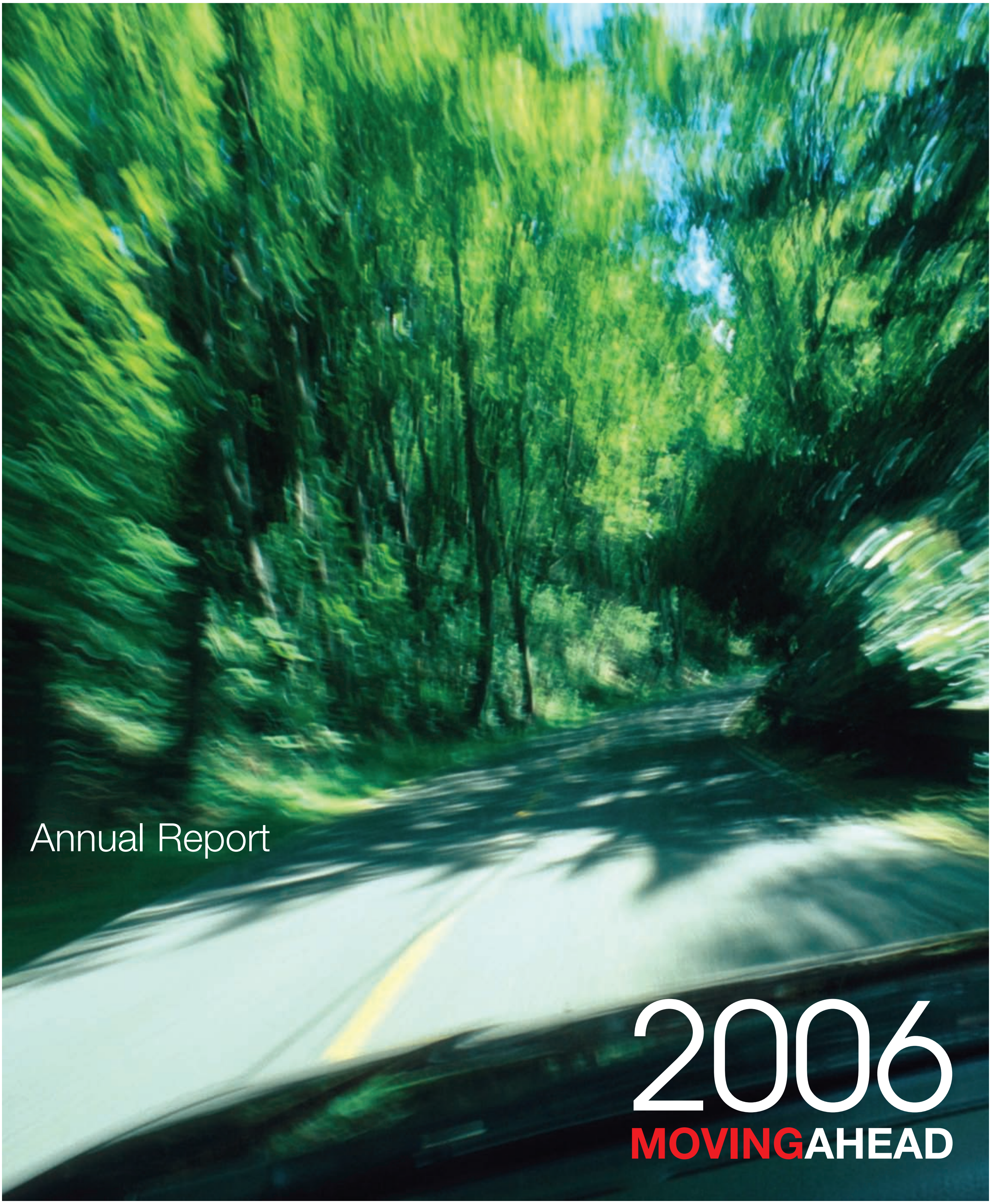


Annual Report

2006

MOVINGAHEAD

CYMAO
Holdings Berhad
445931-U

Contents

Our Vision

To be a world class supplier of construction materials, through sound business practices, that is profitable, sustainable and socially responsible to all our stakeholders.

Our Mission

Sustainable profitability through vertical integration, capacity expansion and product offerings.

Financial Highlights

Corporate Information

Board of Directors
Datuk Mohd. Zain Bin Omar
Chairman/Independent Non-Executive Director

Lin, Tsai-Rong
Managing Director

Lin, Kai-Min
Executive Director

Lin, Kai-Hsuan
Executive Director

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

Hiew Seng
Independent Non-Executive Director

Audit Committee
Hiew Seng
Chairman, Independent Non-Executive Director

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

Lin, Kai-Min
Member, Executive Director

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

Hiew Seng
Member, Independent Non-Executive Director

Lin, Kai-Min
Member, Executive Director

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

Hiew Seng
Member, Independent Non-Executive Director

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

Company Secretary
Katherine Chung Mei Ling (MAICSA 7007310)

Registered Office
MPT 4604, 3rd Floor
Lot 15-16, Block B
Bandaran Baru
Jalan Baru
91000 Tawau
Sabah, Malaysia
Tel : +60(89) 767-600
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

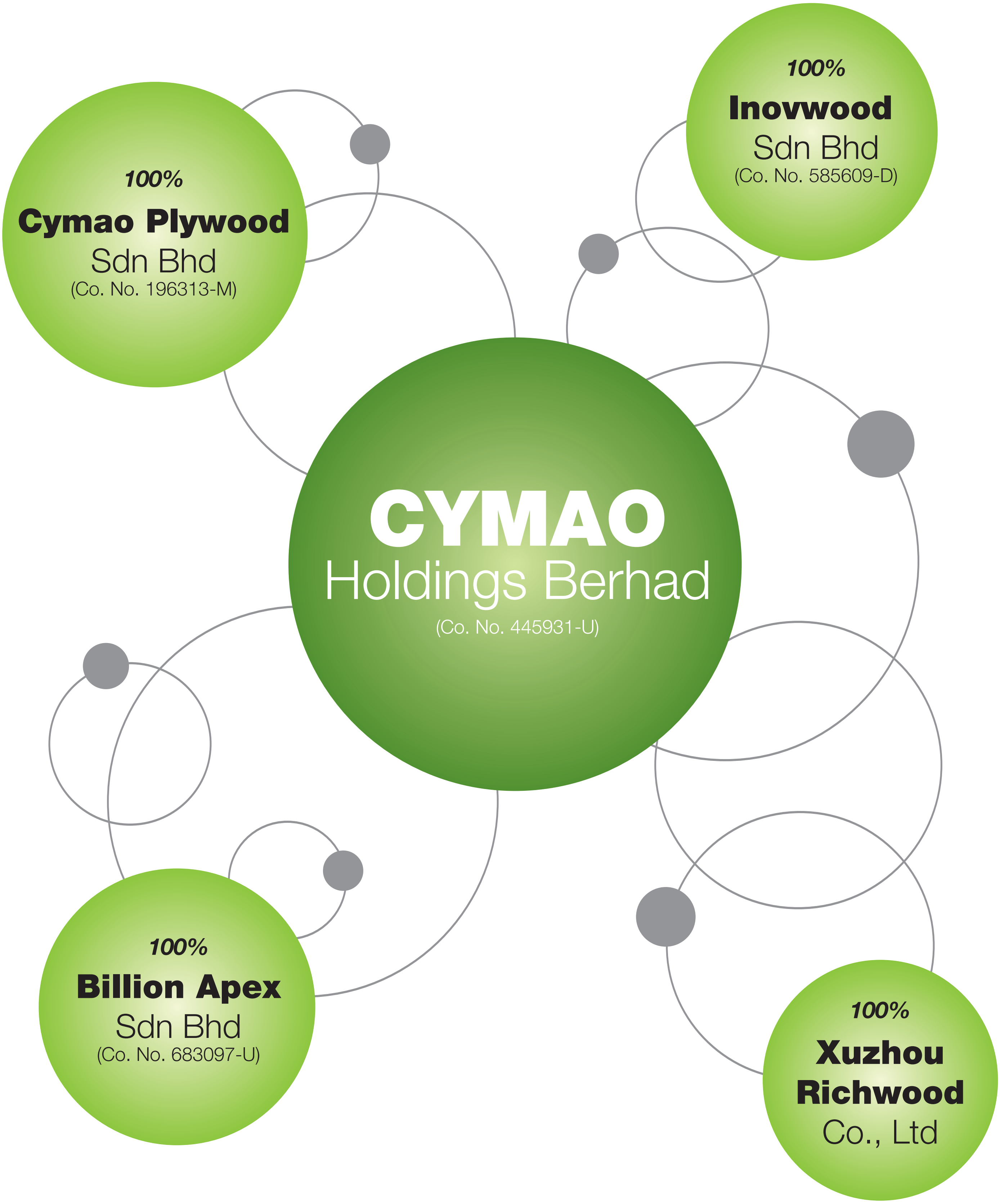
Auditors
Ernst & Young
Chartered Accountants
MPT 4604, 3rd Floor
Lot 17-18, Block B
Bandaran Baru
Jalan Baru
91000 Tawau
Sabah, Malaysia

Principal Bankers
HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
RHB 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



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

Chairman of Nomination Committee and Remuneration Committee
Member of Audit Committee

Malaysian, aged 65, 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 Executive Chairman of Seal Incorporated Berhad which listed on Bursa Malaysia Securities Berhad. He also sits on the Board of Lembaga Tabung Haji and several private limited companies.

