



MINHO (M) BERHAD

Company No : 200930 - H
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT THREE MONTHS PERIOD ENDED 31 MARCH 2006

CONDENSED CONSOLIDATED INCOME STATEMENTS For Three Months Period Ended 31 March 2006

	2006 Current Quarter Ended 31-Mar (RM'000)	2005 Comparative Quarter Ended 31-Mar (RM'000) (restated)	2006 3 months Cumulative to date (RM'000)	2005 3 months Cumulative to date (RM'000) (restated)
Revenue	90,624	80,446	90,624	80,446
Operating expenses excluding depreciation, diminution and amortisation	(83,863)	(72,048)	(83,863)	(72,048)
Other operating income	998	952	998	952
Profit before depreciation, diminution and amortisation	7,759	9,350	7,759	9,350
Depreciation, diminution and amortisation	(1,888)	(1,907)	(1,888)	(1,907)
Profit/(Loss) from operations	5,871	7,443	5,871	7,443
Finance cost	(1,467)	(1,448)	(1,467)	(1,448)
Investing Results				
Share of profit/(loss) of associates	156	381	156	381
Profit/(Loss) before taxation	4,560	6,376	4,560	6,376
Taxation	(1,615)	(1,925)	(1,615)	(1,925)
Profit/(Loss) after taxation	2,945	4,451	2,945	4,451
Net Profit/(loss) attributable to :				
Equity holders of the Company	1,969	3,712	1,969	3,712
Minority interest	976	739	976	739
Profit for the period	2,945	4,451	2,945	4,451
Earnings/(Loss) per RM1.00 share				
Basic (sen)	1.79	3.38	1.79	3.38
Fully diluted (sen)	N/A	N/A	N/A	N/A

Note:-N/A – Not applicable

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005)



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CONDENSED CONSOLIDATED BALANCE SHEET

As At 31 March 2006

	As at 31 Mar 2006 RM'000	As at 31 Dec 2005 (Audited) RM'000 (restated)
ASSETS		
Non-current assets		
Property, Plant and Equipment	128,606	127,695
Prepaid lease payments	25,621	25,785
Investment properties	32,597	32,716
Investment in associated company	906	1,262
Other Investment	500	500
	188,230	187,958
Current Assets		
Inventories	83,350	87,999
Trade receivables	44,713	33,491
Other receivables	17,842	23,174
Tax recoverable	4,562	4,842
Deposit with licensed banks	6,366	4,769
Cash and bank balances	4,684	5,924
	161,517	160,199
TOTAL ASSETS	349,747	348,157
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parents		
Share Capital	109,851	109,851
Reserves attributable to capital	109,577	109,577
Reserves attributable to revenue		0
Retained earnings-profit/(loss)	(88,277)	(89,950)
	131,151	129,478
Minority Interest	14,445	14,722
Total Equity	145,596	144,200



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CONDENSED CONSOLIDATED BALANCE SHEET

As At 31 March 2006

	As at 31 Mar 2006 RM'000	As at 31 Dec 2005 (Audited) RM'000 (restated)
Non-current liabilities		
Bank borrowings	62,345	66,199
Hire Purchase obligations	738	4421
Deferred Taxation	29,810	29,810
	92,893	100,430
Current Liabilities		
Trade payables	4,973	7,136
Other payables	33,248	29,815
Provision for liabilities	4,452	4,395
Hire purchase obligations	5,317	2302
Bank borrowings	41,025	36,891
Bank overdraft	0	0
Tax Payable	22,243	22,988
	111,258	103,527
Total Liabilities	204,151	203,957
TOTAL EQUITY AND LIABILITIES	349,747	348,157
	-	-
Net Tangible Assets per RM1.00 sen share (RM)	1.33	1.31

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005)



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For Three Months Period Ended 31 March 2006

