



# MINHO (M) BERHAD

Company No : 200930 - H  
(Incorporated in Malaysia)

## INTERIM FINANCIAL REPORT TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2005

### CONDENSED CONSOLIDATED INCOME STATEMENTS For Twelve Months Period Ended 31 December 2005

	2005 Current Quarter Ended 31-Dec <u>(RM'000)</u>	2004 Comparative Quarter Ended 31-Dec <u>(RM'000)</u>	2005 12 months Cumulative to date <u>(RM'000)</u>	2004 12 months Cumulative to date <u>(RM'000)</u>
Revenue	71,803	64,631	318,615	312,118
Operating expenses excluding depreciation, diminution and amortisation	(74,289)	(64,652)	(298,967)	(288,978)
Other operating income	2,696	3,842	5,505	7,872
<b>Profit before depreciation, diminution and amortisation</b>	210	3,821	25,153	31,012
Depreciation, diminution and amortisation	(1,939)	(2,022)	(7,482)	(8,042)
<b>Profit/(Loss) from operations</b>	(1,729)	1,799	17,671	22,970
Finance cost	(2,443)	(2,736)	(7,554)	(8,329)
Investing Results	-	-	-	-
<b>Profit/(Loss) before taxation</b>	(4,172)	(937)	10,117	14,641
Taxation	1,482	(1,565)	(3,407)	(6,735)
<b>Profit/(Loss) after taxation</b>	(2,690)	(2,502)	6,710	7,906
Minority interest	(454)	(396)	(3,201)	(2,433)
<b>Profit/(Loss) after taxation and minority interest</b>	(3,144)	(2,898)	3,509	5,473
Extraordinary item	-	-	-	-
<b>Net Profit/(loss) attributable to shareholders of the Company</b>	(3,144)	(2,898)	3,509	5,473
Earnings/(Loss) per RM1.00 share				
Basic (sen)	(2.86)	(2.64)	3.19	4.98
Fully diluted (sen)	N/A	N/A	N/A	N/A

Note:-N/A – Not applicable

*Note: The corresponding figures for year 2004 are based on the Annual Financial Report for year ended 31 December 2004. The figures stated in the Interim Financial Announcement for Fourth Quarter of 2004 were adjusted to correspond to the Annual Financial Report 2004.*

**(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)**



# MINHO (M) BERHAD

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## CONDENSED CONSOLIDATED BALANCE SHEET

As At 31 December 2005

	As at 31 Dec 2005	As at 31 Dec 2004 (Audited)
	RM'000	RM'000
Property, Plant and Equipment	187,572	178,040
Other Investment	1250	750
Long Term Investment	0	0
Goodwill on Consolidation	9	9
Investment Properties	701	0
Current Assets		
Inventories	85,875	96,605
Trade receivables	33,847	40,528
Other receivables	20,319	26,160
Tax recoverable	4,275	2,590
Amount due from affiliated company	2239	323
Amount due from subsidiary companies	0	0
Deposit with licensed banks	4,769	1,962
Cash and bank balances	5,925	7,522
	157,249	175,690
Current Liabilities		
Trade payables	7,140	12,148
Other payables	34,128	25,818
Amount due to subsidiary companies	0	0
Hire purchase obligations	5,771	1,041
Amount due to directors	0	0
Bank borrowings	36,648	40,836
Bank overdraft	243	2,025
Provision for taxation	22,591	29,436
	106,521	111,304
Net Current Asset	50,728	64,386
	239,559	243,185
Financed by:		
Share Capital	109,851	109,851
Reserves	18,914	15,575
Shareholders' Funds	128,765	125,426
Minority Interest	14,660	12,430



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## CONDENSED CONSOLIDATED BALANCE SHEET As At 31 December 2005

	As at 31 Dec 2005	As at 31 Dec 2004 (Audited)
	RM'000	RM'000
Deferred and Long Term Liabilities		
Deferred Taxation	29,691	29,717
Hire Purchase obligations	944	1,375
Bank borrowings	66,199	74,237
	<u>240,259</u>	<u>243,185</u>
Net Assets per RM1.00 sen share (RM)	1.17	1.14

**(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)**



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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For Twelve Months Period Ended 31 December 2005

	Share Capital RM'000	Reserves attributable to Capital RM'000	Reserves attributable to Revenue RM'000	Retained Losses RM'000	Total RM'000
<b>At 1 January 2004</b>	109,851	109,883		(99,666)	120,068
Prior year adjustments				-	-
<b>At 1 January 2004(restated)</b>	109,851	109,883	-	(99,666)	120,068
Profit/(Loss) for the period (cumulative)				5,473	5,473
Foreign exchange difference				(115)	(115)
Loss in the investment in subsidiary					
Additional investment in subsidiary			-		-
Being minority interest share of the acquisition profit/(loss)					
Difference in translation of net assets of overseas subsidiary					
<b>At 31 December 2004</b>	109,851	109,883	-	(94,308)	125,426
<b>At 1 January 2005</b>	109,851	109,768	-	(94,193)	125,426
Prior year adjustments-opening balance				(170)	(170)
<b>At 1 January 2005(restated)</b>	109,851	109,768	-	(94,363)	125,256
Profit/(Loss) for the period (cumulative)				3,509	3,509
Foreign exchange difference					-
Loss in the investment in subsidiary					-
Additional investment in subsidiary					-
Being minority interest share of the acquisition profit/(loss)					-
Difference in translation of net assets of overseas subsidiary					-
<b>At 31 December 2005</b>	109,851	109,768	-	(90,854)	128,765