Lin, Tsai-Rong
(Managing Director)

Taiwanese, aged 71, 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 with Cyma Plywood and Lumber Co. Ltd, Taiwan ("CPLC") in 1962 and 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 37, 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 Finance and Marketing Department.

Lin, Kai-Hsuan
(Executive Director)

Taiwanese, aged 39, 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 64, was appointed to the Board of Cymao on 13 November 2003. She was a teacher at Hsi-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 56, 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 ($5\frac{1}{2}$) 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.

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 and Lin Hsu, Li-Chu is the wife of Lin, Tsai-Rong, 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 68 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 2006.

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

Directors' Training
Seminars attended by each Director during the financial year ended 31 December 2006 are shown below.

Name of Directors	Title of Seminars	Number of Days
Datuk Mohd. Zain Bin Omar	• Hedge Fund for Top Management.	1
	• Risk Management Seminar.	1
Lin, Tsai-Rong	• Enhancing Corporate Governance in Merger & Acquisition.	1/2
	• Building World Class Boards (Module 1).	1/2
Lin, Kai-Min	• Enhancing Corporate Governance in Merger & Acquisition.	1/2
Lin, Kai-Hsuan	• Enhancing Corporate Governance in Merger & Acquisition.	1/2
	• Building Word Class Boards (Module 1).	1/2
Lin Hsu, Li-Chu	• Enhancing Corporate Governance in Merger & Acquisition.	1/2
	• Building Word Class Boards (Module 1).	1/2
Hiew Seng	• Enhancing Corporate Governance in Merger & Acquisition.	1/2
	• Building Word Class Boards (Module 1).	1/2

It is my pleasure to present to you the financial statements of Cymao Holdings Berhad (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2006.

Performance Review

For the financial year ended 2006, the Group has achieved a turnover of RM266.0 million and a profit before taxation of RM23.7 million representing a commendable increase in turnover of RM8.6 million or 8.2% and a profit before taxation of RM10.3 million or 77% respectively compared to the previous year's financial results. The higher increase in profit before taxation compared to the increase in turnover of the Group was mainly due to the higher gross profit margin enjoyed by the Group as a result of the buoyant plywood market and the increase in plywood prices in the industry during the financial year under review.

The Group has also registered higher sales volume in the financial year, mainly due to its successful penetration to the Middle East market. During the year under review, the Group has registered sales volume of 175,326m^3 (2005: 170,651m^3) of which the US market accounted for 55% (2005: 64%), Europe and UK accounted for 6% (2005: 9%) and Middle East accounted for 13% (2005: 3%). The sales results have been very encouraging and this in line with the Group's strategy to diversify its market position.

In tandem with the increase in plywood prices, log prices have also similarly increased resulting in the costs of production to increase by 9%. Despite this, the Group was able to hold firm on its gross margin with a slight increment to 21% compared to the previous financial year. Such result was achieved with the Group's continuous improvement in production enhancement and efficiency.

Operation Review

During the financial year under review, the Group has invested in new plant and machinery of a total amount of RM19.3 million to further improve three key areas of production to achieve higher output, precision and recovery and the results have been encouraging. Much of this engineering work was in-house developed to tackle local situation on log size and quality and workers' adaptability to production.

The logistic division has shown positive contribution of RM0.6 million (2005: RM0.3 million) for the financial year ended 2006 which represents savings contributed to the Group compared to the costs of outsourcing.

Following the completion of the acquisition of Inovwood in February 2006, the Group's annual production capacity has increased by 60,000m^3. Post-acquisition, Inovwood has contributed positively to the Group's earnings. In addition, it has also yielded more land space to the Group to restructure its production layout to achieve higher efficiency.

Corporate Development

On 31 July 2006, Xuzhou Richwood Co. Ltd. ("Richwood"), a wholly-owned subsidiary was setup in the Jiangsu Province of China. Richwood subsequently acquired a manufacturing facility and invested a total of USD2 million to operate an annual production capacity of 18,000m^3 to produce softwood plywood for the export markets. Richwood's products will add on to the Group's existing product range currently being offered in the market. In addition, plan has been put in place to expand the production capacity.

Dividend

During the financial year ended 2006, the Board of Directors has declared an interim tax-exempt dividend of 5 sen per share amounted to RM3.75 million and was paid on 6 October 2006. In view of the positive results the Group has achieved, your 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. If approved, the total dividend for the financial under review will be 10 sen per share which will amount to RM7.5 million.

Outlook and Prospects

The outlook for the financial year ending 2007 will be promising as plywood prices are expected to stay firm on the level increased in year 2006. On the other hand, log prices will likewise remain high in view of the demand of timber products. However, costs are controlled via production efficiency and improvement on log recovery rate in order to maintain a healthy margin for the business.

We will further consolidate our marketing position in the Middle East, UK and Europe regions and we are continuing our efforts to look out for opportunities for vertical integration into our business with the primary objective of bringing value to our shareholders.

Appreciation

On behalf of the Board of Directors, I wish to express my appreciation to the Management and Staff for their support and dedicated service and to customers and business associates for their co-operation and continued support.

Lastly, I wish to thank my fellow members of the Board for their contribution and the shareholders for their confidence in the Board and Management of the Group.

Datuk Mohd. Zain Bin Omar
Chairman

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 2006 unless otherwise stated.

BOARD OF DIRECTORS

Board Composition and Balance

The Group is led by an effective and experienced Board comprising of 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 ($^1/_3$) 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 and play an important role in ensuring that the strategies proposed by the management are objectively evaluated, 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 2006. Details of the attendance of the Directors are disclosed on page 9 of the Annual Report.

Board Committees

The Board is assisted by the Audit Committee, the Nomination Committee and the Remuneration Committee in discharging its responsibilities and duties. Each Committee is operated within the defined terms of reference which have been approved by the Board. These Committees will address issues and risks that affect the operation of the Group and to recommend to the Board on 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 one (1) meeting during the financial year ended 31 December 2006 to propose to the Board on re-election and re-appointment of retiring Directors, to review the mix of skills of the Board, to assess the effectiveness of the Board as a whole, its committees and the contribution of each individual Director.

Remuneration Committee

The Remuneration Committee has three (3) members comprising two (2) Independent Non-Executive Directors 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 advice 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 one (1) meeting during the financial year ended 31 December 2006 to review the remuneration packages for Executive Directors and Non-Executive Directors.

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 the Bursa Securities.

Re-election of Directors

In accordance with the Company's Articles of Association, at least one-third (1/3) or nearest to one-third (1/3) of the Directors, 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 from the Company and its subsidiaries for the financial year ended 31 December 2006, are categorized into appropriate components as disclosed under Note 9 of the Financial Statements on page 42 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 the 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 page 20 to 65 of the Annual Report and the Directors' Responsibilities Statement pursuant to Paragraph 15.27 (a) of the Listing Requirements of the Bursa Securities is set out on page 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.

MEMBERS OF THE AUDIT COMMITTEE

Committee Chairman: Hiew Seng
(Independent Non-Executive Director)

Committee Members: Datuk Mohd. Zain Bin Omar
(Independent Non-Executive Director)

Lin, Kai-Min
(Executive Director)

TERMS OF REFERENCE

1. Composition Of The Audit Committee

1.1 The Audit Committee shall be appointed by the Board of Directors from among its members which fulfills the following requirements:

(a) the Audit Committee shall consist of no fewer than three (3) members;

(b) a majority of the Audit Committee shall be Independent Non-Executive Directors of the Company or its related corporation;

(c) at least a member of the Audit Committee

- must be a member of Malaysian Institute of Accountants; or
- if he is not a member of the 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.

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 four (4) Audit Committee meetings held during the financial year ended 31 December 2006 (24 February 2006, 30 May 2006, 25 August 2006 and 17 November 2006). The numbers of meetings attended by the Committee Members are as follow:-

Hiew Seng	4/4
Datuk Mohd. Zain Bin Omar	4/4
Lin, Kai-Min	3/4

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.
- 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 Reports to ensure that all risk areas were covered and corrective actions were taken by the Management on audit findings.

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 2006 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.

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 it is only reasonableness of the internal control system can provide and no absolute assurance can be provided 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 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 business objective.

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.

    - Monthly review of financial results for all departments within the Group, including monitoring and reporting thereon, of performance against the operating plans.

    - Policies and procedures are being developed to cover the major functions of the Group to guide management and staff in performing their day-to-day duties. The objective of the policies and procedures is to allow tasks to be performed with minimal supervision, this is practiced by specifying relevant authority limits on areas applicable to respective management level to be complied 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, 2006. This Group continues to take the necessary measures to strengthen its internal controls.

