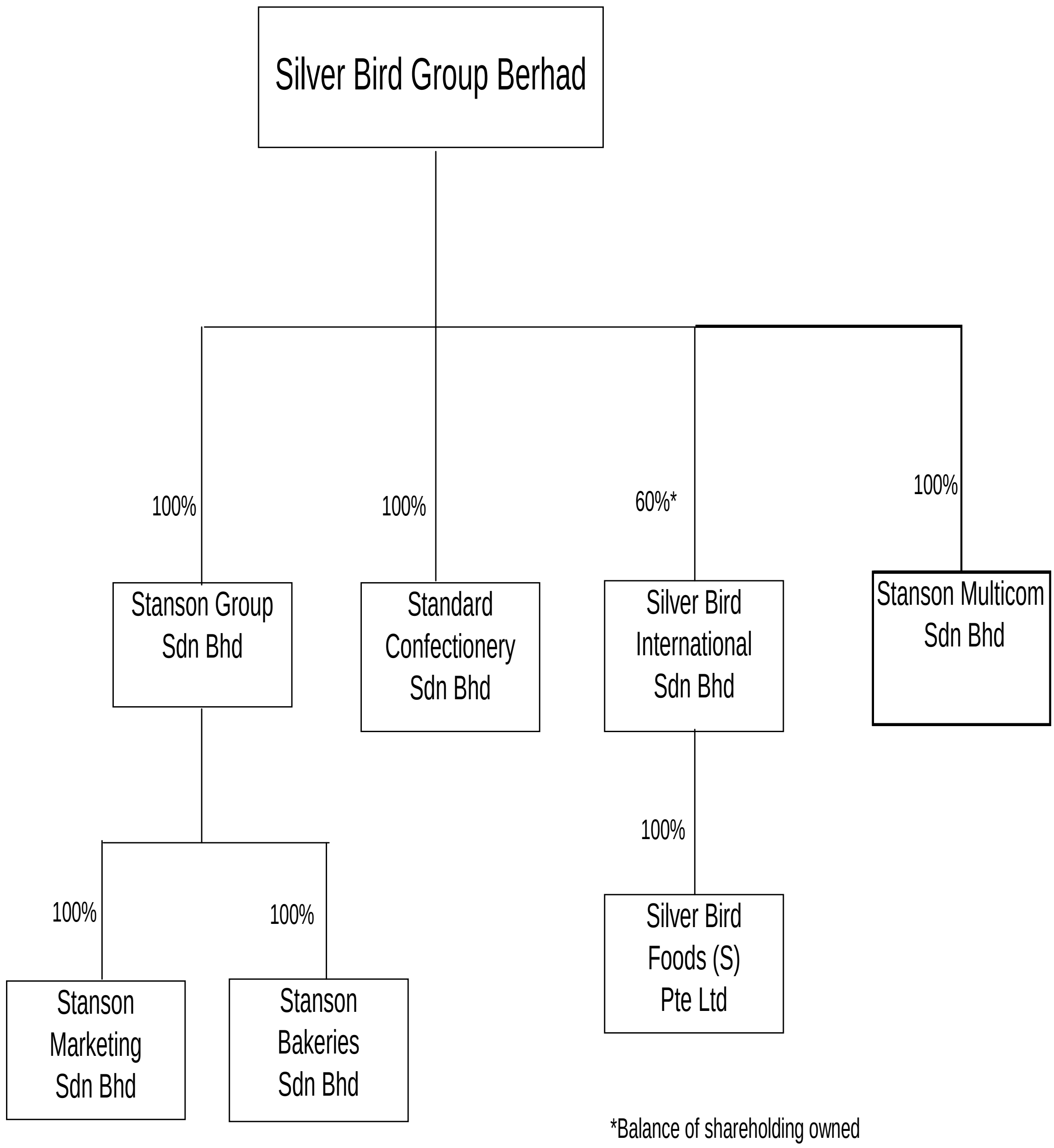
Annual Report 2012

SILVER BIRD

SILVER BIRD GROUP BERHAD
(277977-X)

CONTENTS

CORPORATE STRUCTURE (OPERATING SUBSIDIARIES)



*Balance of shareholding owned by wholly owned subsidiaries of the Company

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Dr Gan Khuan Poh
(Chairman/Independent Non-Executive Director)

Dato' Jackson Tan Han Kook
(Group Managing Director) (removed on 30 April 2012)

Ching Siew Cheong
(Group Executive Director) (removed on 30 April 2012)

Lim Hock Chye
(Independent Non-Executive Director) (resigned on 22 October 2012)

Richard George Azlan bin Abas
(Independent Non-Executive Director)

Dato' Seri Talaat bin Husain
(Independent Non-Executive Director)

Peter John McLoghlin
(Non-Independent Non-Executive Director) (resigned on 12 April 2012)

Dato' Lee Kok Chuan
(Non-Independent Non-Executive Director)

Adi Azuan bin Abdul Ghani
(Non-Independent Non-Executive Director)

Vanda Russell Gould
(Non-Independent Non-Executive Director)
(Alternate Director to Peter John McLoghlin) (ceased on 12 April 2012)

AUDIT COMMITTEE

Richard George Azlan bin Abas	-	Chairman
Lim Hock Chye	-	Member (resigned on 22 October 2012)
Dato' Lee Kok Chuan	-	Member
Dato' Seri Talaat bin Husain	-	Member (appointed on 7 December 2012)

NOMINATION COMMITTEE

Dato' Dr Gan Khuan Poh	-	Chairman
Richard George Azlan bin Abas	-	Member
Dato' Seri Talaat bin Husain	-	Member

REMUNERATION COMMITTEE

Dato' Seri Talaat bin Husain	-	Chairman (appointed on 20 December 2012)
Lim Hock Chye	-	Chairman (resigned on 22 October 2012)
Peter John McLoghlin	-	Member (resigned on 12 April 2012)
Richard George Azlan bin Abas	-	Member
Adi Azuan bin Abdul Ghani		Member (appointed on 20 December 2012)

SYARIAH PANEL

Datuk Abu Hasan Din Al Hafiz	-	Chairman (ceased on 31 December 2012)
Dato' Hj Kamaruddin bin Hj Zakaria	-	Member (ceased on 31 December 2012)
Prof. Dr Siti Salwani Razali	-	Member (ceased on 31 December 2012)
Dato' Seri Talaat bin Husain	-	Member

COMPANY SECRETARY
Lee Suet Yin *(MAICSA 7057807) – resigned on 31 May 2012*
Tai Yit Chan *(MAICSA 7009143) - appointed on 30 May 2012*
Te Hock Wee (MAICSA 7054787) – *appointed on 30 May 2012*

REGISTERED OFFICE	:	**Silver Bird Complex** Lot 72, Persiaran Jubli Perak Seksyen 21, 40300 Shah Alam Selangor Darul Ehsan Tel: 03-5192 2888 Fax: 03-5192 4293 Email: investor@stanson-high5.com Website: www.silverbird.com.my
AUDITORS	:	**Baker Tilly Monteiro Heng** Level 10, Tower 1 Avenue 5, Bangsar South City 59200 Kuala Lumpur
PRINCIPAL BANKERS	:	Malayan Banking Berhad United Overseas Bank (M) Berhad RHB Bank Berhad
SHARE REGISTRAR	:	**Berjaya Registration Services Sdn Bhd** Lot 06-03, Level 6 (East Wing) Berjaya Times Square No. 1 Jalan Imbi 55100 Kuala Lumpur Tel: 03-2145 0533 Fax: 03-2145 9702
STOCK EXCHANGE LISTING	:	Main Market of Bursa Securities
WEBSITE	:	www.silverbird.com.my

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present to you the Annual Report that includes the Audited Financial Statements of Silver Bird Group Berhad for the financial year ended 31 October 2012.

Highlights

Since the suspension of the former Group Managing Director, Executive Director and a general manager upon the discovery of financial irregularities on 24 February 2012 and their subsequent removal in April 2012, the Board of Directors has undertaken the overseeing of the running of the Group. During the year, the Group has been re-assessing the operations of the business, following which cost cutting measures have been taken, and wastages identified and mitigated. Conservation of cash has been given priority with the aim of heading towards operational cash breakeven as the Group is without bank financing while the Regularisation Proposal is pending Bursa's approval.

On 28 May 2012, the Group was presented with a Forensic Investigation Audit Report which highlighted the irregularities found in the Group. I wish to inform shareholders that the Group has filed a legal suit to recover monies relating to the irregularities highlighted in the Forensic Investigation Audit Report against the former Group Managing Director, Executive Director, general manager of accounts and finance, the previous external auditors, the previous internal auditors and 4 other parties for RM125,027,344 on 1 August 2012.

During the year, the Group has reorganised the sales team, re-examined sales routes and outlets to streamline and improve the sales and cost efficiency as well as wastages. Several new consumer food products have also been developed and set to be launched as soon as funds are available.

The Group's telecommunication prepaid card distribution business with a major company was terminated in March 2012. Subsequently we secured business with another telecommunication company in May 2012 under similar arrangement. The Group has since ceased operation in this telecommunication prepaid card distribution business in September 2012 after a brief period of about 4 months as it was not up to expectations.

During the year, the Group appointed an investment bank to act as adviser for the Regularisation Plan. I am pleased to inform the shareholders that the Regularisation Proposal was submitted to Bursa on 28 February 2013 within the deadline under Bursa's Main Listing Requirements.

During the year, the Company and two of its main operating subsidiaries had sought and were granted restraining orders by the courts to restrain creditors from pursuing legal redress such as winding up proceedings or attachment or force sale of assets while the Group is undergoing its regularising programme.

On 25 Feb 2013, the Company's remaining Warrants 2008/13 expired and were cancelled and taken off Bursa's Main Board.

Independent Auditors' Report

Further to the discovery of the financial irregularities as highlighted in the Forensic Investigation Audit Report, the Company's independent auditors, Messrs Baker Tilly Monteiro Heng had provided a modified auditor's report with a disclaimer opinion on the financial statements of the Company given the pervasiveness of the effects or possible effects of the financial irregularities in the financial statements, due to the multiple uncertainties, and the potential interaction of the uncertainties and their possible cumulative effect on the financial statements, despite the materiality of each of the individual uncertainties. Notwithstanding the form and wordings of the independent auditors' opinion, based on our discussions with the auditors, we are given to understand that the summary of these uncertainties are:

- The preparation of the financial statements of the Group and Company on the assumption that they will continue as going concerns, despite the existence of a material uncertainty which cast significant doubt about the Group's and Company's abilities to continue as going concerns, and which is dependent on the timely and successful formulation and implementation of the Proposed Regularisation Plan, the continuing support from lenders, the Group and the Company achieving sustainable and viable operations, and the Group and the Company generating adequate cash flows for its operating activities.

- Arising from the Forensic Accounting Review Report, corrective adjustments were made to the results of the current financial year ended 31 December 2012, and were not reflected in the prior year comparative information. This is due to the discovery that the financial irregularities had spanned a number of years, and not just in the prior year.

- Evidence of destroyed documents were uncovered, as were the evidence of computer file deletion and physical damage to the computer hard drive, according to the Forensic Accounting Review Report, rendering the inability to carry out certain audit procedures or to obtain information necessary on the effects of adjustments, if any, on the financial statements.

- The financial statements for the previous financial year were audited by another auditor who expressed a disclaimer of opinion, and the audited financial statements of a subsidiary for the previous financial year have yet to be finalised, rendering the inability to obtain sufficient appropriate audit evidence on the comparative information and whether the opening balances contain material misstatements affecting the current year's financial statements.

- The inability to obtain sufficient appropriate audit evidence on the revenue and purchases of sweetened creamer amounting to RM13.28 million and RM13.04 million respectively as was highlighted in the Forensic Accounting Review Report.

- The assurance on the completeness and appropriateness of liabilities and payables in the financial statements, given certain audit procedures could not be concluded under the circumstances, which include receiving confirmations from certain financial institutions in respect of certain cash and bank balances, deposits and the carrying amount of certain loans and borrowings, proof of debt exercise confirming creditor balances, and inability to determine outcome of pending legal suits with certain creditors as at the date of the auditor's report.

- Notwithstanding the provision for full impairment as a matter of prudence, the basis for which certain trucks owned by the Group are determined and recorded in the financial statements as 'cost', which entailed an independent valuation by a third party and recognition of this value as 'cost'.

- Income tax expenses, deferred taxation and related disclosures are based on latest available information, and not based on tax computations submitted to the tax authorities especially in respect of tax computations of the Group and the Company for year of assessment 2011.

Industry

The global economy continues to be uncertain. With Europe remaining volatile, the threat of a global downturn grows stronger. For the Group's core business, which is in wheat based consumer food, this financial year had been very challenging. Weather caused low yields of raw materials in producer countries which in turn drummed up prices for 2012 and the early part of 2013 deliveries. As a result, production cost has gone up marginally.

Competitors have also launched new products into the market which has given consumers wider choice never seen before. Interest in health foods has certainly been increased as a result. Whilst the Group is working hard to hold market share with the present limited resources, we plan to recapture loss market share when funds are available following the successful implementation of the proposed restructuring exercise.

Dividend

The Board of Directors is not recommending any dividend for the financial year under review. However, if the Board is successful in its plans to regularise the financial condition of the Group and revitalise business, shareholders can expect better results in the near future.

The Board of Directors is not recommending for any directors fees for this financial year to be paid until the Group has been put into sound financial footing.

Outlook and Prospects

The Group is actively reorganising and streamlining its operations to focus on markets in Malaysia, Singapore and exports. After the exercise, the Group should be more focused on profitability and en route to regaining its place as a major force in the consumer food industry.

Acknowledgements

On behalf of the Board, I would like to extend our deep and sincere appreciation to our valued shareholders and customers for their support, our business partners, our bankers and the regulatory authorities for their trust, confidence and cooperation given to us during this difficult period of the Group, and to our staff for their hard work, dedication and commitment to rejuvenate and grow our business.

Dato' Dr Gan Khuan Poh

Chairman

DIRECTORS' PROFILE

Dato' Dr Gan Khuan Poh

- Independent Non-Executive Chairman
- Malaysian, 69 years of age
- Chairman of Nomination Committee

Dato' Dr Gan Khuan Poh was appointed to the Board on 27 April 2006. He holds a Ph.D and M.A. in Economics from Duke University, NC, USA; M.B.A. in Finance from Cornell University, NY, USA and B.A. (Hons.) in Business Economics from University of Malaya. He started his career as a Government Service Officer in 1967 and had served in various positions ranging from the District level, the National Institute of Public Administration ("INTAN") to the Prime Minister's Department as Senior Director responsible for Macroeconomics in the Economic Planning Unit for 31 years. He later joined Pilecon Group of Companies in 1997 as an Executive Director responsible for the Group's Finance and Corporate Planning and the last position he held was as Managing Director before he left the Company in year 2000.

He currently sits on the Board of Permodalan BSN Berhad and Prudential Assurance Malaysia Berhad.

He is not related to any director and/or major shareholders of the Company and there is no business arrangement with the Company in which he has a personal interest. He has not been convicted for any offences within the past 10 years other than traffic offences, if any.

Richard George Azlan bin Abas

- Independent Non-Executive Director
- Malaysian, 51 years of age
- Chairman of Audit Committee
- Member of Remuneration Committee and Nomination Committee

Richard George Azlan Bin Abas was appointed to the Board on 21 May 2004. He holds a Bachelor of Commerce from the University of Western Australia. He articled with Arthur Andersen & Co. from 1984 to 1989 and subsequently served Arab-Malaysian Corporation Berhad from 1989 to 1996. From 1997 to 2002, he was the Group Chief Executive of Yayasan Pelajaran Johor Holdings Sdn Bhd. He is presently the Chief Executive Officer and Managing Director of Theta Edge Berhad. He is a Fellow of the Institute of Chartered Accountants in Australia and a Chartered Accountant of the Malaysian Institute of Accountants. In 1995, he attended the Asian Institute of Management, Management Development Program.

He also sits on the board of Theta Edge Berhad and MEMS Technology Berhad

He is not related to any director and/or major shareholders of the Company and there is no business arrangement with the Company in which he has a personal interest. He has not been convicted for any offences within the past 10 years other than traffic offences, if any.

Dato' Seri Talaat Bin Husain

- Independent Non-Executive Director
- Malaysian, 63 years of age
- Member of Nomination Committee and Audit Committee
- Chairman of Remuneration Committee

Dato' Seri Talaat Bin Husain was appointed to the Board on 5 March 2007 and he is a member of the Nomination Committee and Audit Committee and the Chairman of Remuneration Committee. He holds a Masters in Professional Studies from Cornell University, USA majoring in International Planning. Dato' Seri Talaat bin Husain has attended Senior Executive Program, London Business School, United Kingdom and Advanced Management Program, Harvard Business School, U.S.A.

He started his civil service career as an Assistant State Secretary in Penang and had since then held several vital posts in the Malaysian Centre for Development Studies, Socio-Economics Research Unit, National Institute for Public Administration, National Palace, the Ministry of Education and as Mayor of Ipoh City, Perak.

He also held the position of the Secretary General of the Ministry of Youth and Sports and later appointed as the Secretary General of the Ministry of Domestic Trade and Consumer Affairs. Whilst in the government service, he was the Chairman of Companies Commission of Malaysia and Board Member of Malaysia Communication and Multimedia Corporation, Sepang International Circuit and Intellectual Property Corporation of Malaysia.

Currently, he is a director of Shell Refining Company (Federation of Malaya) Berhad, Konsortium Logistik Berhad and Mizuho Corporate Bank (Malaysia) Berhad.

He is not related to any director and/or major shareholders of the Company and there is no business arrangement with the Company in which he has a personal interest. He has not been convicted for any offences within the past 10 years other than traffic offences, if any.

Dato' Lee Kok Chuan

- Non-Independent Non-Executive Director
- Malaysian, 55 years of age
- Member of Audit Committee

Dato' Lee Kok Chuan was appointed to the Board on 3 January 2008. He graduated with a Bachelor of Economics (Accounting Major) from Monash University, Melbourne in 1983 and is a Fellow Member of the Institute of Chartered Accountants in Australia.

He has over 10 years of working experience in the fields of accounting, auditing and corporate services with major international accounting firms including Messrs Ernst & Whinney (Kuala Lumpur) (now known as Ernst & Young), Messrs Arthur Young (Melbourne) and subsequently Messrs Ernst & Young (Melbourne). He joined Berjaya Land Berhad as Senior Manager, Internal Audit in 1994 and was responsible for its internal audit functions. He was an Executive Director of Berjaya Group Berhad from January 2000 to September 2001.

He is currently a Director of Berjaya Capital Berhad, Berjaya Group Berhad, Berjaya Auto Berhad and Berjaya Food Berhad. He also holds directorships in several other private limited companies in the Berjaya Corporation group of companies. Dato' Lee Kok Chuan is a representative of Berjaya Corporation Berhad on the Board of Silver Bird Group Berhad.

He is not related to any director and/or major shareholders of the Company and there is no business arrangement with the Company in which he has a personal interest. He has not been convicted for any offences within the past 10 years other than traffic offences, if any.

DIRECTORS' PROFILE (cont'd)

Adi Azuan Bin Abdul Ghani

- Non-Independent Non-Executive Director
- Malaysian, 44 years of age
- Member of Remuneration Committee

Adi Azuan Bin Abdul Ghani was appointed to the Board on 3 January 2008. He graduated with a BSc (Honours) Accounting from Queen's University of Belfast, United Kingdom in 1993 and Association of Chartered Certified Accountants ("ACCA") from Emile Woolf College, London, United Kingdom in 1995. He is a Fellow Member of the ACCA and also a member of the Malaysian Institute of Accountants (MIA).

He started his professional career in the auditing and accounting fields with Messrs PricewaterhouseCoopers, Kuala Lumpur in year 1996. He was then promoted to the position of Manager in year 2002 and involved in the provision of audit and accounting services mainly to banking and financial institutions before joining Lembaga Tabung Haji as the Divisional Head of Group Finance in July 2002. Presently, he is the Deputy Group Chief Financial Officer of Lembaga Tabung Haji.

He is currently also a director of Theta Edge Berhad and Y.S.P. Southeast Asia Holding Berhad. Adi Azuan Bin Abdul Ghani is a representative of Lembaga Tabung Haji on the Board of Silver Bird Group Berhad.

He is not related to any director and/or major shareholders of the Company and there is no business arrangement with the Company in which he has a personal interest. He has not been convicted for any offences within the past 10 years other than traffic offences, if any.

STATEMENT ON CORPORATE GOVERNANCE
SILVER BIRD GROUP BERHAD

The Board of Directors (“Board”) of Silver Bird Group Berhad remains committed towards striving for the highest standard of good corporate governance throughout the Company and its subsidiaries (“the Group”).

The Board wishes to report to the shareholders the manner in which the Group has applied these principles and best practices, and where these best practices of the Malaysian Code on Corporate Governance (“the Code”) were not adopted during the financial year if any, they are explained in the relevant paragraphs.

The Company discovered the financial irregularities within the Group on 24 February 2012, and announced that it had become a PN17 Company on 29 February 2012.

THE BOARD OF DIRECTORS

The fundamental responsibility of the Directors is to exercise their judgement to act in the best interest of the Company, as they reasonably believe.

