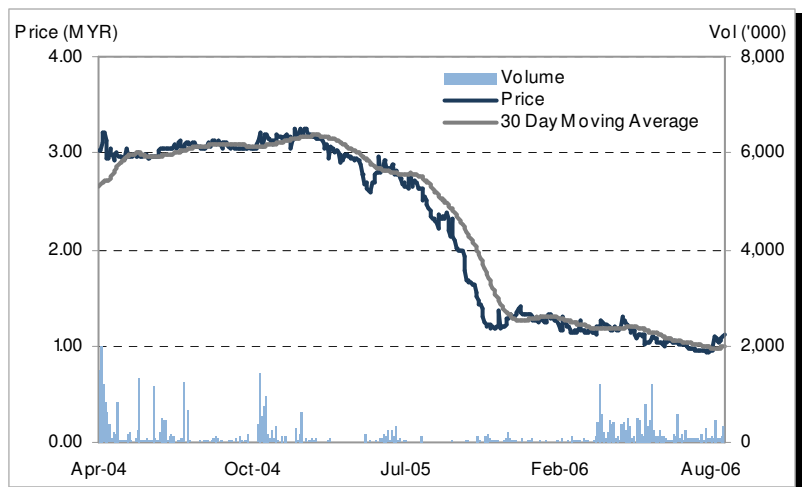


Recommendation: **STRONG BUY**Stock Code: **5082**Bloomberg: **CYM MK**Price: **MYR1.27**12-Month Target Price: **MYR2.30**Date: **August 28, 2006****Board:** Main**Sector:** Industrial products**GICS:** Materials / Forest Products**Market Capitalization:** MYR94.5 mln

Summary: Cymao Holdings (Cymao) is involved in downstream timber manufacturing operations. It produces veneer, conventional plywood and specialty plywood at its plant in Sandakan, Sabah. The products cater largely for export markets.

Analyst: Siti Rudziah Salikin

Results Review & Earnings Outlook

- Cymao's 2Q06 net profit surged by 92.8% YoY to MYR6.2 mln on higher turnover and improvement in margins. Sales volume increased by 49% YoY, helped by its successful penetration of the Middle East market while selling prices of plywood products rose 20% on average.
- YTD net profit was MYR9.5 mln (-4.2% mainly due to weak margin in the 1Q) and accounted for 33% of our full-year forecast. However, we view this to be in-line with our expectations as we expect a stronger performance in the 2H as a result of a recovery in plywood prices.
- For Cymao, contract prices for its plywood have gone up to about US\$450-US\$500/cu m as compared with the average prices of US\$315-US\$320/cu m in March. The company has also benefited from the substitution of plywood imports from Brazil by the U.S. (which is Cymao's main export market) as a result of the imposition of import duties on certain types of Brazilian plywood (since July 2005), the weak US\$ and the crackdown on illegal logging.
- We maintain our forecasts with net profit for 2006 projected to grow by 76.1% and for 2007 by 25.8%. We assume an average plywood price of US\$360/cu m for 2006 (+18%) and US\$400/cu m for 2007.
- Cymao declared a higher interim tax-exempt dividend of 5 sen per share, versus last year's and our projection of 2.5 sen (ex-date: 15 Sep.). We have raised our projected tax-exempt dividend for the full-year to 10 sen.

Key Stock Statistics

FY Dec.	2005	2006F
EPS (sen)	21.7	38.2
PER (x)	5.8	3.3
Dividend/Share (sen)	7.5	10.0
NTA/Share (MYR)	1.98	2.26
Book Value/Share (MYR)	1.98	2.26
Issued Capital (mln shares)	75.0	
52-week Share Price Range (MYR)	1.10 - 2.98	
Major Shareholders:	%	
Lin, Tsai-Rong	28.1	
Tsay, Chung-Wen	9.3	
Stichting Shell Pensioenfond	5.8	