Directors' Responsibilities Statement

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

It is required by law that the Directors to prepare financial statements for each financial year to 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.

While the financial statements of Cymao Holdings Berhad were prepared for the financial year ended 31 December 2006 on pages 20 to 65 of the printed version of this Annual Report, the Directors believe the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also believe 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.

(a) **Utilisation of Proceeds**

The Company did not implement any fund raising exercise during the financial year.

(b) **Share Buy-Back**

The shareholders of the Company, by an ordinary resolution in an Extraordinary General Meeting held on 28 April 2006 approved the Company's Proposed Share Buy-Back Scheme ("Share Buy-Back") to purchase up to 10% of its own issued and paid-up ordinary share capital of RM1.00 each.

The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the Share Buy-Back is in the best interest of the Company and it shareholders.

During the financial year, the Company bought back a total of 10,000 of its ordinary shares of RM1.00 each ("Shares") which are listed and quoted on the Main Board of Bursa Malaysia Securities Berhad from the open market. The details of the Shares bought back during the financial year are as follows:-

Monthly Breakdown	No. of Ordinary Shares Bought Back and Retained as Treasury Shares	Buy Back Price Per Share (RM)	Total Cost (RM) (Excluding Commission and Brokerage Paid)
August	10,000	1.36	13,600

The total 10,000 Shares bought back are held as treasury shares as at 31 December 2006. None of the treasury shares held were resold or cancelled 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**

The non-audit fees of RM16,550 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 2006 and the unaudited results released for the quarter ended 31 December 2006 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.

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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 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are manufacturing and sale of veneer, plywood, decorative plywood, engineering wood flooring, layon and wooden musical component and provision of barge hiring services.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year attributable to equity holders of the Company	21,594,998	11,367,214

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of the new and revised FRSs which has resulted in an increase in the Group's profit for the year by RM1,125,770 as disclosed in Note 2.3(b)(ii) to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2005 were as follows:

	RM
In respect of the financial year ended 31 December 2005 as reported in the directors' report of that year:	
Final tax exempt dividend of 5%, on 60,000,000 ordinary shares, declared on 5 April 2006 and paid on 18 May 2006	3,000,000
In respect of the current financial year:	
Interim tax exempt dividend of 5%, on 74,990,000 ordinary shares, declared on 25 August 2006 and paid on 6 October 2006	3,749,500
	6,749,500

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2006, of 5% on 74,990,000 ordinary shares, amounting to a dividend payable of RM3,749,500 (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 earnings in the financial year ending 31 December 2007.

SIGNIFICANT EVENTS

(a) On 10 February 2006, the Company completed the acquisition of 9,500,000 ordinary shares of RM1 each representing 100% of the entire issued and paid-up capital of Inovwood Sdn. Bhd. ("ISB"), a company incorporated in Malaysia, for a total cash consideration of RM16,000,000.

(b) On 31 July 2006, the Company incorporated a wholly-owned subsidiary, Xuzhou Richwood Co., Ltd. ("XRCL") in the People's Republic of China.

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

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 or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

	Number of Ordinary Shares of RM 1 Each				
	1 January		Bonus		31 December
The Company	2006	Acquired	Issue	Sold	2006
Datuk Mohd. Zain Bin Omar	200,000	-	50,000	-	250,000
Lin, Tsai-Rong	16,880,000	-	4,220,000	-	21,100,000
Lin, Kai-Min	284,000	805,000	197,250	-	1,286,250
Lin, Kai-Hsuan	50,000	660,000	137,500	-	857,500
Lin Hsu, Li-Chu	50,000	160,000	12,500	-	222,500
Hiew Seng	50,000	-	12,500	-	62,500

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.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM60,000,000 to RM75,000,000 by way of the issuance of 15,000,000 ordinary shares of RM1 each credited as fully paid-up pursuant to Bonus Issue on the basis of one new ordinary share of RM1 each for every four existing ordinary shares of RM1 each held.

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

TREASURY SHARES

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM1.36 per share. The total consideration paid for the repurchase including transaction costs was RM13,701. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2006, the Company held as treasury shares a total of 10,000 of its 75,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM13,701 and further relevant details are disclosed in Note 22 to the financial statements.

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 all 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) the amount written off for bad debts inadequate to any substantial extent or it necessary 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.

(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.

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 dated 9 February 2007.

LIN, TSAI-RONG

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 65 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 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 dated 9 February 2007.

LIN, TSAI-RONG

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 65 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 9 February 2007.

LIN, KAI-MIN

Before me,

T. Thanapalasingam
Persuruhanjaya Sumpah
No. W-036

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 65. 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 for Entities Other Than Private Entities 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 2006 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 have considered the financial statements and the auditors' report thereon of a subsidiary of which we have not acted as auditors, as indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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 were 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
9 February 2007

Income Statements

For the Year Ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Continuing Operations					
Revenue	3	265,992,414	245,809,335	12,500,000	5,087,131
Cost of sales	4	(209,225,662)	(196,070,845)	-	-
Gross profit		56,766,752	49,738,490	12,500,000	5,087,131
Other income	5	2,595,710	478,358	707,800	166,462
Administrative expenses		(9,166,608)	(6,386,271)	(1,137,611)	(1,479,602)
Selling and marketing expenses		(25,080,559)	(30,107,102)	-	-
Operating profit		25,115,295	13,723,475	12,070,189	3,773,991
Finance costs	6	(1,385,103)	(333,762)	(691,975)	-
Profit before tax	7	23,730,192	13,389,713	11,378,214	3,773,991
Income tax	10	(2,135,194)	2,861,355	(11,000)	(11,255)
Profit for the year		21,594,998	16,251,068	11,367,214	3,762,736
Attributable to equity holders of the Company		21,594,998	16,251,068	11,367,214	3,762,736
Earnings per share attributable to equity holders of the Company (sen):					
Basic, for profit for the year	11	28.8	21.7		
Diluted, for profit for the year	11	--	-		

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

Balance Sheets

For the Year Ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	97,953,917	42,522,295	327,122	307,639
Investments in subsidiaries	15	-	-	95,010,186	72,865,688
Deferred tax assets	21	3,530,606	2,683,699	-	-
		101,484,523	45,205,994	95,337,308	73,173,327
Current Assets					
Inventories	16	65,591,740	35,899,598	-	-
Trade and other receivables	17	38,257,227	75,009,790	13,199,815	18,386,486
Tax refundable		164,298	23,389	8,401	12,073
Cash and bank balances	18	11,406,036	11,405,144	270,767	2,004,643
		115,419,301	122,337,921	13,478,983	20,403,202
TOTAL ASSETS		216,903,824	167,543,915	108,816,291	93,576,529
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	22	75,000,000	60,000,000	75,000,000	60,000,000
Share premium	22	17,374,387	32,417,894	17,374,387	32,417,894
Treasury shares	22	(13,701)	-	(13,701)	-
Foreign currency translation reserve	23	(71,796)	-	-	-
Retained earnings	24	70,659,720	31,004,053	5,523,565	905,851
Total equity		162,948,610	123,421,947	97,884,251	93,323,745

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

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Non-current liabilities					
Borrowings	19	8,978,948	6,328,715	8,206,879	-
Negative goodwill	14	-	24,810,169	-	-
Deferred tax liabilities	21	5,804,589	-	-	-
		14,783,537	31,138,884	8,206,879	-
Current liabilities					
Borrowings	19	17,964,758	4,536,000	2,063,164	-
Trade and other payables	20	21,206,919	8,447,084	661,997	252,784
		39,171,677	12,983,084	2,725,161	252,784
Total liabilities		53,955,214	44,121,968	10,932,040	252,784
TOTAL EQUITY AND LIABILITIES		216,903,824	167,543,915	108,816,291	93,576,529

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2006

		Attributable to Equity Holders of the Company					
			Non-Distributable			Distributable	
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Foreign Currency Translation Reserve RM	Retained Earnings RM	Total RM
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	12	-	-	-	-	(4,500,000)	(4,500,000)
At 31 December 2005		60,000,000	32,417,894	-	-	31,004,053	123,421,947
At 1 January 2006		60,000,000	32,417,894	-	-	31,004,053	123,421,947
Effect of adopting FRS 3	2.3(b)	-	-	-	-	24,810,169	24,810,169
Issue of ordinary shares pursuant to Bonus Issue	22	15,000,000	(15,000,000)	-	-	-	-
Purchase of treasury shares	22(b)	-	-	(13,600)	-	-	(13,600)
Transaction costs		-	(43,507)	(101)	-	-	(43,608)
Foreign currency translation	23	-	-	-	(71,796)	-	(71,796)
Profit for the year		-	-	-	-	21,594,998	21,594,998
Dividends paid	12	-	-	-	-	(6,749,500)	(6,749,500)
At 31 December 2006		75,000,000	17,374,387	(13,701)	(71,796)	70,659,720	162,948,610

