

# SILVER BIRD

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 JULY 2012

	Note	3 months ended		9 months ended	
		31/07/2012 RM'000	31/07/2011 RM'000	31/07/2012 RM'000	31/07/2011 RM'000
<b>Continuing Operations</b>					
Revenue	4	29,005	55,997	104,347	151,727
Cost of Sales		(22,125)	(35,467)	(86,289)	(92,464)
<b>Gross profit</b>		<u>6,880</u>	<u>20,530</u>	<u>18,058</u>	<u>59,263</u>
Other income		211	1,319	743	1,831
Administrative expenses		(4,735)	(5,571)	(15,633)	(15,869)
Selling and marketing expenses		(10,434)	(9,235)	(31,455)	(27,382)
Other expenses		(763)	(2,558)	(3,404)	(7,677)
Exceptional items	27	-	-	(281,862)	-
Finance expenses		(2,032)	(2,893)	(5,925)	(5,720)
<b>(Loss)/Profit before tax</b>		<u>(10,873)</u>	<u>1,592</u>	<u>(319,478)</u>	<u>4,446</u>
Income tax expense	20	(87)	-	(334)	-
<b>(Loss)/Profit for the period from continuing operations</b>		<u>(10,960)</u>	<u>1,592</u>	<u>(319,812)</u>	<u>4,446</u>
<b>Discontinued Operations</b>					
(Loss)/Profit for the period from discontinued operations	12	(3)	8	(62)	(6)
<b>(Loss)/Profit for the period</b>		<u>(10,963)</u>	<u>1,600</u>	<u>(319,874)</u>	<u>4,440</u>
Attributable to :					
Equity holders of the parent		(10,942)	1,602	(319,851)	4,443
Minority interest		(21)	(2)	(23)	(3)
		<u>(10,963)</u>	<u>1,600</u>	<u>(319,874)</u>	<u>4,440</u>
<b>Earnings per share attributable to equity holders of the parent :</b>					
Basic, for (loss)/profit from continuing operations (sen)	26	(2.69)	0.40	(78.64)	1.13
Basic, for (loss)/profit from discontinued operations (sen)	26	0.00	(0.00)	(0.02)	(0.00)
Basic, for (loss)/profit for the period (sen)	26	<u>(2.70)</u>	<u>0.40</u>	<u>(78.65)</u>	<u>1.13</u>
Diluted, for (loss)/profit from continuing operations (sen)	26	(2.69)	0.40	(78.64)	1.13
Diluted, for (loss)/profit from discontinued operations (sen)	26	0.00	(0.00)	(0.02)	(0.00)
Diluted, for (loss)/profit for the period (sen)	26	<u>(2.70)</u>	<u>0.40</u>	<u>(78.65)</u>	<u>1.13</u>

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 October 2011 and the accompanying explanatory notes attached to the interim financial statements.

# SILVER BIRD

## SILVER BIRD GROUP BERHAD

(Company No. 277977-X)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2012

	Note	As at 31/07/2012 Unaudited RM'000	As at 31/10/2011 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	91,311	195,395
Other receivable		7,546	7,546
Intangible assets		-	36,730
Other investment		-	300
		<u>98,857</u>	<u>239,971</u>
<b>Current Assets</b>			
Inventories		7,252	15,016
Trade receivables		14,523	128,174
Other receivables		5,681	2,398
Tax refundable		1	247
Fixed deposits with licensed banks		2,417	3,705
Cash and bank balances		1,124	7,578
		<u>30,998</u>	<u>157,118</u>
<b>TOTAL ASSETS</b>		<u>129,855</u>	<u>397,089</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holder of the parent</b>			
Share capital	10	203,341	203,341
Share premium		53,622	53,622
Merger deficit		(5,326)	(5,326)
Capital reserves		277	277
Warrants reserve		6,059	6,059
Revaluation reserve		-	-
Accumulated losses		(363,989)	(44,138)
Exchange translation reserve		(879)	(670)
<b>SHAREHOLDERS' EQUITY</b>		<u>(106,895)</u>	<u>213,165</u>
<b>Minority Interest</b>		<u>236</u>	<u>258</u>
		<u>(106,659)</u>	<u>213,423</u>
<b>Non-current liabilities</b>			
Borrowings	22	-	21,738
Deferred tax liabilities		764	764
		<u>764</u>	<u>22,502</u>
<b>Current liabilities</b>			
Borrowings	22	180,040	126,232
Trade payables		28,032	25,919
Other payables		27,505	8,840
Current tax payable		173	173
		<u>235,750</u>	<u>161,164</u>
<b>Total liabilities</b>		<u>236,514</u>	<u>183,666</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>129,855</u>	<u>397,089</u>
<b>Net (liabilities)/assets per share attributable to equity holders of the Company (RM)</b>		<u>(0.26)</u>	<u>0.52</u>

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 October 2011 and the accompanying explanatory notes attached to the interim financial statements.

