

MAXTRAL INDUSTRY BERHAD

(Company No. 584501-H)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2004 RM000	Preceding Year Corresponding Quarter 30/06/2003 RM000	Current Year To date 30/06/2004 RM000	Preceding Year Corresponding Period 30/06/2003 RM000
REVENUE	17,278	N/A	35,539	N/A
COST OF SALES	(12,847)	N/A	(26,705)	N/A
GROSS PROFIT	4,431	N/A	8,834	N/A
OTHER INCOME	130	N/A	272	N/A
SELLING EXPENSES	(427)	N/A	(1,012)	N/A
ADMINISTRATIVE EXPENSES	(1,296)	N/A	(2,371)	N/A
PROFIT FROM OPERATIONS	2,838	N/A	5,723	N/A
INTEREST INCOME	-	N/A	2	N/A
INTEREST EXPENSE	(1,395)	N/A	(2,163)	N/A
PROFIT BEFORE TAXATION	1,443	N/A	3,562	N/A
TAXATION	(443)	N/A	(1,225)	N/A
PROFIT AFTER TAXATION AND BEFORE MINORITY INTEREST	1,000	N/A	2,337	N/A
MINORITY INTEREST	(32)	N/A	(65)	N/A
PROFIT FOR THE PERIOD	<u>968</u>	<u>N/A</u>	<u>2,272</u>	<u>N/A</u>
EARNINGS PER SHARE (SEN)				
- Basic	0.46	N/A	1.10	N/A
- Diluted	0.34	N/A	0.80	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 2003

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CONDENSED CONSOLIDATED BALANCE SHEET

	As At End Of Current Quarter 30/06/2004 (Unaudited) RM000	As At End Of 31/12/2003 (Audited) RM000
NON-CURRENT ASSETS		
Property, plant and equipment	55,549	55,315
Goodwill on consolidation	98,008	98,007
Deferred tax assets	197	1,422
	<u>153,754</u>	<u>154,744</u>
CURRENT ASSETS		
Inventories	21,962	17,980
Trade receivables	26,223	18,987
Other receivables	52,730	13,341
Short term investment	-	822
Fixed deposit with a licensed bank	-	2,600
Cash and bank balances	123	412
	<u>101,038</u>	<u>54,142</u>
CURRENT LIABILITIES		
Borrowings	46,808	35,295
Trade payables	4,017	5,593
Other payables	16,986	10,079
	<u>67,811</u>	<u>50,967</u>
NET CURRENT ASSETS	33,227	3,175
	<u>186,981</u>	<u>157,919</u>
FINANCED BY:		
Share capital	105,050	102,550
Share premium	33,766	35,766
Other reserve	5,805	6,149
Retained profit	6,097	3,825
Shareholders' equity	<u>150,718</u>	<u>148,290</u>
Minority interest	1,485	1,420
	<u>152,203</u>	<u>149,710</u>
Borrowings	<u>34,778</u>	<u>8,209</u>
	<u>186,981</u>	<u>157,919</u>
Net Tangible Assets Per Share (Sen)	25.09	24.52

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2003

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL RM000	SHARE PREMIUM RM000	OTHER RESERVE RM000	RETAINED PROFIT RM000	TOTAL RM000
AT 01/01/2004	102,550	35,766	6,149	3,825	148,290
ISSUE OF SHARES*	2,500	(2,000)	(344)	-	156
PROFIT FOR THE PERIOD	-	-	-	2,272	2,272
AT 30/06/2004	<u>105,050</u>	<u>33,766</u>	<u>5,805</u>	<u>6,097</u>	<u>150,718</u>

* Conversion of irredeemable convertible preference shares ("ICPS") into ordinary shares.

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 2003

MAXTRAL INDUSTRY BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Current Year Todate 30/06/2004 RM000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	3,562
Adjustments for:	
Depreciation of property, plant and equipment	1,704
Gain on disposal of short term investment	(136)
Interest income	(2)
Interest expense	2,226
Operating profit before working capital changes	<u>7,354</u>
Increase in inventories	(3,983)
Increase in receivables	(46,625)
Increase in payables	5,248
Cash used in operations	<u>(38,006)</u>
Interest paid	(2,163)
Net cash used in operating activities	<u>(40,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceed from disposal of short term investment	975
Purchase of property, plant and equipment	(1,795)
Interest income	2
Net cash used in investing activities	<u>(818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceed from fixed deposit	2,600
Proceed from revolving credit loan	2,000
Proceed from term loans	37,383
Repayment of hire purchase liabilities	(346)
Repayment of term loans	(1,055)
Net movement in bankers' acceptance	(1,000)
Net cash generated from financing activities	<u>39,582</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,405)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,759)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(3,164)

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 2003

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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 Bursa Malaysia Securities 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 2003.

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.

