

TADMAX RESOURCES BERHAD (8184-W)
(Formerly known as Wijaya Baru Global Berhad)
(Incorporated in Malaysia)

Notes to the Interim Financial Statements
For the quarter ended 31 March 2013

Explanatory Notes Pursuant to the Financial Reporting Standard (“FRS”) 134

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of timber concession rights, leasehold land & buildings and certain financial assets and liabilities that are stated at fair value.

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 of the Group for the year ended 31 December 2012. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 December 2012 except for the adoption of new FRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 January 2012. The adoption of these FRSs, amendments and interpretations do not have a material impact on the interim financial information of the Group.

2. Significant Accounting Policies

The significant accounting policies and presentation adopted by the Group in this interim financial statement are consistent with those adopted in the audited financial statements for the year ended 31 December 2012 except for the following Malaysia Financial Reporting Standards (MFRSs), Amendments and other Interpretations which take effect 1 January 2013.

Description	Effective for annual periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to FRS 101 : Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests 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 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members’ Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

2. Significant Accounting Policies (continued)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards - Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements : Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities : Transition Guidance	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities MFRS 9 Financial Instruments	1 January 2015

The adoption of the above MFRSs, IC Interpretation and Amendments to MFRS do not have significant impact on the financial statements of the Group upon their initial application.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 “Agriculture” and IC Interpretation 15 “Agreements for the Construction of Real Estate”, including its parent, significant investor and venturer (herein called “Transitioning Entities”). Transitioning Entities were originally allowed to defer adoption of the new MFRS Framework for an additional year. However, on 30 June 2012, MASB decided to allow Transitioning Entities to further defer the adoption of the MFRS Framework for another year, thereby making the adoption of the MFRS Framework by Transitioning Entities mandatory for annual periods beginning on or after 1 January 2014.

Malaysian Financial Reporting Standards (MFRS Framework) (continued)

The Group falls within the scope definition of Transitioning Entities but had adopted the MFRS Framework, including MFRS 1 'First-time adoption of MFRSs' for the financial year ending 31 December 2012. In presenting its first MFRS financial statements, the Group has restated the comparative financial statements to amounts reflecting the application of MFRS Framework. Adjustments required on transition, if any, will be made retrospectively against opening retained earnings.

The transition to MFRSs does not have any significant effect on the financial statements of the Group.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report of the annual financial statements of the Group for the financial year ended 31 December 2012 was not subject to any qualification.

4. Seasonal or Cyclical Factors

The business of the Group was not affected by any significant seasonal or cyclical factors during the quarter under review.

5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the financial quarter under review except as disclosed.

6. Material Changes in Estimates

There were no significant changes made in the estimates of amounts reported in prior financial years

7. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during current quarter under review.

8. Dividends Paid

There was no dividend paid during the current quarter ended 31 March 2013 (31 March 2012: Nil).

9. Segmental Reporting

Segmental information is presented in respect of the Group's business segment.

Business Activity	1 st Quarter 3 months ended				Cumulative 3 months ended			
	31/3/2013		31/3/2012		31/3/2013		31/3/2012	
	Revenue	Profit/(Loss) Before Taxation	Revenue	Profit/(Loss) Before Taxation	Revenue	Profit/(Loss) Before Taxation	Revenue	Profit/(Loss) Before Taxation
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Timber	-	(123)	-	(431)	-	(123)	-	(431)
Investment holding	-	(2,664)	-	5,464	-	(2,664)	-	5,464
Property development	-	(1)	-	(4)	-	(1)	-	(4)
Licensed money Lending	124	124	170	151	124	124	170	151
Agricultural cultivation and trading #	410	(294)	159	(168)	410	(294)	159	(168)
Others	-	(570)	-	(2,222)	-	(570)	-	(2,222)
	534	(3,528)	329	2,790	534	(3,528)	329	2,790
Finance cost	-	(2,995)	-	(2,965)	-	(2,995)	-	(2,965)
Share of net results of an associated company	-	(1,950)	-	4,074	-	(1,950)	-	4,074
	534	(8,473)	329	3,899	534	(8,473)	329	3,899

- Classified as held for sale and discontinued operations in the Financial Statements.

10. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the financial year ended 31 December 2012.

11. Subsequent Material Events

There were no material events subsequent to the end of the current financial quarter under review to the date of announcement which were likely to substantially affect the results and the operations of the Group except as below :-

- On 9th April 2013, the Group had disposed of a leasehold land located at Pulau Indah, Port Klang, Selangor Darul Ehsan measuring approximately 60 acres to a third party for a total cash consideration of RM48,351,600/-.
- On 29th April 2013, the Company had acquired 100% equity interest in Arus Global Sdn. Bhd. ("AGSB") from its associate company, Wijaya Baru Sdn. Bhd. ("WBSB") for a total cash consideration of RM1/- plus novation of RM3,000,000/- due by AGBS to WBSB.

- (c) On 29th April 2013, the Group entered into a Share Sale Agreement to dispose a wholly owned subsidiary, Chongqing Liangshan Wijaya Food Limited for a consideration of RM20,000,000/-.

12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review except for the disposal on 22 January 2013 of its remainder 50% of its equity interest in Tadmax Energy Sdn Bhd, a dormant company, comprising one ordinary share of RM1.00 each for a total cash consideration of RM1/-.

13. Changes in Contingent Liabilities and Contingent Assets

There were no additional contingent liabilities or contingent assets since 31 December 2012 till the date of announcement of this quarterly report.

14. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2013 are as follows:

	RM'000
Approved and contracted for:	
Automatic Instant Rice Cooking and Packaging Plant	
- Plant and equipment (USD9,800,000)*	<u>30,601</u>

* The foreign exchange rate used as at 31 March 2013 is USD 1.00 : RM3.1225

The above capital commitment on the Automatic Instant Rice Cooking and Packaging Plant is released after the Company entered into a Share Sale Agreement on 29 April 2013 to dispose a wholly owned subsidiary, Chongqing Liangshan Wijaya Food Limited for a consideration of RM20,000,000/-.

15. Significant Related Party Transactions

The following related party transactions of the Group had been entered into the ordinary course of business in the current quarter and financial year-to-date:

	Current Quarter Ended 31/3/13 RM'000	Cumulative Quarter Ended 31/12/12 RM'000
<i>Transaction with an associated company</i>		
Rental expense	<u>24</u>	<u>12</u>
<i>Transaction with a company connected to a director</i>		
Legal fee charged by a director's firm	-	26
Term loan interest charged	-	51
Aviation services rendered	<u>-</u>	<u>44</u>

Additional Explanatory Notes in compliance with Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

16. Review of Performance

The performance of the Group by operating segments are analysed below :-

RM'000	CURRENT QUARTER			PRECEDING QUARTER			FINANCIAL YEAR-TO-DATE		
	2013	2012	% +/-	4Q 2012	% +/-	1Q 2013	1Q 2012	% +/-	
<u>Revenue</u>									
Timber	-	-	-	-	-	-	-	-	-
Investment holding	-	-	-	-	-	-	-	-	-
Property development	-	-	-	-	-	-	-	-	-
Licensed money lending	124	170	-27	26	377	124	170	-27	-27
Agricultural cultivation and trading #	410	159	158	562	-27	410	159	158	158
Others	-	-	-	-	-	-	-	-	-
	<u>534</u>	<u>329</u>	62	<u>588</u>	-9	<u>534</u>	<u>329</u>	62	62
<u>Profit/(Loss) before tax</u>									
Timber	(123)	(431)	-72	(4,891)	-97	(123)	(431)	-72	-72
Investment holding	(2,664)	5,464	-149	(6,026)	-56	(2,664)	5,464	-149	-149
Property development	(1)	(4)	-77	37	-102	(1)	(4)	-77	-77
Licensed money lending	124	151	-18	7	1671	124	151	-18	-18
Agricultural cultivation and trading #	(294)	(168)	75	(992)	-70	(294)	(168)	75	75
Others	(570)	(2,222)	-74	(1,541)	-63	(570)	(2,222)	-74	-74
	<u>(3,528)</u>	<u>2,790</u>	-226	<u>(13,406)</u>	-74	<u>(3,528)</u>	<u>2,790</u>	-226	-226
Finance cost	(2,995)	(2,965)	1	(4,275)	-30	(2,995)	(2,965)	1	1
Share of associates results	(1,950)	4,074	-148	(7,756)	-75	(1,950)	4,074	-148	-148
Profit/(Loss) before tax	<u>(8,473)</u>	<u>3,899</u>	-317	<u>(25,437)</u>	-67	<u>(8,473)</u>	<u>3,899</u>	-317	-317

