



MAXTRAL INDUSTRY BERHAD

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/06/2013	Preceding Year Corresponding Quarter 30/06/2012	Current Year To Date 30/06/2013	Preceding Year Corresponding Period 30/06/2012
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	433	3,401	1,644	9,468
Cost of sales	(2,815)	(6,588)	(5,786)	(15,203)
Gross loss	(2,382)	(3,187)	(4,142)	(5,735)
Other operating income	24,879	84	24,882	222
Selling expenses	(11)	(217)	(94)	(540)
Administrative expenses	(2,572)	(1,067)	(2,670)	(2,245)
Profit / (loss) from operations	19,914	(4,387)	17,976	(8,298)
Interest income	3	-	3	6
Finance costs	(1,136)	(1,139)	(2,251)	(2,434)
Profit / (loss) before taxation from continuing operations	18,781	(5,526)	15,728	(10,726)
Income tax expense	141	1,309	707	2,111
Profit / (loss) from continuing operations, net of tax	18,922	(4,217)	16,435	(8,615)
Discontinued operations				
Loss from discontinued operations, net of tax	76	-	-	-
Total comprehensive profit / (loss) for the period	<u>18,998</u>	<u>(4,217)</u>	<u>16,435</u>	<u>(8,615)</u>
Attributable to:				
Owners of the parent	<u>18,998</u>	<u>(4,217)</u>	<u>16,435</u>	<u>(8,615)</u>
Profit / (loss) per share attributable to owners of the parent (Sen) :				
- Basic and diluted	9.04	(2.01)	7.82	(4.10)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2012 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 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30/06/2013 RM'000 (Unaudited)	As At 31/12/2012 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	65,823	68,136
Current Assets		
Inventories	2,579	3,590
Trade receivables	785	782
Other receivables	44,573	11,335
Tax recoverable	-	28
Cash and bank balances	1,605	1,082
	49,542	16,817
Assets of disposal group classified as held for sale	9,611	21,678
	59,153	38,495
TOTAL ASSETS	124,976	106,631
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	105,050	105,050
Other reserves	40,230	40,230
Accumulated losses	(94,069)	(110,504)
Total Equity	51,211	34,776
Non-Current Liabilities		
Borrowings	-	74
Deferred tax liabilities	-	710
	-	784
Current Liabilities		
Borrowings	64,569	62,348
Trade payables	3,714	3,297
Other payables	2,974	3,120
Provision for taxation	20	-
Amount due to directors	2,152	1,631
	73,429	70,396
Liabilities directly associated with disposal group classified as held for sale	336	675
	73,765	71,071
Total Liabilities	73,765	71,855
TOTAL EQUITY AND LIABILITIES	124,976	106,631
Net Assets Per Share (Sen)	24.37	16.55

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Parent			
	Non-Distributable		Distributable	
	Share Capital RM'000	Other Reserves RM'000	Accumulated losses RM'000	Total Equity RM'000
At 1 January 2012	105,050	40,230	(69,098)	76,182
Total comprehensive loss for the period	-	-	(8,615)	(8,615)
At 30 June 2012	<u>105,050</u>	<u>40,230</u>	<u>(77,713)</u>	<u>67,567</u>
At 1 January 2013	105,050	40,230	(110,504)	34,776
Total comprehensive loss for the period	-	-	16,435	16,435
At 30 June 2013	<u>105,050</u>	<u>40,230</u>	<u>(94,069)</u>	<u>51,211</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 2012 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 2013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	6 months ended	
	30/06/2013	30/06/2012
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax from continuing operations	15,728	(10,726)
Loss before tax from discontinued operations	-	-
Loss before taxation, total	<u>15,728</u>	<u>(10,726)</u>
Adjustments for:		
Depreciation of property, plant and equipment	2,232	2,495
Gain on disposal of property, plant and equipment	(24,153)	(109)
Property development costs written off	2,198	-
Interest income	(3)	(6)
Finance costs	<u>2,251</u>	<u>2,434</u>
Operating loss before working capital changes	<u>(1,747)</u>	<u>(5,912)</u>
Decrease in inventories	1,011	4,818
(Increase) / decrease in receivables	(33,121)	1,770
(Decrease) / increase in payables	(47)	1,744
Increase/ (decrease) in amount due to directors	521	(1,612)
Development costs incurred	-	(19)
Cash generated from operations	<u>(33,383)</u>	<u>789</u>
Interest paid	(5)	(858)
Income tax refunded / (paid)	<u>25</u>	<u>(5)</u>
Net cash generated used in operating activities	<u>(33,363)</u>	<u>(74)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(299)
Proceeds from disposal of property, plant and equipment	33,976	292
Interest received	3	6
Net cash generated from investing activities	<u>33,979</u>	<u>(1)</u>
Cash flows from financing activities		
Drawdown of term loan	-	30,000
Repayment of hire purchase liabilities	(100)	(9)
Repayment of BaIDs	-	(20,348)
Repayment of MUNIF / MMTN	-	(10,000)
Net cash used in financing activities	<u>(100)</u>	<u>(357)</u>
Net Increase/ (Decrease) in cash and cash equivalents	516	(432)
Cash and cash equivalents at beginning of financial period	1,089	1,125
Cash and cash equivalents at end of financial period	<u>1,605</u>	<u>693</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Statements of the Company for the year ended 31 December 2012 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 2013

