



MINHO (M) BERHAD

Company No : 200930 - H
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2006

CONDENSED CONSOLIDATED INCOME STATEMENTS

For Nine Months Period Ended 30 September 2006

	2006 Current Quarter Ended 30-Sep (RM'000)	2005 Comparative Quarter Ended 30-Sep (RM'000) (restated)	2006 9 months Cumulative to date (RM'000)	2005 9 months Cumulative to date (RM'000) (restated)
Revenue	99,176	86,139	280,958	246,812
Operating expenses excluding depreciation, diminution and amortisation	(86,049)	(79,136)	(256,035)	(224,678)
Other operating income	2,011	801	3,780	2,809
Profit before depreciation, diminution and amortisation	15,138	7,804	28,703	24,943
Depreciation, diminution and amortisation	(1,915)	(1,871)	(5,844)	(5,543)
Profit/(Loss) from operations	13,223	5,933	22,859	19,400
Finance cost	(1,945)	(2,187)	(5,270)	(5,111)
Investing Results				
Share of profit/(loss) of associates	360	109	701	450
Profit/(Loss) before taxation	11,638	3,855	18,290	14,739
Taxation	(2,904)	(1,642)	(5,724)	(4,889)
Profit/(Loss) after taxation	8,734	2,213	12,566	9,850
Net Profit/(loss) attributable to :				
Equity holders of the Company	7,483	1,666	9,190	7,103
Minority interest	1,252	547	3,376	2,747
Profit for the period	8,735	2,213	12,566	9,850
Earnings/(Loss) per RM1.00 share				
Basic (sen)	6.81	1.52	8.37	6.47
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 30 September 2006

	As at 30 September RM'000	As at 31 Dec 2005 (Audited) RM'000 (restated)
ASSETS		
Non-current assets		
Property, Plant and Equipment	128,574	127,695
Prepaid lease payments	25,292	25,785
Investment properties	33,060	32,716
Investment in associated company	1,451	1,262
Other Investment	500	500
	188,877	187,958
Current Assets		
Inventories	112,386	87,999
Trade receivables	53,896	33,491
Other receivables	21,985	23,174
Tax recoverable	4,962	4,842
Deposit with licensed banks	4,835	4,769
Cash and bank balances	4,238	5,924
	202,302	160,199
TOTAL ASSETS	391,179	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)	(81,056)	(89,950)
	138,372	129,478
Minority Interest	16,845	14,722
Total Equity	155,217	144,200



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CONDENSED CONSOLIDATED BALANCE SHEET

As At 30 September 2006

	As at 30 Sept 2006 RM'000	As at 31 Dec 2005 (Audited) RM'000 (restated)
Non-current liabilities		
Bank borrowings	46,564	66,199
Hire Purchase obligations	1,384	4,421
Deferred Taxation	29,810	29,810
	77,758	100,430
Current Liabilities		
Trade payables	20,042	7,136
Other payables	65,035	29,815
Provision for liabilities	4,345	4,395
Hire purchase obligations	4,474	2302
Bank borrowings	42,181	36,891
Bank overdraft	0	0
Tax Payable	22,127	22,988
	158,204	103,527
Total Liabilities	235,962	203,957
TOTAL EQUITY AND LIABILITIES	391,179	348,157
	-	-
Net Tangible Assets per RM1.00 sen share (RM)	1.26	1.18

(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 Nine Months Period Ended 30 September 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					(191)	(191)	0	(191)
At 1 January 2005(restated)	109,851	92,431	13,950	3,387	(94,384)	125,235	12,430	137,665
Profit/(Loss) for the period (cumulative)				-	6,653	6,653	2,747	9,400
Foreign exchange difference			-	-		-		-
Total recognised income and expenses for the period	-	-	-	-	6,653	6,653	2,747	9,400
Dividend distributed to Minority Shareholders				-		-	(970)	(970)
At 30 September 2005	109,851	92,431	13,950	3,387	(87,731)	131,888	14,207	146,095
At 1 January 2006	109,851	92,431	13,759	3,387	(90,462)	128,966	14,722	143,688
Prior year adjustments effected by FRS 101					512	512	-	512
	109,851	92,431	13,759	3,387	(89,950)	129,478	14,722	144,200
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)					9,190	9,190	3,376	12,566
Foreign exchange difference			-			-	0	-
Total recognised income and expenses for the period	-	-	-	-	9,190	9,190	3,376	12,566
Dividend distributed to Minority Shareholders						-	(1,253)	(1,253)
At 30 September 2006	109,851	92,431	13,759	3,387	(81,056)	138,372	16,845	155,217



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(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)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT For Nine Months Period Ended 30 September 2006

	9 months ended	
	30.09.2006	30.09.2005
	<u>RM'000</u>	<u>RM'000</u>
Net cash used in operating activities	22,024	25,381
Net cash used in investing activities	(5,265)	(16,805)
Net cash generated from financing activities	(17,577)	(7,272)
Net (decrease)/increase in cash and cash equivalents	(818)	1,304
Effects of exchange rate changes	(802)	(145)
Cash and cash equivalents at beginning of financial period	10,693	7,522
Cash and cash equivalents at end of financial period	<u>9,073</u>	<u>8,681</u>

Cash and cash equivalent comprise the following:-

	9 months ended	
	30.09.2006	30.09.2005
	<u>RM'000</u>	<u>RM'000</u>
Bank and cash balances	9,073	4,935
Bank Overdraft	-	-
	<u>9,073</u>	<u>4,935</u>

(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



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

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

The adoption of the abovementioned 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:

(a). FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected 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.

