



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 2013 and the accompanying explanatory notes attached to this interim financial report.

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 2013. The adoption of the new 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 2013 was unmodified with an emphasis of matter on going concern.

4. SEGMENTAL INFORMATION

The segmental by geographical information of the Group is as follows:

	3 months ended		6 months ended	
	30.4.2014	30.4.2013	30.4.2014	30.4.2013
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Malaysia	15,816	14,453	29,589	30,925
Singapore	5,237	5,467	10,706	11,166
	<u>21,053</u>	<u>19,920</u>	<u>40,295</u>	<u>42,091</u>

	3 months ended		6 months ended	
	30.4.2014	30.4.2013	30.4.2014	30.4.2013
	RM'000	RM'000	RM'000	RM'000
Segment Results				
Results from continuing operations:				
Malaysia	(10,580)	(10,217)	(23,304)	(19,937)
Singapore	(1,505)	(571)	(1,731)	(1,500)
	<u>(12,085)</u>	<u>(10,788)</u>	<u>(25,035)</u>	<u>(21,437)</u>
Results from discontinued operation				
Malaysia	(18)	(9)	(40)	(49)
	<u>(12,103)</u>	<u>(10,797)</u>	<u>(25,075)</u>	<u>(21,486)</u>

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 period ended under review.

6. CHANGES IN ESTIMATES

The Group did not issue any profit or other forecast for the financial period ended 30 April 2014.

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

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 issued RM10,671,950 to 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, SunCSI Holdings Sdn Bhd and Covenant Equity Consulting Sdn Bhd, at an allocation of RM6,666,667 and RM4,005,283 respectively.

As announced on 18 February 2014, the Company issued RM5,328,050 to the Investors under the Interim Funding, via IOSB. IOSB had issued 5,328,050 8% Redeemable Preference Shares in IOSB of RM1.00 each to Investors, SunCSI Holdings Sdn Bhd and Covenant Equity Consulting Sdn Bhd at an allocation of 3,333,333 and 1,994,717 RPS respectively.

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

11. CHANGES IN THE COMPOSITION OF THE GROUP

On 20 March 2014, Madeleine Property Sdn Bhd (“MPSB”), a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement (“the SPA”) with Hoi Kong Fei, Poh Cheng Teng and Soh Swee Kim for the purchase of 80% of the equity interest in Pastryville Holdings (M) Sdn Bhd for a total consideration of RM220,000, resulting in the Pastryville Group becoming subsidiaries of the Company.

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.

MPSB had been excluded from discontinued operations after the acquisition of Pastryville Holdings (M) Sdn Bhd on 20 March 2014 as disclosed in Note 11 of Part A – Explanatory Notes Pursuant to MFRS 134.

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

	3 months ended		3 months ended	
	30.4.2014	30.4.2013	30.4.2014	30.4.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-
Loss before tax	(18)	(9)	(40)	(49)
Income tax expense	-	-	-	-
Loss for the period from a discontinued operation	(18)	(9)	(40)	(49)
Cash flows used in operating activities	-	1	-	1
Cash flows used in investing activities	-	-	-	-
Cash flows used in financing activities	-	-	-	-
Total cash flows	-	1	-	1

The major classes of assets and liabilities of the seven subsidiaries classified as discontinued operations as at 30 April 2014 are as follows:

	RM'000
Assets:	
Cash and bank balances	54
Assets of discontinued operations	54
Liabilities:	
Amount owing to Holding/Related companies	17,515
Non-trade payables and accruals	161
Liabilities directly associated with the assets classified as discontinued operations	17,676
Net liabilities attributable to discontinued operations	(17,622)

13. CAPITAL COMMITMENTS

There was no commitment for the purchase of property, plant and equipment as at 30 April 2014.

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 April 2014, 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) contingent liabilities under material litigations amounting to approximately RM35 million.

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.

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

16. PERFORMANCE REVIEW

2nd Quarter 2014 vs 2nd Quarter 2013

The revenue for the 2nd Quarter 2014 had increased by RM1.1 million compared to the 2nd Quarter 2013. The higher revenue recorded in the 2nd Quarter 2014 was mainly due to the recovery of the Group's revenue after restructuring of the distribution network.

The higher losses in the 2nd Quarter 2014 compared to 2nd Quarter 2013 were mainly due to accrued interest in 2nd Quarter 2013 being captured in the 4th Quarter 2013. The additional accruals of finance costs are 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.

If the accrual of finance costs in 2nd Quarter 2013 was based on the same defaulted penalty interest, the losses in the 2nd Quarter 2013 would have been approximately RM12.9 million. The losses in the 2nd Quarter 2014 would have been improved by approximately RM850,000 as compared to the losses in the 2nd Quarter 2013.

2nd Quarter 2014 vs 1st Quarter 2014

The revenue for the 2nd Quarter 2014 had increased by RM1.8 million as compared to the 1st Quarter 2014. The newly acquired Pastryville Group had elevated the Group sales by RM178,000 for the 2nd Quarter 2014.

The lower loss recorded for the 2nd Quarter 2014 as compared to the 1st Quarter 2014 was mainly due to cost reduction policies implemented by the management.

17. COMMENTARY ON PROSPECTS

The revised Proposed Regularisation Plan has been submitted to Bursa Malaysia Securities Berhad on 21 February 2014. 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.

