



MINHO (M) BERHAD

Company No: 200930 - H
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT SIX MONTHS PERIOD ENDED 30 JUNE 2008

I. CONDENSED CONSOLIDATED INCOME STATEMENTS For Six Months Period Ended 30 June 2008.

	2008 Current Quarter Ended 30-Jun (RM'000)	2007 Comparative Quarter Ended 30-Jun (RM'000)	2008 6 months Cumulative to date (RM'000)	2007 6 months Cumulative to date (RM'000)
Revenue	59,296	81,623	138,891	173,866
Operating expenses excluding depreciation, diminution and amortisation	(57,102)	(71,268)	(130,296)	(153,059)
Other operating income	206	1,008	1,297	2,206
Profit before depreciation, diminution and amortisation	2,400	11,363	9,892	23,013
Depreciation, diminution and amortisation	(1,989)	(1,933)	(4,061)	(3,900)
Profit/(Loss) from operations	411	9,430	5,831	19,113
Finance cost	(1,174)	(1,596)	(2,524)	(2,865)
Investing Results	-	-	-	-
Share of profit/(loss) of associates	-	184	-	511
Profit/(Loss) before taxation	(762)	8,018	3,308	16,759
Taxation	(207)	(2,723)	(1,689)	(5,332)
Profit/(Loss) after taxation	(969)	5,295	1,619	11,427
Net Profit/(loss) attributable to :				
Equity holders of the Company	(1,468)	4,926	237	10,069
Minority interest	499	369	1,382	1,358
Profit for the period	(969)	5,295	1,619	11,427
Earnings/(Loss) per RM1.00 share				
Basic (sen)	(1.34)	4.48	0.22	9.17
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 2007)



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II. CONDENSED CONSOLIDATED BALANCE SHEET

As At 30 June 2008

	As at 30 Jun 2008 RM'000	As at 31 Dec 2007 (Audited) RM'000
ASSETS		
Non-current assets		
Property, Plant and Equipment	124,573	127,862
Prepaid lease payments	24,640	24,472
Investment properties	32,169	32,387
Investment in associated company	0	0
Other Investment	500	500
	181,882	185,221
Current Assets		
Inventories	124,650	133,504
Trade receivables	43,422	38,336
Other receivables	27,263	13,711
Tax recoverable	6,192	5,351
Deposit with licensed banks	7,703	5,277
Cash and bank balances	5,658	5,255
	214,888	201,434
TOTAL ASSETS	396,770	386,655
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parents		
Share Capital	109,851	109,851
Reserves attributable to capital	109,944	109,934
Reserves attributable to revenue	0	0
Retained earnings-profit/(loss)	(65,794)	(66,328)
	154,001	153,457
Minority Interest	24,555	24,157
Total Equity	178,556	177,614



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II. CONDENSED CONSOLIDATED BALANCE SHEET

As At 30 June 2008

	As at 30 Jun 2008 RM'000	As at 31 Dec 2007 (Audited) RM'000
Non-current liabilities		
Amount due to directors	0	1,000
Deferred Taxation	29,780	29,780
Hire Purchase obligations	856	1,786
Bank borrowings	22,454	14,652
	53,090	47,218
Current Liabilities		
Trade payables	13,526	11,449
Other payables	82,806	73,132
Provision for liabilities	3,925	4,021
Hire purchase obligations	1,798	2,626
Bank borrowings	50,845	56,371
Bank overdraft	0	0
Tax Payable	12,224	14,224
	165,124	161,823
Total Liabilities	218,214	209,041
TOTAL EQUITY AND LIABILITIES	396,770	386,655
		-
Net Tangible Assets per RM1.00 sen share (RM)	1.40	1.40

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)



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III. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For Six Months Period Ended 30 June 2008

