

TADMAX RESOURCES BERHAD (8184-W)
(Incorporated in Malaysia)

Notes to the Interim Financial Statements
For the quarter ended 31 December 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 2013. 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. This was followed by MASB decision on 7 August 2013 to further defer the adoption of the MFRS Framework by Transitioning Entities for an additional one year, hence extending the deadline from 1 January 2014 to 1 January 2015.

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 save for the Industrial Supply business segment, namely Rock Supply business located at the east coast state of Peninsular Malaysia which was severely affected by the monsoon period from October to February.

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 December 2013 (31 December 2012: Nil).

9. Segmental Reporting

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

Business Activity	4 th Quarter 3 months ended				Cumulative 12 months ended			
	31/12/2013		31/12/2012		31/12/2013		31/12/2012	
	Revenue RM'000	Profit/(Loss) Before Taxation RM'000	Revenue RM'000	Profit/(Loss) Before Taxation RM'000	Revenue RM'000	Profit/(Loss) Before Taxation RM'000	Revenue RM'000	Profit/(Loss) Before Taxation RM'000
Timber	-	345	-	(4,891)	-	456	-	(5,848)
Investment holding	-	(6,837)	-	(6,026)	-	(20,781)	-	(5,035)
Property	10,432	300	-	37	12,925	434	-	(11)
Licensed money Lending	-	-	26	7	124	124	496	423
Agricultural cultivation and trading #	-	-	562	(992)	575	(433)	1,932	(2,351)
Industrial supplies	2,404	221	-	-	3,465	285	-	-
Others	-	(760)	-	(1,541)	-	(3,250)	-	(4,003)
	12,836	(6,731)	588	(13,406)	17,089	(23,166)	2,428	(16,825)
Finance costs	-	(3,071)	-	(4,275)	-	(12,084)	-	(12,764)
Share of net results of an associated company	-	10	-	(7,756)	-	(10,288)	-	(4,172)
	12,836	(9,792)	588	(25,437)	17,089	(45,538)	2,428	(33,761)

- 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 :-

- (a) On 20 February 2014, the Company had entered into a share sale agreement with Ivory Merge Sdn Bhd to dispose off the entire issued and paid-up share capital of Tadmax Power Sdn Bhd (“TPSB”), a wholly-owned subsidiary of the Company, for a total disposal consideration of RM317,334,600 to be satisfied entirely in cash (“Proposed Disposal”).

TPSB is the beneficial and registered owner of approximately 310 acres (“Subject Land”) out of the total land area measuring approximately 379 acres of a piece of vacant leasehold land bearing the master title No. PN 7375 Lot 72779, located in Pulau Indah, Klang, Selangor Darul Ehsan.

As at the audited financial year ended 31 December 2012, TPSB had net assets (“NA”) of RM291,914,000, while its unaudited NA as at the date of the announcement on 20 February 2014 is approximately RM138,389,000 (“Completion Accounts”). The unaudited NA comprised mainly the Subject Land with carrying value of approximately RM138,389,000.

Based on Completion Accounts of TPSB of RM138.39 million, the Proposed Disposal will give rise to a post-tax gain on disposal of approximately RM136.51 million to the Group or a gain of approximately 36.6 sen per Tadmax Share.

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 as below :-

- (a) On 31 July 2013, the Company has incorporated a wholly owned subsidiary company, Tadmax Builders Sdn Bhd.
- (b) On 15 August 2013, the Company has acquired two shelf companies which are wholly owned subsidiary companies, Kirana Abadi Sdn Bhd and Platinum Frigate Sdn Bhd.
- (c) On 30th October 2013, the Group had entered into a share sale agreement (‘SSA’) to dispose of 45% equity interest in Wijaya Baru Sdn Bhd for a total sale consideration of RM20,000,000/- and the SSA was duly completed on the date of execution of the SSA.

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

There are no authorised capital commitments not provided for in the interim financial statements as at 31 December 2013.

