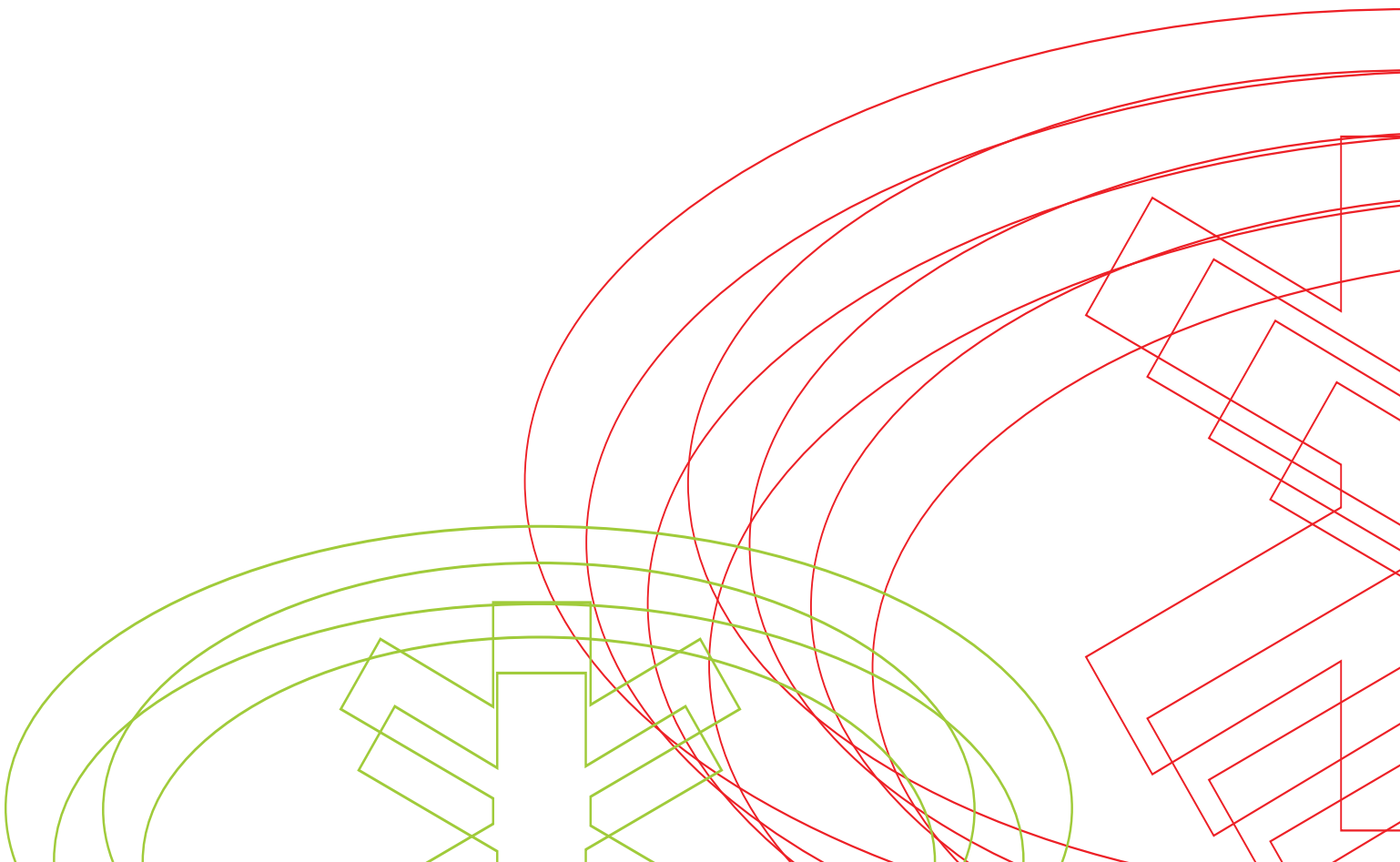




CYMAO
Holdings Berhad
445931-U
Annual**Report**

05

Growth for **Future**



Financial Highlights

RM245.8m

Revenue (2004: RM195.1m)

RM16.3m

Net earnings (2004: RM21.0m)

27.1 sen

EPS (2004: 36.1 sen)

RM2.47

NTA/Share (2004: RM2.27)

28%

Percentage of net earnings returned to shareholders
(2004: 36%)

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Our Vision

To be a major player in the plywood industry in our chosen markets.

Our Mission + Focus

To actively seek and address market opportunities by leveraging our quality, certifications and innovations.

We will focus on:

- Top line growth
- Production enhancement
- Lean enterprise



2005 Achievements

- Acquisition of Inovwood
- CE marking by UK independent certification body
- Commenced in-house logistic division
- Approval from MITI for GSP scheme



2006 Outlook

- Plywood prices are expected to recover
- Enhance market entry to Europe and Middle East
- Expected increase in demand from US due to post-Katrina rebuilding activities
- Maintain low gearing position

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, Independent Non-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 : +60(89) 774-836
Fax : +60(89) 766-100

CORPORATE OFFICE

Suite 12-6, Level 12
Menara Great Eastern
No. 303 Jalan Ampang
50450 Kuala Lumpur
Tel : +60(3) 4256-6985
Fax : +60(3) 4257-8676/ +60(3) 4257-8570

AUDITORS

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

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad

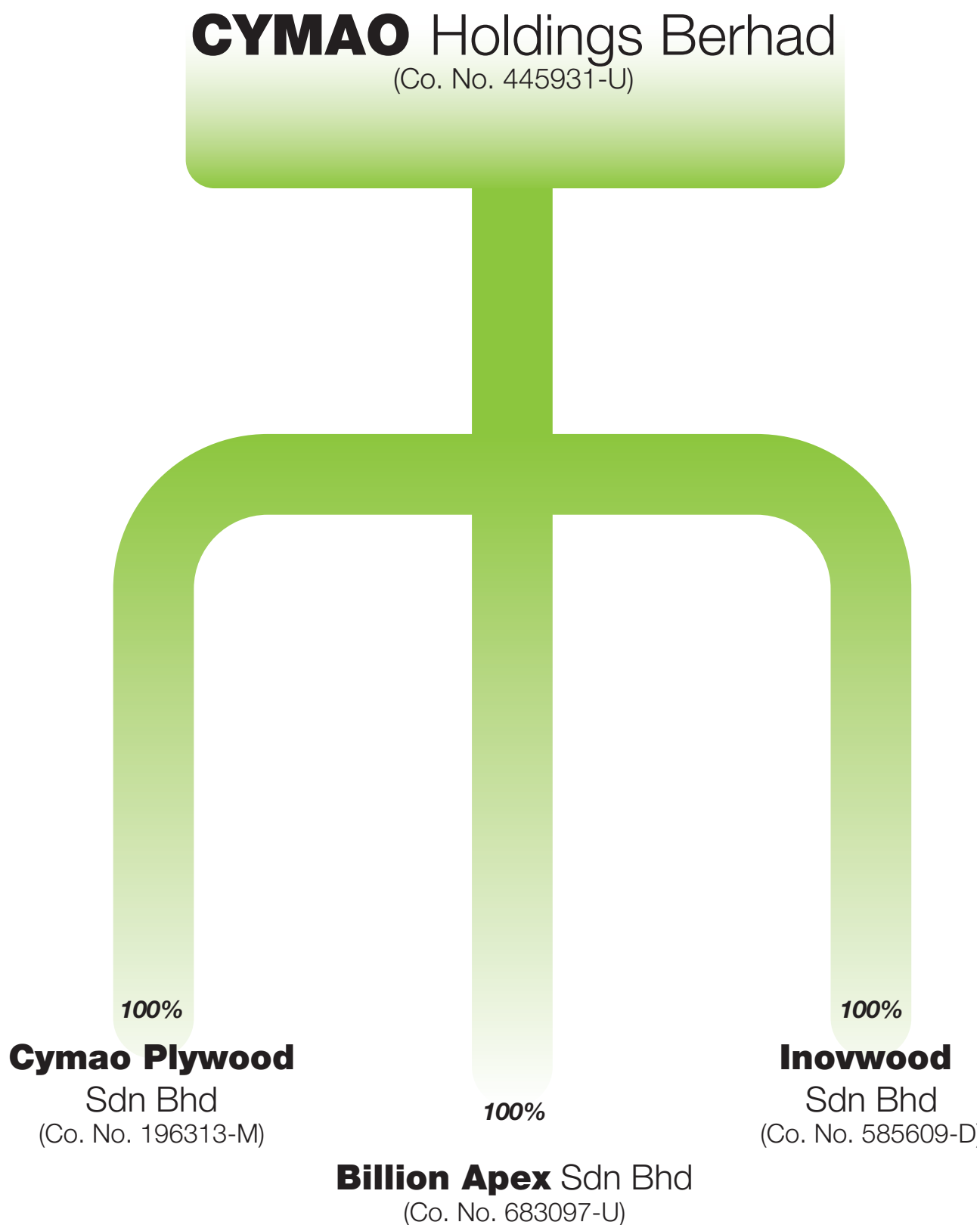
SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : +60(3) 2721-2222
Fax : +60(3) 2721-2530

STOCK EXCHANGE LISTING

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

Group Structure



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 64, 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 was 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 Executive Chairman of Seal Incorporated Berhad, both listed on the 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 70, 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 forty-two (42) 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 36, 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 and accounting, he is now heading the Marketing Department.

