



MINHO (M) BERHAD

Company No: 200930 - H
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2008

I. CONDENSED CONSOLIDATED INCOME STATEMENTS

For Nine Months Period Ended 30 September 2008.

	2008	2007	2008	2007
	Current	Comparative	9 months	9 months
	Quarter	Quarter	Cumulative	Cumulative
	Ended	Ended	to date	to date
	30-Sep	30-Sep		
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Revenue	70,111	99,344	209,002	273,210
Operating expenses excluding depreciation, diminution and amortisation	(65,384)	(90,963)	(195,683)	(244,023)
Other operating income	3,333	1,300	4,654	3,506
Profit before depreciation, diminution and amortisation	8,060	9,682	17,973	32,694
Depreciation, diminution and amortisation	(1,906)	(2,306)	(5,967)	(6,206)
Profit/(Loss) from operations	6,153	7,376	12,006	26,488
Finance cost	(1,256)	(2,037)	(3,387)	(4,903)
Investing Results	-	-	-	-
Share of profit/(loss) of associates	-	(511)	-	-
Profit/(Loss) before taxation	4,897	4,828	8,619	21,585
Taxation	(1,539)	(972)	(3,218)	(6,304)
Profit/(Loss) after taxation	3,358	3,856	5,401	15,281
Net Profit/(loss) attributable to :				
Equity holders of the Company	2,077	3,695	2,740	13,762
Minority interest	1,281	161	2,661	1,519
Profit for the period	3,358	3,856	5,401	15,281
Earnings/(Loss) per RM1.00 share				
Basic (sen)	1.89	3.36	2.49	12.53
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 September 2008

	As at 30 Sep 2008 RM'000	As at 31 Dec 2007 (Audited) RM'000
ASSETS		
Non-current assets		
Property, Plant and Equipment	125,766	127,862
Prepaid lease payments	24,473	24,472
Investment properties	32,059	32,387
Investment in associated company	0	0
Other Investment	500	500
	182,798	185,221
Current Assets		
Inventories	127,410	133,504
Trade receivables	38,739	38,336
Other receivables	63,579	13,711
Tax recoverable	7,079	5,351
Deposit with licensed banks	9,663	5,277
Cash and bank balances	6,058	5,255
	252,528	201,434
TOTAL ASSETS	435,326	386,655
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parents		
Share Capital	109,851	109,851
Reserves attributable to capital	109,943	109,934
Reserves attributable to revenue		0
Retained earnings-profit/(loss)	(63,290)	(66,328)
	156,504	153,457
Minority Interest	25,834	24,157
Total Equity	182,338	177,614



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II. CONDENSED CONSOLIDATED BALANCE SHEET As At 30 September 2008

	As at 30 Sep 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	761	1,786
Bank borrowings	17,808	14,652
	48,349	47,218
Current Liabilities		
Trade payables	15,575	11,449
Other payables	115,565	73,132
Provision for liabilities	3,754	4,021
Hire purchase obligations	1,531	2,626
Bank borrowings	54,777	56,371
Bank overdraft	0	0
Tax Payable	13,437	14,224
	204,639	161,823
Total Liabilities	252,988	209,041
TOTAL EQUITY AND LIABILITIES	435,326	386,655
		-
Net Tangible Assets per RM1.00 sen share (RM)	1.42	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 Nine Months Period Ended 30 September 2008

	← - - - Attributable to equity holders of the company					Total	Minority Interest	Total Equity
	Share Capital	Share Premium	Reserve on consolidation	Capital Reserve	Retained Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007	109,851	92,431	13,965	3,387	(75,067)	144,567	17,757	162,324
Prior year adjustments					(1,521)	(1,521)	0	(1,521)
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)				-	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	5,516	7,920
Total recognised income and expenses for the period	-	-	4,861	-	11,454	16,315	7,035	23,350
Dividend distributed to Minority Shareholders					-	-	(1,235)	(1,235)
At 30 September 2007	109,851	92,431	18,826	3,387	(65,134)	159,361	23,557	182,918
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					-	-		-
Prior years adjustment - Being reversal of share of profits in a JCE which become subsidiary			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)					2,740	2,740	2,661	5,401
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	-	-	-	-	2,776	2,776	2,661	5,437
Dividend distributed to Minority Shareholders					-	-	(984)	(984)
At 30 September 2008	109,851	92,431	14,125	3,387	(63,290)	156,504	25,834	182,338

