



GYMAO HOLDINGS BERHAD
445231-U



Annual Report

2004



Contents

Corporate Information	2
Group Structure	3
Directors' Profile	4-5
Chairman's Statement	6-7
Corporate Governance Statement	8-11
Audit Committee Report	12-14
Statement of Internal Control	15
Directors' Responsibilities Statement	16
Additional Compliance Information	17
Financial Statements	18-48
Analysis of Shareholdings	49-50
List of Properties	51
Notice of Seventh Annual General Meeting	52-53
Statement Accompanying Notice of Annual General Meeting	54
Proxy Form	55

Corporate Information

BOARD OF DIRECTORS

Datuk Mohd Zain Bin Omar
Chairman/Independent Non-Executive Director

Lin, Tsai-Rong
Managing Director

Lin, Kai-Min
Executive Director

Lin, Kai-Hsuan
Executive Director

Lin Hsu, Li-Chu
Non-Independent Non-Executive Director

Hiew Seng
Independent Non-Executive Director

AUDIT COMMITTEE

Hiew Seng
Chairman, Independent Non-Executive Director

Datuk Mohd Zain Bin Omar
Member, Independent Non-Executive Director

Lin, Kai-Min
Member, Executive Director

REMUNERATION COMMITTEE

Datuk Mohd Zain Bin Omar
Chairman, Independent Non-Executive Director

Hiew Seng
Member, Independent Non-Executive Director

Lin, Kai-Min
Member, Executive Director

NOMINATION COMMITTEE

Datuk Mohd. Zain Bin Omar
Chairman, Independent Non-Executive Director

Hiew Seng
Member, Independent Non-Executive Director

Lin Hsu, Li-Chu
Member, Non-Independent Non-Executive Director

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

Suite 12-6, Level 12
Menara Great Eastern
No. 303 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-42566985
Fax : 03-42578676/03-42578570

AUDITORS

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

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Public Bank Berhad
RHB Bank Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
(formerly known as Malaysian 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

STOCK EXCHANGE LISTING

Main Board of the Bursa Malaysia Securities Berhad
Stock Short Name: CYMAO
Stock Code : 5082

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

(Chairman/Independent Non-Executive Director)

Chairman of Nomination Committee and Remuneration Committee

Member of Audit Committee

Malaysian, aged 63, was appointed to the Board of Cymao Holdings Berhad ("Cymao") 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. He is also a Member of Parliament for the Constituency of Balik Pulau until 2004.

He is an Independent Non-Executive Director cum Chairman of Foremost Holdings Berhad and the Executive Chairman of Seal Incorporated Berhad, both listed on Bursa Malaysia Securities Berhad. He also sits on the Board of Lembaga Tabung Haji and several private limited companies.

LIN, TSAI-RONG

(Managing Director)

Taiwanese, aged 69, was appointed to the Board of Cymao 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 Cyma Plywood and Lumber Co. Ltd, Taiwan ("CPLC"). 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 Cymao Plywood Sdn Bhd ("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

(Executive Director)

Member of Remuneration Committee

Member of Audit Committee

Taiwanese, aged 35, was appointed to the Board of Cymao 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 accounting and marketing.

LIN, KAI-HSUAN

(Executive Director)

Taiwanese, aged 37, was appointed to the Board of Cymao 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

(Non-Independent Non-Executive Director)

Member of Nomination Committee

Taiwanese, aged 62, was appointed to the Board of Cymao 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

(Independent Non-Executive Director)

Chairman of Audit Committee

Member of Remuneration and Nomination Committee

Malaysian, aged 54, was appointed to the Board of Cymao on 25 February 2004. He is a Chartered Accountant by training and a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of 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. He then joined The New Straits Times Press (Malaysia) Berhad as Internal Auditor heading the Internal Audit Department for 5½ years and was promoted to Manager, Organisation & Method, a department created to conduct efficiency and productivity study during the economic crisis in 1986. He held the position for 3 years. Thereafter, he joined an advertisement production houses as a finance consultant for four (4) years before he joined Messrs. S K Hiew & Associate in 1996, where he became the Principal-in-charged of the Kajang Branch of the firm.

OTHER INFORMATION OF DIRECTORS

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 ten (10) years.

Shareholdings

The particulars of the Directors' shareholding are set out on page 49 to 50 of this Annual Report.

Attendance of the Board

There were total five (5) Board meetings held during the financial year ended 31 December 2004

Name of Director	Attendance
1. Datuk Mohd Zain Bin Omar	5/5
2. Lin, Tsai-Rong	5/5
3. Lin, Kai-Min	5/5
4. Lin, Kai-Hsuan	5/5
5. Lin Hsu, Li-Chu	5/5
6. Hiew Seng	5/5

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to our valued shareholders, the Annual Report and the Audited Financial Statements of CYMAO HOLDINGS BERHAD ("the Company") and its subsidiary ("the Group") for the financial year ended 31 December 2004 ("FY 2004").

GROUP PERFORMANCE

The Group registered a revenue of RM195.1 million and a profit before taxation of RM25.3 million compared to two-month revenue of RM20.0 million and profit before taxation of RM3.2 million in the previous year. I am also pleased to highlight that these results have surpassed the forecast revenue of RM189.3 million by 3% and forecast profit before taxation of RM23.7 million by 7% for FY 2004 as stated in our Prospectus dated 28 February 2004 ("Prospectus"). Actual higher than forecast plywood price by 20% has largely contributed to the favourable results.

OPERATIONS REVIEW

For meaningful comparison, the operations review is compared against the forecasts as stated in the Prospectus. During the financial year under review, sales volume achieved for plywood was 112,000m³ which is 10% higher than the forecast volume. Sales volume achieved for other valued added plywood products was 30,000m³ compared to the forecast of 46,000m³.

During the year, the Group launched a new product, Wooden Musical Component ("WMC"), and it has received a positive response in the Taiwan market. WMC adds to the existing valued-added plywood product range which collectively contributed 30% to the Group's revenue for FY 2004. In addition, export revenue accounted for 91% of the Group's total revenue and the United States, being the major export market accounted for 93% of the export revenue.

Timber prices during the year have remained relatively stable at an average price of RM325/m³ and we have maintained good business relationships with suppliers making certain delivery of raw material supplies.

We continued to improve the operation efficiency in the plant. For the year under review, RM16 million worth of plant and machinery were invested to improve the manufacturing processes and emphasis was also placed on the workers to enhance the performance based reward system in order to achieve greater heights of productivity.

DIVIDEND

For the financial year ended 31 December 2004, the Board of Directors declared an interim tax-exempt dividend of 7.5 sen per share amounting to RM4.5 million on 21 August 2004 and subsequently paid on 28 September 2004. In view of the Group's positive results for the year under review, the Board is proposing a final tax-exempt dividend of 5 sen per share subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. As such, the total dividend for the year under review is 12.5 sen per share amounting to RM7.5 million.

GROUP PROSPECTS

We will continue to experience cost and currency pressures, oil prices are expected to remain on the high side, we are constantly applying the sustainable cost-savings measures to help to offset external market conditions.

Research and development remains the driving force behind the Group on innovated and value-added plywood products and production cost efficiency. Two new products, fire retardant and printed plywood are expected to launch in second half of 2005. In addition, we will continue to harvest the benefits of utilising small diameter logs which have been proven to improve cost efficiency.

Chairman's Statement (Cont'd)

GROUP PROSPECTS (CONT'D.)