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

For the Year Ended 31 December 2006

	Note	Share Capital RM	Non-Distributable Share Premium RM	Non-Distributable Treasury Shares RM	Distributable Retained Earnings RM	Total RM
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	12	-	-	-	(4,500,000)	(4,500,000)
At 31 December 2005		60,000,000	32,417,894	-	905,851	93,323,745
At 1 January 2006		60,000,000	32,417,894	-	-	93,323,745
Issue of ordinary shares pursuant to Bonus Issue	22	15,000,000	(15,000,000)	-	-	-
Purchase of treasury shares	22(b)	-	-	(13,600)	-	(13,600)
Transaction costs		-	(43,507)	(101)	-	(43,608)
Profit for the year		-	-	-	11,367,214	11,367,214
Dividends paid	12	-	-	-	(6,749,500)	(6,749,500)
At 31 December 2006		75,000,000	17,374,387	(13,701)	5,523,565	97,884,251

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

Cash Flow Statements

For the Year Ended 31 December 2006

	Note	Group		Company	
		2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		RM	RM	RM	RM
Profit before tax		23,730,192	13,389,713	11,378,214	3,773,991
Adjustments for:					
Interest income	5	(235,023)	(211,224)	(1,387)	(41,690)
Dividend income		-	-	(12,500,000)	(5,087,131)
Finance costs	6	1,385,103	333,762	691,975	-
Negative goodwill recognised		(1,125,770)	-	-	-
Property, plant and equipment written off		-	10,472	-	-
Depreciation of property, plant and equipment		11,845,590	7,763,450	78,053	80,158
Net unrealised foreign exchange gain		(428,254)	-	(679,733)	-
Bad debts written off		764,863	-	-	-
Operating profit/(loss) before working capital changes		35,936,701	21,286,173	(1,032,878)	(1,274,672)
(Increase)/decrease in inventories		(23,545,067)	13,635,097	-	-
Decrease/(increase) in trade and other receivables		36,073,199	(39,139,788)	5,184,739	(4,981,564)
(Decrease)/increase in trade and other payables		(9,881,901)	(1,327,335)	409,213	189,811
Cash generated from/(used in) operations		38,582,932	(5,545,853)	4,561,074	(6,066,425)
Interest paid		(1,385,103)	(333,762)	(691,975)	-
Income tax paid		(379,804)	(69,267)	(7,328)	(55,376)
Net cash generated from/(used in) operating activities		36,818,025	(5,948,882)	3,861,771	(6,121,801)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(24,281,940)	(3,335,745)	(104,907)	(22,000)
Proceeds from disposal of property, plant and equipment		7,372	2,961,502	7,371	10,748
Acquisition of a subsidiary	15	(15,327,618)	(2,598)	(21,144,500)	(2,600)
Additional investment in subsidiary		-	-	(999,998)	-
Placement of fixed deposits under pledge		(470,219)	(43,023)	-	-
Interest received		235,023	211,224	1,387	41,690
Dividends received		-	-	12,500,000	5,087,131
Net cash (used in)/generated from investing activities		(39,837,382)	(208,640)	(9,740,647)	5,114,969

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

For the Year Ended 31 December 2006

	Note	Group		Company	
		2006	2005	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES		RM	RM	RM	RM
Purchase of treasury shares		(13,701)	-	(13,701)	-
Drawdown of term loans		11,184,723	13,192,840	11,184,723	-
Repayment of term loans		(16,904,414)	(2,328,125)	(233,015)	-
Drawdown of bankers' acceptances		3,616,000	4,387,000	-	-
Repayment of bankers' acceptances		(2,116,000)	(4,387,000)	-	-
Drawdown of export credit refinancing		12,222,646	8,485,430	-	-
Repayment of export credit refinancing		-	(8,485,430)	-	-
Drawdown of foreign currency trade finance		19,011,525	-	-	-
Repayment of foreign currency trade finance		(17,637,644)	-	-	-
Share issue transaction costs		(43,507)	-	-	-
Dividends paid		(6,749,500)	(4,500,000)	(6,749,500)	(4,500,000)
Net cash generated from/(used in) financing activities		2,570,128	6,364,715	4,145,000	(4,500,000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(449,229)	207,193	(1,733,876)	(5,506,832)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		(20,098)	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,043,026	9,835,833	2,004,643	7,511,475
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	9,573,699	10,043,026	270,767	2,004,643

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

1. Corporate Information

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 MPT 4604, 3rd Floor, Lot 15 – 16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah. The principal place of business of the Company is located at 9.1 KM, Jalan Batu Sapi, 90000 Sandakan, Sabah.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and sale of veneer, plywood, decorative plywood, engineering wood flooring, layon and wooden musical component and provision of barge hiring services. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 February 2007.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2.2 Summary of Significant Accounting Policies (Contd)

(b) Intangible Asset

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land is depreciated over a period of 67 years. Constructions-in-progress are not depreciated as these assets are not available for use. 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%
Renovations	20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The differences between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Impairment of Non-Financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period.

2.2 Summary of Significant Accounting Policies (Contd)

(d) Impairment of Non-Financial Assets (Contd)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than good will is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

(e) 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 costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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.

(f) 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) 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.

(ii) 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.

(iii) 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.

(iv) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(v) 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.

2.2 Summary of Significant Accounting Policies (Contd)

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(v) Derivative Financial Instruments

Derivative financial statements are not recognised in the financial statements.

(g) Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) 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. 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 as income or an expense and included in the profit or loss for the period, 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 the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(i) Provisions

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(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. 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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. 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.

2.2 Summary of Significant Accounting Policies (Contd)

(k) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences rising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised net of sales taxes and upon the transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.2 Summary of Significant Accounting Policies (Contd)

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iii) Dividend income

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

(iv) Revenue from services

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

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The Group has not early adopted the following new and revised FRSs for the financial period beginning 1 January 2006 that are mandatory for financial periods beginning on or after 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

In addition, the Group has not early adopted the deferred FRS 139 – Financial Instruments: Recognition and Measurement and the following FRSs and amendment that are mandatory for financial periods beginning on or after 1 January 2007 as they are not relevant to the Group's operations:

(i) FRS 6: Exploration for and Evaluation of Mineral Resources

(ii) Amendment to FRS 119_{2004}: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of revised FRS 101, 102, 108, 110, 116, 121, 124, 127, 132 and 133 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138 Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

(i) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM24,810,169 was derecognised with a corresponding increase in retained earnings.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd)

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 and consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(b)(ii). This change has no impact on the Company's financial statements.

(ii) Accounting for acquisitions

Prior to 1 January 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably.

The change did not materially affect the financial statements of the Group and the Company.

(b) Summary of effects of adopting new and revised FRSs on the current year's financial statements

(i) Effect on balance sheets as at 31 December 2006

Description of Change	Increase Due To Adoption of FRS 3 Note 2.3(a)(i) RM
Group	
Retained earnings	25,935,939

(ii) Effect on income statements for the year ended 31 December 2006

Description of Change	Increase Due To Adoption of FRS 3 Note 2.3(a)(i) RM
Group	
Other income	1,125,770
Operating profit	(1,125,770)
Profit before tax	(1,125,770)
Profit for the year	(1,125,770)
Earnings per share	
Basic, for profit for the year	(1.5)
Diluted, for profit for the year	-

2.4 Significant Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM26,702,336 (2005: RM20,801,786) and they were no unrecognised tax losses and capital allowances of the Group.

3. Revenue

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Sale of decorative plywood	48,155,376	37,209,638	-	-
Sale of plywood	217,222,393	176,155,441	-	-
Sale of veneer	296,658	3,505,152	-	-
Sale of wooden musical component	-	28,931,231	-	-
Barge hiring income	317,987	7,873	-	-
Dividend income from a subsidiary	-	-	12,500,000	5,087,131
	265,992,414	245,809,335	12,500,000	5,087,131

4. Cost of Sales

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Cost of inventories sold	195,897,971	195,326,568	-	-
Cost of services rendered	1,784,758	744,277	-	-
	197,682,729	196,070,845	-	-

5. Other Income

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Interest income from:				
Fixed deposits	82,717	43,023	1,387	-
Current accounts	124,106	6,482	-	-
Overdue accounts	74	120,029	-	-
Repos	28,126	41,690	-	-
	235,023	211,224	1,387	41,690
				41,690
Gain on foreign exchange:				
- Realised	92,136	82,773	26,680	-
- Unrealised	679,733	-	679,733	-
Insurance claim received	430,244	7,286	-	-
Negative goodwill recognised	1,125,770	-	-	-
Sale of wood waste	15,330	8,540	-	-
Miscellaneous	17,474	168,535	-	124,772
	2,595,710	478,358	707,800	166,462

6. Finance Costs

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Interest expense on:				
Bankers' acceptances	18,388	15,307	-	-
Bank overdraft	228	-	-	-
Export credit refinancing	5,142	9,916	-	-
Overdue accounts	74	-	-	-
Term loans	1,361,271	308,539	691,975	-
	1,385,103	333,762	691,975	-

7. Profit before Tax

The following amounts have been included in arriving at profit before tax:

		Group		Company	
		2006	2005	2006	2005
	Note	RM	RM	RM	RM
Employee benefits expense	8	18,427,938	11,087,322	371,530	328,137
Non-executive directors' remuneration	9	96,000	96,000	96,000	96,000
Auditors' remuneration:					
- statutory audits		61,000	42,500	20,000	15,000
- other services		16,200	115,600	3,000	92,600
Bad debts written off		764,863	-	-	-
Depreciation of property, plant and equipment	13	11,845,590	7,763,450	78,053	80,158
Property, plant and equipment written off		-	10,472	-	-
Hire of machinery		20,750	37,554	-	-
Rental of premises		139,087	206,184	118,487	119,871
Rental of warehouse		276,000	271,000	-	-
Rental of logyard		67,000	-	-	-
Rent of factory facilities		76,000	-	-	-
Barge hiring charges		18,400	-	-	-
Loss on foreign exchange					
- Realised		614,271	-	-	-
- Unrealised		323,275	-	-	-

8. Employee Benefits Expense

Salaries and wages	18,242,035	10,924,179	330,072	290,821
Social security contributions	23,722	10,818	2,405	2,084
Contributions to defined contribution plan	162,181	152,325	39,053	35,232
	18,427,938	11,087,322	371,530	328,137

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM966,000 (2005: RM981,000) and RM84,000 (2005: RM84,000) respectively as further disclosed in Note 9.

