



MAXTRAL INDUSTRY BERHAD

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/09/2013	Preceding Year Corresponding Quarter 30/09/2012	Current Year To Date 30/09/2013	Preceding Year Corresponding Period 30/09/2012
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue	42	2,973	1,686	12,441
Cost of sales	(2,584)	(4,867)	(8,370)	(20,070)
Gross loss	(2,542)	(1,894)	(6,684)	(7,629)
Other operating income	507	938	25,389	1,160
Selling expenses	(21)	(135)	(115)	(675)
Administrative expenses	(316)	(600)	(2,986)	(2,845)
(Loss) / profit from operations	(2,372)	(1,691)	15,604	(9,989)
Interest income	5	-	8	6
Finance costs	(1,178)	(1,067)	(3,429)	(3,501)
(Loss) / profit before taxation from continuing operations	(3,545)	(2,758)	12,183	(13,484)
Income tax expense	(1,977)	1,230	(1,270)	3,341
(Loss) / profit from continuing operations, net of tax	(5,522)	(1,528)	10,913	(10,143)
Discontinued operations				
Loss from discontinued operations, net of tax	-	-	-	-
Total comprehensive profit / (loss) for the period	<u>(5,522)</u>	<u>(1,528)</u>	<u>10,913</u>	<u>(10,143)</u>
Attributable to:				
Owners of the parent	<u>(5,522)</u>	<u>(1,528)</u>	<u>10,913</u>	<u>(10,143)</u>
Profit / (loss) per share attributable to owners of the parent (Sen) :				
- Basic and diluted	(1.87)	(0.73)	3.71	(4.83)

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 THIRD QUARTER ENDED 30 SEPTEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30/09/2013 RM'000 (Unaudited)	As At 31/12/2012 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	64,688	68,136
Current Assets		
Inventories	2,202	3,590
Trade receivables	-	782
Other receivables	44,518	11,335
Tax recoverable	-	28
Cash and bank balances	1,495	1,082
	48,215	16,817
Assets of disposal group classified as held for sale	9,611	21,678
	57,826	38,495
TOTAL ASSETS	122,514	106,631
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	147,257	105,050
Other reserves	-	40,230
Accumulated losses	(99,591)	(110,504)
Total Equity	47,666	34,776
Non-Current Liabilities		
Borrowings	-	74
Deferred tax liabilities	-	710
	-	784
Current Liabilities		
Borrowings	65,699	62,348
Trade payables	3,747	3,297
Other payables	2,934	3,120
Provision for taxation	20	-
Amount due to directors	2,225	1,631
	74,625	70,396
Liabilities directly associated with disposal group classified as held for sale	223	675
	74,848	71,071
Total Liabilities	74,848	71,855
TOTAL EQUITY AND LIABILITIES	122,514	106,631
Net Assets Per Share (Sen)	22.69	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			
	Share Capital RM'000	Other Reserves RM'000	Accumulated losses RM'000	Total Equity RM'000
At 1 January 2012	105,050	40,230	(71,512)	73,768
Total comprehensive loss for the period	-	-	(38,992)	(38,992)
At 30 September 2012	<u>105,050</u>	<u>40,230</u>	<u>(110,504)</u>	<u>34,776</u>
At 1 January 2013	105,050	40,230	(110,504)	34,776
Conversion of ICPS to ordinary shares	42,207	(40,230)	-	1,977
Total comprehensive loss for the period	-	-	10,913	10,913
At 30 September 2013	<u>147,257</u>	<u>-</u>	<u>(99,591)</u>	<u>47,666</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 THIRD QUARTER ENDED 30 SEPTEMBER 2013

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	9 months ended	
	30/09/2013	30/09/2012
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before tax from continuing operations	12,183	(13,484)
Loss before tax from discontinued operations	-	-
Loss before taxation, total	<u>12,183</u>	<u>(13,484)</u>
Adjustments for:		
Depreciation of property, plant and equipment	3,343	3,736
Gain on disposal of property, plant and equipment	(24,153)	(1,001)
Property development costs written off	2,198	-
Interest income	(8)	(6)
Finance costs	3,429	3,501
Operating loss before working capital changes	<u>(3,008)</u>	<u>(7,254)</u>
Decrease in inventories	1,387	6,495
(Increase) / decrease in receivables	(32,281)	2,632
(Decrease) / increase in payables	(168)	168
Increase/ (decrease) in amount due to directors	594	(1,671)
Decrease in amount due to holding company	-	(2)
Development costs incurred	-	(20)
Cash (used in) / generated from operations	<u>(33,476)</u>	<u>348</u>
Interest paid	(37)	(1,383)
Income tax refunded / (paid)	25	(7)
Net cash used in operating activities	<u>(33,488)</u>	<u>(1,042)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(299)
Proceeds from disposal of property, plant and equipment	34,001	1,412
Interest received	8	6
Net cash generated from investing activities	<u>34,009</u>	<u>1,119</u>
Cash flows from financing activities		
Drawdown of term loan	-	30,000
Repayment of hire purchase liabilities	(115)	(109)
Repayment of BaIDs	-	(20,348)
Repayment of MUNIF / MMTN	-	(10,000)
Net cash used in financing activities	<u>(115)</u>	<u>(457)</u>
Net Increase/ (Decrease) in cash and cash equivalents	406	(380)
Cash and cash equivalents at beginning of financial period	1,089	1,125
Cash and cash equivalents at end of financial period	<u>1,495</u>	<u>745</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 that have been issued but not yet effective :-

		Effective Date
- MFRS 9 (IFRS 9 issued by	Financial Instruments	1 January 2015
- MFRS 9 (IFRS 9 issued by	Financial Instruments	1 January 2015
Amendments to		
- MFRS 10	Investment Entities	1 January 2014
- MFRS 12	Investment Entities	1 January 2014
- MFRS 127	Investment Entities	1 January 2014
- MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
- MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
- MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	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, in the 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, the 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 Maxtral Industry Berhad ("MIB") will be able to realise their assets and fulfill their liabilities in the normal course of business.

