

# SINORA INDUSTRIES BERHAD

(Company No : 285072-M)

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2006

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### A. NOTES TO THE INTERIM FINANCIAL REPORT

#### 1. BASIS OF PREPARATION

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

The interim financial statements are unaudited and have been prepared in compliance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

#### 2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 131	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interest in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

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#### **2. CHANGES IN ACCOUNTING POLICIES (CONTD.)**

The adoption of these new/revised FRS does not have significant financial impact on the Group except for FRS 101: Presentation of Financial Statements.

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101. No comparatives are disclosed as there have been no restatements/reclassifications as a result of the adoption of FRS 101.

#### **3. COMPARATIVES**

No comparative amounts have been restated.

#### **4. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

#### **5. SEGMENTAL INFORMATION**

No segmental information is being presented.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2006.

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#### **7. CHANGES IN ESTIMATES**

The revised FRS 116: Property, Plant, and Equipment require the review of the residual value and remaining useful life of an item of property, plant, and equipment at least at each financial year end. The Group did not make any revisions as a result of FRS 116.

There were no other changes in estimates that had a material effect in the current quarter results.

#### **8. SEASONAL OR CYCLICAL FACTORS**

The Group's operations were not subject to any seasonal or cyclical changes.

#### **9. DIVIDENDS PAID**

No dividends were paid out as at 30 June 2006.

#### **10. CARRYING AMOUNT OF EQUIPMENT**

The cost of equipment has been brought without amendment from the financial statements for the year ended 31 December 2005.

#### **11. DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale, and repayments of debt and equity securities as at 30 June 2006.

#### **12. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group for the current financial quarter.

#### **13. DISCONTINUED OPERATION**

There were no discontinuing operations for the Group for the current financial quarter.

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#### **14. CAPITAL COMMITMENTS**

The amount of commitments for the purchase of property, plant, and equipment not provided for in the interim financial statements as at 30 June 2006 is as follows:

	RM'000
Approved but not contracted for oil palm plantation development (Note 16(b))	<u>31,570</u>

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

There were no changes in other contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2005.

#### **16. SIGNIFICANT EVENT**

On 30 June 2005, the Company completed the disposal of the entire equity interest in its wholly owned subsidiaries, namely Sinora Sdn. Bhd. and Innora Sdn. Bhd. to Priceworth Wood Products Berhad pursuant to the Sale of Shares Agreement dated 30 July 2004, for a total consideration of RM10,519,000. As a result of the disposals, the Company has become an "Affected Listed Issuer" pursuant to Practice 17/2005 (PN17) of the Listing Requirements of Bursa Securities and is required to submit a Regularisation Plan. In this connection, on 4 August 2005, the Company had acquired the entire issued shares in Serijaya Industri Sdn. Bhd. (SJI), a company incorporated in Malaysia, for a total consideration of RM100 for the purposes of implementing the Regularisation Plan.

On 13 January 2006, the members of the Company in an Extraordinary General Meeting, approved the implementation of the Regularisation Plan.

The current status of implementation of the Regularisation Plan is as follows:

##### **a) Log Extraction**

SJI entered into a Log Extraction Contract with a related company, Rakyat Berjaya Sdn. Bhd. (RBSB) on 26 October 2005, whereby SJI has been appointed as the contractor to cut, fell, extract, and remove commercial timber from the latter's concession area measuring 30,000 ha at the Kuamut Forest Reserve. The said concession area is to be harvested by way of helicopter logging only over a term of ten (10) years. SJI has since appointed a sub-contractor to perform logging operations on 13 January 2006. The sub-contractor has started the preparation and upgrading of roads at the concession in June 2006.

