



MAXTRAL INDUSTRY BERHAD

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE 3rd QUARTER ENDED 30 SEPTEMBER 2006

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2006 RM'000	Preceding Year Corresponding Quarter 30/09/2005 (Restated) RM'000	Current Year To Date 30/09/2006 RM'000	Preceding Year Corresponding Period 30/09/2005 (Restated) RM'000
REVENUE	63,665	44,075	165,842	109,775
COST OF SALES	(50,941)	(32,982)	(131,079)	(84,870)
GROSS PROFIT	12,724	11,093	34,763	24,905
OTHER INCOME	414	11	882	109
SELLING AND MARKETING EXPENSES	(3,681)	(3,606)	(11,468)	(8,207)
ADMINISTRATIVE EXPENSES	(3,020)	(667)	(5,722)	(2,326)
PROFIT FROM OPERATIONS	6,437	6,831	18,455	14,481
INTEREST INCOME	124	28	356	34
FINANCE COSTS	(1,608)	(1,229)	(4,040)	(3,837)
PROFIT BEFORE TAXATION	4,953	5,630	14,771	10,678
INCOME TAX EXPENSE	(1,386)	(135)	208	(237)
PROFIT FOR THE PERIOD	3,567	5,495	14,979	10,441
Attributable to:				
Equity holders of the parent	3,470	5,356	14,559	10,173
Minority Interest	97	139	420	268
PROFIT FOR THE PERIOD	3,567	5,495	14,979	10,441
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT :				
- Basic	1.65	2.55	6.93	4.84
- Diluted	1.19	1.83	4.98	3.49

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE 3rd QUARTER ENDED 30 SEPTEMBER 2006

CONDENSED CONSOLIDATED BALANCE SHEET

	As At 30/09/2006 RM'000 (Unaudited)	As At 31/12/2005 RM'000 (Restated)
ASSETS		
Non-Current Assets		
Property, plant and equipment	60,521	59,806
Goodwill on consolidation	98,008	98,008
Deferred tax assets	49	49
	<u>158,578</u>	<u>157,863</u>
Current Assets		
Inventories	24,583	31,821
Trade receivables	30,875	30,270
Other receivables	6,987	20,162
Short term investment	40,364	-
Cash and bank balances	22,495	9,163
	<u>125,304</u>	<u>91,416</u>
TOTAL ASSETS	<u>283,882</u>	<u>249,279</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share capital	105,050	105,050
Share premium	33,766	33,766
Other reserve	5,805	5,805
Retained earnings	31,434	16,875
	<u>176,055</u>	<u>161,496</u>
Minority Interest	<u>2,203</u>	<u>1,783</u>
Total Equity	<u>178,258</u>	<u>163,279</u>
Non-Current Liabilities		
Borrowings	82,636	21,555
Deferred tax liabilities	9,087	6,076
	<u>91,723</u>	<u>27,631</u>
Current Liabilities		
Borrowings	8	34,509
Trade payables	2,954	12,702
Other payables	10,851	7,826
Tax payable	88	3,332
	<u>13,901</u>	<u>58,369</u>
Total Liabilities	<u>105,624</u>	<u>86,000</u>
TOTAL EQUITY AND LIABILITIES	<u>283,882</u>	<u>249,279</u>
Net Assets Per Share (Sen)	81.03	74.10

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent					MINORITY INTEREST RM'000	TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	Non-Distributable		Distributable	TOTAL RM'000		
		SHARE PREMIUM RM'000	OTHER RESERVE RM'000	RETAINED EARNINGS RM'000			
At 1 January 2005							
As previously stated	105,050	33,766	5,805	9,703	154,324	1,579	155,903
Prior year adjustment	-	-	-	(4,405)	(4,405)	(112)	(4,517)
At 1 January 2005 (restated)	105,050	33,766	5,805	5,298	149,919	1,467	151,386
Profit for the period	-	-	-	10,173	10,173	268	10,441
AT 30 September 2005	<u>105,050</u>	<u>33,766</u>	<u>5,805</u>	<u>15,471</u>	<u>160,092</u>	<u>1,735</u>	<u>161,827</u>
At 1 January 2006							
As previously stated	105,050	33,766	5,805	21,204	165,825	1,893	167,718
Prior year adjustment	-	-	-	(4,329)	(4,329)	(110)	(4,439)
At 1 January 2006 (restated)	105,050	33,766	5,805	16,875	161,496	1,783	163,279
Profit for the period	-	-	-	14,559	14,559	420	14,979
AT 30 September 2006	<u>105,050</u>	<u>33,766</u>	<u>5,805</u>	<u>31,434</u>	<u>176,055</u>	<u>2,203</u>	<u>178,258</u>

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE 3rd QUARTER ENDED 30 SEPTEMBER 2006