(a) Composition and Balance

The Company has 5 Board members, made up of 3 Independent Non-Executive Directors including the Chairman and 2 Non-Independent Non-Executive Directors, none of whom were holding any executive functions. This composition satisfies the Bursa Securities Listing Requirements that at least 2 Directors or 1/3 of the Board whichever is higher, are Independent Directors.

The role of the Independent Non-Executive Directors is to provide objective and independent inputs to the decision making process of the Board so as to provide an effective check and balance. The Board composition brings together a group of extensively experienced Directors who are from diverse backgrounds and professionals in their respective fields. Together, they have a wide range of skills, capabilities and relevant business experiences to manage and direct the Group’s operations.

In the absence of the Executive Directors who are primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group’s operations and developing the Group’s business strategies, the Board of Directors have taken on the role of overseeing these duties, and the implementation has been delegated to senior management of the Group.

The Board did not appoint a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Chairman of the Board encourages the active participation of each and every Board member in the decision making process.

The profiles of the members of the Board are set out on pages 9 to 12 of this Annual Report.

(b) Duties and Responsibilities

The main focus of the Board is on the overall strategic leadership, identification and management of principal risks and development and control of the Group. The Board has delegated specific responsibilities to Board Committees, all of which discharge the duties and responsibilities within their respective Terms of Reference.

The Chairman is primarily responsible for the effective and efficient conduct and working of the Board whilst the senior management is responsible for the daily management of the Group's operations and implementation of the policies and strategies adopted by the Board. From March 2012 to June 2012, the Board appointed a Special Committee comprising of 5 non-executive members of the Board, to look into the financial irregularities and to place the Group's functions back to normal.

The Group appointed a Senior General Manager for Sales and Operations in June 2012 with the task of improving sales and to turn around the business. The staff has since resigned in early January 2013.

(c) Board Meetings

The Board meets regularly on a quarterly basis with additional meetings being convened when necessary. In the meetings, the Board will deliberate on and consider matters relating to the Group's financial performance, significant investments, corporate development, strategic issues and business plan. For the financial year ended 31 October 2012 the Board met 15 times. Details of Directors' attendance at Board Meetings held during the financial year ended 31 October 2012 are set out below:

Name of Director	Designation	No. of meetings attended
Dato' Dr Gan Khuan Poh (Chairman)	Independent Non-Executive Director	13/15
Dato' Jackson Tan Han Kook	Group Managing Director (suspended on 24 February 2012 and removed on 30 April 2012).	2/2
Ching Siew Cheong	Group Executive Director (suspended on 24 February 2012 and removed on 30 April 2012)	2/2
Lim Hock Chye	Independent Non-Executive Director (resigned on 22 October 2012)	13/15
Richard George Azlan Bin Abas	Independent Non-Executive Director	12/15
Dato' Seri Talaat Bin Husain	Independent Non-Executive Director	10/15
Adi Azuan Bin Abdul Ghani	Non-Independent Non-Executive Director	15/15
Dato' Lee Kok Chuan	Non-Independent Non-Executive Director	15/15
Peter John McLoghlin	Non-Independent Non-Executive Director (resigned on 12 April 2012)	3/3
Vanda Russell Gould (Alternate Director to Peter John McLoghlin)	Non-Independent Non-Executive Director (ceased on 12 April 2012)	-

Board meetings are structured with a pre-set agenda which encompass all aspects of matters under discussion. The Board papers are circulated to directors well in advance of the board meetings for their deliberation. All meetings of the Board are duly recorded in the Board Minutes.

Senior management may be invited to attend these meetings to explain and clarify matters being tabled.

For the financial year under review, in furtherance of their duties, the Board had unrestricted access to any information pertaining to the Group which is available, possibly other than information pertaining to the financial irregularities, as well as the advice and services of the Company Secretary and professional advisers, whenever appropriate, at the Group's expense.

(d) Appointment and Re-election of Directors

Any new appointments to the Board will require deliberation by the full Board guided by formal recommendations by the Nomination Committee. Board members who are appointed by the Board are subject to retirement at the first Annual General Meeting ("AGM") of the Company subsequent to their appointment. Article 97 of the Company's Articles of Association also provides that at least one-third (1/3) of the Directors shall retire by rotation at each AGM and that all Directors shall retire once every three (3) years. A retiring Director shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965 ("the Act").

(e) Directors' Training

Throughout the year, all the Directors have attended various conferences, seminars and programmes, including speaking engagements, to enhance their skills and knowledge. The Directors had also attended the briefings conducted by the Company Secretary pertaining to the Corporate Governance Guide and Malaysian Code on Corporate Governance 2012 issued by Securities Commission. The Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

For new Directors, the Nomination Committee is responsible for ensuring that they undergo an orientation program so that they are familiar with the Group's operations and current business issues. However, there were no appointments of new Directors during the financial year under review.

BOARD COMMITTEES

Apart from the Audit Committee, there are two (2) other additional committees established to assist the Board in the execution of its responsibilities. Both the committees are provided with written terms of reference. Details of the Board committees are provided below.

(a) Nomination Committee

The Nomination Committee has three (3) members, all of whom are Independent Non-Executive Directors. The members of the Nomination Committee are:

i) Chairman
Dato' Dr Gan Khuan Poh – Independent Non-Executive Director

ii) Members
Dato' Seri Talaat Bin Husain – Independent Non-Executive Director
Richard George Azlan Bin Abas – Independent Non-Executive Director

The Nomination Committee is empowered by the Board of Directors and its terms of reference to assist the Board of Directors in their responsibilities in nominating new directors to the Board and Board Committees. The Committee also reviews the Board of Directors' composition and balance, and considers the Board of Directors' succession planning and also the Board Committees performance.

The Nomination Committee had during the year reviewed and assessed the mix of skills and experience and size of the Board, contribution of each director and effectiveness of the Board and Board Committees and also reviewed the retirement of directors by rotation eligible for re-election. The Nomination Committee has also assessed the character, experience and competence of the Board and Senior Management and reviewed independence of Independent Directors.

The Board considers that its current size, mix of skills and experience of its members is sufficient for the discharge of its duties and responsibilities effectively.

(b) Remuneration Committee

The Remuneration Committee comprises three (3) members with the majority being Independent Directors. The Remuneration Committee is to assist the Board of Directors in their responsibilities in reviewing and assessing the remuneration packages of the executive directors. The members of the Remuneration Committee are:

i) Chairman
Dato' Seri Talaat Bin Husain - Independent Non-Executive Director (appointed on 20 December 2012)
Lim Hock Chye – Independent Non-Executive Director (resigned on 22 Oct 2012)

ii) Members
Richard George Azlan Bin Abas – Independent Non-Executive Director
Peter John McLoghlin – Non-Independent Non-Executive Director (resigned on 12 Apr 2012)
Adi Azuan Bin Abdul Ghani - Non-Independent Non-Executive Director (appointed on 20 December 2012)

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration package of each Executive Director.

This includes recommending remuneration packages necessary to attract, retain and motivate the Directors and is reflective of the Directors' experience and level of responsibilities.

None of the Executive Directors participate in any way in determining their individual remuneration. The remuneration of the Executive Directors is to be reviewed annually. The remuneration and entitlements of the Non-Executive Directors shall be a matter to be decided by the Board as a whole.

(c) Audit Committee

The Audit Committee has three (3) members, all of whom are Non-Executive Directors.

The detailed report of the Audit Committee is set out on pages 22 to 26.

DIRECTORS' REMUNERATION

The details of the remuneration of each Director during the financial year ended 31 October 2012 are as follows:

(a) Total Remuneration

	Executive Directors RM '000	**Non-Executive Directors RM '000**	**Total RM '000**
Basic Salary	739	-	739
Fees	-	-	-
Attendance fee	-	57	57
Benefit-in-kind	-	-	-
Total	739	57	896

(b) Directors' remuneration by bands

The number of Directors whose total remuneration falls within the following bands during the financial year ended 31 October 2012 is as follows:

Directors' Remuneration	Executive Directors	Non-Executive Directors	Total
RM0 to RM50,000	-	7	7
RM50,001 to RM100,000	-	-	-
RM350,001 to RM400,000	1	-	1
RM950,001 to RM1,000,000	1	-	1

Details of the individual Director's Remuneration are not disclosed in this report as the Board is of the view that the above Remuneration disclosures by band and analysis between Executive and Non Executive Directors satisfies the accountability and transparency aspects of the Code.

SHAREHOLDERS

(a) Shareholders and Investors Relations

The Board acknowledges the importance of accountability to the shareholders. Timely release of the financial results on a quarterly basis, press releases and announcements provide an overview of the Group's performance and operations to its shareholders.

Information disseminated to the investment community is in accordance with Bursa Malaysia's disclosure rules and regulations. The Board has taken steps to ensure that no market sensitive information is disclosed to any party prior to making an official announcement to Bursa Malaysia.

The Group has also established a website at www.silverbird.com.my from which shareholders as well as members of the public may access for the operations and activities of the Group.

(b) Annual General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. At the AGM, the Board presents the progress and performance of the Group to provide shareholders with the opportunity to question the business issues, concerns and operations in general. The Board will also ensure that each item of special business is included in the notice of the AGM and will be accompanied by an explanation of the effects of the proposed resolutions.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to ensure that the financial statements and quarterly announcements are prepared in accordance with the Companies Act, 1965 and applicable approved accounting standards so as to offer a balanced and comprehensive assessment of the Group's financial position and prospects.

A Responsibility Statement by the Directors is set out on page 32 of this Annual Report.

(b) Accumulated losses

Following the completion of the forensic investigation, the accumulated losses as at the end of the financial year consist of:

	THE GROUP	THE COMPANY
	2012	2012
	(RM)	(RM)
Total Accumulated losses :		
- realized	(378,297)	(289,296)
- unrealized	-	-
As at 31 October 2012	(378,297)	(289,296)

The realised and unrealised losses are based on Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements issued by the Malaysian Institute of Accountants on 20 December 2010.

(c) Internal Control

The Group's Statement on Internal Control is set out on pages 29 to 31 of the annual report to provide an overview on the state of internal control throughout the year.

In relation to the internal audit function, having considered the Group's operational requirements and recent developments, whilst the Board is of the view that the Group should still continue to outsource its internal audit function to external consultants, the Board intends to review in detail the functional capabilities and/or effectiveness of the newly appointed internal auditors and has also commissioned an independent internal audit firm to carry out a detailed review of prevailing internal controls. The outsourced internal auditors should be capable of assisting the Board and the Audit Committee in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. They will report directly to the Audit Committee.

(d) Relationship with Auditors

The Group maintains a professional and transparent relationship with its external auditors. The external auditors are expected to, from time to time, highlight to the Audit Committee and the Board of Directors matters that require their attention.

The role of the Audit Committee in relation to the external auditors is explained in the Audit Committee Report set out on pages 22 to 26 of the annual report.

(e) Non-Audit Fees

There was no non-audit fees paid to external auditors by the Group for the financial year ended 31 October 2012.

OTHER INFORMATION

(a) Share Buy-Back

During the financial year, there was no share buy-back by the Company.

(b) Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities exercised during the financial year ended 31 October 2012.

(c) Material Contracts involving Directors' Interests

There were no contracts involving directors' interests that have been brought to the attention of the Board, which are or may be material, not being contracts entered into in the ordinary course of business, which have been entered into by the Company and its subsidiary companies since the end of the previous financial year.

(d) Recurrent Related Party Transactions

Save for such disclosure made in note 29(a) to the financial statements on page 114 of the Annual Report, there were no recurrent related party transactions of revenue nature during the financial year ended 31 October 2012.

(e) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programmes

During the financial year, the Company did not sponsor any ADR or GDR programme.

(f) Imposition of Sanctions/Penalties

As had been disclosed to the Board, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the authorities during the financial year.

(g) Profit Guarantees

During the financial year, there were no profit guarantees given by the Company that has been brought to the attention of the Board.

(h) Variation in Results

The extend of the financial irregularities has been presented in the forensic investigation audit report on 28 May 2012. The external auditors have made a disclaimer opinion in the audited accounts of the Company for the financial year ended 31 October 2012 because they have not obtained sufficient appropriate audit evidence to provide a basis of an audit opinion.

(i) Contracts Relating to Loans

As had been disclosed to the Board, there was no contract relating to loans by the Company.

(j) Corporate Social Responsibilities

The Group will reactivate its corporate social responsibilities programmes after its financial situation has been regularised.

(k) Utilisation of Proceeds Raised from Corporate Proposals

The Company did not raise any funds from any corporate proposals during the financial year ended 31 October 2012.

AUDIT COMMITTEE REPORT
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2012

The Board of Directors of Silver Bird Group Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 October 2012.

Composition and Meetings

The members of the Audit Committee and details of their attendance at meetings during the financial year ended 31 October 2012 are as follows:

		Number of meetings held	Attendance of meetings
Chairman:	Richard George Azlan Bin Abas (Independent Non-Executive Director)	5	5
Members:	Lim Hock Chye (resigned on 22 October 2012) (Independent Non-Executive Director)	5	5
	Dato' Lee Kok Chuan (Non-Independent Non-Executive Director)	5	4

** The Company had on 7 December 2012 appointed Dato' Seri Talaat Bin Husain as member of the Audit Committee.*

Senior Management staff and the external consultants, to whom the internal audit function was outsourced to, attended the meetings at the invitation of the Audit Committee. The agenda of the meetings and relevant information are distributed to its members with sufficient notice. The proceedings of the meetings are formalised in the form of meeting minutes by the Secretary, who is appointed by the Board, during the Audit Committee meetings.

Summary of Activities of the Audit Committee

The following activities were undertaken by the Audit Committee during the financial year ended 31 October 2012:-

(a) Reviewed the unaudited quarterly report on the consolidated results of the Group for the quarters ended 31 October 2011, 31 January 2012, 30 April 2012 and 31 July 2012, as reported by the Management.

(b) Reviewed the forensic investigation audit report presented on 28 May 2012, and made recommendations to the Board.

(c) Reviewed and approved the internal audit plan prepared by the Internal Auditors.

(d) Reviewed the internal audit reports and ensured appropriate actions were taken on the recommendation of the internal auditors.

(e) Reviewed the audit plan of the external auditors.

(f) Reviewed the annual audited financial statements, external auditors' reports and their audit findings.

(g) Reviewed the related party transactions and considered potential conflict of interest situation within the Group as disclosed by the Management.

(h) Reviewed the internal control report and took steps to enforce controls recommended by the internal auditors.

Summary of Activities of the Internal Audit Function

The activities of the Internal Audit Function during the financial year were as follows:

(a) develop the internal audit plan for year 2012;

(b) execution of the approved internal audit plan;

(c) presentation of the internal audit findings at the quarterly Audit Committee meetings; and

(d) conducted follow up reviews to ensure that action plans are properly and appropriately implemented by Management.

The internal audits conducted did not reveal weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the annual report.

The Internal Audit function is outsourced to external consultants and the cost incurred for the Internal Audit function in respect of the financial year was approximately RM13,910.00

The terms of reference of the audit committee, which is subject to the reports and findings of the internal auditors and disclosure made by the Management, are set out below.

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the audit committee members must be non-executive directors with a majority of whom shall be independent directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

No alternate director shall be appointed as a member of the Audit Committee.

In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy must be filled within three (3) months.

2. Chairman

The Chairman, who shall be elected by the Audit Committee, shall be an independent non-executive director.

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members.

4. Meetings

The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

The Committee Members may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

The internal auditors and external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee. The internal auditors and external auditors may also request a meeting if they consider it necessary.

5. Rights

The Audit Committee shall:

(a) have authority to investigate any matter within its terms of reference;
(b) have the resources which are required to perform its duties;
(b) have full and unrestricted access to any information pertaining to the Group;
(c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
(d) have the right to obtain independent professional or other advice at the Company's expense;
(e) have the right to convene meetings with the internal auditors and external auditors, excluding the attendance of the executive directors or employees of the Group, whenever deemed necessary;
(f) promptly report to the Bursa Securities matters which has not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;
(g) the Chairman shall call for a meeting upon the request of the internal auditors and external auditors; and

(h) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise.

6. Duties

(a) To review with the external auditors on:
- the audit plan, its scope and nature;
- the audit report;
- the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

(b) To do the following, in relation to internal audit function:
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function,
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(d) To provide assurance to the Board of Directors on the effectiveness of the system of internal controls and risk management practices of the Group.

(e) To review with management:
- audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
- interim financial information; and
- the assistance given by the officers of the Company to external auditors.

(f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are to be undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report and to review conflict of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
- o changes in or implementation of major accounting policy and practices;
- o significant and/or unusual issues arising from the audit;
- o the going concern assumption;
- o compliance with accounting standards and other legal requirements; and
- o major judgemental areas.

(h) To consider and recommend to the Board the appointment and/or re-appointment of internal and external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

(i) To verify any allocation of options in accordance with the employees share scheme of the Company, at the end of the financial year.

SYARIAH PANEL'S REPORT

INTRODUCTION
The halal industry has developed rapidly as more consumers including non-muslim are aware of the halal concept that promotes wholesome and healthy food. Silver Bird Group Berhad ("SBGB") is committed to halal standards and halal certification of its products and towards this end has initiated the formation of an independent adviser known as Syariah Panel on 1 November 2008. The initiative is to enhance the halal integrity of its products.

a) **Composition**

Currently the Panel has four (4) members made up of two (2) experts in Islamic jurisdiction, a member of the Board of Directors and an expert in food technology. The Panel is led by a prominent and experienced individual Y.Bhg Dato' Abu Hasan bin L. Din who is the Chairman of the Syariah Panel of Bank Kerjasama Rakyat Malaysia Berhad.

The term of service of the Panel is for two years and they are eligible for re-appointment. The list of present members of the Panel is as follows:

- Dato' Abu Hasan bin L. Din (Chairman)
  - Chairman of Syariah Panel, Bank Kerjasama Rakyat Malaysia Berhad
  - Ex-Religious Adviser at the Istana Negara

- Dato' Hj Kamaruddin bin Hj Zakaria (Member)
  - Member of Syariah Panel, Bank Kerjasama Rakyat Malaysia Berhad
  - Ex-Iman Besar, Masjid Negara

- Prof. Dr Siti Salwani binti Razali (Member)
  - Lecturer, International Islamic University Malaysia

- Dato' Seri Talaat bin Husain (Member)
  - Member of the Board of Directors of SBGB

b) **Duties & Responsibilities**

The focus of the Panel is to advise the Board of Directors and management on halal matters in order to ensure adherence to halal policy and standards by the Company. The Panel also monitors the business through inspection of the premises in ensuring the process conforms to Syariah.

c) **Meetings**

The Panel shall meet at least twice a year to deliberate on the reports by the Internal Halal Committee of SBGB. The Internal Halal Committee is made up of Muslim employees from relevant departments in the company who plays a very important role in ensuring the halal standards are applied on a continuous basis as drawn up in the halal manual of the company. For the financial year ended 31 October 2012, the Panel met once, but will resume as soon as the panel has been reappointed.

The quorum for a meeting shall be two (2) members.

d) **Secretary**

The Secretary of the Panel is the Chairman of the Internal Halal Committee of SBGB who is responsible for drawing up the meeting agenda with the consent of the Chairman. The secretary is responsible to keep the minutes of the meeting of the Syariah Panel.

e) **Halal Policy**

"Silver Bird shall always conform to the Malaysian Halal Standards MS1500:2009 in ensuring that products produced are halal, clean and safe for consumption. The integrity of the process starts from sourcing of raw materials to manufacturing, packing, storing and distributing of the products. Silver Bird also ensures that product manufactured for the Group either made locally or imported conforms to Halal standards of the country of origin, of which is also recognized by JAKIM".

f) **Summary of activities**

i. Reviewed the halal certificates issued by JAKIM to the company and halal certificates of the suppliers;
ii. Reviewed the report on new products manufactured by the company;
iii. Reviewed the customers complaints' on the products;
iv. Reviewed the audit report on suppliers;
v. Reviewed the minutes of the Internal Halal Committee meetings; and
vi. Approved the logo for the Syariah Panel.

STATEMENT OF INTERNAL CONTROL

The Board of Directors ("the Board") of Silver Bird Group Berhad has prepared a statement on the state of the Group's internal controls in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Internal Control Guidance") for inclusion in this annual report for the financial year ended 31 October 2012.

RESPONSIBILITY

The Board acknowledges that it has a responsibility to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets as well as reviewing the adequacy and integrity of the system of internal control.

However, as there are inherent limitations in any system of internal controls, such systems put into effect by Management can only reduce but cannot eliminate all risks that may impede the achievement of the Group's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

1. CONTROL ENVIRONMENT

- Organisation Structure & Authorisation Procedures

  The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Group's Senior Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Group's various operations.

- Periodical and/or Annual Budget

  Budgetary control for every operations of the Group, where actual performance is closely monitored against budgets to identify and to address significant variances.

- Group Policies and Procedures

  The Group has documented policies and procedures that are to be regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.

- Human Resource Policy

  Comprehensive guidelines on the employment and retention of employees are in place, to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.

2. RISK MANAGEMENT FRAMEWORK

Risk Management is regarded by the Board to be an integral part of the business operations. The Board maintains an on-going commitment to enhance the Group's control environment and processes. The key risks relating to the Group's operations and strategic and business plans are to be addressed at Management's periodic meetings. Significant risks identified by the Management are to be brought to the attention of the Board at their scheduled meetings.