Lin, Kai-Hsuan
(Executive Director)

Taiwanese, aged 38, 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 63, 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 Nomination and Remuneration Committee*

Malaysian, aged 55, was appointed to the Board of Cymao on 25 February 2004. He is Chartered Accountant by training. He is a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants. 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 The New Straits Times Press (Malaysia) Berhad as Internal Auditor heading the Internal Audit Department for five and a half (5½) years and was promoted to Manager, Organization & Method, a department created to conduct efficiency and productivity study during the economic crisis in 1986. He held the position for three (3) years. Thereafter, he joined an advertisement production house as a finance consultant for four (4) years before he joined Messrs. SK Hiew & Associate in 1996, where he became the Principal-In-Charged of the Kajang Branch of the firm.

Directors' Profile (Cont'd)

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' shareholdings are set out on page 56 of this Annual Report.

Attendance of the Board

There were total four (4) Board of Directors' Meetings held during the financial year ended 31 December 2005.

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

Directors Training

There were total two (2) seminars attended by each Director during the financial year ended 31 December 2005.

Name of Directors	Title of Seminars	Number of Days
Datuk Mohd. Zain Bin Omar	• Company Valuation, Restructuring & Funding.	1
	• International Currency Risk Management.	1
Lin, Tsai-Rong	• Corporate Governance Practices and Applications: International Comparison.	1
	• Risk Management Seminar – Role of Internal Audit, Risk Management & Compliance.	1
Lin, Kai-Min	• Corporate Governance Practices and Applications: International Comparison.	1
	• New Investment Instruments.	1
Lin, Kai-Hsuan	• Corporate Governance Practices and Applications: International Comparison.	1
	• Risk Management Seminar – Role of Internal Audit, Risk Management & Compliance.	1
Lin Hsu, Li-Chu	• Corporate Governance Practices and Applications: International Comparison.	1
	• Risk Management Seminar – Role of Internal Audit, Risk Management & Compliance.	1
Hiew Seng	• Risk Management Seminar – Role of Internal Audit, Risk Management & Compliance.	1
	• Modern Internal Auditing for Directors, Audit Committees, Senior Management and Auditors.	1

Chairman's Statement

It is my pleasure, on behalf of the Board of Directors, to present to you the Annual Report and the Audited Financial Statements of CYMAO HOLDINGS BERHAD (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2005 ("FY 2005").

Performance Review

It had been a challenging year for the Group during FY 2005 faced with low selling prices and high material costs. The landscape of plywood price has undergone a tough competition in the markets that the Group operated in; namely, United States ("US") and United Kingdom ("UK"). This competition was mainly due to the increase in plywood supply from China that had softened the plywood prices in the market. On the local front, the cost of timber logs had also increased due to worldwide demand.

Despite the above, for the financial year under review, total revenue registered RM245.8 million which is 26% higher than the preceding year. Higher volume of sales were recorded in FY 2005 with a total of 170,651m³ compared to the financial year ended 2004 of 141,535m³ which represented a 21% jump in sales volume. The increase in volume was mainly due to encouraging results in the UK market which has accounted for 9% of total sales volume compared to less than 1% in the preceding year. On the other hand, the US market sales volume accounted for 64% of the total volume compared to 85% in the preceding year. Other market in the Middle-East has also shown positive result which accounted for 3% of the total sales volume. This is the result of the Group's intended sales strategy to diversify its market instead of being over dependent on any single market.

However, the encouraging sales volume above was softened by lower selling price compared to the preceding year. Despite this challenging factor, the management had made a very dedicated effort to counter the effect of the fall in selling prices by securing higher sales volume while at the same time maintaining product quality to compete in the plywood market.

Profit after taxation for FY 2005 is RM16.3 million (FY 2004: RM21.0 million) which is a 22% drop compared to the preceding financial year. During the financial year under review, high log prices were encountered which were driven by demand in the overseas market for round timber and compounded by the restriction of supply of round logs from Indonesia. Average log prices for the financial year under review has increased by approximately 8% compared to the preceding financial year. This had a significant impact on the Group's results.

Overall, despite the abovementioned pressures, the Group has been resilient to these challenging factors and delivered a positive result to the shareholders.

Operation Review

The Group believes in operation efficiency and during the financial year under review, a total of RM10.3 million was committed to acquire new machineries. On 13 June 2005, an in-house logistic division was started via a 100% equity acquisition of Billion Apex Sdn Bhd and delivered encouraging result that brought savings to the Group. We expect this division to achieve higher cost savings going forward.

On 8 December 2005, the Group's products were certified by an UK independent certification body for compliance with the European Standards. This allows for CE marking on the products and enhanced the Group's marketing position in the Europe region. This certification also adds on to the existing FSC (Forest Stewardship Council) certificate which the Group already has. In late December 2005, the Group also obtained approval from the Ministry of International Trade and Industry to participate in the European's new Generalised System of Preferences (GSP) scheme which gives import duty exemption in the Europe region.

Corporate Development

On 2 June 2005, the Company has entered into a Sales and Purchase Agreement to acquire 100% equity interest in Inovwood Sdn Bhd ("Inovwood") for a cash consideration of RM16 million and which was subsequently completed on 10 February 2006. The acquisition has added an annual plywood production capacity of 60,000m³ which immediately increased the Group's capacity to 180,000m³ annually.



Chairman's Statement (Cont'd)

Dividend

During the FY 2005, the Board of Directors has declared an interim tax-exempt dividend of 2.5 sen per share amounting to RM1.5 million which was subsequently paid on 28 October 2005. In view of the Group's positive results for the financial year under review, the Board is proposing a final tax-exempt dividend of 5 sen per share subject to shareholders' approval in the forthcoming Annual General Meeting of the Company. The total dividend for the year under review will be 7.5 sen per share amounting to RM4.5 million. This represents 28% of FY 2005 (2004: 36%) net earnings has been distributed back to the shareholders.

Future Outlook

The outlook for the financial year 2006 is expected to be promising as plywood prices are expected to recover. The plywood demand from the US market is expected to enhance the Group's order book especially on the post-Katrina rebuilding activities. The CE marking of the Group products has enhanced the entry into the Europe market. The Group will also benefit in the UK market with strong campaigns carried out by the Greenpeace organisation in the UK against illegally sourced timber. This has put on pressure on buyers to procure plywood only from FSC certified manufacturers. This strengthens the Group's products in this region and additionally counters competition from China.

However, timber prices are not expected to ease and the management continuously and prudently evaluates alternative sources of supply to ease the cost pressure. Interest rates in Malaysia and US are expected to stay high and the Group will maintain its low gearing position in order to stay competitive.

The acquisition of Inovwood provides room for the Management to plan its production more efficiently given larger land area is available. The Group's production capacity is expected to increase further by another 20% in second half of 2006 when the production enhancement programme completes.

Your Company has always made a continuing effort to look for investment opportunities that fit the investment appetite and to enhance shareholders' value.

Acknowledgement

On behalf of the Board of Directors, I like to take this opportunity to thank the Management for putting up dedicated efforts in FY 2005 in a challenging environment. Appreciation also goes to the supporting staff and hardworking workers at the factory on the round-the-clock production to ensure customers' orders are fulfilled and delivered.

Lastly, a word of appreciation and sincere thanks to my fellow members of the Board for their invaluable contributions and support.