**(The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)**



# MINHO (M) BERHAD

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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For Twelve Months Period Ended 31 December 2005

	<b>2005</b> <b>12 months</b> <b>ended 31 Dec</b> <b>RM'000</b>	<b>2004</b> <b>12 months</b> <b>ended 31 Dec</b> <b>RM'000</b>
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	10,117	14,641
Adjustments for :		
Amortisation of goodwill	16,129	16,129
Bad debts written off	-	42
Depreciation of property, plant & equipment	7,482	8,042
Extraordinary item	-	-
Foreign exchange loss	-	120
Foreign exchange gain	(321)	(433)
Gain on disposal of property, plant & equipment	(1,214)	(329)
Interest income	(149)	(244)
Interest expense	7,554	8,329
Loss on disposal of property, plant & equipment	1	-
Provision for doubtful debts	911	920
Property, plant & equipment written off	5	-
Write down of inventories	2,391	743
Write back of provision for depreciation of property, plant & equipment	-	-
Write back of provision for doubtful debts	(350)	-
Operating profit before working capital changes	<u>42,556</u>	<u>47,960</u>
Inventories	10,730	(19,446)
Receivables	12,522	(6,566)
Payables	<u>3,302</u>	<u>(4,282)</u>
Cash generated from operations	69,110	17,666
Interest received	149	244
Interest paid	(7,554)	(8,329)
Income tax paid	<u>(10,045)</u>	<u>(8,690)</u>
Net cash used in operating activities	51,660	891



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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT For Twelve Months Period Ended 31 December 2005

	<b>2005</b>	<b>2004</b>
	<b>12 months</b>	<b>12 months</b>
	<b>ended 31 Dec</b>	<b>ended 31 Dec</b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
Cash Flows From Investing Activities		
Dividend received from subsidiary company	1,661	-
Acquisition of other investment	(500)	-
Acquisition of property, plant and equipment	(19,779)	(4,574)
Decrease/(increase) in deposits with licensed banks	(2,807)	4,101
Dividend paid by subsidiary company	(2,631)	-
Payment to holding and related companies	(2,984)	-
Proceeds from disposal of property, plant and equipment	3,558	594
Net cash used in investing activities	(23,482)	121
Cash Flows From Financing Activities		
Dividend paid to minority shareholders	(970)	(494)
Increase/(Decrease) in bank borrowings	(5,970)	0
Drawdown of term loan	(3,684)	0
Repayment of term loan	(8,038)	(7,952)
Repayment/Increase of hire purchase obligations	(5,143)	(1,245)
Proceeds received from replacement warrants	-	0
Net cash used in financing activities	(23,805)	(9,691)
Net (decrease)/increase in cash and cash equivalents	4,373	(8,679)
Cash and cash equivalents at 1 January	(35,339)	(26,660)
Cash and cash equivalents at 31 December	(30,966)	(35,339)
Cash and cash equivalent comprise the following:-		
Bank and cash balances	5,925	7,522
Bank Overdraft	(243)	(2,025)
Bank Borrowings		
Bankers Acceptance	(29,436)	(29,103)
Trust Receipts	(7,212)	(11,733)
	(30,966)	(35,339)

**(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004)**



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## PART A - NOTES TO THE INTERIM FINANCIAL REPORT PURSUANT TO MASB 26

### 1. Basis of Preparation

The Interim Financial Report of the Group is unaudited and has been prepared in accordance with MASB 26, "Interim Financial Reporting". The Interim Financial Report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2004.

The same accounting policies, methods of computation and basis of consolidation adopted by the Group in this Interim Financial Report are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2004.

### 2. Auditors' Report

The auditors' report of the audited financial statements for the financial year ended 31 December 2004 was not subject to any qualification.

### 3. Seasonal or Cyclical Factors

The business operations of the Group are generally affected by the monsoon seasons and the major festive seasons namely Hari Raya Aidilfitri and Chinese New Year holidays.

### 4. Unusual Items

There are no unusual items affecting assets, liabilities, equity, net income or cash flows.

### 5. Changes In Estimates of Amounts Reported Previously

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years which may have a material effect on the current interim period.

### 6. Issuances and Repayments of Debt and Equity Securities

There were no issuances or repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares by the Company for the financial period ended 31 December 2005.

### 7. Dividends Paid

There were no dividends declared and paid by the Company for the financial period ended 31 December 2005.