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 31/12/13 RM'000	Cumulative Quarter Ended 31/12/13 RM'000
<u><i>Transaction with an associated company</i></u>		
Rental expense	-	40

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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		3Q 2013	% +/-	4Q 2013	4Q 2012	
<u>Revenue</u>								
Timber	-	-	-	-	-	-	-	-
Investment holding	-	-	-	-	-	-	-	-
Property	10,432	-	100	2,493	318	12,925	-	100
Licensed money lending	-	26	-100	-	-	124	496	-75
Agricultural cultivation and trading #	-	562	-100	-	-	575	1,932	-70
Industrial supplies	2,404	-	100	1,061	127	3,465	-	100
Others	-	-	-	-	-	-	-	-
	<u>12,836</u>	<u>588</u>	2083	<u>3,554</u>	261	<u>17,089</u>	<u>2,428</u>	604
<u>Profit/(Loss) before tax</u>								
Timber	345	(4,891)	-107	(108)	-420	456	(5,848)	-93
Investment holding	(6,837)	(6,026)	13	(4,391)	56	(20,781)	(5,035)	313
Property	300	37	711	211	42	434	(11)	-4048
Licensed money lending	-	7	-100	-	-	124	423	-70
Agricultural cultivation and trading #	-	(992)	100	-	-	(433)	(2,351)	-82
Industrial supplies	221	-	100	63	252	285	-	100
Others	(760)	(1,541)	-51	(1,349)	-44	(3,250)	(4,003)	-19
	<u>(6,731)</u>	<u>(13,406)</u>	-50	<u>(5,574)</u>	21	<u>(23,166)</u>	<u>(16,825)</u>	38
Finance costs	(3,071)	(4,275)	-28	(2,992)	3	(12,084)	(12,764)	-5
Share of associates results	10	(7,756)	-100	(298)	-103	(10,288)	(4,172)	147
(Loss)/profit before tax	<u>(9,792)</u>	<u>(25,437)</u>	-62	<u>(8,864)</u>	10	<u>(45,538)</u>	<u>(33,761)</u>	35

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

Review on Performance - Current Quarter compared to Corresponding Quarter

TURNOVER increased by RM12.2 mil as compared to last year corresponding quarter contributed mainly by the revenue from property and industrial supplies business segments. No revenue was recorded for Agricultural Cultivation cum Trading and Money Lending business segments following the disposal of the said companies during the year

Loss before tax reduced by RM15.6 million due mainly to lower share of associates losses by RM7.8 million, lower finance cost by RM1.2 mil and lower losses registered by the Timber operating segment by RM5.2 million.

17. Variation of Results against Preceding Quarter

TURNOVER increased by RM9.2 mil as compared to preceding quarter contributed by the higher contribution from the Property and Industrial Supplies business segments.

Loss before tax is higher by RM0.9 million due mainly to loss on sale of associate, Wijaya Baru Sdn Bhd of RM3.7 million and set-off by lower forex loss on USD denominated term loan of RM1.6 million and lower losses registered by other operating segments by RM0.6 million which comprise primarily of overseas operating costs.

18. Prospects

The Property business segment has contributed to the group's revenue in year 2013. Meanwhile, the turnover from Industrial Supplies business segment for year 2013 was lower than expected as the supplies were affected by the monsoon season in the east coast of Peninsular Malaysia but is expected to move to a higher gear after the monsoon season is over.

Based on the above and supported further with the Proposed Disposal as mentioned under section 11 above, the Board of Directors is optimistic that the measures taken and to be taken would enable the Group to turnaround its performance.

With the anticipated improvement in the performance and liquidity of the Group in the current financial year, the Property business segment comprising development and construction are also expected to play a more significant role. In addition to this, preliminary works of the Integrated Timber Complex ("ITC") under the Joint Venture Company, has started and scheduled to commence commercial production in the 1st Quarter of 2015. As highlighted in prior statements, a few months prior to commencement of the ITC, the Group will be required to start extraction of timber on a step up basis to supply logs to the ITC.

All the above developments will place the Group in a strong footing.

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 (12 months ended)	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Current tax:				
Malaysian income tax	9	(555)	46	(554)
Under/ (Over) provision of Malaysian income tax in prior years	-	-	(113)	-
		(555)	(67)	(554)
Deferred tax	(155)	233	(618)	75
Total income tax expense	(146)	(322)	(685)	(479)

Included in the income tax figure for the quarter ended 31 December 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 ProposalsStatus of Corporate Proposals Announced but Not Completed(A) 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.