Datuk Mohd. Zain Bin Omar
Chairman



Corporate Governance Statement

The Board of Directors of Cymao Holdings Berhad ("the Board") recognises the importance in achieving high standard of corporate governance and observes the Principles and Best Practices as set out in the Malaysian Code on Corporate Governance ("the Code"). The Code is observed throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and financial performance of the Group.

It is a continuing task of the Board to 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 and the extend of compliance with the Best Practices as set in Part 1 and Part 2 of the Code during the financial year ended 31 December 2005 unless otherwise stated.

BOARD OF DIRECTORS

Board Composition and Balance

The Group is led by an effective and experienced Board comprising members drawn from a wide spectrum of experience in relevant fields such as production, engineering, economics, accounting, finance, marketing, management and business administration. 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 has six (6) Directors, comprises of 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 ($\frac{1}{3}$) of the Board Members, whichever is higher, to be Independent Directors.

The profiles of the members of the Board are set out on pages 8 to 9 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.

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 four (4) meetings during the financial year ended 31 December 2005. Details of the attendance of the Directors are disclosed on page 9 of the Annual Report.

Board Committees

In discharging the responsibility and duty, the Board is assisted by the Audit Committee, the Nomination Committee and the Remuneration Committee. Each Committee is operated within defined terms of reference which have been approved by the Board. These Committees will assist the Board to address issues and risks that will affect the operation of the Group and to recommend measures to mitigate such risks.

Audit Committee

The composition, terms of reference and activities of the Audit Committee are presented on pages 14 to 16 of the Annual Report.

Nomination Committee

The Nomination Committee has three (3) members comprising exclusively of three (3) Non-Executive Directors, majority of whom are independent.

The Nomination Committee held two (2) meetings during the financial year end 31 December 2005 to receive the terms of reference of Nomination Committee, proposed to the Board on re-election and re-appointment of retiring Directors, assessed the effectiveness of the Board as a whole, its Audit Committee and the contribution of each individual Director and reviewed the mix of skill of the Board of Directors.

Remuneration Committee

The Remuneration Committee has three (3) members comprising two (2) Independent Non-Executive Director and one (1) Executive Director.

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.

The Remuneration Committee held two (2) meetings during the financial year ended 31 December 2005 to receive the terms of reference of Remuneration Committee, proposed to the Board on the remuneration policies for Executive Directors and Non-Executive Directors and to review the remuneration packages for Executive Directors and Non-Executive Directors.

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 are also entitled to seek independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group expense.

Directors' Training

The Group acknowledges that continuous education is vital for the Board member to gain insight into the state of economy, technological advances, regulatory updates and management strategies. As at to date, all the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by Research Institute of Investment Analyst Malaysia (RIIAM) in compliance with the Listing Requirements.

During the financial year, the Directors have also attended various seminars and training programmes accredited by Bursa Securities as part of their obligation to constantly stay update with current issues and changes which will assist them to discharge their duties effectively. Details of the seminars and training programmes attended by the Board members are disclosed on page 9 of the Annual Report.

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 Listing Requirements of Bursa Securities.

Re-election of Directors

In accordance with the Company's Articles of Association, at least one-third ($\frac{1}{3}$) or nearest to one-third ($\frac{1}{3}$) 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 enables 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 subsidiaries for the financial year ended 31 December 2005, are categorized into appropriate components as disclosed under Note 6 of the Financial Statements on page 38 of the Annual Report.

SHAREHOLDERS AND INVESTORS

The Group always recognises 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 and the quarterly financial results released by the Company to Bursa Securities will provide the shareholders and investors with an overview of the Group's performances and operations.

The Board recognises 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.

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 judgements 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 pages 26 to 55 of the Annual Report and the Directors' Responsibilities Statement pursuant to Paragraph 15.27 (a) of the Listing Requirements of Bursa Securities is set out on page 18 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 17 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 have established a formal and transparent relationship with the external auditors. The external auditors may from time to time throughout the financial year highlight to the Audit Committee and the Board on matters that require the Board's attention.

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

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

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 Malaysian 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.

Audit Committee Report (Cont'd)

- 4.5 The adequacy of the scope, functions and resources of the internal audit functions and the necessary authority to carry out its work.
- 4.6 The internal audit program, results and findings of the internal audit and whether any appropriate action is taken on the recommendations of the internal audit function.
- 4.7 Any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 4.8 The Group's quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
- Changes in or implementation of major accounting policy changes;
 - Significant and unusual events; and
 - Compliance with accounting standards and other legal requirements.
- 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.

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 five (5) Audit Committee meetings held during the financial year ended 31 December 2005 (26 February 2005, 13 May 2005, 10 June 2005, 26 August 2005 and 24 November 2005). The numbers of meetings attended by the Committee Members are as follow:-

Audit Committee Members	Number of Meetings Attended
Hiew Seng	5/5
Datuk Mohd. Zain Bin Omar	5/5
Lin, Kai-Min	5/5

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

During the financial year, the main activities carried out by Audit Committee are as follows:-

- Reviewed the Group's quarterly financial result with the management 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 Companies Act, 1965 and the applicable approved accounting standards.
- Reviewed the Audit Committee Report and the Statement on Internal Control and recommended to the Board for inclusion in the Annual Report.
- Reviewed the revised Terms of Reference of Audit Committee.
- Established the Internal Audit Function by outsourcing to an external consultant.
- Evaluated the performance of the External Auditors and made recommendations to the Board of Directors on their re-appointment and audit fees.
- Reviewed the Internal Audit Plan and the Internal Audit Reports to ensure that all risk areas were covered and corrective actions were taken by the Management on audit findings.

Audit Committee Report (Cont'd)

INTERNAL AUDIT FUNCTION

The Group's Internal Audit Function is outsourced to an external consultant who reports to the Audit Committee, assists in monitoring and updating risks and adequacy of the internal control system. Its role is to undertake independent regular and systematic reviews of internal controls, so as to provide the Audit Committee with independent and objective feedback and reports that the internal controls continue to operate satisfactorily and effectively.

The Internal Auditors had adopted a risk-based approach towards the planning and conduct of audits that are consistent with the Group's established framework in designing, implementing and monitoring of its control systems.

The activities carried out by the Internal Auditor during the financial year ended 31 December 2005 are as follows:-

- Conducted internal audit reviews according to the approved internal audit plan and presented the results of the audit reviews to the Audit Committee at their quarterly meetings; and
- Followed up on the implementation of audit recommendations and Management's agreed upon action plans, and reported to the Audit Committee the status of their implementation at the quarterly meetings of the Audit Committee.



Statement on Internal Control

Board Responsibility

The Board of Directors (the "Board") of Cymao Holdings Berhad (the "Group") recognises the commitment to continuously progress in formalising the internal control system and the framework on risk management. The Board is pleased to present the following Statement on Internal Control pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Board acknowledges the responsibilities for maintaining a sound system of internal control and for reviewing the adequacy and integrity of the system on a regular basis. The system does not cover only the financial controls but also the operational and process controls and risk management. However, the Board recognises that a sound system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

Internal Control

Set out below is the summary of the process applied in reviewing the adequacy and integrity of the internal control system.

1. The Audit Committee has been appointed to review the effectiveness of the internal control system on behalf of the Board. This is achieved by reviewing the Internal Auditors' work on risk areas which have been identified in the audit plan as approved by the Audit Committee. The internal audit function is currently being outsourced to a professional services firm who conducts internal audit assignments during the financial year under review.
2. The Group reviewed and monitored business risks as an ongoing process through direct involvement of Management in operations and regular meetings in formulating strategies and action plans to minimise risks that may significantly affect the Group's achievement.
3. The key internal control procedures include:
 - Board meetings are held at least quarterly with formal agenda on matters for discussion. The Chairman leads the meeting by presenting to the Board matters for deliberation and discussion. The Board is kept up to date of the Group's activities and development.
 - The Group has a defined organisational and reporting structure that sets out the authority levels for various key operations to facilitate fast response to changes in business environment, accountability of operation performance and effective monitoring of day-to-day transactions. Expenditures of capital and non-capital nature and business acquisitions are subject to appropriate level of approval process.
 - Annual budget sets out the performance targets to achieve is aligned with the Group's Vision and Mission. The Board approves the business budget and reviews the results on a quarterly basis against its annual targets.