(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 Nine Months Period Ended 30 September 2008

	9 months ended	
	30.09.2008	30.09.2007
	<u>RM'000</u>	<u>RM'000</u>
Net cash used in operating activities	13,376	5,442
Net cash used in investing activities	(7,087)	3,213
Net cash generated from financing activities	(563)	(6,517)
Net (decrease)/increase in cash and cash equivalents	5,726	2,138
Effects of exchange rate changes	(537)	(357)
Cash and cash equivalents at beginning of financial period	10,532	9,932
Cash and cash equivalents at end of financial period	15,721	11,713

Cash and cash equivalent comprise the following:-

	9 months ended	
	30.09.2008	30.09.2007
	<u>RM'000</u>	<u>RM'000</u>
Bank and cash balances	15,721	11,713
Bank Overdraft	-	-
	15,721	11,713

(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.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial 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 were no unusual items affecting assets, liabilities, equity, net income or cash flows.

5. Changes In Estimates of Amounts Reported Previously

There were 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 2008.

7. Dividends Paid

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



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8. Segment Information

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

	9 months ended	
	30.09.2008	30.09.2007
	<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	127,267	167,358
Manufacturing of sawn timber, mouldings and sacks paper bags	86,867	90,266
Services and Treatment	23,496	28,719
Others	58	54
Total revenue including inter-company sales	<u>239,823</u>	<u>295,086</u>
Elimination of inter-segments sales	<u>(30,821)</u>	<u>(21,876)</u>
Total revenue from continuing operations	<u>209,002</u>	<u>273,210</u>
Revenue from discontinued operations:	-	-
Total	<u>209,002</u>	<u>273,210</u>
Segment Results		
Results from continuing operations:		
Timber Extraction	999	5,312
Trading of Timber & Other woodbased Products	1,241	6,936
Manufacturing of sawn timber, mouldings and sacks paper bags	4,247	4,481
Services and Treatment	4,828	8,762
Others	(1,294)	(2,121)
Total revenue including inter-company sales	<u>10,021</u>	<u>23,370</u>
Eliminations	<u>(1,402)</u>	<u>(1,785)</u>
Total results from continuing operations	<u>8,619</u>	<u>21,585</u>
Results from discontinued operations:	-	-
Total	<u>8,619</u>	<u>21,585</u>

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. Materials events Subsequent to the End of the Interim Reporting Period

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

Except for the disposal of a subsidiary company, Lionvest Trading (U.K.) Limited on 30 June 2008, there was no material changes in the composition of the Group during the financial period ended 30 September 2008.

12. Discontinued Operation

On 4 July 2008, the Group publicly announced that its wholly owned subsidiary company, Lionvest Corporation (Pahang) Sdn. Bhd. has disposed of 10,000 ordinary shares of GBP1.00 per share being the entire paid-up capital of Lionvest Trading (U.K.) Limited to Lion Holdings Limited for cash consideration of GBP200,000. The disposal was completed on 30 June 2008. Lionvest Trading (U.K.) Limited was a timber and wood based products trading company located in West Sussex, Britain. The amounts in respect of discontinuing operation that have been included in the interim financial statements are as follows:

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Revenue	-	12,057	7,972	31,362
Profit/(loss) before tax	-	662	36	1,380
Income Tax Expenses	-	-	-	-
Profit/(loss) for the period from a discontinued operation	-	662	36	1,380
Cash flows from operating activities	-	463	(1,174)	589
Cash flows from investing activities	-	124	-	124
Cash flows from financing activities	-	(21)	(22)	32
Total cash flows	-	566	(1,195)	744

The aggregate net asset of Lionvest Trading (U.K.) Limited was (RM3,942,453) as at 30 June 2008 and (RM4,057,484) as at 31 December 2007.