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended	
	30/09/2006	30/09/2005
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,771	10,678
Adjustments for:		
Depreciation of property, plant and equipment	3,408	2,634
Property, plant and equipment written off	29	-
Income from short term investment	(364)	-
Interest income	(356)	(34)
Interest expense	4,040	3,837
Operating profit before working capital changes	<u>21,528</u>	<u>17,115</u>
Decrease / (increase) in inventories	7,238	(8,528)
Decrease in receivables	12,561	16,651
(Decrease) / increase in payables	(6,813)	5,529
Cash generated from operations	<u>34,514</u>	<u>30,767</u>
Interest paid	(3,941)	(3,738)
Income tax paid	(25)	-
Net cash generated from operating activities	<u>30,548</u>	<u>27,029</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property, plant and equipment	4	-
Income from short term investment	364	-
Interest received	356	34
Purchase of property, plant and equipment	(4,156)	(2,831)
Net cash used in investing activities	<u>(3,432)</u>	<u>(2,797)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from BaIDS	80,000	-
Drawdown of bankers' acceptances	-	2,000
Drawdown of export credit refinancing	12,959	7,084
Drawdown of revolving credits	14,930	2,000
Repayment of hire purchase liabilities	(1,909)	(682)
Repayment of term loans	(33,332)	(11,578)
Repayment of revolving credits	(23,995)	(52)
Repayment of bankers' acceptance	-	(4,000)
Repayment of export credit refinancing	(22,073)	-
Net cash generated from / (used in) financing activities	<u>26,580</u>	<u>(5,228)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,696	19,004
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	9,163	(712)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>62,859</u>	<u>18,292</u>

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE 3rd QUARTER ENDED 30 SEPTEMBER 2006

A. EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

A2. Changes in Accounting Policies and Prior Year Adjustment

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentations of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has not elected for the early adoption of the following FRSs which were in issue but not yet effective at the date of issue of these interim financial statements.

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments: Recognition and Measurement



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A. EXPLANATORY NOTES PURSUANT TO FRS 134

A2. Changes in Accounting Policies and Prior Year Adjustment (Cont'd)

- a. The adoption of FRS 2, 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRS is discussed below :

FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the condensed consolidated balance sheet, minority interests are now presented within total equity. In the condensed consolidated income statements, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the condensed consolidated statement of changes in equity. FRS 101 also requires disclosure, on the face of the condensed consolidated statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

- b. In prior years, the Group recognised deferred tax assets on unutilised reinvestment allowances. During the current period, the Group changed its accounting policy and accordingly, deferred tax assets on unutilised reinvestment allowances are no longer recognised and this change of accounting policy has been accounted for retrospectively.

- (i) The effects arising from this change are as follows:

	2006 RM'000	2005 RM'000
Effect on Group retained earnings:		
At 1 January, as previously stated	21,204	9,703
Effect of change in accounting policy	<u>(4,329)</u>	<u>(4,405)</u>
At 1 January, as restated	<u>16,875</u>	<u>5,298</u>
Effect on Group profit for the period (profit after tax):		
Profit before change in accounting policy	14,979	8,036
Effect of change in accounting policy	<u>-</u>	<u>2,405</u>
Profit for the period	<u>14,979</u>	<u>10,441</u>

- (ii) Comparative amounts of the Group as at 31 December 2005 have been restated as follows:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Balance sheet			
Deferred tax liabilities	1,637	4,439	6,076
Retained earnings	21,204	(4,329)	16,875
Minority Interest	1,893	(110)	1,783



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A. EXPLANATORY NOTES PURSUANT TO FRS 134

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the preceding annual financial statements was not qualified.

A4. Segmental Information

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

A5. Unusual Items due to their Nature, Size or Incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review that are unusual because of their nature, size or incidence except as disclosed in Note A2.

A6. Changes in Estimates

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

A7. Seasonal and Cyclical Factors

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

A8. Dividend Paid

No dividend was paid during the financial quarter under review.

A9. Carrying Amount of Revalued Assets

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

A10. Debt and Equities Securities

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



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A. EXPLANATORY NOTES PURSUANT TO FRS 134

A11. Changes in Composition of the Group

On 26 September 2006, the Company has acquired 100% equity interest in Steadmont Development Sdn Bhd, ("Steadmont") comprising of two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00 only. Steadmont has not commenced business as at the end of the reporting quarter ended 30 September 2006. The acquisition is not expected to have any material effects on the earnings and net tangible assets of the Group for the financial year ending 31 December 2006.

Save for the above, there were no other changes in the composition of the Group during the current quarter under review.