# SILVER BIRD

SILVER BIRD GROUP BERHAD

(Company No. 277977-X)

(Incorporated in Malaysia)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 31 JULY 2012

	Share Capital RM'000	Share Premium Reserve RM'000	Merger Deficit RM'000	Capital Reserves RM'000	Accumulated Losses RM'000	Warrant Reserves RM'000	Revaluation Reserves RM'000	Foreign Exchange Reserve RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
<b>Balance at 31.10.2011/ 1.11.2011</b>	203,341	53,622	(5,326)	277	(44,138)	6,059	-	(670)	213,165	258	213,423
Exchange difference on retranslation of net assets of an oversea subsidiary	-	-	-	-	-	-	-	(209)	(209)	(23)	(232)
Revaluation reserves	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	(319,851)	-	-	-	(319,851)	-	(319,851)
<b>Balance at 31.07.2012</b>	203,341	53,622	(5,326)	277	(363,989)	6,059	-	(879)	(106,895)	236	(106,659)
<b>Balance at 31.10.2010/1.11.2010</b>	193,341	52,453	(5,326)	277	(49,070)	6,059	-	(360)	197,374	265	197,639
Conversion of ICULS	-	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares	10,000	1,850	-	-	-	-	-	-	11,850	-	11,850
Corporate exercise expenses	-	(159)	-	-	-	-	-	-	(159)	-	(159)
Exchange difference on retranslation of net assets of an oversea subsidiary	-	-	-	-	-	-	-	(90)	(90)	(3)	(93)
Net Profit for the period	-	-	-	-	4,443	-	-	-	4,443	-	4,443
<b>Balance at 31.07.2011</b>	203,341	54,144	(5,326)	277	(44,627)	6,059	-	(450)	213,418	262	213,680

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 October 2011 and the accompanying explanatory notes attached to the interim financial statements.

**SILVER BIRD**

SILVER BIRD GROUP BERHAD  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE NINE-MONTH ENDED 31 JULY 2012**

	9 months ended	
	31/07/2012	31/07/2011
	RM'000	RM'000
	Unaudited	Unaudited
<b>Cash flow from operating activities</b>		
Cash collected from customers	215,960	151,416
Payment to suppliers	(170,923)	(99,059)
Others	(84,640)	(38,381)
	<u>(39,603)</u>	<u>13,976</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	-	(6,183)
	<u>-</u>	<u>(6,183)</u>
<b>Cash flows from financing activities</b>		
Net repayment of borrowings	(44,311)	(36,536)
Decrease in fixed deposits pledged to licensed banks	159	-
Net proceeds from issuance ordinary shares	-	11,691
	<u>(44,152)</u>	<u>(24,845)</u>
Net decrease in cash and cash equivalents	(83,755)	(17,052)
Effects of exchange rate changes	(209)	(90)
Cash and cash equivalents at start of financial period	3,558	49,357
Cash and cash equivalents at end of financial period	<u>(80,406)</u>	<u>32,215</u>

Cash and cash equivalents at the end of the financial period comprise the following :

	As at	As at
	31/07/2012	31/07/2011
	RM'000	RM'000
	Unaudited	Unaudited
Cash and bank balances	1,124	33,530
Fixed deposits with licensed banks	2,417	2,673
Fixed deposits pledged to licensed bank	(2,401)	(2,489)
Bank overdraft	(81,546)	(1,499)
	<u>(80,406)</u>	<u>32,215</u>

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 October 2011 and the accompanying explanatory notes attached to the interim financial statements.

# **SILVER BIRD**

## **SILVER BIRD GROUP BERHAD**

(Company No. 277977-X)

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### **PART A – EXPLANATORY NOTES PURSUANT TO FRS 134**

#### **1. BASIS OF PREPARATION**

Referring to the disclosure of financial irregularities pertaining to the affairs of the Silver Bird Group Berhad for the financial year ended 31 October 2011, and the continuation of such financial irregularities affecting the financial results of the Group for the three months ended 31 July 2012, the interim financial statements of the Group have been prepared subject to such financial irregularities. These financial irregularities continue into the month of February 2012, when all appropriate adjustments were made to reflect a true and fair financial position of the Silver Bird Group Berhad.

Accordingly, the financial report for the quarter ended 31 July 2012 must be read in the above light.

The interim financial statements have been prepared under the historical cost convention.

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 for the year ended 31 October 2011 and the 29 February 2012 financial position announced on 27 April 2012. The 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 2011.

The Company is classified as an Affected Listed Issuer pursuant to Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as has been announced on 29 February 2012.

#### **2. CHANGES IN ACCOUNTING POLICIES**

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), accounting principles generally accepted in Malaysia and the provisions of Companies Act, 1965.

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous year except as follows:

## 2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

On 1 November 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 November 2011.

