



MINHO (M) BERHAD

Company No: 200930 - H
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2008

I. CONDENSED CONSOLIDATED INCOME STATEMENTS

For Twelve Months Period Ended 31 December 2008.

	2008	2007	2008	2007
	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	59,468	81,775	268,470	341,587
Operating expenses excluding depreciation, diminution and amortisation	(58,088)	(77,079)	(253,771)	(311,485)
Other operating income	1,337	4,425	5,991	3,206
Profit before depreciation, diminution and amortisation	2,717	9,121	20,690	33,308
Depreciation, diminution and amortisation	(2,797)	(2,031)	(8,764)	(8,365)
Profit/(Loss) from operations	(80)	7,090	11,926	24,943
Finance cost	(1,280)	(1,846)	(4,667)	(6,978)
Investing Results	-	-	-	-
Share of profit/(loss) of associates	-	266	-	-
Profit/(Loss) before taxation	(1,360)	5,510	7,259	17,965
Taxation	12,281	1,674	9,063	(4,631)
Profit/(Loss) after taxation	10,921	7,184	16,322	13,334
Net Profit/(loss) attributable to :				
Equity holders of the Company	10,604	6,198	13,344	11,239
Minority interest	317	986	2,978	2,095
Profit for the period	10,921	7,184	16,322	13,334
Earnings/(Loss) per RM1.00 share				
Basic (sen)	9.65	5.64	12.15	10.23
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 31 December 2008

	As at 31 Dec 2008 RM'000	As at 31 Dec 2007 (Audited) RM'000
ASSETS		
Non-current assets		
Property, Plant and Equipment	125,310	127,862
Prepaid lease payments	24,307	24,472
Investment properties	30,691	32,387
Investment in associated company	0	0
Other Investment	500	500
	180,808	185,221
Current Assets		
Inventories	120,836	133,504
Trade receivables	44,790	38,336
Other receivables	13,795	13,711
Tax recoverable	6,795	5,351
Deposit with licensed banks	10,158	5,277
Cash and bank balances	6,788	5,255
	203,162	201,434
TOTAL ASSETS	383,970	386,655
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parents		
Share Capital	109,851	109,851
Reserves attributable to capital	64,664	109,934
Reserves attributable to revenue	0	0
Retained earnings-profit/(loss)	(7,735)	(66,328)
	166,780	153,457
Minority Interest	26,151	24,157
Total Equity	192,931	177,614



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II. CONDENSED CONSOLIDATED BALANCE SHEET As At 31 December 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	17,816	29,780
Hire Purchase obligations	1,147	1,786
Bank borrowings	17,463	14,652
	36,426	47,218
Current Liabilities		
Trade payables	13,496	11,449
Other payables	76,296	73,132
Provision for liabilities	3,838	4,021
Hire purchase obligations	1,318	2,626
Bank borrowings	47,404	56,371
Bank overdraft	0	0
Tax Payable	12,261	14,224
	154,613	161,823
Total Liabilities	191,039	209,041
TOTAL EQUITY AND LIABILITIES	383,970	386,655
		-
Net Tangible Assets per RM1.00 sen share (RM)	1.52	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 Twelve Months Period Ended 31 December 2008

