

MAXTRAL INDUSTRY BERHAD

(Company No. 584501-H)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FORTH QUARTER ENDED 31 DECEMBER 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2003 RM000	Preceding Year Corresponding Quarter 31/12/2002 RM000	Current Year Todate 31/12/2003 RM000	Preceding Year Corresponding Period 31/12/2002 RM000
REVENUE	24,796	N/A	36,818	N/A
COST OF SALES	(21,231)	N/A	(29,228)	N/A
GROSS PROFIT	3,565	N/A	7,590	N/A
OTHER INCOME	52	N/A	52	N/A
SELLING EXPENSES	(460)	N/A	(780)	N/A
ADMINISTRATIVE EXPENSES	178	N/A	(253)	N/A
PROFIT FROM OPERATIONS	3,335	N/A	6,609	N/A
INTEREST INCOME	21	N/A	21	N/A
INTEREST EXPENSE	(819)	N/A	(1,381)	N/A
PROFIT BEFORE TAXATION	2,537	N/A	5,249	N/A
TAXATION	(33)	N/A	(803)	N/A
PROFIT AFTER TAXATION AND BEFORE MINORITY INTEREST	2,504	N/A	4,446	N/A
MINORITY INTEREST	(64)	N/A	(114)	N/A
PROFIT FOR THE PERIOD	<u>2,440</u>	<u>N/A</u>	<u>4,332</u>	<u>N/A</u>
EARNINGS PER SHARE (SEN)				
- Basic	1.04	N/A	5.01	N/A
- Diluted	0.83	N/A	3.71	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2002

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CONDENSED CONSOLIDATED BALANCE SHEET

As At End Of
Current Quarter
31/12/2003
(Unaudited)
RM000

NON-CURRENT ASSETS

Property, plant and equipment	55,315
Goodwill on consolidation	98,371
Deferred tax assets	1,446
	<u>155,132</u>

CURRENT ASSETS

Inventories	17,979
Trade receivables	16,215
Other receivables	13,341
Short term investment	822
Fixed deposit with a licensed bank	2,600
Cash and bank balances	412
	<u>51,369</u>

CURRENT LIABILITIES

Amount due to bankers	23,171
Trade payables	5,594
Other payables	5,195
Amounts due to holding company	476
Amount due to directors	1,519
Hire purchase payables	699
Term Loan	11,425
	<u>48,079</u>

NET CURRENT ASSETS

3,290

158,422

FINANCED BY:

Share capital	111,491
Share premium	35,766
Retained profits	4,326
Shareholders' equity	151,583
Minority interest	1,423
	<u>153,006</u>

LONG TERM LIABILITIES

Hire purchase payables	791
Term Loan	4,625
	<u>5,416</u>
	<u>158,422</u>

Net Tangible Assets Per Share (Sen)

25.94

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2002

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL			(ACCUMULATED LOSSES)/ RETAINED PROFITS	TOTAL
	ORDINARY SHARES RM000	IRREDEEMABLE CUMMULATIVE PREFERENCE SHARES ("ICPS") RM000	SHARE PREMIUM RM000	RM000	RM000
AT 01/01/2003	*	-	-	(6)	(6)
ISSUE OF ORDINARY SHARES	74,972	-	-	-	74,972
ISSUE OF ICPS	-	14,457	57,828	-	72,285
CONVERSION OF ICPS INTO ORDINARY SHARES	27,578	(5,516)	(22,062)	-	-
PROFIT FOR THE PERIOD	-	-	-	4,332	4,332
AT 31/12/2003	<u>102,550</u>	<u>8,941</u>	<u>35,766</u>	<u>4,326</u>	<u>151,583</u>