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

On 9th April 2013, the Group had entered into a sale and purchase agreement to dispose 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.

(C) Proposed Disposal of Tadmax Power Sdn Bhd

On 20 February 2014, the Company has entered into a share sale agreement with Ivory Merge Sdn Bhd to dispose off the entire issued and paid-up share capital of Tadmax Power Sdn Bhd, a wholly-owned subsidiary of the Company, for a total disposal consideration of RM317,334,600 to be satisfied entirely in cash ("**Proposed Disposal**").

The completion of the Proposed Disposal is subject to the fulfilment of conditions precedent, among others the procurement of the approval of the shareholders of the Company at an extraordinary general meeting to be convened.

22. Group Borrowings and Debts Securities

Group borrowings are as follows:-

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
(a) Current borrowing – secured		
Term loans	88,860	37,188
Hire purchase payable	115	110
	<u>88,975</u>	<u>37,298</u>
(b) Non-current borrowing – secured		
Term loans	-	10,500
Term loan denominated in USD	136,261	168,803
	<u>136,261</u>	<u>179,303</u>
Hire purchase payable	288	404
	<u>136,549</u>	<u>179,707</u>

23. Financial Instruments**(a) Derivatives**

There were no outstanding derivatives as at 31 December 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 (12 months ended)	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Gain/(loss) arising from staff loan	1	-	3	3
Loss arising from other payables	-	(160)	-	(638)
Gain arising from other receivable	215	-	983	-
Loss on recognition of fair value of financial asset	-	(1,587)	-	(1,587)
Net gain/(loss) from fair value adjustment	216	(1,747)	986	(2,222)

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 27 February 2014 (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: 22-12/4-2013 at the High Court in Sabah and Sarawak at Sib**
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

Due to similarity of the facts and points of law, the Court allowed for the actions on Court of Appeal case Q-02-1307-09, suit no SB-22-42 and suit no SB-22-17 to be consolidated under this suit.

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 on 27th March 2013 in the 3 suits described above (relating to underpaid premium for logs felled) 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 amount to the tune of RM 37,072,091.64 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.

Since late 2013, the Courts have postponed fixing a date and proceedings are currently still in the interlocutory and discovery stage as both parties requested for an extension and indicated that they required more time to compile the necessary documentation for filing. Case management is ongoing and documents have been partially filed. The Courts have fixed a date for the trial to be heard in April 2014.

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

25. Dividend Payable

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

26. Earnings / (Loss) Per Share

(a) Basic Earnings / (Loss) Per Share

	Current Quarter 31/12/2013	Cumulative Quarter 31/12/2013
Loss for the financial period attributable to equity holders of the Company (RM'000)	<u>(9,601)</u>	<u>(44,672)</u>
Weighted average number of shares in issue ('000)	<u>372,757</u>	<u>366,566</u>
Basic loss per share (sen)	<u>(2.58)</u>	<u>(12.19)</u>

(b) Diluted Earnings / (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 Earnings / (Accumulated Losses)

	As at 31/12/2013	As at 31/12/2012
	RM'000	RM'000
Total accumulated losses of Company and its subsidiaries:		
- Realised	(5,695)	(180,293)
- Unrealised	(5,881)	(3,010)
Total shares of retained earnings from associated company :		
- Realised	0	41,673
- Unrealised	0	(6,870)
Total Group accumulated losses	<u>(11,576)</u>	<u>(148,500)</u>

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

	Current Quarter	Cumulative Quarter
	Ended 31/12/2013	Ended 31/12/2013
	RM'000	RM'000
Profit / (Loss) for the period is arrived at after crediting:-		
Interest income	5	20
Gain on disposal of property plant and equipment and prepaid land lease payments	-	500
Gain on disposal of subsidiary companies	-	1,387
Amortisation of financial assets	<u>216</u>	<u>986</u>
and after charging:-		
Interest expense	3,071	12,084
Depreciation of property, plant and equipment	89	502
Loss on sale of associate	3,722	3,722
Write off of plant and equipment	-	2
Amortisation of prepaid land lease payments	516	2,045
Foreign exchange loss	<u>1,024</u>	<u>11,040</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 December 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 February 2014.