9. **Directors' Remuneration**

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Executive directors' remuneration	8				
Fees		84,000	84,000	84,000	84,000
Salaries and other emoluments		882,000	897,000	-	-
		966,000	981,000	84,000	84,000
Non-executive directors' remuneration	7				
Fees		96,000	96,000	96,000	96,000
Total directors' remuneration		1,062,000	1,077,000	180,000	180,000
Estimated money value of benefits-in-kind		9,188	71,904	-	-
Total directors' remuneration including benefits-in-kind		1,071,188	1,148,904	180,000	180,000

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 2006	Number of Directors 2005
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

10. Income Tax

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Current income tax:					
Provision for the year		238,895	11,255	11,000	11,255
Deferred tax	21				
Relating to origination and reversal of temporary differences		1,813,906	(2,746,563)	-	-
Relating to changes in tax rates		(71,297)	-	-	-
Under/(over)provided in prior years		153,690	(126,047)	-	-
		1,896,299	(2,872,610)	-	-
Total income tax		2,135,194	(2,861,355)	11,000	11,255

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

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

Group	2006 RM	2005 RM
Profit before tax	23,730,192	13,389,713

10. Income Tax (Contd)

	2006 RM	2005 RM
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	6,644,454	3,749,120
Effect of changes in tax rates on opening balance of deferred tax	(26,757)	-
Effect of deferred tax recognised at different tax rates	(44,540)	-
Effect of income subject to tax rate of 20%*	(40,881)	-
Effect of income not subject to tax	(315,216)	(2,021,179)
Effect of expenses not deductible for tax purposes	1,854,503	1,102,605
Expenses eligible for double deduction	(5,610,979)	(5,565,854)
Utilisation of unrecognised deferred tax assets on reinvestment allowances	(479,080)	-
Under/(over)provision of deferred tax in prior years	153,690	(126,047)
Income tax for the year	2,135,194	(2,861,355)

Company

	2006 RM	2005 RM
Profit before tax	11,378,214	3,773,991
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	3,185,900	1,056,717
Effect of income not subject to tax	(3,174,900)	(1,424,397)
Effect of expenses not deductible for tax purposes	-	378,935
Income tax for the year	11,000	11,255

*Pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967, the income tax rate applicable to the first RM500,000 of the chargeable income of a subsidiary is 20% as this subsidiary is small and medium scale company.

Tax savings during the financial year arising from:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Utilisation of current year tax losses	-	13,861	-	-

11. Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	2006 RM	2005 RM
Profit attributable to ordinary equity holders of the Company (RM)	21,594,998	16,251,068
Weighted average number of ordinary shares in issue	74,996,575	75,000,000
Basic earnings per share	28.8	21.7

The comparative basis earnings per share has been restated to take into account the effect of bonus issue in current financial year.

(b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet date and therefore diluted earnings per share has not been presented.

12. Dividends

	Dividends in Respect of Year			Dividends Recognised in Year	
	2006 RM	2005 RM	2004 RM	2006 RM	2005 RM
Recognised during the year:					
Interim tax exempt dividend for 2006: 5% on 74,990,000 ordinary shares (5 sen per ordinary share)	3,749,500	-	-	3,749,500	-
Final tax exempt dividend for 2005: 5% on 60,000,000 ordinary shares (5 sen per ordinary share)	-	3,000,000	-	3,000,000	-
Interim tax exempt dividend for 2005: 2.5% on 60,000,000 ordinary shares (2.5 sen per ordinary share)	-	1,500,000	-	-	1,500,000
Final tax exempt dividend for 2004: 5% on 60,000,000 ordinary shares (5 sen per ordinary share)	-	-	3,000,000	-	3,000,000
Proposed for approval at AGM (not recognised as at 31 December) Final tax exempt dividend for 2006: 5% on 75,000,000 ordinary shares (5 sen per ordinary share)	3,749,500	-	-	-	-
	7,499,000	4,500,000	3,000,000	6,749,500	4,500,000

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2006, of 5% on 74,990,000 ordinary shares, amounting to a dividend payable of RM3,749,500 (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 2007.

13. Property, Plant and Equipment

Group	Leasehold Land and Buildings* RM	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fixtures and Equipment RM	Construction in-Progress RM	Total RM
At 31 December 2006						
Cost						
At 1 January 2006	13,174,201	82,631,764	4,958,338	1,358,854	-	102,123,157
Additions	3,229,593	19,327,561	907,866	85,254	731,666	24,281,940
Disposals	-	-	(67,400)	(11,925)	-	(79,325)
Acquisition of subsidiaries (Note 15)	14,973,776	29,812,027	275,225	66,958	318,592	45,446,578
Reclassification	315,360	4,546	-	-	(319,906)	-
At 31 December 2006	31,692,930	131,775,898	6,074,029	1,499,141	730,352	171,772,350
Accumulated depreciation						
At 1 January 2005	5,969,374	49,320,710	3,619,963	690,815	-	59,600,862
Depreciation charge for the year	937,783	10,128,019	591,873	187,915	-	11,845,590
Disposals	-	-	(67,399)	(4,554)	-	(71,953)
Acquisition of subsidiaries (Note 15)	656,609	1,741,543	35,589	10,193	-	2,443,934
At 31 December 2006	7,563,766	61,190,272	4,180,026	884,369	-	73,818,433
Net carrying amount						
At 31 December 2006	24,129,164	70,585,626	1,894,003	614,772	730,352	97,953,917

13. **Property, Plant and Equipment (Contd)**

Group	Leasehold Land and Buildings* RM	Plant and Machinery RM	Motor Vehicles RM	Furniture, Fixtures and Equipment RM	Construction in-Progress RM	Total RM
At 31 December 2005						
Cost						
At 1 January 2005	13,099,394	84,049,837	4,272,583	1,294,328	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	13,174,201	82,631,764	4,958,338	1,358,854	-	102,123,157
Accumulated depreciation						
At 1 January 2005	5,400,632	43,699,208	3,172,855	524,856	-	52,797,551
Depreciation charge for the year	568,742	6,575,690	447,108	171,910	-	7,763,450
Disposals	-	(954,188)	-	(5,951)	-	(960,139)
At 31 December 2005	5,969,374	49,320,710	3,619,963	690,815	-	59,600,862
Net carrying amount						
At 31 December 2005	7,204,827	33,311,054	1,338,375	668,039	-	42,522,295

13. Property, Plant and Equipment (Contd)

* Long Leasehold Land and Buildings of the Group:

At 31 December 2006	Leasehold Land RM	Buildings RM	Renovation RM	Total RM
Cost				
At 1 January 2006	3,200,644	9,808,544	165,013	13,174,201
Additions	3,044,002	28,958	156,633	3,229,593
Acquisition of subsidiaries	11,508,874	3,464,902	-	14,973,776
Reclassification	-	315,360	-	315,360
At 31 December 2006	17,753,520	13,617,764	321,646	31,692,930
Accumulated depreciation				
At 1 January 2006	234,497	5,699,133	35,744	5,969,374
Depreciation charge for the year	608,905	295,877	33,001	937,783
Acquisition of subsidiaries	170,505	486,104	-	656,609
At 31 December 2006	1,013,907	6,481,114	68,745	7,563,766
Net carrying amount				
At 31 December 2006	16,739,613	7,136,650	252,901	24,129,164
At 31 December 2005				
Cost				
At 1 January 2005	3,200,644	9,733,737	165,013	13,099,394
Reclassification	-	74,807	-	74,807
At 31 December 2005	3,200,644	9,808,544	165,013	13,174,201
Accumulated depreciation				
At 1 January 2005	188,045	5,209,837	2,750	5,400,632
Depreciation charge for the year	46,452	489,296	32,994	568,742
At 31 December 2005	234,497	5,699,133	35,744	5,969,374
Net carrying amount				
At 31 December 2005	2,966,147	4,109,411	129,269	7,204,827