In the opinion of the Directors, the timber prices will remain stable and the demand for plywood related building material is expected to be positive. The United States market demands for the Group's products will continue to sustain due to wide application of plywood usage. Besides, continuing effort to expand the Group marketing segments to other regions like Europe and Middle East are expected to be rewarding moving forward in the next two years. Barring any unforeseen circumstances, I am confident that the Group will continue to be profitable and deliver a positive result to the shareholders.

Your Company is actively pursuing growth opportunities that fit the investment appetite in both operations and through helping our customers to succeed in their market places. The focus of this goal will be delivering both short-term and long-term positive results for the Group in order to remain competitive.

APPRECIATION

On behalf of the Board of Directors, I would like to express my appreciation for the continued support by our customers, suppliers, bankers, business associates, relevant government authorities and shareholders to the Group.

The commitment and hard work contributed by the management and employees of the Group are tremendous which have made this Group to be one of the most competitive companies in the industry and my sincere thanks for their dedications in discharging their duties.

Lastly, I wish to thank my fellow members of the Board whose dependable support, wisdom and counsel have been inspiring.

Datuk Mohd. Zain Bin Omar
Chairman

Corporate Governance Statement

The Board of Directors of Cymao Holdings Berhad ("the Board") is committed towards ensuring the highest standard of Corporate Governance are observed throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and financial performance of the Group.

The Board will continuously evaluate the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code in their operation towards achieving the optimal governance framework.

Set out below is a statement on the manner the Company has applied the principles of good governance and the extent of compliance with the Best Practices in Corporate Governance as set out in the Part 1 and Part 2 of the Code during the financial year ended 31 December 2004 unless otherwise stated.

BOARD OF DIRECTORS

Board Composition and Balance

An effective and experienced Board comprising members with a wide range of experience in relevant fields such as production, engineering, economics, accounting, finance, marketing, management and business administration, leads and controls the Group. Together they bring a broad range of skills, experience and knowledge required to successfully direct, supervise and manage the Group's business, which are vital to the success of the Group and enhancement of long term shareholders' value.

The Board currently consists of six (6) Directors and are made up by one (1) Independent Non-Executive Chairman, one (1) Managing Director, two (2) Executive Directors, and two (2) Non-Executive Directors, one (1) of whom is independent Director. The Board composition complies with paragraph 15.02 of the Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires that at least two (2) or one-third (1/3) of the Board Members, whichever is higher, to be Independent Directors.

The profiles of the members of the Board are set out on page 4 to 5 of the Annual Report.

The Board of Directors' Meetings are presided by the Chairman whose role is clearly separated from the role of the Managing Director to ensure a balance of power and authority.

The Executive Directors are responsible for implementing policies and decisions of the Board, overseeing operations as well as managing development and implementation of business and corporate strategies. The Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgement play an important role in ensuring that the strategies proposed by the management are objectively evaluated and thus provide a capable check and balance for the Executive Directors.

Whilst Mr Lin, Tsai-Rong is the largest shareholder of Cymao Holdings Berhad, the investment of the remaining shareholders is fairly reflected in the Board representation.

Board Meetings

The Board meets at least four (4) times a year which is scheduled at quarterly basis with additional meetings convened as necessary.

The Board held five (5) meetings during the financial year ended 31 December 2004. Details of the attendance of the Directors are disclosed on page 5 of the Annual Report.

Corporate Governance Statement (Cont'd)

Board Committees

(i) Audit Committee

The Board is assisted by an Audit Committee, which operates within clearly defined terms of reference. The composition, terms of reference and activities of the Audit Committee are set out on page 12 to 14 of the Annual Report.

(ii) Nomination Committee

The Nomination Committee was formed on 22 November 2004 which comprise exclusively of three (3) Non-Executive Directors, majority of whom are independent :-

Datuk Mohd Zain Bin Omar	- Chairman (Independent Non-Executive Director)
Hiew Seng	- Member (Independent Non-Executive Director)
Lin Hsu, Li-Chu	- Member (Non-Independent Non-Executive Director)

The Nomination Committee held a meeting on 26 February 2005 after the financial year end to receive the terms of reference of Nomination Committee and to recommend the re-election of retiring Directors to the Board.

The Nomination Committee's responsibilities among others includes:-

- To propose and identify new nominees for appointment to the Board of Directors.
- To annually assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.
- To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.
- To recommend to the Board, Directors to fill the seats on Board Committees.
- To annually review the Board's mix of skills and experience and other qualities including core competencies which non-executive Directors should bring to the Board.
- To recommend to the Board for continuation (or not) in service of Executive Director(s) and Directors who are due for retirement by rotation.
- To consider, in making its recommendations, candidates for directorships proposed by the Managing Director and, within the bounds of practicability, by any other senior executive or any Director or shareholders.

iii) Remuneration Committee

The Remuneration Committee was formed on 22 November 2004 which comprise of the following Directors, namely:-

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

The Remuneration Committee held a meeting on 26 February 2005 after the financial year end to receive the terms of reference of Remuneration Committee and proposed to the Board on the remuneration policies for Executive Directors and Non-Executive Directors.

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration package of each Executive Director, drawing from outside advise as necessary. Nevertheless, the determination of the remuneration of Executive Directors is a matter for the Board as a whole and the Executive Directors abstained from discussion and play no part in the decision making.

The Remuneration Committee also recommends to the Board the remuneration of the Non-Executive Directors and the determination of remuneration of Non-Executive Directors is also a matter for the Board as a whole.

Corporate Governance Statement (Cont'd)

Supply of Information

Notice of meetings, setting out the agenda and accompanied by the Board papers are given to all Directors prior to each Board Meeting to enable the Directors to peruse, obtain further information and/or seek further clarification on the matters to be deliberated.

All information within the Group is accessible to the Directors in furtherance of their duties and every Director has unhindered access to the advice and 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

All the six (6) Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP). The Board will continue to evaluate and determine the training needed by the Directors from time to time to enhance their skills and knowledge, where relevant and keep abreast with the new regulatory development and Bursa Securities' Listing Requirements.

Re-election of Directors

In accordance with the Company's Articles of Association, at least one-third (1/3) or nearest to one-third (1/3) of the Directors, including the Managing Director, shall retire by rotation at each Annual General Meeting provided that all Directors shall retire from office once in every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed to the Board during the financial year are subject to re-election by shareholders at the Annual General Meeting following their appointment.

Directors who are over seventy (70) years of age are required to submit themselves for re-appointment and re-election annually in accordance with Section 129(6) of the Companies Act, 1965.

Directors' Remuneration

The Directors' remuneration is determined at level which enable the Company to attract and retain Directors with the relevant experience and expertise to assist in managing the Group effectively. The aggregate of remuneration received by the Directors of the Company from the Company and its subsidiary for the financial year ended 31 December 2004, are categorized into appropriate components as disclosed under Note 6 of the Financial Statements on page 35 to 36 of the Annual Report.

SHAREHOLDERS AND INVESTORS

The Group always recognizes the importance of communications with shareholders and investors. In this respect, the Group disseminates information to its shareholders and investors through its Annual Report, timely public announcement made to Bursa Securities as well as the quarterly financial results released by the Company to the public as to provide the shareholders and investors with an overview of the Group's performances and operations.

The Board recognizes the use of the Annual General Meeting as a principal forum for dialogue and to communicate with shareholders. Extraordinary General Meetings are held as and when required.