13. Contingent Liabilities – Unsecured

As at 30 September 2008, the Company had contingent liabilities in the form of corporate guarantees given to financial institutions in respect of facilities granted to subsidiary companies amounting to RM123,562,863.91.



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14. Capital Commitments

The total amount of capital commitments approved but not contracted for as at 30 September 2008 was RM13,215,000.

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

The Group posted total revenue of RM209 million for the nine months ending 30 September 2008, RM64.20 million or 24% less than the RM273.21 million recorded in the corresponding period last year. All the group's market segments recorded lower turnover with the significant decline recorded by the Trading of Timber & Other Wood-based products segment which fell by RM40 million.

Profit from operations was reduced from RM26.49 million to RM12.01 million in line with lower revenue. With lower profit from operations, the Group pre-tax profit dropped to RM8.62 million, compared with RM21.59 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 declining demand and escalating operational costs clearly as a prelude to the onset of the current global recession.

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

Total revenue for the third quarter of 2008 increased to RM70.11 million, from RM59.29 million in the second quarter of 2008 or 26% mainly due to higher turnover recorded by the by the Trading of Timber & Other wood based Products segment.

In tandem with higher revenue, the group registered a pre-tax of RM4.89 million for the third quarter of 2008 a turnaround from pre-tax loss of RM762,000 recorded in the second quarter of 2008, an increase of RM5.66 million.

17. Prospects for Current Financial Year

Group Performance for the fourth quarter of year 2008 is expected to remain relatively subdued as the current global recession picks up momentum.

18. Variance of Actual Profit from Forecast Profit

Not applicable.



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19. Taxation

Taxation comprises:-

	Third Quarter		Cumulative 9 months	
	30-Sep 2008	30-Sep 2007	30-Sep 2008	30-Sep 2007
	RM'000	RM'000	RM'000	RM'000
Current taxation	1,539	972	3,218	6,304
(Over)/Under provision in respect of prior years	-	-	-	-
Foreign Taxation	-	-	-	-
Deferred Taxation	-	-	-	-
	<u>1,539</u>	<u>972</u>	<u>3,218</u>	<u>6,304</u>
Our share of results of associated companies	-	-	-	-
	<u>1,539</u>	<u>972</u>	<u>3,218</u>	<u>6,304</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.

20. Disposal of Unquoted Investments and Properties

There were no disposals of investments and/or properties for the financial period under review except for the disposal of unquoted shares of a subsidiary company, Lionvest Trading (U.K.) Ltd. on 30 June 2008 which resulted in loss on disposal for the Group of RM2,547,152.

21. Quoted Securities

There were no purchases and/or disposals of quoted securities of the Group for the financial period ended 30 September 2008.

22. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 21 November 2008.

23. Group Borrowings

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

	<u>RM'000</u>
Long Term Borrowings	
Secured	17,808
Unsecured	0
	<u>17,808</u>
Short Term Borrowings	
Secured	54,777
Unsecured	0
	<u>54,777</u>
Total Borrowings	<u>72,585</u>



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24. Off Balance Sheet Financial Instruments

There are no material financial instruments with off balance sheet risk as at the date of this report.

25. 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 11 November 2008 was rescheduled to 18 December 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, on 7 December 2007, have issued a letter to the company approving the company's earlier appeal, the content of the letter stated 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>

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 to resolve the matter. IRB has replied on 27 August 2008 again rejecting the company's appeal. It has approved, however, the balance of claims is to be settled by 24 installments for an amount totaling RM4,624,672.90. The company is currently in the process of forwarding the final appeal to the Minister of Finance as the last attempt to resolve this 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 10 May 2007 was postponed to 25 May 2007 and subsequently postponed to a new date viz. from 18 to 19 May 2009.



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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.

26. Dividend

No dividend has been recommended by the Board for the period ended 30 September 2008 (2007: Nil).

27. 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