



MAXTRAL INDUSTRY BERHAD

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2007	Preceding Year Corresponding Quarter 30/06/2006	Current Year To Date 30/06/2007	Preceding Year Corresponding Period 30/06/2006
	RM'000	RM'000	RM'000	RM'000
REVENUE	29,810	56,387	55,297	102,177
COST OF SALES	(22,864)	(43,711)	(42,236)	(80,138)
GROSS PROFIT	6,946	12,676	13,061	22,039
OTHER INCOME	2,171	459	2,662	700
SELLING AND MARKETING EXPENSES	(1,673)	(5,243)	(3,310)	(7,787)
ADMINISTRATIVE EXPENSES	(795)	(1,879)	(2,004)	(2,702)
PROFIT FROM OPERATIONS	6,649	6,013	10,409	12,250
FINANCE COSTS	(2,453)	(1,574)	(4,061)	(2,432)
PROFIT BEFORE TAXATION	4,196	4,439	6,348	9,818
INCOME TAX	(953)	(1,273)	(1,910)	(2,845)
PROFIT FOR THE PERIOD	3,243	3,166	4,438	6,973
Attributable to:				
Equity holders of the parent	3,140	3,053	4,273	6,760
Minority Interest	103	113	165	213
PROFIT FOR THE PERIOD	3,243	3,166	4,438	6,973
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (SEN) :				
- Basic	1.49	1.45	2.03	3.22
- Diluted	1.08	1.05	1.47	2.32

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007

CONDENSED CONSOLIDATED BALANCE SHEET

	As At 30/06/2007 RM'000 (Unaudited)	As At 31/12/2006 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	55,263	54,236
Prepaid land lease payments	17,032	7,315
Goodwill on consolidation	98,008	98,008
Deferred tax assets	49	49
	<u>170,352</u>	<u>159,608</u>
Current Assets		
Inventories	16,726	23,350
Trade receivables	36,000	27,981
Other receivables	25,063	9,293
Investment in money market instruments	-	33,713
Cash and bank balances	60,073	26,349
	<u>137,862</u>	<u>120,686</u>
TOTAL ASSETS	<u>308,214</u>	<u>280,294</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	38,423	34,151
	<u>183,044</u>	<u>178,772</u>
Minority Interest	2,453	2,288
Total Equity	<u>185,497</u>	<u>181,060</u>
Non-Current Liabilities		
Borrowings	82,636	82,636
Deferred tax liabilities	10,385	9,011
	<u>93,021</u>	<u>91,647</u>
Current Liabilities		
Borrowings	20,000	-
Trade payables	3,504	3,180
Other payables	5,659	4,373
Tax payable	533	34
	<u>29,696</u>	<u>7,587</u>
Total Liabilities	<u>122,717</u>	<u>99,234</u>
TOTAL EQUITY AND LIABILITIES	<u>308,214</u>	<u>280,294</u>
Net Assets Per Share (Sen)	84.36	82.33

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent					Minority Interest	Total Equity
	Non-Distributable		Distributable		TOTAL		
	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVE	RETAINED EARNINGS			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	105,050	33,766	5,805	17,042	161,663	1,787	163,450
Profit for the period	-	-	-	6,760	6,760	213	6,973
At 30 June 2006	<u>105,050</u>	<u>33,766</u>	<u>5,805</u>	<u>23,802</u>	<u>168,423</u>	<u>2,000</u>	<u>170,423</u>
At 1 January 2007	105,050	33,766	5,805	34,150	178,771	2,288	181,059
Profit for the period	-	-	-	4,273	4,273	165	4,438
At 30 June 2007	<u>105,050</u>	<u>33,766</u>	<u>5,805</u>	<u>38,423</u>	<u>183,044</u>	<u>2,453</u>	<u>185,497</u>

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 2006 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended	
	30/06/2007	30/06/2006
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,348	9,818
Adjustments for:		
Depreciation of property, plant and equipment	2,430	2,301
Gain on disposal of property, plant and equipment	(8)	-
Plant and equipment written off	22	-
Income received from investment in money market instruments	(144)	(72)
Interest income	(655)	(232)
Finance costs	4,060	2,432
Operating profit before working capital changes	12,053	14,247
Decrease in inventories	6,624	5,370
(Increase) / decrease in receivables	(23,790)	7,732
Increase / (decrease) in payables	1,545	(10,926)
Cash (used in) / generated from operations	(3,568)	16,423
Interest paid	(3,994)	(2,366)
Income tax paid	(38)	(2)
Net cash (used in) / generated from operating activities	(7,600)	14,055
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,537)	(2,192)
Purchase of prepaid land lease payments	(9,798)	-
Proceeds from disposal of property, plant and equipment	147	3
Interest received	655	232
Income received from investment in money market instruments	144	72
Net cash used in investing activities	(12,389)	(1,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from BaIDS / MUNIF	20,000	80,000
Drawdown of export credit refinancing	-	12,959
Drawdown of revolving credits	-	14,930
Repayment of hire purchase liabilities	-	(1,886)
Repayment of term loans	-	(33,332)
Repayment of revolving credits	-	(23,995)
Repayment of export credit refinancing	-	(22,073)
Net cash generated from financing activities	20,000	26,603
NET INCREASE IN CASH AND CASH EQUIVALENTS	11	38,773
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	60,062	9,163
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	60,073	47,936

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 2006 and the accompanying explanatory notes attached to the interim financial statements.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007

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 2006. 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 2006.