The Company provides an e-mail address for access by the shareholders and the public. Investors and members of the public who wish to contact the Group on matters relating to the Group may channel their queries through e-mail to info@cymao.com.

Corporate Governance Statement (Cont'd)

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group. The Directors consider the presentation of the financial statements and that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates.

The Audit Committee assists the Board by scrutinizing the information to be disclosed, to ensure accuracy and adequacy. The Group's financial statements are presented on page 24 to 48 of the Annual Report and the Directors' Responsibilities Statement pursuant to Paragraph 15.27 (a) of the Listing Requirements of the Bursa Securities is set out on page 16 of the Annual Report.

Internal Control

The Board acknowledges their responsibility for the Group's system of internal controls which cover not only financial controls but also controls in relation to operations, compliance and risk management. A statement on Internal Control of the Company is set out on page 15 of the Annual Report.

Relationships with Auditors

The external auditors, on completion of their annual audit, express an opinion on the annual financial statements. The Board and the Audit Committee has 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.

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:
- (a) the Audit Committee shall consist of no fewer than three (3) members;
 - (b) a majority of the Audit Committee shall be independent non-executive directors of the Company or its related corporation;
 - (c) at least a member of the Audit Committee
 - must be a member of Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysia Institute of Accountants, he must have at least three (3) years working experience, and
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;
 - must have a degree/masters/doctorate in accounting or finance and at least three (3) years post qualification experience in accounting or finance; or
 - must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management for the financial affairs of a corporation.
 - (d) 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 three (3), the Board of Directors shall, within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.4 The Board of Directors shall review the terms of office of Committee members at least once every three (3) years.

2. Objectives

The main objectives of the Audit Committee are to:

- 2.1 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
- 2.2 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:

- 3.1 investigate any matter within its terms of reference;
- 3.2 have the resources which are reasonable required to enable to perform its duties;
- 3.3 have full and unrestricted access to any information pertaining to the Company and the Group;
- 3.4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- 3.5 obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise where necessary; and
- 3.6 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.

4. Functions

The functions of the Audit Committee should review on 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 audit 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 extend 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:
 - o Changes in or implementation of major accounting policy changes;
 - o Significant and unusual events; and
 - o 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 Securities

The Audit Committee shall report promptly to the Bursa Securities 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.

Audit Committee Report (Cont'd)

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 four (4) times a year. The Chairman shall also convene a meeting if requested by the external auditors 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 two (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.

MEETINGS ATTENDANCE

There were six (6) Audit Committee meetings held during the financial year ended 31 December 2004 (15 March 2004, 19 April 2004, 25 May 2004, 30 June 2004, 13 August 2004 and 22 November 2004). The numbers of meetings attended by the Committee Members are as follow:-

Audit Committee Members	Number of Meetings Attended
Hiew Seng	6/6
Datuk Mohd Zain Bin Omar	6/6
Lin, Kai-Min	6/6

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The Committee has discharged the following functions for the period from 1 January 2004 to 31 December 2004 :

- Reviewed the Group's quarterly financial result and recommended to the Board of Directors for approval prior to release to the Bursa Securities.
- Reviewed the audited financial statements of the Group prior to the submission to the Board for their consideration and approval. The review was to ensure that these financial statements were drawn up in accordance with the provisions of the Company Act, 1965 and the applicable approved accounting standard.
- Reviewed the Audit Committee Report and the Statement on Internal Control and recommended to the Board for inclusion in the Annual Report.
- Reviewed and adopted the Audit Committee's Terms of Reference.
- Discussed on the establishment of internal audit function or outsource the internal audit functions as an integral part in assisting the Audit Committee in discharge of its duties and responsibilities, corporate governance diagnostic and business risk assessment.

INTERNAL AUDIT FUNCTION

The Group has outsourced the Internal Audit Function to an external consultant who reports to the Audit Committee and assists in monitoring and updating risks and adequacy of the internal control system.

The Internal Auditors assists the management to identify, evaluate and update significant risks and develop the risk based audit plans for approval by the Audit Committee.

Statement on Internal Control

INTRODUCTION

The Board is committed to maintaining 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 Securities.

RESPONSIBILITY

The Board acknowledges its responsibilities for the Group's system of internal control and for reviewing its adequacy and integrity.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, present throughout the financial year under review and up to the date of approval of the annual report and financial statements.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

RISK MANAGEMENT FRAMEWORK AND CONTROL SELF - ASSESSMENT

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. During the financial year, risk assessment exercise was carried out and resulted in the identification and evaluation of the principal risks affecting the achievement of Group's business objectives. The effectiveness of the current controls in place to manage these risks had also been assessed with practical action plans to address any potential weakness. Further, the risk owners and measures to monitor risks were formally identified. Future risk assessments will be conducted annually and the results will be presented to the Board. The Executive Directors are tasked with the responsibility of monitoring and reviewing strategic and significant operational matters of the Group.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The presence of three (3) Executive Directors who are actively involved in the day-to-day operations of the Group further enhances the control framework of the Group.

Notwithstanding the presence of three (3) Executive Directors, the Group has a formal organisation structure whereby each operating unit has clear reporting line. There is also proper segregation of duties to ensure safe custody of the Group's assets. Regular scheduled meetings at management as well as operational levels were held to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving, any significant issue identified at those meetings.

INTERNAL AUDIT FUNCTION

The Group's internal audit function had recently been outsourced to a reputable accounting firm, whose remit is to the Audit Committee. The Internal Audit function carried out a high-level risk assessment of the Group's business processes that are the key to the achievement of business objectives, in order to determine the focus areas of internal audit which will be carried out in the subsequent year.

Directors' Responsibilities Statement

DIRECTORS' RESPONSIBILITY STATEMENT AS AT 31 DECEMBER 2004

The Directors are required under Paragraph 15.27(a) of the Bursa Securities' Listing Requirements to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the financial year end and of the results and cash flow of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements of Cymao Holdings Berhad for the financial year ended 31 December 2004 on page 24 to 48 of the printed version of this Annual Report, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which enable that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The auditors' responsibilities are stated in their report to the shareholders.

Additional Compliance Information

(a) Utilisation of Proceeds

The status of utilisation of the proceeds from the Public Issue is as follows :

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

* The proceeds from the Public Issue earlier earmarked for the acquisition of land and construction of new factory and warehouse amounting to RM3,700,000 has been revised and utilised for the working capital purpose.

(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) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programs during the financial year.

(e) Sanctions and/or Penalties

There were no sanctions or penalties imposed by any regulatory bodies on the Company or its subsidiary, or on the Directors or management of the Company or its subsidiary during the financial year.

(f) Non-Audit Fees

There were non-audit fees paid by the Group to the external auditors during the financial year.

(g) Variation in Results

There was no material variance between the audited results for the financial year ended 31 December 2004 and the unaudited results released for the quarter ended 31 December 2004 of the Group.

(h) Profit Guarantee

During the financial year, there was no profit guarantee given by the Company and its subsidiary.

(i) Material Contracts

There were no material contracts, including contract relating to loan, entered into by the Company and/or its subsidiary involving Directors and major shareholders that are still subsisting at the end of the financial year or since the end of the previous financial year.

(j) Revaluation Policy on Landed Properties

The Company did not adopt any 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 shareholder or persons connected with such Directors or major shareholders during the financial year.