- FRS 127, Consolidated and separate Financial Statements
- FRS 3, Business Combinations
- Amendment to FRS 3, Business Combinations
- Amendment to FRS 7, Improving Disclosures about Financial Instruments
- Amendment to FRS 7, Financial Instruments: Disclosures.
- Amendment to FRS 101, Presentation of Financial Statements
- Amendment to FRS 121, The effects of changes in Foreign Exchange Rates
- Amendment to FRS 128, Investments in Associates
- Amendment to FRS 131, Interest in Joint Venture
- Amendment to FRS 132, Financial Instrument: presentation.
- Amendment to FRS 134, Interim Financial Reporting
- Amendment to FRS 139 Financial Instruments: Recognition and Measurement
- Amendment to FRS 7, Financial Instruments: Disclosure –Improving Disclosures about Financial Instruments

Except for the new disclosure required arising from the adoption of the amendment to FRS 7, the adoption of the other standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company.

### Amendment to FRS 7, Financial Instruments: Disclosures

Amendments to the FRS 7 introduce additional disclosures to improve the information about the fair value measurements and liquidity risk.

#### (a) Fair value hierarchy

The Group and the Company shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. If there has been a change in valuation technique, the Group and the Company shall disclose that change and the reason for making it.

In addition, the Group and the Company shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and
- (iii) Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level3).

## 2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

### (b) Liquidity risk

The Group and the Company shall disclose:

- (i) A maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;
- (ii) A maturity analysis for the derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and
- (iii) A description of how it manages the liquidity risk inherent in (i) and (ii) above.

The Group and the Company has not adopted the following standards and interpretations that have been issued but are not yet effective:

<b>FRS/Interpretations</b>	<b>Effective for the financial periods beginning on or after</b>
FRS which are relevant to its operations:	
FRS 9, Financial Instruments	1 January 2013
FRS 10, Consolidated Financial Statements	1 January 2013
FRS 12, Disclosure of Interest in Other Entities	1 January 2013
FRS 13, Fair Value Measurement	1 January 2013
FRS 119, Employee Benefits	1 January 2013
FRS 124, Related Party Disclosures	1 January 2012
FRS 127, Separate Financial Statements	1 January 2013
FRS 128, Investment in Associated and Joint Ventures	1 January 2013
Amendment to FRSs:	
FRS 7, Financial Instruments: Disclosure-transfer of financial assets	1 January 2012
FRS101, Presentation of Financial Statements – Presentation of items of other Comprehensive Income	1 July 2012
FRS 112, Income Taxes-Deferred Tax: Recovery of Underlying Assets	1 January 2012

Except for the new disclosures required under the Amendments to FRS 7, and subject to the findings of the forensic investigation into the financial irregularities, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

Following the issuance of Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretation by the Malaysian Accounting Standard Board on 19 November 2011, the Group’s and the Company’s next set of financial statements will be prepared in accordance with the International Financial Reporting Standards Framework. The change of the financial framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

### 3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 October 2011 contained a disclaimer of opinion on the financial statements due to certain Exceptional Items (referenced as Appendix I).

### 4. SEGMENTAL INFORMATION

The segmental information of the Group is as follows:

	3 months ended		9 months ended	
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
Revenue from continuing operations:				
Consumer food	28,997	55,028	103,542	148,440
Telecommunication products	8	969	805	3,287
Total revenue from continuing operations	29,005	55,997	104,347	151,727
Revenue from discontinued operation	-	-	-	-
Total	29,005	55,997	104,347	151,727

The details of the net telecommunication revenue are as follows:

	3 months ended		9 months ended	
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	RM'000	RM'000	RM'000	RM'000
Telecommunication products				
- Revenue	230	94,428	128,210	297,671
- Cost of sales	(222)	(93,459)	(127,405)	(294,384)
Net revenue arising from telecommunication sales	8	969	805	3,287

	3 months ended		9 months ended	
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	RM'000	RM'000	RM'000	RM'000
<b>Segment Results</b>				
Results from continuing operations:				
Consumer food	(10,317)	1,510	(317,774)	3,942
Telecommunication products	(643)	82	(2,038)	504
Total results from continuing operations	(10,960)	1,592	(319,812)	4,446
Results from discontinued operation	(3)	8	(62)	(6)
Total	(10,963)	1,600	(319,874)	4,440

The segmentation included the financial irregularities identified in the forensic report. No adjustment had been made except for the total impact on the financial position as an exceptional item in the statement of comprehensive income.



**5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31 July 2012, other than the financial irregularities of which the adjustments had been duly announced on 28 May 2012.

**6. CHANGES IN ESTIMATES**

There were no changes in estimates that have had a material effect in the current quarter results that has been brought to the attention of the Board, other than the effects arising from the adjustments made due to the financial irregularities announced on 28 May 2012.

**7. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The demand for certain bakery products are seasonal in nature. On the other hand, the sales of telecommunication products are not significantly affected by seasonal and cyclical factors. The distribution of the Maxis telephone cards however ceased on 15 March 2012, but which have since been replaced by the distribution of the U-Mobile telephone cards which commenced on 28 May 2012.

**8. DIVIDENDS PAID**

There was no dividend paid for the current quarter.