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## 8. Segment Information

The segmental analysis of the Group operations for the financial period ended 31 December 2005 is as follows:-

<b>Business Segment</b>	<b>Revenue</b>	<b>PBT</b>
	<b>RM'000</b>	<b>RM'000</b>
Timber Extraction	11,000	2,917
Timber Trading	223,073	6,607
Manufacturing	73,541	2,538
Services and Treatment	32,920	5,331
Others	67	(4,970)
Less: Elimination of inter-company sales	(21,986)	
Elimination of inter-company sales		(2,307)
<b>Consolidated</b>	<b>318,615</b>	<b>10,116</b>

## 9. Property, Plant and Equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation. There are no valuations of land and buildings which have been brought forward without amendment from the previous annual report.

## 10. Events Subsequent to the End of the Interim Reporting Period

There are no materials events subsequent to the financial period ended 31 December 2005 that have not been reflected in the financial statements for the said period as at the date of this report.

## 11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 December 2005.

## 12. Contingent Liabilities – Unsecured

Tax liabilities in relation to disputes on reinvestment allowances and double deduction of freight charges claimed amounted to RM2.79 million.

## 13. Capital Commitments

The total amount of capital commitments approved and contracted for as at 31 December 2005 was RM8.441 million.

## PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD





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## 14. Review of Performance of the Company and its Principal Subsidiaries

The Group posted total revenue of RM318.62 million for the twelve months ending 31 December 2005, which is slightly higher than RM312.12 million recorded in the corresponding period last year. However, profit from operations decreased by RM5.30 million from RM22.97 million to RM17.67 million mainly due to higher operating expenses and lower other operating income. In line with lower profit from operations, the Group registered a lower pre-tax profit of RM10.12 million, compared with RM14.64 million achieved over the same period last year.

## 15. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

Total revenue for the fourth quarter of 2005 declined by RM14.34 million, from RM86.14 million in the third quarter of 2005 to RM71.80 million. For the quarter under review, the Group recorded a pre-tax loss of RM2.69 million, compared to RM3.75 million recorded in the third quarter of 2005, owing to higher cost of sales. The cost of sales for the current quarter was RM2.49 million more than the turnover due to provisioning for stock value write down.

## 16. Prospects for Current Financial Year

Group Performance for the first quarter of year 2006 is expected to be moderate due to the festive period. In addition, production and sales of logs are anticipated to be low due to the monsoon period which started in November 2005 and which is expected to continue until the end of the first quarter of 2006.

## 17. Variance of Actual Profit from Forecast Profit

Not applicable.

## 18. Taxation

Taxation comprises:-

	Third Quarter		Cumulative 12 months	
	31 Dec 2005	31 Dec 2004	31 Dec 2005	31 Dec 2004
	RM'000	RM'000	RM'000	RM'000
Current taxation	(196)	1,549	4,693	6,719
(Over)/Under provision in respect of prior years	(1,685)	976	(1,685)	976
Foreign Taxation	393	262	393	262
Deferred Taxation	6	(1,222)	6	(1,222)
	(1,482)	1,565	3,407	6,735
Our share of results of associated companies	-	-	-	-
	(1,482)	1,565	3,407	6,735

The effective tax rates for the periods presented above are higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against



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taxable profits made by other subsidiaries, and also to certain expenses which are not deductible for tax purposes.

### 19. Profits on Disposal of Investments and/or Properties

There were no profits on disposal of investments and/or properties for the financial period under review.

### 20. Quoted Securities

There were no purchases and disposals of quoted securities of the Group for the financial period ended 31 December 2005.

### 21. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 20 February 2006.

### 22. Group Borrowings

Total Group borrowings as at 31 December 2005 were as follows:-

	<u>RM'000</u>
Long Term Borrowings	
Secured	66,199
Unsecured	0
	<hr/>
	66,199
Short Term Borrowings	
Secured	36,648
Unsecured	0
	<hr/>
	36,648
	<hr/>
<b>Total Borrowings</b>	<b>102,847</b>

### 23. Off Balance Sheet Financial Instruments

There are no material financial instruments with off balance sheet risk as at the date of this report.

### 24. Material Litigation

As previously reported in the last quarter, a subsidiary of the Company received a writ of summons from the Inland Revenue Board on 26 November 2004 for tax liabilities amounting to RM9.53 million. Legal advice has been sought to resolve this matter. Since then, our solicitors have filed a statement of defense. The hearing date which was fixed on the 27 December 2005 has been postponed to 28 June 2006.



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### **25. Dividend**

No dividend has been recommended by Board for the period ended 31 December 2005 (2004: Nil).

### **26. Earning/ (Loss) Per Share**

(a) Basic earnings/ (loss) per share

Basic earnings/(loss) per share of the Group is calculated by dividing the net earnings/(loss) attributable to shareholders for the financial periods under review by the number of ordinary shares on issue during the said financial periods, i.e. 109,851,000 ordinary shares.

(b) Diluted earnings per share

Not applicable