



HIGH-5 CONGLOMERATE BERHAD
(Formerly known as SILVER BIRD GROUP BERHAD)
(Company No. 277977-X)
(Incorporated in Malaysia)

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The condensed consolidated interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements have been reviewed by the external auditors.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 October 2012 and the accompanying explanatory notes attached to this interim financial report.

The Group has adopted the MFRS framework issued by the MASB with effect from 1 November 2012. The consolidated condensed interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 October 2013 and hence MFRS 1, First-Time Adoption of Malaysia Financial Reporting Standards (“MFRS 1”) had been applied. The adoption of MFRS 1 has no significant impact on the financial statements.

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 announced on 29 February 2012.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in these quarterly financial statements are consistent with those adopted in the financial statements for the financial year ended 31 October 2012. The adoption of the MFRS framework does not have any material impact on the financial statements of the Group.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 October 2012 contained a disclaimer of opinion on the financial statements as a result of the financial irregularities.

Details of the basis of disclaimer opinion extracted from the auditor's report, together with the Board of Directors' commentary thereof, after clarifications were made with the auditors, can be found in the Company's previous announcements.

Part of the basis for the disclaimer of opinion relates to the going concern assumption, and the Board would like to impress that the Proposed Regularisation Plan, which has been revised progressively over the financial year to take into account the challenging business environment together with the raising of funds, is expected to impact positively on the operations and cash flows of the Group. The Proposed Regularisation Plan has been submitted to Bursa Malaysia Securities Berhad on 29 November 2013 for its approval.

Further details of the Proposed Regularisation Plan are mentioned in Note 21.

4. SEGMENTAL INFORMATION

The segmental information of the Group is as follows:

	3 months ended		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operation				
- Consumer food	18,924	25,607	78,944	129,149
Revenue from discontinued operation				
- Telecommunication products	-	9	-	814
Total	<u>18,924</u>	<u>25,616</u>	<u>78,944</u>	<u>129,963</u>

Geographical information

	3 months ended		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Malaysia	13,877	20,009	57,911	106,890
Singapore	5,047	5,598	21,033	22,259
	<u>18,924</u>	<u>25,607</u>	<u>78,944</u>	<u>129,149</u>
Revenue from discontinuing operations:				
Malaysia	-	9	-	814
	<u>18,924</u>	<u>25,616</u>	<u>78,944</u>	<u>129,963</u>

The details of the discontinued operations in respect of net telecommunication revenue are as follows:

	3 months ended		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	RM'000	RM'000	RM'000	RM'000
Telecommunication products				
- Revenue	-	23	-	128,233
- Cost of sales	-	(14)	-	(127,419)
Net revenue arising from telecommunication sales	-	9	-	814

	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	RM'000	RM'000	RM'000	RM'000
Segment Results				
Results from continuing operations:				
Consumer food	(22,347)	(17,514)	(54,873)	(335,288)
Results from discontinued operation				
Telecommunication products	-	(1,036)	-	(3,074)
Others	163	34	92	(28)
Total results from discontinued operation	163	(1,002)	92	(3,102)
Total	(22,184)	(18,516)	(54,781)	(338,390)

Geographical information

	3 months ended		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	RM'000	RM'000	RM'000	RM'000
Segment Results				
Results from continuing operations:				
Malaysia	(21,501)	(16,088)	(52,197)	(331,074)
Singapore	(846)	(1,426)	(2,676)	(4,214)
	(22,347)	(17,514)	(54,873)	(335,288)
Results from discontinued operation				
Malaysia	163	(1,002)	92	(3,102)
	(22,184)	(18,516)	(54,781)	(338,390)

The segment revenue for the 12 months ended 31 October 2012 includes the financial irregularities identified in the Forensic Accounting Review Report.

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

There were no such items affecting assets, liabilities, equity, net income or cash flows during the financial year ended under review.

6. CHANGES IN ESTIMATES

The Group did not issue any profit or other forecast for the financial year ended 31 October 2013.

7. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The demand for certain bakery products are seasonal in nature.

8. DIVIDENDS

There was no dividend proposed or 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 were carried at valuation less impairment.

10. DEBT AND EQUITY SECURITIES

The warrant reserve had been reversed to the accumulated losses as the Warrant B – 2008/2013 had expired on 24 February 2013.

Reference is made to the announcements of the Company dated 23 July 2013, 25 July 2013, 1 October 2013, 14 October 2013 and 29 November 2013 in respect of the Interim Funding.

As announced on 29 November 2013, the Company received up to RM10,671,950 from the Investors under the Interim Funding, via Ivory Overpower Sdn Bhd (“IOSB”), a wholly-owned subsidiary of the Group. IOSB has issued 10,671,950 8% Redeemable Preference Shares in IOSB of RM1.00 each (“RPS”) to the Investors, Sunsi Holdings Sdn Bhd and Covenant Equity Consulting Sdn Bhd, at an allocation of RM6,666,667 and RM4,005,283 respectively. The RPS were issued subsequent to the financial year ended 31 October 2013.

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter others than as disclosed above.

11. CHANGES IN THE COMPOSITION OF THE GROUP

On 20 May 2013, Standard Confectionery Sdn Bhd, a wholly-owned subsidiary of High-5 Conglomerate Berhad (“**HIGH5**”) (formerly known as Silver Bird Group Berhad) acquired two (2) ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Ivory Overpower Sdn Bhd (Company No. 1025879-X) (“IOSB”) for a purchase consideration of RM2.00 (hereinafter referred to as “the Acquisition”). Upon the Acquisition, IOSB has become a wholly-owned sub-subsi- dary of HIGH5.

12. DISCONTINUED OPERATIONS

Seven of the Group's subsidiaries (i.e. Madeleine Café Sdn Bhd, Madeleine Foods Sdn Bhd, Madeleine Bakery Sdn Bhd, Madeleine Property Sdn Bhd, Stanson Distribution Sdn Bhd, Stanson Multicom Sdn Bhd and Inforaire Sdn Bhd), are dormant and have been classified as discontinued operations.

The revenue, results and cash flows of these subsidiaries and the telecommunication division of Stanson Marketing Sdn Bhd were as follows:

	3 months ended		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	RM'000	RM'000	RM'000	RM'000
Revenue	-	9	-	814
Loss before tax	(5)	(1,002)	(76)	(3,102)
Income tax expense	168	-	168	-
Loss for the period from a discontinued operation	163	(1,002)	92	(3,102)
Cash flows used in operating activities	-	-	1	-
Cash flows used in investing activities	-	-	-	-
Cash flows used in financing activities	-	-	-	-
Total cash flows	-	-	1	-

The major classes of assets and liabilities of the seven subsidiaries classified as discontinued operations as at 31 October 2013 are as follows:

	RM'000
Assets:	
Cash and bank balances	55
Assets of discontinued operations	55
Liabilities:	
Amount owing to Holding/Related companies	12,326
Non-trade payables and accruals	147
Liabilities directly associated with the assets classified as discontinued operations	12,473
Net liabilities attributable to discontinued operations	(12,418)

13. CAPITAL COMMITMENTS

There was no commitment for the purchase of property, plant and equipment as at 31 October 2013.

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 October 2013, 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; and
- (ii) other contingent liabilities are set out in Note 23 under material litigations.

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.

IOSB has issued 10,671,950 8% RPS to the Investors, SunCSI Holdings Sdn Bhd and Covenant Equity Consulting Sdn Bhd, at an allocation of RM6,666,667 and RM4,005,283 respectively. Details of the RPS are mentioned in Note 10 above.

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

16. PERFORMANCE REVIEW

4th Quarter 2013 vs 4th Quarter 2012

The revenue for the 4th Quarter 2013 had reduced by RM6.7 million compared to the 4th Quarter 2012. The lower revenue recorded in the 4th Quarter 2013 was mainly due to the restructuring of the Group's distribution network and reduction in production level affected by the Group's financial position.

