



MINHO (M) BERHAD

Company No : 200930 - H
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT NINE MONTHS PERIOD ENDED 31 DECEMBER 2006

CONDENSED CONSOLIDATED INCOME STATEMENTS

For Twelve Months Period Ended 31 December 2006

	2006 Current Quarter Ended 31-Dec (RM'000)	2005 Comparative Quarter Ended 31-Dec (RM'000) (restated)	2006 12 months Cumulative to date (RM'000)	2005 12 months Cumulative to date (RM'000) (restated)
Revenue	81,775	71,803	362,733	318,615
Operating expenses excluding depreciation, diminution and amortisation	(77,079)	(74,289)	(333,114)	(298,967)
Other operating income	4,425	2,696	8,205	5,505
Profit before depreciation, diminution and amortisation	9,121	210	37,824	25,153
Depreciation, diminution and amortisation	(2,031)	(1,939)	(7,875)	(7,482)
Profit/(Loss) from operations	7,090	(1,729)	29,949	17,671
Finance cost	(1,846)	(2,443)	(7,116)	(7,554)
Investing Results				
Share of profit/(loss) of associates	266	62	967	512
Profit/(Loss) before taxation	5,510	(4,110)	23,800	10,629
Taxation	1,674	(1,482)	(4,050)	(3,407)
Profit/(Loss) after taxation	7,184	(5,592)	19,750	7,222
Net Profit/(loss) attributable to :				
Equity holders of the Company	6,198	3,209	15,388	4,024
Minority interest	986	454	4,362	3,201
Profit for the period	7,184	3,663	19,750	7,225
Earnings/(Loss) per RM1.00 share				
Basic (sen)	5.64	2.92	14.01	3.66
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)



MINHO (M) BERHAD

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CONDENSED CONSOLIDATED BALANCE SHEET

As At 31 December 2006

	As at 31 December RM'000	As at 31 Dec 2005 (Audited) RM'000 (restated)
ASSETS		
Non-current assets		
Property, Plant and Equipment	129,196	127,695
Prepaid lease payments	25,129	25,785
Investment properties	31,409	32,716
Investment in associated company	2,228	1,262
Other Investment	500	500
	188,462	187,958
Current Assets		
Inventories	113,695	87,999
Trade receivables	47,051	33,491
Other receivables	22,543	23,174
Tax recoverable	4,962	4,842
Deposit with licensed banks	6,640	4,769
Cash and bank balances	3,310	5,924
	198,201	160,199
TOTAL ASSETS	386,663	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)	(74,347)	(89,950)
	145,081	129,478
Minority Interest	17,832	14,722
Total Equity	162,913	144,200



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CONDENSED CONSOLIDATED BALANCE SHEET

As At 31 December 2006

	As at 31 Dec 2006 RM'000	As at 31 Dec 2005 (Audited) RM'000 (restated)
Non-current liabilities		
Bank borrowings	46,077	66,199
Hire Purchase obligations	3,126	4,421
Deferred Taxation	30,039	29,810
	79,242	100,430
Current Liabilities		
Trade payables	14,657	7,136
Other payables	72,673	29,815
Provision for liabilities	4,238	4,395
Hire purchase obligations	2,988	2302
Bank borrowings	31,716	36,891
Bank overdraft	0	0
Tax Payable	18,236	22,988
	144,508	103,527
Total Liabilities	223,750	203,957
TOTAL EQUITY AND LIABILITIES	386,663	348,157
	-	-
Net Tangible Assets per RM1.00 sen share (RM)	1.32	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 Twelve Months Period Ended 31 December 2006

	← - - - Attributable to equity holders of the company					- ▶		
	Share Capital	Share Premium	Reserve on consolidatio n	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)					- 3,731	3,731	3201	6,932
Foreign exchange difference			(191)			(191)		(191)
Total recognised income and expenses for the period	-	-	(191)	-	3,731	3,540	3,201	6,741
Dividend distributed to Minority Shareholders					-	-	(970)	(970)
At 31 December 2005	109,851	92,431	13,759	3,387	(90,462)	128,966	14,661	143,627
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			-		-	-	-	-
At 1 January 2006(restated)	109,851	92,431	13,759	3,387	(89,950)	129,478	14,722	144,200
Profit/(Loss) for the period (cumulative)					15,388	15,388	4,362	19,750
Foreign exchange difference			-		215	215	0	215
Total recognised income and expenses for the period	-	-	-	-	15,603	15,603	4,362	19,965
Dividend distributed to Minority Shareholders					-	-	(1,252)	(1,252)
At 31 December 2006	109,851	92,431	13,759	3,387	(74,347)	145,081	17,832	162,913

(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 Twelve Months Period Ended 31 December 2006

	12 months ended	
	31.12.2006	31.12.2005
	<u>RM'000</u>	<u>RM'000</u>
Net cash used in operating activities	49,291	53,380
Net cash used in investing activities	(8,268)	(23,482)
Net cash generated from financing activities	(29,405)	(23,805)
Net (decrease)/increase in cash and cash equivalents	<u>11,618</u>	<u>6,093</u>
Effects of exchange rate changes	(1,496)	(321)
Cash and cash equivalents at beginning of financial period	(29,567)	(35,339)
Cash and cash equivalents at end of financial period	<u>(19,445)</u>	<u>(29,567)</u>

Cash and cash equivalent comprise the following:-

	12 months ended	
	31.12.2006	31.12.2005
	<u>RM'000</u>	<u>RM'000</u>
Bank and cash balances	9,950	5,924
Bank Overdraft	(413)	(492)
Bank Borrowings		
- Bankers acceptance	(28,982)	(31,096)
- Trust Receipts		(3,903)
	<u>(19,445)</u>	<u>(29,567)</u>

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



MINHO (M) BERHAD

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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 ahead of 1 October 2006 commencements date.



