



MINHO (M) BERHAD

Company No : 200930 - H
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2007

CONDENSED CONSOLIDATED INCOME STATEMENTS

For Twelve Months Period Ended 31 December 2007

	2007	2006	2007	2006
	Current	Comparative	12 months	12 months
	Quarter	Quarter	Cumulative	Cumulative
	Ended	Ended	to date	to date
	31-Dec	31-Dec		
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Revenue	68,377	81,775	341,587	362,733
Operating expenses excluding depreciation, diminution and amortisation	(67,462)	(77,079)	(311,485)	(333,114)
Other operating income	(300)	4,425	3,206	8,205
Profit before depreciation, diminution and amortisation	614	9,121	33,308	37,824
Depreciation, diminution and amortisation	(2,159)	(2,031)	(8,365)	(7,875)
Profit/(Loss) from operations	(1,545)	7,090	24,943	29,949
Finance cost	(2,075)	(1,846)	(6,978)	(7,116)
Investing Results	-	-	-	-
Share of profit/(loss) of associates	-	266	-	967
Profit/(Loss) before taxation	(3,620)	5,510	17,965	23,800
Taxation	1,673	1,674	(4,631)	(4,050)
Profit/(Loss) after taxation	(1,947)	7,184	13,334	19,750
Net Profit/(loss) attributable to :				
Equity holders of the Company	(2,523)	6,198	11,239	15,388
Minority interest	576	986	2,095	4,362
Profit for the period	(1,947)	7,184	13,334	19,750
Earnings/(Loss) per RM1.00 share				
Basic (sen)	(2.30)	5.64	10.23	14.01
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)



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CONDENSED CONSOLIDATED BALANCE SHEET

As At 31 December 2007

	As at 31 Dec 2007 RM'000	As at 31 Dec 2006 (Audited) RM'000
ASSETS		
Non-current assets		
Property, Plant and Equipment	125,999	129,251
Prepaid lease payments	24,472	25,128
Investment properties	32,390	31,327
Investment in associated company	0	2,229
Other Investment	500	500
	183,361	188,435
Current Assets		
Inventories	133,504	113,695
Trade receivables	38,697	43,173
Other receivables	15,093	28,213
Tax recoverable	6,031	4,962
Deposit with licensed banks	5,277	6,619
Cash and bank balances	5,208	3,313
	203,810	199,975
TOTAL ASSETS	387,171	388,410
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parents		
Share Capital	109,851	109,851
Reserves attributable to capital	114,735	109,783
Reserves attributable to revenue		0
Retained earnings-profit/(loss)	(67,749)	(75,067)
	156,837	144,567
Minority Interest	24,134	17,757
Total Equity	180,971	162,324



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CONDENSED CONSOLIDATED BALANCE SHEET As At 31 December 2007

	As at 31 Dec 2007 RM'000	As at 31 Dec 2006 (Audited) RM'000
Non-current liabilities		
Bank borrowings	27,582	33,626
Hire Purchase obligations	1,396	3,059
Deferred Taxation	29,719	30,113
	58,697	66,798
Current Liabilities		
Trade payables	11,389	14,480
Other payables	70,797	74,736
Provision for liabilities	4,238	4,238
Hire purchase obligations	2,992	3,055
Bank borrowings	43,441	44,167
Bank overdraft	0	0
Tax Payable	14,645	18,612
	147,503	159,288
Total Liabilities	206,200	226,086
TOTAL EQUITY AND LIABILITIES	387,171	388,410
		-
Net Tangible Assets per RM1.00 sen share (RM)	1.65	1.48

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



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For Twelve Months Period Ended 31 December 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
At 1 January 2006	109,851	92,431	13,759	3,387	(89,950)	129,478	14,722	144,200
Prior year adjustments						-	0	-
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)					1,708	1,708	2124	3,832
Foreign exchange difference			-	-		-		-
Total recognised income and expenses for the period	-	-	-	-	1,708	1,708	2,124	3,832
Dividend distributed to Minority Shareholders				-		-	(1,253)	(1,253)
At 30 September 2006	109,851	92,431	13,759	3,387	(88,242)	131,186	15,593	146,779
At 1 January 2007	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)
At 1 January 2007(restated)	109,851	92,431	13,965	3,387	(76,588)	143,046	17,757	160,803
Profit/(Loss) for the period (cumulative)					11,237	11,237	2,096	13,333
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
Total recognised income and expenses for the period	-	-	4,861	-	8,930	13,791	7,612	21,403
Dividend distributed to Minority Shareholders						-	-	(1,235)
At 31 December 2007	109,851	92,431	18,826	3,387	(67,658)	156,837	24,134	180,971

