



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		9 months ended	
	31.7.2014	31.7.2013	31.7.2014	31.7.2013
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Malaysia	14,588	13,109	44,177	44,034
Singapore	5,218	4,820	15,924	15,986
	<u>19,806</u>	<u>17,929</u>	<u>60,101</u>	<u>60,020</u>

	3 months ended		9 months ended	
	31.7.2014	31.7.2013	31.7.2014	31.7.2013
	RM'000	RM'000	RM'000	RM'000
Segment Results				
Results from continuing operations:				
Malaysia	(10,489)	(12,770)	(33,793)	(36,226)
Singapore	(1,570)	(703)	(3,301)	(2,203)
	<u>(12,059)</u>	<u>(13,473)</u>	<u>(37,094)</u>	<u>(38,429)</u>
Results from discontinued operation:				
Malaysia	(24)	(22)	(64)	(71)
	<u>(12,083)</u>	<u>(13,495)</u>	<u>(37,158)</u>	<u>(38,500)</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 31 July 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		9 months ended	
	31.7.2014 RM'000	31.7.2013 RM'000	31.7.2014 RM'000	31.7.2013 RM'000
Revenue	-	-	-	-
Loss before tax	(24)	(22)	(64)	(71)
Income tax expense	-	-	-	-
Loss for the period from a discontinued operation	(24)	(22)	(64)	(71)
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 31 July 2014 are as follows:

	RM'000
Assets:	
Cash and bank balances	55
Assets of discontinued operations	<u>55</u>
Liabilities:	
Amount owing to Holding/Related companies	17,520
Non-trade payables and accruals	163
Liabilities directly associated with the assets classified as discontinued operations	<u>17,683</u>
Net liabilities attributable to discontinued operations	<u>(17,628)</u>

13. CAPITAL COMMITMENTS

There was no commitment for the purchase of property, plant and equipment as at 31 July 2014.

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 July 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

3rd Quarter 2014 vs 3rd Quarter 2013

The revenue for the 3rd Quarter 2014 had increased by RM1.9 million compared to the revenue for 3rd Quarter 2013. This increase turnover is achieved in spite of the full impact of the Ramadan month during this quarter when sales are normally slow. In comparison, it should be noted that the Ramadan month for 2013 was spread over the 3rd and 4th quarter of last year.

The higher revenue is a result of the new products and additional outlets opened by the group during the quarter. Revenue arising from the acquisition of the Pastryville Group also contributed partly to the increase in revenue.

With the improved revenue, the Group's losses reduced by approximately RM1.4 million as compared the corresponding quarter of the previous financial year.

3rd Quarter 2014 vs 2nd Quarter 2014

Although the revenue for the 3rd Quarter 2014 was reduced by RM1.2 million as compared to the revenue for 2nd Quarter 2014, due to the Ramadan month as mentioned above, the losses for the 3rd quarter did not increase, due mainly to increased efficiencies and the discontinuance of accruing liabilities for a service contract due to non-performance.

Notwithstanding the above, it should be noted that upon the approval and implementation of the Proposed Regularisation Plan of the Group, a substantial sum of the interest and other expenses will be reversed.

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.

On 6 August 2014, Bursa Malaysia Securities Berhad has rejected the Company's Proposed Regularisation Plan. The Company has subsequently on 5 September 2014 submitted an appeal on the rejection to Bursa Malaysia Securities Berhad.

Notwithstanding the appeal, the Board continues to work on its plans to restructure the financial position and operations of the Group and believes that the Company is on track to turnaround.

18. PROFIT FORECAST OR PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee for the financial period ended 31 July 2014.

19. LOSS BEFORE TAXATION

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

	Current Year Quarter 31.7.2014 RM'000	Current Year Ended 31.7.2014 RM'000
Interest income	(9)	(25)
Interest expense	4,683	13,298
Accrued cumulative dividend	323	906
Gain on foreign exchange	(2)	(34)
Depreciation	<u>1,103</u>	<u>3,449</u>

20. INCOME TAX EXPENSE

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

	3 months ended		9 months ended	
	31.7.2014	31.7.2013	31.7.2014	31.7.2013
	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

As mentioned in Section 17 above, the revised Proposed Regularisation Plan was rejected by Bursa on 6 August 2014. The Company has subsequently on 5 September 2014 submitted the appeal on the rejection to Bursa.

22. BORROWINGS

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

	As at 31.7.2014 RM'000	As at 31.10.2013 RM'000
Short term borrowings		
Secured	52,021	51,574
Unsecured	162,991	152,305
	<u>215,012</u>	<u>203,879</u>
 RPS		
Issue price	16,000	-
Accrued cumulative dividend (Finance expense)	772	-
	<u>16,772</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

The Company received a Notice of Mention of Case dated 16 April 2013 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 on 22 September 2014 dismissed the Company's application to stay the proceedings. The matter is now fixed for mention on 28 October 2014.

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

The next dates for trial are on 8 October 2014 and 9 October 2014, 13 January 2015 to 16 January 2015, 19 January 2015 to 23 January 2015 and 9 February 2015 to 13 February 2015.

c) Suit by KPF Quality Foods Sdn Bhd against SMSB

SMSB has since filed an application to strike out the suit. The hearing of the said striking out application is fixed on 10 November 2014. In the event the Company's striking out application is dismissed, the suit is fixed for trial on 29 January 2015 and 30 January 2015 as the previous trial dates on 1 October 2014 to 3 October 2014 have been vacated.

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

This suit is fixed for case management on 20 October 2014.

f) Suit by Orient Logistics Sdn Bhd against Silver Bird Foods (S) Pte Ltd ("SBF"),

On 22 February 2013, SBF, a wholly-owned sub-subsiidiary of SBGB, has on 22 February 2013 been served with a Writ of Summons and Statement of Claim both dated 14 February 2013 in the Subordinate Courts of the Republic of Singapore in respect of the suit filed by Orient Logistics Sdn Bhd (the "Plaintiff"). By the said suit, the Plaintiff claims from SBF a sum of RM73,880.00 or SGD29,575.66 (based on the currency exchange rate of SGD1.00=RM2.498 as at 13 February 2013) together with interest thereon at the rate of 5.33% per annum calculated from the date of issue of the Writ to the date of Judgment and costs. The Subordinate Court of the Republic of Singapore had on 8 July 2014 struck out the above suit with costs fixed at S\$2,000 (inclusive of disbursements) on the application of SBF.

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 3 January 2015. 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 employee. The Court has fixed the matter for further mention on 13 January 2015.

b) Suit by AmIslamic Bank Berhad against SCSB

The Court has fixed the matter for mention on 13 January 2015.

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 12 January 2015.

SCSB was served with a Writ and Statement of Claim dated 24 April 2012 filed in the Shah Alam Sessions 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 5 January 2015.

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 20 October 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 supplier had on 9 July 2014 withdrawn the suit against the Company with no order as to costs.

24. DIVIDEND PAYABLE

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

(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 September 2014