	◀ — — Attributable to equity holders of the company — — ▶							
	Share Capital	Share Premium	Reserve on consolid ation	Capital Reserve	Retained Losses	Total	Minority Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005	109,851	92,431	13,950	3,387	(94,193)	125,426	12,430	137,856
Prior year adjustments					-	-	0	-
At 1 January 2005(restated)	109,851	92,431	13,950	3,387	(94,193)	125,426	12,430	137,856
Profit/(Loss) for the period (cumulative)				-	3,712	3,712	739	4,451
Foreign exchange difference			-	-		-		-
Total recognised income and expenses for the period	-	-	-	-	3,712	3,712	739	4,451
Dividend distributed to Minority Shareholders				-		-	(970)	(970)
At 31 March 2005	109,851	92,431	13,950	3,387	(90,481)	129,138	12,199	141,337
At 1 January 2006	109,851	92,431	13,759	3,387	(90,462)	128,966	14,722	143,688
Prior year adjustments-opening balance due to foreign currency translation					216	216	-	216
At 1 January 2006(restated)	109,851	92,431	13,759	3,387	(90,246)	129,182	14,722	143,904
Profit/(Loss) for the period (cumulative)					1,969	1,969	976	2,945
Foreign exchange difference			-			-	0	-
Total recognised income and expenses for the period	-	-	-	-	1,969	1,969	976	2,945
Dividend distributed to Minority Shareholders					-	-	(1,253)	(1,253)
At 31 March 2006	109,851	92,431	13,759	3,387	(88,277)	131,151	14,445	145,596

(The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005)



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT For Three Months Period Ended 31 March 2006

	3 months ended	
	31.03.2006	31.03.2005
	<u>RM'000</u>	<u>RM'000</u>
Net cash used in operating activities	4,553	11,112
Net cash used in investing activities	(10,162)	1,147
Net cash generated from financing activities	6,092	(8,954)
Net (decrease)/increase in cash and cash equivalents	483	3,305
Effects of exchange rate changes	(126)	(101)
Cash and cash equivalents at beginning of financial period	10,693	7,522
Cash and cash equivalents at end of financial period	11,050	10,726

Cash and cash equivalent comprise the following:-

	3 months ended	
	31.03.2006	31.03.2005
	<u>RM'000</u>	<u>RM'000</u>
Bank and cash balances	11,050	10,726
Bank Overdraft	-	-
	11,050	10,726

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2005)



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PART A - NOTES TO THE INTERIM FINANCIAL REPORT PURSUANT TO FRS 134

1. Basis of Preparation

The Interim Financial Report of the Group is unaudited and has been prepared in accordance with the reporting requirements outlined in Financial Reporting Standards (“FRS”) 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa) Listing Requirements and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005. These explanatory notes attached to the interim report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial year ended 31 December 2005.

2. Changes in Accounting Policies

The significant accounting policies and methods of computation are consistent with those of the audited financial statements for the financial year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS	2	Share-based Payment
FRS	3	Business Combinations
FRS	5	Non-current Assets Held for Sale and Discontinued Operations
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	128	Investments in Associates
FRS	131	Interests in Joint Venture
FRS	132	Financial Instruments: Disclosure and Presentation
FRS	133	Earnings Per Share
FRS	136	Impairment of Assets
FRS	138	Intangible Assets
FRS	140	Investment Property

In addition to the above, the Group has also taken option of early adoption of FRS 117: Leases with effective date commencing 1 October 2006.

Up to 31 December 2005, the Group consolidated financial statements were prepared in accordance with MASB standards with effective before 1 January 2006. The comparative figures in respect of 2005 have therefore been restated to reflect the relevant adjustments.



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The adoption of the above mentioned FRS does not have significant financial impact on the Group. With the adoption of the new FRSs, the Group has effected the necessary changes to the accounting policies and disclosures as follows:

FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has effected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income, and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform to the current period's presentation.

FRS 140: Investment Property

The adoption of this new FRS has resulted in a change in accounting policy for investment properties. Properties that were acquired solely for the purpose of renting to external parties previously recognised as property and equipment are now reclassified to investment properties. To comply with FRS 140, the Group has selected the cost method with depreciation recognised in the income statement.

FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land and land use. The leasehold land and building were reclassified from property, plant, and equipment to operating lease. The up-front prepayments made for the leasehold land and land use rights are expensed out in the income statement on straight-line basis over the period of the lease. Similarly, where there is impairment, the impairment is expensed out in the income statement. Prior to 1 January 2006, the leasehold land was stated at cost less accumulated depreciation and impairment losses.