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 2012. 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 2012.

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 2012. 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 2013. 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 and Amendments to MFRSs were issued but not yet effective :-

		Effective Date
- MFRS 9 (IFRS 9 2009)	Financial Instruments	1 January 2015
- MFRS 9 (IFRS 9 2010)	Financial Instruments	1 January 2015
Amendments to		
- MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
- MFRS 10,12,127	Investment Entities	1 January 2014

A3. Auditors' Report on Preceding Annual Financial Statements

Due to the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, Reports and Financial Statements for the Financial Year Ended 31 December 2012, the auditor, Messrs PKF had not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, they did not express an opinion on the financial statements.

Basis for Disclaimer of Opinion:

1. Going Concern

As disclosed in Note 1 to the financial statements, the financial statements of the Group and the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of the going concern basis is based on the assumption that the Group and the Maxtral Industry Berhad ("MIB") will be able to realise their assets and fulfill their liabilities in the normal course of business.

The Group and the MIB had passed a resolution on 14 October 2010 and 27 September 2011 to enter into negotiation to dispose off its 70% equity interest in a subsidiary, Hutan Tropika Sdn Bhd ("HTSB"), and the entire or part of the equity interest of its wholly owned subsidiary, Steadmont Development Sdn Bhd ("SDSB") respectively, as disclosed in the financial statements, in order to raise funds for the settlement of their obligations to lenders and creditors.

The Board of Directors ("the BOD") of the Group and MIB had on 14 November 2012, announced in Bursa Malaysia Securities Berhad ("Bursa") that they had defaulted on the repayment of its Bridging Term Loan and Term Loan amounting to RM20.0 million and RM30.0 million respectively granted by OSK Investment Bank Berhad. On 28 December 2012, the BOD further announced that they have defaulted to repay the face amount of Rm10.0 million Murabahah Underwritten Notes Issuance Facility/Murabahah Medium Term Notes Issuance Facility ("MUNIF/MMTN") as stated in the Note 37 of the financial statements.



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

A3. Auditors' Report on Preceding Annual Financial Statements (Cont'd)

1. Going Concern (Cont'd)

The ability of the Group and MIB to continue as going concerns is dependent upon:

- i. The future profitable operations of the Group and MIB to generate sufficient cash in the future to fulfill their obligations as and when they fall due;
- ii. Successful implementation of the Group's proposal that involved the disposal off its 70% equity interest in a subsidiary, Hutan Tropika Sdn Bhd and also the entire or part of the equity interest of its wholly owned subsidiary, Steadmont Development Sdn Bhd, respectively;
- iii. Financial support from its lenders and shareholders; and
- iv. The timely and successful formulation and implementation of a Regularisation Plan.

However, the evidence made available to Messrs PKF to confirm the appropriateness of preparing the financial statements on the going concern basis was limited because the significant subsidiary of MIB, Kin Yip Wood Industries Sdn Bhd ("KYWSB"), had not prepared any profit or cash flow projections for an appropriate period subsequent to the financial year ended 31 December 2012, The circumstances of which, together with the appointment of receivers and managers of the properties, assets and undertakings of the subsidiaries of the MIB, KYWSB and SDSB, on 20 December 2012 pursuant to the powers contained in the Debenture dated 24 February 2012 and 12 March 2012 upon the defaulted on the repayment of the borrowings of MIB of RM50.0 million may adversely affect MIB as mentioned above. As a result, in the absence of any alternative evidence available, Messrs PKF was unable to form an opinion as to the applicability of the going concern basis.

Should the Group and MIB be unable to achieve future profitable operations and fail to implement the proposals as mentioned above successfully, the going concern basis on which financial statements had been prepared may not be appropriate and adjustments would had to be made to reduce the value of assets to their recoverable amounts and to provide for any further liabilities which might arise, and to reclassify non-current assets and long term liabilities as current assets and liabilities respectively.