Financial Statements

I N D E X

Directors' Report	19-21
Statement by Directors	22
Statutory Declaration	22
Report of the Auditors	23
Income Statements	24
Balance Sheets	25
Consolidated Statement of Changes in Equity	26
Company Statement of Changes in Equity	27
Cash Flow Statements	28-29
Notes to the Financial Statements	30-48

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 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary are stated in Note 13 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the year	20,964,546	6,165,077

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.

DIVIDEND

The amount of dividend paid by the Company since 31 December 2003 was as follows:

	RM
In respect of the financial year ended 31 December 2004:	
Interim tax exempt dividend of 7.5%, on 60,000,000 ordinary shares, declared on 21 August 2004 and paid on 28 September 2004	4,500,000

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2004, of 5.0% on 60,000,000 ordinary shares, amounting to a dividend payable of RM3,000,000 (5.0 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2005.

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
Lin, Tsai-Rong
Lin, Kai-Min
Lin, Kai-Hsuan
Lin Hsu, Li-Chu
Hiew Seng

Director Report (Cont'd)

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 the 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 2004	Acquired	Sold	31 December 2004
Datuk Mohd Zain Bin Omar	1,050,000	-	(850,000)	200,000
Lin, Tsai-Rong	16,830,000	50,000	-	16,880,000
Lin, Kai-Min	-	50,000	-	50,000
Lin, Kai-Hsuan	-	50,000	-	50,000
Lin Hsu, Li-Chu	-	50,000	-	50,000
Hiew Seng	-	50,000	-	50,000

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 listing exercise, the Company had on 9 March 2004 allotted 9,000,000 new ordinary shares of RM1 each to Malaysian public and identified investors at an issue price of RM2.50 per share for cash.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

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:
- 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
 - 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.

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 2004.

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.

LIN, TSAI-RONG

LIN, KAI-MIN

Sandakan, Sabah
Malaysia
5 March 2005

Statement by Directors

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

We, LIN, TSAI-RONG 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 page 24 to 48 are drawn up in accordance with applicable MASB 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 2004 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.

LIN, TSAI-RONG

LIN, KAI-MIN

Sandakan, Sabah
Malaysia
5 March 2005

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 page 24 to 48 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 5 March 2005

LIN, KAI-MIN

Before me,

Persuruhjaya Sumpah
Ramsah Binti Hj. Mohd. Taha
No. S-029

Report of the Auditors

to the Members of CYMAO HOLDINGS BERHAD

We have audited the financial statements set out on page 24 to 48. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 2004 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
5 March 2005

Income Statements

For the Year Ended 31 December 2004

	Note	Group		Company	
		2004 (12 months) RM	2003 (2 months) RM	2004 (12 months) RM	2003 (12 months) RM
Revenue	3	195,147,529	19,992,268	7,003,300	-
Cost of sales		(151,101,682)	(13,379,300)	-	-
Gross profit		44,045,847	6,612,968	7,003,300	-
Other operating income		42,807	5,972	-	-
Administrative expenses		(5,289,976)	(656,098)	(922,810)	(15,510)
Selling and marketing expenses		(13,576,409)	(2,729,868)	-	-
Profit/(loss) from operations	4	25,222,269	3,232,974	6,080,490	(15,510)
Interest income	7	153,330	22,113	116,635	-
Finance costs	8	(32,497)	(36,960)	-	-
Profit/(loss) before taxation		25,343,102	3,218,127	6,197,125	(15,510)
Taxation	9	(4,378,556)	(423,236)	(32,048)	-
Net profit/(loss) for the year		20,964,546	2,794,891	6,165,077	(15,510)
Earnings per share (sen)					
Basic	10	36.1	32.9		
Net dividend per ordinary share in respect of the year (sen):					
	11	7.5	-	7.5	-

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

Balance Sheets

As at 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	49,921,974	38,955,665	376,545	-
Investment in a subsidiary	13	-	-	72,863,088	72,863,088
Deferred tax assets	24	-	4,147,297	-	-
		49,921,974	43,102,962	73,239,633	72,863,088
CURRENT ASSETS					
Inventories	14	49,534,695	37,634,419	-	-
Trade receivables	15	21,407,555	26,229,852	-	-
Other receivables	16	14,459,849	7,925,078	13,404,922	908,580
Cash and bank balances	17	11,154,928	5,629,190	7,511,475	2
		96,557,027	77,418,539	20,916,397	908,582
CURRENT LIABILITIES					
Borrowings	18	-	6,640,295	-	-
Trade payables	19	3,230,434	4,535,100	-	-
Other payables	20	6,543,985	8,870,026	62,973	930,542
Tax payable		34,623	14,382	32,048	-
		9,809,042	20,059,803	95,021	930,542
NET CURRENT ASSETS/(LIABILITIES)					
		86,747,985	57,358,736	20,821,376	(21,960)
		136,669,959	100,461,698	94,061,009	72,841,128
FINANCED BY:					
Share capital	21	60,000,000	51,000,000	60,000,000	51,000,000
Share premium	22	32,417,894	21,863,090	32,417,894	21,863,090
Retained profits/(accumulated losses)	23	19,252,985	2,788,439	1,643,115	(21,962)
Shareholders' equity		111,670,879	75,651,529	94,061,009	72,841,128
Negative goodwill		24,810,169	24,810,169	-	-
Deferred tax liabilities	24	188,911	-	-	-
		136,669,959	100,461,698	94,061,009	72,841,128

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2004

			Non-Distributable	Distributable	
	Note	Share Capital RM	Share Premium RM	Retained Profits/ (Accumulated Losses) RM	Total RM
At 1 January 2003		2	-	(6,452)	(6,450)
Issues of ordinary share	21 & 22	50,999,998	21,863,090	-	72,863,088
Net profit for the year		-	-	2,794,891	2,794,891
At 31 December 2003		51,000,000	21,863,090	2,788,439	75,651,529
At 1 January 2004		51,000,000	21,863,090	2,788,439	75,651,529
Issues of ordinary share	21 & 22	9,000,000	13,500,000	-	22,500,000
Share issue expenses	22	-	(2,945,196)	-	(2,945,196)
Net profit for the year		-	-	20,964,546	20,964,546
Dividend	11	-	-	(4,500,000)	(4,500,000)
At 31 December 2004		60,000,000	32,417,894	19,252,985	111,670,879

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

Company Statement of Changes in Equity

For the Year Ended 31 December 2004

			Non- Distributable	Distributable	
	Note	Share Capital RM	Share Premium RM	Retained Profits/ (Accumulated Losses) RM	Total RM
At 1 January 2003		2	-	(6,452)	(6,450)
Issues of ordinary share	21 & 22	50,999,998	21,863,090	-	72,863,088
Net loss for the year		-	-	(15,510)	(15,510)
At 31 December 2003		51,000,000	21,863,090	(21,962)	72,841,128
At 1 January 2004		51,000,000	21,863,090	(21,962)	72,841,128
Issues of ordinary share	21 & 22	9,000,000	13,500,000	-	22,500,000
Share issue expenses	22	-	(2,945,196)	-	(2,945,196)
Net profit for the year		-	-	6,165,077	6,165,077
Dividend	11	-	-	(4,500,000)	(4,500,000)
At 31 December 2004		60,000,000	32,417,894	1,643,115	94,061,009

