

CYMAO HOLDINGS BERHAD

(Company No. 445931 - U)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

**FOR THE THIRD
QUARTER ENDED**

30TH SEPTEMBER 2014

CYMAO HOLDINGS BERHAD

(Company No. 445931-U)

(Incorporate in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014 - UNAUDITED**

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	28,906	39,886	86,815	109,652
Cost of sales	(27,815)	(39,266)	(82,685)	(106,761)
Gross profit	1,091	620	4,130	2,891
Other income	236	942	724	2,021
Other operating expenses	(84)	(382)	(265)	(948)
Administrative expenses	(1,880)	(1,984)	(6,091)	(6,066)
Selling and marketing expenses	(966)	(1,100)	(2,983)	(3,880)
Interest income	6	5	32	22
Finance costs	(61)	(80)	(163)	(255)
Loss before tax	(1,658)	(1,979)	(4,616)	(6,215)
Income tax expenses	(500)	(212)	(500)	(638)
Loss for the period	(2,158)	(2,191)	(5,116)	(6,853)
Other comprehensive loss, net of tax				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences arising from consolidation	-	(426)	-	(201)
Total comprehensive loss attributable to:				
Owners of the Company	(2,158)	(2,617)	(5,116)	(7,054)
Loss attributable to:				
Owners of the Company	(2,158)	(2,191)	(5,116)	(6,853)
Non-controlling interest	-	-	-	-
Loss for the period	(2,158)	(2,191)	(5,116)	(6,853)
Total comprehensive loss attributable to:				
Owners of the Company	(2,158)	(2,617)	(5,116)	(7,054)
Non-controlling interest	-	-	-	-
Total comprehensive loss for the period	(2,158)	(2,617)	(5,116)	(7,054)
Basic loss per ordinary share (sen):				
Loss from continuing operations	(2.93)	(2.92)	(6.92)	(9.14)

The above Condensed Consolidated Income Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

CYMAO HOLDINGS BERHAD

(Company No. 445931-U)

(Incorporate in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014 - UNAUDITED**

	As AT 30/09/2014	As AT 31/12/2013 (Audited)
	RM'000	RM'000
ASSETS		
Property, plant and equipment	43,439	50,002
Land use right	1,003	1,015
Other receivables	1,645	1,630
Deferred tax assets	1,200	1,700
Total non-current assets	<u>47,287</u>	<u>54,347</u>
Inventories	29,856	30,721
Non-current assets held for sales	2,915	-
Trade receivables	12,051	10,686
Other receivables	10,687	8,079
Tax refundable	375	50
Fixed deposit with licensed bank	1,824	1,807
Cash and bank balances	3,387	5,169
Total current assets	<u>61,095</u>	<u>56,512</u>
Total assets	<u>108,382</u>	<u>110,859</u>
Equity		
Share capital	75,000	75,000
Share premium	17,374	17,374
Treasury shares	(631)	(183)
Retained earnings	(1,588)	3,528
Total equity	<u>90,155</u>	<u>95,719</u>
LIABILITIES		
Borrowings - Long term	1,701	1,681
Deferred tax liability	1,776	1,776
Total non-current liabilities	<u>3,477</u>	<u>3,457</u>
Borrowings - Short term	4,127	4,473
Trade payables	5,381	3,295
Other payables	5,242	3,838
Tax payables	-	77
Total current liabilities	<u>14,750</u>	<u>11,683</u>
Total liabilities	<u>18,227</u>	<u>15,140</u>
Total equity and liabilities	<u>108,382</u>	<u>110,859</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.20</u>	<u>1.28</u>

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 - UNAUDITED**

	Attributable to Equity Holders if the Parent					
	Non-Distributable			Distributable		
	Share Capital RM'000	Share Premium RM'000	Foreign Currency	Treasury Shares RM'000	Retained Earnings RM'000	Total Equity RM'000
			Translation Reserve RM'000			
At 1 January 2013	75,000	17,374	10	(40)	9,965	102,309
Total comprehensive loss for the 9-month period	-	-	(201)	-	(6,853)	(7,054)
At 30 September 2013	<u>75,000</u>	<u>17,374</u>	<u>(191)</u>	<u>(40)</u>	<u>3,112</u>	<u>95,255</u>
At 1 January 2014	75,000	17,374	-	(183)	3,528	95,719
Total comprehensive loss for the 9-month period	-	-	-	-	(5,116)	(5,116)
Purchase of treasury shares	-	-	-	(448)	-	(448)
At 30 September 2014	<u>75,000</u>	<u>17,374</u>	<u>-</u>	<u>(631)</u>	<u>(1,588)</u>	<u>90,155</u>

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and accompanying explanatory notes attached to these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 - UNAUDITED**

