



MAXTRAL INDUSTRY BERHAD

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2004

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2004	Preceding Year Corresponding Quarter 31/12/2003	Current Year Todate 31/12/2004	Preceding Year Corresponding Period 31/12/2003 (Audited) RM000
	RM000	RM000	RM000	RM000
REVENUE	40,721	24,796	100,354	36,918
COST OF SALES	(35,951)	(21,206)	(80,546)	(29,203)
GROSS PROFIT	4,770	3,590	19,808	7,715
OTHER INCOME	8	831	288	831
SELLING EXPENSES	(1,122)	(460)	(3,015)	(780)
ADMINISTRATIVE EXPENSES	(652)	(686)	(3,563)	(1,217)
PROFIT FROM OPERATIONS	3,004	3,275	13,518	6,549
INTEREST INCOME	-	21	2	21
INTEREST EXPENSE	(1,481)	(878)	(5,171)	(1,440)
PROFIT BEFORE TAXATION	1,523	2,418	8,349	5,130
TAXATION	(324)	(428)	(2,417)	(1,198)
PROFIT AFTER TAXATION AND BEFORE MINORITY INTEREST	1,199	1,990	5,932	3,932
MINORITY INTEREST	(29)	(53)	(154)	(103)
PROFIT FOR THE PERIOD	<u>1,170</u>	<u>1,937</u>	<u>5,778</u>	<u>3,829</u>
EARNINGS PER SHARE (SEN)				
- Basic	0.56	0.95	2.77	4.78
- Diluted	0.41	0.77	2.02	3.55

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



MAXTRAL INDUSTRY BERHAD

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CONDENSED CONSOLIDATED BALANCE SHEET

	As At End Of Current Quarter 31/12/2004 (Unaudited) RM000	As At End Of 31/12/2003 (Audited) RM000
NON-CURRENT ASSETS		
Property, plant and equipment	53,973	55,315
Goodwill on consolidation	98,008	98,007
Deferred tax assets	22	1,422
	<u>152,003</u>	<u>154,744</u>
CURRENT ASSETS		
Inventories	25,003	17,980
Trade receivables	37,393	18,987
Other receivables	45,706	13,341
Short term investment	-	821
Fixed deposit with a licensed bank	-	2,600
Cash and bank balances	1,718	412
	<u>109,820</u>	<u>54,141</u>
CURRENT LIABILITIES		
Borrowings	48,850	35,295
Trade payables	3,561	5,594
Other payables	24,653	10,079
	<u>77,064</u>	<u>50,968</u>
NET CURRENT ASSETS	32,756	3,173
	<u>184,759</u>	<u>157,917</u>
FINANCED BY:		
Share capital	105,050	102,550
Share premium	33,766	35,766
Other reserve	5,805	6,149
Retained profit	9,601	3,823
Shareholders' equity	<u>154,222</u>	<u>148,288</u>
Minority interest	1,574	1,420
	<u>155,796</u>	<u>149,708</u>
Borrowings	27,947	8,209
Deferred tax liabilities	1,016	-
	<u>28,963</u>	<u>8,209</u>
	<u>184,759</u>	<u>157,917</u>
Net Tangible Assets Per Share (Sen)	23.99	21.52

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



MAXTRAL INDUSTRY BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL RM000	SHARE PREMIUM RM000	OTHER RESERVE RM000	(ACCUMULATED LOSSES)/ RETAINED PROFIT RM000	TOTAL RM000
AT 01/01/2003	*	-	-	(6)	(6)
ISSUE OF SHARES**	102,550	35,766	6,149	-	144,465
PROFIT FOR THE PERIOD	-	-	-	3,829	3,829
AT 31/12/2003	<u>102,550</u>	<u>35,766</u>	<u>6,149</u>	<u>3,823</u>	<u>148,288</u>
AT 01/01/2004	102,550	35,766	6,149	3,823	148,288
ISSUE OF SHARES***	2,500	(2,000)	(344)	-	156
PROFIT FOR THE PERIOD	-	-	-	5,778	5,778
AT 31/12/2004	<u>105,050</u>	<u>33,766</u>	<u>5,805</u>	<u>9,601</u>	<u>154,222</u>

* Denotes RM2.

** Comprised of new issue of ordinary shares and Irredeemable Convertible Preference Shares ("ICPS") and conversion of ICPS into ordinary shares.

*** Conversion of 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 31/12/2004 RM000	Preceding Year Corresponding Period 31/12/2003 RM000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,349	5,130
Adjustments for:		
Bad debts recovered	-	(822)
Depreciation of property, plant and equipment	3,423	1,406
Gain on disposal of short term investment	(136)	-
Loss on disposal of property, plant and equipment	1	25
Interest income	(2)	(21)
Interest expense	5,171	1,440
Operating profit before working capital changes	<u>16,806</u>	<u>7,158</u>
(Increase) / decrease in inventories	(7,023)	3,843
Increase in receivables	(50,770)	(7,698)
Increase in payables	12,410	5,429
Cash used in operations	<u>(28,577)</u>	<u>8,732</u>
Interest paid	(5,043)	(1,381)
Net cash (used in) / generated from operating activities	<u>(33,620)</u>	<u>7,351</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	-	(6,771)
Proceed from disposal of property, plant and equipment	9	46
Proceed from disposal of short term investment	957	-
Purchase of property, plant and equipment	(1,947)	(1,263)
Interest income	2	21
Net cash used in investing activities	<u>(979)</u>	<u>(7,967)</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	(726)	(268)
Repayment of term loans	(4,610)	(875)
Net movement in bankers' acceptance	(1,000)	-
Net movement in letter of credit	-	(442)
Net movement in export credit refinancing	-	442
Net cash generated from / (used in) financing activities	<u>35,647</u>	<u>(1,143)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,048	(1,759)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,759)	*
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(711)	(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 2003



MAXTRAL INDUSTRY BERHAD

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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**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the current quarter.