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 period ended 30 April 2014.

19. LOSS BEFORE TAXATION

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

	Current Year Quarter 30.4.2014 RM'000	Current Year Ended 30.4.2014 RM'000
Interest income	(9)	(25)
Interest expense	4,337	8,736
Accrued cumulative dividend	295	449
Gain on foreign exchange	(16)	(32)
Depreciation	<u>1,259</u>	<u>2,346</u>

20. INCOME TAX EXPENSE

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

	3 months ended		6 months ended	
	30.4.2014	30.4.2013	30.4.2014	30.4.2013
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	-	-	-	(29)
Total tax income/(expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29)</u>

21. CORPORATE PROPOSALS

The revised Proposed Regularisation Plan has been submitted to Bursa Malaysia Securities Berhad on 21 February 2014. 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 21 February 2014 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 Issuance Of Securities Pursuant To Second 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 30.4.2014 RM'000	As at 31.10.2013 RM'000
Short term borrowings		
Secured	51,883	51,574
Unsecured	160,185	152,305
	<u>212,068</u>	<u>203,879</u>
 RPS		
Issue price	16,000	-
Accrued cumulative dividend (Finance expense)	449	-
	<u>16,449</u>	<u>-</u>

23. CHANGES IN MATERIAL LITIGATION

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

a) Cases from Industrial Court

On 16 April 2013, the Company received a Notice of Mention of Case from the Industrial Court in respect of a claim lodged by former employees. The Company has filed an application to stay the proceedings pending the disposal of the legal action commenced by the Company vide Kuala Lumpur High Court Civil Suit 24NCC-1219-08/2012. The Court has fixed the hearing for the said application on 23 July 2014.

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

The next dates for trial are on 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 3 September 2014 to 5 September 2014 have been vacated. This suit is now fixed for trial on 1 October 2014 to 3 October 2014.

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

This suit is fixed for case management on 8 July 2014.

The Company, 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 6 July 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 the Company in respect of suits restrained by the RO are as follows:

a) Cases in the Industrial Court

On 30 April 2013, the Company 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 matter for case management after the expiry of the Company’s RO.

b) Suit by AmIslamic Bank Berhad against SCSB

The Court has fixed the matter for mention on 9 July 2014.

c) Suit by Suppliers against SCSB

On 2 August 2012, SCSB was served with a Writ and Statement of Claim filed in the Malacca High Court by a supplier of SCSB. By the said suit, the supplier claims for a sum of RM 469,493.00 allegedly owing by SCSB. The suit is presently fixed for mention on 9 July 2014.

SCSB was served with a Writ and Statement of Claim dated 24 April 2012 filed in the Shah Alam High Court by a supplier claiming for a sum of RM31,875.00 allegedly owing by SCSB. Judgment in Default of Appearance (“JID”) was obtained against SCSB on 28 May 2012. An application to set aside the JID was filed by SCSB on 8 May 2012. In view of the SCSB RO, the Court has fixed the said application to set aside the JID for hearing on 8 July 2014.

d) Suit by Suppliers 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 case management on 9 July 2014.

e) Suit by Suppliers against the Company

On 12 May 2014, the Company was served with a Writ of Summons dated 12 May 2014 and Statement of Claim in the Shah Alam Magistrates Court dated 28 April 2014 by a supplier of the Company. By the said suit, the supplier claims a sum of RM5,559.84 allegedly owing by the Company. The suit is presently fixed for case management on 8 July 2014.

24. DIVIDEND PAYABLE

No interim dividend has been proposed for the financial period ended 30 April 2014.

25. REALISED AND UNREALISED LOSSES

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

	As at 30.4.2014 RM'000	As at 31.10.2013 RM'000
Total accumulated losses:		
- Realised	(450,129)	(425,059)
- Unrealised	-	-
	<u>(450,129)</u>	<u>(425,059)</u>

26. LOSS PER SHARE

(a) Basic

Basic loss per share amounts are calculated by dividing loss 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 loss per share are as follows:

	3 months ended		6 months ended	
	30.4.2014	30.4.2013	30.4.2014	30.4.2013
	RM'000	RM'000	RM'000	RM'000
Loss from continuing operations attributable to ordinary equity holders of the parent	(12,085)	(10,788)	(25,035)	(21,437)
Loss from discontinued operations attributable to ordinary equity holders of the parent	(18)	(9)	(40)	(49)
Loss attributable to ordinary equity holders of the parent	<u>(12,103)</u>	<u>(10,797)</u>	<u>(25,075)</u>	<u>(21,486)</u>
	3 months ended		6 months ended	
	30.4.2014	30.4.2013	30.4.2014	30.4.2013
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	406,682	406,682	406,682	406,682
	3 months ended		6 months ended	
	30.4.2014	30.4.2013	30.4.2014	30.4.2013
	Sen	Sen	Sen	Sen
Basic earnings per share for:				
Loss from continuing operations	(2.98)	(2.65)	(6.16)	(5.27)
Loss from discontinued operations	-	-	(0.01)	(0.01)
Loss for the period	<u>(2.98)</u>	<u>(2.65)</u>	<u>(6.17)</u>	<u>(5.28)</u>

(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

30 June 2014