

SILVER BIRD

SILVER BIRD GROUP BERHAD (Company No. 277977-X) (Incorporated in Malaysia)

PART A – EXPLANATORY NOTES PURSUANT TO MASB 26

1 BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange (“KLSE”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 October 2002. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 October 2002.

The accounting policies and methods of computation followed in this quarterly financial statement are the same as those in the audited financial statements for the financial year ended 31 October 2002, except for the adoption of MASB 25 to MASB 29, which became effective from 1 January 2003. The adoption of MASB 27 and MASB 28 have not given rise to any adjustments to the opening balances of retained earnings of the prior year and the current period or to changes in comparatives. The changes and effects of adopting MASB 25 which resulted in prior year adjustments are as follows: -

(a) Change in Accounting Policies

(i) MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

2 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 October 2002 was not qualified.

3 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 ended 31 July 2003.

4 SEASONAL AND CYCLICAL FACTORS

The demand for certain bakery products are seasonal in nature. The sales of these products are usually higher in the first and fourth quarters of the financial year.

5 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter and financial year-to-date.

6 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group does not state any assets based on valuation of its property, plant and equipment.

7 SEGMENTAL REPORTING – GROUP

	Revenue RM'000	Profit/(Loss) before income tax RM'000	Assets Employed RM'000
For the current financial year-to-date:			
Bakery manufacturing	29,177	7,095	92,393
Operation of cafes and bakeries	870	30	2,022
Trading of bakery raw ingredients	3,552	4	4,479
Provision of warehousing & distribution services	1,148	5	1,204
	<u>34,747</u>	<u>7,134</u>	<u>100,098</u>

Reporting by geographical segment is not applicable as the Group operates principally in Malaysia.

8 SUBSEQUENT MATERIAL EVENTS

There were no material events subsequent to the quarter reported which have not been reflected in the financial statements.

9 CONTINGENT LIABILITIES

As at the date of this announcement, the Company has given corporate guarantees amounting to RM98,460,470 to secure banking facilities granted to certain subsidiaries.

10 ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance and repayment of debt and equity securities during the quarter ended 31 July 2003.

11 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior quarters of the current financial year that has a material effect in the current quarter.

12 CAPITAL COMMITMENTS

	As at 31 July 2003 RM'000	As at 30 April 2003 RM'000
Approved capital commitment contracted but not provided for	58,260	60,457
Approved capital commitment not contracted for	2,000	2,000
	<u>60,260</u>	<u>62,457</u>

13 RELATED PARTY TRANSACTIONS

Transaction with directors/certain major shareholders of the Group and company in which they have interest: -

	9 months ended 31 July 2003 RM'000
- Sales from Standard Confectionery Sdn Bhd, a wholly-owned subsidiary of the Group, to Stanson Marketing Sdn Bhd.	13,518
- Purchases by Standard Confectionery Sdn Bhd, a wholly-owned subsidiary of the Group, from Stanson Bakeries Sdn Bhd.	194

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF KLSE

14 REVIEW OF PERFORMANCE

The Group's quarterly turnover of RM11.4 million is 10.7% higher than that of the preceding year's corresponding period mainly due to higher sales from the daily fresh and shelf stable range of bakery products.

15 COMMENTARY ON PROSPECTS

The general market outlook for the consumer food industry is expected to sustain and the Group will continue to stay focus in developing new range of bakery products to be introduced to the consumer market in the current financial year.

Barring unforeseen circumstances, the Board of Directors is confident of sustaining the Group's performance for the remaining quarter of the current financial year.

16 TAXATION

	Current Year 3rd Quarter 31/07/03 RM'000	Cumulative Current Year To Date 31/07/03 RM'000
Current tax	148	558

The adoption of MASB 25 has no material effect on the deferred tax liability.

The effective tax rate for the current year quarter and year to date is lower than the statutory income tax rate mainly due to the availability of reinvestment allowances.

17 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

Save as disclosed below, there were no sales of unquoted investments and properties for the current financial quarter and financial year-to-date.

(a)

Date	Vendor	Disposed Property	Disposal value
8 January 2003	Madeleine Foods Sdn Bhd (Wholly-owned subsidiary of the Group)	H.S.(M) 19340, PT No. 30808 and H.S.(M) 19341, PT No. 30809, Mukim of Batu Selangor Darul Ehsan	RM1,300,000

There was no significant gain or loss from the above disposal.

(b)

Date	Vendor	Disposed Property	Disposal value
27 March 2003	Standard Confectionery Sdn Bhd (Wholly-owned subsidiary of the Group)	An area measuring approximately 3.29 acres of Plot A under Geran No. 45601, P.T. No. 38270, Pekan Baru Hicom, District of Petaling, State of Selangor, together with an attached canteen building of 10,000 square feet.	RM4,729,309.20

Upon completion, this proposed disposal will result in an estimated gain of RM900,000.

18 QUOTED SECURITIES

There were no purchases or disposal of any quoted investments for the current quarter and financial year-to-date.