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.

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.

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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 during the current quarter under review.

During the financial period todate, 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's revenue for the current financial period ended 31 December 2004 increased to RM100.35 million from RM36.92 million in the prior financial period ended 31 December 2003 while the profit before taxation increased to RM8.35 million from RM5.13 million for the respective periods. As the Group came into existence in the quarter ended 30 September 2003, the Group's revenue and profit before taxation in the prior financial period were significantly lower as it represented 5 months performance whereas the current financial period is represented by 12 months.

14. Variation of Result to Preceding Quarter

The Group's profit before taxation for the current quarter ended 31 December 2004 of RM1.52 million represented a decrease of RM1.74 million or 53% from the preceding quarter ended 30 September 2004 of RM3.26 million. This is mainly due to underprovision of certain log related costs, amounted to RM 1.44 million in the previous financial period, being properly accounted for in the current reporting financial period.

On the other hand, the Group's revenue for the current quarter has increased by RM16.63 million or 69% as compared to the preceding quarter. This is mainly contributed from increase in sales of logs.

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, moulding and log.

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 31/12/2004 RM000	Cumulative Year-To-Date 31/12/2004 RM000
Current taxation	-	-
Deferred taxation	324	2,417
	<u>324</u>	<u>2,417</u>

The effective tax rate for the current quarter is lower than the statutory tax rate principally due to certain expenses which are double 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 first 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 31/12/2004 RM000	Cumulative Year-To-Date 31/12/2004 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 except for the following:

- a) On 17 December 2004, the Company announced its proposal to issue up to 88,354,466 new ordinary shares of RM0.50 each in the Company representing not more than 30% of the enlarged issued and paid-up share capital of the Company after full exercise of the Irredeemable Convertible Preference Shares to investors to be identified later and/or via a placement agent to be appointed later ("Proposed Private Placement"). On 31 January 2005, the Ministry of International Trade and Industry has no objection to the Proposed Private Placement subject to the Securities Commission's approval pursuant to the Foreign Investment Committee's Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests. The Proposed Private Placement is still pending the approval from the Securities Commission ("SC"), Bursa Malaysia Securities Berhad ("Bursa Securities") and shareholders of the Company.
- b) On 17 December 2004, the Company announced its proposal to establish an Employees' Share Option Scheme ("ESOS") of up to 15% of the issued and paid-up share capital of the Company to the eligible employees, executive and non-executive directors of the Company and its subsidiaries ("Proposed ESOS"). The Proposed ESOS is conditional upon the approval from Bursa Securities and shareholders of the Company.

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21. Borrowings

	Current Quarter 31/12/2004 RM000
Short term borrowings:	
Secured	<u>48,850</u>
	<u>48,850</u>
Long term borrowings:	
Secured	25,311
Unsecured	<u>2,636</u>
	<u>27,947</u>
	<u>76,797</u>

The unsecured long term borrowings represent the liability component of ICPS. There were no movements during the current period under review.

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 31/12/2004	Preceding Year Corresponding Quarter 31/12/2003	Current Year To date 31/12/2004	Preceding Year Corresponding Period 31/12/2003
Basic				
Net profit for the period (RM000)	1,170	1,937	5,778	3,829
Weighted average number of ordinary shares in issue ('000)	210,100	204,189	208,611	80,081
Basic earnings per share (Sen)	0.56	0.95	2.77	4.78
Diluted				
Net profit for the period (RM000)	1,170	1,937	5,778	3,829
Adjustment for after-tax effect of interest expense on ICPS (RM000)	<u>33</u>	<u>322</u>	<u>129</u>	<u>322</u>
Adjusted net profit for the period (RM000)	<u>1,203</u>	<u>2,259</u>	<u>5,907</u>	<u>4,151</u>
Weighted average number of ordinary shares in issue ('000)	210,100	204,189	208,611	80,081
Adjustment for assumed conversion of ICPS	<u>84,415</u>	<u>89,415</u>	<u>84,415</u>	<u>36,746</u>
Diluted weighted average number of ordinary shares in issue ('000)	<u>294,515</u>	<u>293,604</u>	<u>293,026</u>	<u>116,827</u>
Diluted earnings per share (Sen)	0.41	0.77	2.02	3.55

26. Comparative Figures

The comparative figures for the condensed consolidated income statement are the Group's post acquisition results for the period from 4 August 2003 to 31 December 2003. The comparative figures for the condensed consolidated statement of changes in equity in relation to the ICPS have been reclassified to conform with current period's presentation.