A12. Contingent Liabilities and Contingent Assets

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

A13. Subsequent Events

There were no material events subsequent to the end of the current quarter ended 30 September 2006.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1. Review of Performance

The Group's revenue for the current financial period ended 30 September 2006 increased to RM165.84 million from RM109.78 million in the prior financial period ended 30 September 2005 due to higher demand for Group's timber and timber products coupled with increased in prices of timber and timber products. The Group's profit before taxation has increased from RM10.68 million for the prior financial period ended 30 September 2005 to RM14.77 million for the current financial period ended 30 September 2006. This is mainly attributed to higher revenue achieved during the current financial period.

B2. Variation of Result to Immediate Preceding Quarter

For the current quarter ended 30 September 2006, the Group achieved revenue of RM63.67 million as compared to the immediate preceding quarter ended 30 June 2006 of RM56.39 million, an increase of 13% as demand for the Group's timber and timber products continue to be strong in the current quarter. In line with the increase in revenue, the Group's profit before taxation increase by 11% to RM4.95 million from RM4.44 million for the respective quarters.

B3. Company's Prospects

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



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B4. 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.

B5. INCOME TAX EXPENSE

	Current Year Quarter 30/09/2006 RM'000	Current Year To Date 30/09/2006 RM'000
Current taxation	8	93
Deferred taxation	1,375	3,011
Under / (over) provision in prior year	3	(3,312)
	<u>1,386</u>	<u>(208)</u>

The effective tax rate for the current quarter is comparable to the statutory tax rate. The effective tax rate for the current year to date was lower than the statutory tax rate due to the utilisation of available allowances which can be set off against taxable profits.

B6. Profit or Loss on Sale of Unquoted Investment and Properties

There were no sales of unquoted investments and properties during the current quarter under review.

B7. Quoted Securities

There were no purchases or disposal of quoted securities during the current financial period.

B8. Corporate Proposals

There were no corporate proposal announced but not completed as at the date of this report except for the following:

The Group has in 2005 obtained all the necessary approvals to issue up to 88,354,466 new ordinary shares of RM0.50 each in the Company representing approximately 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 ("Private Placement"). The Private Placement is to enable the Company to raise additional working capital for the Group and also to comply with the Foreign Investment Committee ("FIC")'s equity condition, i.e. to attain 30% Bumiputra equity within three years from the date listing of the Company on Bursa Malaysia Securities Berhad, i.e. on or before 20 August 2006. The Company had on 25 July 2006 submitted an application to the FIC for the extension of time to comply with the equity condition. Meanwhile, the Company has been granted an extension of time to 6 March 2007 by the Securities Commission to complete the Private Placement.



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B9. Borrowings

	As At 30/09/2006 RM'000	As At 31/12/2005 RM'000
Short term borrowings:		
Secured	<u>8</u>	<u>34,509</u>
	<u>8</u>	<u>34,509</u>
Long term borrowings:		
Secured	80,000	18,919
Unsecured	<u>2,636</u>	<u>2,636</u>
	<u>82,636</u>	<u>21,555</u>
	<u>82,644</u>	<u>56,064</u>

The unsecured long term borrowings represent the liability component of the Irredeemable Convertible Preference Shares of RM0.10 each ("ICPS"). There were no movements in the ICPS during the current period under review.

B10. Off Balance Sheet Financial Instruments

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

B11. Material Litigation

There was no pending material litigation at the date of this report.

B12. Dividend Declared

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

B13. Earnings Per Share

The basic earning per share amounts are calculated by dividing the profit for the period attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares.



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B13. Earnings Per Share (Cont'd)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2006	Preceding Year Corresponding Quarter 30/09/2005 (Restated)	Current Year To Date 30/09/2006	Preceding Year Corresponding Period 30/09/2005 (Restated)
Basic				
Profit attributable to equity holders of the parent (RM'000)	<u>3,470</u>	<u>5,356</u>	<u>14,559</u>	<u>10,173</u>
Weighted average number of ordinary shares in issue ('000)	<u>210,100</u>	<u>210,100</u>	<u>210,100</u>	<u>210,100</u>
Basic earnings per share (Sen)	1.65	2.55	6.93	4.84

The comparative basic earnings per share has been restated to take into account the effect of the change in accounting policy (Note A2) on profit for that period.

Diluted

Profit attributable to equity holders of the parent (RM'000)	3,470	5,356	14,559	10,173
Adjustment for after-tax effect of interest expense on ICPS (RM000)	33	33	99	99
Adjusted profit attributable to equity holders of the parent (RM000)	<u>3,503</u>	<u>5,389</u>	<u>14,658</u>	<u>10,272</u>
Weighted average number of ordinary shares in issue ('000)	210,100	210,100	210,100	210,100
Adjustment for assumed conversion of ICPS ('000)	84,415	84,415	84,415	84,415
Diluted weighted average number of ordinary shares in issue ('000)	<u>294,515</u>	<u>294,515</u>	<u>294,515</u>	<u>294,515</u>
Diluted earnings per share (Sen)	1.19	1.83	4.98	3.49