Rong.		
Resolution 4	Re-election of Lin, Kai-Min.		
Resolution 5	Re-election of Lin, Kai-Hsuan.		
Resolution 6	Re-election of Lin Hsu, Li-Chu.		
Resolution 7	Re-election of Hiew Seng.		
Resolution 8	Re-appointment of Auditors.		
Resolution 9	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "x" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/ she thinks fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

No. of shares held

Signature:  
Shareholder or Common Seal

**Notes:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of any officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Room 2.01, 2nd Floor, Alliance Bank Building, TB 1086, Jalan Utara, 91000 Tawau, Sabah not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Then fold here

---

Affix  
Stamp

The Secretary  
**Cymao Holdings Berhad**  
Room 2.01, 2nd Floor  
Alliance Bank Building  
TB 1086, Jalan Utara  
W. D. T. 46  
91009 Tawau  
Sabah

---

Then fold here