On 19 April 2004, additional 5,000,000 new ordinary shares of RM0.50 each were allotted pursuant to conversion of 5,000,000 irredeemable convertible preference shares ("ICPS") of RM0.10 each on the basis that 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.

7. Dividend Paid

No dividend was paid during the financial quarter under review.

8. Segmental Reporting

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

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9. Valuations of Property, Plant and Equipment

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

10. Subsequent Events

There were no material events subsequent to the end of the financial period to-date.

11. Changes in Composition of the Group

There were no change in the composition of the Group except that the Company had on 24 May 2004, reorganised the corporate structure within the Group to improve the organisational management, with the acquisition of 100% equity interest in Cergas Capital Sdn Bhd ("CKSB"), a dormant company, from Kin Yip Wood Industries Sdn Bhd (KYWI"). Thereafter CKSB acquired approximately 0.01% of equity interest in KYWI from the Company. After the reorganisation, both CKSB and KYWI remain as subsidiaries of Maxtral Industry Berhad with no change in effective equity interest in KYWI while the effective equity interest in CKSB increased from 97.52% to 100%.

12. Contingent Liabilities and Contingent Assets

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

13. Review of Performance

The Group recorded a profit before taxation of RM1.44 million for the current financial period on the back of RM17.3 million turnover which is deemed satisfactory by the Board of Directors.

14. Variation of Result to Preceding Quarter

The Group's profit before taxation for the current quarter ended 30 June 2004 of RM1.44 million represented a decrease of RM0.68 million or 32% from the previous quarter ended 31 March 2004 of RM2.12 million. This was mainly due to increase in interest expense to finance the purchases of raw material. The Group's revenue for the current quarter has decreased by RM0.98 million or 5% as compared to the previous quarter.

15. Company's Prospects

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

16. Profit Forecast and Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

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17. Taxation

	Current Quarter 30/06/2004 RM000	Cumulative Year-To-Date 30/06/2004 RM000
Current taxation	-	-
Deferred taxation	443	1,225
	<u>443</u>	<u>1,225</u>

The effective tax rate for the current quarter is higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

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

As at the end of last financial year, the Company has investment in shares of MP Technology Berhad ("MPTR") which was unquoted as at 31 December 2003. MPTR was admitted to the Official List of Bursa Malaysia Securities Berhad on 10 February 2004. These shares were disposed of during the previous quarter as referred in Note 19 below.

19. Marketable Securities

There were no purchases of marketable securities and the disposal of marketable securities are as follows:

	Current Quarter 30/06/2004 RM000	Cumulative Year-To-Date 30/06/2004 RM000
Sales proceeds	-	957
Gain on disposal	-	136
	<u>-</u>	<u>136</u>

20. Corporate Proposals

There were no corporate proposal announced but not completed as at the date of this report.

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21. Borrowings

	Current Quarter 30/06/2004 RM000
Short term borrowings:	
Secured	<u>46,808</u>
	<u>46,808</u>
Long term borrowings:	
Secured	32,142
Unsecured	<u>2,636</u>
	<u>34,778</u>
	<u>81,586</u>

The unsecured long term borrowings represent the liability component of ICPS. During the financial quarter under review, RM156,000 was capitalised to equity resulted from the conversion of ICPS as referred in Note 6 above.

22. Off Balance Sheet Financial Instruments

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

23. Material Litigation

There were no pending material litigations at the date of this report.

24. Dividend Declared

There was no dividend declared for the financial quarter under review.

25. Earnings Per Share

The basic earnings per share for the current quarter and financial year-to-date are calculated by dividing the net profit for the period/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 period/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.

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25. Earnings Per Share (Continued)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2004	Preceding Year Corresponding Quarter 30/06/2003	Current Year Todate 30/06/2004	Preceding Year Corresponding Period 30/06/2003
Basic				
Net profit for the period (RM000)	968	N/A	2,272	N/A
Weighted average number of ordinary shares in issue ('000)	209,110	N/A	207,105	N/A
Basic earnings per share (Sen)	0.46	N/A	1.10	N/A
Diluted				
Net profit for the period (RM000)	968	N/A	2,272	N/A
Adjustment for after-tax effect of interest expense on ICPS (RM000)	<u>39</u>	N/A	<u>74</u>	N/A
Adjusted net profit for the period (RM000)	<u>1,007</u>	N/A	<u>2,346</u>	N/A
Weighted average number of ordinary shares in issue ('000)	209,110	N/A	207,105	N/A
Adjustment for assumed conversion of ICPS	<u>84,415</u>	N/A	<u>84,415</u>	N/A
Diluted weighted average number of ordinary shares in issue ('000)	<u>293,525</u>	N/A	<u>291,520</u>	N/A
Diluted earnings per share (Sen)	0.34	N/A	0.80	N/A

26. Comparative Figures

As the Group came into existence on 4 August 2003, no comparative figures are available.