

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

Notes to the Interim Financial Statements
For the quarter ended 30 June 2014

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 valuation 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 2013. 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 2013, except for the adoption of new MFRSs, amendments/improvements to MFRSs and New IC interpretations that are mandatory for the Group for the financial year beginning 1 January 2014. 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 2013 except for the following new Malaysia Financial Reporting Standards (MFRSs), amendments/improvements to MFRSs and new IC Interpretations that has been issued by the Malaysian Accounting Standards Board (“MASB”) which take effects on and/or after 1 January 2014.

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 9	Financial Instruments	To be announced by the MASB
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1st July 2014
MFRS 2	Share-based Payment	1st July 2014
MFRS 3	Business Combinations	1st July 2014
MFRS 7	Financial Instruments: Disclosures	Applies when MFRS is applied
MFRS 8	Operating Segments	1st July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1st January 2014
MFRS 12	Disclosure of Interests in Other Entities	1st January 2014
MFRS 13	Fair Value Measurement	1st July 2014
MFRS 116	Property, Plant and Equipment	1st July 2014
MFRS 119	Employee Benefits	1st July 2014
MFRS 124	Related Party Disclosures	1st July 2014

2. Significant Accounting Policies (continued)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 127	Separate Financial Statements	1st January 2014
MFRS 132	Financial Instruments: Presentation	1st January 2014
MFRS 136	Impairment of Assets	1st January 2014
MFRS 138	Intangible Assets	1st July 2014
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1st July 2014
<u>New IC Int</u>		
IC Int 21	Levies	1st January 2014

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int do not have significant impact on the financial statements of the Group upon their initial application.

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 2013 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 is affected by the monsoon period from October to February annually.

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 30 June 2014 (30 June 2013: Nil).

9. Segmental Reporting

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

Business Activity	1st Quarter 3 months ended				Cumulative 6 months ended			
	30/6/2014		30/6/2013		30/6/2014		30/6/2013	
	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	-	(6)	-	341	-	(14)	-	218
Investment holding	-	(255)	-	(6,888)	-	(1,816)	-	(9,552)
Property	-	(273)	-	(76)	76	(464)	-	(77)
Licensed money Lending	-	-	-	-	-	-	124	124
Agricultural cultivation and trading #	-	-	165	(139)	-	-	575	(433)
Industrial supplies	8,446	501	-	-	11,474	662	-	-
Others	-	(709)	-	(571)	-	(1,221)	-	(1,141)
	8,446	(742)	165	(7,333)	11,550	(2,853)	699	(10,861)
Finance costs	-	(2,999)	-	(3,026)	-	(6,023)	-	(6,021)
Share of net results of an associated company	-	-	-	(8,050)	-	-	-	(10,000)
	8,446	(3,741)	165	(18,409)	11,550	(8,876)	699	(26,882)

- Classified as held for sale and discontinued operations in the Financial Statements for the financial year ended 31 December 2013.

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 2013.

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.

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 19 June 2014, the Company announced the acquisition of 100% equity interests in Ganggarak Development Sdn Bhd, a company identified to undertake Property related activities, for a total cash consideration of RM2. The acquisition was completed on 19 June 2014.
- b) On 19 June 2014, the Company announced the acquisition of 100% equity interests in Tadmax Energy Sdn Bhd, a company identified to pursue business opportunities in the energy sector, for a total cash consideration of RM836,500. The acquisition was completed on 19 June 2014.

13. Changes in Contingent Liabilities and Contingent Assets

There were no additional contingent liabilities or contingent assets since 31 December 2013 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 30 June 2014 except as below :-

	RM'000
Approved and contracted for:	
- Property, plant and equipment	<u>10,192</u>

15. Significant Related Party Transactions

There are no significant related party transaction in the current quarter except that in relation to the acquisition of Ganggarak Development Sdn Bhd as mentioned under item 12(a) hereinabove and Tadmax Energy Sdn Bhd as mentioned under item 12(b) hereinabove, both Mr Noel John A/L M Subramaniam and En Aldillan bin Anuar have both declared their interests of the acquisitions and have abstained from deliberating and voting in relation to the two acquisitions.