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

Cash Flow Statements

For the Year Ended 31 December 2004

	Group		Company	
	2004 (12 months) RM	2003 (2 months) RM	2004 (12 months) RM	2003 (12 months) RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	25,343,102	3,218,127	6,197,125	(15,510)
Adjustments for:				
Depreciation of property, plant and equipment	6,611,119	1,884,314	12,362	-
Gain on disposal of plant and equipment	(499)	-	-	-
Interest income	(153,330)	(22,113)	(116,635)	-
Interest expense	32,497	36,960	-	-
Operating profit/(loss) before working capital changes	31,832,889	5,117,288	6,092,852	(15,510)
Increase in inventories	(11,900,276)	(7,084,725)	-	-
(Increase)/decrease in receivables	(1,712,474)	1,685,782	(12,496,342)	(381,897)
(Decrease)/increase in payables	(3,630,707)	181,077	(867,569)	397,407
Cash generated from/(used in) operations	14,589,432	(100,578)	(7,271,059)	-
Interest paid	(32,497)	(36,960)	-	-
Taxes paid	(22,107)	-	-	-
Net cash generated from/(used in) operating activities	14,534,828	(137,538)	(7,271,059)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	-	3,084,505	-	-
Movement in fixed deposits under pledge	(300,000)	(900,000)	-	-
Interest received	153,330	22,113	116,635	-
Payment of share issue expenses	(2,945,196)	-	(2,945,196)	-
Proceeds from disposal of plant and equipment	500	-	-	-
Purchase of property, plant and equipment	(17,577,429)	(1,224,286)	(388,907)	-
Net cash (used in)/generated from investing activities	(20,668,795)	982,332	(3,217,468)	-

Cash Flow Statements (Cont'd.)

For the Year Ended 31 December 2004

	Group		Company	
	2004 (12 months) RM	2003 (2 months) RM	2004 (12 months) RM	2003 (12 months) RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bankers' acceptances	-	1,914,000	-	-
Proceeds from Export Credit Refinancing	-	5,449,295	-	-
Repayment of bankers' acceptances	(1,191,000)	(723,000)	-	-
Repayment of Export Credit Refinancing	(5,449,295)	(2,755,901)	-	-
Proceeds from issuance of ordinary shares	22,500,000	-	22,500,000	-
Dividend paid	(4,500,000)	-	(4,500,000)	-
Net cash generated from financing activities	11,359,705	3,884,394	18,000,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,225,738	4,729,188	7,511,473	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,729,190	2	2	2
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	9,954,928	4,729,190	7,511,475	2

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

Notes to the Financial Statements

31 December 2004

1. Corporate Information

The principal activity of the Company is investment holding. The principal activities of the subsidiary are stated in Note 13 to the financial statements. There have been no significant changes in the nature of these principal 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. The registered 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 number of employees in the Group and in the Company at the end of the financial year were 1,509 (2003: 1,848) and 3 (2003: Nil) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2005.

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 MASB Approved Accounting Standards in Malaysia.

(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 power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are 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. 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.

Intra-group 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 and exchange differences.

(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 at the date of acquisition over the cost of acquisition. Negative goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet.

Notes to the Financial Statements 31 December 2004 (Cont'd.)

2. Significant Accounting Policies (Cont'd.)

(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 a 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% - 20%
Renovation	20%

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

Upon the disposal of an item of property, plant or 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 lower of cost and net realisable value.

Cost is determined using the simple average method. The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit 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.

Notes to the Financial Statements 31 December 2004 (Cont'd.)

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 recognised 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies 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.

(i) Sale of goods

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

(ii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements 31 December 2004 (Cont'd.)

2. Significant Accounting Policies (Cont'd.)

(l) Foreign Currencies

Foreign currency transactions

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.

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

	2004	2003
	RM	RM
United States Dollars	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.

(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 and 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 recognised directly in 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.

Notes to the Financial Statements 31 December 2004 (Cont'd.)

2. Significant Accounting Policies (Cont'd.)

- (iii) Interest-Bearing Borrowings
Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are recognised as an expense in the income statements 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 which would otherwise have been avoided.

3. Revenue

	Group		Company	
	2004 (12 months) RM	2003 (2 months) RM	2004 (12 months) RM	2003 (12 months) RM
Gross dividend from a subsidiary	-	-	7,003,300	-
Sales of decorative plywood	40,702,817	2,561,507	-	-
Sales of engineering wood flooring	775,157	387,168	-	-
Sales of layon	441,354	1,040,907	-	-
Sales of plywood	137,806,855	16,002,686	-	-
Sales of veneer	162,484	-	-	-
Sales of wooden musical component	15,258,862	-	-	-
	195,147,529	19,992,268	7,003,300	-

4. Profit/(Loss) from Operations

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

Staff costs (Note 5)	11,466,660	2,092,081	163,301	-
Non-executive directors' remuneration (Note 6)	89,540	-	89,540	-
Auditors' remuneration	40,000	30,000	15,000	15,000
Depreciation of property, plant and equipment (Note 12)	6,611,119	1,884,314	12,362	-
Loss on foreign exchange	17,154	2,155	-	-
Rental of premises	309,841	28,383	199,816	-
Rental of warehouse	264,000	44,000	-	-
Gain on disposal of plant and equipment	(499)	-	-	-

Notes to the Financial Statements 31 December 2004 (Cont'd.)

5. Staff Costs

	Group		Company	
	2004	2003	2004	2003
	(12 months)	(2 months)	(12 months)	(12 months)
	RM	RM	RM	RM
Bonus	18,541	20,852	-	-
Employees' Provident Fund contributions	61,434	11,112	8,042	-
Salaries, wages and allowances	11,377,604	2,058,516	154,614	-
SOCSO contributions	9,081	1,601	645	-
	11,466,660	2,092,081	163,301	-

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM704,500 (2003: RM26,000) and RM74,500 (2003: Nil) respectively as further disclosed in Note 6.

6. Directors' Remuneration

	Group		Company	
	2004	2003	2004	2003
	(12 months)	(2 months)	(12 months)	(12 months)
	RM	RM	RM	RM
Executive:				
Salaries and other emoluments	634,500	25,000	4,500	-
Fees	70,000	-	70,000	-
Bonus	-	1,000	-	-
	704,500	26,000	74,500	-
Non-Executive:				
Fees	89,540	-	89,540	-
	794,040	26,000	164,040	-
Analysis:				
Total executive directors' remuneration (Note 5)	704,500	26,000	74,500	-
Total non-executive directors' remuneration (Note 4)	89,540	-	89,540	-
	794,040	26,000	164,040	-
Total directors' remuneration	794,040	26,000	164,040	-

Notes to the Financial Statements 31 December 2004 (Cont'd.)

6. Directors' Remuneration (Cont'd.)

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

	Number of Directors	
	2004	2003
Executive directors:		
Below RM50,000	-	2
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	-
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	1	-
Non-executive directors:		
Below RM50,000	3	-

7. Interest Income

	Group		Company	
	2004	2003	2004	2003
	(12 months) RM	(2 months) RM	(12 months) RM	(12 months) RM
Interest on:				
Fixed deposits	36,695	22,113	-	-
Repos	116,635	-	116,635	-
	<hr/>			
	153,330	22,113	116,635	-
	<hr/>			

8. Finance Costs

Interest on:				
Bankers' acceptances	14,512	5,263	-	-
Bank overdraft	95	4,277	-	-
Export Credit Refinancing	17,890	17,426	-	-
Letter of Credit	-	9,994	-	-
	<hr/>			
	32,497	36,960	-	-
	<hr/>			

Notes to the Financial Statements 31 December 2004 (Cont'd.)

