

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

Previously, deferred taxation was provided using the liability method on all material timing differences except where no liability was expected to arise in the foreseeable future. Deferred tax benefit was only recognised when there was reasonable expectation of realisation in the foreseeable future.

During the financial year, the accounting policy for deferred taxation has been changed to comply with MASB Accounting Standard 25 Income Taxes. Deferred tax is now provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is

not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is recognised in the income statement, except where it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(ii) Asset recognition

An asset is recognised when it is probable that such an asset will generate future economic benefits to the Group or the Company and when the amount can be measured reliably. Unutilised reinvestment allowances which are deemed to meet the aforesaid criteria of an asset, are recognised accordingly by way of a credit to the income statement, to the extent of the amount of deferred tax liability recognised pursuant to MASB 25. When there is a reversal of a deferred tax liability, the deferred asset previously recognised will be correspondingly reversed, in part or in full, by way of a debit to the income statement to the extent of amount of deferred tax liability reversed.

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 COMMENTS ABOUT 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.

4 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 October 2003.

5 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.

6 DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year to date as at 31 October 2003: -

(i) Executive Share Option Scheme (“Scheme”)

The Company allotted 885,900 new ordinary shares of RM0.50 each during the current financial year to date as at 31 October 2003 at an exercise price of RM0.90 per share pursuant to the Scheme.

7 DIVIDENDS PAID

The amount of dividends paid during the financial year ended 31 October 2003 were in respect of the financial year ended 31 October 2002 as reported in the Directors’ Report of that year:

	RM’000
A final tax-exempt dividend of 0.624 sen per share, paid on 20 May 2003	500

8 SEGMENTAL REPORTING – GROUP

Segment Revenue	12 Months Ended 31/10/2003 RM’000	12 Months Ended 31/10/2002 RM’000
Bakery manufacturing	43,221	34,779
Operation of cafes and bakeries	1,081	3,098
Trading of bakery raw ingredients	5,034	5,392
Provision of warehousing & distribution services	1,641	1,649
	50,977	44,918

Segment Profit/(Loss) Before Income Tax	12 Months Ended 31/10/2003 RM'000	12 Months Ended 31/10/2002 RM'000
Bakery manufacturing	10,540	10,603
Operation of cafes and bakeries	(72)	(359)
Trading of bakery raw ingredients	(41)	150
Provision of warehousing & distribution services	74	2
	10,501	10,396

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

9 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuation of property, plant and equipment and other investment have been brought forward without amendment from the financial statements for the year ended 31 October 2002.

10 SUBSEQUENT MATERIAL EVENTS

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

11 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.

12 CHANGES IN CONTINGENT LIABILITIES

As at the date of this announcement, the Company has given corporate guarantees amounting to RM97,819,682 to secure banking facilities granted to certain subsidiaries.

13 CAPITAL COMMITMENTS

	As at 31 October 2003 RM'000	As at 31 July 2003 RM'000
Approved capital commitment contracted but not provided for	26,642	58,260
Approved capital commitment not contracted for	2,000	2,000
	28,642	60,260

14 RELATED PARTY TRANSACTIONS

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

	12 months ended 31 October 2003 RM'000
- Sales from Standard Confectionery Sdn Bhd, a wholly-owned subsidiary of the Group, to Stanson Marketing Sdn Bhd.	21,131
- Purchases by Standard Confectionery Sdn Bhd, a wholly-owned subsidiary of the Group, from Stanson Bakeries Sdn Bhd.	376

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

15 REVIEW OF PERFORMANCE

The Group's quarterly turnover of RM16.2 million is 13.4% 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.

16 MATERIAL CHANGES IN THE QUARTERLY RESULTS AGAINST THE IMMEDIATE PRECEDING QUARTER'S RESULTS

The Group's profit before tax for the current quarter increased by approximately 25.9% from RM2.7 million in the immediate preceding quarter to RM3.4 million mainly due to an increase in turnover.