Recommendation

- We maintain our Strong Buy recommendation on Cymao with an unchanged 12-month target price of MYR2.30.
- The target price is based on a 30% discount to our discounted cash flow valuation of MYR3.22 (assuming WACC of 12.6% to 13.7% and cash flow CAGR of 4% for the first five years and zero growth thereafter). We ascribe a larger discount for Cymao versus the 10% discount assigned to Ta Ann Holdings (TAH MK, MYR7.50, Buy) to reflect Cymao's lower trading liquidity and market capitalization.
- Cymao's share price has also severely lagged behind those of its peers so far in 2006, which could be due partly to concern over the impact of high log prices on its profitability as Cymao fully relies on external parties for raw materials. However, we believe the concern has already been discounted in the share price as reflected in the low 2007 multiple of 2.6x [versus 11x for Ta Ann and 10x for WTK Holdings (WTKH MK, MYR5.85, Not Ranked)]. The share performance would also be supported by a decent dividend yield of 7.9%, in our opinion.
- Risks to our recommendation and target price include a decline in the plywood-to-log price spread as a result of either higher log costs and/or weaker-than-projected plywood prices. In our view, a stronger MYR will also result in lower revenues.

Per Share Data

FY Dec.	2003	2004	2005	2006F
Book Value (MYR)	1.01	1.49	1.98	2.26
Cash Flow (sen)	44.0	38.0	32.0	49.0
Earnings (sen)	26.3	28.9	21.7	38.2
Dividend (sen)	0.0	12.5	7.5	10.0
Payout Ratio (%)	0.0	44.7	34.6	26.2
PER (x)	4.8	4.4	5.8	3.3
P/Cash Flow (x)	2.9	3.3	3.9	2.6
P/Book Value (x)	1.2	0.8	0.6	0.6
Dividend Yield (%)	0.0	9.9	6.0	7.9
ROE (%)	3.7	22.4	12.5	18.0
Net Gearing (%)	1.3	0.0	0.0	0.0

Note: Historical per share data has been adjusted for a 1-for-4 bonus issue

All required disclosures appear on the last page of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2006 The McGraw-Hill Companies, Inc.

Page 1 of 3

Cymao Holdings

Recommendation: **STRONG BUY**

Stock Code: 5082

Bloomberg: CYM MK

Price: MYR1.27

12-Month Target Price: MYR2.30

Date: August 28, 2006

Quarterly Performance

FY Dec. / MYR mln	2Q06	2Q05	% Change
Revenue	72.9	56.3	29.4
Operating Profit (EBIT)	6.6	3.2	106.9
Depreciation	-1.6	-1.9	13.9
Net Interest Income / (Expense)	-0.4	-0.1	NM
Pre-tax Profit	6.2	3.1	99.6
Net Profit	6.2	3.2	92.8
Operating Margin (%)	9.1	5.7	-
Pre-tax Margin (%)	8.6	5.5	-
Net Margin (%)	8.4	5.7	-

Source: Company data

Profit & Loss

FY Dec. / MYR mln	2004	2005	2006F	2007F
Revenue	195.1	245.8	281.0	309.7
Operating Profit (EBIT)	25.2	13.5	28.4	36.6
Depreciation	-6.6	-7.8	-8.1	-8.5
Net Interest Income / (Expense)	0.1	-0.1	-0.3	-0.4
Pre-tax Profit	25.3	13.4	28.1	36.3
Effective Tax Rate (%)	17.3	NM	NM	0.4
Net Profit	21.0	16.3	28.7	36.1
Operating Margin (%)	12.9	5.5	10.1	11.8
Pre-tax Margin (%)	13.0	5.4	10.0	11.7
Net Margin (%)	10.7	6.6	10.2	11.7

Source: Company data, S&P Equity Research

Standard & Poor's Equity Research Services – Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Glossary

Strong Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

Buy: Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

Hold: Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

Strong Sell: Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Required Disclosures

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"); in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC, which is regulated by the Hong Kong Securities Futures Commission; in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Sweden by Standard & Poor's AB ("S&P AB"); in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM"), which is regulated by the Securities Commission; in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS"), which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&P AB, S&PM, and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

CMDF-Bursa Research Scheme ("CBRS")

This report has been prepared by S&PM for purposes of CBRS administered by Bursa Malaysia Berhad, independent from any influence from CBRS or the subject company. S&P will receive total compensation of MYR15,000 each year for each company covered by it under CBRS. For more information about CBRS, please visit Bursa Malaysia's website at: <http://www.bursamalaysia.com/website/bm/>

Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. –this report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001, respectively.

For residents of Malaysia, all queries in relation to this report should be referred to Alexander Chia, Lee Leng Hoe, or Ching Wah Tam.