9. Taxation

	Group		Company	
	2004	2003	2004	2003
	(12 months)	(2 months)	(12 months)	(12 months)
	RM	RM	RM	RM
Income tax:				
Malaysian income tax	42,348	6,192	32,048	-
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	4,211,672	417,044	-	-
Underprovided in prior years	124,536	-	-	-
	4,336,208	417,044	-	-
	4,378,556	423,236	32,048	-

A reconciliation of income tax expense applicable to profit/(loss) 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:

	2004	2003
	(12 months)	(2 months)
	RM	RM
Group		
Profit before taxation	25,343,102	3,218,127
Taxation at Malaysian statutory tax rate of 28% (2003 : 28%)	7,096,069	901,076
Effect of income not subject to tax	(1,460,086)	(30,069)
Effect of expenses not deductible for tax purposes	354,037	-
Effect of expenses eligible for double deduction	(1,736,000)	(447,771)
Underprovision of deferred tax in prior years	124,536	-
Tax expense for the year	4,378,556	423,236
Company		
Profit/(loss) before taxation	6,197,125	(15,510)
Taxation at Malaysian statutory tax rate of 28% (2003 : 28%)	1,735,195	(4,343)
Effect of income not subject to tax	(1,960,924)	-
Effect of expenses not deductible for tax purposes	257,777	4,343
Tax expense for the year	32,048	-

Notes to the Financial Statements 31 December 2004 (Cont'd.)

9. Taxation (Cont'd.)

	Group		Company	
	2004	2003	2004	2003
	(12 months)	(2 months)	(12 months)	(12 months)
	RM	RM	RM	RM
Unutilised tax losses and unabsorbed capital allowances are analysed as follows:				
Tax savings during the financial year arising from:				
Utilisation of unabsorbed capital allowances	6,027,767	669,459	-	-
Unabsorbed capital allowances carried forward	9,296,999	17,552,734	-	-
Unutilised tax losses carried forward	84,677	84,677	-	-

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.

	2004	2003
	(12 months)	(2 months)
	RM	RM
Net profit for the year (RM)	20,964,546	2,794,891
Weighted average number of ordinary shares in issue	58,081,967	8,500,002
Basic earnings per share (sen)	36.1	32.9

(b) Diluted

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

11. Dividend

	Amount		Net Dividend per Ordinary Share	
	2004	2003	2004	2003
	RM	RM	Sen	Sen
Interim				
Tax exempt dividend of 7.5%, on 60,000,000 ordinary shares, declared on 21 August 2004 and paid on 28 September 2004	4,500,000	-	7.5	-

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2004, of 5.0% on 60,000,000 ordinary shares, amounting to a dividend payable of RM3,000,000 (5.0 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2005.

Notes to the Financial Statements 31 December 2004 (Cont'd.)

12. Property, Plant and Equipment

	Long Leasehold Land and Buildings* RM	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fixtures and Equipment RM	Renovation RM	Construction in Progress RM	Total RM
Group							
Cost							
At 1 January 2004	12,878,270	68,134,102	3,473,059	698,592	-	15,073	85,199,096
Additions	-	15,915,735	856,524	595,736	165,013	44,421	17,577,429
Disposal	-	-	(57,000)	-	-	-	(57,000)
Reclassification	56,111	-	-	-	-	(56,111)	-
At 31 December 2004	12,934,381	84,049,837	4,272,583	1,294,328	165,013	3,383	102,719,525
Accumulated Depreciation							
At 1 January 2004	4,867,087	37,999,309	2,926,724	450,311	-	-	46,243,431
Depreciation charge for the year (Note 4)	530,795	5,699,899	303,130	74,545	2,750	-	6,611,119
Disposal	-	-	(56,999)	-	-	-	(56,999)
At 31 December 2004	5,397,882	43,699,208	3,172,855	524,856	2,750	-	52,797,551
Net Book Value							
At 31 December 2004	7,536,499	40,350,629	1,099,728	769,472	162,263	3,383	49,921,974
At 31 December 2003	8,011,183	30,134,793	546,335	248,281	-	15,073	38,955,665
Depreciation charge for 2003 (Note 4)							
	169,773	1,600,638	98,691	15,212	-	-	1,884,314

Notes to the Financial Statements 31 December 2004 (Cont'd.)

12. Property, Plant and Equipment (Cont'd.)

Group	Long Leasehold Land RM	Land Improvement RM	Buildings RM	Total RM
Cost				
At 1 January 2004	3,160,144	40,500	9,677,626	12,878,270
Reclassification	-	-	56,111	56,111
<hr/>				
At 31 December 2004	3,160,144	40,500	9,733,737	12,934,381
<hr/>				
Accumulated Depreciation				
At 1 January 2004	140,385	1,208	4,725,494	4,867,087
Depreciation charge for the year	45,848	604	484,343	530,795
<hr/>				
At 31 December 2004	186,233	1,812	5,209,837	5,397,882
<hr/>				
Net Book Value				
At 31 December 2004	2,973,911	38,688	4,523,900	7,536,499
<hr/>				
At 31 December 2003	3,019,759	39,292	4,952,132	8,011,183
<hr/>				
Depreciation charge for 2003	15,132	101	154,540	169,773
<hr/>				
Company		Furniture, Fixtures and Equipment RM	Renovation RM	Total RM
Cost				
Additions		223,894	165,013	388,907
<hr/>				
At 31 December 2004		223,894	165,013	388,907
<hr/>				
Accumulated Depreciation				
Depreciation charge for the year (Note 4)		9,612	2,750	12,362
<hr/>				
At 31 December 2004		9,612	2,750	12,362
<hr/>				
Net Book Value				
At 31 December 2004		214,282	162,263	376,545
<hr/>				
Depreciation charge for 2003		-	-	-
<hr/>				

Notes to the Financial Statements 31 December 2004 (Cont'd.)

12. Property, Plant and Equipment (Cont'd.)

The net book values of property, plant and equipment pledged for borrowings (Note 18) are as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Long leasehold land and buildings	7,536,499	8,011,183	-	-
Plant and machinery	40,350,629	30,134,793	-	-
Motor vehicles	1,099,728	546,335	-	-
Furniture, fixtures and equipment	555,190	248,281	-	-
Construction-in-progress	3,383	15,073	-	-
	49,545,429	38,955,665	-	-

13. Investment in a Subsidiary

	Company	
	2004 RM	2003 RM
Unquoted shares at cost	72,863,088	72,863,088

Details of the subsidiary are as follows:

Name of Subsidiary	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2004	2003	
Cymao Plywood Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of veneer, plywood, decorative plywood, engineering wood flooring, layon and wooden musical component

14. Inventories

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Cost				
Logs	10,609,832	3,561,467	-	-
Veneer	5,956,120	4,207,936	-	-
Plywood	17,834,329	6,883,794	-	-
Decorative plywood	13,084,143	20,711,022	-	-
Engineering wood flooring	-	458,017	-	-
Layon	-	147,449	-	-
Materials and supplies	2,050,271	1,664,734	-	-
	49,534,695	37,634,419	-	-

There were no inventories stated at net realisable value at 31 December 2004 (2003 : Nil).

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM151,101,682 (2003: RM13,379,300).

Notes to the Financial Statements 31 December 2004 (Cont'd.)

15. Trade Receivables

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

16. Other Receivables

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Advances	41,655	171,171	-	-
Deposits for supplies	9,711,844	2,192,567	-	-
Due from a subsidiary	-	-	12,268,282	-
Other deposits	3,644,097	2,649,511	1,098,584	-
Prepayments	135,456	1,603,592	37,993	908,580
Sundry receivables	926,797	1,308,237	63	-
	14,459,849	7,925,078	13,404,922	908,580

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

The amount due from a subsidiary is unsecured, interest-free and has no fixed term of repayment.