**9. CARRYING AMOUNT OF REVALUED ASSETS**

Property, plant and equipment are stated at valuation/cost less accumulated depreciation and impairment losses. During the current period, plant and machinery and motor vehicles are carried at valuation.

**10. DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter that has been brought to the attention of the Board.

**11. CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group for the quarter under review that has been brought to the attention of the Board.

## 12. DISCONTINUED OPERATIONS

The Group's investment in its seven subsidiaries (i.e. Madeleine Café Sdn Bhd, Madeleine Foods Sdn Bhd, Madeleine Bakery Sdn Bhd, Madeleine Property Sdn Bhd, Standard Food R&D Lab Sdn Bhd, Stanson Distribution Sdn Bhd and Inforaire Sdn Bhd), are dormant and have been classified as discontinued operations.

The revenue, results and cash flows of these subsidiaries were as follows:

	3 months ended		9 months ended	
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-
Loss before tax	(3)	8	(62)	(6)
Income tax expense	-	-	-	-
Loss for the period from a discontinued operation	(3)	8	(62)	(6)
Cash flows used in operating activities	-	-	-	-
Cash flows used in investing activities	-	-	-	-
Cash flows used in financing activities	-	-	-	-
Total cash flows	-	-	-	-

The major classes of assets and liabilities of the seven subsidiaries classified as discontinued operations as at 31 July 2012 are as follows:

	RM'000
Assets:	
Investment	4,800
Fixed assets	-
Cash and bank balances	9
Assets of dormant group	<u>4,809</u>
Liabilities:	
Amount owing to Holding/Related companies	4,481
Other payables and accruals	28
Tax payable	168
Liabilities directly associated with the assets classified as dormant	<u>4,677</u>
Net assets attributable to discontinued operations	<u>132</u>

## 13. CAPITAL COMMITMENTS

There was no commitment for the purchase of property, plant and equipment as at 31 July 2012 that has been brought to the attention of the Board.

#### **14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

During the financial period ended 31 July 2012, the contingent liabilities are as follows:-

- (i) the Company had given corporate guarantees amounting to approximately RM187 million to secure banking facilities granted to certain subsidiaries;
- (ii) BK Fleet Management Sdn Bhd is claiming against Stanson Marketing Sdn Bhd for 173 vehicles under fleet management contracts; and
- (iii) In a letter dated 27 March 2012, KPFQ is claiming against Stanson Marketing Sdn Bhd for recovery of debt amounting to RM24,797,145 arising from purported sales of foodstuff to Stanson Marketing Sdn Bhd.

#### **15. SUBSEQUENT EVENTS**

Material legal cases are disclosed in Note 23 of Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

There was no other material event subsequent to the quarter under review that has been brought to the attention of the Board.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**16. PERFORMANCE REVIEW**

The Group registered total revenue of RM29 million in the quarter ended July 2012 (3Q 12) as compared with RM56 million in the corresponding period of the previous year, a decline of 48%, whilst the current quarter recorded a loss before tax of RM10.876 million, a turnabout from the profit of RM1.6 million from the corresponding period of the previous year.

(a) Consumer Food

The Consumer Food Division recorded revenues of RM29 million for the current quarter, a decline of 47% when compared with RM55 million in the corresponding period of the previous year.

(b) Telecommunication products

The telecommunication business recorded a 99% decline in revenue to RM8,000 in the current quarter from RM969,000 in the corresponding period of the previous year.

No adjustment had been made except for the total impact on the financial position as an exceptional items in the statement of comprehensive income.

**17. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The Group's recorded a loss before taxation of RM319.54 million for the financial period ended 31 July 2012, mainly derived from the consumer food division as mentioned in Note 4.

The loss before taxation included adjustments made for the financial irregularities identified in the forensic report.

**18. COMMENTARY ON PROSPECTS**

The Board is in the process of evaluating the prospects of the Group in the light of the financial irregularities, removal of its Managing Director, Executive Director, and its General Manager – Accounts and Finance, the PN17 status of the Group as well as the termination of the distribution agreement between Maxis Mobile Services Sdn Bhd and Stanson Marketing Sdn Bhd.

Due to the matters mentioned above, the Board is not able to comment on the prospects of the Group at this point in time, save for the continuance of the consumer food division.

## 19. PROFIT FORECAST OR PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee for the year that has been brought to the attention of the Board.

## 20. INCOME TAX EXPENSE

The details of the income tax expense of the Group are as follows:

	3 months ended		9 months ended	
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	87	-	334	-
Total income tax expense	<u>87</u>	<u>-</u>	<u>334</u>	<u>-</u>

The income tax expense relates to the tax instalments of Stanson Marketing Sdn Bhd.

## 21. CORPORATE PROPOSALS

The Proposed Regularisation Plan to regularise the financial position of the Group was announced on behalf of the board of directors of the Company by KAF Investment Bank Berhad on 6 September 2012.