During the financial year ended 31 October 2012, Management with the assistance of external consultants have been given the responsibility to update the Group's key risk profile which are then to be presented to the Audit Committee. Risks identified are to be prioritised in terms of likelihood of their occurrence and the impact on the achievement of the Group's business objectives/goals. The key risk profile are also to be updated by Management on a regular basis to ensure that all key risks are identified and adequate responses are devised and continue to be relevant in mitigating these risks.

The abovementioned practices/initiatives put in place by the Board serve as the on-going process used to identify, evaluate and manage significant risks. Given the financial irregularities which have recently come to the Board's attention, it is the Board's view that there may be a need to review and enhance the implementation of and continued adherence to the said practices/initiatives. For this reason, the Board had appointed the internal auditors to review in detail the functional capabilities and/or effectiveness of the existing risk management framework by commissioning an independent internal audit firm to carry out a detailed review of prevailing internal controls. An internal control report was submitted in this financial year ended 31 October 2012, and the controls highlighted are being implemented.

3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to external consultants. The outsourced internal auditors are engaged to assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. They report directly to the Audit Committee and internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage.

On a quarterly basis, the Group's internal auditors table the results of their review of the business processes of different operating units to the Audit Committee at their scheduled meetings. The internal auditors are also tasked to follow up on the status of the implementation of corrective actions to address control weaknesses to ensure that these actions have been satisfactorily implemented.

During the financial year under review, weaknesses in internal controls which were identified by the outsourced internal auditors were addressed. However, due to the financial irregularities that have come to the Board's attention during the financial year under review, the Board believes that there would be a need to review the effectiveness of the internal audit function to ensure that appropriate action is taken to enhance and strengthen the internal control environment. For this purpose, the Board has appointed a new professional internal auditor and commissioned the firm to carry out a detailed review of prevailing internal controls.

4. INFORMATION AND COMMUNICATION

Information critical to the achievement of the Group's business objectives are to be communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Management's attention are highlighted for review, deliberation and decision on a timely basis. In light of the financial irregularities, such critical information may not have been communicated through the established reporting lines quickly and expediciously.

5. MONITORING AND REVIEW

Management meetings are scheduled to be held on a regular basis to discuss and review the business planning, budgeting, financial and operational performances.

- Financial and Operational Review

  The monthly management accounts and the quarterly financial statements containing key financial results, operational performance results and comparisons of performance against budget are presented to the Board for their review, consideration and approval.

- Business Planning and Budgeting Review

  The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

6. CONCLUSION

Due to recent developments, the Board had commissioned an independent review of the adequacy of the Group's system of internal controls and risk management framework to safeguard shareholders' investments and the Group's assets. The Board is cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. The independent internal control review was presented and approved by the Board on 21 February 2013, The Board will put in place appropriate action plans based on the recommendations of the review

This statement was approved by the Board of Directors on 26 March 2013.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE PREPARATIONOF THE FINANCIAL STATEMENTS

The Board is fully accountable to ensure that the financial statements are drawn up in accordance with Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 October 2012 and of the results and cash flows of the Group and Company for the financial year ended on that date.

In the process of preparing these financial statements, and other than as disclosed in the notes to the financial statements, the Directors have reviewed the accounting policies and practices. However, due to the circumstances that have been brought to the attention of the Board after the financial year ended 31 October 2011, the Directors are relying on the independent professional forensic investigation audit report presented on 28 May 2012 but are not in a position to determine whether the accounting policies and practices were consistently applied throughout the year, and in cases where judgment and estimates were made, whether they were based on reasonableness and prudence.

Additionally, although the Directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable, in view of the suspected financial irregularities, the Directors are unable to form an opinion on the accuracy and reliability of such information.

This statement is made in accordance with a resolution of the Board of Directors dated 26 March 2013.

STATUTORY DECLARATION

I, **RICHARD GEORGE AZLAN BIN ABAS**, being the director primarily responsible for the financial management of Silver Bird Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, subject to the matters highlighted in Note 21 to the financial statements, and the outcome of the Proposed Regulation Plan, the accompanying financial statements set out on pages 46 to 135, and the supplementary information set out on page 96 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

…………………………………………..........
RICHARD GEORGE AZLAN BIN ABAS

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 21 February 2013.

Before me,

ZULKIFLA MOHD DAHLIM (W541)
Commissioner for Oaths

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Silver Bird Group Berhad ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 October 2012.

PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding activities. The principal activities of its subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

Pursuant to the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa") in relation to Practice Note 17 ("PN17"), the Company had on 29 February 2012 announced that the Company is deemed to be a PN17 company as the predecessor auditors of the Company have expressed a disclaimer opinion on the Company's audited financial statements for the financial year ended 31 October 2011.

As a PN17 company, the Company is required to comply with the following conditions:-

(a) submit a Regularisation Plan to the Securities Commission ("SC") and other relevant authorities for approval (collectively referred to as the "Approving Authority") within 12 months from the date of the First Announcement;

(b) implement the Regularisation Plan within the timeframe stipulated by the relevant Approving Authority;

(c) announce the status of its plan to regularise its condition on a monthly basis until further notice from Bursa ;

(d) announce its compliance or non-compliance with a particular obligation imposed pursuant to the Revised PN17 on an immediate basis; and

(e) announce details of the Regularisation Plan which shall include the timeline for the complete implementation of the Regularisation Plan. This Requisite Announcement must be made by a merchant banker or a participating organisation that may act as a principal adviser under the Securities Commission's policies and guidelines on issue/offer of securities.

In the event that the Company fails to comply with the obligation to regularise its condition, all of its listed securities shall be suspended and delisted, immediately upon notification of suspension and de-listing by Bursa.

The Company is currently in the process of formulating the Proposed Regularisation Plan as detailed in Note 38 to the financial statements to regularise its financial condition and the Requisite Announcement will be made once the Proposed Regularisation Plan has been finalised.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(334,516)	(275,542)
Attributable to:-		
Owners of the Company	(334,159)	(275,542)
Non-controlling interests	(357)	-
	(334,516)	(275,542)

DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 October 2012.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

In assessing the realisable value of the major assets, the directors relied on the valuation performed by an independent valuer dated on 30 March 2012.

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in Note 32 to the financial statements.

In the opinion of the directors, no contingent or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

Other than as disclosed in Note 21 to the financial statements, at the date of this report, the directors are not aware that there may be circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, other than as disclosed in Note 21 to the financial statements, the results of the operations of the Group and of the Company for the financial year were not substantially affected by items, transactions or events of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

SHARE OPTION

No option was granted to any person to take up any unissued shares of the Company during the financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:-

Dato' Dr. Gan Miew Chee @ Gan Khuan Poh	
Dato' Tan Han Kook	- removed on 30.4.2012
Ching Siew Cheong	- removed on 30.4.2012
Lim Hock Chye	- resigned on 22.10.2012
Richard George Azlan Bin Abas	
Dato' Seri Talaat Bin Husain	
Adi Azuan Bin Abdul Ghani	
Dato' Lee Kok Chuan	
Peter John McLoghlin	- resigned on 12.4.2012
Vanda Russell Gould (alternate director to Peter John McLoghlin)	- ceased on 12.4.2012

DIRECTORS' INTERESTS

According to the register of directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares in the Company during the financial year ended 31 October 2012 are as follows:-

	Number of ordinary shares of RM0.50 each			
	At 1.11.2011	**Bought**	**Sold**	**At 31.10.2012**
Direct Interest				
Richard George Azlan Bin Abas	404,933	-	-	404,933

	Number of Warrants			
Warrant B - 2008/2013	**At 1.11.2011**	**Bought**	**Sold**	**At 31.10.2012**
Direct Interest				
Richard George Azlan Bin Abas	12,499	-	-	12,499

Other than as disclosed above, none of the directors in office at the end of the financial year had any other interests in shares and warrants in the Company and its related corporations during the financial year.

DIRECTORS’ BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 23 and Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT AND SUBSEQUENT EVENTS

Significant events during the financial year and subsequent events occurring after the reporting period are disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

……………………………………………
DATO' PROF. DR. GAN MIEW CHEE @
GAN KHUAN POH
Director

……………………………………………
RICHARD GEORGE AZLAN BIN ABAS
Director

Kuala Lumpur

Date: 21 February 2013

STATEMENT BY DIRECTORS

We, **DATO' PROF. DR. GAN MIEW CHEE @ GAN KHUAN POH** and **RICHARD GEORGE AZLAN BIN ABAS**, being two of the directors of Silver Bird Group Berhad, do hereby state that in the opinion of the directors, subject to the matters highlighted in Note 21 to the financial statements, the financial statements set out on pages 46 to 135 are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 October 2012 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

At the date of this statement, subject to the outcome of the Proposed Regularisation Plan as detailed in Note 38 to the financial statements, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

Subject to the matters highlighted in Note 21 to the financial statements, the supplementary information set out on page 96 has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

…………………………………………..........
DATO' PROF. DR. GAN MIEW CHEE @
GAN KHUAN POH
Director

…………………………………………..........
RICHARD GEORGE AZLAN BIN ABAS
Director

Kuala Lumpur

Date: 21 February 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVER BIRD GROUP BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We were engaged to audit the financial statements of Silver Bird Group Berhad, which comprise the statements of financial position as at 31 October 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 135.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with approved standards on auditing in Malaysia. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. As disclosed in Note 2 to the financial statements, the financial statements of the Group and Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business.

   During the financial year, the Group and the Company incurred net losses amounting to RM334,516,000/- and RM275,542,000/- and recorded negative operating cash flows of RM41,738,000/- and RM4,348,000/- respectively. As at 31 October 2012, the Group's and the Company's current liabilities exceeded its current assets by RM218,534,000/- and RM33,820,000/- and recorded capital deficiencies of RM121,229,000/- and RM26,274,000/- respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

   The Group and the Company have defaulted on their entire borrowings and have been served with Writ of Summons by licensed banks and financial institutions for the recovery of principal, interest and other costs as stated in Note 17 to the financial statements.

   In addition, the Company and certain subsidiaries have pending material litigations with bankers as detailed in Note 37 to the financial statements.

The ability of the Group and of the Company to continue as going concerns is dependent upon:

(i) the timely and successful formulation and implementation of the Proposed Regularisation Plan;
(ii) the continuing support from its lenders;
(iii) the Group and the Company achieving sustainable and viable operations; and
(iv) the Group and the Company generating adequate cash flows for its operating activities.

Should the Proposed Regularisation Plan not be successfully formulated and concluded, the entire borrowings may become repayable immediately and the application of the going concern accounting concept may be inappropriate and adjustments may be required to, inter alia, write down assets to their realisable values, reclassify all long term assets and liabilities as current and to provide for any further costs which may arise.

We were unable to obtain sufficient appropriate audit evidence regarding the ability of the Group and the Company to achieve sustainable and viable operations and to generate adequate cash flows for its operating activities. The timely formulation and implementation of the Proposed Regularisation Plan, including obtaining the support from the lenders remain uncertain at this stage.

2. As disclosed in Note 21 to the financial statements, the Company had on 26 February 2012 appointed the Forensic Accountants to conduct a forensic review into the affairs of the Company on the basis of information and records that are made available by the Board of Directors and the management of the Company.

   Based on the Forensic Accounting Review Report, the directors made certain adjustments to the financial information for the financial year ended 31 October 2012 as disclosed in Note 21 to the financial statements. No prior year adjustments to the previous year comparative information were made.

   We were unable to obtain sufficient appropriate audit evidence on these adjustments made to the financial statements and the related disclosures in the financial statements.

3. As disclosed in Note 21 (xii) to the financial statements, according to the Forensic Accounting Review Report, evidence of destroyed documents were uncovered, as were the evidence of computer file deletion and physical damage to the computer hard drive.

   We were unable to carry out certain audit procedures or to obtain information we considered necessary.

   We were unable to obtain sufficient appropriate audit evidence on the effects of adjustments, if any, on the financial statements of the Group and the Company as at 31 October 2012.

4. As disclosed in Note 39 to the financial statements, the statutory financial statements for the financial year ended 31 October 2011 were audited by another auditors whose report dated 28 February 2012 expressed a disclaimer of opinion on those financial statements.

   As disclosed in Note 6 to the financial statements, the audited financial statements of a subsidiary for the financial year ended 31 October 2011 have yet to be finalised.

   We were unable to obtain sufficient appropriate audit evidence on the comparative information and whether the opening balances contain misstatements that materially affect the current year's financial statements.

5. As disclosed in Note 21(iii) to the financial statements for which disclosed the Forensic Accounting Review Report on the Sweetened Creamer.

   The Group recognised the revenue and purchases on sweetened creamer amounting to RM13.28 million and RM13.04 million for the financial year ended 31 October 2012.

   We were unable to obtain sufficient appropriate audit evidence on the revenue and cost of sales in relation to sweetened creamer amounting to RM13.28 million and RM13.04 million respectively during the financial year.

6. We were unable to obtain the confirmations from the financial institutions in relation to the following amounts included in the statements of financial position as at 31 October 2012:

   (i) The carrying amount of cash and bank balances of the Group of RM5,718/-;

   (ii) The carrying amount of short term deposits with a financial institution of the Group and of the Company of RM87,249/- as disclosed in Note 13 to the financial statements; and

   (iii) The carrying amount of certain loan and borrowings of the Group of RM88,938,292/- as disclosed in Note 17 to the financial statements.

   We were unable to obtain sufficient appropriate audit evidence in respect of the recorded and unrecorded balances with financial institutions in the Group's and the Company's financial statements for the financial year ended 31 October 2012.

7. As disclosed in Note 19 to the financial statements, the Group and the Company have not carried out a proof of debt exercise to confirm the amount owing to the creditors as at 31 October 2012.

   As disclosed in Note 37 to the financial statements, the Group and the Company have pending legal suits with certain creditors.

   We were unable to obtain sufficient appropriate audit evidence in respect of the recorded and unrecorded liabilities with the payables in the Group's financial statements for the financial year ended 31 October 2012.

8. As disclosed in Note 17 to the financial statements, the Group and the Company have defaulted on their entire loans and borrowings and have been served with Writ of Summons by financial institutions for the recovery of the principal, interest and other costs as disclosed in Note 37 to the financial statements. Accordingly, the entire loans and borrowings have been reclassified to current liabilities. The penalty interest and other possible costs which may arise from the defaults cannot be ascertained at this juncture. However, a 1% penalty interest on the defaulted amounts have been provided in the financial statements.

   We were unable to obtain sufficient appropriate audit evidence in respect of the loans and borrowings, penalty interest and other possible costs recorded and unrecorded in the Group's and the Company's financial statements for the financial year ended 31 October 2012.

9. As disclosed in Note 5 to the financial statements, the Group capitalised an amount of RM3.31 million as cost of the assets acquired during the financial year in respect of 4 service contracts entered in 2006 and 2007 by the Group with BK Fleet Management Sdn Bhd. 173 of the 179 trucks are registered in the name of a wholly-owned subsidiary of the Company, Stanson Marketing Sdn Bhd. The directors of the Company, based on the advice of its solicitors have affirmed that the ownership of the trucks belongs to the Group. The Group has provided a full impairment of RM3.31million on these trucks during the financial year due to the adverse conditions of the trucks.

We were unable to obtain sufficient appropriate audit evidence in respect of the recognition of the cost of the assets and the impairment during the financial year.

10. As disclosed in Note 24 to the financial statements, the tax computations of the Group and the Company for year of assessment 2011 have not been submitted to the tax authorities within the stipulated statutory deadlines. Therefore, the reconciliation of income tax expenses and deferred tax assets disclosure are based on the latest available information.

    We were unable to obtain sufficient appropriate audit evidence in respect of the tax liabilities, deferred taxation and the related disclosures as at 31 October 2012.

Disclaimer Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In view of the matters as described in the Basis for Disclaimer of Opinion paragraph, in our opinion, the accounting and other records required by the Companies Act, 1965 in Malaysia to be kept by the Company and by its subsidiaries of which we have acted as auditors have not been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia. However, in our opinion, the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditor's report of the subsidiary of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

(c) Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we are unable to report whether we are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and whether we have received satisfactory information and explanations required by us for those purposes.

(d) As disclosed in Note 6 to the financial statements, the auditors' reports on the financial statements of the subsidiaries contain modified audit opinions.

Other Reporting Responsibilities

The supplementary information set out on page 96 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we are unable to report as to whether the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

The financial statements of the Group and of the Company for the financial year ended 31 October 2011 were audited by another firm of chartered accountants whose report dated 28 February 2012 expressed a disclaimer of opinion on those financial statements. The details of the disclaimer of audit opinion on the statutory financial statements are disclosed in Note 39 to the financial statements.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No. 578/05/14 (J/PH)
Chartered Accountant

Kuala Lumpur

Date: 21 February 2013

STATEMENTS OF FINANCIAL POSITION
AS AT 31 OCTOBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	89,759	195,395	-	-
Investment in subsidiaries	6	-	-	-	205,605
Investment in an associate	7	-	300	-	-
Intangible assets	8	-	36,730	-	-
Other receivable	9	7,546	7,546	7,546	7,546
Loans to subsidiaries	10	-	-	-	58,006
Total non-current assets		97,305	239,971	7,546	271,157
Current assets					
Inventories	11	2,230	15,016	-	-
Trade and other receivables	12	14,311	129,949	213	443
Prepayments		1,512	623	-	56
Tax recoverable		436	247	-	-
Short-term deposits	13	87	1,145	87	1,145
Fixed deposits with licensed banks	14	-	2,560	-	-
Cash and bank balances		1,439	7,578	15	38
Total current assets		20,015	157,118	315	1,682
TOTAL ASSETS		117,320	397,089	7,861	272,839
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	203,341	203,341	203,341	203,341
Reserves	16	53,826	53,962	59,681	59,681
Accumulated losses		(378,297)	(44,138)	(289,296)	(13,754)
		(121,130)	213,165	(26,274)	249,268
Non-controlling interests		(99)	258	-	-
(Capital deficiency)/total equity		(121,229)	213,423	(26,274)	249,268

STATEMENTS OF FINANCIAL POSITION
AS AT 31 OCTOBER 2012 (Continued)

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	17	-	21,738	-	-
Deferred taxation	18	-	764	-	-
		-	22,502	-	-
Current liabilities					
Trade and other payables	19	55,229	34,759	18,573	2,639
Loans and borrowings	17	183,147	126,232	15,557	20,927
Provision for taxation		173	173	5	5
Total current liabilities		238,549	161,164	34,135	23,571
Total liabilities		238,549	183,666	34,135	23,571
TOTAL EQUITY AND LIABILITIES		117,320	397,089	7,861	272,839

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue	20	129,149	228,606	-	-
Cost of sales		(105,336)	(146,352)	-	-
Gross profit		23,813	82,254	-	-
Other income		4,661	2,839	1,040	2,797
Selling and distribution expenses		(40,650)	(42,513)	-	-
Administrative expenses		(29,326)	(26,252)	(3,505)	(3,195)
Other expenses					
- investigation and adjustments	21	(271,763)	-	-	-
- others		(6,810)	(3,983)	(271,811)	-
Finance costs	22	(10,649)	(7,137)	(1,266)	(2,580)
(Loss)/profit before taxation	23	(330,724)	5,208	(275,542)	(2,978)
Taxation	24	764	(825)	-	-
(Loss)/profit from continuing operations		(329,960)	4,383	(275,542)	(2,978)
Discontinued operation					
Loss from discontinued operation, net of tax	25	(4,556)	542	-	-
(Loss)/profit for the financial year		(334,516)	4,925	(275,542)	(2,978)
Other comprehensive income/(expense)					
- Foreign currency translation		(136)	(310)	-	-
Total comprehensive (loss)/income for the financial year		(334,652)	4,615	(275,542)	(2,978)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2012 (Continued)

		Group		**Company**	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the financial year attributable to:-					
Owners of the Company		(334,159)	4,932	(275,542)	(2,978)
Non-controlling interests		(357)	(7)	-	-
		(334,516)	4,925	(275,542)	(2,978)
Total comprehensive (loss)/income for the financial year attributable to:-					
Owners of the Company		(334,295)	4,622	(275,542)	(2,978)
Non-controlling interests		(357)	(7)	-	-
		(334,652)	4,615	(275,542)	(2,978)

(Loss)/earnings per ordinary share attributable to owners of the Company (sen)

Basic (loss)/earnings per ordinary share	26		
- continuing operations		(81.13)	1.11
- discontinued operation		(1.12)	0.14
		(82.25)	1.25
Diluted (loss)/earnings per ordinary share	26		
- continuing operations		(81.13)	1.11
- discontinued operation		(1.12)	0.14
		(82.25)	1.25

