



MAXTRAL INDUSTRY BERHAD

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2012

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2011. 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 2011.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Groups first MFRS framework annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

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 2011. The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2012. The adoption of these MFRSs and IC Interpretations do not have any significant financial impact on the Group's results.

The Group has not adopted the following MFRSs, Amendments to MFRSs and IC Interpretation were in issued but not yet effective :-

		Effective Date
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to		
- MFRS 1	Government Loans	1 January 2013
- MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities	1 January 2013
- MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
- MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase Of a Surface Mine	1 January 2013

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.



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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review.

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

The timber 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 previous 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.

A11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A12. Capital Commitments

There were no capital commitments for 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. Significant Events

(i) Practice Note ("PN") 1 Announcement and Notice of termination of Facility Agreement and Notice of Default

On 14 November 2012, The Board of Directors of Maxtral Industry Berhad ("MIB") announced that MIB has defaulted on the payment of its banking facilities granted by OSK Investment Bank Berhad pursuant to PN 1 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as follow:

<u>Financial institution</u>	<u>Type of facilities</u>	<u>Outstanding amount as at 8</u>	<u>Date of principal/interest due not</u>
OSK Investment Bank	Bridging term loan	20 million	8-Nov-12
OSK Investment Bank	Term loan	30 million	8-Nov-12



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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134

A14. Significant Events (continued)

The Default is in respect of both principal sums and interest where the total amount outstanding on the Default is more than 5% of the net assets of MIB based on the latest audited financial statements for the year ended 31 December 2011.

MIB had on 12 November 2012 received a Notice of termination of Facility Agreement from OSK Investment Bank Berhad demanding payment of the aforesaid outstanding amount together with interest charges as at 8 November 2012.

On 28 December 2012, the Board of Directors of MIB further announced that MIB has defaulted to repay the face amount of RM10 million Murabahan Underwritten Notes Issuance Facility/Murabahan Medium Term Notes Issuance Facility ("MUNIF/MMTN")

The Default is in respect of both principal sums and interest where the total amount outstanding on the Default is more than 5% of the net assets of MIB based on the latest audited financial statements for the year ended 31 December 2011.

MIB had on 28 December 2012 received a Notice of Event of Default dated 28 December 2012 from the OSK Trustee Berhad demanding payment of the entire outstanding amount of RM10 million as at 18 April 2012.

(ii) Admission to PN17 and Appointment of Receivers and Managers

On 21 December 2012, MIB announced that it triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (b) of PN17 under the MMLR of Bursa Securities.

On 20 December 2012, MIB and its subsidiaries, Kin Yip Wood Industries Sdn. Bhd. ("KYWISB") and Steadmont Development Sdn. Bhd. ("SDSB") have received the Notices of Appointment of Receivers and Managers by OSK Investment Bank Berhad under the power of contained in the Debenture dated 12 March 2012 and 24 February 2011. As the affected assets are accounted for more than 50% of the total assets employed of the MIB on a consolidated basis based on the audited financial statements for the year ended 31 December 2011, MIB has triggered the PN17 criteria on 20 December 2012 ("the First Announcement")

Pursuant to the Notice, OSK Investment Bank Berhad had appointed Dato' Gan Ah Tee and Mok Chew Yin of BDO Consulting Sdn. Bhd. as the Receivers and Managers of MIB, KYWISB and SDSB pursuant to the powers contained in the Debenture dated 12 March 2012 and 24 February 2011.

A14. Subsequent Events

There were no material events subsequent to the end of the current quarter ended 31 December 2012.



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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 recorded revenue of RM 15.4 million for the current financial period ended 31 December 2012 as compared to RM 21.9 million in the prior financial period ended 31 December 2011.

The Group's recorded loss before taxation of RM 42.2 million for the current financial period ended 31 December 2012 as compared to RM120.9 million in the prior financial period ended 31 December 2011. This is mainly due to lower demand and selling price of timber products during the current financial period.

With reference to the public announcement made on 14 November 2012, the Group's announced default in payment pursuant to Practice Note 1 of Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

B2. Variation of Result to Immediate Preceding Quarter

For the current quarter ended 31 December 2012, the Group's revenue has increased to RM3.0 million from RM 2.9 million for the immediate preceding quarter ended 30 September 2012.

The Group's recorded loss before taxation of RM 28.7 million as compared to RM 2.8 million for respective quarters ended 31 December 2012 and 30 September 2012. As the result of dampering market condition, the demand and selling price of timber products remained unprofitably low.

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 supply of 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. Loss before taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000	Current Year To Date 31/12/2012 RM'000	Preceding Year Corresponding Period 31/12/2011 RM'000
This has been arrived at after charging/(crediting):-				
Interest income	-	(9)	(6)	(136)
Other income	73	(18)	(159)	(348)
Interest expense	1,061	1,348	4,562	5,086
Depreciation of property, plant and equipment	1,210	1,302	4,946	5,226
Gain on disposal of property, plant and equipment	682	-	(705)	-
Realised foreign exchange loss/(gain)	(2)	(9)	(8)	(115)
Impairment on trade receivable return back	(705)	-	(705)	-
Impairment loss on Biological Asset	1,340	-	1,340	-
Impairment Loss on non-trade Receivable	25,336	-	25,336	-



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

B6. Income tax

	Current Quarter 31/12/2012 RM'000	Current Year To Date 31/12/2012 RM'000
Current taxation	-	-
Deferred taxation	533	3,874
	<u>533</u>	<u>3,874</u>

The variation noted is mainly due to reversal of taxable temporarily differences.

B7. 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.

B8. Quoted Securities

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

B9. Corporate Proposals

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

B10. Borrowings

	As At 31/12/2012 RM'000	As At 31/12/2011 RM'000
Short term borrowings:		
Secured	61,965	60,483
Unsecured	239	418
	<u>62,204</u>	<u>60,901</u>
Long term borrowings:		
Secured	22	162
Unsecured	-	-
	<u>22</u>	<u>162</u>

The unsecured borrowings represent the liability component of the Irredeemable Convertible Preference Shares of RM0.10 each ("ICPS").

All the Group's borrowings are denominated in Ringgit Malaysia.

B11. Off Balance Sheet Financial Instruments

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



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

B12. Material Litigation

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

B13. Dividend Declared

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

B14. Loss Per Share

Basic

Basic loss per share amounts are calculated by dividing loss for the financial period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2012	Preceding Year Corresponding Quarter 31/12/2011	Current Year To Date 31/12/2012	Preceding Year Corresponding Period 31/12/2011
Loss attributable to owners of the parent (RM'000)	<u>(30,281)</u>	<u>(107,284)</u>	<u>(40,424)</u>	<u>(117,647)</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 loss per share (Sen)	(14.41)	(51.06)	(19.24)	(56.00)

Diluted

Diluted loss per share amounts are calculated by dividing loss for the financial period, net of tax, attributable to owners of the parent (after adjusting for interest expenses on ICPS) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

As the conversion of all potential ordinary shares from ICPS are not dilutive, the diluted loss per shares is equal to the basis loss per share.

B15. Breakdown of Realised and Unrealised Profits/Losses

The breakdown of the accumulated losses of the Group into realised and unrealised profits/losses is as follows:

	As At 31/12/2012 RM'000	As At 31/12/2011 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(109,522)	(65,224)
- Unrealised	-	(3,874)
Total Group accumulated losses as per consolidated accounts	<u>(109,522)</u>	<u>(69,098)</u>

B16. Comparative Figure

Comparative figure, where applicable, have been modified to conform with the current quarter's presentation.