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

17. Cash and Cash Equivalents

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash on hand and at banks	9,835,833	4,646,790	7,511,475	2
Deposits with a licensed bank	1,319,095	982,400	-	-
Cash and bank balances	11,154,928	5,629,190	7,511,475	2
Less: Deposits with a licensed bank pledged for banking facilities	(1,200,000)	(900,000)	-	-
Cash and cash equivalents	9,954,928	4,729,190	7,511,475	2

Included in deposits with a licensed bank of the Group are deposits amounting to RM1,200,000 (2003: RM900,000) pledged to a bank for banking facilities granted to a subsidiary (Note 18).

The average effective interest rate of deposits of the Group at the balance sheet date was 3.8% (2003: 3.8%) per annum.

The average maturity of deposits of the Group at the end of the financial year was 365 days (2003 : 365 days).

Notes to the Financial Statements 31 December 2004 (Cont'd.)

18. Borrowings

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Short Term Borrowings				
Secured:				
Bankers' acceptances	-	1,191,000	-	-
Export Credit Refinancing	-	5,449,295	-	-
	-	6,640,295	-	-

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

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Bankers' acceptances	-	4.5	-	-
Export Credit Refinancing	-	3.5	-	-

The above banking facilities are secured by the following:

- legal charges over the landed properties of a subsidiary;
- a debenture creating fixed and floating charges over all the assets of a subsidiary, both present and future, as disclosed in Note 12;
- a pledge against deposits with a licensed bank of a subsidiary as disclosed in Note 17; and
- a joint and several guarantee by certain directors of the Company.

19. Trade Payables

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

20. Other Payables

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Accruals	4,049,077	5,563,461	38,417	15,600
Deposits received	869,555	881,421	-	-
Due to a subsidiary	-	-	-	910,229
Due to directors	-	1,365,314	-	-
Sundry payables	1,625,353	1,059,830	24,556	4,713
	6,543,985	8,870,026	62,973	930,542

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

Notes to the Financial Statements 31 December 2004 (Cont'd.)

21. Share Capital

	Number of Ordinary Shares of RM 1 Each		Amount	
	2004	2003	2004 RM	2003 RM
Authorised:				
At 1 January	100,000,000	100,000	100,000,000	100,000
Created during the year	-	99,900,000	-	99,900,000
<hr/>				
At 31 December	100,000,000	100,000,000	100,000,000	100,000,000
<hr/>				
Issued and fully paid:				
At 1 January	51,000,000	2	51,000,000	2
Issued during the year:				
Acquisition of a subsidiary	-	50,999,998	-	50,999,998
Issued for cash	9,000,000	-	9,000,000	-
<hr/>				
At 31 December	60,000,000	51,000,000	60,000,000	51,000,000

Pursuant to the listing exercise which was approved by the Securities Commission on 10 September 2003, the Company increased its issued and paid-up ordinary share capital from RM51,000,000 to RM60,000,000 by the allotment of 9,000,000 ordinary shares of RM1 each at an issue price of RM2.50 per share during the financial year.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

22. Share Premium

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
The movements in share premium were as follows:				
At 1 January	21,863,090	-	21,863,090	-
Arising from the issuance of:				
- 50,999,998 ordinary shares of RM1.00 each at a premium of approximately RM0.43 per share pursuant to the acquisition of a subsidiary	-	21,863,090	-	21,863,090
- 9,000,000 ordinary shares of RM1.00 each at a premium of RM1.50 per share pursuant to the public issue	13,500,000	-	13,500,000	-
Share issue expenses	(2,945,196)	-	(2,945,196)	-
<hr/>				
At 31 December	32,417,894	21,863,090	32,417,894	21,863,090

Notes to the Financial Statements 31 December 2004 (Cont'd.)

23. Retained Profits

As at 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM2,500,000 (2003: Nil), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2004.

24. Deferred Tax

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
At 1 January/Date of acquisition of a subsidiary	(4,147,297)	(4,564,341)	-	-
Recognised in income statement (Note 9)	4,336,208	417,044	-	-
At 31 December	188,911	(4,147,297)	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	-	(4,147,297)	-	-
Deferred tax liabilities	188,911	-	-	-

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

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM
At 1 January 2004	791,178
Recognised in income statement	2,024,603
At 31 December 2004	2,815,781
Acquisition of a subsidiary	401,315
Recognised in income statement	389,863
At 31 December 2003	791,178

Notes to the Financial Statements 31 December 2004 (Cont'd.)

24. Deferred Tax (Cont'd.)

Deferred Tax Assets of the Group:

Tax Losses and Unabsorbed Capital Allowances RM

At 1 January 2004	(4,938,475)
Recognised in income statement	2,311,605
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At 31 December 2004	(2,626,870)
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Acquisition of a subsidiary	(4,965,656)
Recognised in income statement	27,181
<hr/>	
At 31 December 2003	(4,938,475)
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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.

25. Commitments

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Capital Commitments				
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	8,610,000	3,480,000	1,200,000	1,200,000
Approved but not contracted for:				
Property, plant and equipment	2,500,000	2,500,000	2,500,000	2,500,000
<hr/>				
	11,110,000	5,980,000	3,700,000	3,700,000
<hr/>				

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 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.

Notes to the Financial Statements 31 December 2004 (Cont'd.)

26. Financial Instruments (Cont'd.)

(c) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 31 December 2004. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group 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 United States Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

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

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

Functional Currency of Group Companies	(Net Financial Assets/Liabilities) Held in Non-Functional Currency	
	United States Dollars RM	Total RM
At 31 December 2004:		
Ringgit Malaysia	25,043,645	25,043,645
At 31 December 2003:		
Ringgit Malaysia	26,787,770	26,787,770

(e) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall 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 at 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 balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Notes to the Financial Statements 31 December 2004 (Cont'd.)

26. Financial Instruments (Cont'd.)

(f) Credit Risk

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

(g) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Note	Group		Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
At 31 December 2004:					
Amount due from a subsidiary	16	-	-	12,268,282	*
Financial Liabilities					
At 31 December 2003:					
Amount due to a subsidiary	20	-	-	910,229	*
Amounts due to directors	20	1,365,314	*	-	-

* It is not practicable to estimate the fair values of amounts due to/from a subsidiary and directors due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs.

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

Cash and Cash Equivalents, Trade and Other Receivables/Payables

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

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

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year.