- There is monthly monitoring and review of financial results and forecasts for all departments within the Group, including monitoring and reporting thereon, of performance against the operating plans and annual budgets.
- The Group is in the midst of developing its policies and procedures covering the major functions of the Group to guide management and staff in performing their day-to-day duties. The policies and procedures will allow tasks to be performed with minimal supervision, as well as specify the relevant authority limits to be complied with by each level of management within the Group.

Conclusion

The Board is of the view that there is no significant breakdown or weakness in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December, 2005. This Group continues to take the necessary measures to strengthen its internal controls.



Directors' Responsibilities Statement

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

The law requires the Directors to prepare financial statements for each financial year that 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 2005 on pages 26 to 55 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.

It is the Directors' responsibility to ensure 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 Company did not implement any fund raising exercise during the financial year.

(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 subsidiaries, or on the Directors or management of the Company or its subsidiaries during the financial year.

(f) Non-Audit Fees

Non-audit fees of RM115,600 were paid by the Group to the external auditors during the financial year.

(g) Variation in Results

There were no material variance between the audited results for the financial year ended 31 December 2005 and the unaudited results released for the quarter ended 31 December 2005 of the Group.

(h) Profit Guarantee

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

(i) Material Contracts

There were no material contracts, including contract relating to loan, entered into by the Company and/ or its subsidiaries 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 were no related party transactions of a revenue or trading nature entered into between the Company and its subsidiaries with the Directors, or major shareholder or persons connected with such Directors or major shareholders during the financial year.



Financial Statements

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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 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries 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
Profit for the year	16,251,068	3,762,736

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.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2004 were as follows:

	RM
In respect of the financial year ended 31 December 2004:	
Final tax exempt dividend of 5%, on 60,000,000 ordinary shares, declared on 10 June 2005 and paid on 18 August 2005	3,000,000
In respect of the financial year ended 31 December 2005:	
Interim tax exempt dividend of 2.5%, on 60,000,000 ordinary shares, declared on 12 September 2005 and paid on 28 October 2005	1,500,000
	<hr/>
	4,500,000
	<hr/> <hr/>

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2005, of 5% on 60,000,000 ordinary shares, amounting to a dividend payable of RM3,000,000 (5 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 2006.

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's 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, except as disclosed in Note 26 to the financial statements.

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 2005	Acquired	Sold	31 December 2005
Datuk Mohd Zain Bin Omar	200,000	-	-	200,000
Lin, Tsai-Rong	16,880,000	-	-	16,880,000
Lin, Kai-Min	50,000	234,000	-	284,000
Lin, Kai-Hsuan	50,000	-	-	50,000
Lin Hsu, Li-Chu	50,000	-	-	50,000
Hiew Seng	50,000	-	-	50,000

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

OTHER STATUTORY INFORMATION

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

Director's Report (Cont'd)

(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 2005.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 27 to the financial statements.

SUBSEQUENT EVENT

The subsequent event after the balance sheet date is disclosed in Note 28 to the financial statements.

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

Kuala Lumpur, Malaysia
24 February 2006



LIN, KAI-MIN

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 pages 26 to 55 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 2005 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

Kuala Lumpur, Malaysia
24 February 2006



LIN, KAI-MIN

Statutory Declaration

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

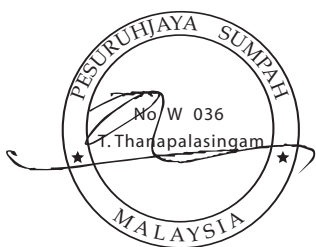
I, LIN, KAI-MIN being the director primarily responsible for the financial management of CYMAO HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 26 to 55 are in my opinion correct, and I make this solemn declaration conscientiously believing 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 Kuala Lumpur
in the Federal Territory
on 24 February 2006



LIN, KAI-MIN

Before me,



Report of the Auditors

Report of the Auditors to the Members of

CYMAO HOLDINGS BERHAD

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 26 to 55. 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 2005 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 subsidiaries 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 subsidiaries 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 subsidiaries 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
1228/03/07 (J)
Partner

Tawau, Sabah
Malaysia
24 February 2006

Income Statements

For the Year Ended 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	245,809,335	195,147,529	5,087,131	7,003,300
Cost of sales		(196,070,845)	(151,101,682)	-	-
Gross profit		49,738,490	44,045,847	5,087,131	7,003,300
Other operating income		267,134	42,807	124,772	-
Administrative expenses		(6,386,271)	(5,289,976)	(1,479,602)	(922,810)
Selling and marketing expenses		(30,107,102)	(13,576,409)	-	-
Profit from operations	4	13,512,251	25,222,269	3,732,301	6,080,490
Interest income	7	211,224	153,330	41,690	116,635
Finance costs	8	(333,762)	(32,497)	-	-
Profit before taxation		13,389,713	25,343,102	3,773,991	6,197,125
Taxation	9	2,861,355	(4,378,556)	(11,255)	(32,048)
Profit for the year		16,251,068	20,964,546	3,762,736	6,165,077
Earnings per share (sen):					
Basic	10	27.1	36.1	-	-
Net dividends per ordinary share in respect of the year (sen):	11	7.5	7.5	7.5	7.5

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

Balance Sheets

As at 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	42,522,295	49,921,974	307,639	376,545
Investments in subsidiaries	13	-	-	72,865,688	72,863,088
Deferred tax assets	24	2,683,699	-	-	-
		<u>45,205,994</u>	<u>49,921,974</u>	<u>73,173,327</u>	<u>73,239,633</u>
CURRENT ASSETS					
Inventories	14	35,899,598	49,534,695	-	-
Trade receivables	15	35,131,719	21,407,555	-	-
Other receivables	16	39,878,071	14,459,849	18,386,486	13,404,922
Tax recoverable		23,389	-	12,073	-
Cash and bank balances	17	11,405,144	11,154,928	2,004,643	7,511,475
		<u>122,337,921</u>	<u>96,557,027</u>	<u>20,403,202</u>	<u>20,916,397</u>
CURRENT LIABILITIES					
Borrowings	18	4,536,000	-	-	-
Trade payables	19	3,631,725	3,230,434	-	-
Other payables	20	4,815,359	6,543,985	252,784	62,973
Tax payable		-	34,623	-	32,048
		<u>12,983,084</u>	<u>9,809,042</u>	<u>252,784</u>	<u>95,021</u>
NET CURRENT ASSETS					
		<u>109,354,847</u>	<u>86,747,985</u>	<u>20,150,418</u>	<u>20,821,376</u>
		<u>154,560,831</u>	<u>136,669,959</u>	<u>93,323,745</u>	<u>94,061,009</u>

Balance Sheets (Cont'd)

As at 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
FINANCED BY:					
Share capital	21	60,000,000	60,000,000	60,000,000	60,000,000
Share premium	22	32,417,894	32,417,894	32,417,894	32,417,894
Retained profits	23	31,004,053	19,252,985	905,851	1,643,115
Shareholders' equity		123,421,947	111,670,879	93,323,745	94,061,009
Borrowings	18	6,328,715	-	-	-
Deferred tax liabilities	24	-	188,911	-	-
Negative goodwill		24,810,169	24,810,169	-	-
Non-current liabilities		31,138,884	24,999,080	-	-
		154,560,831	136,669,959	93,323,745	94,061,009

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2005

	Note	Non-Distributable		Distributable	Total RM
		Share Capital RM	Share Premium RM	Retained Profits RM	
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)
Profit for the year		-	-	20,964,546	20,964,546
Dividends paid	11	-	-	(4,500,000)	(4,500,000)
At 31 December 2004		60,000,000	32,417,894	19,252,985	111,670,879
At 1 January 2005		60,000,000	32,417,894	19,252,985	111,670,879
Profit for the year		-	-	16,251,068	16,251,068
Dividends paid	11	-	-	(4,500,000)	(4,500,000)
At 31 December 2005		60,000,000	32,417,894	31,004,053	123,421,947

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

Company Statement of Changes in Equity

For the Year Ended 31 December 2005

	Note	Share Capital RM	Non-Distributable Share Premium RM	Distributable (Accumulated Losses)/ Retained Profits RM	Total RM
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)
Profit for the year		-	-	6,165,077	6,165,077
Dividends paid	11	-	-	(4,500,000)	(4,500,000)
At 31 December 2004		60,000,000	32,417,894	1,643,115	94,061,009
At 1 January 2005		60,000,000	32,417,894	1,643,115	94,061,009
Profit for the year		-	-	3,762,736	3,762,736
Dividends paid	11	-	-	(4,500,000)	(4,500,000)
At 31 December 2005		60,000,000	32,417,894	905,851	93,323,745