- Classified as held for sale and discontinued operations in the Financial Statements.

Review on Performance - Current Quarter compared to Corresponding Quarter (including – Financial year-to-date)

Turnover increased by RM0.2 mil compared to last year corresponding quarter due mainly to higher revenue reported from agricultural cultivation and trading business.

Loss before tax increased by RM12.4 million due mainly to higher losses on foreign currency loan of RM8.1 million and higher share of loss of associated results of RM6.0 mil, set off by lower expenditure incurred by foreign subsidiaries in Indonesia of RM1.65 million.

17. Variation of Results against Preceding Quarter

Turnover of current quarter is close to the preceding quarter's turnover.

Loss before tax is much lower by RM17.0 million due mainly to inclusion of impairment loss of timber business property, plant and equipment, higher operating expenses of Indonesian business, higher interest expense and also higher share of associate loss.

18. Prospects

With the receipt of the IPK License and the expected fulfillment of the two conditions attached to the license, which is likely to be fulfilled by the 2nd quarter of 2013, the Group shall proceed to undertake timber extraction in the 4th quarter of 2013, and thereafter the setting up of an oil palm nursery shall be deliberated upon.

Further, following the disposal of a wholly owned subsidiary, Chongqing Liangshan Wijaya Food Limited on 29 April 2013, the Group will cease accounting for its operation losses from the 2nd Quarter of 2013.

Further, the Group is also expecting to register revenue from its property division and barring unforeseen circumstances, this division is expected to contribute positively to the Group's performance commencing from the third quarter of the financial year ending 31 December 2013.

Although the timber extraction activities have been considerably delayed due to factors beyond the Group's control, potential revenue from the Property Division should place the Group on an even keel. Despite this, the Board of Directors expect 2013 to be a fairly challenging year.

19. Profit Forecast and Profit Guarantee

There is no profit forecast and profit guarantee that is applicable to the Group.

20. Taxation

Taxation comprises the following:

	Current Quarter (3 months ended)		Cumulative Quarter (3 months ended)	
	31/3/2013 RM'000	31/3/2012 RM'000	31/3/2013 RM'000	31/3/2012 RM'000
Current tax:				
Malaysian income tax	1	12	1	12
	<u>1</u>	<u>12</u>	<u>1</u>	<u>12</u>
Under/ (Over) provision of Malaysian income tax in prior years	-	-	-	-
	<u>-</u>	<u>12</u>	<u>-</u>	<u>12</u>
Deferred tax	(123)	(312)	(123)	(312)
Total income tax expense	<u>(122)</u>	<u>(300)</u>	<u>(122)</u>	<u>(300)</u>

Included in the income tax figure for the quarter ended 31 March 2013 are the net adjustment for deferred tax charges in respect of amortization of prepaid land lease payment with cultivation rights, revaluation of leasehold lands and temporary timing difference.

21. Corporate Proposals

Status of Corporate Proposals Announced but Not Completed

(A) Multiple Proposals

On 19th March 2013 the Company had announced the followings:

- (i) A proposed par value reduction via the cancellation of RM0.50 of the par value of every existing ordinary share of RM1.00 each in the issued and paid up share capital of the Company pursuant to Section 64 of the Companies Act, 1965 in Malaysia.
- (ii) A proposed partial settlement of debt owing to a director of the Company, namely Dato' Faizal bin Abdullah via the issuance of new ordinary shares of RM0.50 each in the Company at an indicative issue price of RM0.50 per settlement share.
- (iii) A proposed establishment of an Employee Share Option Schemes of up to 10% of the issued and paid up share capital of the Company.
- (iv) Proposed amendments to the Memorandum and Articles of Association of the Company arising from (i) and (iii).

