



# MINHO (M) BERHAD

Company No : 200930 - H  
(Incorporated in Malaysia)

## INTERIM FINANCIAL REPORT NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2007

### CONDENSED CONSOLIDATED INCOME STATEMENTS

For Nine Months Period Ended 30 September 2007

	2007 Current Quarter Ended 30-Sep (RM'000)	2006 Comparative Quarter Ended 30-Sep (RM'000)	2007 9 months Cumulative to date (RM'000)	2006 9 months Cumulative to date (RM'000)
Revenue	99,344	99,176	273,210	280,958
Operating expenses excluding depreciation, diminution and amortisation	(90,963)	(86,049)	(244,023)	(256,035)
Other operating income	1,300	2,011	3,506	3,780
<b>Profit before depreciation, diminution and amortisation</b>	<b>9,682</b>	<b>15,138</b>	<b>32,694</b>	<b>28,703</b>
Depreciation, diminution and amortisation	(2,306)	(1,915)	(6,206)	(5,844)
<b>Profit/(Loss) from operations</b>	<b>7,376</b>	<b>13,223</b>	<b>26,488</b>	<b>22,859</b>
Finance cost	(2,037)	(1,945)	(4,903)	(5,270)
Investing Results				
Share of profit/(loss) of associates	(511)	360	-	701
<b>Profit/(Loss) before taxation</b>	<b>4,828</b>	<b>11,638</b>	<b>21,585</b>	<b>18,290</b>
Taxation	(972)	(2,904)	(6,304)	(5,724)
<b>Profit/(Loss) after taxation</b>	<b>3,856</b>	<b>8,734</b>	<b>15,281</b>	<b>12,566</b>
<b>Net Profit/(loss) attributable to :</b>				
Equity holders of the Company	3,695	7,483	13,762	9,190
Minority interest	161	1,252	1,519	3,376
Profit for the period	3,856	8,735	15,281	12,566
Earnings/(Loss) per RM1.00 share				
Basic (sen)	3.36	6.81	12.53	8.37
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 2006)**



# MINHO (M) BERHAD

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## CONDENSED CONSOLIDATED BALANCE SHEET

As At 30 September 2007

	As at 30 Sep 2007 RM'000	As at 31 Dec 2006 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	128,674	129,251
Prepaid lease payments	24,636	25,128
Investment properties	32,499	31,327
Investment in associated company	0	2,229
Other Investment	500	500
	<b>186,310</b>	<b>188,435</b>
<b>Current Assets</b>		
Inventories	130,708	113,695
Trade receivables	50,131	43,173
Other receivables	8,489	28,213
Tax recoverable	4,402	4,962
Deposit with licensed banks	7,114	6,619
Cash and bank balances	4,599	3,313
	<b>205,444</b>	<b>199,975</b>
<b>TOTAL ASSETS</b>	<b>391,753</b>	<b>388,410</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parents</b>		
Share Capital	109,851	109,851
Reserves attributable to capital	114,735	109,783
Reserves attributable to revenue		0
Retained earnings-profit/(loss)	(65,225)	(75,067)
	159,361	144,567
<b>Minority Interest</b>	23,557	17,757
<b>Total Equity</b>	<b>182,918</b>	<b>162,324</b>



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## CONDENSED CONSOLIDATED BALANCE SHEET

As At 30 September 2007

	As at 30 Sep 2007 RM'000	As at 31 Dec 2006 (Audited) RM'000
<b>Non-current liabilities</b>		
Bank borrowings	28,009	33,626
Hire Purchase obligations	1,483	3,059
Deferred Taxation	30,051	30,113
	<b>59,543</b>	<b>66,798</b>
<b>Current Liabilities</b>		
Trade payables	13,623	14,480
Other payables	65,138	74,736
Provision for liabilities	4,312	4,238
Hire purchase obligations	3,464	3055
Bank borrowings	45,588	44,167
Bank overdraft	0	0
Tax Payable	17,167	18,612
	<b>149,292</b>	<b>159,288</b>
<b>Total Liabilities</b>	<b>208,835</b>	<b>226,086</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>391,753</b>	<b>388,410</b>
	-	-
<b>Net Tangible Assets per RM1.00 sen share (RM)</b>	1.45	1.32

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)



# MINHO (M) BERHAD

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For Nine Months Period Ended 30 September 2007