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2012

	← Attributable to owners of the Company →									
	← Non - distributable →									
	Share Capital	**Share Premium**	**Merger Deficit**	**Capital Reserve**	**Warrants Reserve**	**Accumulated Losses**	**Translation Reserve**	**Total**	**Non-controlling Interests**	**Total Equity**
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 November 2010	193,341	52,453	(5,326)	277	6,059	(49,070)	(360)	197,374	265	197,639
Issuance of ordinary shares persuant to private placement	10,000	1,850	-	-	-	-	-	11,850	-	11,850
Share issuance expenses	-	(681)	-	-	-	-	-	(681)	-	(681)
Total comprehensive income/ (loss) for the financial year	-	-	-	-	-	4,932	(310)	4,622	(7)	4,615
As at 31 October 2011	203,341	53,622	(5,326)	277	6,059	(44,138)	(670)	213,165	258	213,423
Total comprehensive loss for the financial year	-	-	-	-	-	(334,159)	(136)	(334,295)	(357)	(334,652)
As at 31 October 2012	203,341	53,622	(5,326)	277	6,059	(378,297)	(806)	(121,130)	(99)	(121,229)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2012 (Continued)

	← Non - distributable		→		
	Share Capital	**Share Premium**	**Warrants Reserve**	**Accumulated Losses**	**Total**
Company	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 November 2010	193,341	52,453	6,059	(10,776)	241,077
Issuance of ordinary shares persuant to private placement	10,000	1,850	-	-	11,850
Share issue expenses incurred	-	(681)	-	-	(681)
Total comprehensive loss for the financial year	-	-	-	(2,978)	(2,978)
As at 31 October 2011	203,341	53,622	6,059	(13,754)	249,268
Total comprehensive loss for the financial year	-	-	-	(275,542)	(275,542)
As at 31 October 2012	203,341	53,622	6,059	(289,296)	(26,274)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
(Loss)/profit before taxation:				
- continuing operations	(330,724)	5,208	(275,542)	(2,978)
- discontinued operation	(4,556)	542	-	-
	(335,280)	5,750	(275,542)	(2,978)
Adjustments for:-				
Amortisation of discount on bonds	323	1,101	323	1,101
Bad debts written off	5	-	-	-
Depreciation on property, plant and equipment	10,782	22,259	-	-
Gain on disposal of property, plant and equipment	(78)	(48)	-	-
Gain on reinstatement of property, plant and equipment	(3,311)	-	-	-
Impairment loss on:-				
- amount owing by subsidiaries	-	-	66,206	-
- goodwill	36,730	-	-	-
- investment in an associate	2,250	-	-	-
- investment in subsidiaries	-	-	205,605	-
- other receivables	286			
- property, plant and equipment	92,883	-	-	-
- trade receivables	77,973	819	-	-
Inventories written off	6,157	-	-	-
Interest income	(393)	(345)	(1,040)	(2,797)
Interest expense	10,874	6,773	943	1,479
Payable adjustments	(39,476)	-	-	-
Prepayment expensed off	73	-	-	-
Property, plant and equipment written off	6,095	-	-	-
Exchange difference	(112)	-	-	-
	(134,219)	36,309	(3,505)	(3,195)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2012 (Continued)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Changes in working capital:-				
Inventories	6,629	2,761	-	-
Receivables	37,374	(54,180)	224	(340)
Prepayments	(962)	(37)	56	(38)
Payables	59,946	7,766	(737)	2,484
	(31,232)	(7,381)	(3,962)	(1,089)
Interest paid	(10,317)	(6,773)	(386)	(1,479)
Tax paid	(189)	(307)	-	-
Net Operating Cash Flows	(41,738)	(14,461)	(4,348)	(2,568)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of an associate	-	(300)	-	-
Additions of investment in an associate	(1,950)	-	-	-
Decrease/(Increase) in fixed deposit pledged to licensed bank	2,560	(71)	-	-
Interest received	393	345	1,040	2,797
Net advances from subsidiaries	-	-	8,477	5,366
Purchase of property, plant and equipment	(742)	(11,802)	-	-
Proceeds from disposal of property, plant and equipment	119	119	-	-
Net Investing Cash Flows	380	(11,709)	9,517	8,163
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net (repayment)/drawndown of bankers' acceptances	(41,498)	19,066	-	-
Net drawndown/(repayment) of term loans	1,070	1,911	(1,250)	1,250
Net repayment of finance lease liabilities	285	(3,436)	-	-
Proceeds from issuance of ordinary shares, net of expenses	-	11,169	-	11,169
Repayment of bonds	(5,000)	(5,000)	(5,000)	(5,000)
Repayment of commercial papers	-	(15,000)	-	(15,000)
Net Financing Cash Flows	(45,143)	8,710	(6,250)	(7,581)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(86,501)	(17,460)	(1,081)	(1,986)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2012 (Continued)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
EFFECTS OF FOREIGN EXCHANGE TRANSLATION ON CASH AND CASH EQUIVALENTS	(136)	(310)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	3,558	21,328	1,183	3,169
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	(83,079)	3,558	102	1,183

ANALYSIS OF CASH AND CASH EQUIVALENTS:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Short-term deposits with a financial institution	87	1,145	87	1,145
Fixed deposits with licensed banks	-	2,560	-	-
Cash and bank balances	1,439	7,578	15	38
Bank overdrafts	(84,605)	(5,165)	-	-
	(83,079)	6,118	102	1,183
Less: Fixed deposits pledged to licensed bank	-	(2,560)	-	-
	(83,079)	3,558	102	1,183

The currencies exposure profile of cash and cash equivalent are as follows:-

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Ringgit Malaysia	(83,286)	6,014	102	1,183
Singapore Dollar	207	104	-	-
	(83,079)	6,118	102	1,183

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally engaged in investment holding activities. The principal activities of its subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at Lot 72, Persiaran Jubli Perak, Seksyen 21, 40300 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 February 2013.

Pursuant to the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa") in relation to Practice Note 17 ("PN17"), the Company had on 29 February 2012 announced that the Company is deemed to be a PN17 company as the predecessor auditors of the Company have expressed a disclaimer opinion on the Company's audited financial statements for the financial year ended 31 October 2011.

As a PN17 company, the Company is required to comply with the following conditions:-

(a) submit a Regularisation Plan to the Securities Commission ("SC") and other relevant authorities for approval (collectively referred to as the "Approving Authority") within 12 months from the date of the First Announcement;

(b) implement the Regularisation Plan within the timeframe stipulated by the relevant Approving Authority;

(c) announce the status of its plan to regularise its condition on a monthly basis until further notice from Bursa;

(d) announce its compliance or non-compliance with a particular obligation imposed pursuant to the Revised PN17 on an immediate basis; and

(e) announce details of the Regularisation Plan which shall include the timeline for the complete implementation of the Regularisation Plan. This Requisite Announcement must be made by a merchant banker or a participating organisation that may act as a principal adviser under the Securities Commission's policies and guidelines on issue/offer of securities.

In the event that the Company fails to comply with the obligation to regularise its condition, all of its listed securities shall be suspended and delisted, immediately upon notification of suspension and de-listing by Bursa.

1. **GENERAL INFORMATION (Continued)**

As detailed in Note 38 to the financial statements, the Proposed Regularisation Plan has been formulated to regularise its financial condition and the Requisite Announcement will be made once the Proposed Regularisation Plan has been finalised.

2. **FUNDAMENTAL ACCOUNTING CONCEPT**

The financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business.

During the financial year, the Group and the Company incurred net losses amounting to RM334,516,000/- and RM275,542,000/- and recorded negative operating cash flows of RM41,738,000/- and RM4,348,000/- respectively. As at 31 October 2012, the Group's and the Company's current liabilities exceeded its current assets by RM218,534,000/- and RM33,820,000/- and recorded capital deficiencies of RM121,229,000/- and RM26,274,000/- respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

The Group and the Company have defaulted on their entire borrowings and have been served with Writ of Summons by licensed banks and financial institutions for the recovery of principal, interest and other costs as stated in Note 17 to the financial statements.

In addition, the Company and certain subsidiaries have pending material litigations with bankers as detailed in Note 37 to the financial statements.

The ability of the Group and of the Company to continue as going concerns is dependent upon:

(v) the timely and successful formulation and implementation of the Proposed Regularisation Plan;
(vi) the continuing support from its lenders;
(vii) the Group and the Company achieving sustainable and viable operations; and
(viii) the Group and the Company generating adequate cash flows for its operating activities.

Should the Proposed Regularisation Plan not be successfully formulated and concluded, the entire borrowings may become repayable immediately and the application of the going concern accounting concept may be inappropriate and adjustments may be required to, inter alia, write down assets to their realisable values, reclassify all long term assets and liabilities as current and to provide for any further costs which may arise.

The directors of the Company are positive that the outcome of the Proposed Regularisation Plan will be successfully concluded with the various lenders of the Group and the Company. In view of that, the lenders will not demand immediate repayment of the outstanding balances. Accordingly, the directors of the Company are of the opinion that it is appropriate for the financial statements of the Group and the Company to be prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia.

At the beginning of current financial year, the Group and the Company adopted amendments/improvements to FRSs, new IC Interpretations ("IC Int") and amendments to IC Int, which are mandatory for the current financial year as described fully in Note 3.2(a) to the financial statements.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the significant accounting policies in Note 3.3 to the financial statements.

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the directors' best knowledge of current events and actions, and therefore actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

(a) Adoption of Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following amendments/improvements to FRSs, New IC Int and amendments to IC Int that are mandatory for the current financial year:-

Amendments/Improvements to FRSs	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 9	Financial Instruments
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting
FRS 139	Financial Instruments: Recognition and Measurement

New IC Int	
IC Int 4	Determining Whether an Arrangement contains a Lease
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Int	
IC Int 13	Customer Loyalty Programmes
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The main effects of the adoption of the above amendments/improvements to FRSs, New IC Int and amendments to IC Int are summarised below:-

Amendments to FRS 7 Financial Instruments: Disclosures

Disclosures on fair value and liquidity have been enhanced upon the adoption of this amendment. In particular, financial instruments measured at fair value are disclosed by class in a three-level fair value measurement hierarchy, with specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. Certain disclosures on liquidity are also modified. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and the Company.

3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(a) Adoption of Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)

IC Int 4 Determining Whether an Arrangement Contains a Lease

This IC Int clarifies that when the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease. This interpretation did not have any financial impact on the Group and the Company.

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
New FRSs		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
Revised FRSs		
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 Associates and Joint Ventures	1 January 2013
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2012 and 1 January 2013
FRS 7	Financial Instruments: Disclosures	1 January 2012 and 1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to FRSs (Continued)</u>		
FRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
FRS 112	Income Taxes	1 January 2012
FRS 116	Property, Plant and Equipment	1 January 2013
FRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
FRS 134	Interim Financial Reporting	1 January 2013
<u>New IC Int</u>		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

FRS 9 Financial Instruments

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)**

FRS 9 Financial Instruments (Continued)

In respect of the financial liabilities, the requirements are generally similar to the former FRS 139. However, this standard requires that for financial liabilities designated at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and SIC-12, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

FRS 12 Disclosure of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiaries, joint ventures, associates and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, not yet effective and have not been adopted early (Continued)

FRS 13 Fair Value Measurement

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

(c) MASB Approved Accounting Standards, MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the MASB had on 19 November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(c) **MASB Approved Accounting Standards, MFRSs (Continued)**

As at 31 October 2012, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs. As such, except those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 3.2(b) to the financial statements. The effect is based on the Group's and the Company's best estimates at reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group does not expect any impact on the financial statements arising from the adoption of this standard.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int, Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(c) **MASB Approved Accounting Standards, MFRSs (Continued)**

IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group does not expect any impact on the financial statements arising from the adoption of this interpretation.

3.3 **Summary of Significant Accounting Policies**

(a) **Basis of Consolidation**

(i) **Subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Company. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investment are reviewed for impairment at the end of the reporting period if events and changes in circumstances indicates that the carrying value may not be recoverable.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) **Accounting for Business Combination**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year.

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For subsidiaries which were acquired through common control by way of the issue of shares as disclosed in Note 6 to the financial statements, the merger method is used to consolidate the results of these subsidiaries. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(a) **Basis of Consolidation (Continued)**

(ii) **Accounting for Business Combination (Continued)**

Acquisition on or after 1 November 2010

For acquisition on or after 1 November 2010, the Group measures goodwill at the acquisition date as:-

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(iii) **Accounting for Acquisitions of Non-controlling Interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interests holders. Any difference between the Group's share of net assets before and after the change and any consideration received or paid is adjusted to or against Group reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

(a) Basis of Consolidation (Continued)

(iv) Loss of Control

Upon the loss of control of a subsidiary, the Group derecognised the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling Interest

Non-controlling interests at the end of the financial year, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(b) **Goodwill on Consolidation**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(c) **Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(d) **Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The policy of recognition of impairment losses is in accordance with Note 3.3(i) to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation of property, plant and equipment is provided on the straight line basis to write off the cost of each asset to its residual value over their estimated useful life at the following rates:-

Plant and machinery	5% – 10%
Gallery	10%
Motor vehicles	20%
Office equipment, furniture and fittings	10% – 20%

Depreciation of an asset does not ceased when the asset become idle or is retired from active use unless the asset is fully depreciated. The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposals proceeds and the net carrying amount, if any, is recognised in the profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(e) **Trademarks**

The purchased trademark is stated at cost less accumulated amortisation and impairment losses, if any. The trademark is amortised on a straight-line basis over a period of ten (10) years. The policy of recognition of impairment losses is in accordance with Note 3.3(i) to the financial statements.

(f) **Financial Instruments**

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instruments.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Group and the Company categorise the financial instruments as follows:-

(i) **Financial Assets**

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(f) **Financial Instruments (Continued)**

(i) **Financial Assets (Continued)**

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(ii) **Financial Liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(f) **Financial Instruments (Continued)**

(iii) **Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(iv) **Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

(g) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of raw materials comprises cost of purchase and incidental costs bringing the inventories to their present locations and conditions. The cost of finished goods consists of cost of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Where necessary, allowance is made for all damaged, obsolete and slow-moving items.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(h) **Leases**

(i) **Finance Leases**

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used in the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowings rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets and assets under hire purchase is consistent with that for depreciable property, plant and equipment.

(ii) **Operating Leases**

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(i) **Impairment of Assets**

(i) **Impairment of Financial Assets**

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(i) **Impairment of Assets (Continued)**

(i) **Impairment of Financial Assets (Continued)**

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) **Impairment of Non-financial Assets**

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For goodwill that has an indefinite useful life and is not available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(i) **Impairment of Assets (Continued)**

(ii) **Impairment of Non-financial Assets (Continued)**

An asset's recoverable amount is the higher of an asset's or cash generating units ("CGU") fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

(j) **Equity Instruments**

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(k) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:-

(i) **Sale of Goods and Services**

Revenue are recognised upon delivery of goods and customers' acceptance or rendering of services and where applicable, net of returns and trade discounts.

(ii) **Interest Income**

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

(l) **Employee Benefits**

(i) **Short-term Employee Benefits**

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

(ii) **Post-employment Benefits**

The Group contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(m) **Borrowing Costs**

All borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(n) **Income Taxes**

The tax expense in the profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited in other comprehensive income or directly in equity or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(o) **Foreign Currencies**

(i) **Functional and Presentation Currency**

The individual financial statements of each entity in the Group are measured using the functional currency which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency.

(ii) **Foreign Currency Transactions and Translations**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair values was determined.

3. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Summary of Significant Accounting Policies (Continued)**

(o) **Foreign Currencies (Continued)**

(ii) **Foreign Currency Transactions and Translations (Continued)**

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the profit or loss, any corresponding exchange gain or loss is recognised in the profit or loss.

(iii) **Foreign Operations**

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

(p) **Discontinued Operation**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(q) **Cash and Cash Equivalents**

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

(r) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Contingent Liabilities

A contingent liability is a possible obligation that arises from past event and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Judgements in applying the Group's and the Company's Accounting Policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 3.3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements except for matters discussed below:-

(i) Going Concerns

As disclosed in Note 2 to the financial statements, judgment is made by the directors whether the Group and the Company will be able to continue as going concerns. The financial statements of the Group and of the Company have been prepared on a going concern basis.

(ii) Contingent Liabilities

As disclosed in Note 3.3(s) to the financial statements, a contingent liability is not recognised but is disclosed in the notes to the financial statements as it is not probable that on outflow of resources will be required to settle the obligation. The contingent liabilities will be recognised as a provision in the statement of financial position and will be charged to profit or loss if the outflow of the resources is probable. Judgement is made by the directors that it is not probable that outflow of resources will be required to settle the obligation as disclosed in Note 32 to the financial statements.

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

4.1 **Judgements in applying the Group's and the Company's Accounting Policies (Continued)**

(iii) **Property, Plant and Equipment**

As disclosed in Note 5(c) to the financial statements, the Group have recognised an amount of RM3.31 million as assets acquired in respect of 4 service contracts entered in the years 2006 and 2007 by the Group and BK Fleet Management Sdn Bhd. The directors of the Company, based on the advice of its solicitors have affirmed that the ownership of the trucks belongs to the Group.

4.2 **Key Sources of Estimation Uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material judgement to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

(i) **Useful lives of property, plant and equipment**

The Group estimates the useful lives of property, plant and equipment based on period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) **Impairment of investment in subsidiaries and recoverability of amount owing by subsidiaries**

The Company tests investment in subsidiaries and amount owing by subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. Costs of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries. The impairment made on investment in subsidiaries entails an impairment to be made to the amount owing by these subsidiaries.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Company's tests for impairment of investment in subsidiaries and amount owing by subsidiaries.

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

4.2 **Key Sources of Estimation Uncertainty (Continued)**

(iii) **Impairment of investment in an associate**

The Group tests investment in an associate for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Significant judgement is required in the estimation of the present value of future cash flows generated by the associate, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in associate. The carrying amount of the Group's investment in an associate is disclosed in Note 7 to the financial statements.

(iv) **Impairment of receivables**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's receivables at the reporting date is disclosed in Note 12 to the financial statements.

(ix) **Valuation of warrants**

The Group and the Company measure the value of the warrants by reference to the fair value at the date which they are granted. The estimation of fair value requires determining the most appropriate valuation model.

The estimation also requires the determination at the most appropriate inputs to the valuation model such as the volatility, risk free interest rate, option life and making assumptions about them as disclose in Note 16 to the financial statements.

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

4.2 **Key Sources of Estimation Uncertainty (Continued)**

(vi) **Revaluation and impairment of property, plant and equipment**

The Group reviews the carrying amount of its property, plant and equipment to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the property, plant and equipment. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

In assessing the impairment of property, plant and equipment, the directors relied on the valuation performed by an independent valuer to provide the Group with an assessment of the value of the Group's property, plant and equipment. There are several risks to be considered in the valuation of these assets:-

- Current prices in an active market;
- Recent prices of similar assets based on less active market; and
- Changes in economic conditions.

The carrying amounts of property, plant and equipment are disclosed in Note 5 to the financial statements.

(vii) **Allowance for write down in inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates can result in revisions to the valuation of inventories.

(viii) **Taxation**

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(ix) **Investigation and adjustments to the financial statements**

Significant judgement is required on the adjustments made to the financial information in relation to the irregularities in the Group's financial statements. The directors relied on the Forensic Accounting Review Report to provide adjustments in respect of the investigation work performed by forensic accountants as disclosed in Note 21 to the financial statements.

5. **PROPERTY, PLANT AND EQUIPMENT**

Group	Plant and Machinery	Gallery	Motor Vehicles	Office Equipment, Furniture and Fittings	Capital Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012						
Cost						
At 1 November 2011	259,142	11,816	4,455	22,038	60,619	358,070
Additions	542	-	-	200	-	742
Under recognition of trucks	-	-	3,311	-	-	3,311
Disposals/write-offs	(33,318)	-	(422)	(32)	-	(33,772)
Exchange difference	278	-	-	59	-	337
At 31 October 2012	226,644	11,816	7,344	22,265	60,619	328,688
Accumulated Depreciation						
At 1 November 2011	119,367	7,485	4,435	20,161	-	151,448
Depreciation charge for the financial year	8,571	1,181	8	1,022	-	10,782
Disposals/write-offs	(27,223)	-	(410)	(3)	-	(27,636)
Exchange difference	182	-	-	43	-	225
At 31 October 2012	100,897	8,666	4,033	21,223	-	134,819
Accumulated Impairment Loss						
At 1 November 2011	11,227	-	-	-	-	11,227
Impairment loss for the financial year	44,430	2,090	3,311	95	42,957	92,883
At 31 October 2012	55,657	2,090	3,311	95	42,957	104,110
Net Book Value at 31 October 2012	70,090	1,060	-	947	17,662	89,759

5. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Group	**Plant and Machinery**	**Gallery**	**Motor Vehicles**	**Office Equipment, Furniture and Fittings**	**Capital Work-in-progress**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011						
Cost						
At 1 November 2010	255,942	11,784	4,592	22,312	48,409	343,039
Additions	3,624	32	-	181	12,210	16,047
Disposals/write-offs	(424)	-	(137)	(455)	-	(1,016)
At 31 October 2011	259,142	11,816	4,455	22,038	60,619	358,070
Accumulated Depreciation						
At 1 November 2010	101,111	6,306	4,113	18,604	-	130,134
Depreciation charge for the financial year	18,679	1,179	397	2,004	-	22,259
Disposals/write-offs	(423)	-	(75)	(447)	-	(945)
At 31 October 2011	119,367	7,485	4,435	20,161	-	151,448
Accumulated Impairment Loss						
At 1 November 2010/ 31 October 2011	11,227	-	-	-	-	11,227
Net Book Value at 31 October 2011	128,548	4,331	20	1,877	60,619	195,395

(a) The carrying amounts of the assets acquired under finance lease arrangements as at the reporting date were as follows:-

	Group 2012	2011
	RM'000	RM'000
Plant and machinery	-	21,625
Motor vehicles	-	21
	-	21,646

(b) The Group has carried out an impairment review of the carrying amount of its property, plant and equipment during the financial year. In assessing the impairment of property, plant and equipment, the directors relied on the valuation performed by an independent valuer to provide the Group with an assessment of the value of the Group's property, plant and equipment.

5. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

(c) During the financial year, the Group capitalised an amount of RM3.31 million as cost of the assets acquired in respect of 4 service contracts entered in the years 2006 and 2007 by the Group and BK Fleet Management Sdn Bhd ("BKFM"). 173 of the 179 trucks are registered in the name of a wholly-owned subsidiary of the Company, Stanson Marketing Sdn Bhd ("SMSB"). The directors of the Company, based on the advice of its solicitors have affirmed that the ownership of the trucks belongs to the Group. The Group has provided a full impairment of RM3.31million on these trucks during the financial year due to the adverse conditions of the trucks.

6. **INVESTMENT IN SUBSIDIARIES**

	Company	
	2012	2011
	RM'000	RM'000
Unquoted shares, at cost	107,172	107,172
Less: Accumulated impairment losses	(107,172)	(1,744)
	-	105,428
Loans to subsidiaries	100,177	100,177
Less: Accumulated impairment losses	(100,177)	-
	-	100,177
	-	205,605

The details of the subsidiaries are as follows:-

Names of Company	Country of Incorporation	Effective Equity Interest 2012 %	2011 %	Principal Activities
Stanson Bakeries Sdn Bhd # (1)	Malaysia	100	100	Manufacturer of bread.
Standard Confectionery Sdn Bhd * (2)	Malaysia	100	100	Manufacturer of frozen and daily fresh/shelf-stable bakery goods.
Stanson Marketing Sdn Bhd # (3)	Malaysia	100	100	Sales and distibution of bakery goods and telecommunication products.
Silver Bird Foods (S) Pte Ltd # ^ (4)	Singapore	100	100	Marketing, branding, campaigning and distributing fast moving consumer goods or merchandise.

6. **INVESTMENT IN SUBSIDIARIES (Continued)**

Names of Company	Country of Incorporation	Effective Equity Interest 2012 %	2011 %	Principal Activities
Silver Bird International Sdn Bhd # (1)	Malaysia	100	100	Sales and distibution of bakery goods and telecommunication products.
Inforaire Sdn Bhd # ~ (5)	Malaysia	51	51	Dormant.
Stanson Disbribution Sdn Bhd # (1)	Malaysia	100	100	Dormant.
Stanson Group Sdn Bhd # (1)	Malaysia	100	100	Investment holding.
Stanson Multicom Sdn Bhd *(formerly known as Standard Food R&D Lab Sdn Bhd)* # (6)	Malaysia	100	100	Dormant.
Madeleine Bakery Sdn Bhd * (1)	Malaysia	100	100	Dormant.
Madeleine Café Sdn Bhd * (1)	Malaysia	100	100	Dormant.
Madeleine Foods Sdn Bhd * (1)	Malaysia	100	100	Dormant.
Madeleine Property Sdn Bhd * (1)	Malaysia	100	100	Dormant.

* Subsidiaries consolidated by way of the merger method.
\# Subsidiaries consolidated by way of the acquisition method.
^ This subsidiary was audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng.
~ The unaudited management accounts of the subsidiary were used in the consolidation of the Group results.

6. **INVESTMENT IN SUBSIDIARIES (Continued)**

Audit Modifications

(1) The financial statements of these subsidiaries for the financial year ended 31 October 2011 were audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng whose reports issued disclaimer of opinion on those financial statements in view of the following:-

- Going concern consideration; and
- Potential adjustments on the financial statements arising from the forensic audit findings.

The auditors' reports of these subsidiaries for the financial year ended 31 October 2012 issued disclaimer of opinion on those financial statements in view of the following:-

- Going concern consideration;
- Appropriateness of the presentation and disclosures of the comparative information;
- Penalty interest and other possible costs on defaulted payments of bank borrowings; and
- Provision of tax liabilities and the accuracy of the related disclosures.

(2) The financial statements of this subsidiary for the financial year ended 31 October 2011 were audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng whose reports issued disclaimer of opinion on those financial statements in view of the following:-

- Capital work-in-progress under property, plant and equipment amounting to RM1.9 million and the additions of property, plant and equipment amounting to RM3.0 million;
- Impairment review of the carrying amount of property, plant and equipment amounting to RM179.0 million;
- Confirmation of balances from various third parties;
- Going concern consideration, and
- Potential adjustments on the financial statements arising from the forensic audit findings.

The auditors' report of this subsidiary for the financial year ended 31 October 2012 issued disclaimer of opinion on those financial statements in view of the following:-

- Going concern consideration;
- Adjustments on the financial statements arising from the Forensic Audit;
- Missing documents and unreconciled balances;
- Appropriateness of the presentation and disclosures of the comparative information;
- Recorded and unrecorded balances with financial institutions;
- Recorded and unrecorded liabilities with the payables;
- Penalty interest and other possible costs on defaulted payments of bank borrowings; and
- Provision of tax liabilities and the accuracy of the related disclosures.

6. **INVESTMENT IN SUBSIDIARIES (Continued)**

(3) The financial statements of this subsidiary for the financial year ended 31 October 2011 were audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng whose reports issued disclaimer of opinion on those financial statements in view of the following:-

- Capital work-in-progress under property, plant and equipment amounting to RM7.6 million;
- Revenue and cost of sales amounting to approximately RM31.9 million and RM31.3 million respectively of a new business segment trading in sweetened creamer;
- Sales transactions undertaken by the subsidiary with six customers comprising four customers from the bakery segment and two customers from the telecommunication segment amounting to RM149 million included in the profit or loss;
- Impairment review of the carrying amount of property, plant and equipment amounting to RM15.6 million;
- Recoverability of the carrying amount of the trade receivables;
- Sales transaction data for five customers in sweetened creamer segment, four customers from bakery segments and two from telecommunication segment;
- Confirmation of balances have not been received from various third parties;
- Going concern consideration;
- Impairment to the carrying amounts of the investment in associate and loans to ultimate holding company, immediate holding company and related companies of RM0.3 million and RM23.8 million respectively; and
- Potential adjustments on the financial statements arising from the forensic audit findings.

The auditors' report of this subsidiary for the financial year ended 31 October 2012 issued disclaimer of opinion on those financial statements in view of the following:-

- Going concern consideration;
- Adjustments on the financial statements arising from the Forensic Audit;
- Missing documents and unreconciled balances;
- Appropriateness of the presentation and disclosures of the comparative information;
- Revenue and cost of sales amounting to approximately RM13.28 million and RM13.04 million respectively from the business segment trading in sweetened creamer;
- Recorded and unrecorded balances with financial institutions;
- Recorded and unrecorded liabilities with the payables;
- Penalty interest and other possible costs on defaulted payments of bank borrowings;
- Recognised the amount of RM3.31 million as cost of the assets acquired during the financial year in respect of four service contracts entered by this subsidiary and BK Fleet Management Sdn Bhd; and
- Provision of tax liabilities and the accuracy of the related disclosures.

(4) The financial statements of this subsidiary for the financial year ended 31 October 2011 and 31 October 2012 were audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng whose report issued disclaimer of opinion in view of going concern consideration.

(5) The financial statements of this subsidiary for the financial year ended 31 October 2011 were audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng whose report has yet to be finalised.

6. **INVESTMENT IN SUBSIDIARIES (Continued)**

(6) The auditors' report of this subsidiary for the financial year ended 31 October 2012 issued disclaimer of opinion on those financial statements in view of the following:-

- Going concern consideration; and
- Provision of tax liabilities and the accuracy of the related disclosures.

Loans to subsidiaries

The loans to subsidiaries represent interest-free, unsecured advances made to subsidiaries where the repayment is neither fixed nor likely to occur in the foreseeable future.

7. **INVESTMENT IN AN ASSOCIATE**

	Group	
	2012	2011
	RM'000	RM'000
Unquoted shares in Malaysia, at cost	2,250	300
Share of post-acquisition reserves	-	-
Less: Accumulated impairment losses	(2,250)	-
	-	300

(a) On 15 August 2010, the Group acquired 300,000 ordinary shares of RM1/- each in KPF Quality Foods Sdn. Bhd. ("KPFQ") which represents 30% equity interest for a total cash consideration of RM300,000/-.

(b) During the financial year, the Group had:-

- On 17 November 2011, acquired 750,000 ordinary shares of RM1/- each for total cash consideration of RM750,000/-;

- On 16 January 2012, acquired 900,000 ordinary shares of RM1/- each for a total cash consideration of RM900,000/-; and

- On 16 February 2012, acquired 300,000 ordinary shares of RM1/- each for a total cash consideration of RM300,000/-.

The above subscriptions of additional shares represent 30% equity interest of the issued and paid-up share capital of KPFQ.

7. **INVESTMENT IN AN ASSOCIATE (Continued)**

(c) The details of the associate are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %	Principal Activities
KPF Quality Foods Sdn Bhd * #	Malaysia	30	30	Sales and distribution of agriculture-based foods.

* Audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng.

\# The management account and audited financial statements of the associate are not available. The investment in the associate has been fully impaired during the current financial year. Consequently, the effects of equity accounting for the investment in associate are not material to the Group.

8. **INTANGIBLE ASSETS**

	Group 2012 RM'000	Group 2011 RM'000
At carrying amount:		
Goodwill	-	36,730
Trademark	-	-
	-	36,730
Goodwill		
At cost	36,730	36,730
Less: Accumulated impairment loss		
1 November	-	-
Addition	(36,730)	-
31 October	(36,730)	-
	-	36,730
Trademark		
At cost	20	20
Less: Accumulated amortisation	(20)	(20)
	-	-

8. **INTANGIBLE ASSETS (Continued)**

Goodwill on acquisition of subsidiaries

Goodwill arose from the acquisition of Stanson Group Sdn. Bhd. by the Group in 2004, and it is stated at cost less impairment loss, if any and reviewed for impairment annually.

Goodwill has been allocated for impairment testing to the Group's cash-generating unit ("CGU"), the Group's bakery products manufacturing division and telecommunication division.

In the previous financial year, the recoverable amount of a CGU was determined based on value-in-use calculated using cash flow projections based on financial budgets approved by the management covering a period of ten years. The key assumptions used for value-in-use calculation were:-

	Gross Margin 2011	Growth Rate 2011	Discount Rate 2011
Bakery products manufacturing division	43%	6%	8.3%
Telecommunication division	1%	5%	8.3%

(a) Budgeted gross margin
The margin was based on the past performance and its expectations of market developments.

(b) Growth rate
The growth rates used were based on the industry reports.

(c) Discount rate
The discount rates used were based on the weighted average cost of capital of the Group.

The goodwill has been fully impaired during the financial year as explained in Note 21 to the financial statements.

9. **OTHER RECEIVABLE**

This represents the security deposits placed with Amanah Raya Berhad pursuant to a sale and leaseback transaction. The amount is due and receivable by the end of the lease period, in the financial year 2016.

The weighted average effective interest rate of the deposits placed at the end of the reporting period was 4.34% (2011: 4.31%) per annum.

10. **LOANS TO SUBSIDIARIES**

	Company 2012 RM'000	Company 2011 RM'000
Loans to subsidiaries	66,200	58,006
Less: Accumulated impairment losses		
At 1 November	-	-
Addition during the financial year	(66,200)	-
At 31 October	(66,200)	-
	-	58,006

Loans to subsidiaries are unsecured, interest-bearing at 3.50% per annum and are not repayable within the next twelve months.

11. **INVENTORIES**

	Group 2012 RM'000	Group 2011 RM'000
At cost:-		
Raw materials	1,195	4,094
Finished goods	307	5,185
Packing materials	728	2,077
Telecommunication products	-	3,660
	2,230	15,016

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Trade receivables	93,176	131,036	-	-
Less: Accumulated impairment losses	(80,835)	(2,862)	-	-
	12,341	128,174	-	-
Other receivables				
Other receivables	745	722	212	437
Less: Accumulated impairment losses	(173)	-	-	-
	572	722	212	437
Deposits	1,511	1,053	1	-
Less: Accumulated impairment losses	(113)	-	-	-
	1,398	1,053	1	-
Amount owing by a subsidiary	-	-	6	6
Less: Accumulated impairment losses	-	-	(6)	-
	-	-	-	6
	1,970	1,775	213	443
Total trade and other receivables	14,311	129,949	213	443

(a) **Trade and other receivables**

The currencies exposure profile of trade and other receivables are as follows:-

	Group	
	2012	2011
	RM'000	RM'000
Ringgit Malaysia	9,040	124,272
Singapore Dollar	5,149	5,552
United States Dollar	122	125
	14,311	129,949

The Group’s normal trade credit terms range from 30 to 90 days (2011: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

12. **TRADE AND OTHER RECEIVABLES (Continued)**

(a) **Trade and other receivables (Continued)**

Ageing analysis on trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	Group	
	2012	2011
	RM'000	RM'000
Neither past due nor impaired	5,696	68,566
Past due but not impaired:-		
- Past due less than 3 months	5,973	57,039
- Past due 3 to 6 months	66	1,207
- Past due more than 6 months	606	1,362
	6,645	59,608
Impaired	80,835	2,862
	93,176	131,036

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the impairment used to record the impairment are as follows:-

Group	**Collectively impaired**	**Individually impaired**	**Total**
2012	RM'000	RM'000	RM'000
Trade receivables			
- nominal amounts	12,935	75,386	88,321
Less: Accumulated impairment losses	(5,522)	(75,313)	(80,835)
	7,413	73	7,486
2011			
Trade receivables			
- nominal amounts	125,355	355	125,710
Less: Accumulated impairment losses	(2,537)	(325)	(2,862)
	122,818	30	122,848

At the end of the reporting period, trade receivables that are individually impaired were more in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

12. **TRADE AND OTHER RECEIVABLES (Continued)**

(a) **Trade and other receivables (Continued)**

The collective impairment allowance is determined based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Movements in impairment:-

	Group 2012 RM'000	Group 2011 RM'000
Trade receivables:		
At 1 November	(2,862)	(2,043)
Addition during the financial year	(77,973)	(819)
At 31 October	(80,835)	(2,862)
Other receivables:		
At 1 November	-	-
Addition during the financial year	(286)	-
At 31 October	(286)	-
	(81,121)	(2,862)

(b) **Amount owing by a subsidiary**

	Company 2012 RM'000	Company 2011 RM'000
Amount owing by a subsidiary	6	6
Less: Accumulated impairment losses		
At 1 November	-	-
Addition during the financial year	(6)	-
At 31 October	(6)	-
	-	6

The amount owing by a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

13. **SHORT-TERM DEPOSITS WITH A FINANCIAL INSTITUTION**

The short-term deposits with a financial institution represent cash placed in a bond debt reserve account for the purpose of the settlement of the bond.

The short-term deposits of the Group and the Company at the end of the reporting period bore an effective interest rate of 3.34% (2011: 3.30%) per annum. The short-term deposits have maturity periods of 1 to 6 months (2011: 1 to 6 months).

14. FIXED DEPOSITS WITH LICENSED BANKS

In the previous financial year, the weighted average effective interest rate of the fixed deposits at the end of the reporting period was 3.25% per annum. The fixed deposits have a maturity period of 3 months.

The entire fixed deposits have been pledged to licensed banks as security for banking facilities granted to the Group.

15. SHARE CAPITAL

	Group and Company			
	2012		2011	
	Number of Shares Units ('000)	RM'000	Number of Shares Units ('000)	RM'000
Ordinary shares of RM0.50 each				
Authorised:-				
At the beginning/end of the financial year	1,000,000	500,000	1,000,000	500,000
Issued and fully paid:-				
At the beginning of the financial year	406,682	203,341	386,682	193,341
Issuance of shares persuant to the private placement	-	-	20,000	10,000
At the end of the financial year	406,682	203,341	406,682	203,341

During the financial year ended 31 October 2011, the Company increased its issued and fully paid share capital from RM193,340,853/- to RM203,340,853/- by the issuance of:

(i) 10,000,000/- ordinary shares of RM0.50/- each at an issue price of RM0.58/- per ordinary share pursuant to the private placement exercise; and
(ii) 10,000,000/- ordinary shares of RM0.50/- each at an issue price of RM0.60/- per ordinary share pursuant to the private placement exercise.

The new ordinary shares were issued for cash consideration for working capital purpose. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Company.

16. RESERVES

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Share premium	53,622	53,622	53,622	53,622
Merger deficit	(5,326)	(5,326)	-	-
Capital reserve	277	277	-	-
Translation reserve	(806)	(670)	-	-
Warrant reserve	6,059	6,059	6,059	6,059
	53,826	53,962	59,681	59,681

16. **RESERVES (Continued)**

(a) **Share premium**

The movements in the share premium of the Group and the Company are as follows:-

	Group and Company	
	2012	2011
	RM'000	RM'000
At 1 November	53,622	52,453
Premium arising from private placement	-	1,850
Share issuance expenses	-	(681)
At 31 October	53,622	53,622

The share premium is not distributable by way of dividends but may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

(b) **Merger deficit**

The merger deficit relates to the difference between the nominal value of shares issued for the purchase of subsidiaries and the nominal value of the shares acquired.

(c) **Capital reserve**

The capital reserve arose from the capitalisation of the post-acquisition profits of a subsidiary for the bonus issue of shares in prior years. This reserve is not distributable by way of dividends.

(d) **Translation reserve**

The translation reserve arose from the foreign exchange translation of the financial statements of a foreign subsidiary and is not distributable by way of dividends.

(e) **Warrant reserve**

Warrant B

The principal terms of the Warrant B - 2008/2013 are as follows:-

(a)	Tenure	5 years from the date of issuance of the Warrants.
(b)	Exercise Period	The Warrants may be exercised at any time within a period commencing from the date of issue of the Warrants and ending on the Expiry Date. Warrants not exercised during the exercise period shall thereafter lapse and cease to be valid.

16. **RESERVES (Continued)**

(e) **Warrant reserve (Continued)**

(c)	Exercise Rights	Each Warrant entitles the holder to subscribe for 1 new ordinary share of RM0.50/- each (“Share”) in SBGB at the Exercise Price at any time during the Exercise Period.
(d)	Exercise Price	RM0.90/- payable in full in respect of each Share upon exercise of the Warrant or any such price adjusted in accordance with the terms and conditions set out in the Deed Poll governing the Warrants.
(e)	Expiry Date	24 February 2013, being the date of the end of the 5th anniversary from the date of issue of the Warrants and if that date does not fall on a Market Day, then it shall be the immediate preceding Market Day.
(f)	Rights of Warrants	The Warrant holders are not entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of the allotment of the new Shares in SBGB arising from the exercise of their Warrants.
(g)	Ranking of the SBGB new Shares	The new SBGB Shares to be issued pursuant to the exercise of the Warrants shall, upon issue and allotment rank pari passu in all respects with existing SBGB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of the allotment of new Shares arising from the exercise of Warrants.
(h)	Listing	Approval-in-principle has been obtained from Bursa on 4 January 2010 for the admission of the Warrants to the Official List of Bursa and for the listing of and quotation for the Warrants and the new SBGB Shares arising from the exercise of the Warrants on the Main Board of Bursa.
(i)	Adjustment to the Exercise Price and the number of Warrants	The exercise price of the Warrants, and the number of Warrants belonging to the Warrant holder, may from time to time be adjusted, calculated or determined by the directors in consultation with an approved merchant bank and certified by the auditor appointed by the Company, in accordance with the terms of the Deed Poll.

17. LOANS AND BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current (secured)				
Finance lease liabilities	9,873	3,298	-	-
Term loans	20,705	4,187	-	1,250
Bonds	-	4,677	-	4,677
Commercial papers	15,557	15,000	15,557	15,000
Bankers' acceptances	52,407	93,905	-	-
Bank overdrafts	84,605	5,165	-	-
	183,147	126,232	15,557	20,927
Non-current (secured)				
Finance lease liabilities	-	6,290	-	-
Term loans	-	15,448	-	-
	-	21,738	-	-
	183,147	147,970	15,557	20,927

(a) Finance lease liabilities

	Group	
	2012	2011
	RM'000	RM'000
Minimum lease payments:		
- not later than one year	10,335	3,844
- later than one year but not later than five years	-	6,766
	10,335	10,610
Less: Amount representing finance charges	(462)	(1,022)
Present value of minimum lease payment	9,873	9,588
Present value of payment by:		
Current		
- not later than one year	9,873	3,298
Non-current		
- later than one year but not later than five years	-	6,290
	9,873	9,588

The effective interest rate ranges from 7.02% - 7.50% (2011: 6.13% - 7.80%) per annum. Interest rates are fixed at the inception of the financial lease arrangements.