The above mentioned proposals were approved by shareholders during the Extraordinary General Meeting held on 11th April 2013.

Presently, the Company's Solicitors is preparing the required application to the High Court of Malaya to secure the Court's sanction on the proposed Par Value Reduction before moving forward to complete the above multiple proposals.

(B) Proposed Establishment of Joint Venture

On 3 August 2012, the Company had entered into a conditional Joint Venture Agreements (“JV Agreement”) with Bumimas Raya Sdn Bhd (“BRSB”), Pacific Inter-Link Sdn Bhd (“PIL”) Yakin Dijaya Sdn. Bhd (“YDSB”) and Al Salam Bank Bahrain (“ASBB”) for the establishment of a proposed joint venture company, namely Tulen Jayamas Sdn. Bhd (“TJSB” or “JV Company”) for the construction of an Integrated Timber Complex (‘ITC’) at District of Jair and District of Mandobo, Boven Digoel Regency, Papua Province, Republic of Indonesia (“Subject Properties”) and on completion of the ITC, undertaking the business of processing timber logs extracted from the Subject Properties into plywood, sawn timber, wood chips and other timber products as TJSB’s Board may determine from time to time (“Project”).

Pursuant to the terms and conditions of the JV Agreement, the JV Company has on 19 October 2012 increase it paid up share capital from RM2 to RM100,000 and Company’s share of the allotment was 14,000 ordinary shares of RM 1.00 each, equivalent to 14% equity interest in Tulen Jayamas Sdn. Bhd.

All the parties to the JV Company are presently working towards fulfilment of the conditions precedent set out in the JV Agreement. The conditions precedent comprise :-

- (i) Entry of a formal agreement by the relevant parties having the requisite rights over the Subject Properties with BRSB for the extraction of timber over the Subject Properties ; and
- (ii) Entry of a formal agreement by the relevant parties having the requisite rights over the Subject Properties with BRSB for land clearing of the Subject Properties suitable for cultivation of oil palm on mutually agreed terms in accordance with the market practice and market rate.

(C) Proposed Disposal of 60 acres of leasehold land located at Pulau Indah

On 9th April 2013, the Group had disposed of a land measuring approximately 60 acres to a third party for a total cash consideration of RM48,351,600/-.

The Company is presently working towards fulfilment of the conditions precedent set out in the sale and purchase agreement. The conditions precedent comprise the procurement of the approval for the sub-division of the master land and thereafter consent to transfer the land to the Purchaser.

22. Group Borrowings and Debts Securities

Group borrowings are as follows:-

	As at 31/3/2013 RM'000	As at 31/3/2012 RM'000
(a) Current borrowing – secured		
Term loans	35,875	291
Hire purchase payable	83	58
	<u>35,958</u>	<u>349</u>
(b) Non-current borrowing – secured		
Term loans	12,000	3,785
Term loan denominated in USD	169,864	194,289
	<u>181,864</u>	<u>198,074</u>
Hire purchase payable	404	257
	<u>182,268</u>	<u>198,331</u>

23. Financial Instruments

(a) Derivatives

There were no outstanding derivatives as at 31 March 2013.

(b) Gain / (loss) arising from fair value changes in financial assets and liabilities

The Group policy is to recognise the following financial assets and liabilities at amortised cost.

The changes in accounting policies in line with the adoption of FRS139, have the effect of net profit / (loss) as stated below:

	Current Quarter (3 months ended)		Cumulative Quarter (3 months ended)	
	31/3/2013 RM'000	31/3/2012 RM'000	31/3/2013 RM'000	31/3/2012 RM'000
Gain/(loss) arising from staff loan	1	1	1	1
Loss arising from other payables	-	(160)	-	(160)
Gain arising from other receivable	270	-	270	-
Net gain/(loss) from fair value adjustment	<u>271</u>	<u>(159)</u>	<u>271</u>	<u>(159)</u>

The above gain/(loss) arose from amortization of staff loan, other payables and other receivable.