	← - - Attributable to equity holders of the company - - →							
	Share Capital	Share Premium	Reserve on consolidation	Capital Reserve	Retained Losses	Total	Minority Interest	Total Equity
	RMF000	RMF000	RMF000	RMF000	RMF000	RMF000	RMF000	RMF000
At 1 January 2007	109,851	92,431	13,965	3,387	(75,067)	144,567	17,757	162,324
Prior year adjustments						-	0	-
At 1 January 2007(restated)	109,851	92,431	13,965	3,387	(75,067)	144,567	17,757	162,324
Profit/(Loss) for the period (cumulative)					-	10,069	1,358	11,427
Foreign exchange difference			-	-	150	150	0	150
Total recognised income and expenses for the period	-	-	-	-	10,219	10,219	1,358	11,577
Dividend distributed to Minority Shareholders					-	-	(1,235)	(1,235)
At 30 June 2007	109,851	92,431	13,965	3,387	(64,848)	154,786	17,880	172,666
At 1 January 2008	109,851	92,431	14,116	3,387	(66,328)	153,457	24,157	177,614
Prior years adjustment - tax overprovided					-	-		-
Adjustments pertaining to Disposal of a subsidiary company			9		262	271	-	271
At 1 January 2008(restated)	109,851	92,431	14,125	3,387	(66,066)	153,728	24,157	177,885
Profit/(Loss) for the period (cumulative)					237	237	1,382	1,619
Foreign exchange difference			-		36	36	0	36
Acquisition of additional equity in JCE i.e. become subsidiary			-		-	-	0	-
Total recognised income and expenses for the period	-	-	-	-	273	273	1,382	1,655
Dividend distributed to Minority Shareholders					-	-	(984)	(984)
At 30 June 2008	109,851	92,431	14,125	3,387	(65,793)	154,001	24,555	178,556

(The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)



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IV. CONDENSED CONSOLIDATED CASH FLOW STATEMENT For Six Months Period Ended 30 June 2008

	6 months ended	
	30.06.2008	30.06.2007
	<u>RM'000</u>	<u>RM'000</u>
Net cash used in operating activities	7,651	20,537
Net cash used in investing activities	(4,070)	(4,977)
Net cash generated from financing activities	735	(11,127)
Net (decrease)/increase in cash and cash equivalents	4,316	4,433
Effects of exchange rate changes	(1,487)	(775)
Cash and cash equivalents at beginning of financial period	10,532	9,932
Cash and cash equivalents at end of financial period	13,361	13,590

Cash and cash equivalent comprise the following:-

	6 months ended	
	30.06.2008	30.06.2007
	<u>RM'000</u>	<u>RM'000</u>
Bank and cash balances	13,361	13,590
Bank Overdraft	-	-
	13,361	13,590

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007)



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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 2007 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 June 2008.

7. Dividends Paid

There were no dividends declared and paid by the Company for the financial period ended 30 June 2008.



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8. Segment Information

The segmental analysis of the Group operations for the financial period ended 30 June 2008 is as follows:-

	6 months ended	
	30.06.2008	30.06.2007
	<u>RM'000</u>	<u>RM'000</u>
Segment Revenue		
Revenue from continuing operations:		
Timber Extraction	2,135	8,689
Trading of Timber & Other woodbased Products	86,939	114,308
Manufacturing of sawn timber, mouldings and sacks paper bags	54,739	39,438
Services and Treatment	15,734	19,907
Others	39	36
Total revenue including inter-company sales	159,586	182,378
Elimination of inter-segments sales	(20,695)	(8,511)
Total revenue from continuing operations	138,891	173,867
Revenue from discontinued operations:	-	-
Total	138,891	173,867
Segment Results		
Results from continuing operations:		
Timber Extraction	1,005	5,643
Trading of Timber & Other woodbased Products	2,733	5,169
Manufacturing of sawn timber, mouldings and sacks paper bags	(1,099)	1,822
Services and Treatment	2,932	7,372
Others	(861)	(1,462)
Total revenue including inter-company sales	4,710	18,544
Eliminations	(1,402)	(1,785)
Total results from continuing operations	3,308	16,759
Results from discontinued operations:	-	-
Total	3,308	16,759

9. Property, Plant, and Equipment.

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 2007.