The Proposed Regularisation Plan involves the following:

- (i) Proposed Capital Reduction;
- (ii) Proposed Share Consolidation;
- (iii) Proposed Reduction of the Share Premium account and Cancellation of the Warrant Reserve Account;
- (iv) Proposed Settlement of Debts;
- (v) Proposed Renounceable Two-Call Rights Issue together with Free Detachable Warrants;
- (vi) Proposed Amendments to the Memorandum and Articles of Association; and
- (vii) Proposed Winding Up of Certain Subsidiaries.

The details of the Proposed Regularisation Plan are attached in the announcement dated 6 September 2012.

## 22. BORROWINGS

The details of the borrowings of the Group are as follows:

	As at 31.07.2012 RM'000	As at 31.10.2011 RM'000
<b>Short term borrowings</b>		
Secured	47,784	24,335
Unsecured	132,256	101,897
	<u>180,040</u>	<u>126,232</u>
<b>Long term borrowings</b>		
Secured	-	21,738
Unsecured	-	-
	<u>-</u>	<u>21,738</u>
	<u>180,040</u>	<u>147,970</u>

## 23. CHANGES IN MATERIAL LITIGATION

The details of material litigation of the Group are as follows:-

- (i) On 28 May 2012, a Writ of Summons and Statement Claim dated 24 May 2012 was served against Standard Confectionery Sdn Bhd (“SCSB”), a wholly-owned subsidiary of the Company, as First Defendant, and the Company, as Second Defendant, by Malaysia Building Society Berhad claiming against SCSB and the Company for RM19,635,639 due as at 31 March 2012 with interest thereon and cost;
- (ii) SCSB had on 15 June 2012 been served with a Writ of Summons and Statement of Claim in the High Court of Malaya dated 4 June 2012 in respect of the suit filed by AmIslamic Bank Berhad for a claim of RM4,503,107 plus interest and cost thereon;
- (iii) SCSB has received notice of a Judgement in Default on 26 June 2012. The Judgment in Default was purportedly entered by Hwa Heng Lee Sdn. Bhd. (“HHL”) against SCSB in respect of a claim of RM31,875.00 being the amount owing by SCSB as at 29 February 2012 plus interest of 4% per annum until full settlement and other incidental cost;
- (iv) On 6 July 2012 (as referenced to announcement made on 27 June 2012), SCSB had received a sealed Judgement in Default dated 28 May 2012 was received. Shah Alam High Court had on 4 July 2012 delivered the following decisions with regard to the Writ of Summons No. 22NCV-960-2011 in respect of the suit filed by Avanza Sdn Bhd (the “Plaintiff”) :
  - a) The Court allowed the Plaintiff’s claim for the outstanding management fee in the sum of RM211,860.00 with interest thereon at the rate of 4% per annum from the date of judgment up to the date of realization and cost to be taxed; and

## 23. CHANGES IN MATERIAL LITIGATION (CONT'D.)

- b) The Court dismissed the Company's counterclaim with cost to be taxed. Further on 10 July 2012, SBGB announced with the additional information as requested by Bursa Malaysia Securities Berhad as follows:
- (i) The Writ of Summons dated 30 June 2011 was served on 1 July 2011. The claim was in respect of the unpaid management fees payable to Avanza Sdn Bhd as business consultant for RM211,860.00 and performance based pay for RM39,900.00 for the period from July 2010 to March 2011. The contract was terminated in March 2011.
  - (ii) The counterclaim of RM468,663.00 was for all management fees and performance based pay which already paid out;
- (v) On 4 July 2012, Stanson Marketing Sdn Bhd ("SMSB") received a legal Notice of Demand dated 3 July 2012 from the solicitors for KPF Quality Foods Sdn Bhd ("KPFQ") demanding for the payment of RM24,322,145.00, purportedly being the outstanding amount due and owing to KPFQ. KPFQ is an associate company, in which SMSB has a 30% shareholding. As mentioned in the Company's announcement of 28 May 2012, this was one of the key areas of financial irregularities identified in the Forensic Accounting Review Report dated 28 May 2012 issued by PKF Advisory Sdn Bhd;
- (vi) On 11 July 2012, as referenced to the announcement made on 6 April 2012 in respect of the Company's default to redeem/repay its outstanding Underwritten Commercial Papers of RM15,000,000.00 which was due on 5 April 2012 ("Default"), SBGB announced that the Company had on 11 July 2012 received a Notice of Demand from OSK Trustees Bhd, the trustee for the holders of the Underwritten Commercial Papers and/or Medium Term Notes Facility of up to RM30,000,000.00 ("Notes"), demanding for the payment of RM15,000,000.00, together with interest thereon at the default rate of 1% per annum above the prevailing Base Lending Rate quoted by Malayan Banking Berhad from 6 April 2012 until settlement in full;
- (vii) SBGB had on 13 July 2012 announced that an extension of the Restraining Order was granted under Section 176(10) of the Companies Act 1965, for a period of ninety (90) days from 12 July 2012;
- (viii) SBGB had on 19 July 2012, in respect of the suit filed by Avanza Sdn Bhd (the "Plaintiff"), announced that the Company had vide the Plaintiff's solicitors received a sealed copy of Shah Alam High Court Judgment dated 4 July 2012. In pursuance thereto, SBGB is required to pay a sum totalling RM212,230.47 comprising principal amount owing of RM211,860.00 and interest at 4% per annum until the date of full realisation currently amounting to RM370.47;