	← — — Attributable to equity holders of the company — — →							Total Equity
	Share Capital	Share Premium	Reserve on consolidation	Capital Reserve	Retained Losses	Total	Minority Interest	
	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					(1,479)	(1,479)	0	(1,479)
At 1 January 2007(restated)	109,851	92,431	13,965	3,387	(76,546)	143,088	17,757	160,845
Profit/(Loss) for the period (cumulative)				-	12,675	12,675	2,118	14,793
Foreign exchange difference			151	-	-	151	0	151
Acquisition of additional equity in JCE i.e. become subsidiary			-		(2,457)	(2,457)	5,516	3,059
Total recognised income and expenses for the period	-	-	151	-	10,218	10,369	7,634	18,003
Dividend distributed to Minority Shareholders				-	-	-	(1,234)	(1,234)
At 31 December 2007(audited)	109,851	92,431	14,116	3,387	(66,328)	153,457	24,157	177,614
At 1 January 2008	109,851	92,431	14,116	3,387	(66,328)	153,457	24,157	177,614
Prior years adjustment :								
(i). Reversal of reserve in relation to the disposal of wholly owned subsidiary company.			(661)			(661)	-	(661)
(ii). Reversal of retained earnings in relation to the disposal of wholly owned subsidiary company.					404	404	-	404
(iii). Foreign currency translation					(35)	(35)	-	(35)
(iv). 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	13,464	3,387	(65,697)	153,436	24,157	177,593
Profit/(Loss) for the period (cumulative)					13,344	13,344	2,978	16,322
Revaluation reserved transferred to retained earnings for asset disposed between wholly owned subsidiary company		(44,618)	-		44,618	-	-	-
Foreign exchange difference			-		-	-	0	-
Acquisition of additional equity in JCE i.e. become subsidiary			-		-	-	0	-
Total recognised income and expenses for the period	-	(44,618)	-	-	57,962	13,344	2,978	16,322
Dividend distributed to Minority Shareholders					-	-	(984)	(984)
At 31 December 2008	109,851	47,813	13,464	3,387	(7,735)	166,780	26,151	192,931

(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

	12 months ended	
	31.12.2008	31.12.2007
	<u>RM'000</u>	<u>RM'000</u>
Net cash used in operating activities	22,344	9,189
Net cash used in investing activities	(4,511)	2,334
Net cash generated from financing activities	(13,342)	(9,917)
Net (decrease)/increase in cash and cash equivalents	4,491	1,607
Effects of exchange rate changes	1,922	(1,054)
Cash and cash equivalents at beginning of financial period	10,532	9,932
Cash and cash equivalents at end of financial period	16,946	10,485

Cash and cash equivalent comprise the following:-

	12 months ended	
	31.12.2008	31.12.2007
	<u>RM'000</u>	<u>RM'000</u>
Bank and cash balances	16,946	10,485
Bank Overdraft	-	-
	16,946	10,485

(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 31 December 2008.

7. Dividends Paid

There were no dividends declared and paid by the Company for the financial period ended 31 December 2008.



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8. Segment Information

The segmental analysis of the Group operations for the financial period ended 31 December 2008 is as follows:-

	12 months ended	
	31.12.2008	31.12.2007
	<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	175,509	245,890
Manufacturing of sawn timber, mouldings and sacks paper bags	103,657	73,958
Services and Treatment	31,293	35,922
Others	81	73
Total revenue including inter-company sales	312,675	364,532
Elimination of inter-segments sales	(44,205)	(22,945)
Total revenue from continuing operations	268,470	341,587
Revenue from discontinued operations:	-	-
Total	268,470	341,587
Segment Results		
Results from continuing operations:		
Timber Extraction	514	4,955
Trading of Timber & Other woodbased Products	2,342	9,411
Manufacturing of sawn timber, mouldings and sacks paper bags	4,020	2,690
Services and Treatment	35,932	5,890
Others	(2,039)	1,144
Total revenue including inter-company sales	40,769	24,090
Eliminations	(33,510)	(6,125)
Total results from continuing operations	7,259	17,965
Results from discontinued operations:	-	-
Total	7,259	17,965

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

There are no material events subsequent to the financial period ended 31 December 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 two subsidiary companies viz. Lionvest Trading (U.K.) Limited on 30 June 2008 and Woodvation Sdn. Bhd. on 31 December 2008, there were no other material changes in the composition of the Group during the financial period ended 31 December 2008.

12. Contingent Liabilities – Unsecured

As at 31 December 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 RM123,582,542.91, of which RM39,416,540.00 was utilized.

13. Capital Commitments

The total amount of capital commitments approved but not contracted for as at 31 December 2008 was RM6,714,024.

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

The Group posted total revenue of RM268 million for the twelve months ending 31 December 2008, RM73.58 million or 22% less than the RM341.59 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 RM31 million.