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

There are no material events subsequent to the financial period ended 30 June 2008 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 material changes in the composition of the Group during the financial period ended 30 June 2008 except for the disposal of a subsidiary company, Lionvest Trading (U.K.) Private Limited on 30 June 2008.

12. Contingent Liabilities – Unsecured

The Group does not have any contingent liabilities as at 19 August 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 but not contracted for as at 30 June 2008 was RM13,215,000.

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

The Group posted total revenue of RM138.89 million for the six months ending 30 June 2008, RM34.98 million or 14% less than the RM173.87 million recorded in the corresponding period last year. All the group's market segments recorded lower turnover except for Manufacturing of sacks paper bags segment which increased by RM2.32 million.

Profit from operations dropped from RM19.11 million to RM5.83 million in line with lower revenue and other operating income. With lower profit from operations, the Group pre-tax profit dropped to RM3.31 million, compared with RM16.76 million achieved over the same period last year. All the group's market segments experienced a significant drop in their pre-tax profit mainly attributable to the uncertainties surrounding current world economy which has resulted in the decline in demand while cost of operation continues to escalate.

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

Total revenue for the second quarter of 2008 decreased to RM59.29 million, from RM79.59 million in the first quarter of 2008 or 26% as most of the group's market segments recorded lower turnover. A recent disposal of a subsidiary company contributed approximately RM7 million reduction in turnover in the first quarter of 2008.



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In tandem with lower revenue, the group recorded a profit before tax of RM3.31 million for the second quarter of 2008, compared to RM4.07 million in the first quarter of 2008, a decline of RM763,000 or 18%.

16. Prospects for Current Financial Year

Group Performance for the third quarter of year 2008 is expected to remain relatively subdued owing to uncertainties with the world economy.

17. Variance of Actual Profit from Forecast Profit

Not applicable.

18. Taxation

Taxation comprises:-

	30-Jun 2008 RM'000	30-Jun 2007 RM'000	30-Jun 2008 RM'000	30-Jun 2007 RM'000
Current taxation	207	2,723	1,689	5,332
(Over)/Under provision in respect of prior years	-	-	-	-
Foreign Taxation	-	-	-	-
Deferred Taxation	-	-	-	-
	<u>207</u>	<u>2,723</u>	<u>1,689</u>	<u>5,332</u>
Our share of results of associated companies	-	-	-	-
	<u>207</u>	<u>2,723</u>	<u>1,689</u>	<u>5,332</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 30 June 2008.



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21. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 19 August 2008.

22. Group Borrowings

Total Group borrowings as at 30 June 2008 were as follows:-

	<u>RM'000</u>
Long Term Borrowings	
Secured	22,454
Unsecured	0
	<hr/> 22,454
Short Term Borrowings	
Secured	50,845
Unsecured	0
	<hr/> 50,845
Total Borrowings	<hr/> 73,299 <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 then, our solicitors have filed a statement of defense. The hearing date which was fixed on the 5 August 2008 was rescheduled to 11 November 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 in total. Here again, we have, through our solicitors, filed a statement of defense.

For the above 2 summonses, IRB have on 7 December 2007, issued a letter to the company approving the company's earlier appeal, 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 3,188,835.06</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>



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IRB has approved that the balance of claims to be settled by 32 installments with condition that the company will enter and accept the judgment during the 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. IRB has replied on 3 April 2008 rejecting the company's appeal. The company has forwarded another appeal letter to the IRB on 30 April 2008 and was rejected by IRB vide their letter dated 9 May 2008. In view of the rejection by IRB, the company has written to the Minister of Finance on 13 May 2008 as a final attempt to resolve the matter.

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 8 to 9 September 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 June 2008 (2007: 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