## 23. CHANGES IN MATERIAL LITIGATION (CONT'D.)

- (ix) On 23 July 2012 (as reference to the announcements made on 6 July 2012 and 19 July 2012 in respect of the suit filed by Avanza Sdn Bhd (the "Plaintiff"), SBGB had vide the Plaintiff's solicitors received the Statutory Notice pursuant to Section 218 of the Companies Act, 1965 dated 23 July 2012. In pursuant thereto, SBGB is required to pay a sum totalling RM212,323.08 comprising principal amount owing of RM211,860.00 and interest at 4% per annum commencing from 4 July 2012 until the realisation currently amounting to RM463.08 pursuant to Shah Alam High Court Judgement dated 4 July 2012. In the event of the Company's failure and/or refusal to make payment of the aforesaid sums to the Plaintiff within twenty one (21) days from the date of receipt of the said Notice, the Company may be deemed as unable to pay the debts under Section 218(1)(e) and (2)(b) of the Companies Act, 1965 and Winding-up proceedings may thereafter be instituted against the Company;
- (x) SBGB announced that the Company has on 31 July 2012 been served with a sealed Writ of Summons dated 27 July 2012 and Statement of Claim dated 26 July 2012 filed vide Kuala Lumpur High Court Civil Suit No: 22NCVC-891-07/2012 in respect of a suit commenced by Ching Siew Cheong (the "Plaintiff") through his solicitors, Messrs. Krish Maniam & Co. By the said suit, the Plaintiff makes the following claims:
- (i) Loss of RM90,000.00 being 3 months' worth of salary from the date of termination due and owing to the Plaintiff;
  - (ii) Loss of RM600,000.00 (24 months maximum compensation) as damages for the wrongful termination of his employment as Director of the Company;
  - (iii) Loss of RM2,000,000 due to force-selling of the Plaintiff's SBGB shares arising from the Board's mismanagement and PN17 status after the termination of the Plaintiff;
  - (iv) Damages caused due to slander against the Plaintiff by the Defendants to be assessed;
  - (v) General damages to be assessed;
  - (vi) Costs;
  - (vii) Any and/or other relief that the Court deems fit and proper.

Meanwhile, the Directors of the Company are of the opinion that the claims are frivolous and not substantiated in the circumstances surrounding the financial irregularities that have been previously announced;



## 23. CHANGES IN MATERIAL LITIGATION (CONT'D.)

- (xi) 1 August 2012, further to the announcements made by the Company on 29 February 2012 and 28 May 2012, the Board of Directors of the Company wishes to announce that, following the issuance of the Forensic Accounting Review Report by PKF Advisory Sdn Bhd and after further internal investigations, the Company, together with Stanson Marketing Sdn Bhd and Standard Confectionery Sdn Bhd, its wholly-owned subsidiaries, have on 1 August 2012, filed an action in the Kuala Lumpur High Court vide Civil Suit No. 22 NCC-1219-08/2012, claiming, *inter alia*, the sum of RM125,027,344 as special damages, as well as general damages, punitive and aggravated damages, interest and costs in respect of the financial irregularities in the Plaintiffs (“**Suit**”).

The Defendants named in the Suit are:

1. Dato’ Tan Han Kook;
2. Ching Siew Cheong;
3. Lai Poh Mei;
4. Asia Food Link Sdn Bhd;
5. Triremis (M) Sdn Bhd;
6. Triremis Asia Sdn Bhd;
7. Bill Davis & Associates Sdn Bhd;
8. Crowe Horwath;
9. Audex Governance Sdn Bhd; and
10. Focus Internal Audit Solutions.

Dato’ Tan Han Kook, Ching Siew Cheong and Lai Poh Mei were the former Group Managing Director, Executive Director and the General Manager (Accounts and Finance) of the Company respectively;

- (xii) Further to the announcements made by the Company on 1 August 2012, the Board of Directors of the Company wishes to announce that, following an action filed in the Kuala Lumpur High Court vide Civil Suit No. 22NCC-1219-08/2012, claiming, *inter alia*, the sum of RM125,027,344 as special damages, as well as general damages, punitive and aggravated damages, interest and costs in respect of the financial irregularities in the Plaintiffs, the Plaintiffs had on 8 August 2012, through their solicitors, Messrs Ranjit Ooi & Robert Low, obtained the *ex parte* orders against the following defendants:-

1. Dato’ Tan Han Kook;
2. Ching Siew Cheong;
3. Lai Poh Mei;
4. Asia Food Link Sdn Bhd;
5. Triremis (M) Sdn Bhd;
6. Triremis Asia Sdn Bhd;
7. Bill Davis & Associates Sdn Bhd;