19 STATUS OF CORPORATE PROPOSALS

19.1 On 25 June 2002, the Company announced that its wholly-owned subsidiary, namely, Standard Confectionery Sdn Bhd, had entered into a Sale and Purchase Agreement on 25 June 2002 for the proposed acquisition of 18 acres of freehold land ("Shah Alam Land") with buildings thereon (collectively the "Property") located in Taman Perindustrian Subang Utama, Shah Alam from Onkyo Asia Electronics Sdn Bhd for a total cash consideration of RM20.5 million (Proposed Acquisition").

The Proposed Acquisition was approved by the following parties:

- (a) Majlis Bandaraya Shah Alam for the sub-division of the Shah Alam Land on 29 November 2002;
- (b) the shareholders of the Group at an Extraordinary General Meeting convened on 29 January 2003; and
- (c) Petaling District/Land Office had approved the sub-division of the Shah Alam Land on 23 April 2003 and awaiting for the issuance of the subdivided title.

19.2 On 3 September 2002, the Company announced that its wholly-owned subsidiary, Standard Confectionery Sdn. Bhd. had entered into a Supply Agreement with Stanson Marketing Sdn. Bhd. ("SMSB") ("Proposed Supply") to manufacture "High 5" bread for SMSB.

The Supply Agreement was approved by of the Group's shareholders at an Extraordinary General Meeting convened on 29 January 2003.

- 19.3 The utilisation of the proceeds from the Rights Issue and Public Issue of RM28,212,000.00 is as follows:

	As approved by Securities Commission (RM'000)	Utilised as at 15/09/2003 (RM'000)	Balance (RM'000)
Cost of construction and acquisition of plant and machinery for new factory and corporate office	15,800	15,800	-
Repayment of bank borrowings	9,000	9,000	-
Working capital	1,512	1,512	-
Estimated listing expenses	1,900	1,900	-
	<u>28,212</u>	<u>28,212</u>	-

- 19.4 On 21 April 2003, Aseambankers Malaysia Bhd on behalf of the Board of Directors of the Group announced that the Group proposes to undertake the following: -

- (a) Proposed bonus issue of up to RM21,585,500 comprising up to 43,171,000 new ordinary shares of RM0.50 each to be credited as fully paid-up on the basis of 1 new ordinary share for every 2 existing ordinary shares held ("Proposed Bonus Issue");
- (b) Proposed acquisition of the entire issued and paid-up ordinary share capital of Stanson Group Sdn Bhd comprising 10,080,000 ordinary shares of RM1.00 each and 1,920,000 "A" ordinary shares of RM1.00 each for a total consideration of RM54,000,000 ("Proposed Acquisition"); and
- (c) Proposed transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company after the Proposed Bonus Issue and if approve, the Proposed Acquisition from the Second Board to the Main Board of the KLSE.

The above proposals had been submitted to the relevant authorities on 29 April 2003 and approval had been obtained from the following authority: -

- (i) Ministry of International Trade and Industry Malaysia on 3 September 2003.

20 GROUP BORROWINGS

The Group borrowings as at 31 July 2003 are as follows: -

	RM'000
Short term borrowings - secured	10,825
Long term borrowings - secured	10,372
	<u>21,197</u>

All of the above borrowings are denominated in Ringgit Malaysia.

21 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off Balance Sheet financial instruments entered into by the Group as at the date of this announcement.

22 MATERIAL LITIGATION

There was no material litigation involving the Group as at the date of this announcement.

23 MATERIAL CHANGES IN THE QUARTERLY RESULTS AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's profit before tax for the current quarter increased by approximately 35% from RM1.96 million in the immediate preceding quarter to RM2.65 million mainly attributable to the slightly increase in turnover and lower cost of sales due to higher production volume.

24 VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT/PROFIT GUARANTEE

Not applicable as no profit forecast was published and no profit guarantee was provided for the financial period under review.

25 DIVIDEND PAYABLE

There has been no interim ordinary dividend declared for the financial period ended 31 July 2003.

26 EARNINGS PER SHARE

Basic

The basic earnings per share is calculated by dividing the Group's net profit for the period by the weighted average number of ordinary shares in issue during the period as follows: -

	CURRENT YEAR 3rd QUARTER 31/07/03 RM'000	CURRENT YEAR TO DATE 31/07/03 RM'000
Net profit attributable to members of the company	2,508	6,576
Weighted average number of ordinary shares outstanding ('000)	80,120	80,120
Basic earnings per share (sen)	3.13	8.21

Diluted

For the purpose of calculating diluted earnings per share, the net profit for the period and the weighted average number of ordinary shares outstanding during the period have been adjusted for the effects of dilutive potential ordinary shares from conversion of the Executive Share Option Scheme (“ESOS”).

	CURRENT YEAR 3rd QUARTER 31/07/03 RM'000	CURRENT YEAR TO DATE 31/07/03 RM'000
Net profit attributable to members of the company	2,508	6,576
Weighted average number of ordinary shares outstanding ('000)	80,120	80,120
Adjustment for assumed conversion of ESOS ('000)	1,234	1,234
Adjusted weighted average number of ordinary shares outstanding and issuable ('000)	81,354	81,354
Diluted earnings per share (sen)	3.08	8.08

27 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 29 September 2003.

By order of the Board
Mah Li Chen
Lee Ming Leong
Company Secretaries

Kuala Lumpur