Note: * Denotes RM2

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2002

MAXTRAL INDUSTRY BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year Todate 31/12/2003 RM000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	5,249
Adjustments for:	
Depreciation of property, plant and equipment	1,406
Loss on disposal of property, plant and equipment	25
Interest income	(21)
Interest expense	1,381
Operating profit before working capital changes	<u>8,040</u>
Decrease in inventories	3,843
Increase in receivables	(7,018)
Increase in payables	4,690
Cash generated from operations	<u>9,555</u>
Interest paid	(1,381)
Net cash generated from operating activities	<u>8,174</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of subsidiary, net of cash acquired	(6,773)
Purchase of property, plant and equipment	(1,263)
Purchase of short term investment	(822)
Proceeds from disposal of property, plant and equipment	46
Interest income	21
Net cash generated used in investing activities	<u>(8,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of hire purchase liabilities	(267)
Repayment of term loans	(875)
Net cash used in financing activities	<u>(1,142)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,759)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	*
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(1,759)

Note: * Denotes RM2

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2002

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NOTES TO INTERIM FINANCIAL REPORT

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MASB 26 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Malaysia Securities Exchange Berhad.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2002, except for the adoption of MASB 11 : Consolidated Financial Statement, MASB 21 : Business Combinations, MASB 25 : Income Taxes and MASB 27 : Borrowing Costs.

MASB 11 and MASB 21 were adopted as this the first consolidated financial statements. With the exception of MASB 25, there are no change in the accounting policies that affect the net profit as a result of the adoption of the above standards. The change in accounting policy in relation to MASB 25 has been applied retrospectively by one of its new subsidiary companies. However, no prior year adjustments were necessary at Group level as the Group came into existence during the financial year under review.

2. Audit Report

There was no audit qualification in the audit report of the preceding annual financial statements.

3. Seasonal and Cyclical Factors

Timbers industry is to a certain extent affected by weather conditions especially on the supply of logs.

4. Unusual Items

There were no items affecting the assets, liabilities, net income or cash flows that are unusual because of their nature, size or incidence.

5. Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter.

6. Debt and Equities Securities

Save as below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

During the financial year under review, the company sub-divided each of its ordinary shares of RM1.00 in the existing capital, both issued and unissued, into two (2) ordinary shares of RM0.50 each. Subsequently, the authorised share capital of the company was increased from RM100,000 to RM500,000,000 comprised of 900,000,000 ordinary shares of RM0.50 each and 500,000,000 irredeemable convertible preference shares ("ICPS") of RM0.10 each.

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6. Debt and Equities Securities (continued)

On 4 August 2003, the company issued new additional 149,944,047 ordinary shares of RM0.50 each at an issue price of RM0.50 each and 144,570,837 ICPS of RM0.10 each at an issue price of RM0.50 each pursuant to the corporate exercise involving inter-alia the quotation of the Company in the Official List of Malaysia Securities Exchange Berhad. The new shares rank pari passu in all respects with the existing ordinary shares of the Company. The share premium arising from the issue of ICPS has been credited to the share premium account.

Additional new ordinary shares of RM0.50 each were allotted pursuant to conversion of ICPS into ordinary shares on the basis each ICPS of RM0.10 each were converted into one (1) ordinary share of RM0.50 each payable in full by surrendering one (1) ICPS of RM0.10 each and the remaining RM0.40 capitalised from the share premium account, on the following dates:

<u>Date</u>	<u>No. of new ordinary shares allotted upon conversion of ICPS</u>
27 August 2003	49,503,418
8 September 2003	650,000
8 October 2003	1,250,000
21 October 2003	3,752,000

7. Segmental Reporting

The company is principally operating in one industry. As a result, no segmental reporting is disclosed.

8. Valuations of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without amendment from the previous financial statements.

9. Subsequent Events

There were no material events subsequent to the end of the financial year to-date that has not been reflected in the financial statements

10. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter under review. The Group came into existence during the current financial year with the acquisition of 97.52% equity interests in Kin Yip Wood Industry Sdn Bhd ("KYWI") and its wholly owned subsidiary, Cergas Kapital Sdn Bhd on 4 August 2003. Cergas Kapital Sdn Bhd has remained dormant since incorporation.