Profit from operations was reduced from RM24.94 million to RM11.93 million in line with lower revenue. With lower profit from operations, the Group pre-tax profit dropped to RM7.26 million, compared to RM17.97 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.

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

Total revenue for the fourth quarter of 2008 decreased to RM59.47 million, from RM70.11 million in the third quarter of 2008, down by 15%. Although the majority of the group's market segments recorded higher turnover, this increased was more than offset by the considerable decline in turnover recorded by the Manufacturing of Sawntimber,



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Mouldings and Sacks Paper Bags market segment. Taken together, they plummeted 48% (RM15.34 million).

As a result, the group registered a pre-tax loss of RM1.39 million for the fourth quarter of 2008 from pre-tax profit of RM4.89 million recorded in the third quarter of 2008.

16. Prospects for Current Financial Year

Group Performance for the first quarter of year 2009 is expected to remain relatively subdued as the current global recession picks up momentum.

17. Variance of Actual Profit from Forecast Profit

Not applicable.

18. Taxation

Taxation comprises:-

	Third Quarter		Cumulative 12 months	
	31-Dec 2008	31-Dec 2007	31-Dec 2008	31-Dec 2007
	RM'000	RM'000	RM'000	RM'000
Current taxation	462	4,963	(2,756)	4,963
(Over)/Under provision in respect of prior years	(145)	-	(145)	-
Foreign Taxation	-	-	-	-
Deferred Taxation	11,964	(332)	11,964	(332)
	<u>12,281</u>	<u>4,631</u>	<u>9,063</u>	<u>4,631</u>
Our share of results of associated companies	-	-	-	-
	<u>12,281</u>	<u>4,631</u>	<u>9,063</u>	<u>4,631</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. The provision for deferred taxation for asset that was revalued has been written back due to the abolishment of the 5% RPGT together with the disposal of assets.

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 and Woodvation Sdn. Bhd. on 31 December 2008, which resulted in loss on disposal for the Group of RM3.8 million.

Disposal of Woodvation Sdn. Bhd. to related party.

The entire equity of Woodvation Sdn. Bhd. (WVSB) which comprises 2 million ordinary shares of RM1 each was disposed to Mr. Lee Kim Char, a director of the WVSB and Madam Leong Lan for a consideration of RM1. The Group acquired 51% of the equity in



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WVSB in 1996 and the balance of 49% equity was acquired in 2001. WVSB was dealing in the trading of timber imported from Myanmar and Indonesia. However, the business of WVSB has been tremendously affected since the Government banned the importation of timber from Indonesia in 2004 and since then the company have been dormant.

The Group continuously assesses its business operations to enhance its returns on investment where non profitable subsidiary companies are identified and dispose in stages. In line with the above strategy, the Group has disposed WVSB since it has been dormant and no foreseeable income. The Group incurred a loss of RM1.4 million for the disposal of Woodvation Sdn. Bhd.

21. Quoted Securities

There were no purchases and/or disposals of quoted securities of the Group for the financial period ended 31 December 2008.

22. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 20 December 2008.

23. Group Borrowings

Total Group borrowings as at 31 December 2008 were as follows:-

	<u>RM'000</u>
Long Term Borrowings	
Secured	17,463
Unsecured	0
	<u>17,463</u>
Short Term Borrowings	
Secured	47,404
Unsecured	0
	<u>47,404</u>
Total Borrowings	<u>64,867</u>

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 19 March 2009.



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On 13 February 2007, the same subsidiary company received a writ of summons from the IRB 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, the 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>

The IRB has approved that the balance of claims was to be settled by 32 installments with the condition that the company will enter and accept the judgment during the hearing on 6 March 2008. The company wrote to the IRB on 15 December 2007 accepting their proposed settlement but appealed to amend the installment amount while maintaining the pay back period of 32 months. The 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. This was rejected by the IRB vide their letter dated 9 May 2008. In view of the rejection by the IRB, the company has written to the Minister of Finance on 13 May 2008 to resolve the matter. The IRB replied on 27 August 2008 again rejecting the company's appeal. It did approve, 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.

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 31 December 2008 (2007: Nil).



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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