17. **LOANS AND BORROWINGS (Continued)**

(b) **Term loans**

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current:-				
- not later than one year	20,705	4,187	-	1,250
Non-current:-				
- later than one year but not later than five years	-	12,354	-	-
- later than five years	-	3,094	-	-
	-	15,448	-	-
	20,705	19,635	-	1,250

The details are as follows:-

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Term loan I	20,705	18,385	-	-
Term loan II	-	1,250	-	1,250
	20,705	19,635	-	1,250

(i) **Term loan I**

Term Loan I bore an effective interest rate of 1.50% per annum above the financial institution's effective cost of funds ("ECOF + 1.50%"), which is calculated on a monthly rest basis. Term Loan I is secured by:-

1) a facility agreement for RM20,000,000/- as principal instrument;
2) a corporate guarantee of the Company;
3) a specific debenture over the plant and equipment ("Bread Line") financed by the term loan; and;
4) any other security documentation as may be required by the financial institution as deemed fit.

Term Loan I is repayable in 72 monthly instalments commencing three (3) months after full drawdown or twelve (12) months from the first disbursement, whichever is earlier.

At the end of the reporting period, Term Loan I of RM20,000,000/- has not yet been fully drawndown and in accordance with the said repayment terms above, the Group is scheduled to make its first payment on 3 September 2011.

On 11 July 2011, the Group applied for deferment of payment by six (6) months as its plant and equipment had yet to be installed. The Group's application for the deferment is pending approval from the financial institution.

17. **LOANS AND BORROWINGS (Continued)**

(b) **Term loans (Continued)**

(ii) **Term loan II**

Term Loan II bore an effective interest of 1.25% per annum above the Base Lending Rate ("BLR").

Term Loan II is repayable in 6 monthly instalments commencing one (1) month from the date of the first drawdown.

(c) **Bonds**

	Group and Company	
	2012	2011
	RM'000	RM'000
Gross amount on bonds	-	5,000
Discount on bonds	-	(323)
	-	4,677
Discount on bonds		
At 1 November	(323)	(1,424)
Amortisation during the financial year	323	1,101
At 31 October	-	(323)

The principal terms of the bonds are as follows:-

Tranche	Tenure (years)	Amount
		RM'000
A	3	20,000
B	4	20,000
C	5	20,000
D	6	5,000
E	7	5,000
		70,000

(i)	Maturity	Tranche A, B, C and D have been fully settled in prior years. Tranche E has been fully settled during the financial year.
(ii)	Coupon rate	Interest at 3.5% per annum shall be payable semi-annually commencing 6 months from the date of the first issue until final maturity of the respective tranches.
(iii)	Security	Assignment over the Designated Account, comprising the Debt Service Reserve Account.
(iv)	Basis of Arrangement	On a "bought deal" basis.

17. **LOANS AND BORROWINGS (Continued)**

(c) **Bonds (Continued)**

(v)	Issue and Redemption	The Serial Bonds shall be issued at a discount and redeemed at par on the respective maturities.
(vi)	Listing	The Serial Bonds will not be listed on Bursa or on any other stock exchange.

(d) **Commercial papers ("CPs")**

	Group and Company	
	2012	2011
	RM'000	RM'000
At 1 November	15,000	30,000
Drawdown during the financial year	-	270,000
Repayment during the financial year	-	(285,000)
Interest charged during the financial year	557	-
At 31 October	15,557	15,000

The principal terms of the CPs are as follows:-

(i)	Tenure/Maturity	The CPs facility is available up to seven (7) years from the date of execution of the Facility Agreements with the issuance of CPs with one (1) month to twelve (12) months maturity.
(ii)	Security	The CPs issued are unsecured in nature.
(iii)	Interest rate	The interest on CPs is recognised based on the difference between gross and net proceeds received, and amortised to the profit or loss over the period of the CPs.
(iv)	Redemption	At par on the respective maturity dates.
(v)	Ranking of notes	The notes to be issued under the CPs Facility shall constitute direct, unconditional and unsecured obligations of the Issuer and evidence the obligations of the Issuer to pay to the noteholders the sums represented thereby. The notes shall at all times rank pari passu and rateably, without discrimination, preference or priority amongst themselves, subject to priorities or rights preferred at law and will rank at least equally and rateably (pari passu) in point of priority and security with all other present and future unsecured and unsubordinated liabilities (both actual and contingent) of the Issuer.

17. **LOANS AND BORROWINGS (Continued)**

(e) **Bankers' acceptances**

The effective interest rate ranges from 4.52% - 5.11% (2011: 5.40%) per annum.

The bankers' acceptances are secured by:-

(i) a deed of debenture incorporating a first fixed charge over all the property, plant and equipment of a subsidiary, and a floating charge over all current assets, both present and future of a subsidiary;
(ii) a lien over the fixed deposits of the Group; and
(iii) a corporate guarantee of the Company.

(f) **Bank overdrafts**

The effective interest rate ranges from 7.85% - 8.06% (2011: 6.75%) per annum and are secured in the same manner as the banker's acceptances disclosed in Note 17(e) to the financial statements.

The Group and the Company have defaulted on their entire borrowings and have been served with Writ of Summons by licensed banks and financial institutions for the recovery of principal, interest and other costs as disclosed in Note 37 to the financial statements. Accordingly, the entire loans and borrowings have been reclassified to current liabilities. The penalty interest and other possible costs which may arise from the defaults cannot be ascertained at this juncture. However, a 1% penalty interest on the defaulted amounts have been provided in the financial statements.

The directors are confident that the Group and the Company will be able to amicably resolve the repayment, pending the negotiation with the creditors on the Restructuring Plan.

As at the date of this report, the Group and the Company have not carried out a proof of debt exercise to confirm the amount owing to the lenders as at 31 October 2012.

18. **DEFERRED TAXATION**

	Group	
	2012	2011
	RM'000	RM'000
At 1 November	764	-
Recognised in profit or loss (Note 24)	(764)	764
At 31 October	-	764
Representing the tax effects of:-		
Temporary differences between the net book values and the corresponding tax written down values	-	997
Other temporary differences	-	(233)
	-	764

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Trade payables	27,620	25,919	-	-
Other payables				
Other payables	19,644	2,256	1,194	44
Accruals	7,263	5,864	648	2,536
Deposit received	702	720	-	-
Amount owing to subsidiaries	-	-	16,731	59
	27,609	8,840	18,573	2,639
Total trade and other payables	55,229	34,759	18,573	2,639
Add: Loans and borrowings (Note17)	183,147	147,970	15,557	20,927
Total financial liabilities	238,376	182,729	34,130	23,566

The foreign currencies exposure profile of the trade and other payables is as follows:-

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	53,812	32,748	18,573	2,639
Singapore Dollar	1,417	724	-	-
United States Dollar	-	1,287	-	-
	55,229	34,759	18,573	2,639

(a) **Trade payables**

The normal trade credit terms granted to the Group range from 30 to 90 days (2011: 30 to 90 days).

(b) **Amount owing to subsidiaries**

Amount owing to subsidiaries is non-trade in nature, unsecured, interest-free and repayable on demand.

As at the date of this report, the Group and the Company have not carried out a proof of debt exercise to confirm the amount owing to the creditors as at 31 October 2012.

20. REVENUE

	Note	Group 2012 RM'000	Group 2011 RM'000
Continuing operations			
Bakery products		129,149	228,606
Discontinued operation			
Telecommunication products	25	682	3,462

The details of the net telecommunication revenue are as follows:-

	Group 2012 RM'000	Group 2011 RM'000
Telecommunication products:-		
- Revenue	128,512	384,139
- Cost of sales	(127,830)	(380,677)
Net revenue arising from telecommunication sales	682	3,462

21. INVESTIGATION AND ADJUSMENTS TO THE FINANCIAL STATEMENTS

The Company had on 26 February 2012 appointed PKF Advisory Sdn Bhd as the Forensic Accountants to conduct a forensic review into affairs of the Company on the basis of information and records that are made available by the Board of Directors and the management of the Company.

On 29 February 2012, the Board of Directors of the Company made an announcement on Bursa Malaysia Securities Berhad on the irregularities in the Group's financial statements for the financial year ended 31 October 2011 which were brought to the attention of the Board of Directors when the auditors expressed their concerns over the validity of certain transactions and records for which the auditors have not been able to obtain the relevant supporting evidence and satisfactory explanations from the management of the Company.

In light of the above, the Board of Directors has formed a Special Committee comprising five Non-executive Directors to oversee the operations of the Group.

According to the Forensic Accounting Review Report issued on 28 May 2012, the key areas of the financial irregularities shrouding the Company, subsidiaries and associate may be identified as below:

(i) Trade Receivables

The trade receivables of the Group have been noted to have included incorrect accounting entries that could create a false audit trail, and included the masquerading of inter-bank transfers as payments from the debtors.

(ii) Bread and Supplementary Products

Certain sale of bread and supplementary products were found not to be supported by any physical goods or complete documentation, and hence, may be deemed to exist to increase the sales figures and to possibly serve as a channel for funds as required for working capital to be brought back into the Group.

(iii) Sweetened Creamer

Purchases for sweetened creamer included sales that were not supported by any delivery of physical goods to the premises of the Group, but appear to have been contracted with back to back sales to companies suspected to be associated with the financial irregularities of the Group. These companies include those that may have served as a front for the transactions without the knowledge of the companies concerned.

(iv) Multicom Sales

The irregularities in respect of the Multicom sales are in respect of credit sales when the business was essentially cash based. Further, various credit sales created in the management accounts appear to have been replaced by two other relatively larger debtors for audit purposes.

21. **INVESTIGATION AND ADJUSMENTS TO THE FINANCIAL STATEMENTS (Continued)**

(v) Property, Plant and Equipment

The irregularities relate mainly to the lack of supporting evidence for the purchase and delivery or installation of certain items, although payments may have been made for the purported purchases. In some cases, even supplier invoices were not available for sighting. Thus, the transaction only appears as an entry entered in the accounting ledgers and which cannot be corroborated further. Other transactions appear to have been created for audit purposes as there is no account code for the transaction and there is no evidence of delivery or payments having been made in the management accounts.

(vi) KPF Quality Foods Sdn Bhd ("KPFQ")

Although it was alleged by KPFQ that numerous sales have been made to Stanson Marketing Sdn Bhd ("SMSB"), a subsidiary of Company, such transactions cannot be verified as there is no record of these transactions in the accounting records of SMSB or evidence of delivery at SMSB. Nonetheless, PKF noted that there were a number of unrecorded payments made by SMSB to KPFQ.

(vii) BK Fleet Management Sdn Bhd ("BKFM")

Certain of the trucks used by SMSB are registered in the name of SMSB and are subject to service agreements with BKFM which allow for BKFM to acquire the trucks for a nominal sum at the end of the service tenure. Further, there is evidence that some of the trucks were paid for by SMSB via hire purchase and upon the expiry of the initial service agreement, the service tenure of the agreement for these trucks was renewed for a higher net service fee, with the same option for BKFM to purchase the trucks for a nominal sum at the end of the agreement tenure.

(viii) Inventories

There is a lack of documentary evidence for certain motor spare parts, plus approximately RM986,500/- of spare parts that cannot be verified by documentary and physical evidence.

(ix) Bank Reconciliations

The bank reconciling items are numerous, including those arising from unrecorded receipts and payments.

(x) Bankers' Acceptances

Numerous sales transactions have been made, without any physical goods, for what appears to be for the purposes of refinancing and raising of bankers' acceptances.

(xi) Common Party Relationships

Some of the principal activities of the customers and supplier companies with common party relationships would not include the transactions executed with the Group. Further, the quantum of their transactions with the Group does not appear to be reasonable when compared with the figures disclosed in the reported financial statements of the respective companies.

21. **INVESTIGATION AND ADJUSMENTS TO THE FINANCIAL STATEMENTS (Continued)**

(xii) Destruction of Books and Records

Upon the financial irregularities coming to light, evidence of destroyed documents were uncovered, as were the evidence of computer file deletion and physical damage to the computer hard drive.

(xiii) Goodwill on Acquisition

Goodwill arising from the acquisition of Stanson Group Sdn Bhd ("SGSB") and its subsidiaries by the Group in 2004, is stated at cost and reviewed for impairment annually. SGSB and its subsidiaries are in net liability positions as at 31 October 2011.

Based on the Forensic Accounting Review Report, the directors made certain adjustments to the financial information for the financial year ended 31 October 2012. No prior year adjustments to the previous year comparative information were made. The details of the adjustments made by the directors in respect of the Forensic Accounting Review Report to the current year financial statements are as follows:-

Other Expenses

	Note	**Group** 2012 RM'000
Continuing operations		
Bank reconciliation adjustments		(104,936)
Impairment on:		
- goodwill		(36,730)
- investment in an associate		(2,250)
- property, plant and equipment		(89,377)
- trade receivables		(71,856)
- other receivables and deposits		(286)
Prepayments expensed off		(73)
Inventories written off		(5,731)
Payables adjustments		39,476
		(271,763)
Discontinued operation		
Impairment on trade receivables	25	(1,484)
		(273,247)

22. FINANCE COSTS

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations:-				
Interest expense:-				
- bankers' acceptances	2,463	2,072	-	-
- bank overdrafts	3,850	397	-	-
- commercial papers	1,067	1,156	897	1,156
- finance lease	560	811	-	-
- term loans	2,004	1,405	10	128
- bonds	319	195	36	195
- overdue interest	63	-	-	-
Discount on bonds	323	1,101	323	1,101
	10,649	7,137	1,266	2,580

23. (LOSS)/PROFIT BEFORE TAXATION

Other than as disclosed in Note 21 to the financial statements, the (loss)/profit before taxation have been arrived at:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations:-				
After charging:-				
Audit fee				
- current year	251	233	58	54
- prior year	(27)	6	(27)	13
Amortisation of discount on bonds	323	1,101	323	1,101
Bad debts written off	5	-	-	-
Depreciation of property, plant and equipment	10,754	22,210	-	-
Directors' fee	-	264	-	264
Directors' non-fee emoluments	796	1,534	796	1,534
Impairment loss on receivables:-				
- amount owing by subsidiaries	-	-	66,206	-
- trade receivables	4,633	819	-	-
Impairment loss on investment in subsidiaries	-	-	205,605	-
Impairment loss on property, plant and equipment	3,506	-	-	-
Inventories written off	426	-	-	-
Property, plant and equipment written off	6,095	-	-	-
Realised loss on foreign exchange	31	-	-	-
Rental of premises	7,683	7,590	-	-
Rental of truck	7,304	7,304	-	-

23. (**LOSS)/PROFIT BEFORE TAXATION (Continued)**

Other than as disclosed in Note 21 to the financial statements, the (loss)/profit before taxation have been arrived at (Continued):

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations (continued):-				
After charging (continued):-				
Staff costs:-				
- salaries, wages, allowances and bonuses	25,092	26,094	552	657
- defined contribution plan	2,153	2,477	66	81
- other benefits	1,365	1,546	2	25
And crediting:-				
Gain on disposal of property, plant and equipment	78	48	-	-
Gain on reinstatement of property, plant and equipment	3,311	-	-	-
Insurance claim	13	1,300	-	-
Interest income	393	416	342	345
Interest income from subsidiaries	-	-	698	2,452
Rental income	315	-	-	-
Realised gain on foreign exchange	-	208	-	-

24. TAXATION

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- current year	-	(61)	-	-
Deferred taxation: (Note 18)				
- current year	-	(764)	-	-
- prior year	764	-	-	-
	764	(825)	-	-

The income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated taxable profit for the fiscal year.

The corporate tax rate applicable to the Singapore subsidiary of the Group is 17%.

The reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation:				
- continuing operations	(330,724)	5,208	(275,542)	(2,978)
- discontinued operation	(4,556)	542	-	-
	(335,280)	5,750	(275,542)	(2,978)
Tax at applicable tax rate of 25%	83,820	(2,212)	68,885	745
Tax at the domestic rate applicable to profit in the countries where the Group operates	-	526	-	-
Tax effects arising from:				
- non-taxable income	4,341	117	-	86
- non-deductible expenses	(73,774)	(2,146)	(68,885)	(831)
- tax incentive and allowances	-	555	-	-
- over provision of deferred tax in prior year	764	-	-	-
- (origination)/reversal of deferred tax assets not recognised in the financial statements	(14,387)	2,335	-	-
Tax expense for the financial year	764	(825)	-	-

24. **TAXATION (Continued)**

Deferred tax assets have not been recognised in respect of the following items:-

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
(Taxable)/deductible temporary differences	(130,497)	7,640	-	-
Unutilised tax losses	85,731	11,451	-	-
Unutilised reinvestment allowances	134,273	12,871	-	-
Accelerated capital allowances	12,443	12,443	-	-
	101,950	44,405	-	-
Potential unrecognised deferred tax assets	25,488	11,101	-	-

The tax computations of the Group and the Company for the year of assessment 2011 have not been submitted to the tax authorities. Therefore, the reconciliation of income tax expenses and the deferred tax assets disclosure are based on the latest available information.

25. **DISCONTINUED OPERATION**

On 28 September 2012, the Group has ceased its telecommunication operating segment. The segment was not a discontinued operation as at 31 October 2011 and the comparative consolidated statement of comprehensive income was re-presented to show the discontinued operation separately from continuing operations. The directors committed to a plan to cease this segment during the financial year due to the strategic decision to place greater focus on the Group’s core operation, being the manufacture of consumer food.

25. **DISCONTINUED OPERATION (Continued)**

Losses attributable to the discontinued operation were as follows:

		Group	
	Note	2012 RM'000	2011 RM'000
Results of discontinued operation			
Revenue	20	682	3,462
Expenses		(5,238)	(2,920)
Results from operating activities		(4,556)	542
Tax expense		-	-
Losses for the financial year		(4,556)	542
Included in results from operating activities are:			
Audit fee		2	-
Depreciation of property, plant and equipment		28	49
Impairment on trade receivables	21	1,484	-
Rental of premises		206	200
Staff costs :-			
- salaries, wages, allowances and bonuses		1,246	1,331
- defined contribution plan		143	163
- other benefits		30	35
Included in results from financing activities are:			
Banker's acceptance interest expenses		548	737

26. (LOSS)/EARNING PER ORDINARY SHARE

(a) Basic

Basis (loss)/earnings per share is calculated by dividing the net (loss)/profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year:-

	Group	
	2012	2011
Continuing operations		
Net (loss)/earnings from continuing operations attributable to owners of the Company (RM'000)	(329,960)	4,383
Weighted average number of shares ('000 units)	406,682	396,437
Basic (loss)/earnings per ordinary shares (sen)	(81.13)	1.11
Discontinued operation		
Net (loss)/earnings from discontinued operation attributable to owners of the Company (RM'000)	(4,556)	542
Weighted average number of shares ('000 units)	406,682	396,437
Basic (loss)/earnings per ordinary shares (sen)	(1.12)	0.14

(b) Diluted

The diluted (loss)/earnings per ordinary share is equal to the basic (loss)/earnings per ordinary share because the ordinary share warrants are anti-dilutive as the market value of the company's shares are lower than the exercise price of the warrants.

27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group made the following cash payments for the purchase of property, plant and equipment:-

	Group	
	2012	2011
	RM'000	RM'000
Purchase of property, plant and equipment	742	16,047
Financed by term loans	-	(4,245)
Cash payments on purchase of property, plant and equipment	742	11,802

28. DIRECTOR'S REMUNERATION

(a) The aggregate amounts of emoluments received and receivable by directors of the Group and of the Company during the financial year are as follows:-

	Group and Company	
	2012	2011
	RM'000	RM'000
Executive directors:-		
- non-fee emoluments	739	1,478
Non-executive directors:-		
- fee	-	264
- allowances	57	56
	57	320
Total	796	1,798

(b) Details of the emoluments for the directors of the Group and of the Company received/receivable for the financial year in bands of RM50,000/- are as follows:-

	Group and Company	
	2012	2011
Non-executive directors:-		
- Below RM50,000	5	6
- RM50,001 - RM100,000	1	1
Executive directors:-		
- RM400,001 - RM450,000	1	1
- RM1,050,001 - RM1,100,000	1	1

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) During the financial year under review, the significant related party transactions and their relationship with the Company and its subsidiaries are as follows:-

	Company	
	2012	2011
	RM'000	RM'000
Interest income from subsidiaries:		
- Standard Confectionery Sdn Bhd	453	1,604
- Stanson Marketing Sdn Bhd	245	848

The directors of the Company are of the opinion that the above transactions have been entered into the normal course of business and the terms are no less favourable than those arranged with third parties.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Directors:				
- fees	-	264	-	264
- remuneration	739	1,478	739	1,478
- others	57	56	57	56
	796	1,798	796	1,798
Other key management personnel:				
- remuneration	787	1,344	346	449
	1,583	3,142	1,142	2,247

30. OPERATING SEGMENTS

Business segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as it chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group's operating businesses are classified according to the nature of activities as follows:-

- Manufacturing and distribution of bakery products segment; and
- Distribution of telecommunication products segment.

The Group Executive Committee assesses the performance of the operating segments based on operating profit or loss which is measured differently for those disclosed in the consolidated financial statements.

The Group financing (including finance costs) and income taxes are managed in a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

30. **OPERATING SEGMENTS (Continued)**

Segment revenue, expenses and results include between segments. Except as disclosed in the Note 21 to the financial statements, the prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside the economic entity and are at arm's length. These transfers are eliminated on consolidation.