A2. Changes in Accounting Policies

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

FRS 117	Leases
FRS 124 :	Related Party Disclosures

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

FRS 139	Financial Instruments: Recognition and Measurement
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The adoption of FRS 117 and 124 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 117 : Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term. A lease of land and buildings is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 January 2007, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed in Note A3, certain comparative amounts as at 31 December 2006 have been restated.



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A. EXPLANATORY NOTES PURSUANT TO FRS 134

A3. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRS:

	Previously stated	Adjustment FRS 117 (Note A2)	Restated
	RM'000	RM'000	RM'000
At 31 December 2006			
Property, plant and equipment	61,551	(7,315)	54,236
Prepaid land lease payments	-	7,315	7,315

A4. Auditors' Report on Preceding Annual Financial Statements

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

A5. Segmental Information

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

A6. Unusual Items due to their Nature, Size or Incidence

During the quarterly report under review, a fire occurred in one of the designated storage areas of the factory in which inventories with a cost of RM6.0 million was destroyed and charged out in the income statement and insurance claim for the destroyed finished goods has been lodged.

Save for the above, 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.

A7. Changes in Estimates

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

A8. Seasonal and Cyclical Factors

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



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A. EXPLANATORY NOTES PURSUANT TO FRS 134

A9. Dividend Paid

No dividend was paid during the financial quarter under review.

A10. Carrying Amount of Revalued Assets

There were no valuations of property, plant and equipment have been brought forward without amendment from the preceding annual financial statements.

A11. Debt and Equities Securities

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

A12. Changes in Composition of the Group

On 15 March 2007, the Company has acquired 100% equity interest in Maxtral Builders Sdn Bhd, ("MBSB") comprising of two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00 only. MBSB has not commenced business as at the end of the reporting quarter ended 30 June 2007.

There were no material effects on the earnings and net tangible assets of the Group arising from the above acquisitions for the current quarter ended 30 June 2007.

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

A13. Contingent Liabilities and Contingent Assets

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

A14. Subsequent Events

There were no material events subsequent to the end of the current quarter ended 30 June 2007.



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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 June 2007 decreased to RM55.30 million from RM102.18 million in the prior financial period ended 30 June 2006 due to continued raining season affecting log supply during the period under review.

The Group's profit before taxation has decreased from RM9.82 million for the prior financial period ended 30 June 2006 to RM6.35 million for the current financial period ended 30 June 2007, a decrease of 35% is mainly attributed to lower revenue achieved during the current financial period.

B2. Variation of Result to Immediate Preceding Quarter

For the current quarter ended 30 June 2007, the Group achieved revenue of RM29.81 million as compared to the immediate preceding quarter ended 31 March 2007 of RM25.49 million, an increase of 17% as demand for the Group's timber continue to be strong although there are slightly decrease in demand for the Group's timber products in the current quarter.

The Group's profit before taxation has increased by 95% to RM4.20 million from RM2.15 million for the respective quarters. This is due to lower cost of sales incurred during the current quarter.

B3. Company's Prospects

The directors are of the opinion that the performance for the remaining period to the end of financial year is dependent on external factors affecting prices and demand for panel products, moulding products and logs.

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

	Current Quarter 30/06/2007 RM'000	Current Year To Date 30/06/2007 RM'000
Current taxation	573	590
Deferred taxation	434	1,374
Over provision in prior year	(54)	(54)
	<u>953</u>	<u>1,910</u>

The effective tax rate for the current quarter is lower than the statutory tax rate due to the utilisation of available allowances which can be set off against taxable profits. The effective tax rate for the current year to date is higher than the statutory tax rate due to certain expenses which are disallowable for tax purposes.



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

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 approvals from Foreign Investment Committee ("FIC"), Securities Commission, shareholders of the Company and Bursa Malaysia Securities Berhad 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"). On 8 March 2007, the Securities Commission granted a final extension of time from 6 March 2007 to 6 September 2007 to complete the 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. On 25 July 2006 Company submitted an application to the FIC for the extension of time. On 28 February 2007, the FIC had granted a further extension of time up to 30 June 2008 for the Company to meet the Bumiputra equity condition.

B9. Borrowings

	As At 30/06/2007 RM'000	As At 31/12/2006 RM'000
Long term borrowings:		
Secured	80,000	80,000
Unsecured	<u>2,636</u>	<u>2,636</u>
	<u>82,636</u>	<u>82,636</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.



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

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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2007	Preceding Year Corresponding Quarter 30/06/2006	Current Year To Date 30/06/2007	Preceding Year Corresponding Period 30/06/2006
Basic				
Profit attributable to equity holders of the parent (RM'000)	<u>3,140</u>	<u>3,053</u>	<u>4,273</u>	<u>6,760</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)	1.49	1.45	2.03	3.22



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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 30/06/2007	Preceding Year Corresponding Quarter 30/06/2006	Current Year To Date 30/06/2007	Preceding Year Corresponding Period 30/06/2006
Diluted				
Profit attributable to equity holders of the parent (RM'000)	3,140	3,053	4,273	6,760
Adjustment for after-tax effect of interest expense on ICPS (RM'000)	33	33	66	66
Adjusted profit attributable to equity holders of the parent (RM'000)	<u>3,173</u>	<u>3,086</u>	<u>4,339</u>	<u>6,826</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)	1.08	1.05	1.47	2.32