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

Cash Flow Statements

For the Year Ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	13,389,713	25,343,102	3,773,991	6,197,125
Adjustments for:				
Depreciation of property, plant and equipment	7,763,450	6,611,119	80,158	12,362
Dividend income	-	-	(5,087,131)	(7,003,300)
Gain on disposal of plant and equipment	-	(499)	-	-
Interest income	(211,224)	(153,330)	(41,690)	(116,635)
Interest expense	333,762	32,497	-	-
Property, plant and equipment written off	10,472	-	-	-
Operating profit/(loss) before working capital changes	21,286,173	31,832,889	(1,274,672)	(910,448)
Decrease/(increase) in inventories	13,635,097	(11,900,276)	-	-
Increase in receivables	(39,139,788)	(1,712,474)	(4,981,564)	(12,496,342)
(Decrease)/increase in payables	(1,327,335)	(3,630,707)	189,811	(867,569)
Cash (used in)/generated from operations	(5,545,853)	14,589,432	(6,066,425)	(14,274,359)
Interest paid	(333,762)	(32,497)	-	-
Taxes paid	(69,267)	(22,107)	(55,376)	-
Net cash (used in)/generated from operating activities	(5,948,882)	14,534,828	(6,121,801)	(14,274,359)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net dividends received	-	-	5,087,131	7,003,300
Acquisition of a subsidiary (Note 13)	(2,598)	-	(2,600)	-
Movement in fixed deposits under pledge	(43,023)	(419,095)	-	-
Interest received	211,224	153,330	41,690	116,635
Payment of share issue expenses	-	(2,945,196)	-	(2,945,196)
Proceeds from disposal of plant and equipment	2,961,502	500	10,748	-
Purchase of property, plant and equipment	(3,335,745)	(17,577,429)	(22,000)	(388,907)
Net cash (used in)/generated from investing activities	(208,640)	(20,787,890)	5,114,969	3,785,832

Cash Flow Statements (Cont'd)

For the Year Ended 31 December 2005

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loan	13,192,840	-	-	-
Repayment of term loan	(2,328,125)	-	-	-
Drawdown of bankers' acceptances	4,387,000	-	-	-
Drawdown of Export Credit Refinancing	8,485,430	-	-	-
Repayment of bankers' acceptances	(4,387,000)	(1,191,000)	-	-
Repayment of Export Credit Refinancing	(8,485,430)	(5,449,295)	-	-
Proceeds from issuance of ordinary shares	-	22,500,000	-	22,500,000
Dividends paid	(4,500,000)	(4,500,000)	(4,500,000)	(4,500,000)
Net cash generated from/(used in) financing activities	6,364,715	11,359,705	(4,500,000)	18,000,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	207,193	5,106,643	(5,506,832)	7,511,473
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,835,833	4,729,190	7,511,475	2
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 17)	10,043,026	9,835,833	2,004,643	7,511,475

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

Notes to the Financial Statements

1. Corporate Information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries 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 1,472 (2004: 1,509) and 4 (2004: 3) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2006.

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 all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are 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 the subsidiaries 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.

(d) Investments in Subsidiaries

The Company's investments in subsidiaries are 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).

Notes to the Financial Statements (Cont'd)

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%

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, if any.

(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.

(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.

Notes to the Financial Statements (Cont'd)

(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) *Revenue from services*

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(iii) *Interest income*

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

(iv) *Dividend income*

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

(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:

	2005	2004
	RM	RM
United States Dollars	3.78	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.

Notes to the Financial Statements (Cont'd)

(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) Trade Receivables

Trade 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) Trade Payables

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

(iii) Interest-Bearing Borrowings

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

Borrowing costs are recognised 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.

(v) Derivative Financial Instruments

Derivative financial statements are not recognised in the financial statements on inception.

Forward foreign exchange contracts:

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange rates and all exchange gains and losses are recognized as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

Notes to the Financial Statements (Cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
3. Revenue				
Gross dividend from a subsidiary	-	-	5,087,131	7,003,300
Sales of decorative plywood	37,209,638	40,702,817	-	-
Sales of engineering wood flooring	-	775,157	-	-
Sales of layon	-	441,354	-	-
Sales of plywood	176,155,441	137,806,855	-	-
Sales of veneer	3,505,152	162,484	-	-
Sales of wooden musical component	28,931,231	15,258,862	-	-
Barge hiring income	7,873	-	-	-
	<u>245,809,335</u>	<u>195,147,529</u>	<u>5,087,131</u>	<u>7,003,300</u>
4. Profit from Operations				
Profit from operations is stated after charging/(crediting):				
Staff costs (Note 5)	11,234,934	11,392,160	334,108	88,801
Non-executive directors' remuneration (Note 6)	96,000	89,540	96,000	89,540
Auditors' remuneration				
- Statutory audits	42,500	40,000	15,000	15,000
- Other services	115,600	10,000	92,600	2,500
Depreciation of property, plant and equipment (Note 12)	7,763,450	6,611,119	80,158	12,362
Gain on disposal of plant and equipment	-	(499)	-	-
(Gain)/loss on foreign exchange	(82,773)	17,154	-	-
Property, plant and equipment written off	10,472	-	-	-
Hire of machinery	37,554	-	-	-
Rental of premises	206,184	309,841	119,871	199,816
Rental of warehouse	271,000	264,000	-	-
	<u>11,234,934</u>	<u>11,392,160</u>	<u>334,108</u>	<u>88,801</u>
5. Staff Costs				
Bonus	147,612	18,541	5,971	-
Employees Provident Fund contributions	152,325	61,434	35,232	8,042
Salaries, wages and allowances	10,924,179	11,303,104	290,821	80,114
SOCSO contributions	10,818	9,081	2,084	645
	<u>11,234,934</u>	<u>11,392,160</u>	<u>334,108</u>	<u>88,801</u>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM981,000 (2004: RM704,500) and RM84,000 (2004: RM74,500) respectively as further disclosed in Note 6.

Notes to the Financial Statements (Cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
6. Directors' Remuneration				
Directors of the Company				
Executive:				
Salaries and other emoluments	897,000	634,500	-	4,500
Fees	84,000	70,000	84,000	70,000
Benefits-in-kind	62,678	-	-	-
	<u>1,043,678</u>	<u>704,500</u>	<u>84,000</u>	<u>74,500</u>
Non-Executive:				
Fees	96,000	89,540	96,000	89,540
Benefits-in-kind	9,226	-	-	-
	<u>1,148,904</u>	<u>794,040</u>	<u>180,000</u>	<u>164,040</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kinds (Note 5)	981,000	704,500	84,000	74,500
Total non-executive directors' remuneration excluding benefits-in-kinds (Note 4)	96,000	89,540	96,000	89,540
	<u>1,077,000</u>	<u>794,040</u>	<u>180,000</u>	<u>164,040</u>

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	
	2005	2004
Executive directors:		
Below RM50,000	-	-
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	1
RM150,001 – RM200,000	1	1
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	1	1
Non-executive directors:		
Below RM50,000	3	3

Notes to the Financial Statements (Cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
7. Interest Income				
Interest income from:				
Current accounts	6,482	-	-	-
Fixed deposits	43,023	36,695	-	-
Repos	41,690	116,635	41,690	116,635
Overdue accounts	120,029	-	-	-
	<u>211,224</u>	<u>153,330</u>	<u>41,690</u>	<u>116,635</u>
8. Finance Costs				
Interest expense on:				
Bankers' acceptances	15,307	14,512	-	-
Bank overdraft	-	95	-	-
Export Credit Refinancing	9,916	17,890	-	-
Term loan	308,539	-	-	-
	<u>333,762</u>	<u>32,497</u>	<u>-</u>	<u>-</u>
9. Taxation				
Income tax:				
Malaysian income tax	11,255	42,348	11,255	32,048
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	(2,746,563)	4,211,672	-	-
(Over)/underprovided in prior years	(126,047)	124,536	-	-
	<u>(2,872,610)</u>	<u>4,336,208</u>	<u>-</u>	<u>-</u>
	<u>(2,861,355)</u>	<u>4,378,556</u>	<u>11,255</u>	<u>32,048</u>

Notes to the Financial Statements (Cont'd)

9. Taxation (Cont'd)

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

	2005 RM	2004 RM		2005 RM	2004 RM
Group					
Profit before taxation	13,389,713	25,343,102			
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	3,749,120	7,096,069			
Effect of income not subject to tax	(2,021,179)	(1,460,086)			
Effect of expenses not deductible for tax purposes	1,102,605	354,037			
Effect of expenses eligible for double deduction	(5,565,854)	(1,736,000)			
(Over)/underprovision of deferred tax in prior years	(126,047)	124,536			
	(2,861,355)	4,378,556			
Company					
Profit before taxation	3,773,991	6,197,125			
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	1,056,717	1,735,195			
Effect of income not subject to tax	(1,424,397)	(1,960,924)			
Effect of expenses not deductible for tax purposes	378,935	257,777			
	11,255	32,048			
			Group	Company	
	2005	2004	2005	2004	
	RM	RM	RM	RM	
Tax savings during the financial year arising from:					
Utilisation of current year tax losses	13,861	-	-	-	

Notes to the Financial Statements (Cont'd)

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.