	← - - - 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
<b>At 1 January 2006</b>	109,851	92,431	13,759	3,387	(89,950)	129,478	14,722	144,200
Prior year adjustments						-	0	-
<b>At 1 January 2006(restated)</b>	109,851	92,431	13,759	3,387	(89,950)	129,478	14,722	144,200
Profit/(Loss) for the period (cumulative)				-	1,708	1,708	2124	3,832
Foreign exchange difference			-	-		-		-
<b>Total recognised income and expenses for the period</b>	-	-	-	-	1,708	1,708	2,124	3,832
Dividend distributed to Minority Shareholders				-		-	(1,253)	(1,253)
<b>At 30 September 2006</b>	109,851	92,431	13,759	3,387	(88,242)	131,186	15,593	146,779
<b>At 1 January 2007</b>	109,851	92,431	13,965	3,387	(75,067)	144,567	17,757	162,324
Prior years adjustment - tax overprovided					(42)	(42)		(42)
Prior years adjustment - Being reversal of share of profits in a JCE which become subsidiary			-		(1,479)	(1,479)	-	(1,479)
<b>At 1 January 2007(restated)</b>	109,851	92,431	13,965	3,387	(76,588)	143,046	17,757	160,803
Profit/(Loss) for the period (cumulative)					13,761	13,761	1,519	15,280
Foreign exchange difference			-		150	150	0	150
Acquisition of additional equity in JCE i.e. become subsidiary			4,861		(2,457)	2,404	5516	7,920
<b>Total recognised income and expenses for the period</b>	-	-	4,861	-	11,454	16,315	7,035	23,350
Dividend distributed to Minority Shareholders					-	-	(1,235)	(1,235)
<b>At 30 September 2007</b>	109,851	92,431	18,826	3,387	(65,134)	159,361	23,557	182,918

(The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)



# MINHO (M) BERHAD

Company No : 200930 - H  
(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT For Nine Months Period Ended 30 September 2007

	9 months ended	
	30.09.2007	30.09.2006
	<u>RM'000</u>	<u>RM'000</u>
Net cash used in operating activities	5,442	22,024
Net cash used in investing activities	3,213	(5,265)
Net cash generated from financing activities	(6,517)	(17,577)
Net (decrease)/increase in cash and cash equivalents	2,138	(818)
Effects of exchange rate changes	(357)	(802)
Cash and cash equivalents at beginning of financial period	9,932	10,693
Cash and cash equivalents at end of financial period	11,713	9,073

Cash and cash equivalent comprise the following:-

	9 months ended	
	30.09.2007	30.09.2006
	<u>RM'000</u>	<u>RM'000</u>
Bank and cash balances	11,713	9,073
Bank Overdraft	-	-
	11,713	9,073

**(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006)**



# **MINHO (M) BERHAD**

**Company No : 200930 - H  
(Incorporated in Malaysia)**

## **V. NOTES TO THE CONDENSED FINANCIAL STATEMENT.**

### **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 2006.

### **2. Auditors' Report On Preceding Annual Financial Statements**

The auditors' report of the audited financial statements for the financial year ended 31 December 2006 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 30 September 2007.

### **7. Dividends Paid**

There were no dividends declared and paid by the Company for the financial period ended 30 September 2007.



# MINHO (M) BERHAD

Company No : 200930 - H  
(Incorporated in Malaysia)

## 8. Segment Information

The segmental analysis of the Group operations for the financial period ended 30 September 2007 is as follows:-

	9 months ended	
	30.09.2007	30.09.2006
	<u>RM'000</u>	<u>RM'000</u>
<b>Segment Revenue</b>		
Revenue from continuing operations:		
Timber Extraction	8,689	14,770
Trading of Timber & Other woodbased Products	201,462	181,983
Manufacturing of sawn timber, mouldings and sacks paper bags	56,162	73,450
Services and Treatment	28,719	23,455
Others	54	50
Total revenue including inter-company sales	295,086	293,708
Elimination of inter-segments sales	(21,876)	(12,750)
Total revenue from continuing operations	273,210	280,958
Revenue from discontinued operations:	-	-
Total	273,210	280,958
<b>Segment Results</b>		
Results from continuing operations:		
Timber Extraction	5,312	2,500
Trading of Timber & Other woodbased Products	9,393	10,660
Manufacturing of sawn timber, mouldings and sacks paper bags	2,024	7,460
Services and Treatment	8,762	3,863
Others	(2,121)	(3,183)
Total revenue including inter-company sales	23,370	21,300
Eliminations	(1,785)	(3,011)
Total results from continuing operations	21,585	18,289
Results from discontinued operations:	-	-
Total	21,585	18,289

## 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 2006.



# MINHO (M) BERHAD

Company No : 200930 - H  
(Incorporated in Malaysia)

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

There are no materials events subsequent to the financial period ended 30 June 2007 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

In the quarter under review, a subsidiary of the group, Costraco Sdn Bhd has increased its investment in EuroCGA Sdn. Bhd. from 50% to 50.5%,. Formerly, EuroCGA Sdn. Bhd. was treated in the accounts as a Jointly Controlled Entity and in the quarter under review it was accounted for as a subsidiary. The figures are as appended below:-