24. Material Litigation

Other than the cases shown below, there was no other material litigation pending as at 23 May 2013 (being the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

Usama Industries Sdn. Bhd. Cases

(1) **Civil Suit No: 22-98-2006-II at the High Court of Kuching, and Appeal to the Court of Appeal by the Plaintiff, Suit No. Q-02-1307-09 Usama Industries Sdn. Bhd. (“UISB”) vs Jati Bahagia Sdn. Bhd. (“JBSB”)**

This case is about the Usama Industries Sdn. Bhd. (“UISB”) claiming against Jati Bahagia Sdn. Bhd. for the sum of RM21,814,790.48 with interest as at June 2006 for premium underpaid. (However, due to the time barred of the earlier period, the claim had been reduced to RM17,820,140.00)

This case was originally filed under Civil Suit No: 22-164-2004. The Writ of Summons was not served and had expired. The previous solicitors’ firm Messrs Victor Wong & Co. had filed a new writ under Civil Suit No: 22-98-2006 and updated the claim to June 2006 for RM21,814,790.48. Judgment in default of Appearance was obtained on 10 October 2006. The Defendant had filed an Application to set aside the Judgment and the Judgment was set aside.

The Defendant’s solicitors had also filed their Defence and Counter-claim for a sum of RM6,688,300.18.

The case really turns to the interpretation of the Variation Agreement no. 2, on whether the payment of the premium to be paid by the Defendant to the Plaintiff is based on the market price of Meranti as published in the International Tropical Timber Organisation (“ITTO”) journal or the sale price of the Meranti as alleged by the Defendant. The Plaintiff’s solicitor contention is that the price should be based on the market price of Meranti as published by ITTO in the Asia Pacific region.

As to the counterclaim of the Defendant, the Plaintiff is pleading estoppel in that all payments paid by the Defendant to the Plaintiff were based on the volume of timber calculated and tabulated by the Defendant to the Plaintiff. The case was heard on 27 and 28 April 2009 and the Court had on 15 June 2009 dismissed the Plaintiff’s case. The Plaintiff had filed the Notice of Appeal on 16 June 2009. At the same time the Court had also dismissed the Defendant’s counter-claim and the Defendant had also filed a Cross-Appealed on 11 August 2009.

The Court of Appeal heard on 16 and 17 April 2012 and the Appeal was adjourned to 20 April 2012 for judgement. The judgement was then entered for Plaintiff in the sum of RM17,820,139.51 with costs in the Court of Appeal and High Court.

However on 9 August 2012, UISB has been informed that JBSB has been dissolved by the Registrar of Company under Section 308 of the Companies Act 1965. UISB made an Application to Court under Section 307 therein for a declaration that the dissolution is void and on 22 October 2012, the High Court granted the application for JBSB to be reinstated, a copy of which order has been given to the Registrar.

No execution proceedings can be taken against JBSB as it is insolvent. As a result, UISB’s legal counsel is also preparing a fresh application to take legal action against the directors and key

personnel (or controllers) of Jati Bahagia Sdn. Bhd. who had been involved in the logging business pertaining to our civil suits against them for recovery of the judgment sum plus interest.

The outcome of the above legal case has no adverse financial impact to the Group.