	2005	2004
Net profit for the year (RM)	16,251,086	20,964,546
Weighted average number of ordinary shares in issue	60,000,000	58,081,967
Basic earnings per share (sen)	27.1	36.1

(a) *Diluted*

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

11. Dividends

	Amount		Net Dividends per Ordinary Share	
	2005 RM	2004 RM	2005 Sen	2004 Sen
<i>Interim</i>				
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
<i>Final</i>				
Tax exempt dividend of 5%, on 60,000,000 ordinary shares, declared on 10 June 2005 and paid on 18 August 2005	3,000,000	-	5.0	-
<i>Interim</i>				
Tax exempt dividend of 2.5%, on 60,000,000 ordinary shares, declared on 12 September 2005 and paid on 28 October 2005	1,500,000	-	2.5	-
	4,500,000	4,500,000	7.5	7.5

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2005, of 5% on 60,000,000 ordinary shares, amounting to a dividend payable of RM3,000,000 (5 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 2006.

Notes to the Financial Statements (Cont'd)

12. Property, Plant and Equipment

Group	Long Leasehold Land & Buildings* RM	Plant & Machinery RM	Motor Vehicles RM	Furniture, Fixtures & Equipment RM	Renovation RM	Construction In Progress RM	Total RM
Cost							
At 1 January 2005	12,934,381	84,049,837	4,272,583	1,294,328	165,013	3,383	102,719,525
Additions	-	2,486,869	685,755	88,314	-	74,807	3,335,745
Disposals	-	(3,904,942)	-	(13,575)	-	-	(3,918,517)
Reclassification	74,807	-	-	-	-	(74,807)	-
Write-off	-	-	-	(10,213)	-	(3,383)	(13,596)
At 31 December 2005	13,009,188	82,631,764	4,958,338	1,358,854	165,013	-	102,123,157
Accumulated Depreciation							
At 1 January 2005	5,397,882	43,699,208	3,172,855	524,856	2,750	-	52,797,551
Depreciation charge for the year (Note 4)	535,748	6,575,690	447,108	171,910	32,994	-	7,763,450
Disposals	-	(954,188)	-	(5,951)	-	-	(960,139)
At 31 December 2005	5,933,630	49,320,710	3,619,963	690,815	35,744	-	59,600,862
Net Book Value							
At 31 December 2005	7,075,558	33,311,054	1,338,375	668,039	129,269	-	42,522,295
At 31 December 2004	7,536,499	40,350,629	1,099,728	769,472	162,263	3,383	49,921,974
Depreciation charge for 2004 (Note 4)	530,795	5,699,899	303,130	74,545	2,750	-	6,611,119

Notes to the Financial Statements (Cont'd)

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

* Long Leasehold Land and Buildings of the Group comprise:

	Long Leasehold Land RM	Buildings RM	Total RM
Group			
Cost			
At 1 January 2005	3,200,644	9,733,737	12,934,381
Reclassification	-	74,807	74,807
	<hr/>		
At 31 December 2005	3,200,644	9,808,544	13,009,188
	<hr/>		
Accumulated Depreciation			
At 1 January 2005	188,045	5,209,837	5,397,882
Depreciation charge for the year	46,452	489,296	535,748
	<hr/>		
At 31 December 2005	234,497	5,699,133	5,933,630
	<hr/>		
Net Book Value			
At 31 December 2005	2,966,147	4,109,411	7,075,558
	<hr/> <hr/>		
At 31 December 2004	3,012,599	4,523,900	7,536,499
	<hr/> <hr/>		
Depreciation charge for 2004	46,452	484,343	530,795
	<hr/> <hr/>		

Notes to the Financial Statements (Cont'd)

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

	Furniture Fixtures and Equipment RM	Renovation RM	Total RM
Company			
Cost			
At 1 January 2005	223,894	165,013	388,907
Additions	22,000	-	22,000
Disposal	(13,575)	-	(13,575)
	<hr/>	<hr/>	<hr/>
At 31 December 2005	232,319	165,013	397,332
Accumulated Depreciation			
At 1 January 2005	9,612	2,750	12,362
Depreciation charge for the year (Note 4)	47,164	32,994	80,158
Disposal	(2,827)	-	(2,827)
	<hr/>	<hr/>	<hr/>
At 31 December 2005	53,949	35,744	89,693
Net Book Value			
At 31 December 2005	178,370	129,269	307,639
	<hr/>	<hr/>	<hr/>
At 31 December 2004	214,282	162,263	376,545
	<hr/>	<hr/>	<hr/>
Depreciation charge for 2004	9,612	2,750	12,362
	<hr/>	<hr/>	<hr/>

The net book values of properties, plant and equipment pledged for banking facilities are as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Long leasehold land and buildings	7,075,558	7,536,499	-	-
Plant and machinery	33,311,054	40,350,629	-	-
Motor vehicles	1,338,375	1,099,728	-	-
Furniture, fixtures and equipment	489,669	555,190	-	-
Construction-in-progress	-	3,383	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	42,214,656	49,545,429	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements (Cont'd)

13. Investments in Subsidiaries

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	72,865,688	72,863,088

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
Cymao Plywood Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of veneer, plywood, decorative plywood, engineering wood flooring, layon and wooden musical component
Billion Apex Sdn. Bhd.	Malaysia	100	-	Provision of barge hiring services

Acquisition of subsidiary:

On 13 June 2005, the Group acquired 100% equity interest in Billion Apex Sdn. Bhd., a company incorporated in Malaysia, for a total consideration of RM2,600 satisfied by cash.

The acquisition had the following effects on the financial position of the Group as at the end of the year:

	2005 RM
Property, plant and equipment	1,616,577
Receivables	138,010
Cash on hand	29,402
Payables	(1,515,800)
Net assets	268,189

Notes to the Financial Statements (Cont'd)

13. Investments in Subsidiaries (Cont'd.)

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	2005
	RM
Cash on hand	2
Receivables	2,598
	<hr/>
Fair value of total net assets	2,600
	<hr/> <hr/>
Cost of acquisition	2,600
	<hr/> <hr/>
Purchase consideration satisfied by:	
Cash	2,600
	<hr/> <hr/>
Cash outflow arising on acquisition:	
Purchase consideration satisfied by cash	2,600
Cash and cash equivalents of subsidiary acquired	(2)
	<hr/> <hr/>
Net cash outflow of the Group	2,598
	<hr/> <hr/>

There were no acquisitions in the financial year ended 31 December 2004.

14. Inventories

	Group		Company	
	2005	2004	2005	2004
Cost	RM	RM	RM	RM
Logs	5,730,761	10,609,832	-	-
Veneer	5,289,500	5,956,120	-	-
Plywood	16,173,678	17,834,329	-	-
Decorative plywood	6,095,643	13,084,143	-	-
Materials and supplies	2,610,016	2,050,271	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	35,899,598	49,534,695	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

There were no inventories stated at net realisable value at 31 December 2005 (2004: Nil).

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM196,070,845 (2004: RM151,101,682).

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.