The Group and 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 to 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, HTSB and also the entire or part of the equity interest of its wholly owned subsidiary, SDSB, 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 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 the chances of successfully implementation of proposals of the Group and MIB as mentioned above. As a result, in the absence of any alternative evidence available, Messrs PKF had been 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 have 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 & 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 on 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 mentioned 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

Irredeemable Convertible Preference Shares ("ICPS") issued by MIB on 4 August 2003 pursuant to the conditions stipulated in the Annexure A of the Memorandum and Article of Association dated 27 June 2003 constituting up to RM8,441,542 ICPS. On the maturity date on Monday, 5 August 2013, the remaining outstanding ICPS had automatically and/or mandatorily been cancelled and converted into new ordinary shares of MIB on the basis of every one (1) ICPS for every one (1) new MIB shares.

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 September 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 recorded revenue of RM 1.7 million for the current financial period ended 30 September 2013 as compared to RM 12.4 million in the prior financial period ended 30 September 2012.

The Group recorded profit before taxation of RM 12.2 million for the current financial period ended 30 September 2013 as compared to loss before tax of RM13.5 million in the prior financial period ended 30 September 2012. This is mainly due to gain on disposal of land amounted to RM33.88 million recognized 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 30 September 2013, the Group's revenue has decreased to RM0.04 million from RM 0.4 million for the immediate preceding quarter ended 30 June 2013.

The Group recorded loss before taxation of RM 3.5 million as compared to profit before tax of RM 18.8 million for respective quarters ended 30 September 2013 and 30 June 2013. As a result of dampening 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 30/09/2013 RM'000	Preceding Year Corresponding Quarter 30/09/2012 RM'000	Current Year To Date 30/09/2013 RM'000	Preceding Year Corresponding Period 30/09/2012 RM'000
This has been arrived at after charging/(crediting):-				
Interest income	(5)	-	(8)	(6)
Other income	(507)	(938)	(25,389)	(1,160)
Interest expense	1,178	1,067	3,429	3,501
Depreciation of property, plant and equipment	1,111	1,241	3,343	3,736
Gain on disposal of property, plant and equipment	-	(892)	(24,153)	(1,001)
Realised foreign exchange gain	-	(2)	-	(8)



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

B6. Income tax

	Current Quarter 30/09/2013 RM'000	Current Year To Date 30/09/2013 RM'000
Current taxation	-	(3)
Deferred taxation	(1,977)	(1,267)
	<u>(1,977)</u>	<u>(1,270)</u>

The variation noted is mainly due to reversal of taxable temporary 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

On 26 June 2013, SDSB ("Receivers & Managers Appointed") had entered into a Sales & Purchase Agreement ("SPA") with Suriamas Lumayan Sdn Bhd ("SLSB") in respect of the sale of the Property held under Tilte No. PN36381, Lot 189, Section 44, District of Kuala Lumpur for a total consideration of RM33.88 million. A sum of RM3.4 million, i.e. 10% of the Purchase Price, had been received upon the execution of the SPA. The balance 90% of the Purchase Price amounting to RM30.48 shall be paid or caused to be paid by the SLSB within 4 months from the date of the execution of this Agreement.

On 28 October 2013, Maxtral is informed by the Receivers and Managers that SDSB has granted to the SLSB an extension of time of sixty (60) days from the expiry of the Completion date on 25 October 2013 in respect of the sale of the Property. Pursuant to the terms and conditions of the Sales and Purchase Agreement, the Receiver and Managers has on 24 October 2013 received Late Payment Interest amounting to RM401,095.88 on the Balance Purchase Price outstanding at the rate of eight per cent (8.0%) per annum, calculated, on a daily basis, for the entire Extended Completion Period. The due date of the Extended Completion Period is on 24 December 2013

B10. Borrowings

	As At 30/09/2013 RM'000	As At 31/12/2012 RM'000
Short term borrowings:		
Secured	65,699	62,348
Unsecured	-	418
	<u>65,699</u>	<u>62,766</u>
Long term borrowings:		
Secured	-	74
Unsecured	-	-
	<u>-</u>	<u>74</u>

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) / profit Per Share

Basic

Basic (loss)/profit per share amounts are calculated by dividing (loss)/profit 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 30/09/2013	Preceding Year Corresponding Quarter 30/09/2012	Current Year To Date 30/09/2013	Preceding Year Corresponding Period 30/09/2012
(Loss) / profit attributable to owners of the parent (RM'000)	<u>(5,522)</u>	<u>(1,528)</u>	<u>10,913</u>	<u>(10,143)</u>
Weighted average number of ordinary shares in issue ('000)	<u>294,514</u>	<u>210,100</u>	<u>294,514</u>	<u>210,100</u>
Basic (loss) / profit per share (Sen)	(1.87)	(0.73)	3.71	(4.83)

Diluted

Diluted (loss) / profit per share amounts are calculated by dividing (loss) / profit 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) / profit per shares is equal to the basis (loss) / profit 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 30/09/2013 RM'000	As At 31/12/2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(99,591)	(109,794)
- Unrealised	-	(710)
Total Group accumulated losses as per consolidated accounts	<u>(99,591)</u>	<u>(110,504)</u>

B16. Comparative Figure

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