13. Property, Plant and Equipment (Contd)

Company At 31 December 2006	Furnitures, Fixtures and Equipment RM	Renovation RM	Total RM
Cost			
At 1 January 2006	232,319	165,013	397,332
Additions	-	104,907	104,907
Disposals	(11,925)	-	(11,925)
At 31 December 2006	220,394	269,920	490,314
Accumulated depreciation			
At 1 January 2006	53,949	35,744	89,693
Depreciation charge for the year	45,052	33,001	78,053
Disposals	(4,554)	-	(4,554)
At 31 December 2006	94,447	68,745	163,192
Net carrying amount			
At 31 December 2006	125,947	201,175	327,122
At 31 December 2005			
Cost			
At 1 January 2005	223,894	165,013	388,907
Additions	22,000	-	22,000
Disposals	(13,575)	-	(13,575)
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	47,164	32,994	80,158
Disposals	(2,827)	-	(2,827)
At 31 December 2005	53,949	35,744	89,693
Net carrying amount			
At 31 December 2005	178,370	129,269	307,639

13. Property, Plant and Equipment (Contd.)

The net carrying amount of property, plant and equipment pledged as securities for borrowings (Note 19) are as follows:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Leasehold land and buildings	24,129,164	7,204,827	-	-
Plant and machinery	70,585,626	33,311,054	-	-
Motor vehicles	1,894,003	1,338,375	-	-
Furniture, fixtures and equipment	614,772	668,039	-	-
Construction-in-progress	730,352	-	-	-
	97,953,917	42,522,295	-	-

14. Negative Goodwill

	RM
Group	
Cost	
At 1 January 2006	24,810,169
Effect of adopting FRS 3	(24,810,169)
At 31 December 2006	-
Accumulated amortisation and impairment	
At 1 January 2006 and 31 December 2006	-
Net carrying amount	
At 31 December 2005	24,810,169
At 31 December 2006	-

15. Investments in Subsidiaries

	Company 2006 RM	Company 2005 RM
Unquoted shares, at cost	95,010,186	72,865,688

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2006 %	Proportion of Ownership Interest 2005 %
Held by the Company:				
Cymao Plywood Sdn. Bhd.*	Malaysia	Manufacturing and sale of veneer, plywood, decorative plywood, engineering wood flooring, layon and wooden musical component	100	100
Billion Apex Sdn. Bhd.*	Malaysia	Provision of barge hiring services	100	100
Inovwood Sdn. Bhd.*	Malaysia	Manufacturing and sale of veneer, plywood and decorative plywood	100	-
Xuzhou Richwood Co. Ltd.**	People's Republic of China	Manufacturing and sale of plywood	100	-

* Audited by Ernst & Young, Malaysia

** Audited by firms other than Ernst & Young

15. **Investments in Subsidiaries (Contd)**

Acquisition of subsidiaries:

On 10 February 2006, the Group acquired 100% equity interest in Inovwood Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM16,000,000. On 31 July 2006, the Company has incorporated a wholly-owned subsidiary, Xuzhou Richwood Co. Ltd. in the People's Republic of China.

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.

The cost of acquisition comprised of the following:	2006 RM	2005 RM
Purchase consideration satisfied by cash	21,144,500	2,600

The acquired subsidiaries have contributed the following results to the Group:

	2006 RM	2005 RM
Revenue	79,216,829	1,015,282
Profit for the year	8,131,897	192,746

If the acquisition had occurred on 1 January 2006, the Group's revenue and profit for the year would have been increased by RM9,794,764 and RM1,000,849 respectively.

The assets and liabilities arising from the acquisition are as follows:

2006	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Property, plant and equipment (Note 13)	43,002,644	36,904,794
Inventories	6,147,075	6,147,075
Trade and other receivables	438,371	438,371
Cash and bank balance	5,816,882	5,816,882
	55,404,972	49,307,122

15. Investments in Subsidiaries (Contd)

2006	Note	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Trade and other payables		(22,644,167)	(22,644,167)
Borrowings		(7,429,152)	(7,429,152)
Deferred tax liabilities	21	(3,061,383)	(1,353,985)
		(33,134,702)	(31,427,304)
Fair value of net assets		22,270,270	
Less: Minority interests		-	
Group's share of net assets		22,270,270	
Negative goodwill on acquisition	15	(1,125,770)	
Total cost of acquisition		21,144,500	
2005			
Trade and other receivables		2,598	2,598
Cash and bank balances		2	2
		2,600	2,600
Fair value of net assets		2,600	
Total cost of acquisition		2,600	

The cash outflow on acquisition is as follows:

	2006 RM	2005 RM
Purchase consideration satisfied by cash	21,144,500	2,600
Cash and cash equivalents of subsidiaries acquired	(5,816,882)	(2)
Net cash outflow of the Group	15,327,618	2,598

16. Inventories

Cost	Group 2006 RM	Group 2005 RM
Raw materials	10,831,607	5,730,761
Work-in-progress	9,702,737	5,289,500
Finished goods	41,796,850	22,269,321
Materials and supplies	3,260,546	2,610,016
	65,591,740	35,899,598

There were no inventories stated at net realisable value at 31 December 2006 (2005: Nil).

17. Trade and Other Receivables

	Group		Company	
	2006	2005	2006	2005
Current	RM	RM	RM	RM
Trade receivables	26,012,985	35,131,719	-	-
Other receivables				
Amounts due from subsidiaries	-	-	13,022,874	13,490,404
Deposits for acquisition of machineries	3,697,089	7,130,799	-	-
Deposits for log supplies	7,103,806	7,919,635	-	-
Prepayments	408,949	153,813	94,150	4,841,499
Staff advances	52,965	12,365	-	-
Sundry deposits	377,751	432,134	79,584	49,583
Other receivables	603,682	24,229,325	3,207	5,000
	12,244,242	39,878,071	13,199,815	18,386,486
	38,257,227	75,009,790	13,199,815	18,386,486

17. Trade and Other Receivables (Contd)

(a) Trade receivables

The Group's primary exposure to credit risk arises through its 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 exposure to a single debtor or to groups of debtors.

(b) Deposit for supplies

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

(c) Amounts due from subsidiaries

Amounts due from subsidiaries are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Other information on financial risks of receivables is disclosed in Note 26.

18. Cash and Cash Equivalents

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cash on hand and at banks	9,573,699	10,043,026	270,767	2,004,643
Deposits with a licensed bank	1,832,337	1,362,118	-	-
Cash and bank balances	11,406,036	11,405,144	270,767	2,004,643
Less: Deposits with a licensed bank pledged for bank guarantees	(1,832,337)	(1,362,118)	-	-
Cash and cash equivalents	9,573,699	10,043,026	270,767	2,004,643

Included in deposits with a licensed bank of the Group are deposits amounting to RM1,832,337 (2005: RM1,362,118) pledged to a bank to secure bank guarantees granted to a subsidiary.

Other information on financial risks of cash and cash equivalents are disclosed in Note 26.

19. Borrowings

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Short term borrowings				
Secured:	1,500,000	-	-	-
Bankers' acceptances	12,222,646	-	-	-
Export credit refinancing	1,328,549	-	-	-
Foreign currency trade finance	2,913,563	4,536,000	2,063,164	-
Term loans				
	17,964,758	4,536,000	2,063,164	-
Long term borrowings				
Secured:				
Term loans	8,978,948	6,328,715	8,206,879	-
Total borrowings				
Bankers' acceptances	1,500,000	-	-	-
Export credit refinancing	12,222,646	-	-	-
Foreign currency trade finance	1,328,549	-	-	-
Term loans	11,892,511	10,864,715	10,270,043	-
	26,943,706	10,864,715	10,270,043	-

The bankers' acceptances, export credit refinancing and foreign currency trade finance facilities of the Group are secured by a first party fixed charge over the leasehold land, buildings and plant and machinery of a subsidiary; and a debenture creating fixed and floating charge over all present and future assets of a subsidiary.

The term loans are secured by the following:

(a) First party and third party second fixed legal charge over the leasehold land, buildings and plant and machinery of the subsidiaries;
(b) Charge over 9,500,000 ordinary shares of a subsidiary;
(c) Negative pledged over all the present and future assets of a subsidiary; and
(d) Debenture incorporating a second fixed and floating charge over certain assets of a subsidiary.

Other information on financial risks of borrowings is disclosed in Note 26.

20. Trade and Other Payables

	Group		Company	
	2006	2005	2006	2005
Current	RM	RM	RM	RM
Trade payables	9,331,484	3,631,725	-	-
Other payables				
Amount due to a subsidiary	-	-	400,899	-
Advances received from plywood customers	627,656	326,828	-	-
Accruals	3,521,808	2,649,619	52,622	47,144
Deposits received	887,554	804,393	-	-
Other payables	6,838,417	1,034,519	208,476	205,640
	11,875,435	4,815,359	661,997	252,784
	21,206,919	8,447,084	661,997	252,784

(a) **Trade Payables**

The payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 60 days.