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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 →		Restated RM'000
	Previously stated RM'000	FRS 117 RM'000	
At 31 December 2005			
Property, plant and equipment	182,228	(25,785)	127,695
Prepaid lease interest	-	25,785	25,785
Investment Properties	6,093		32,716
Investment in associates	750	512	1,262
Retained earnings	(90,462)	512	(89,950)
Inventories	85,874		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)
12 months ended 31 December 2005			
Profit before tax	10,117	512	10,629
Profit after tax	6,710	512	7,222
Retained earnings	(90,854)	512	(90,342)

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.



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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 2006.

7. Dividends Paid

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

8. Segment Information

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

	12 months ended	
	31.12.2006	31.12.2005
	<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	253,804	223,073
Manufacturing of sawn timber, mouldings and sacks paper bags	78,925	73,541
Services and Treatment	32,850	32,920
Others	67	67
Total revenue including inter-company sales	380,416	340,601
Elimination of inter-segments sales	(17,683)	(21,986)
Total revenue from continuing operations	362,733	318,615
Revenue from discontinued operations:	-	-
Total	362,733	318,615



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	12 months ended	
	31.12.2006	31.12.2005
	<u>RM'000</u>	<u>RM'000</u>
Segment Results		
Results from continuing operations:		
Timber Extraction	2,286	2,917
Trading of Timber & Other woodbased Products	13,970	7,120
Manufacturing of sawn timber, mouldings and sacks paper bags	7,195	2,538
Services and Treatment	7,304	5,331
Others	764	(4,970)
Total revenue including inter-company sales	31,519	12,936
Eliminations	(7,719)	(2,307)
Total results from continuing operations	23,800	10,629
Results from discontinued operations:	-	-
Total	23,800	10,629

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 31 December 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 December 2006.

12. Contingent Liabilities – Unsecured

The Group does not have any contingent liabilities as at 20 February 2007, the latest practicable date which is not earlier than 7 days from the date of this quarter report.



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13. Capital Commitments

The total amount of capital commitments approved and contracted for as at 31 December 2006 was RM806,000.00.

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 RM362.73 million for the twelve months ending 31 December 2006, compared with RM318.62 million in the corresponding period last year, an increase of 13.8%. However, we are pleased to announce that profits from operations rose by a more significant margin i.e. by 69%, from RM17.67 million to RM29.95 million, mainly owing to the higher profit margin earned from the export of high quality sawn timber. In line with the improved profits from operations, the Group registered a higher pre-tax profit of RM23.80 million, compared to RM10.63 million previously.

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

Total revenue for the fourth quarter of 2006 dropped from RM99.18 million in the third quarter of 2006 to RM81.78 million for the current quarter under review mainly due to lower turnover recorded by most divisions of the Group. In tandem with the decrease in revenue, the Group recorded a lower pre-tax profit of RM5.51 million, compared to RM11.64 million recorded in the third quarter of 2006.

16. Prospects for Current Financial Year

Group Performance for the first quarter of year 2007 is expected to remain relatively subdued owing to the usual slow down experienced during the festive season.

17. Variance of Actual Profit from Forecast Profit

Not applicable.



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18. Taxation

Taxation comprises:-

	Fourth Quarter		Cumulative 9 months	
	31-Dec 2006 RM'000	31-Dec 2005 RM'000	31-Dec 2006 RM'000	31-Dec 2005 RM'000
Current taxation	2189	(196)	4,396	4,693
(Over)/Under provision in respect of prior years	(743)	(1685)	(574)	(1685)
Foreign Taxation		393		393
Deferred Taxation	228	6	228	6
	<u>1674</u>	<u>(1,482)</u>	<u>4,050</u>	<u>3,407</u>
Our share of results of associated companies	-	-	-	-
	<u>1674</u>	<u>(1,482)</u>	<u>4,050</u>	<u>3,407</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

One unit commercial shophouse known as Lot L1.03, Tower 1, Menara PGRM, No. 8, Jalan Pudu Ulu, Kuala Lumpur was sold to Eight-Tel Sdn. Bhd. for RM2.3 million. The total profit before tax from the sale amounting to RM761,000 have been taken up in the accounts.

20. Quoted Securities

There were no purchases and disposals of quoted securities of the Group for the financial period ended 31 December 2006.

21. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 20 February 2007.



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22. Group Borrowings

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

	<u>RM'000</u>
Long Term Borrowings	
Secured	46,077
Unsecured	0
	<hr/>
	46,077
Short Term Borrowings	
Secured	31,716
Unsecured	0
	<hr/>
	31,716
	<hr/>
Total Borrowings	<u>77,793</u>

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 29 November 2006 was rescheduled to 5 March 2007.

On 13 February 2007, the same subsidiary company received a writ of summons from Inland Revenue Board for tax due for year of assessment 2001 and 2002 amounting to RM3.19 million and we have sought legal advice to resolve this matter.

25. Dividend

No dividend has been recommended by the Board for the period ended 31 December 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