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		%
	2014	2013		+/-	1Q 2014		+/-	2Q 2014	
<u>Revenue</u>									
Timber	-	-	-	-	-	-	-	-	-
Investment holding	-	-	-	-	-	-	-	-	-
Property	-	-	-	76	-100	76	-	100	-
Licensed money lending	-	-	-	-	-	-	124	-100	-
Agricultural cultivation and trading #	-	165	-100	-	-	-	575	-100	-
Industrial supplies	8,446	-	100	3,028	179	11,474	-	100	-
Others	-	-	-	-	-	-	-	-	-
	<u>8,446</u>	<u>165</u>	<u>481</u>	<u>3,104</u>	<u>172</u>	<u>11,550</u>	<u>699</u>	<u>15.5x</u>	
<u>Profit/(Loss) before tax</u>									
Timber	(6)	341	-102	(8)	-31	(14)	218	-106	-
Investment holding	(255)	(6,888)	-96	(1,561)	-84	(1,816)	(9,552)	-81	-
Property	(273)	(76)	260	(191)	43	(464)	(77)	504	-
Licensed money lending	-	-	n/a	-	-	-	124	-100	-
Agricultural cultivation and trading #	-	(139)	-100	-	-	-	(433)	-100	-
Industrial supplies	501	-	100	161	211	662	-	100	-
Others	(709)	(571)	24	(512)	38	(1,221)	(1,141)	7	-
	<u>(742)</u>	<u>(7,333)</u>	<u>-90</u>	<u>(2,111)</u>	<u>-65</u>	<u>(2,853)</u>	<u>(10,861)</u>	<u>-74</u>	
Finance costs	(2,999)	(3,026)	-1	(3,024)	-1	(6,023)	(6,021)	0	-
Share of associates results	-	(8,050)	-100	-	n/a	-	(10,000)	-100	-
(Loss)/profit before tax	<u>(3,741)</u>	<u>(18,409)</u>	<u>-80</u>	<u>(5,135)</u>	<u>-27</u>	<u>(8,876)</u>	<u>(26,882)</u>	<u>-67</u>	

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

Review on Performance - Current Quarter compared to Corresponding Quarter

TURNOVER of the current quarter of RM8.4 mil was contributed by the revenue from the industrial supplies business segment whilst last year corresponding quarter of RM0.2 million was contributed by the revenue of its discontinued business segment comprising agricultural cultivation following the disposal of the said company during the last financial year.

Loss before tax decreased substantially by RM14.7 million due mainly to no share of associates losses in the current quarter vis-à-vis the corresponding quarter of last year share of losses of RM8.1 million following the disposal of the associated company in the last financial year and coupled by foreign exchange gain of current quarter of RM1.28 million vis-à-vis last year's foreign exchange loss of RM6.1 million.

17. Variation of Results against Preceding Quarter

TURNOVER increased by RM5.3 million as compared to preceding quarter contributed wholly by the higher revenue from the Industrial supplies business segment with higher offtake achieved.

Loss before tax is lower by RM1.4 million due mainly to higher gain on foreign exchange of RM1.28 million in the current quarter vis-à-vis foreign exchange gain of RM0.64 million in preceding quarter and further contributed by lower corporate exercise expenditures incurred of RM0.7 million in the current vis-à-vis in the preceding quarter.

18. Prospects

The Industrial Supply business segment and Property business segment are expected to contribute positively to the group's revenue for the remainder of the current financial year.

With the expected completion of the Proposed Disposal (as elaborated under Corporate Proposals in sections 21(B) and 21(C) hereinbelow) by the end of the current financial year or at latest during the 1st half of the next financial year, the Group's financial position will be strengthened with gearing substantially reduced.

In addition, the Group is actively pursuing and identifying opportunities in the Property business segment comprising development and construction. The recent acquisition of Ganggarak Development Sdn Bhd is an important initiative of the Group into this direction in expanding the Group's earning base and to capitalise on the available and suitable opportunities that may arise in the property sector.

The Board of Directors is cautiously optimistic that the measures taken and to be taken would enable the Group to improve its performance in the current financial year and also deliver long term sustainable shareholders' value.

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 (6 months ended)	
	30/6/2014 RM'000	30/6/2013 RM'000	30/6/2014 RM'000	30/6/2013 RM'000
Current tax:				
Malaysian income tax	-	-	-	1
	-	-	-	1
Under/ (Over) provision of Malaysian income tax in prior years	-	-	-	-
	-	-	-	1
Deferred tax	(174)	(123)	(298)	(246)
Total income tax expense	<u>(174)</u>	<u>(123)</u>	<u>(298)</u>	<u>(245)</u>

Included in the income tax figure for the quarter ended 30 June 2014 are the net adjustment for deferred tax charges in respect of amortization of prepaid land lease payment with cultivation rights 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.

21. Corporate Proposals (continued)

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

On 9 April 2013, the Group had entered into a Sale and Purchase Agreement (“Initial SPA”) to dispose off a leasehold land (“the Land”) located at Pulau Indah, Port Klang, Selangor Darul Ehsan measuring approximately 60 acres (out of a total 379 acres of land in a Master Title) to a third party for a total cash consideration of RM48,351,600/- subject to the need to undertake sub-division of the Master Title.