(b) **Amount due to a subsidiary**

Amount due to a subsidiary is non-interest bearing and is repayable on demand. This amount is unsecured and is to be settled in cash.

Other information on financial risks of payables is disclosed in Note 26.

21. Deferred Tax

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
At 1 January		(2,683,699)	188,911	-	-
Recognised in income statement	10	1,896,299	(2,872,610)	-	-
Acquisition of subsidiary	15	3,061,383	-	-	-
At 31 December		2,273,983	(2,683,699)	-	-
Presented after appropriate offsetting as follows:					
Deferred tax assets		(3,530,606)	(2,683,699)	-	-
Deferred tax liabilities		5,804,589	-	-	-
		2,273,983	(2,683,699)	-	-

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:

	Note	Property, Plant and Equipment RM
At 1 January 2006		3,140,801
Recognised in income statement		3,548,453
Acquisition of subsidiary	15	3,061,383
At 31 December 2006		9,750,637
At 1 January 2005		2,815,781
Recognised in income statement		325,020
At 31 December 2005		3,140,801

21. **Deferred Tax (Contd.)**

Deferred Tax Assets of the Group:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2006	(5,824,500)
Recognised in income statement	(1,652,154)
At 31 December 2006	(7,476,654)
At 1 January 2005	(2,626,870)
Recognised in income statement	(3,197,630)
At 31 December 2005	(5,824,500)

22. **Share Capital, Share Premium and Treasury Shares**

	Number of Ordinary Shares of RM 1 Each		Amount			
	Share Capital (Issued and Fully Paid)	Treasury Shares	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Total Share Capital and Share Premium RM	Treasury Shares RM
At 1 January 2006	60,000,000	-	60,000,000	32,417,894	92,417,894	-
Ordinary shares issued during the year:						
Pursuant to Bonus Issue	15,000,000	-	15,000,000	(15,000,000)	-	-
Transaction costs	-	(101)	-	(43,507)	(43,507)	(101)
Purchase of treasury shares	-	(13,600)	-	-	-	(13,600)
At 31 December 2006	75,000,000	(13,701)	75,000,000	17,374,387	92,374,387	(13,701)

22. Share Capital, Share Premium and Treasury Shares (Contd.)

	Number of Ordinary Shares of RM 1 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised share capital				
At 1 January and 31 December	100,000,000	100,000,000	100,000,000	100,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(a) Bonus Issue

During the financial year, the Company issued 15,000,000 new ordinary shares of RM1 each pursuant to Bonus Issue on the basis of one new ordinary share of RM1 each for every four existing ordinary shares of the Company held by way of capitalisation of the share premium account.

(b) Treasury shares

This amount relates to the acquisition cost of treasury shares.

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 28 April 2006 approved the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believed that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM1.36 per share. The total consideration paid for the repurchase was RM13,701, comprising of consideration paid amounting to RM13,600 and transaction costs of RM101. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 75,000,000 (2005: 60,000,000) issued and fully paid ordinary shares as at 31 December 2006, 10,000 (2005: Nil) are held as treasury shares by the Company. As at 31 December 2006, the number of outstanding ordinary shares in issue after the setoff is therefore 74,990,000 (2005: 60,000,000) ordinary shares of RM1 each.

23. Foreign Currency Translation Reserve

Group	Foreign Currency Translation Reserve RM
At 1 January 2006	-
Foreign currency translation	(71,796)
At 31 December 2006	(71,796)

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

24. Retained Earnings

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account of approximately RM8,841,000 (2005: RM3,090,000) to frank the payment of dividends out of its entire retained earnings as at 31 December 2006.

25. Significant Related Party Transactions

Company	2006 RM	2005 RM
Gross dividends from a subsidiary	12,500,000	5,087,131
Advances to subsidiaries	15,251,790	21,745,000
Advances from subsidiaries	12,406,500	21,095,000

The directors are of the opinion that the transaction above has been entered into in the normal course of business and has been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

26. Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its commodity price risk, interest rate risks (both fair value and cash flow), foreign exchange risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly place in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group and of the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 Year RM	1-2 Years RM	2-3 Years RM	3-4 Years RM	Total RM
At 31 December 2006							
Group							
Floating rate							
Deposits with a licensed bank	18	3.6	(1,832,337)	-	-	-	(1,832,337)
Bankers' acceptances	19	3.5	1,500,000	-	-	-	1,500,000
Export credit refinancing	19	3.5	13,819,445	-	-	-	13,819,445
Term loans	19	5.7	3,472,538	3,394,208	2,622,139	2,403,626	11,892,511
Company							
Floating Rate							
Term loans	19	6.6	2,622,139	2,622,139	2,622,139	2,403,626	10,270,043
At 31 December 2005							
Group							
Floating rate							
Deposits with a licensed bank	18	3.6	(1,362,118)	-	-	-	(1,362,118)
Term loans	19	5.7	4,536,000	4,560,000	1,768,715	-	10,864,715

26. Financial Instruments

(c) Interest Rate Risk (Contd)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for term loans and floating rate loans which are repriced annually. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and of the Company that are not included in the above tables are not subject to interest rate risks.

(d) Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Renminbi (RMB). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

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

	Net Financial Assets Held in Non-Functional Currency United States Dollars RM
Functional Currency of the Group Companies	
At 31 December 2006	
Ringgit Malaysia	15,532,183
At 31 December 2005	
Ringgit Malaysia	24,866,516

(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 raises 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.

26. Financial Instruments (Contd.)

(f) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

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 assets.

(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.

27. Segmental Reporting

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

28. Significant Events

Changes in composition of Group

On 10 February 2006, the Company completed the acquisition of 9,500,000 ordinary shares of RM1 each representing 100% of the entire issued and paid-up capital of Inovwood Sdn. Bhd. ("ISB"), a company incorporated in Malaysia, for a total cash consideration of RM16,000,000.

On 31 July 2006, the Company incorporated a wholly-owned subsidiary, Xuzhou Richwood Co. Ltd. ("XRCL") in the People's Republic of China.

Analysis of Shareholdings

as at 28 February 2007

Authorised share capital	:	RM 100,000,000		
Issued and paid-up capital	:	RM 75,000,000 inclusive of 20,000 treasury shares		
Class of shares	:	Ordinary shares of RM 1.00 each		
Voting rights	:	On show of hands	:	One vote for every member present
	:	On poll	:	One vote for each ordinary share held

Analysis by Size of Shareholdings

Size of Holdings	No. of Shareholders	%	No. of Shares Held	%
1 to 99	37	1.52	1,825	Less than 0.01
100 to 1,000	815	33.53	279,950	0.37
1,001 to 10,000	1191	48.99	5,259,275	7.01
10,001 to 100,000	334	13.74	10,165,150	13.56
100,001 to less than 5% of issued shares	51	2.10	29,423,800	39.24
5% and above of issued shares	3	0.12	29,850,000	39.81
Total	**2,431**	**100.00**	**74,980,000**	**100.00**

Note:
Excluding 20,000 Cymao shares bought back by the Company and retained as treasury shares as at 28 February 2007.

Substantial Shareholder as per Register of Substantial Shareholders

Name of Shareholders	Direct Interest	%	Deemed Interest	%
1. Lin, Tsai-Rong	21,100,000	28.14	-	-
2. Tsay, Chung-Wen	5,000,000	6.67	-	-
3. Lembaga Tabung Haji	3,750,000	5.00	-	-

Note:
Excluding 20,000 Cymao shares bought back by the Company and retained as treasury shares as at 28 February 2007.

Director's Shareholdings as per Register of Directors' Shareholdings

Name of Shareholders	Direct Interest	%	Deemed Interest	%
1. Datuk Mohd Zain Bin Omar	250,000	0.33	-	-
2. Lin, Tsai-Rong	21,100,000	28.14	-	-
3. Lin, Kai-Min	1,286,250	1.72	-	-
4. Lin, Kai-Hsuan	847,500	1.13	-	-
5. Lin Hsu, Lin-Chu	222,500	0.30	-	-
6. Hiew Seng	62,500	0.08	-	-

Note:
Excluding 20,000 Cymao shares bought back by the Company and retained as treasury shares as at 28 February 2007.