17 COMMENTARY ON PROSPECTS

The outlook for the global economy in year 2004 is turning significantly more positive and this sentiment is expected to stimulate domestic demand. Therefore, the consumer food industry is expected to grow steadily in year 2004 and the Group will continue to stay focused on developing new ranges of bakery and confectionery products to be introduced to the consumer market in order to widen the Group's products range.

Barring unforeseen circumstances, the Board of Directors is confident of sustaining the Group's performance for the coming new financial year.

18 VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST/PROFIT GUARANTEE

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

19 TAXATION

	Current Year 4th Quarter 31/10/03 RM'000	Cumulative Current Year To Date 31/10/03 RM'000
Current tax	143	(415)
Deferred tax liability for the current year	(3,181)	(3,181)
Deferred tax asset for the current year	3,181	3,181
	143	(415)

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

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.

20 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 of 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 of 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.

21 QUOTED SECURITIES

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

22 STATUS OF CORPORATE PROPOSALS

22.1 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) The Company had on 21 November 2003 submitted to the Pendaftar Hakmilik, Negeri Selangor for the registration of the subdivided title.

22.2 The proceeds from the Rights Issue and Public Issue of RM28,212,000.00 have been fully applied as at 31 October 2003 for the cost of construction and acquisition of plant and machinery for new factory and corporate office, repayment of bank borrowings, working capital and listing expenses.

22.3 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.

The Securities Commission (“SC”) had vide its letter dated 26 September 2003 approved the purchase consideration of the Proposed Acquisition at RM46,600,000 as compared to the proposed purchase consideration of RM54,000,000. Pursuant thereto, the Company and the Vendors of Stanson Group Sdn Bhd had executed the Supplemental Share Purchase Agreement with an effective date of 6 October 2003.

The relevant approvals had been obtained from the following authorities: -

- (i) Ministry of International Trade and Industry Malaysia for the Proposed Acquisition which was obtained on 3 September 2003;
- (ii) SC for the Proposed Acquisition and the Proposed Transfer which was obtained on 10 December 2003; and
- (iii) Foreign Investment Committee for the Proposed Acquisition which was obtained from the SC on 10 December 2003.

An Extraordinary General Meeting will be held on 14 January 2004 to consider the above proposals, the proposed increase in authorized share capital from RM50,000,000 divided into 100,000,000 ordinary shares of RM0.50 each to RM200,000,000 divided into 400,000,000 ordinary shares of RM0.50 each and the proposed amendments to the Articles of Association.

23 GROUP BORROWINGS

The Group borrowings are as follows: -

	As at 31 October 2003	As at 31 October 2002
	RM'000	RM'000
Short term borrowings - secured	21,016	8,768
Long term borrowings - secured	22,383	4,655
	43,399	13,423

All of the above borrowings are denominated in Ringgit Malaysia.

24 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

25 MATERIAL LITIGATION

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

26 PROPOSED DIVIDEND

The Board of Directors has proposed the payment of final tax-exempt dividend of 2 sen per ordinary share for the current financial year under review which is subject to the shareholders' approval at the forthcoming Annual General Meeting.

27 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 4th QUARTER 31/10/03 RM'000	CURRENT YEAR TO DATE 31/10/03 RM'000
Net profit attributable to members of the company	3,510	10,086
Weighted average number of ordinary shares outstanding ('000)	80,286	80,286
Basic earnings per share (sen)	4.4	12.6

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 4th QUARTER 31/10/03 RM'000	CURRENT YEAR TO DATE 31/10/03 RM'000
Net profit attributable to members of the company	3,510	10,086
Weighted average number of ordinary shares outstanding ('000)	80,286	80,286
Adjustment for assumed conversion of ESOS ('000)	1,423	1,423
Adjusted weighted average number of ordinary shares outstanding and issuable ('000)	81,709	81,709
Diluted earnings per share (sen)	4.3	12.3

28 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 December 2003.

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

Kuala Lumpur