(2) Civil Suit No: 22-11-2009 at the High Court in Sabah and Sarawak at Miri (Formerly under Civil Suit No:S22-32-2007 at the High Court in Sabah and Sarawak at Sibul)Usama Industries Sdn. Bhd. (“UISB”) vs Victor L.F. Wong trading as Victor Wong & Chiew Advocates and Solicitors and Victor Wong & Chiew Advocates and Solicitors (a firm) (“Defendants”)

Usama Industries Sdn. Bhd. filed a suit against Victor L.F. Wong trading as Victor Wong & Chiew (1st Defendant) and Victor Wong & Chiew Advocates and Solicitors (2nd Defendant) for professional negligence and claiming Special Damages in the sum of RM27,440,000.00, General Damages, interest at such and for such period as the Court shall think fit and costs. This is due to the fact that Victor L.F. Wong had failed to take active steps or sufficient actions to prosecute our claims nor serve the summons of the three cases after the same had been filed, sealed and issued by the High Court in Kuching i.e. Kuching High Court Suit No.22-164-2004-II, 22-165-2004-II and 22-166-2004-I resulting in UISB’s claim for damages against Jati Bahagia Sdn. Bhd. to become statute barred by virtue of Section 2 of the Limitation Act Ordinance. Victor Wong & Chiew, as UISB’s solicitors had misinformed the Company on 14 November 2007 that the Writ Of Summons together with the Statement of Claim had been served on both the 1st and 2nd Defendants when that was not so.

In the meantime, as the defence of the Defendants has yet to be filed, our solicitors had filed in a Judgment in Default of Defence. Thereafter the High Court allowed the application of the Defendants to set aside the judgement in default and ordered the defendants to file the defence within two weeks from 5 May 2010.

The Defendants had filed their defence and counter-claim. Our solicitors have to file its Reply and Defence to the counter-claim by 21 May 2010.

The hearing of the case was fixed on 7 July 2010 and later adjourned to 22 September 2010.

On a video conference held on 11 February 2011, the Court granted an adjournment and the Court would also wish to know if there is any possibility of settlement out of the court. The Chief Justice had earlier attempted to mediate for a settlement but aborted the effort.

After the many adjournments requested by us, the case had finally been fixed for hearing on the 7 February 2012 to 10 February 2012. On 8 February 2012 and 9 February 2012, the High Court had dismissed our case and awarded cost of RM70,000.00 against us and since the Defendant withdrew the counter claim, the Court has awarded cost of RM15,000.00 in favour of UISB. The commitment of the court fee has been fulfilled and paid by UISB.

However, UISB is appealing to the Court of Appeal and the Court has fixed a hearing date for 27 August 2013 in Kuching.

The directors of the Company and Company’s solicitors are of the view that based on the numerous evidences available so far, there is a good case against the Defendants in the Court of Appeal.

(3) **Civil Suit No: 22-42-2009 at the High Court in Sabah and Sarawak at Sibu Usama Industries Sdn. Bhd. (“UISB”) vs Jati Bahagia Sdn. Bhd. (“JBSB”)**

UISB filed a Writ of Summons and Statement of Claim ("Writs") on 17 August 2009 which has been served on the advocates of Jati Bahagia Sdn Bhd on 2 September 2009.

This suit arose due to the breach of the Deed of Variation No. 2 dated 15 October 1998 by the Defendant. Despite repeated protests and demands, the Defendant refused to pay the Plaintiff premium for the logs purchased based on market price of Meranti timber of standard quality and above but continued to pay the Plaintiff premium based on the arbitrary price set up by the Defendant on Meranti timber which has no reference to the market price of Meranti in open market at all.

The Plaintiff claims against the Defendant for:-

1. The sum of RM15,570,644.00 being the amount of underpaid premium due and owing from the sale of logs under the Deed of Variation No. 2 from August 2006 to July 2009.
2. Interest at the rate of 8% per annum from the date of the Writs until Judgment and thereafter interests at the rate of 8% per annum from the date of the Judgment until full payment.
3. Such further and other relief as the Court deems fit and proper.
4. Costs.

Summons had been served and the case came up for case management on 19 April 2010. The case was originally fixed for hearing on 27 September 2010 and our lawyer had applied for an adjournment.

The case came up former mention on 22 November 2010 and during which time the Court ordered the party to come out with agreed facts and issues.

The Court adjourned the case until the hearing and the disposal of the Appeal in Case 1 above (Civil Suit No:22-98-2006-II and Civil Appeal No: Q-02-1307-09) which the Appeal was allowed with costs and judgement was entered against the Defendant.