On 28 April 2014, the Group had entered into the variation to the Initial SPA which entails the agreement for the sale and purchase (“Varied SPA”) of 100% shareholdings in a wholly owned subsidiary of the Company, Kirana Abadi Sdn Bhd represented by two (2) ordinary shares of RM1/- each (“the Sale Shares”), who in turn owns the Land, in view of the changes to the method of securing the issue document of title through insertion of co-owners followed by land partitioning instead of undertaking sub-division of the Master Title at the agreed sales consideration as per Initial SPA.

The completion of the sale is pending the satisfaction of conditions precedent as stipulated in the Varied SPA, namely the land partitioning following the granting of approval from the local authorities on 25 April 2014 for the registration and insertion of Kirana Abadi Sdn Bhd as the co-owners into the Master Title. The submission for land partitioning has been approved by the authorities in July 2014 and this is followed by the application for the issuance of document of title.

(C) Proposed Disposal of Tadmax Power Sdn Bhd for a total cash consideration of RM317,334,600

On 20 February 2014, the Company had announced the proposal to dispose off the entire issued and paid-up share capital of Tadmax Power Sdn. Bhd. (“TPSB”), a wholly-owned subsidiary of the Company, Tadmax Resources Berhad 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 of a piece of vacant leasehold land located at Pulau Indah, Klang, Selangor Darul Ehsan.

The Proposed Disposal was approved by the shareholders of the Company at the Extraordinary General Meeting held on 15 May 2014.

The satisfaction of the remaining conditions precedent is expected by the 3rd quarter of 2014 whilst the satisfaction of the conditions subsequent is expected by the 2nd quarter of 2015.

22. Group Borrowings and Debts Securities

Group borrowings are as follows:-

	As at 30/6/2014 RM'000	As at 30/6/2013 RM'000
(a) Current borrowing – secured		
Term loans	86,188	33,893
Hire purchase payable	118	56
	<u>86,306</u>	<u>33,949</u>
(b) Non-current borrowing – secured		
Term loans	-	10,500
Term loan denominated in USD	135,013	175,059
	<u>135,013</u>	<u>185,559</u>
Hire purchase payable	229	404
	<u>135,242</u>	<u>185,963</u>

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

There were no outstanding derivatives as at 30 June 2014.

(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 gain /(loss) as stated below:

	Current Quarter (3 months ended)		Cumulative Quarter (6 months ended)	
	30/6/2014 RM'000	30/6/2013 RM'000	30/6/2014 RM'000	30/6/2013 RM'000
Gain/(loss) arising from staff loan	-	-	-	1
Gain arising from other receivable	163	258	352	528
Net gain/(loss) from fair value adjustment	<u>163</u>	<u>258</u>	<u>352</u>	<u>529</u>

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

24. Material Litigation

Other than the cases shown below, there was no other material litigation pending as at 11 August 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 Sibu 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.

The initial date of hearing fixed for 4th until 8th August 2014 has been vacated by the High Court and the new hearing date has been set for 20th until 24th October 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 30 June 2014 (30 June 2013: Nil).

26. Earnings / (Loss) Per Share

(a) Basic Earnings / (Loss) Per Share

	Current Quarter 30/6/2014	Cumulative Quarter 30/6/2014
Loss for the financial period attributable to equity holders of the Company (RM'000)	<u>(3,515)</u>	<u>(8,489)</u>
Weighted average number of shares in issue ('000)	<u>372,757</u>	<u>372,757</u>
Basic loss per share (sen)	<u>(0.94)</u>	<u>(2.28)</u>

(b) Diluted Earnings / (Loss) Per Share

There are no outstanding options, warrants or convertible securities 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 30/6/2014 RM'000	As at 31/12/2013 RM'000
Total accumulated losses of Company and its subsidiaries:		
- Realised	(11,049)	(218)
- Unrealised	<u>(9,619)</u>	<u>(11,961)</u>
Total Group accumulated losses	<u>(20,668)</u>	<u>(12,179)</u>

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

	Current Quarter 30/6/2014 RM'000	Cumulative Quarter 30/6/2014 RM'000
Profit / (Loss) for the period is arrived at after crediting:-		
Interest income	9	13
Gain on foreign exchange	1,181	1,902
Amortisation of financial assets	163	352
	<hr/>	<hr/>
and after charging:-		
Interest expense	2,999	6,023
Depreciation of property, plant and equipment	97	182
Amortisation of prepaid land lease payments	23	46
Amortisation of prepaid land lease payments with cultivation rights	493	986
Foreign exchange loss	(1)	-
	<hr/>	<hr/>

Other than the above, there was no provision for and write-off of 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 30 June 2014.

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 18 August 2014.