	9 months ended	
	30/09/2014	30/09/2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(4,616)	(6,215)
Adjustments for:		
Depreciation of property, plant and equipment	6,953	7,413
Amortisation of land use right	12	-
Net unrealised foreign exchange losses	(32)	-
Gain on disposal of plant and equipment	(65)	(9)
Interest income	(32)	(21)
Finance costs	163	254
Operating profit before working capital changes	2,383	1,422
Decrease/(increase) in inventories	865	(951)
(Decrease)/ increase in receivables	(3,956)	1,583
Increase/ (decrease) in payables	3,490	(151)
Cash generated from operation	2,782	1,903
Interest paid	(163)	(254)
Net tax paid	(402)	(77)
Net cash generated from operating activities	2,217	1,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Movement in fixed deposits under pledged	(17)	(21)
Purchase of property, plant and equipment	(3,666)	(2,289)
Purchase of treasury shares	(448)	-
Proceeds from sales of plant and equipment	426	1,119
Interest received	32	21
Net cash used in investing activities	(3,673)	(1,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers' acceptance drawn down	9,477	18,130
Repayment of term loan	(69)	(67)
Repayment of bankers' acceptance	(9,421)	(17,114)
Net cash (used in)/generated from financing activities	(13)	949
Net (decrease)/increase in cash and cash equivalents	(1,469)	1,351
Effects of exchange rate changes	-	(201)
Cash and cash equivalents at beginning of financial period	4,856	3,208
Cash and cash equivalents at end of financial period	3,387	4,358

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 - UNAUDITED**

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

	As at 30/09/2014 RM'000	As at 30/09/2013 RM'000
Cash in hand and at bank	3,387	4,358
Fixed deposit with a licensed bank	1,824	1,774
Cash and bank balances	<u>5,211</u>	<u>6,132</u>
Less: Deposit with a licensed bank pledged for bank guarantees	<u>(1,824)</u>	<u>(1,774)</u>
	<u><u>3,387</u></u>	<u><u>4,358</u></u>

The above Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and accompanying explanatory notes attached to these interim financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014 - (UNAUDITED)

1 Corporate Information

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market 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 principle activities of the subsidiaries are manufacturing and sale of veneer, plywood, decorative plywood, blockboard, provision of barge hiring services, and sale and extraction of log timbers. There have been no significant changes in the nature of these principal activities during the financial year.

2 Basis of Preparation

These condensed consolidated interim financial statements (Condensed Report), have been prepared under the historical cost convention.

This condensed report also has been prepared in accordance with the requirements of *MFRS 134: Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad. These condensed consolidated financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

This condensed report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the condensed report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

3 Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2013, except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

Effective for the financial periods beginning on or after 1 January 2014:

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC interpretation 21: Levies

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014 - (UNAUDITED)**

3 Significant Accounting Policies

Effective for financial periods beginning on or after 1 July 2014:

Amendment to MFRS 119 : Defined Benefit Plans: Employee Contributions

Annual Improvements to IC Interpretations and MFRSs 2010 - 2012 Cycle

Annual Improvements to IC Interpretations and MFRSs 2011 - 2013 Cycle

Effective for financial periods beginning on or after 1 January 2015:

MFRS 9: Financial Instruments

The adoption of the above revised MFRSs, IC Interpretation and Amendment do not have any significant financial impact on the Group's financial statements.

4 Auditors' Report

The auditors' report of the Company's preceding annual financial statements was not qualified.

5 Seasonality of operations

The Group's business operation and performance are to a certain extent affected by weather conditions especially on the supply of logs.

6 Unusual Items due to their Nature, Size or Incident

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

7 Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter's results.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014 - (UNAUDITED)**

8 Dividend Paid

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

9 Carrying Amount of Revalued Assets

There were no brought forward valuations of property, plant and equipment from the year ended 31 December 2013 and there were no valuations of property, plant and equipment carried out during the current financial year-to-date.

10 Debt and Equity Securities

For the period ended 30 September 2014, 1,100,000 ordinary shares of RM1 each were repurchased in the open market value at an arrange price of RM0.442 per share. The total consideration paid for the share buy-back including transaction cost amounted to RM0.445 per share were financed by internally generated fund. The shares repurchased are retained as treasury shares of the company.

For the period ended 30 September 2014, 80,000 ordinary shares of RM1 each were sold in the open market value at an average price of RM0.483 per share. The total consideration for sold of share minus transaction cost incurred amounted to RM0.478 per share.

11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the reporting quarter.

12 Segmental Information

No segmental information has been presented as the Group activities are predominantly in Malaysia.

13 Capital Commitments

There were no capital commitments for the quarter ended 30 September 2014.

14 Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2013 and up to the date of this report.