This announcement is dated 13 August 2012;

- (xiii) SCSB has on 2 August 2012 been served with a Writ of Summons dated 25 July 2012 and Statement of Claim dated 23 July 2012 in the High Court of Malacca in respect of the suit filed by Mega Printing & Packaging Sdn Bhd (the “Plaintiff”). By the said suit, the Plaintiff claims a sum of RM469,193.98 as owing by SCSB as at 29 February 2012, plus interest thereon at the rate of 1.5% per month calculated from 1 March 2012 until the date of full settlement and costs;

### 23. CHANGES IN MATERIAL LITIGATION (CONT'D.)

- (xiv) SBGB had on 2 August 2012 received three (3) Letters of Demand all dated 27 July 2012 from Maybank Islamic Berhad and Malayan Banking Berhad respectively (collectively referred as to "Lenders") vide Messrs Rahmat Lim & Partners, demanding for the payment of RM78,492,350.86 from the Company, being the Corporate Guarantor for the banking facilities granted by the Lenders to SCSB and SMSB;
- (xv) SBGB announced that Silver Bird International Sdn Bhd ("SBISB"), a wholly-owned subsidiary of SBGB as First Defendant and the Company as Second Defendant, have on 13 August 2012 been served with a Writ of Summons and Statement of Claim both dated 8 August 2012 in the High Court of Kuala Lumpur in respect of the suit filed by Orix Auto Leasing Sdn Bhd (the "Plaintiff").  
By the said suit, the Plaintiff claims a sum of RM7,928.00 from SBISB being the outstanding repair cost as at 8 May 2012, plus interest thereon at the rate of 0.065% per day calculated from 9 May 2012 until the date of full settlement and costs, as detailed below. The Plaintiff has claimed against the Company as Second Defendant as Corporate Guarantor;
- (xvi) On 14 August 2012, SBGB announced that Orders have been granted by the High Court of Malaya at Kuala Lumpur on 14 August 2012 pursuant to Section 176(10) of the Act, to restrain any and all proceedings and/or actions and/or further proceedings in any suits and/or proceedings and/or actions against the Company and SCSB in respect of SBGB and SCSB and/or their assets and/or assets employed in their businesses, including but not limited to any winding-up, execution, arbitration proceedings, act of repossession or purported repossession, the appointment of receivers and managers, liquidators, provisional liquidators or otherwise whatsoever, by any creditors and/or purported creditors or any other persons whatsoever, except by leave of the Court, for a period of ninety (90) days from 14 August 2012 ("Restraining Order"). The Court has also granted leave to SCSB pursuant to Section 176(10C) of the Act, to dispose of certain of its unencumbered assets to a wholly-owned subsidiary incorporated or to be incorporated in connection with a proposed interim funding arrangement of up to RM10 million by certain major shareholders of the Company. SBGB and SCSB have found it necessary to obtain the Restraining Order so as to preserve the current operations of SBGB and SCSB and to ensure that none of their creditors is preferred over another pending formalisation of proposed schemes of arrangement for their creditors;
- (xvii) SCSB has on 22 August 2012 been served with a Writ of Summons and Statement of Claim dated 14 August 2012 filed in the High Court of Malaya at Kuala Lumpur by Asia Food Link Sdn Bhd (the "Plaintiff"). By the said suit, the Plaintiff claims a sum of RM64,144.80 as owing by SCSB as at 14 August 2012, plus interest thereon at the rate of 4% per annum calculated from 14 August 2012 until the date of full settlement, general damages and costs; and

**23. CHANGES IN MATERIAL LITIGATION (CONT'D.)**

(xviii) On 4 September 2012, as further to the announcement made by the Company on 6 July 2012 in respect of the receipt of legal Notice of Demand from KPF Quality Foods Sdn Bhd, SMSB has on 3 September 2012 been served with a Writ of Summons dated 29 August 2012 and Statement of Claim dated 17 August 2012 filed in the High Court of Shah Alam by KPF Quality Foods Sdn Bhd (the "Plaintiff"). By the said suit, the Plaintiff claims a sum of RM24,322,145.00, purportedly being the outstanding amount due and owing to Plaintiff, plus interest thereon at the rate of 8% per annum calculated from 3 July 2012 until the date of judgment and interest at the rate of 5% per annum calculated from the date of judgment until the date of full settlement and costs.

**24. DIVIDEND PAYABLE**

No interim ordinary dividend has been declared for the financial period ended 31 July 2012 (31 October 2011: Nil).

**25. REALISED AND UNREALISED PROFITS/(LOSSES)**

The details of the realised and unrealised profits or losses of the Group are as follows:

	<b>As at 31.07.2012 RM'000</b>	<b>As at 31.10.2011 RM'000</b>
Total accumulated losses:		
- Realised	(363,225)	(43,374)
- Unrealised	(764)	(764)
	<u>(363,989)</u>	<u>(44,138)</u>

## 26. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share amounts are calculated by dividing (loss)/profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of RM0.50 each in issue during the period.