However on 9th August 2012, UISB has been informed that JBSB has been dissolved by the Registrar of Company under Section 308 of the Companies Act 1965. UISB made an Application to Court under Section 307 therein for a declaration that the dissolution is void and on 22 October 2012, the High Court granted the application for JBSB to be reinstated, a copy of which order has been given to the Registrar.

UISB's legal counsel is also preparing a fresh application to court to take legal action against the directors and key personnel (or controllers) of Jati Bahagia Sdn. Bhd. who had been involved in the logging business pertaining to our civil suits against them.

This case was fixed for mention on 26 November 2012, where the Court was informed of dissolution and subsequent reinstatement of JBSB and that UISB intends to pursue this action in addition to the fresh application against the controllers as mentioned.

The Court also allowed for this action to be consolidated with Civil Suit No. SB-22-17 of 2011 due to the similarity of the facts and points of law. The final case management on the consolidated cases was on 14 January 2013 where counsel for JBSB was absent. The Court then granted leave for UISB to apply for summary judgment on the consolidated cases. Solicitors for UISB are now in the process of preparing the same and will update once the application is made.

Judgement entered on 27 March 2013 but unable to carry out execution as JBSB is insolvent.

The outcome of the above legal case has no adverse financial impact to the Group.

(4) **Civil Suit No. SB-22-17 of 2011 at the High Court in Sabah and Sarawak at Sibul - Usama Industries Sdn. Bhd. vs Jati Bahagia Sdn. Bhd.**

Usama Industries Sdn. Bhd. ("UISB"), a wholly-owned subsidiary of the Company had filed a Writ of Summons and Statement of Claim both dated 9 May 2011 against Jati Bahagia Sdn. Bhd. ("JBSB") which were duly served on JBSB's solicitors on 23 May 2011.

The suit arose due to the breach of the Deed of Variation No.2 dated 15 October 1998 by JBSB. Despite repeated protests and demands, JBSB refused to pay UISB premium for the logs felled, extracted and purchased based on market price of Meranti timber of SQ grade and above but continued to pay UISB premium based on the arbitrary price set up by JBSB on Meranti timber based on the individual private sale or by private treaties between the two private individuals.

UISB claims against JBSB for:-

1. The sum of RM4,322,627.13 being the amount of underpaid premium due and owing from the sale of logs under the Deed of Variation No.2 from August 2009 to June 2010.
2. Interest at the rate of 8% per annum from the date of the Writs until Judgement and thereafter interests at the rate 8% per annum from the date of the Judgement until full payment.
3. Such further and other relief as the Court deems fit and proper.
4. Costs.

The High Court has adjourned this case until the hearing and the disposal of the Court of Appeal Civil Appeal No.Q-02-1307-09 which the Appeal was allowed with costs and judgment was entered against the Defendant.

UISB's solicitors are of the opinion that the outcome of this case will largely depend on the outcome of the Court of Appeal Civil Appeal No. Q-02-1307-09, further details of which are set out in item (i) above.

However on 9th August 2012, UISB has been informed that JBSB has been dissolved by the Registrar of Company under Section 308 of the Companies Act 1965. UISB made an Application to Court under Section 307 therein for a declaration that the dissolution is void and on 22 October 2012, the High Court granted the application for JBSB to be reinstated, a copy of which order has been given to the Registrar.

Our legal counsel are also preparing a fresh application to take legal action against the directors and key personnel (or controllers) of Jati Bahagia Sdn. Bhd. who had been involved in the logging business pertaining to our civil suits against them.

This case was fixed for mention on 26 November 2012, where the Court was informed of dissolution and subsequent reinstatement of JBSB and that UISB intends to pursue this action in addition to the fresh application against the controllers as mentioned.

The Court also allowed for this action to be consolidated with Civil Suit No: 22-42-2009 due to the similarity of the facts and points of law. The final case management on the consolidated cases

was on 14 January 2013 where the counsel for JBSB was absent. The Court then granted leave for UISB to apply for summary judgment on the consolidated cases. Solicitors for UISB are now in the process of preparing the same and will update once the application is made.