(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)



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT For Twelve Months Period Ended 31 December 2007

	12 months ended	
	31.12.2007	31.12.2006
	<u>RM'000</u>	<u>RM'000</u>
Net cash used in operating activities	9,189	49,291
Net cash used in investing activities	2,334	(8,268)
Net cash generated from financing activities	(9,917)	(29,405)
Net (decrease)/increase in cash and cash equivalents	1,607	11,618
Effects of exchange rate changes	(1,054)	(1,496)
Cash and cash equivalents at beginning of financial period	9,932	(29,567)
Cash and cash equivalents at end of financial period	10,485	(19,445)

Cash and cash equivalent comprise the following:-

	12 months ended	
	31.12.2007	31.12.2006
	<u>RM'000</u>	<u>RM'000</u>
Bank and cash balances	10,485	(19,445)
Bank Overdraft	-	-
	10,485	(19,445)

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



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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 2007.

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 31 December 2007.

7. Dividends Paid

There were no dividends declared and paid by the Company for the financial period ended 31 December 2007.



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8. Segment Information

The segmental analysis of the Group operations for the financial period ended 31 December 2007 is as follows:-

	12 months ended	
	31.12.2007	31.12.2006
	<u>RM'000</u>	<u>RM'000</u>
Segment Revenue		
Revenue from continuing operations:		
Timber Extraction	8,689	14,770
Trading of Timber & Other woodbased Products	245,890	253,804
Manufacturing of sawn timber, mouldings and sacks paper bags	73,958	78,925
Services and Treatment	35,922	32,850
Others	73	67
Total revenue including inter-company sales	364,532	380,416
Elimination of inter-segments sales	(22,945)	(17,683)
Total revenue from continuing operations	341,587	362,733
Revenue from discontinued operations:	-	-
Total	341,587	362,733
Segment Results		
Results from continuing operations:		
Timber Extraction	4,955	2,286
Trading of Timber & Other woodbased Products	9,411	13,970
Manufacturing of sawn timber, mouldings and sacks paper bags	2,690	7,195
Services and Treatment	5,890	7,304
Others	1,144	764
Total revenue including inter-company sales	24,090	31,519
Eliminations	(6,125)	(7,719)
Total results from continuing operations	17,965	23,800
Results from discontinued operations:	-	-
Total	17,965	23,800

9. Property, Plant, and Equipment.

(a). Assets written off due to fire.

There was a fire outbreak at one of the group's kiln drying processing and storage facilities belonging to its wholly owned subsidiary, Syarikat Mihno Kilning Sdn. Bhd.



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at Lot 6537, Lorong Sg. Puloh, Off 6th. Miles, Jalan Kapar, Klang. The incident occurred at dawn on Sunday, 2 December 2007. The total assets written off due to this incident are as follows:-

	<u>Cost (RM)</u>	<u>NBV (RM)</u>
2 units of boilers	110,000.00	1.00
8 units of kiln drying chambers	263,105.44	8.00
38,868 square meter of building structures	<u>2,323,795.55</u>	<u>1,689,351.52</u>
Total	<u>2,696,900.99</u>	<u>1,689,360.52</u>

(b). 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.

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

There are no material events subsequent to the financial period ended 31 December 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 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	<u>9,627,516</u>	<u>4,861,419</u>	<u>4,766,097</u>
	<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 (12 months)	RM 967,247
Share of profit for year 2006 (12 months)	RM 511,516
Share of profit for year 2007 (6 months)	<u>RM 511,143</u>
Total	<u>RM1,989,906</u>



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12. Contingent Liabilities – Unsecured

The Group does not have any contingent liabilities as at 22 February 2008, 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 31 December 2007 was RM806,000.00.