The basic earnings per share are as follows:

	3 months ended		9 months ended	
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit from continuing operations attributable to ordinary equity holders of the parent	(10,960)	1,592	(319,812)	4,446
Loss from discontinued operation attributable to ordinary equity holders of the parent	(3)	8	(62)	(6)
(Loss)/Profit attributable to ordinary equity holders of the parent	<u>(10,963)</u>	<u>1,600</u>	<u>(319,874)</u>	<u>4,440</u>
	3 months ended		9 months ended	
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	<u>406,682</u>	<u>400,839</u>	<u>406,682</u>	<u>393,022</u>
	3 months ended		9 months ended	
	31.07.2012	31.07.2011	31.07.2012	31.07.2011
	Sen	Sen	Sen	Sen
Basic earnings per share for:				
(Loss)/Profit from continuing operation:	(2.69)	0.40	(78.64)	1.13
Loss from discontinued operation	(0.00)	0.00	(0.02)	(0.00)
(Loss)/Profit for the period	<u>(2.70)</u>	<u>0.40</u>	<u>(78.65)</u>	<u>1.13</u>

### (b) Diluted

Diluted earnings per share were not presented as there were no potential dilutive ordinary shares.

## 27. EXCEPTIONAL ITEMS

The exceptional items are the adjustments made pursuant to announcement made on 28<sup>th</sup> May 2012. The breakdown of the exceptional items is as follows:-

	RM'000
Property, plant and equipment impairment	87,752
Goodwill impairment	36,730
Receivables impairment	75,449
Cash deterioration	93,113
Inventory reduction	2,460
Payable adjustment	(19,153)
Increase in bank borrowings	1,928
Impairment of investment in associate	2,250
Others	1,372
	<u>281,901</u>
Continuing operations	281,862
Discontinued operations	<u>39</u>
	<u>281,901</u>

## 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.

By order of the Board  
**Tai Yit Chan**  
Company Secretary  
Petaling Jaya

## Appendix 1

### **SILVER BIRD GROUP BERHAD**

(Company No. 277977-X)  
(Incorporated in Malaysia)

#### **EXCEPTIONAL ITEMS**

On 22 February 2012, the external auditors, Messrs Crowe Horwath, had highlighted the following exceptional items to the Audit Committee and the Board of Directors (“the Board”). The external auditors expressed that they have not been able to obtain all the information and explanations from management for their audit. The Board initiated a preliminary investigation into these items immediately upon being notified by the external auditors, and based on the results of the preliminary investigation to-date, are of the opinion that there is a strong possibility of material misstatement to the financial statements with in regard to the exceptional items. The details of the exceptional items are set out below:-

- (a) the capital work-in-progress of the Group under property, plant and equipment, include payments made amounting to approximately RM7.6 million to a third party for the design, renovation and refurbishment of the existing warehouse and factory;
- (b) in August 2011, the Group ventured into a new business segment of trading in sweetened creamer. Revenue and cost of sales amounting to approximately RM31.9 million and RM31.3 million were recorded for this segment in the profit or loss. Information on the commercial terms entered into between management and the third party customers and supplier is limited;
- (c) the external auditors have not been able to verify the veracity of transactions undertaken by the Group with six (6) customers comprising four (4) customers from the bakery segment and two (2) customers from the telecommunication segment and satisfy themselves as to the recoverability of the amount owed of approximately RM35.9 million by these customers as include in trade receivables;
- (d) the Board has taken management to task with regard to the exceptions noted as explained in (a) to (c) above, and has suspended the Managing Director, Executive Director and a senior management person. The Board has also appointed PKF Advisory Sdn. Bhd. to perform a forensic audit on the exceptions;
- (e) based on the preliminary investigation carried out by the Board, the Board has reasons to believe that the financial statements for the financial year ended 31 October 2011 may contain material misstatement with regard to the exceptions noted. However, pending the outcome of a forensic audit, the Board is unable to ascertain the extent of the misstatement in the financial statements;

#### **EXCEPTIONAL ITEMS (CONT'D)**

- (f) the Board, in discharging its fiduciary duties, has authorised the issuance of this financial statements which comprise the financial statements of the Company together with the consolidation of the financial statements of the subsidiaries. The Board is of the view that the expediency of providing the financial statements of the Group and of the Company to be an overriding factor and of upmost importance to enable dissemination of information on a timely basis to the shareholders and stakeholders. This delay in the completion of the audit of the subsidiaries is due to the exceptions noted above, as well as administrative procedures required for the completion of the audit of the subsidiaries; and
- (g) there may be additional circumstances at this juncture that may have a material impact on the truth and fairness of the financial statements.

Upon completion of the forensic audit, the Board may re-issue the financial statements or make announcement as necessary depending on the outcome of the forensic audit. The completion of the forensic audit is expected to be within three (3) months from the date of this report.