The 4th Quarter 2012 results contained exceptional other income of RM14.3 million, as listed below. Had the exceptional other income not be considered, the 4th Quarter 2012 loss before tax would be RM31.8 million.

	RM'000
Receivables	2,122
Cash adjustments	11,733
Inventory	2,460
Property, plant and equipment	(1,637)
Payable adjustments	<u>(332)</u>
Net Reversal/Additions of Impairment	<u>14,346</u>

Comparing with the 4th Quarter 2012 before the exceptional other income, the 4th Quarter 2013 loss before tax showed a significant improvement of RM9.4 million over the 4th Quarter 2012, brought about mainly by:

- A higher gross profit earned (despite the lower revenue recorded) of RM3.8 million compared with RM0.9 million earned in 4th Quarter 2012;
- Significant reduction in administrative expenses of RM11.9 million;
- Significant reduction in selling and marketing expenses of RM2.0 million; and
- Offset by higher accrued finance expenses of RM7.3 million.

The lower expense in the 4th Quarter 2013 was mainly due to the cost-cutting measures taken during the financial year ended 31 October 2013.

4th Quarter 2013 vs 3rd Quarter 2013

The revenue for the 4th Quarter 2013 had increased by RM1.0 million as compared to the 3rd Quarter 2013. The gross margin had also improved from 15.4% in the 3rd Quarter to 19.8% in 4th Quarter 2013 mainly due to operational improvements.

The higher loss recorded for 4th Quarter 2013 as compared to the 3rd Quarter 2013 was however mainly due to additional accruals of finance costs based on the confirmations from banks or calculated based on defaulted penalty interest rate after taking into consideration the available correspondence from the respective financial institutions. However, this is not expected to have any major impact on the operations as the finance costs are proposed to be reduced and/or waived (depending on the terms discussed and cut-off dates) pursuant to the Proposed Regularisation Plan submitted on 29 November 2013.

Financial Year Ended 31 October 2013 vs Financial Year Ended 31 October 2012

The results for the financial year ended 31 October 2012 had contained financial irregularities, and as such, is not properly comparable to the results for the financial year ended 31 October 2013.

For the financial year ended 31 October 2013, the Group registered a gross profit of RM14.9 million on the back of RM78.9 million of revenue.

Excluding the exceptional items written off of RM267.5 million in the financial year ended 31 October 2012, the loss before tax in the financial year ended 31 October 2012 would be RM67.4 million. The loss before tax recorded in the financial year ended 31 October 2013 of RM54.9 million represents an improvement of RM12.5 million (or 19%).

Administrative and Selling and Marketing expenses also decreased by RM13.7 million (or 43%) and RM8.8 million (or 21%) respectively. The Multicom division had also ceased in the financial year ended 31 October 2013 and is now classified under discontinued operations.

The improvements are a direct result of the on-going efforts on the regularisation of the Group's operations and financial condition, restructuring of the Group's distribution network as well as improvements and cost savings in production, administration and selling and marketing activities.

17. COMMENTARY ON PROSPECTS

The revised Proposed Regularisation Plan has been submitted to Bursa Malaysia Securities Berhad on 29 November 2013. The Board had previously submitted a regularisation plan and made variations to the regularisation plan subsequently to take into consideration the challenging business environment together with the raising of funds, to ensure, as far as possible, the Proposed Regularisation Plan would meet the current and future needs of the Group.

Further details of the revised Proposed Regularisation Plan are mentioned in Note 21.

Running parallel with the revised Proposed Regularisation Plan, the Board has been implementing measures to improve both the operations, in terms of improving sales performance and production efficiency, and the Group's financial performance with significant reductions in expenses and following on, reduction in losses as well.

As part of the on-going efforts to rebrand the Group and its products, the Company has changed its name to High-5 Conglomerate Berhad, which was approved by the shareholders in an EGM held on 12 December 2013.