Notes to the Financial Statements (Cont'd)

16. Other Receivables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Advances	12,365	41,655	-	-
Deposits	432,134	1,443,657	49,583	1,098,584
Deposits for acquisition of machineries	7,130,799	2,200,440	-	-
Deposits for supplies	7,919,635	9,711,844	-	-
Due from subsidiaries	-	-	13,490,404	12,268,282
Prepayments	153,813	135,456	41,499	37,993
Sundry receivables	24,229,325	926,797	4,805,000	63
	<u>39,878,071</u>	<u>14,459,849</u>	<u>18,386,486</u>	<u>13,404,922</u>

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

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms 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	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	10,043,026	9,835,833	2,004,643	7,511,475
Deposits with a licensed bank	1,362,118	1,319,095	-	-
	<u>11,405,144</u>	<u>11,154,928</u>	<u>2,004,643</u>	<u>7,511,475</u>
Less: Deposits with a licensed bank pledged for bank guarantees	(1,362,118)	(1,319,095)	-	-
	<u>10,043,026</u>	<u>9,835,833</u>	<u>2,004,643</u>	<u>7,511,475</u>

Notes to the Financial Statements (Cont'd)

17. Cash and Cash Equivalents (Cont'd.)

Included in deposits with a licensed bank of the Group are deposits amounting to RM1,362,118 (2004: RM1,319,095) pledged to a bank for bank guarantees granted to a subsidiary.

The average effective interest rate of deposits of the Group at the balance sheet date was 3.8% (2004: 3.8%) per annum.

The average maturity of deposits of the Group at the end of the financial year was 365 days (2004: 365 days).

18. Borrowings

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short Term Borrowings				
Secured:				
Term loan	4,536,000	-	-	-
Long Term Borrowings				
Secured:				
Term loan	6,328,715	-	-	-
	<u>10,864,715</u>	<u>-</u>	<u>-</u>	<u>-</u>

The average effective interest rate at the balance sheet date was 5.69% (2004: Nil).

The term loan facility is secured by a debenture over the equipment financed.

The term loan is repayable by 11 quarterly instalments of USD300,000 each and a final repayment of USD200,000.

19. Trade Payables

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

20. Other Payables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Advances received	326,828	-	-	-
Accruals	2,649,619	4,049,077	47,144	38,417
Deposits received	804,393	869,555	-	-
Sundry payables	1,034,519	1,625,353	205,640	24,556
	<u>4,815,359</u>	<u>6,543,985</u>	<u>252,784</u>	<u>62,973</u>

Notes to the Financial Statements (Cont'd)

21. Share Capital

	Number of Ordinary Shares of RM1 Each		Amount	
	2005	2004	2005 RM	2004 RM
Authorised:				
At 31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
At 1 January	60,000,000	51,000,000	60,000,000	51,000,000
Issued for cash	-	9,000,000	-	9,000,000
At 31 December	60,000,000	60,000,000	60,000,000	60,000,000

22. Share Premium

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
The movements in share premium were as follows:				
At 1 January	32,417,894	21,863,090	32,417,894	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)
At 31 December	32,417,894	32,417,894	32,417,894	32,417,894

23. Retained Profits

As at 31 December 2005, the Company has tax exempt profits available for distribution of approximately RM3,090,000 (2004: RM2,503,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2005.

Notes to the Financial Statements (Cont'd)

24. Deferred Tax

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 January	188,911	(4,147,297)	-	-
Recognised in income statement (Note 9)	(2,872,610)	4,336,208	-	-
At 31 December	(2,683,699)	188,911	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(5,824,500)	(2,626,870)		
Deferred tax liabilities	3,140,801	2,815,781	-	-
	(2,683,699)	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 2005	2,815,781
Recognised in income statement	325,020
At 31 December 2005	3,140,801
At 1 January 2004	791,178
Recognised in income statement	2,024,603
At 31 December 2004	2,815,781

Notes to the Financial Statements (Cont'd)

24. Deferred Tax (Cont'd.)

Deferred Tax Assets of the Group:

	Tax Losses and Unabsorbed Capital Allowance RM
At 1 January 2005	(2,626,870)
Recognised in income statement	(3,197,630)
	<hr/>
At 31 December 2005	(5,824,500)
	<hr/> <hr/>
At 1 January 2004	(4,938,475)
Recognised in income statement	2,311,605
	<hr/>
At 31 December 2004	(2,626,870)
	<hr/> <hr/>

25. Commitments

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Capital Commitments				
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	-	8,610,000	-	1,200,000
Approved but not contracted for:				
Property, plant and equipment	-	2,500,000	-	2,500,000
	<hr/>	<hr/>	<hr/>	<hr/>
	-	11,110,000	-	3,700,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements (Cont'd)

26. Significant Related Party Transactions

Company	2005 RM	2004 RM
Transaction with a subsidiary company: Cymao Plywood Sdn. Bhd.		
Dividends received	<u>5,087,131</u>	<u>7,003,300</u>

27. Other Significant Events

(a) Termination of sale and purchase agreement

On 22 March 2005, the Company announced termination of the sale and purchase agreement dated 17 December 2003 with Inovwood Sdn. Bhd.. The company had entered into the sale and purchase agreement for the purchase of one vacant piece of 5.1 acres industrial leasehold land held under TL 077526599 and TL 077528039, District of Sandakan, situated at Jalan Batu Sapi ("Land") for a purchase consideration of RM1,200,000. Upon issuance of notice to Inovwood Sdn. Bhd., the Company immediately terminated the sale and purchase agreement due to non-fulfillment of certain conditions by Inovwood Sdn. Bhd..

(b) Changes in composition of Group

On 13 June 2005, the Company acquired 2 ordinary share of RM1 each in Billion Apex Sdn. Bhd. ("BASB") representing 100% equity interest of BASB for a cash consideration of RM2,600.

28. Subsequent Event

On 20 January 2006, the Company acquired a 100% equity interest in Inovwood Sdn. Bhd., a company incorporated in Malaysia and engaged in manufacture and sales of veneer and plywood, for a cash consideration of RM16,000,000. The acquisition was completed and will be accounted for by acquisition method of accounting in the financial year ending 31 December 2006.

29. 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.

Notes to the Financial Statements (Cont'd)

29. Financial Instruments (Cont'd.)

(b) Commodity Price Risk

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

(c) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 31 December 2005. 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.

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

Functional Currency of Group Companies	Net Financial Assets Held in Non-Functional Currency
	United States Dollars RM
At 31 December 2005:	
Ringgit Malaysia	24,866,516
	<u> </u>
At 31 December 2004:	
Ringgit Malaysia	25,043,645
	<u> </u>

Notes to the Financial Statements (Cont'd)

29. Financial Instruments (Cont'd.)

(d) Foreign Exchange Risk (Cont'd.)

As at balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amount and maturity:

At 31 December 2005:	Currency	Maturity Within 1 year RM
Forwards used to hedge trade receivables	United States Dollars	11,340,000
		<u>11,340,000</u>

(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.

(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 2005:					
Amount due from subsidiaries	16	-	-	13,490,404	*
<hr/>					
At 31 December 2004:					
Amount due from a subsidiary	16	-	-	12,268,282	*
<hr/>					

Notes to the Financial Statements (Cont'd)

29. Financial Instruments (Cont'd.)

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

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of financial year are:

	Group		Company	
	Nominal/ Notional Amount RM	Net Fair Value RM	Nominal/ Notional Amount RM	Net Fair Value RM
At 31 December 2005:				
Forward foreign exchange contract	11,340,000	105,000	-	-

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

- (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

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

- (ii) Borrowings

The carrying value of the Company's borrowing is deemed to equal fair values, which the Company estimates based on incremental rates of comparable borrowing arrangements.

- (iii) Derivative Financial Instruments

The fair value of a forward foreign currency contract is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rates as at the balance sheet date applied to a contract of similar quantum and maturity profile.