The contingent liabilities of the Group and of the Company are as follow:

	Group RM' 000	Company RM' 000
Corporate guarantee issued to a financial institution for credit facilities granted to a subsidiary company	-	10,000

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EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014 - (UNAUDITED)

15 Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the end of the current quarter except as below:

On 19 September 2014, the Company had announced to Bursa Malaysia that it has entered into a share sale agreement ("SSA") with Shildon Group Limited for the disposal of 1,500,000 ordinary shares of RM1.00 each representing the entire issued and paid up share capital of Malsa Wood Products Sdn Bhd ("Malsa") for a disposal consideration of RM2,517,357 cash. The disposal was completed on 30 October 2014.

The principal assets held by Malsa are two pieces of leasehold industrial lands and buildings held under title number TL 077523678 and TL 077523687 at KM8.4 Jalan Batu Sapi in Sandakan measuring approximately 4.355 acres.

Statement of Financial Position

	RM'000
Assets:	
Land	2,634
Buildings	113
Assets under construction	168
Assets of disposal group classified as held for sale	<u>2,915</u>

16 Performance Review

Sales revenue for the quarter total RM 29 million which is 27.52% lower than the corresponding quarter of the preceding year. The Group recorded a loss before taxation of RM 1.60 million compared with RM 1.90 million in the corresponding quarter of the preceding year. The achievement was mainly due to improved efficiency and productivity in production.

17 Variation of Result Against Preceding Quarter

The Group's current quarter registered a loss before taxation of RM1.60 million which is less than the preceding quarter due to improvement in productivity resulting higher margin.

18 Commentary on Prospects

The Group is consciously endeavouring to strengthen its competitive advantage in term of quality, recovery rate and operational efficiency to improve the margin of our products. The Group has signed a logs supply agreement with a timber concessionaire on the supply of logs to the Group at a fixed price for the next few years. The price of logs is more favourable as compared with sourcing externally.

Barring unforeseen circumstances, the Board of Directors remains confident in the long term's prospects of the timber industry and feasibility of the Group's business.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014 - (UNAUDITED)****19 Profit Forecast/Profit Guarantee**

The disclosure requirements for the variance of actual and forecast profit and for the shortfall in profit guarantee are not applicable as the Group has not provided any profit forecast or profit guarantee for the year ending 31 December 2013.

20 Additional disclosure - Loss before tax

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM' 000	RM' 000	RM' 000	RM' 000
Loss before tax is arrived at after charging/(crediting):				
Amortisation and depreciation	2,271	2,709	6,965	7,413
Interest expense	61	79	163	254
Interest income	(6)	(5)	(32)	(21)
Provision for written off of inventories	-	715	-	1,747
Foreign exchange loss	-	180	-	308
Gain on disposal of plant and equipment	(3)	-	(65)	(9)

There were no impairment loss on receivables, gain or loss on disposal of quoted or unquoted investment and other exceptional items for the current quarter under review and financial year-to-date.

21 Income Tax expense

	Current quarter		Year To-date	
	3 months ended		9 months ended	
	30/09/2014	30/09/2014	30/09/2014	30/09/2014
	RM' 000	RM' 000	RM' 000	RM' 000
Income tax:				
Current Taxation	-	-	-	-
Deferred Tax	-	-	-	-

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

22 Retained Earnings

	As at	As at
	30/09/2014	30/09/2013
	RM' 000	RM' 000
Total retained earnings of the Company and its subsidiaries		
- Realised	15,852	21,550
- Unrealised	(1,448)	(980)
	14,404	20,570
Less : Consolidation adjustments	(15,992)	(17,458)
Total Group retained earnings as per consolidated financial statements	(1,588)	3,112

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

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**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014 - (UNAUDITED)****23 Status of Corporate Proposals**

As at the date of this report, there were no corporate proposals announced and not completed, being the latest practical date that shall not be earlier than 7 days from the date of this quarterly report.

24 Borrowings (Secured)

	As at 30/09/2014 RM' 000	As at 30/09/2013 RM' 000
Short-term loan	4,127	5,735
Long-term loan	1,701	1,792
	<u>5,828</u>	<u>7,527</u>

All the borrowings are denominated in Ringgit Malaysia.

25 Changes in Material Litigation

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

26 Dividend Payable

No dividend has been recommended for the quarter under review.

27 Loss per share

Basic loss per share is calculated by dividing loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	Current quarter 3 months ended		Year-To-Date 9 months ended	
	As at 30/09/2014	As at 30/09/2013	As at 30/09/2014	As at 30/09/2013
Basic earning/(loss) per share				
Earning/(loss) attributable to ordinary equity holders of the parent (RM' 000)	<u>(2,158)</u>	<u>(2,191)</u>	<u>(5,116)</u>	<u>(6,853)</u>
Weighted average number of shares in issue issue (' 000)	<u>72,836</u>	<u>74,964</u>	<u>73,830</u>	<u>74,964</u>
Basic loss per share (Sen)	<u>(2.96)</u>	<u>(2.92)</u>	<u>(6.93)</u>	<u>(9.14)</u>
Diluted loss per share (Sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>