The Board is optimistic that, with the approval of the revised Proposed Regularisation Plan, which includes the raising of funds for much needed working capital, the Group would be better able to continue on its improvement trend and return to profitability.

18. PROFIT FORECAST OR PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee for the financial year ended 31 October 2013.

19. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Current Year Quarter 31.10.2013 RM'000	Current Year Ended 31.10.2013 RM'000
Interest income	(13)	(106)
Interest expense	(12,525)	(19,766)
Gain on foreign exchange	(17)	(90)
Depreciation	1,239	5,400
Impairment of receivables	1,000	1,000

20. INCOME TAX EXPENSE

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

	3 months ended		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	29	(87)	-	(421)
Total tax income/(expense)	<u>29</u>	<u>(87)</u>	<u>-</u>	<u>(421)</u>

21. CORPORATE PROPOSALS

The revised Proposed Regularisation Plan has been submitted to Bursa Malaysia Securities Berhad on 29 November 2013. Prior to this, the Board had previously submitted a regularisation plan and variations to the regularisation plan, the details of which have been previously duly announced.

The revised Proposed Regularisation Plan submitted on 29 November 2013 included the following proposals:

- Proposed Capital Reduction;
- Proposed Consolidation;
- Proposed Share Premium Reduction;
- Proposed Debt Settlement;
- Proposed Rights Issue With Warrants;
- Proposed Issuance Of Securities Pursuant To The Interim Funding;
- Proposed M&A Amendments;
- Proposed Liquidation Of Subsidiary Companies; and
- Proposed ESOS

22. BORROWINGS

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

	As at	As at
	31.10.2013	31.10.2012
	RM'000	RM'000
Short term borrowings		
Secured	51,574	48,678
Unsecured	153,262	134,469
	<u>204,836</u>	<u>183,147</u>

23. **CHANGES IN MATERIAL LITIGATION**

The changes in material litigations since the date of the last Annual Report of HIGH5 are as follows:-

(a) Cases from Industrial Court

On 16 April 2013, HIGH5 received a Notice of Mention of Case from the Industrial Court in respect of a claim lodged by former employees. The Court has fixed the case for further mention on 17 January 2014.

On 13 May 2013, Stanson Marketing Sdn Bhd (“SMSB”) received a Notice of Mention of Case lodged by a former employee. The Court has fixed the case for hearing on 23 January 2014.

On 13 May 2013, Stanson Multicom Sdn Bhd (formerly known as Standard Food R&D Lab Sdn Bhd) received a Notice of Mention of Case lodge by a former employee from the Industrial Court. The Industrial Court has rendered an award on 14 June 2013 that Stanson Multicom Sdn Bhd is to pay the employee RM16,964.38 on or before 20 January 2014 in full and final settlement of the dispute. This settlement of this amount will be addressed by the revised Proposed Regularisation Plan.

(b) Suit by HIGH5, SMSB and Standard Confectionery Sdn Bhd (“SCSB”) in respect of financial irregularities

The trial in respect of this suit proceeded on 17 June 2013, 18 June 2013, 20 June 2013, 24 June 2013, 18 July 2013, 19 July and 29 July 2013. The trial dates previously fixed for 12 December 2013, 13 December 2013, 16 December 2013 and 17 December 2013 and on 13 January 2014 to 17 January 2014 have been vacated.

The trial is scheduled to proceed on 20 January 2014 to 24 January 2014, 1 July 2014 to 4 July 2014, 14 July 2014, 16 July 2014 to 18 July 2014 and 11 August 2014 to 15 August 2014.

(c) Suit by KPF Quality Foods Sdn Bhd against SMSB

The previous trial dates for this suit fixed on 18 September 2013 and 19 September 2013 have been vacated. The matter is fixed for mention on 9 January 2014.

(d) Suit by BK Fleet Management Sdn Bhd against SMSB

This suit is fixed for further case management on 25 February 2014.