The additional contribution arising from the acquisition of KYWI based on the unaudited interim financial report is as follows:

	<u>Current Quarter 31/12/2003 RM000</u>	<u>Cumulative Year-To-Date 31/12/2003 RM000</u>
Revenue	<u>24,796</u>	<u>36,818</u>
Profit before tax	<u>2,586</u>	<u>5,388</u>

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11. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets at the date of this report.

12. Review of Performance

The Group recorded a profit before taxation of RM5.2 million for the financial year to-date on the back of RM37 million revenue. The Group result for the financial year to-date excludes pre-acquisition profit. During the current quarter, one of its subsidiary has written back RM822,000 as recovery of deposit written off in its last financial year following the completion of the scheme of settlement as mentioned in Note 22.

13. Variation of Result Compared to Preceding Quarter

There were no material fluctuation in the profit before taxation in current quarter compared to immediate preceding quarter.

14. Company's Prospects

The directors are of the opinion that the performance in following financial year is dependent on external factors affecting prices and demand for panel products.

15. Profit Forecast and Profit Guarantee

The company has not issued any profit forecast in a public document.

However, pursuant to the acquisition of Kin Yip Wood Industries Sdn Bhd ("KYWI") by Maxtral Industry Berhad ("Maxtral"), should the audited profit after tax for the financial year ended 31 December 2003 be lower than the forecast profit after tax as provided to the Securities Commission ("SC"), the vendors of KYWI are required to pay in cash to Maxtral the shortfall, within 30 days after the audited financial statements are finalised ("SC Condition").

There is a shortfall in the forecast profit after tax as submitted to the SC as compared to the unaudited profit after tax for the financial year ended 31 December 2003. The shortfall is due to the adoption of MASB 25 in the preparation of the financial statements for the financial year ended 31 December 2003. Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Prior to adoption of MASB 25, on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

MASB 25 has not been adopted while preparing the forecast profit after tax as provided to SC. If not for the same, there would not be any shortfall in the forecast profit after tax as compared to the unaudited profit after tax for the financial year ended 31 December 2003. Premised on this reason, the vendors of KYWI have indicated their intention to seek a waiver from the said SC Condition. Nevertheless, the financial statements of KYWI for the financial year then ended are still subject to finalisation of audit.

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16. Taxation

	Current Quarter 31/12/2003 RM000	Cumulative Year-To-Date 31/12/2003 RM000
Current taxation	-	-
Deferred taxation	33	803
	<u>33</u>	<u>803</u>

17. Profit or Loss on Sale of Unquoted Investment and/or Properties

There were no sale of unquoted investments and/or properties during the current quarter and financial year-to-date.

18. Quoted Securities

There were no purchase or disposal of quoted securities during the current quarter and financial year-to-date and there were no investment in quoted shares as at the end of the quarter.

19. Corporate Proposals

Saved as disclosed below, there were no corporate proposal announced but not completed as at the date of this report.

The Securities Commission ("SC") has given Maxtral Industry Berhad ("Maxtral" or "the Company") an exemption period of six months up to 29 January 2004 to complete the acquisition of the remaining 1,000,000 ordinary shares of RM1.00 each in Kin Yip Wood Industries Sdn Bhd ("KYWI") ("KYWI Shares) representing the remaining approximately 2.48% of equity interest in KYWI which are not already owned by Maxtral for a consideration of RM3,045,163 under Section 180 of the Companies Act, 1965 ("Section 180 Acquisition"), failing which the Company is required to undertake a mandatory offer for the remaining 1,000,000 KYWI Shares under the Code on Take-overs and Mergers, 1998 (Mandatory General Offer)". As the Section 180 Acquisition cannot be fully completed within the six months exemption period granted by SC, the Company had sought an extension of time which was not approved by the SC which further notified the Company to undertake the Mandatory General Offer. Pursuant to this, the Company had on 16 February 2004 served the notice of Mandatory General Offer to the board of directors of KYWI. The completion of Mandatory General Offer is still pending as at the date of this report.