	Manufacturing and Distribution of Consumer Food RM'000	**Distribution of Tele-communication Products (Discontinued)** RM'000	**Others** RM'000	**Group** RM'000
2012				
REVENUE				
External revenue	129,149	682	-	129,831
Inter-segment revenue	99,431	-	-	99,431
Total revenue	228,580	682	-	229,262
RESULTS				
Segment results	(34,960)	(2,497)	(2,845)	(40,302)
Interest income	51	-	341	392
Other items of income	4,243	-	-	4,243
Depreciation of property, plant and equipment	(10,749)	(28)	(5)	(10,782)
Other non-cash expenses	(276,150)	(1,484)	-	(277,634)
	(317,565)	(4,009)	(2,509)	(324,083)
Finance costs				(11,197)
Income tax expense				764
Consolidated loss after taxation				(334,516)
ASSETS				
Segment assets	108,968	7	7,909	116,884
Tax refundable				436
Consolidated total assets				117,320
LIABILITIES				
Segment liabilities	219,992	936	17,448	238,376
Provision for taxation				173
Consolidated total liabilities				238,549

30. **OPERATING SEGMENTS (Continued)**

	Manufacturing and Distribution of Consumer Food RM'000	Distribution of Tele-communication Products (Discontinued) RM'000	Others RM'000	Group RM'000
2011				
REVENUE				
External revenue	228,606	3,462	-	232,068
Inter-segment revenue	145,898	-	-	145,898
Total revenue	374,504	3,462	-	377,966
RESULTS				
Segment results	35,749	1,328	(3,214)	33,863
Interest income	71	-	345	416
Other items of income	2,423	-	-	2,423
Depreciation of property, plant and equipment	(22,210)	(49)	-	(22,259)
Other non-cash expenses	(819)	-	-	(819)
	15,214	1,279	(2,869)	13,624
Finance costs				(7,874)
Income tax expense				(825)
Consolidated profit after taxation				4,925
ASSETS				
Segment assets	363,296	23,972	9,274	396,542
Investment in an associate				300
Tax refundable				247
Consolidated total assets				397,089
LIABILITIES				
Segment liabilities	152,242	6,936	23,551	182,729
Deferred taxation				764
Provision for taxation				173
Consolidated total liabilities				183,666

Geographical information

	Revenue		Non-current assets	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysia	107,572	210,834	97,305	239,631
Singapore	22,259	21,234	-	340
	129,831	232,068	97,305	239,971

31. COMMITMENT

(a) Capital commitment

Capital expenditure as at the reporting date is as follows:-

	Group 2012 RM'000	Group 2011 RM'000
Approved but not contracted for:		
- Property, plant and equipment	-	2,990

(b) Operating lease commitments - as lessee

The Group had on 2006 entered into a sale and leaseback arrangement with Amanah Raya Berhad for a freehold industrial property comprising a land with a factory building, an office building and a warehouse. The lease has a tenure of 10 years with an option to renew the lease for another 5 years.

The future minimum lease payments under the non-cancellable operating leases at the reporting date are as follows:-

	Group 2012 RM'000	Group 2011 RM'000
Not later than one year	8,451	12,286
Later than one year and not later than five years	23,995	32,734
Later than five years	-	-
	32,446	45,020

32. CONTINGENT LIABILITIES

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees given to secure banking facilities granted to certain subsidiaries	-	-	206,448	206,222
Legal claim on a material litigation (Note 37)	24,322	-	24,322	-

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximately their fair value except for the following:-

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Group				
Finance lease liabilities	9,873	9,873	9,588	8,987
Company				
Loan to subsidiaries	-	-	58,006	38,934
Corporate guarantee	206,448	*	206,222	*

* The fair value of the contingent liability is estimated to be minimal as the subsidiaries are expected to fulfil their obligations to repay their borrowings.

The following summarises the methods used to determine the fair value of the financial instruments:-

(i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair value due to the relatively short-term maturity of the financial instruments.

(ii) The fair value of finance lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

33. **FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

(b) **Fair Value Hierarchy**

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:-

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date therefore the fair value hierarchy is not presented.

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group’s and the Company’s exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) **Credit risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposures to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Other than the adjustments made in respect of the forensic audit findings as disclosed in Note 21 to the financial statements, the Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

(i) **Credit risk (Continued)**

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by seven (7) customers which constituted approximately 64% of its total trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 12 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions with no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are past due or impaired is disclosed in Note 12 to the financial statements.

(ii) **Liquidity risk**

During the financial year, the Group and the Company incurred net losses amounting to RM334,516,000/- and RM275,542,000/- and recorded negative operating cash flows of RM41,738,000/- and RM4,348,000/- respectively. As at 31 October 2012, the Group’s and the Company’s current liabilities exceeded its current assets by RM218,534,000/- and RM33,820,000/- and recorded capital deficiencies of RM121,229,000/- and RM26,274,000/- respectively. The ability of the Group and the Company to continue as going concerns is dependent on the timely and successful formulation and implementation of the Proposed Regularisation Plan; the continuing support of the lenders, the Group and the Company achieving sustainable and viable operations and the Group and the Company generating adequate cash flows for its operating activities as disclosed in Note 2 to the financial statements.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period).

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

(ii) **Liquidity risk (Continued)**

Group	Effective interest rate %	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within one year RM'000	One to five years RM'000	Over five years RM'000
2012						
Trade payables	-	27,620	27,620	27,620	-	-
Other payables and accruals	-	27,609	27,609	27,609	-	-
Finance lease liabilities	7.02 - 7.50	9,873	10,335	10,335	-	-
Term loans	8.10	20,705	20,705	20,705	-	-
Commercial papers	3.50	15,557	15,557	15,557	-	-
Bankers' acceptances	4.52 - 5.11	52,407	52,407	52,407	-	-
Bank overdrafts	7.85 - 8.60	84,605	84,605	84,605	-	-
		238,376	238,838	238,838	-	-
2011						
Trade payables	-	25,919	25,919	25,919	-	-
Other payables and accruals	-	8,840	8,840	8,840	-	-
Hire purchase payables	6.29	9,588	10,610	3,844	6,766	-
Term loans	6.29	19,635	24,329	5,738	15,386	3,205
Bonds	6.13 - 7.80	4,677	5,000	5,000	-	-
Commercial papers	3.50	15,000	15,000	15,000	-	-
Bankers' acceptances	5.40	93,905	93,905	93,905	-	-
Bank overdrafts	6.75	5,165	5,165	5,165	-	-
		182,729	188,768	163,411	22,152	3,205

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

(ii) **Liquidity risk (Continued)**

Company	Effective interest rate %	Carrying amount RM'000	Contractual undiscounted cash flows RM'000	Within one year RM'000	One to five years RM'000
2012					
Other payables and accruals	-	1,842	1,842	1,842	-
Amount owing to subsidiaries	-	16,731	16,731	16,731	-
Commercial papers	3.50	15,557	15,557	15,557	-
		34,130	34,130	34,130	-
2011					
Other payables and accruals	-	2,580	2,580	2,580	-
Amount owing to subsidiaries	-	59	59	59	-
Term loans	6.13	1,250	1,250	1,250	-
Bonds	3.50	4,677	5,000	5,000	-
Commercial papers	3.40	15,000	15,000	15,000	-
		23,566	23,889	23,889	-

(iii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

The information on maturity dates and effective interest rate of financial assets and liabilities are disclosed in their respective notes.

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

(iii) **Interest rate risk (Continued)**

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Company and the Group do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("BP") in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss/Equity	
	100bp decrease RM'000	100bp increase RM'000
2012		
Group		
Variable rate instruments	1,053	(1,053)
Company		
Variable rate instruments	-	-
2011		
Group		
Variable rate instruments	1,384	(1,384)
Company		
Variable rate instruments	198	(198)

(iv) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

A subsidiary operating in Singapore has assets and liabilities together with expected cash flows from anticipated transactions denominated in its functional currency that reduce its exposure to foreign exchange.

Where the Group's operations are overseas, the funding is sourced from that local currency in which the operations are carried out to hedge against any foreign currency fluctuation.

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

(iv) **Foreign currency risk (Continued)**

The Group's exposure to foreign currency risk, based on carrying amounts as at the reporting date are as follows:-

	Denominated in :-	
2012	**United States Dollar**	**Singapore Dollar**
	RM'000	RM'000
Trade and other receivables	122	5,161
Trade and other payables	-	(1,417)
Cash and Bank Balances	-	207
	122	3,951

	Denominated in :-	
2011	**United States Dollar**	**Singapore Dollar**
	RM'000	RM'000
Trade and other receivables	125	5,552
Trade and other payables	(1,287)	(724)
Cash and Bank Balances	-	104
	(1,162)	4,932

Sensitivity analysis for foreign currency risk

A 1% strengthening of the RM against following currencies at the end of the reporting period would increase/(decrease) profit before tax as per below. This analysis assumes that all other variables remain unchanged.

	Profit before tax Increase/(Decrease)	
	2012	2011
	RM'000	RM'000
United States Dollar	1	(12)
Singapore Dollar	40	49

A 1% weakening of the RM against above currencies at the end of the reporting period would have had an equal but opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to--equity ratio is calculated as total borrowings divided by total equity.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	Group	
	2012	2011
	RM'000	RM'000
Total loans and borrowings	183,147	147,970
Equity attributable to owners of the Company	(121,130)	213,165
Debt-to-equity ratio	(1.51)	0.69

There were no changes in the Group’s approach to capital management during the financial year.

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

36. SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

(a) On 24 February 2012, the Company announced in Bursa Malaysia Securities Berhad (“Bursa”) the delay in issuance of the annual audited financial statements for the financial year ended 31 October 2011 as the Company requires more time to resolve the audit issue raised by the auditors on 22 February 2012. The Company had on 27 February 2012 suspended its share trading activities and had resumed its share trading activities on 1 March 2012 resulted on the delayed in the submission of the annual audited financial statements.

(b) On 29 February 2012, the Company announced in Bursa that Dato' Tan Han Kook, the Group Managing Director, Mr Ching Siew Cheong, the Executive Director, and Ms Lai Poh Mei, the General Manager – Accounts & Finance, have been suspended from work in the Company on full pay and benefit with effect from 24 February 2012. Their suspension is to facilitate the conduct of an internal inquiry into allegations of, amongst others, irregularities in the Company's accounts which were recently brought to the attention of the Board of Directors when the auditors expressed concerns over the validity and recording of certain transactions for which the auditors were not able to obtain the relevant supporting evidence and satisfactory explanations from the management of the Company.

The Company had on 29 February 2012 issued its annual audited financial statements for the financial year ended 31 October 2011. The main concerns expressed by the auditors are in relation to the following:

(i) The contract for the design, renovation or refurbishment to an existing warehouse and factory with a contract sum of RM10.6 million;
(ii) Payments made to an equipment supplier of RM69.0 million for up to 31 October 2011;
(iii) The sweetened creamers business segment which recorded a revenue of RM31.9 million for the financial year ended 31 October 2011;
(iv) Audit trail of all sales transactions;
(v) Common parties relationships between customers and suppliers of the Group;
(vi) Credit period for trade receivables which appeared to be unusually high;
(vii) Cash collected and payment made were cleared by the banks after more than 7 days from the balance sheet date; and
(viii) Revenue recognition in the telecommunication segment.

In light of the above, the Board of Directors has formed a Special Committee comprising five Non-Executive Directors to oversee the operations of the Group.

The Company has on 26 February 2012 appointed forensic accountants to conduct a forensic review into the alleged irregularities highlighted by the auditors of the Company on the basis of information and records that are made available by the Board of Directors and from the management of the Company.

(c) Pursuant to the Practice Note 1 ("PN1") – Default in Payment of Bursa Listing requirement, the Board of Directors of the Company had on 29 February 2012 and 1 March 2012 announced that the wholly owned subsidiary companies, namely Standard Confectionery Sdn Bhd ("SCSB"), Stanson Marketing Sdn Bhd ("SMSB") and Stanson Bakeries Sdn Bhd ("SBSB") had defaulted in payment of bank borrowings amounting to RM5,368,000/- and RM825,000/- respectively.

The Company had also announced on 29 February 2012 that the Company is deemed to be a PN17 company as the predecessor auditors of the Company have expressed a disclaimer opinion on the Company's audited financial statements for the financial year ended 31 October 2011.

(d) SMSB has on 15 March 2012 received a termination notice to terminate the Distribution Agreement (for the distribution of Maxis products) made between Maxis Mobile Services Sdn Bhd and SMSB.

(e) On 5 April 2012, the Company was unable to redeem/repay its outstanding Underwritten Commercial Papers of RM15,000,000/- ("Notes") which was issued pursuant to the Underwritten Commercial Papers and/or Medium Term Notes Facility of up to RM30,000,000/-. Facility Agreement dated 5 April 2005 between the Company, AmInvest Bank Berhad (formerly known as AmMerchant Bank Berhad) and AmBank Berhad.

(f) On 12 April 2012, an Order has been granted to SMSB by the High Court of Malaya at Kuala Lumpur pursuant to Section 176(10) of the Companies Act, 1965, to restrain any and all proceedings and/or actions and/or further proceedings in any suits and/or proceedings and/or actions against SMSB and/or in respect of SMSB and/or its assets and/or assets employed in its business, including without limitation 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 12 April 2012.

(g) On 24 May 2012, Stanson Multicom Sdn Bhd ("SMulti") entered into a Distributor Agreement ("the Agreement") with U Mobile Sdn Bhd ("U Mobile"), appointing SMulti as a non-exclusive Distributor to promote and sell prepaid packs, top-up vouchers, postpaid and prepaid USIM cards, prepaid blank USIM and other U Mobile Group products in Malaysia.

The Agreement is for a term of 36 months following the commencement date of 28 May 2012.

(h) On 28 May 2012, the Company has been presented with the Forensic Accounting Review Report by the forensic accountants. The summary of the Forensic Accounting Review Report is summaries in Note 21 to the financial statements.

(i) On 12 June 2012, the Company has defaulted in its rental payment on the lease of a Warehouse Complex erected on an industrial land held under HS(D) 232293, PT 93 Pekan Baru Hicom, Daerah Petaling, Negeri Selangor but excluding all plant and machineries for manufacturing purposes and the museum facilities installed thereon for the months of January 2012 to May 2012.

In relation thereto, CIMB Islamic Trustee Berhad has called on the entire guaranteed sum under the Bank Guarantee issued by RHB Bank Berhad for the sum of RM7,296,000/-.

(j) On 11 July 2012, the Company had received a notice of demand from OSK Trustees Bhd, the trustee for the holders of the underwritten Commercial Papers and Medium Term Notes Facility of up to RM30,000,000/-, demanding the payment of RM15,000,000/- 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.

(k) On 13 July 2012, further to the announcement made by the Company on 12 April 2012 in respect of the Restraining Order under Section 176(10) of the Companies Act, 1965 granted by the High Court of Malaya to SMSB, the Company announced that the High Court has granted an extension of the Restraining Order under Section 176(10) of the Companies Act, 1965 in Malaysia for a period of ninety (90) days from 12 July 2012.

(l) On 2 August, 2012, the Company announced that the Company 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 via its solicitors, demanding for the payment of RM78,492,350/-.

(m) On 14 August 2012, the Company announced that an Orders have been granted by the High Court of Malaya at Kuala Lumpur on 14 August 2012 pursuant to Section 176(10) of the Companies Act, 1965 in Malaysia, 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 and/or in respect of the Company 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.

(n) On 6 September 2012, the Board of Directors of the Company announced that the Company proposes to undertake the Proposed Regularisation Plan to regularise the financial position of the Company by KAF Investment Bank Berhad. Further details of the Proposed Regularisation Plan are stipulated in the Note 38 to the financial statements.

(o) On 28 September 2012, the Company announced that further to the announcement made by the Company on 25 May 2012 in respect of the Distribution Agreement entered into between U Mobile Sdn Bhd and SMulti, SMulti has on 28 September 2012 ceased as the non-exclusive distributor of U Mobile by mutual consent.

(p) On 12 October 2012, further to the announcement made by the Company on 13 July 2012 in respect of the Restraining Order under Section 176(10) of the Companies Act, 1965 granted by the High Court of Malaya to SMSB, the Company announced that the High Court has granted an extension of the Restraining Order under Section 176(10) of the Companies Act, 1965 in Malaysia for a period of ninety (90) days from 12 July 2012.

(q) On 8 November 2012, further to the announcement made by the Company on 14 August 2012 in respect of the Restraining Order under Section 176(10) of the Companies Act, 1965 granted by the High Court of Malaya to the Company and SCSB, the Company announced that the High Court has granted an extension of the Restraining Order under Section 176(10) of the Companies Act, 1965 in Malaysia for a period of ninety (90) days from 13 November 2012.

(r) On 8 January 2013, further to the announcement made by the Company on 12 October 2012 in respect of the Restraining Order under Section 176(10) of the Companies Act, 1965 granted by the High Court of Malaya to SMSB, the Company announced that the High Court has granted an extension of the Restraining Order under Section 176(10) of the Companies Act, 1965 in Malaysia for a period of sixty (60) days from 11 January 2013.

36. **SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS (Continued)**

(s) On 7 February 2013, further to the announcement made by the Company on 8 November 2012 in respect of the Restraining Order under Section 176(10) of the Companies Act, 1965 granted by the High Court of Malaya to the Company and SCSB, the Company announced that the High Court has granted an extension of the Restraining Order under Section 176(10) of the Companies Act, 1965 in Malaysia for a period of ninety (90) days from 11 February 2013.

(t) On 14 February 2013, the Company has submitted an application to Bursa seeking its approval for an extension of time of two months up to 30 April 2013 to submit the Proposed Regularisation Plan.

37. **MATERIAL LITIGATIONS**

(a) A suit was initiated by Malaysia Building Society Berhad ("MBSB") against a wholly-owned subsidiary, Standard Confectionery Sdn Bhd ("SCSB") and the Company ("SBGB") vide a writ of summons dated 24 May 2012 for a sum of RM19,635,638/- as at 31 March 2012 with continuing interest thereon and costs. The claim against SCSB is in respect of a loan granted by MBSB to SCSB and that against SBGB is predicated on a corporate guarantee dated 16 August 2010 which SBGB has executed in favour of MBSB as security for the said loan. In view of the SBGB Restraining Order and similar orders obtained by SCSB pursuant to Section 176 (10) of the Companies Act, 1965 in Malaysia ("the SCSB Restraining Order"), MBSB had on 23 November 2012 withdrawn the suit with liberty to file afresh and with no orders as to costs.

(b) A suit was initiated by AmIslamic Bank Berhad ("AmIslamic") against SCSB and SBGB vide a writ of summons dated 4 June 2012 for a sum of RM4,503,106/- as at 9 April 2012 with continuing interest thereon and costs. The claim against SCSB is in respect of hire purchase facilities extended by AmIslamic to SCSB and that against SBGB is predicated on corporate guarantees dated 29 April 2010 and 25 May 2010 which SBGB has executed in favour of AmIslamic as security for the said hire purchase facilities. AmIslamic has filed an application to enter summary judgment against SCSB and SBGB. In view of the SBGB Restraining Order and the SCSB Restraining Order, the hearing of the summary judgment application has been adjourned to 18 February 2013 for parties to update the Court on the status of SBGB's proposed restructuring plan.

(c) A suit commenced vide a writ of summons dated 27 July 2012, Ching Siew Cheong, a former executive director of SBGB, claims RM90,000/- being three months' salary due and owing, RM600,000/- as damages for the alleged wrongful termination of his employment as a director of SBGB, RM2,000,000/- being losses allegedly suffered from a force selling of his shares in SBGB, damages to be assessed for alleged slander and costs. SBGB has filed its defence to the action. In view of the SBGB Restraining Order, the court has fixed the action for case management on 21 February 2013.

(d) A suit was initiated by SBGB, and the wholly owned subsidiaries, Stanson Marketing Sdn Bhd ("SMSB") and SCSB, vide a writ dated 1 August 2012, SBGB, SMSB and SCSB collectively claim a sum of RM125,027,344/- as special damages, general damages, punitive and aggravated damages in respect of the financial irregularities in the Company, SMSB and SCSB. The suit is now fixed for full trial on 14 March 2013, 15 March 2013, 21 March 2013, 22 March 2013, 4 April 2013 and 5 April 2013. In the event the suit is unsuccessful in whole or in part, SBGB, SCSB and SMSB may be liable for costs to each of the defendants or such of the defendants who have successfully defended the case against them.

(e) A suit was initiated by KPF Quality Foods Sdn Bhd ("KPFQ") against SMSB vide a writ dated 30 August 2012 for a sum of RM24,322,145/-, being the monies allegedly owing in respect of food products allegedly supplied by KPFQ to SMSB at the request of SMSB, interest thereon and costs. The said food products were allegedly delivered to SMSB by Asia Food Link Sdn Bhd and Violet Bonanza Sdn Bhd. KPFQ has filed an application to enter summary judgement and the said application is fixed for hearing on 29 January 2013.

(f) A suit was initiated by BK Fleet Management Sdn Bhd ("BKFM") against SMSB vide a writ dated 30 January 2013 for a sum of RM6,526,218/- as at 31 December 2012 with continuing interest thereon and costs. The claim against SMSB is in respect of amount owing and due to BKFM. In view of the SMSB Restraining Order, the court has fixed the action for case management on 7 February 2013.