Top 30 Shareholders

No.	Name of Shareholders	No. of Shares	%
1.	Lin, Tsai-Rong	21,100,000	28.14
2.	Tsay, Chung-Wen	5,000,000	6.67
3.	Lembaga Tabung Haji	3,750,000	5.00
4.	Malaysian Assurance Alliance Berhad	3,493,300	4.66
5.	Hsu, How-Tong	2,487,500	3.32
6.	Mayban Nominees (Tempatan) Sdn Bhd [Malaysian Trustees Berhad for Mayban Smallcap Trust Fund]	2,280,375	3.04
7.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pheim Asset Management Sdn Bhd for Employees Provident Fund]	2,000,000	2.67
8.	Addeen Equity Sdn Bhd	2,000,000	2.67
9.	Lin, Kai-Min	1,286,250	1.72
10.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Mayban Dana Yakin]	1,000,000	1.33
11.	Citigroup Nominees (Asing) Sdn Bhd [Citigroup Gm Inc for SC Fundamental Value Fund]	965,712	1.29
12.	Lin, Kai-Hsuan	847,500	1.13
13.	Zulkifli Bin Hussain	800,000	1.07
14.	Zulkifli Bin Hussain	800,000	1.07
15.	Universal Trustee (Malaysia) Berhad [TA Islamic Fund]	799,000	1.07
16.	HSBC Nominees (Asing) Sdn Bhd [HSBC (M) Trustee Bhd for Prudential Equity Income Fund]	787,200	1.05
17.	CIMSEC Nominees (Asing) Sdn Bhd [CIMB Bank for Sam San Tuan]	645,300	0.86
18.	United Overseas Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Koo Kow Kiang @ Ko Keck Ting]	610,000	0.81
19.	Citigroup Nominees (Asing) Sdn Bhd [Citigroup Gm Inc for SC Fundamental Value BVI Ltd]	591,888	0.79
20.	Universal Trustee (Malaysia) Berhad [Mayban Balanced Trust Fund]	537,125	0.72
21.	Hsu, Hao-Huang	529,500	0.71
22.	Malaysia Trustee Berhad [Pacificmas Asset Management Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad]	487,750	0.65
23.	Public Nominees (Asing) Sdn Bhd [Pledged Securities Account for Chen Huang, Kuei-Liang]	380,500	0.51
24.	Public Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Chee Mui Cheng]	375,900	0.50
25.	HSBC Nominees (Asing) Sdn Bhd [TNTC for Government of Singapore Investment Corporation Pte Ltd]	355,000	0.47

as at 28 February 2007

Top 30 Shareholders (Contd)

No.	Name of Shareholders	No. of Shares	%
26.	Cartaban Nominees (Asing) Sdn Bhd [State Street Australia Fund RUG6 for ABN Amro Singapore Malaysia Fund]	342,700	0.46
27.	Kenaga Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Ling Chuo Hua]	329,100	0.44
28.	Ke-Zan Nominees (Asing) Sdn Bhd [Kim Eng Securities Pte. Ltd. for Horizon Growth Fund N.V.]	306,600	0.41
29.	Amanah Raya Nominees (Tempatan) Sdn Bhd [Mayban Dana Ikhlas]	300,000	0.40
30.	Datuk Mohd Zain Bin Omar	250,000	0.33

Note:
Excluding 20,000 Cymao shares bought back by the Company and retained as treasury shares as at 28 February 2007.

List of Properties

as at 28 February 2007

Location	Land Area (acres)	Discription and Existing Use	Lease Tenure (expiry date)	Aproximate Age of Building	NBV
Properties Held by Cymao Plywood Sdn Bhd					
TL 077565434 9.1KM, Jalan Batu Sapi 90000 Sandakan Sabah	8.10	Industrial land with plywood factory and ancillary buildings	99 years (31.12.2068)	10 years	5,676,981
TL 077574200 9.1KM, Jalan Batu Sapi 90000 Sandakan Sabah	4.85	Industrial land with log conditioning shed and temporary labour quarters	99 years (31.12.2096)	Not applicable	855,854
Property Held by Xuzhou Richwood Co. Ltd.					
Zhao Dun Town, Ming Zhu Industrial Park Area Pizhou City, Xuzhou, Jiangsu 221300 People's Republic of China	Not applicable	Factory and ancillary buildings	Not applicable	5 years	1,589,905
Properties Held by Inovwood Sdn Bhd					
TL 077517081 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	5.91	Industrial land with plywood factory and ancillary buildings	99 years (31.12.2073)	20 years	6,136,337
TL 077526599 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	4.37	Industrial land with plywood factory and ancillary buildings	99 years (31.12.2068)	20 years	4,571,947
TL 077528039 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	0.73	Industrial land with plywood factory and ancillary buildings	99 years (31.12.2068)	20 years	764,362
TL 077537841 8.4KM, Jalan Batu Sapi 90000 Sandakan Sabah	7.18	Industrial land with log conditioning shed	59 years (31.12.2033)	Not applicable	2,830,964

as at 28 February 2007

Location	Land Area (acres)	Discription and Existing Use	Lease Tenure (expiry date)	Aproximate Age of Building	NBV
TL077521183, 077521192, 077521209, 077521218, 077521281, 077521290, 077521361, 077521370, 077521389, 077521398, 077521405, 077521414, 077521423, 077521432, 077521441, 077521450, 077521469, 077521478, 077521487, 077521496, 077521503, 077521512, 077521763, 077521772, 077521781, 077521790, 077521807, 077521816, 077521825, 077521834, 077521843, 077521852, 077521861, 077521870, 077521889, 077521898, 077521905, 077521914, 077521923, 077521932, 077521941, 077521950, 077521969, 077521978, 077521987, 077521996, 077522000, 077522019, 077522028, 077522037, 077522046, 077522055, 077522064, 077522073, 077522082, 077522091, 077522108, 077522117, 077522126, 077522135, 077522144, 077522153, 077522162, 077522171, 077522180, 077522199, 077522206, 077522215, 077522224, 077522233, 077522242, 077522251, 077522260, 077522279, 077522288, 077522297, 077522304, 077522313 8.2KM, Jalan Batu Sapi 90000 Sandakan Sabah	10.32	Vacant residential land	99 years (24.05.2034)	Not applicable	1,449,914

Notice of Ninth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of the Company will be convened and held at Sanbay Hotel, Conference Room, Mile 1 1/4 Jalan Leila, Sandakan, Sabah on Friday, 27 April 2007 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 2006 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 2006. **Resolution 1**

3. To approve payment of Directors' fees in respect of the financial year ended 31 December 2006. **Resolution 2**

4. To re-elect the following Directors who retire in accordance to Article 130 of the Company's Articles of Association:

   (a) Mdm Lin Hsu, Li-Chu **Resolution 3**
   (b) Mr. Lin, Kai Min **Resolution 4**

5. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

   "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-appointed as Director of the Company to hold office until the 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 authorize the Board of Directors to fix their remuneration. **Resolution 6**

7. As Special Business:

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

   ORDINARY RESOLUTION NO. 1 **Resolution 7**
   Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

   "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. **ORDINARY RESOLUTION NO. 2** **Resolution 8**
Proposed renewal of authority for purchase of own shares by the Company

"**THAT** subject always to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provision of the Company's Articles of Association and the requirements of Bursa Malaysia Securities Berhad and any other relevant authority, the Directors of the Company be and are hereby authorized to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Malaysia Securities Berhad subject further to the following:-

(i) the maximum number of shares which may be purchased and/or held by the Company shall be equivalent to ten percent 10% of the issued and paid-up share capital of the Company ("Shares") for the time being;
(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained earnings and share premium of the Company. As of 31st December 2006, the audited retained earnings and share premium of the Company were RM5,523,565 and RM17,374,387 respectively;
(iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first, but not so as to prejudice the completion of purchases(s) by the Company before the aforesaid expiry date and, in any event , in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authority; and
(iv) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorized to deal with the Shares in the following manner:

(a) retain the Shares so purchase as treasury shares; or
(b) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Malaysia Securities Berhad; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Malaysia Securities Berhad and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorized to take all such steps as are necessary or expedient to implement or the effect the purchase(s) of the Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT the final tax-exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2006, if so approved at the Ninth Annual General Meeting of the Company, will be payable on 28 May 2007 to Depositors whose names appear in the Record of Depositors at the close of business on 3 May 2007.

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 3 May 2007, in respect of transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

KATHERINE CHUNG MEI LING (MAICSA 7007310)
Company Secretary

Tawau
Dated: 5 April 2007

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 MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 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 No.7 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.

   Resolution No. 8

   The proposed Resolution No. 8 is in relation to authority given to the Company to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company. The authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting.

   Please refer to Share Buy-Back Statement dated 5 April 2007 for further information.

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 Profile of Directors appearing on pages 8 and 9 of the Annual Report.

Proxy Form

Number of shares held	

*I/We, ______________________________

of ______________________________

being a member(s) of **CYMAO HOLDINGS BERHAD** hereby appoint ______________________________

of ______________________________ or "THE CHAIRMAN OF THE MEETING" or

failing *him/her ______________________________

of ______________________________

as my/our proxy(ies), to vote for me/us on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Sanbay Hotel, Conference Room, Mile 1 1/4 Jalan Leila, Sandakan, Sabah on 27 April 2007 at 10.00 a.m. and at any adjournment thereof.

*If you wish to appoint other person(s) to be your proxy/ proxies, kindly delete the words" The Chairman of the Meeting or failing him" and insert the name(s) of the person(s) desired.

Please indicate you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

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 Mdm Lin-Hsu, Li-Chu		
Resolution 4	Re-election of Mr. Lin, Kai-Min		
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.		
Resolution 8	Proposed renewal of authority for purchase of own shares by the Company		

Dated this ____________ day of ____________ 2007

____

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

[*Delete if not applicable]

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint 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.
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 any officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 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**
MPT 4604, 3rd Floor, Lot 15-16
Block B, Bandaran Baru
Jalan Baru
91009 Tawau
Sabah

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