23. CHANGES IN MATERIAL LITIGATION (continued)

HIGH5, SMSB and SCSB have each been granted a restraining order by the High Court pursuant to Section 176(10) of the Companies Act, 1965 presently effective until 7 January 2014. By virtue of the said restraining orders (collectively, “RO”), creditors/claimants are restrained from commencing or further proceeding with their respective suits without leave of the Court. In view thereof, the changes in material litigation since the date of the last Annual Report of HIGH5 in respect of suits restrained by the RO were as follows:-

(a) Cases in the Industrial Court

On 13 May 2013, HIGH5 received a Notice of Mention of Case from the Industrial Court in respect of a claim lodged by another former employee. The Court has fixed the case for case management after the expiry of the RO.

(b) Suit by AmIslamic Bank Berhad against SCSB

The Court has fixed the matter for further mention on 10 January 2014.

(c) Suit by Ching Siew Cheong against HIGH5

The Court has fixed the matter as against HIGH5 for case management on 10 January 2014.

(d) Suit by Suppliers against SCSB

On 9 May 2013, SCSB was served with a Writ of Summons and Statement of Claim in the Shah Alam Magistrates Court by a supplier of SCSB. By the said suit, the supplier claims a sum of RM14,307.50 allegedly owing by SCSB. The Plaintiff has since withdrawn the suit against SCSB via the Notice of Discontinuance dated 3 June 2013.

On 25 April 2013, SCSB was served with a Writ of Summons and Statement of Claim filed in the Shah Alam Sessions Court by a supplier of SCSB. By the said suit, the supplier claims a sum of RM592,997.47 allegedly owing by SCSB. The Plaintiff has since withdraw the suit against SCSB with liberty to file afresh.

On 7 March 2013, SCSB was served with an Amended Writ of Summons amended pursuant to an order of the court dated 30 January 2013 and Statement of Claim dated 13 August 2012 filed in the Shah Alam Sessions Court by a supplier of SCSB. By the said suit, the supplier claims a sum of RM38,939.50 allegedly owing by SCSB. Following the extension of SCSB’s RO, the Plaintiff has since withdraw the suit against SCSB with liberty to file afresh.

(e) Suit by Supplier against SMSB

On 25 June 2013, SMSB was served with a Writ and Statement of Claim filed in the Shah Alam Magistrates Court by a supplier of SMSB. By the said suit, the supplier claims for a sum of RM72,010.00 allegedly owing by SMSB. The suit is presently fixed for mention on 13 January 2014.

24. DIVIDEND PAYABLE

No interim dividend has been proposed for the financial year ended 31 October 2013.

25. REALISED AND UNREALISED LOSSES

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

	As at 31.10.2013 RM'000	As at 31.10.2012 RM'000
Total accumulated losses:		
- Realised	(427,019)	(378,297)
- Unrealised	-	-
	<u>(427,019)</u>	<u>(378,297)</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		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	RM'000	RM'000	RM'000	RM'000
Loss from continuing operations attributable to ordinary equity holders of the parent	(22,347)	(17,514)	(54,873)	(335,288)
Profit/(Loss) from discontinued operations attributable to ordinary equity holders of the parent	163	(1,002)	92	(3,102)
Loss attributable to ordinary equity holders of the parent	(22,184)	(18,516)	(54,781)	(338,390)
	3 months ended		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	406,682	406,682	406,682	406,682
	3 months ended		12 months ended	
	31.10.2013	31.10.2012	31.10.2013	31.10.2012
	Sen	Sen	Sen	Sen
Basic earnings per share for:				
Loss from continuing operations	(5.49)	(4.31)	(13.49)	(82.44)
Profit/(Loss) from discontinued operations	0.04	(0.25)	0.02	(0.77)
Loss for the period	(5.45)	(4.56)	(13.47)	(83.21)

(b) Diluted

Diluted loss per share was not presented as there were no potential shares in issue that may have a dilutive effect.

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.

By order of the Board
Foo Siew Loon
Company Secretary
Shah Alam