Judgement entered on 27 March 2013 but unable to carry out execution as JBSB is insolvent.

The outcome of the above legal case has no adverse financial impact to the Group.

(5) **Civil Suit No: 22-12/4-2013 at the High Court in Sabah and Sarawak at Sibn
 Usama Industries Sdn. Bhd. (“UISB”) vs Jati Bahagia Sdn. Bhd. (“JBSB”), Datuk Wong Kie Nai,
 Wong Kie Yik, Lau Puong Ying, Habsah Binti Abdul Rahman, Audrey Wong Haw Ing, Patrick
 Wong Haw Yeong, Wong Hou Liang, Mimi Wong Haw Wai, Annie Wong Haw Bing, Loh Leh Fong
 @ Loh Leh Pong**

UISB filed a Writ of Summons and Statement of Claim (“Writs”) on 8th April 2013, which was subsequently served on the advocates of Jati Bahagia Sdn Bhd and the individuals named as above in their personal capacity, representing the owners, managers and controllers of Jati Bahagia Sdn Bhd.

This suit arose due to the inability of UISB to enforce judgment entered in its favour in the suits described above in items 24 (1), (3) and (4) due to the insolvency of JBSB.

Based on Court of Appeal case Q-02-1307-09 (sum of RM17,178,820.51), suit no SB-22-42 (sum of RM15,570,644.00) and suit no SB-22-17 (RM4,322,627.13), UISB now seek to claim the full combined Judgment amounts inclusive of interest at the rate of 8% against JBSB together with the above named Defendants as controllers of JBSB and therefore being knowing parties carrying out the business of JBSB with intent to defraud its creditors.

A hearing date has yet to be fixed and awaiting an update from UISB solicitor.

25. Dividend Payable

No interim ordinary dividend has been declared for the financial period ended 31 March 2013 (31 March 2012: Nil).

26. Earning / (Loss) Per Share

(a) Basic Earning / (Loss) Per Share

	Current Quarter 31/3/2013	Cumulative Quarter 31/3/2013
Loss for the financial period/year attributable to equity holders of the Company (RM'000)	<u>(8,307)</u>	<u>(8,307)</u>
Weighted average number of shares in issue ('000)	<u>363,232</u>	<u>363,232</u>
Basic earnings / (loss) per share (sen)	<u>(2.30)</u>	<u>(2.30)</u>

(b) Diluted Earning / (Loss) Per Share

There are no outstanding ICULS and Warrants during the current quarter hence, there are no dilutive effect to the loss per share of the Group.

27. Realised and Unrealised Retained Earning / (Accumulated Loss)

	As at 31/3/2013	As at 31/12/2012
	RM'000	RM'000
Total accumulated loss of Company and its subsidiaries:		
- Realised	(181,141)	(176,532)
- Unrealised	1,262	3,010
Total shares of retained earnings from associated company :		
- Realised	29,942	31,892
- Unrealised	(6,870)	(6,870)
Total Group accumulated loss	<u>(156,807)</u>	<u>(148,500)</u>

28. Additional disclosures for Profit / (Loss) for the period

	Current Quarter	Cumulative
	Ended 31/3/2013	Quarter
	RM'000	Ended 31/3/2013
		RM'000
Profit / (Loss) for the period is arrived at after crediting:-		
Interest income	2	2
Amortisation of financial assets	<u>271</u>	<u>271</u>
and after charging:-		
Interest expense	2,995	2,995
Depreciation of property, plant and equipment	234	234
Amortisation of prepaid land lease payments	504	504
Foreign exchange loss	<u>1,248</u>	<u>1,248</u>

Other than the above, there was no provision for and write off receivables; provision for and write off of inventories; gain or loss on disposal of quoted or unquoted investments or properties; gain or loss on derivatives; and exceptional items included in the results for the current quarter and financial period ended 31 March 2013.

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 May 2013.