(b). 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.

(c). 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
	RM'000	RM'000	RM'000	RM'000	RM'000
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					
Profit before tax	5,995	381			6,376
Profit after tax	4,070	381			4,451
Retained earnings	(91,026)	381			(90,645)
6 months ended 30 June 2005					
Profit before tax	10,543	339			10,882
Profit after tax	7,296	339			7,635
Retained earnings	(89,288)	339			(88,949)
9 months ended 30 September 2005					
Profit before tax	14,289	450			14,739
Profit after tax	9,400	450			9,850
Retained earnings	(87,731)	450			(87,281)

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.



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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 30 September 2006.

7. Dividends Paid

There were no dividends declared and paid by the Company for the financial period ended 30 September 2006.

8. Segment Information

The segmental analysis of the Group operations for the financial period ended 30 September 2006 is as follows:-

	9 months ended	
	30.09.2006	30.09.2005
	<u>RM'000</u>	<u>RM'000</u>
Segment Revenue		
Revenue from continuing operations:		
Timber Extraction	14,770	11,000
Trading of Timber & Other woodbased Products	181,983	175,825
Manufacturing of sawn timber, mouldings and sacks paper bags	73,450	55,731
Services and Treatment	23,455	25,218
Others	50	50
Total revenue including inter-company sales	293,708	267,824
Elimination of inter-segments sales	(12,750)	(21,012)
Total revenue from continuing operations	280,958	246,812
Revenue from discontinued operations:	-	-
Total	280,958	246,812



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	9 months ended	
	30.09.2006	30.09.2005
	<u>RM'000</u>	<u>RM'000</u>
Segment Results		
Results from continuing operations:		
Timber Extraction	2,500	4,840
Trading of Timber & Other woodbased Products	10,660	6,019
Manufacturing of sawn timber, mouldings and sacks paper bags	7,460	3,722
Services and Treatment	3,863	4,673
Others	(3,183)	(3,562)
Total revenue including inter-company sales	21,300	15,692
Eliminations	(3,011)	(1,403)
Total results from continuing operations	18,289	14,289
Results from discontinued operations:	-	-
Total	18,289	14,289

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.

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

There are no material events subsequent to the financial period ended 30 September 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 30 September 2006.

12. Contingent Liabilities – Unsecured

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



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13. Capital Commitments

The total amount of capital commitments approved and contracted for as at 30 September 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 RM280.96 million for the nine months ending 30 September 2006, compared with RM246.81 million in the corresponding period last year. Accordingly, profit from operations increased to RM22.86 million from RM19.40 million. In line with the better profit from operations, the Group registered a higher pre-tax profit of RM18.29 million, as compared with RM14.74 million previously.

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

Total revenue for the third quarter of 2006 rose from RM91.16 million in the second quarter of 2006 to RM99.18 million for the current quarter under review mainly due to higher turnover recorded by most divisions of the Group. In tandem with the increase in revenue, the Group recorded a higher pre-tax profit of RM11.64 million, compared to RM2.09 million recorded in the second quarter of 2006.

16. Prospects for Current Financial Year

Group performance for the fourth and final quarter of year 2006 is expected to be slightly lower as logs are expected to be in short supply due to the monsoon season which is expected to continue throughout the next quarter. In addition, demand is likely to be lower as overseas buyers normally curtail their activities during the festive season in December 2006.

17. Variance of Actual Profit from Forecast Profit

Not applicable.



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18. Taxation

Taxation comprises:-

	Third Quarter		Cumulative 9 months	
	30-Sep 2006	30-Sep 2005	30-Sep 2006	30-Sep 2005
	RM'000	RM'000	RM'000	RM'000
Current taxation	3,231	1,642	6,051	4,889
(Over)/Under provision in respect of prior years	(327)		(327)	
Foreign Taxation				
Deferred Taxation				
	<u>2,904</u>	<u>1,642</u>	<u>5,724</u>	<u>4,889</u>
Our share of results of associated companies	-	-	-	-
	<u>2,904</u>	<u>1,642</u>	<u>5,724</u>	<u>4,889</u>

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 30 September 2006.

21. Status of Corporate Proposals

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



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22. Group Borrowings

Total Group borrowings as at 30 September 2006 were as follows:-

	<u>RM'000</u>
Long Term Borrowings	
Secured	46,564
Unsecured	0
	<hr/> 46,564
Short Term Borrowings	
Secured	42,181
Unsecured	0
	<hr/> 42,181
Total Borrowings	<hr/> 88,745 <hr/>

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 28 June 2006 was rescheduled to 29 November 2006.

25. Dividend

No dividend has been recommended by the Board for the period ended 30 September 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