30. Segmental Reporting

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

31. Comparative Figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Analysis of Shareholdings

As at 28 February 2006

Authorised share capital	:RM 100,000,000
Issued and paid-up capital	:RM 60,000,000
Class of shares	:Ordinary shares of RM 1.00 each
Voting right	:One vote per RM1.00 share

ORDINARY SHARE DISTRIBUTION SCHEDULE AS AT 28 FEBRUARY 2006

Size of Holdings	No. of Shareholders	%	No. of Shares Held	%
1 to 99	4	0.36	200	0.00
100 to 1,000	762	68.10	219,900	0.37
1,001 to 10,000	235	21.00	975,100	1.63
10,001 to 100,000	80	7.15	2,685,900	4.48
100,001 and 2,999,999*	34	3.04	26,822,900	44.70
3,000,000 and above**	4	0.36	29,296,000	48.83
Total	1,119	100.00	60,000,000	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS AS AT 28 FEBRUARY 2006

Name of Shareholders	Direct Interest	%	Deemed Interest	%
1. Lin, Tsai-Rong	16,880,000	28.13	-	-
2. Tsay, Chung-Wen	5,600,000	9.33	-	-
3. Citigroup Nominees (Asing) Sdn Bhd *	3,466,000	5.78	-	-
4. Hsu, How-Tong	3,350,000	5.58	-	-
5. Allianz General Insurance Malaysia Berhad	740,000	1.23	2,619,700 **	4.37
6. Allianz Aktiengesellschaft	-	-	3,360,200 **	5.60

* Bare Trustee for Citibank London for Stichting Shell Pensioenfonds

** Deemed interests by virtue of Section 6A (4) (C) of the Companies Act, 1965

DIRECTORS' SHAREHOLDINGS AS AT 28 FEBRUARY 2006

Name of Shareholders	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	289,000	0.48	-	-
4. Lin, Kai-Hsuan	50,000	0.08	-	-
5. Lin Hsu, Lin-Chu	50,000	0.08	-	-
6. Hiew Seng	50,000	0.03	-	-

Analysis of Shareholdings (Cont'd)

As at 28 February 2006

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 28 FEBRUARY 2006

1	Name of Shareholders	No. of Shares	%
1.	Lin, Tsai-Rong	16,880,000	28.13
2.	Tsay, Chung-Wen	5,600,000	9.33
3.	Citigroup Nominees (Asing) Sdn Bhd [CB LDN for Stichting Shell Pensioenfonds]	3,466,000	5.78
4.	Hsu, How-Tong	3,350,000	5.58
5.	Bainsville Corporation Sdn Bhd	2,997,800	4.96
6.	Malaysian Assurance Alliance Berhad	2,770,000	4.62
7.	Universal Trustee (Malaysia) Berhad [SBB Emerging Companies Growth Fund]	2,712,100	4.52
8.	Universal Trustee (Malaysia) Berhad [SBB Dana Al-Azam]	1,837,600	3.06
9.	Mayban Nominees (Tempatan) Sdn Bhd [Malaysian Trustees Berhad for Mayban Smallcap Trust Fund]	1,824,300	3.04
10.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Public Islamic Equity Fund]	1,572,800	2.62
11.	HSBC Nominees (Asing) Sdn Bhd [Exempt AN For Credit Suisse (Sg Br-Tst-Asing)]	1,561,100	2.60
12.	Mayban Nominees (Tempatan) Sdn Bhd [Mayban Trustees Berhad for Public Ittikal Fund]	1,431,400	2.39
13.	Allianz Life Insurance Malaysia Berhad	1,056,400	1.76
14.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Mayban Dana Yakin]	983,000	1.64
15.	Allianz Life Insurance Malaysia Berhad	890,000	1.48
16.	Allianz General Insurance Malaysia Berhad	740,500	1.23
17.	Citigroup Nominees (Asing) Sdn Bhd [Exempt AN For American International Assurance Company Limited]	662,500	1.10
18.	Universal Trustee (Malaysia) Berhad [Mayban Balanced Trust Fund]	600,000	1.00
19.	Universal Trustee (Malaysia) Berhad [CMS Islamic Fund]	500,000	0.83
20.	Malaysia Trustee Berhad [Pacifimas Asset Management Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad]	495,000	0.83
21.	Hsu, Hao-Huang	407,100	0.68
22.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Mayban Dana Ikhlas]	400,000	0.67
23.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Dana Al-Aiman]	370,000	0.62
24.	Allianz Life Insurance Malaysia Berhad	355,100	0.59
25.	Malaysia Trustee Berhad [Pacifimas Asset Management Sdn Bhd for The Pacific Insurance Berhad]	354,000	0.59
26.	Public Nominees (Asing) Sdn Bhd [Pledged Securities Account for Chen Huang, Kuei-Liang]	304,500	0.51
27.	Lin, Kai-Min	289,000	0.48
28.	Allianz Life Insurance Malaysia Berhad	220,800	0.37
29.	Datuk Mohd. Zain Bin Omar	200,000	0.33
30.	Wong Chik Lim	190,000	0.32

List of Properties

No.	1.	2.
Location	TL 077565434 9.1KM, Jalan Batu Sapi, 90000 Sandakan, Sabah	TL 077574200 9.1KM, Jalan Batu Sapi, 90000 Sandakan, Sabah
Land Area (acres)	8.1	4.85
Description and Existing Use	Industrial land with plywood factory and ancillary buildings	Industrial land with log conditioning shed and temporary labour quarters
Built-up Area (Sq. ft.)	352,713	211,187
Lease Tenure from/to	Leasehold 99 years (expiring 31.12.2068)	Leasehold 99 years (expiring 31.12.2096)
Approximate Age of Building	10	-
Net Book Value as at 31.12.2005	RM6,153,050	RM922,508

Notice of Eighth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of the Company will be convened and held at Sanbay Hotel, Conference Room, Mile 1¼ Jalan Leila, Sandakan, Sabah on Friday, 28 April 2006 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 2005 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 2005. **Resolution 1**
3. To approve payment of Directors' fees in respect of the financial year ended 31 December 2005. **Resolution 2**
4. To re-elect the following Directors who retire in accordance to Article 88 of the Company's Articles of Association:
 - (a) Datuk Mohd. Zain Bin Omar **Resolution 3**
 - (b) Mr. Lin, Kai-Hsuan **Resolution 4**
5. To consider and, if thought fit, pass the following resolution:

"That Mr Lin, Tsai-Rong, being over the age of 70 years and retiring pursuant to Section 129(6) of the Companies Act, 1965 be and is hereby re-appointment as Director of the Company to hold office until conclusion of the next Annual General Meeting"

Resolution 5
6. To re-appoint Messrs Ernst & Young as the Auditors of the Company for the ensuring year and to authorise the Board of Directors to fix their remuneration. **Resolution 6**
7. As Special Business:

To consider and if thought fit, pass the following ordinary resolution:

Ordinary Resolution - Authority to allot shares **Resolution 7**

"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."
8. To transact any other business of which notice shall have been given.

Notice of Eighth Annual General Meeting (Cont'd)

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 2005, if so approved at the Eight Annual General Meeting of the Company, will be payable on 18 May 2006 to Depositors whose names appear in the Record of Depositors at the close of business on 28 April 2006.

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 28 April 2006, in respect of 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: 6 April 2006

Notes:

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

Resolution No.7

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 Eighth Annual General Meeting

1. Directors who are standing for re-election and re-appointment at the Eighth Annual General Meeting of the Company are:-

- i. Mr Lin, Tsai-Rong
- ii. Datuk Mohd. Zain Bin Omar
- iii. Mr Lin, Kai-Hsuan

2. Details of attendance of Directors at Board Meetings

There were four (4) Board of Directors' Meetings held during the financial year ended 31 December 2005. The details of attendance of Directors are set out in the Profile of Directors appearing on page 9 of the Annual Report.

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

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

Date: 28 April 2006

Time: 10.00 a.m.

3. Profile of Directors who are standing for re-election and re-appointment

Details of the Directors who are standing for re-election and re-appointment are set out in the Directors' Profile appearing on pages 8 and 9 of the Annual Report.

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Proxy Form

Number of shares held	
--------------------------	--

*I/We, _____
of _____
being a member of CYMAO HOLDINGS BERHAD hereby appoint _____
or _____
failing *him/her _____
of _____
as *my/our proxy(ies) to vote for *me/us on *my/our behalf at the Eighth Annual General Meeting of the Company to be held at Sanbay Hotel, Conference Room, Mile 1¹/₄ Jalan Leila, Sandakan, Sabah on 28 April 2006 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 Datuk Mohd. Zain Bin Omar		
Resolution 4	Re-election of Mr. Lin, Kai- Hsuan		
Resolution 5	Re-appointment of Mr Lin, Tsai-Rong		
Resolution 6	Re-appointment of Auditors		
Resolution 7	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 _____ 2006

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

[*Delete if not applicable]

Notes:

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint one (1) proxy or two (2) 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.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- 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.
- 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.

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**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

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