Date of acquisition deemed September 2007

	TOTAL RM	PRE-ACQ 50.50%	MI 49.50%
Share capital	1,515,000	765,000	750,000
Pre-acq reserve @ 30/09/2007	9,627,516	4,861,419	4,766,097
	<u>11,142,516</u>	<u>5,626,419</u>	<u>5,516,097</u>
Cost of investment		<u>(765,000)</u>	
Reserve / (Goodwill) arising fr consolidation		<u>4,861,419</u>	

The shares of profit previously accounted for in the accounts have been reversed out from other investment accounts and retained earnings as follows:-

Share of profit for year 2005	RM 967,247
Share of profit for year 2006	RM 511,516
Share of profit for year 2007	RM 511,143
Total	RM1,989,906

## 12. Contingent Liabilities – Unsecured

The Group does not have any contingent liabilities as at 24 September 2007, the latest practicable date which is not earlier than 7 days from the date of this quarter report.

## 13. Capital Commitments

The total amount of capital commitments approved and contracted for as at 30 September 2007 was RM806,000.00.

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

The Group posted total revenue of RM273.21 million for the nine months ending 30 September 2007, RM7.75 million or 3% less than the RM280.96 million recorded in the corresponding period last year. The decline was mainly contributed by the 41.1% drop in turnover from our Timber extraction segment.





# MINHO (M) BERHAD

Company No : 200930 - H  
(Incorporated in Malaysia)

Profit from operations rose from RM22.86 million to RM26.49 million mainly attributed to lower operating expenses. In line with higher profit from operations, the Group registered an increase in pre-tax profit i.e. RM21.59 million, compared with RM18.29 million achieved over the same period last year. This was mainly attributable to better profit achieved by Timber Extraction and Services & Treatment segment which improved by RM2.81 million and RM4.89 million respectively.

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

Total revenue for the third quarter of 2007 increased by 22%, from RM81.62 million in the second quarter of 2007 to RM99.34 million for the current quarter under review mainly due to higher turnover recorded by the Trading of Timber and Wood-based Products segment.

## 16. Prospects for Current Financial Year

Group Performance for the fourth and final quarter of year 2007 is expected to be slightly lower as raw materials mainly logs, are expected to be in short supply. In addition, demand is expected to be lower as overseas buyers normally reduce their procurement activities towards the end of the year.

## 17. Variance of Actual Profit from Forecast Profit

Not applicable.

## 18. Taxation

Taxation comprises:-

	Third Quarter		Cumulative 9 months	
	30-Sep 2007 RM'000	30-Sep 2006 RM'000	30-Sep 2007 RM'000	30-Sep 2006 RM'000
Current taxation	972	3,231	6,304	6,051
(Over)/Under provision in respect of prior years		-327		-327
Foreign Taxation				
Deferred Taxation				
	972	2,904	6,304	5,724
Our share of results of associated companies	-	-	-	-
	972	2,904	6,304	5,724

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



## MINHO (M) BERHAD

Company No : 200930 - H  
(Incorporated in Malaysia)

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 disposals of investments and/or properties for the financial period under review.

### 20. Quoted Securities

There were no purchases and/or disposals of quoted securities of the Group for the financial period ended 30 September 2007.

### 21. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 August 2007.

### 22. Group Borrowings

Total Group borrowings as at 30 September 2007 were as follows:-

	<u>RM'000</u>
Long Term Borrowings	
Secured	28,009
Unsecured	0
	<hr/>
	28,009
Short Term Borrowings	
Secured	45,588
Unsecured	0
	<hr/>
	45,588
<b>Total Borrowings</b>	<hr/> <b>73,597</b> <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 (IRB) on 26 November 2004 for tax liabilities amounting to RM9.53 million. Legal advice has been sought to resolve this matter. Since



## **MINHO (M) BERHAD**

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then, our solicitors have filed a statement of defense. The hearing date which was fixed on the 28 August 2007 was rescheduled to 11 December 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. Here again, we have, through our solicitors filed a statement of defense and are awaiting a response from the IRB.

Regarding Summons No.:63-43 year 2007 received from the Ministry of Domestic Trade and Consumer Affairs as announced on 7 May 2007, the hearing date set on the 10 May 2007 was postponed to 25 May 2007 and subsequently postponed to a new date viz. from 21 to 23 January 2008.

On 2 August 2007, we received a writ of summons from the IRB for a subsidiary company viz. Syarikat Minho Kilning Sdn. Bhd. for outstanding taxes amounting to RM5.7 million. Our solicitors have filed a statement of defense on 25 September 2007.

### **25. Dividend**

No dividend has been recommended by the Board for the period ended 30 September 2007 (2006: 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