20. Borrowings

The Group borrowings, which are all secured and denominated in Ringgit Malaysia, as at the end of the reporting period were as follows:

	RM'000
Total short term borrowings	35,295
Total long term borrowings	5,416
	<u>40,711</u>

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21. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

22. Material Litigation

Save as disclosed below, there were no pending material litigations at the date of this report.

Certain present and past shareholders of KYWI had on 23 April 1994 entered into a Memorandum of Understanding ("MOU") with Kelanamas Industries Berhad ("KIB") for the sale of 18,750,000 shares of RM1.00 each in KYWI to KIB. Pursuant to the MOU, KIB has requested KYWI to construct and tar the access road to KYWI's factory and purchase and install new machineries at the said factory. Although the request has been carried out by KYWI, the deal did not materialise due to KIB failure to perform its part. KYWI, being the plaintiff, has taken legal action against KIB. On 7 September 2001, a judgement for the sum of RM2,697,087.43 was awarded against KIB in favour of KYWI, with interest at 8% per annum on the judgement sum from 7 February 1996 until the date of full payment. Pursuant to the said judgement, KYWI has filed a winding-up petition against KIB. On 21 January 2003, the Court has disallowed KIB's application for stay of the winding-up petition and the case was postponed to 11 July 2003 but was not listed for hearing.

Whereas, on 22 April 2003, KIB has obtained a Court Order in term of Application under Section 176(1) of the Companies Act, 1965 ("the Act"). The proposed scheme of arrangement with KIB's creditors pursuant to Section 176 of the Act involving amongst other, the proposed issue of new ordinary shares of RM1.00 each in MP Technology Resources Berhad ("MPTR") on the basis of 0.25 shares for every RM1.00 of debt to the creditors at an issue price of RM1.00 per share. The cut-off date for the debts owing to the creditors was 31 October 1998, and the scheme also include the propose waiver by all creditors of all interest accrued after the cut-off date. MPTR will assume the listing status of KIB as part of a collective schemes ("KIB Proposed Restructuring Scheme") to enable KIB to restructure the outstanding liabilities of KIB and subsequently the de-listing of KIB from the Official List of the Malaysia Securities Exchange Berhad ("MSEB"). The KIB Proposed Restructuring Scheme was approved by the KIB's creditors in the Court Convened Creditors Meeting on 16 October 2003 and by KIB's shareholders in the Court Convened Shareholders Meeting and Extraordinary General Meeting on 17 October 2003 and duly sanctioned by the High Court of Malaya on 11 November 2003.

Pursuant to KIB Proposed Restructuring Scheme, the amount of verified debt owed by KIB to KYWI as at 31 October 1998 amounted to RM3,286,456.45 was settled by the allotment of 821,614 MPTR Shares on 17 December 2003. MPTR was admitted to the Official List of the MSEB on 10 February 2004 following the completion of KIB Proposed Restructuring Scheme.

23. Dividend

There were no dividend paid or declared for the current financial year-to-date.

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24. Earnings Per Share

The basic earnings per share for the current quarter and financial year-to-date are calculated by dividing the adjusted net profit for the quarter/year-to-date by the weighted average number of ordinary shares in issue. For the purpose of calculating the diluted earnings per share, the net profit for the quarter/year-to-date and the weighted average number of ordinary shares in issue during the period have been adjusted for the effects of dilutive potential ordinary share from the conversion of ICPS.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2003	Preceding Year Corresponding Quarter 31/12/2002	Current Year Todate 31/12/2003	Preceding Year Corresponding Period 31/12/2002
Basic - Adjusted net profit for the period (RM'000)	2,118	N/A	4,010	N/A
Diluted - Net profit for the period (RM'000)	2,440	N/A	4,332	N/A
Weighted average number of ordinary shares in issue ('000)	204,189	N/A	80,081	N/A
Diluted weighted average number of ordinary shares in issue ('000)	293,604	N/A	116,827	N/A
Basic earnings per share (Sen)	1.04	N/A	5.01	N/A
Diluted earnings per share (Sen)	0.83	N/A	3.71	N/A

25. Comparative Figures

As this is the first set of consolidated financial statements for the Group, no comparative figures are available.