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

The Group posted total revenue of RM341.59 million for the twelve months ending 31 December 2007, RM21.15 million or 6% less than the RM362.73 million recorded in the corresponding period last year. The decline was mainly attributed to the drop in turnover from the Timber extraction segment, Manufacturing of sawn timber, mouldings and sack paper bags segment, and Trading of timber & other wood based products segment which decreased by RM6 million, RM4.9 million and RM7.9 million respectively.

Profit from operations dropped from RM29.95 million to RM24.94 million in line with lower revenue and other operating income. With lower profit from operations, the Group pre-tax profit dropped to RM17.97 million, compared with RM23.8 million achieved over the same period last year. This was mainly due to lower profit by the following segments viz. Trading of timber & other wood based products, Manufacturing of sawn timber, mouldings and sack paper bags and Services & treatment which reduced by RM4.56 million, RM4.51 million and RM1.41 million respectively.

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

Total revenue for the fourth quarter of 2007 decreased to RM68.38 million, from RM99.34 million in the third quarter of 2007 or 31% mainly due to lower turnover recorded by all of our market segments.

In tandem with the lower revenue, the group recorded a loss before tax of RM3.62 million for the fourth quarter of 2007 as compared to a profit of RM4.83 million achieved in the previous quarter.

16. Prospects for Current Financial Year

Group Performance for the first quarter of year 2008 is expected to remain relatively unchanged owing to the usual slow down experienced during the festive seasons.



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17. Variance of Actual Profit from Forecast Profit

Not applicable.

18. Taxation

Taxation comprises:-

	Fourth Quarter		Cumulative 12 months	
	31-Dec 2007	31-Dec 2006	31-Dec 2007	31-Dec 2006
	RM'000	RM'000	RM'000	RM'000
Current taxation	4,963	2,189	4,963	4,396
(Over)/Under provision in respect of prior years	-	(743)	-	(574)
Foreign Taxation	-	-	-	-
Deferred Taxation	(332)	228	(332)	228
	<u>4,631</u>	<u>1,674</u>	<u>4,631</u>	<u>4,050</u>
Our share of results of associated companies	-	-	-	-
Total taxation	<u>4,631</u>	<u>1,674</u>	<u>4,631</u>	<u>4,050</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 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 31 December 2007.

21. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 22 February 2008.

22. Group Borrowings

Total Group borrowings as at 31 December 2007 were as follows:-



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	<u>RM'000</u>
Long Term Borrowings	
Secured	27,582
Unsecured	0
	<hr/>
	27,582
Short Term Borrowings	
Secured	43,441
Unsecured	0
	<hr/>
	43,441
	<hr/>
Total Borrowings	<u>71,023</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, Lionvest Corporation (Pahang) Sdn. Bhd., 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 then, our solicitors have filed a statement of defense. The hearing date which was fixed on the 11 December 2007 was rescheduled to 6 March 2008.

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.

For the above 2 summonses, IRB, on 7 December 2007, have issued a letter to the company approving the company's earlier appeal, the contents of which are as follows:-

Total Claims - summon G/S MT3-21-220-2004	RM 9,525,846.92
Total Claims - summon G/S MT3-21-222-2006	<u>RM 3,166,835.06</u>
	RM12,714,681.98
Less: Payments received up to 30 November 2007	(RM 3,275,000.00)
Credit for Year 2005 & Year 2006	(RM 669,848.36)
Transfer of Tax Credit from Minho (M) Berhad	<u>(RM 3,460,160.72)</u>
Balance of Claims	<u>RM 5,299,672.90</u>

IRB has approved that the balance of claims to be settled by 32 installments with condition that the company will accept the judgment during the upcoming hearing on 6 March 2008. The company has written to IRB on 15 December 2007 accepting their proposed settlement but appealed to them to amend the installment amount while maintaining the pay back period of 32 months.



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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 10 May 2007 was postponed to 25 May 2007 and subsequently postponed to a new date viz. from 8 to 9 September 2008.

On 2 August 2007, we received a writ of summons from the IRB for a subsidiary company viz. Syarikat Minhø 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 31 December 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