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The following comparative amounts have been restated due to the adoption of the new/revised FRSs:

	←	Adjustments		→	
	Previously stated	FRS 101	FRS 117	FRS 140	Restated
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 31 December 2005					
Property, plant and equipment	182,228		(25,785)	(28,748)	127,695
Prepaid lease interest	-		25,785		25,785
Investment Properties	6,093			26,623	32,716
Investment in associates	750	512			1,262
Retained earnings	(90,462)	512			(89,950)
Inventories	85,874			2,125	87,999
3 months ended 31 March 2005					
Retained earnings	(91,026)	381			(90,645)

2. Auditors' Report On Preceding Annual Financial Statements

The auditors' report of the audited financial statements for the financial year ended 31 December 2005 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 March 2006.



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7. Dividends Paid

There were no dividends declared and paid by the Company for the financial period ended 31 March 2006.

8. Segment Information

The segmental analysis of the Group operations for the financial period ended 31 March 2006 is as follows:-

	3 months ended	
	31.03.2006	31.03.2005
	<u>RM'000</u>	<u>RM'000</u>
Segment Revenue		
Revenue from continuing operations:		
Timber Extraction	7,824	3,253
Trading of Timber & Other woodbased Products	60,072	63,983
Manufacturing of sawn timber, mouldings and sacks paper bags	18,949	15,019
Services and Treatment	7,604	8,256
Others	17	17
Total revenue including inter-company sales	94,466	90,528
Elimination of inter-segments sales	(3,842)	(10,082)
Total revenue from continuing operations	90,624	80,446
Revenue from discontinued operations:	-	-
Total	90,624	80,446
Segment Results		
Results from continuing operations:		
Timber Extraction	(220)	1,487
Trading of Timber & Other woodbased Products	3,067	3,368
Manufacturing of sawn timber, mouldings and sacks paper bags	2,357	790
Services and Treatment	1,962	2,671
Others	(795)	(919)
Total revenue including inter-company sales	6,371	7,397
Eliminations	(1,811)	(1,402)
Total results from continuing operations	4,560	5,995
Results from discontinued operations:	-	-
Total	4,560	5,995

9. Carrying Amount of Revalued Assets

The valuations of property, plant, and equipment have been brought forward without amendment from the financial statements for year ended 31 December 2005.



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

There are no materials events subsequent to the financial period ended 31 March 2006 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 March 2006.

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 March 2006 was RM8.441 million.

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

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

The Group posted total revenue of RM90.62 million for the three months ending 31 March 2006, compared with RM80.45 million in the corresponding period last year. Profit from operations decreased from RM7.44 million to RM5.87 million mainly attributed to higher operating expenses. In line with lower profit from operations, the Group registered a decrease in pre-tax profit i.e. RM4.56 million, compared with RM6.37 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 first quarter of 2006 increased by 26%, from RM71.80 million in the fourth quarter of 2005 to RM90.62 million for the current quarter under review mainly due to higher turnover recorded by the Timber Extraction and Manufacturing segment of the Group. In line with the increased revenue, the Group recorded a pre-tax profit of RM2.95 million, compared to pre-tax loss of RM2.79 million recorded in the fourth quarter of 2005.



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16. Prospects for Current Financial Year

Group Performance for the second quarter of year 2006 is expected to remain steady as demand and prices for timber products are indicated to be firm throughout the next quarter.

17. Variance of Actual Profit from Forecast Profit

Not applicable.

18. Taxation

Taxation comprises:-

	First Quarter		Cumulative 3 months	
	31 Mar 2006 RM'000	31 Mar 2005 RM'000	31 Mar 2006 RM'000	31 Mar 2005 RM'000
Current taxation (Over)/Under provision in respect of prior years	1,615	1,925	1,615	1,925
Foreign Taxation				
Deferred Taxation				
	1,615	1,925	1,615	1,925
Our share of results of associated companies	-	-	-	-
	1,615	1,925	1,615	1,925

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 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 March 2006.

21. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 May 2006.



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22. Group Borrowings

Total Group borrowings as at 31 March 2006 were as follows:-

	<u>RM'000</u>
Long Term Borrowings	
Secured	62,345
Unsecured	0
	<hr/>
	62,345
Short Term Borrowings	
Secured	41,025
Unsecured	0
	<hr/>
	41,025
	<hr/>
Total Borrowings	103,370

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 was adjourned to 28 June 2006.

25. Dividend

No dividend has been recommended by Board for the period ended 31 March 2006 (2005: 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