38. PROPOSED REGULARISATION PLAN ("PRP")

The Company had on 29 February 2012, announced that it is an affected listed issuer pursuant to Practice Note 17 and Practice Note 1 of the Listing Requirement of Bursa Malaysia Securities Berhad.

In this regard, the Company's advisor, KAF Investment Bank Berhad had on 6 September 2012, on behalf of the Company's Board of Directors submitted to the Bursa Malaysia Securities Berhad the following proposals to regularise its financial condition:-

1) Proposed capital reduction involving the reduction of the par value of each existing ordinary share of SBGB from RM0.50 each to RM0.01 each by way of cancellation of RM0.49 of the par value of each existing ordinary share of SBGB pursuant to section 64(1) of the Companies Act, 1965 ("Proposed Capital Reduction");

2) Proposed consolidation involving the consolidation of every ten (10) ordinary shares of RM0.01 each in SBGB after the proposed capital reduction into one (1) new share in SBGB of RM0.01 par value each ("Proposed Consolidation");

3) Proposed reduction of the balance accumulated losses in the Company after the Proposed Capital Reduction and Proposed Consolidation by way of setting off the accumulated losses against the credit arising from a reduction of the share premium account pursuant to Section 60 and 64 of the Companies Act, 1965 and a cancellation of the warrant reserve account ("Proposed Reserves Reduction");

4) Proposed settlement of the debts owing to creditors of SBGB, Standard Confectionery Sdn Bhd and Stanson Marketing Sdn Bhd under a debt restructuring exercise pursuant to Section 176 of the Companies Act, 1965;

38. **PROPOSED REGULARISATION PLAN ("PRP") (Continued)**

5) Proposed re-anounceable two-call rights issue of 894,699,740 new ordinary shares of RM0.10 each in SBGB ("Rights shares") on the basis of twenty two (22) right shares for every SBGB shares held, together with 894,699,740 free detachable new warrants ("rights warrants") on the basis of one (1) rights warrant for every one (1) rights share subscribed, on an entitlement date to be determined later ("Proposed Rights Issue with Warrants");

6) Proposed amendments to the memorandum & article of association of SBGB to facilitate the change in the par value of SBGB shares pursuant to the proposed capital reduction and the issuance of redeemable preference shares pursuant to the Proposed Debt Settlement ("Proposed Amendments"); and

7) Proposed winding up of the Company's subsidiaries namely Inforaire Sdn Bhd, Stanson Distribution Sdn Bhd, Stanson Group Sdn Bhd, Madeleine Café Sdn Bhd, Medeleine Bakery Sdn Bhd, Medeleine Foods Sdn Bhd and Medeleine Property Sdn Bhd ("Proposed Liquidation of Subsidiaries").

The PRP is subject to the following approvals from the following parties:-

i) Bursa Malaysia Securities Berhad on the following:
   - The PRP;
   - Listing of and quotation of the Debt Settlement Shares and Debt Settlement Warrants and the new SBGB Shares to be issued pursuant to the exercise of the Rights Warrants; and
   - Listing of and quotation for the Debt Settlement Shares and Debt Settlement Warrants and the new SBGB Shares to be issued pursuant to the exercise of the Debt Settlement Warrants;

ii) Controller of Foreign Exchange, Bank Negara Malaysia for the issuance of the Rights Warrants and Debt Settlement Warrants to any non-resident;

iii) Shareholders of SBGB for the PRP at an extraordinary general meeting of the Company to be convened;

iv) Approval of the Scheme Creditors of the Proposed Debt Settlement at meetings to be convened pursuant to an order of the High Court of Malaya;

v) High Court of Malaya for the Proposed Capital Reduction and reduction of the share premium account;

vi) Ministry of International Trade and Industry for any resultant change in equity structure of the Company; and

vii) Other relevant authorities as may be necessary from any governmental or regulatory body having jurisdiction over the Company.

39. **BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2011 ISSUED BY THE PREDECESSOR AUDITORS**

The predecessor auditor had in its audit report dated 28 February 2012 expressed a disclaimer of opinion on the statutory financial statements for the financial years ended 31 October 2011. The extract of the basis for disclaimer of opinion is as follows:

1. *During the course of our audit for the financial year ended 31 October 2011, we expressed concerns to the Audit Committee and the Board of Directors over the validity and recording of certain transactions for which we were not able to obtain the sufficient and appropriate audit evidence and satisfactory explanations from management, the details of the said transactions, as disclosed in Note 21 to the financial statements, are as follows:-*

   (i) The capital work-in-progress of the Group under property, plant and equipment, includes payments made amounting to approximately RM7.6 million to a third party for the design, renovation and refurbishment of the existing warehouse and factory. We have not been able to verify the veracity of the payments made. In addition,we have not been able to obtain all the information required to verify the additions of plant and equipment amounting to RM4.9 million;

   (ii) 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 respectively were recorded for this segment in the profit or loss. We have not been able to verify the veracity of the transactions for this segment which were undertaken with five (5) customers; and

   (iii) We have not been able to verify the veracity of sales 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 amounting to RM149.0 million included in profit or loss. The said amount includes gross telecommunication sales of RM83.9 million.

2. *The matters referred to in paragraph 1(i) to (iii) above cast a significant doubt on the financial performance and position of the Group. We have not been able to obtain all the necessary information and explanations required for the review of impairment of the following assets of the Group as included in the Consolidated Financial Position as at 31 October 2011:-*

   (i) the carrying amount of property, plant and equipment of the Group of RM195.4 million; and

   (ii) the carrying amount of intangible assets of the Group of RM36.7 million.

3. *We have not been able to obtain all the necessary information and explanations required for the review of the recoverability of the carrying amount of the trade receivables of the Group as at 31 October 2011 for those trade receivables mentioned in 1(ii) and 1(iii) above amounting to approximately RM31.9 million and RM35.9 million, respectively;*

39. **BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2011 ISSUED BY THE PREDECESSOR AUDITORS (Continued)**

4. The following items required for our audit remain outstanding at the date of this report, and therefore may be subject to adjustments:-

(i) Sales transaction data for five (5) customers in the sweetened creamer segment, four (4) customers in the bakery segment and two (2) customers in the telecommunication segment;

(ii) Confirmation of balances that have not been received from the following third parties in relation to the amounts included in the Statement of Financial Position as at 31 October 2011:-

(a) the carrying amount of cash and bank balances of the Group of RM1.3 million;
(b) the carrying amount of short-term deposits with financial institution of the Group and of the Company of RM1.1 million;
(c) the carrying amount of bonds of the Group and of the Company of RM5.0 million;
(d) the carrying amount of commercial papers of the Group and of the Company of RM15.0 million;
(e) the carrying amount of hire purchase payables of the Group of RM5.1 million;
(f) the carrying amount of term loans of the Group of RM18.4 million; and
(g) the carrying amount of certain trade receivables of the Group of RM25.1 million.

5. In view of the matters referred to above, we have not been able to obtain sufficient appropriate audit evidence to ascertain the following:-

(i) impairment to the carrying amounts of the investment in subsidiaries and loans to subsidiaries of the Company of RM205.6 million and RM58.0 million respectively; and

(ii) the appropriateness of the preparation of the financial statements of the Group and of the Company on a going concern basis."

SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and of the Company as at 31 October 2012 are as follows:-

	Group		**Company**	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Total accumulated losses:				
- realised	(378,297)	(43,374)	(289,296)	(13,754)
- unrealised	-	(764)	-	-
	(378,297)	(44,138)	(289,296)	(13,754)

The determination of realised and unrealised profits is based on Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

ANALYSIS OF SHAREHOLDINGS
AS AT 28 FEBRUARY 2013

A. Authorised Share Capital : RM500,000,000-00
Issued and Fully Paid-Up : RM203,340,852-00
Class of Shares : Ordinary shares of RM0-50 each
Voting Right : Every member of the Company, present in person or by proxy, shall have on a show of hands one (1) vote or on poll, one (1) vote for each share held

B. Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	192	6.93	10,212	0.00
100 – 1,000	276	9.96	145,690	0.04
1,001 – 10,000	981	35.40	5,445,682	1.34
10,001 – 100,000	1,018	36.74	42,785,315	10.52
100,001 – 20,334,084	301	10.86	178,670,166	43.93
20,334,085 & above	3	0.11	179,624,639	44.17
Total	**2,771**	**100.00**	**406,681,704**	**100.000**

C. Substantial Shareholders' Shareholdings

Substantial Shareholders	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares Held	%	No. of Shares Held	%
Lembaga Tabung Haji	90,252,306	22.19	0	0
Rantau Embun Sdn Bhd	37,730,000	9.28	0	0
Berjaya Capital Berhad	0	0	(1) 42,730,000	10.51
Bizurai Bijak (M) Sdn Bhd	0	0	(2) 42,730,000	10.51
Juara Sejati Sdn Bhd	0	0	(3) 58,330,000	14.34
Berjaya Group Berhad	0	0	(3) 58,330,000	14.34
Berjaya Corporation Berhad	0	0	(4) 58,330,000	14.34
Tan Sri Dato' Seri Vincent Tan Chee Yioun	2,670,000	0.66	(5) 67,875,000	16.69
Koperasi Permodalan Felda Malaysia Berhad	51,642,333	12.70	0	0

(1) *Deemed interested by virtue of interest in Inter-Pacific Capital Sdn Bhd and 100% interest in Rantau Embun Sdn Bhd.*
(2) *Deemed interested by virtue of interest in Berjaya Capital Berhad, the holding company of Rantau Embun Sdn Bhd and Inter-Pacific Capital Sdn Bhd.*
(3) *Deemed interested by virtue of interest in Berjaya Capital Berhad, the holding company of Rantau Embun Sdn Bhd and Inter-Pacific Capital Sdn Bhd, and Berjaya Land Berhad, the holding company of Selat Makmur Sdn Bhd.*
(4) *Deemed interested by virtue of 100% equity interest in Berjaya Group Berhad.*
(5) *Deemed interested by virtue of interest in Berjaya Corporation Berhad, the ultimate holding company of Rantau Embun Sdn Bhd, Selat Makmur Sdn Bhd and Inter-Pacific Capital Sdn Bhd and HQZ Credit Sdn Bhd, the ultimate holding company of Premier Merchandise Sdn Bhd.*

D. Directors' Shareholdings

Directors	Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%
Richard George Azlan bin Abas	404,933	0.10	0	0

E. Thirty (30) Largest Shareholders

No.	Name of Shareholders	No. of Share Held	%
1	Lembaga Tabung Haji	90,252,306	22.19
2	Koperasi Permodalan Felda Malaysia Berhad	51,642,333	12.70
3	Rantau Embun Sdn Bhd	37,730,000	9.28
4	Selat Makmur Sdn Bhd	15,600,000	3.84
5	OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd For Tan Han Kook	13,028,664	3.20
6	Nor Ashikin Binti Khamis	11,180,600	2.75
7	Premier Merchandise Sdn Bhd	9,545,000	2.35
8	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Inter-Pacific Capital Sdn Bhd	5,000,000	1.23
9	Zalaraz Sdn Bhd	4,700,000	1.16
10	OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd For Ong Hooi Siang	4,519,800	1.11
11	Kamarudin Bin Meranun	4,101,100	1.01
12	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Arsam Bin Damis	4,000,000	0.98
13	Siti Munajat Binti Md Ghazali	3,945,300	0.97
14	Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd for Anamullah S/O Hamidullah	3,030,000	0.75
15	OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd For Chai Yeng Sun	2,974,362	0.73
16	Vincent Tan Chee Yioun	2,670,000	0.66
17	Arshad Bin Ayub	2,300,000	0.57
18	Tan Ah Eng @ Tan Sing Meng	2,000,000	0.49
19	Sheik Sharufuddin Bin Sheik Mohd	1,950,000	0.48
20	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Suresh A/L Sammuggam	1,693,400	0.42
21	Ooi Thong Hock	1,550,000	0.38
22	Cheah Siew In	1,500,000	0.37
23	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Muhamad Ridzuan Premraj Bin Abdullah	1,500,000	0.37
24	Abdul Radzim Bin Abdul Rahman	1,306,000	0.32
25	Chen Swee Ning	1,284,300	0.32
26	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Ah Chye	1,094,000	0.27
27	Kuar Leong Chee	1,000,000	0.25
28	Lim Hock Joo	1,000,000	0.25
29	Cheong Tuck Meng	1,000,000	0.25
30	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Fong Kok Wai	1,000,000	0.25

SILVER BIRD GROUP BERHAD
(Company No.: 277977-X)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of SILVER BIRD GROUP BERHAD will be held at High5 Breadtown, Silver Bird Complex, Lot 72 Persiaran Jubli Perak, Seksyen 21, 40300 Shah Alam, Selangor Darul Ehsan on Friday, 26 April 2013 at 9.30 a.m. for the following purposes:

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 October 2012 together with the Reports of the Directors and Auditors thereon. — *Please refer to the Explanatory Note*

2. To re-elect the following Directors who are retiring in accordance with Article 97 of the Articles of Association of the Company:

   2.1 Dato' Seri Talaat Bin Husain — *Ordinary Resolution 1*
   2.2 Encik Richard George Azlan Bin Abas — *Ordinary Resolution 2*

3. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — *Ordinary Resolution 3*

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

4. **Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Articles of Association of the Company and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." — *Ordinary Resolution 4*

5. **Authority to continue in office as an Independent Non-Executive Director**

   "THAT authority be and is hereby given to Encik Richard George Azlan Bin Abas who has served as an Independent Non-Executive Director of the Company since 21 May 2004 and will reach the nine year term limit on 20 May 2013, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code of Corporate Governance 2012." — *Ordinary Resolution 5*

6. **Proposed Amendments to the Articles of Association of the Company**

"THAT the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix 1 attached with the Annual Report for the financial year ended 31 October 2012 be and are hereby approved." *Special Resolution*

7. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

Tai Yit Chan (MAICSA 7009143)
Te Hock Wee (MAICSA 7054787)
Company Secretaries

Shah Alam
4 April 2013

Notes :

(i) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who need not be a member/members of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar to attend and vote in his/her stead.

(ii) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy.

(iii) Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.

(v) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Silver Bird Complex, Lot 72 Persiaran Jubli Perak, Seksyen 21, 40300 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof.

(vi) In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 April 2013 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Explanatory Note

To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

Ordinary Resolution 4

Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 4, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being, for such purposes as the Directors consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting.

Ordinary Resolution 5

Authority to continue in office as an Independent Non-Executive Director

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Encik Richard George Azlan Bin Abas who has served as an Independent Non-Executive Director of the Company since 21 May 2004 and will reach the nine year term limit on 20 May 2013. Encik Richard George Azlan Bin Abas has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and the Board considers him to be independent and believes that he should be re-appointed and retained as Independent Non-Executive Director, in particular his experience and contributions to the Board..

Special Resolution

Proposed Amendments to the Articles of Association of the Company

The special resolution, if passed, will render the Articles of Association of the Company to be consistent with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing laws, rules, regulations, orders, guidelines or requirements of the relevant authorities.

APPENDIX 1

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Articles of Association of the Company are proposed to be amended in the following manner:

Article No.	Existing Articles	Amended Articles
To amend Article 2	Interpretation *New definition* *New definition*	Interpretation ***(k) Exempt Authorised Nominee** means an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.* ***The existing Article 2(k) to Article (2)(v) be renumbered as Article 2(l) to Article (2)(w).*** ***(x) Share Issuance Scheme** means a scheme involving a new issuance of shares to the employees.* ***The existing Article 2(w) to Article (2)(aa) be renumbered as Article 2(y) to Article (2)(ac).***
To amend Article 4(d)	Shares Subject to the prior approval of the members of the Company in general meeting and to the provisions of the Act and to the conditions, restrictions and limitations expressed in these Articles, the directors may allot, grant options over or otherwise dispose of the unissued share capital of the Company to such person or persons, at such time and on such terms as they think proper, PROVIDED ALWAYS THAT:	Shares Subject to the prior approval of the members of the Company in general meeting and to the provisions of the Act and to the conditions, restrictions and limitations expressed in these Articles, the directors may allot, grant options over or otherwise dispose of the unissued share capital of the Company to such persons, at such terms as they think proper, PROVIDED ALWAYS THAT:

Article No.	Existing Articles	Amended Articles
	(d) every issue of shares or options to employees and/or directors shall be approved by the members in general meeting and such approval shall specifically detail the amount of shares or options to be issued to such director.	(d) ***No Director shall participate in a Share Issuance Scheme*** unless approved by the members in general meeting and such approval shall specifically detail the amount of shares or options to be issued to such director.
To add Article 69A	*(New Provision)*	**Without prejudice to any other power which the Chairman may have under the provisions of these Articles or at common law and subject to the Act and the Listing Requirements, the Chairman may take such action as he thinks fit to promote the orderly conduct of the business of all general meetings as specified in the notice of such meetings and the Chairman's decision on matters of procedure or arising incidentally from the business of such meetings shall be final, as shall be his determination as to whether any matter is of such a nature.**
To amend Article 90	Vote of Members The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of the officer or attorney duly authorised. The directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation. If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	Vote of Members The instrument appointing a proxy ***by a member who is entitled to attend and vote at a meeting, or at a meeting of any class of members of the Company,*** shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of the officer or attorney duly authorised. The directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company and a member ***shall be entitled to appoint not more than two (2) proxies to attend and vote at a meeting of the Company. Where a Member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting shall have the same rights as the member to speak at the meeting.*** If the proxy is not a member of the Company, he need not be an advocate or an

Article No.	Existing Articles	Amended Articles
		approved company auditor or a person approved by the Registrar of Companies ***and the provision of Section 149(1)(a) and (b) of the Act shall not apply to the Company and there shall be no restriction as to the qualification of the proxy.*** The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
To add Article 90A	*(New provision)*	Exempt Authorised Nominee **Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.**
To amend Article 107	The office of director shall become vacant if the director during his term of office: (a) ceases to be a director by virtue of the Act; (b) resigns his office by notice in writing under his hand sent to or left at the Office; (c) (Deleted) (d) is removed from his office of director by ordinary resolution of the Company in general meeting of which special notice has been given; (e) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder; (f) has a Receiving Order in Bankruptcy made against him or makes any arrangement or	The office of director shall become vacant if the director during his term of office: (a) ceases to be a director by virtue of the Act; (b) resigns his office by notice in writing under his hand sent to or left at the Office; (c) is removed from his office of director by ordinary resolution of the Company in general meeting of which special notice has been given; (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder; (e) has a Receiving Order in Bankruptcy made against him or makes any arrangement or composition with his creditors generally; (f) become prohibited from being a director by reason of any order made

Article No.	Existing Articles	Amended Articles
	composition with his creditors generally; (g) become prohibited from being a director by reason of any order made under the provisions of the Act or contravenes Section 130 of the Act. (h) (Deleted)	under the provisions of the Act or contravenes Section 130 of the Act; or **(g) is absent for more than 50% of the total board of directors' meetings held during a financial year, except when an exemption or waiver is obtained from the Exchange.**

-end-

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

FORM OF PROXY

No. of Shares held	

I/We ....
(Full Name in Capital Letters)

of..
(Full Address)

being a member(s) of **Silver Bird Group Berhad** hereby appoint ....
(Full Name in Capital Letters)

of ....
(Full Address)

or failing him/her, ...
(Full Name in Capital Letters)

of ....
(Full Address)

or failing him/her, *the Chairman of the Meeting as my/our proxy(ies), to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at High5 Breadtown, Silver Bird Complex, Lot 72 Persiaran Jubli Perak, Seksyen 21, 40300 Shah Alam, Selangor Darul Ehsan on Friday, 26 April 2013 at 9.30 a.m. and at any adjournment thereof.

My/our proxy/proxies is/are to vote as indicated below:

No.	Resolutions		For	Against
1.	To re-elect Dato' Seri Talaat Bin Husain as Director	Ordinary Resolution 1		
2.	To re-elect Encik Richard George Azlan Bin Abas as Director	Ordinary Resolution 2		
3.	To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company	Ordinary Resolution 3		
	Special business			
4.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965	Ordinary Resolution 4		
5.	Authority for Encik Richard George Azlan Bin Abas to continue in office as an Independent Non-Executive Director	Ordinary Resolution 5		
6.	Proposed Amendments to the Articles of Association of the Company	Special Resolution		

(Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

Signed this _________ day of _______________ , 2013

____
Signature of Shareholder

**Strike out whichever not applicable*

For appointment of two proxies, the shareholdings to be represented by the proxies:	
Proxies	*% of shares*
Proxy 1	
Proxy 2	
Total	100%

Notes:

(i) *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who need not be a member/members of the Company, an advocate, an approved Company auditor, or a person approved by the Registrar to attend and vote in his/her stead.*

(ii) *A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy.*

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(iv) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.*

(v) *The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Silver Bird Complex, Lot 72 Persiaran Jubli Perak, Seksyen 21, 40300 Shah Alam, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof.*

(vi) *In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 April 2013 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

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Then fold here

AFFIX
STAMP

The Company Secretary

SILVER BIRD GROUP BERHAD
(277977-X)

Lot 72, Persiaran Jubli Perak
Seksyen 21, 40300 Shah Alam
Selangor Darul Ehsan

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