2. Impairment of Property, Plant and Equipment

Despite the existence of indication that the property, plant and equipment of the subsidiary company, KYWSB, may be impaired due to the significant decline in net operating cash flows and increase in operating gross loss, the subsidiary company had not made an estimation of the recoverable amount of the property, plant and equipment pursuant to paragraph 9 of the Malaysian Financial Reporting Standard 136, Impairment of Assets, due to the absence of profit or cash flow projections for an appropriate period subsequent to the financial year ended 31 December 2012 to determine its value in use or recent valuation reports by an independent professional valuer for the purposes of determining its fair value less costs to sell, so as to determine the financial impact of impairment of property, plant and equipment of the subsidiary company, if any. Messrs PKF were unable to carry out appropriate audit procedures to obtain sufficient and appropriate audit evidence over the estimation of possible impairment. As such, Messrs PKF could not determine the effect of adjustments, if any, on the financial position of the Group as at 31 December 2012, or its financial performance for the financial year then ended.

3. Impairment of Investment in Subsidiaries/ Amount due from Subsidiaries

As a consequence of the above matters, Messrs PKF were also unable to determine the effect of the adjustments, if any, on the financial impact of impairment of the investment in subsidiary company of MIB, KYWSB with a carrying amount of RM55,807,298 and also, the amount due from the same subsidiary, of RM21, 506,918 respectively as at 31 December 2012.

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 unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review.



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

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. Subsequent Events

There were no material events subsequent to the end of the current quarter ended 30 June 2013.



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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 1.6 million for the current financial period ended 30 June 2013 as compared to RM 9.5 million in the prior financial period ended 30 June 2012.

The Group's recorded profit before taxation of RM 16.4 million for the current financial period ended 30 June 2013 as compared to loss of RM8.6 million in the prior financial period ended 30 June 2012. 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.

On 26 June 2013, the Receivers and Managers appointed over property held under PN36381, Lot 189, Section 44 District of Kuala Lumpur ("Property") had entered into a Sales and Purchase Agreement with Suriamas Lumayan Sdn Bhd for the disposal of the Property. The cash consideration for the disposal was RM33.89 million. The carrying amount of the property, which was classified as Assets of Disposal Group Classified as Held for Sale, was amounted to RM9.66 million.

B2. Variation of Result to Immediate Preceding Quarter

For the current quarter ended 30 June 2013, the Group's revenue has decreased to RM0.4 million from RM 1.2 million for the immediate preceding quarter ended 31 March 2013.

The Group's recorded loss before taxation of RM 2.9 million as compared to RM 2.6 million for respective quarters ended 30 June 2013 and 31 March 2013. 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 30/06/2013 RM'000	Preceding Year Corresponding Quarter 30/06/2012 RM'000	Current Year To Date 30/06/2013 RM'000	Preceding Year Corresponding Period 30/06/2012 RM'000
This has been arrived at after charging/(crediting):-				
Interest income	(3)	-	(3)	(6)
Other income	(24,879)	(84)	(24,882)	(222)
Interest expense	1,136	1,139	2,251	2,434
Depreciation of property, plant and equipment	1,115	1,247	2,232	2,495
Loss / (gain) on disposal of property, plant and equipment	(24,218)	(11)	(24,153)	(109)
Realised foreign exchange loss	-	11	-	11



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

B6. Income tax

	Current Quarter 30/06/2013 RM'000	Current Year To Date 30/06/2013 RM'000
Current taxation	(34)	(3)
Deferred taxation	<u>175</u>	<u>710</u>
	<u>141</u>	<u>707</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 30/06/2013 RM'000	As At 31/12/2012 RM'000
Short term borrowings:		
Secured	64,569	60,483
Unsecured	<u>-</u>	<u>418</u>
	<u>64,569</u>	<u>60,901</u>
Long term borrowings:		
Secured	-	74
Unsecured	<u>-</u>	<u>-</u>
	<u>-</u>	<u>74</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. Profit / (loss) Per Share

Basic

Basic profit / (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 30/06/2013	Preceding Year Corresponding Quarter 30/06/2012	Current Year To Date 30/06/2013	Preceding Year Corresponding Period 30/06/2012
Profit / (loss) attributable to owners of the parent (RM'000)	<u>18,998</u>	<u>(4,217)</u>	<u>16,435</u>	<u>(8,615)</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 profit / (loss) per share (Sen)	9.04	(2.01)	7.82	(4.10)

Diluted

Diluted profit / (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 profit / (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 30/06/2013 RM'000	As At 31/12/2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(94,069)	(109,794)
- Unrealised	-	(710)
Total Group accumulated losses as per consolidated accounts	<u>(94,069)</u>	<u>(110,504)</u>

B16. Comparative Figure

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