

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 2003. 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 2003.

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 2003.

2 AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the audited financial statements for the financial year ended 31 October 2003 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 January 2004.

5 CHANGES IN ESTIMATES

Not applicable as no estimates were published for the financial period under review.

6 DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year to date as at 31 January 2004 except for the 415,000 new ordinary shares of RM0.50 each allotted under the Executive Share Option Scheme (“Scheme”) during the current financial year to date as at 31 January 2004 at an exercise price of RM0.90 per share pursuant to the Scheme.

7 DIVIDENDS PAID

There was no dividend paid for the financial period under review.

8 SEGMENTAL REPORTING – GROUP

Segment Revenue	3 Months Ended 31/01/2004 RM'000	3 Months Ended 31/01/2003 RM'000
Bakery manufacturing	10,682	9,771
Operation of cafes and bakeries	165	423
Trading of bakery raw ingredients	1,321	1,461
Provision of warehousing & distribution services	448	484
	12,616	12,139

Segment Profit/(Loss) Before Income Tax	3 Months Ended 31/01/2004 RM'000	3 Months Ended 31/01/2003 RM'000
Bakery manufacturing	1,754	2,455
Operation of cafes and bakeries	25	(9)
Trading of bakery raw ingredients	(7)	41
Provision of warehousing & distribution services	59	25
	1,831	2,512

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 2003.

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 RM99 million to secure banking facilities granted to certain subsidiaries.

13 CAPITAL COMMITMENTS

	As at 31 January 2004 RM'000	As at 31 October 2003 RM'000
Approved capital commitment contracted but not provided for	2,220	14,000
Approved capital commitment not contracted for	2,000	12,642
	4,220	26,642

14 RELATED PARTY TRANSACTIONS

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

	3 months ended 31 January 2004 RM'000
- Sales from Standard Confectionery Sdn Bhd, a wholly-owned subsidiary of the Group, to Stanson Marketing Sdn Bhd	1,542
- Purchases by Standard Confectionery Sdn Bhd, a wholly-owned subsidiary of the Group, from Stanson Bakeries Sdn Bhd	41

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

15 REVIEW OF PERFORMANCE

The Group's quarterly turnover of RM12.6 million is 3.9% higher than that of the preceding year's corresponding period mainly due to higher sales from the 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 decreased by approximately 27% from RM2.5 million in the immediate preceding quarter to RM1.8 million mainly due to lower sales volume as festive sales started to taper off during the quarter and the expected higher interest, depreciation charges and other start-up costs of approximately RM500,000 arising from the new production facilities at Shah Alam being commissioned during the current quarter.

17 COMMENTARY ON PROSPECTS

The Malaysian economy recorded a stronger than expected GDP growth of 5.2% for the whole of year 2003 coupled with low inflation rate in the fourth quarter of year 2003. The strong underlying economic fundamentals had supported the rising consumer and business confidence in the domestic market which in turn enhanced the household consumption in total. Given the positive indications in the Malaysian economy, the Group will continuously to adapt, refresh and change the product ranges to achieve future aspirations.

Barring unforeseen circumstances, the Board of Directors is confident of improving the Group's performance for the remaining quarters of the current financial year in view of the commissioning of the new production facilities at Shah Alam which started commercial production in March 2004.

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 1st Quarter 31/01/04 RM'000	Cumulative Current Year To Date 31/01/04 RM'000
Current tax	150	150

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

There were no sales of unquoted investments and properties for the current financial quarter and financial year-to-date.

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.

22.3 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 ("SG") 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.

The shareholders approved during the Extraordinary General Meeting held on 14 January 2004 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.

The entire issued and paid-up capital of Silver Bird comprising 123,554,850 ordinary shares of RM0.50 each was transferred from the Second Board to the Main Board of the Malaysia Securities Exchange Bhd on 3 March 2004.

The purchase consideration for the acquisition of the entire issued and paid-up capital of SG was satisfied via 41,000,000 Silver Bird’s 5-year 1% Irredeemable Convertible Unsecured Loan Stock of RM0.50 each issued on 16 February 2004; 14,558,823 Silver Bird’s ordinary shares of RM0.50 each issued on 8 March 2004; and 32,400,000 Silver Bird’s 1% Redeemable Convertible Unsecured Loan Stock of RM0.50 each issued on 12 March 2004.

As at to-date, all the above mentioned proposals had been completed.

23 GROUP BORROWINGS

The Group borrowings are as follows: -

	As at 31 January 2004	As at 31 October 2003
	RM'000	RM'000
Short term borrowings - secured	23,874	26,060
Long term borrowings - secured	40,445	17,489
	64,319	43,549

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

There was no dividend proposed by the Board of Directors for the current financial period under review.

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 1st QUARTER 31/01/04 RM'000	CURRENT YEAR TO DATE 31/01/04 RM'000
Net profit attributable to members of the company	1,681	1,681
Weighted average number of ordinary shares outstanding ('000)	81,168	81,168
Basic earnings per share (sen)	2.07	2.07

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 1st QUARTER 31/01/04 RM'000	CURRENT YEAR TO DATE 31/01/04 RM'000
Net profit attributable to members of the company	1,681	1,681
Weighted average number of ordinary shares outstanding ('000)	81,168	81,168
Adjustment for assumed conversion of ESOS ('000)	1,405	1,405
Adjusted weighted average number of ordinary shares outstanding and issuable ('000)	82,573	82,573
Diluted earnings per share (sen)	2.04	2.04

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 24 March 2004.

By order of the Board
Mah Li Chen
Tan Fong Shian @ Lim Fong Shian
Company Secretaries

Kuala Lumpur