Analysis of Shareholdings

As at 15 April 2005

Authorised share capital	:	RM 100,000,000
Issued and paid-up capital	:	RM 60,000,000
Class of shares	:	Ordinary shares of RM1.00 each
Voting right	:	One vote per RM1.00 share

ORDINARY SHARE DISTRIBUTION SCHEDULE AS AT 15 APRIL 2005

Size of Holdings	No. of Shareholders	%	No. of Shares Held	%
1 to 99	4	0.83	200	0.00
100 to 1,000	151	31.20	137,400	0.23
1,001 to 10,000	213	44.01	919,300	1.53
10,001 to 100,000	73	15.08	2,873,900	4.79
100,001 and 2,999,999*	39	8.06	24,139,200	40.23
3,000,000 and above**	4	0.83	31,930,000	53.22
Total	484	100.00	60,000,000	100.00

Remark :

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS AS AT 15 APRIL 2005

Name of Shareholders	Direct Interest	%	Deemed Interest	%
1. Lin, Tsai-Rong	16,880,000	28.13	-	-
2. Tsay, Chung-Wen	6,600,000	11.00	-	-
3. Hsu, How-Tong	4,950,000	8.25	-	-

DIRECTORS' SHAREHOLDINGS AS AT 15 APRIL 2005

Name of Directors	Direct Interest	%	Deemed Interest	%
1. Datuk Mohd Zain Bin Omar	200,000	0.33	-	-
2. Lin, Tsai-Rong	16,880,000	28.13	-	-
3. Lin, Kai-Min	50,000	0.08	-	-
4. Lin, Kai-Hsuan	50,000	0.08	-	-
5. Lin Hsu, Lin-Chu	50,000	0.08	-	-
6. Hiew Seng	50,000	0.08	-	-

Analysis of Shareholdings (Cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 15 APRIL 2005

No.	Name of Shareholders	No. of shares	%
1.	Lin, Tsai-Rong	16,880,000	28.13
2.	Tsay, Chung-Wen	6,600,000	11.00
3.	Hsu, How-Tong	4,950,000	8.25
4.	Citicorp Nominees (Asing) Sdn Bhd [CB LDN for Stichting Shell Pensioenfond]s]	3,500,000	5.83
5.	Universal Trustee (Malaysia) Berhad [SBB Emerging Companies Growth Fund]	2,855,900	4.76
6.	Universal Trustee (Malaysia) Berhad [SBB Dana Al-Azam]	2,165,600	3.61
7.	Mayban Nominees (Tempatan) Sdn Bhd [Malaysian Trustees Berhad for Mayban Smallcap Trust Fund]	1,824,300	3.04
8.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Public Islamic Equity Fund]	1,571,800	2.62
9.	Mayban Nominees (Tempatan) Sdn Bhd [Mayban Trustees Berhad for Public Ittikal Fund]	1,433,100	2.39
10.	Allianz Life Insurance Malaysia Berhad	1,190,900	1.98
11.	HSBC Nominees (Asing) Sdn Bhd [Kao Sheng Investments Limited]	1,063,800	1.77
12.	Malaysian Assurance Alliance Berhad [As beneficial owner (Dana Al-Fayyadh)]	990,000	1.65
13.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Mayban Dana Yakin]	983,000	1.64
14.	Allianz Life Insurance Malaysia Berhad	848,300	1.41
15.	Kenanga Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Mendu Sdn Bhd]	800,000	1.33
16.	Allianz General Insurance (Malaysia) Berhad	740,500	1.23
17.	Universal Trustee (Malaysia) Berhad [Mayban Balanced Trust Fund]	600,000	1.00
18.	Universal Trustee (Malaysia) Berhad [CMS Islamic Fund]	500,000	0.83
19.	HSBC Nominees (Asing) Sdn Bhd [Gek Seng Assets Limited]	497,000	0.83
20.	Malaysian Trustees Berhad [Pacifimas Asset Management Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad (Par 1)]	495,000	0.83
21.	Citicorp Nominees (Asing) Sdn Bhd [American International Assurance Company Limited (AIA Equity FD)]	486,000	0.81
22.	Allianz Life Insurance Malaysia Berhad	471,000	0.79
23.	Malaysian Assurance Alliance Behad [As beneficial owner (Balanced Fund)]	440,000	0.73
24.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Mayban Dana Ikhlas]	400,000	0.67
25.	Chong Chang Choong	400,000	0.67
26.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Dana Al-Aiman]	370,000	0.62
27.	Malaysian Trustees Berhad [Pacifimas Asset Management Sdn Bhd for the Pacific Insurance Berhad]	354,000	0.59
28.	Public Nominees (Asing) Sdn Bhd [Pledged Securities Account for Chen Huang, Kuei-Liang]	304,500	0.51
29.	Mendu Sdn Bhd	276,000	0.46
30.	Allianz Life Insurance Malaysia Berhad	220,800	0.37

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 31/12/2004
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)	9	RM6,547,341
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)	-	RM989,158

Notice of Seventh Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be convened and held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on Friday, 10 June 2005 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 2004 together with the Reports of the Directors and Auditors thereon.
2. To approve a final tax-exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2004. **Resolution 1**
3. To approve payment of Directors' fees in respect of the financial year ended 31 December 2004. **Resolution 2**
4. To re-elect the following Directors who retire in accordance to Article 88 of the Company's Articles of Association:
(a) Mr Lin, Kai-Min **Resolution 3**
(b) Mr Hiew Seng **Resolution 4**
5. To re-appoint Messrs Ernst & Young as the Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. **Resolution 5**
6. As Special Business: To consider and if thought fit, pass the following Ordinary Resolution:
Authority to allot shares **Resolution 6**
"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, 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 ten percent (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 FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
7. To transact any other business of which notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT the final tax-exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2004, if so approved at the Seventh Annual General Meeting of the Company, will be payable on 18 August 2005 to Depositors registered in the Record of Depositors at the close of business on 20 July 2005. A Depositor shall qualify for entitlement only in respect of: -

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 20 July 2005, in respect of ordinary transfers; and
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

KATHERINE CHUNG MEI LING (MAICSA 7007310)

Company Secretary

Tawau

Dated: 19 May 2005

Notice of Seventh Annual General Meeting (Cont'd)

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. *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.*
3. *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.*

4. *EXPLANATORY NOTE ON SPECIAL BUSINESS*

Resolution No.6

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 ten percent (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 Seventh Annual General Meeting

1. Directors standing for re-election at the Seventh Annual General Meeting of the Company pursuant to Articles 88 of the Company's Articles of Association

- i. Mr Lin, Kai-Min
- ii. Mr Hiew Seng

2. Details of attendance of Directors at Board Meetings

There were five (5) Board of Directors' Meetings held during the financial year ended 31 December 2004. The details of attendance of Directors are set out in the Profile of Directors appearing on page 5 of the Annual Report.

3. Place, date and time of the Seventh Annual General Meeting

Place : Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah

Date : 10 June 2005

Time : 10.00 a.m.

4. Profile of Directors who are standing for re-election

Details of the Directors who are standing for re-election are set out in the Profile of Directors appearing on pages 4 and 5 of the Annual Report.

Proxy Form

Number of shares held

*I/We, _____
of _____
being a member of **CYMAO HOLDINGS BERHAD** hereby appoint _____
of _____
_____ or failing *him/her _____
of _____
as *my/our proxy(ies) to vote for *me/us on *my/our behalf at the Seventh Annual General Meeting of the Company to be held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on 10 June 2005 at 10.00 a.m. and at any adjournment thereof.

*My/Our proxy(ies) is/are to vote as indicated below:

		For	Against
Resolution 1	Final tax exempt dividend of 5 sen per share.		
Resolution 2	Payment of Directors' fees.		
Resolution 3	Re-election of Mr Lin, Kai-Min.		
Resolution 4	Re-election of Mr Hiew Seng.		
Resolution 5	Re-appointment of Auditors.		
Resolution 6	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with "x" how you wish your vote to be cast. If no specific direction as to voting is given, your proxy will vote or abstain at his/her discretion.

Dated this _____ day of _____ 2005

[Signature(s) / Common Seal of Shareholder(s)]

[*Delete if not applicable]

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. 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.
3. 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.

Please 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

Please fold here

<http://www.cymao.com>



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