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#### 16. SIGNIFICANT EVENT

##### b) Oil Palm Plantation Development

SJI entered into an Oil Palm Plantation Development Agreement with a related company Benta Wawasan Sdn. Bhd. (BWSB) on 18 November 2005, whereby SJI has been granted permission to enter upon, occupy, and use approximately 22,763 ha of land (Development Land) located in the locality of Gunung Rara/Kalabakan, Sabah for oil palm plantation development purposes over a term of thirty (30) years or such longer period as may be approved by the Director of the Forestry Department as an oil palm plantation provided that the maximum period shall not exceed thirty eight (38) years ("Agreed Term"). SJI is expected to take vacant possession of the development land in stages between years 2006 to 2009.

Consideration payable by SJI to BWSB for the right to use the Development Land is as follows:

- i) During the period of nine (9) years commencing from the Oil Palm Plantation Commencement Date, an annual sum of RM50,000 ("Fixed Annual Payment") shall be payable;
- ii) From the tenth (10<sup>th</sup>) year from the Oil Palm Plantation Commencement Date and until the end of the Agreed Term, subject to a minimum annual sum of RM50,000, SJI shall pay a sum based on the tonnage of FFB harvested from the Development Land and sold by SJI at RM300 or less per tonne ("FFB Production Payment") based on the following rates:

<b>Period (after Oil Palm Plantation Commencement Date)</b>	<b>Rate per tonne of FFB</b>
Year 10 – 14	RM10
Year 15 – 20	RM20
Year 21 – 30	RM25
Beyond year 30	RM25

- iii) In the event SJI sells any FFB harvested from the Development Land at a selling price in excess of RM300 per tonne, SJI shall pay BWSB an additional amount equivalent to ten per centum (10%) of the said excess ("Additional Consideration").

The Company has since commenced oil palm nursery development works.

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#### **B. ADDITIONAL INFORMATION**

##### **17. PERFORMANCE REVIEW**

The Group recorded a loss of RM 0.148 million for the second quarter ended 30 June 2006. The loss was mainly attributable to the administrative expenses.

##### **18. MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The Group recorded a loss before taxation of RM 0.148 million for the current financial quarter as compared to a loss before taxation of RM 0.180 million in the preceding financial quarter.

##### **19. CURRENT YEAR PROSPECTS**

The group is currently implementing the aforementioned activities of log extraction and oil palm plantation development. Log extraction will commence in the near future, generating immediate income for the group, while nursery works have begun for the oil palm plantation development. The company will continue to incur a loss in the forthcoming quarter in respect of administration expenses which management has undertaken measures to minimize such expenses.

##### **20. PROFIT FORECAST OR PROFIT GUARANTEE**

The group has not announced any profit forecast nor issued any profit guarantee during the financial quarter.

##### **21. TAXATION**

There was no tax charge as the Group incurred a loss during the quarter.

##### **22. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sales/disposals of unquoted investments and properties during the financial quarter ended 30 June 2006.

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#### **23. QUOTED SECURITIES**

- a) There was no purchase and sales of quoted securities for the current financial year to ended 30 June 2006.
- b) There was no investment in quoted shares as at end of 30 June 2006.

#### **24. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals announced but not completed as at the date of this announcement.

#### **25. BORROWINGS**

There were no borrowings as at end of 30 June 2006.

#### **26. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instruments as at 30 June 2006.

#### **27. CHANGES IN MATERIAL LITIGATION**

There were no changes in material litigation as at 30 June 2006.

#### **28. DIVIDEND PAYABLE**

No interim ordinary dividend has been declared for the financial period ended 30 June 2006 (30 June 2005: Nil).

**SINORA INDUSTRIES BERHAD**

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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED 30 JUNE 2006****29. EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company:

	2nd QUARTER		YEAR TO DATE	
	Current Year 30 Jun 2006	Preceding Year 30 Jun 2005	Current year 30 Jun 2006	Preceding Year 30 Jun 2005
	RM'00 0	RM'000	RM'00 0	RM'000
Loss for the period from continuing operations attributable to ordinary equity holders of the parent	(148)	(180)	(581)	(343)
Profit/(loss) from discontinued operation attributable to ordinary equity holders of the parent	-	-	-	-
Loss attributable to ordinary equity holders of the parent	(148)	(180)	(581)	(343)
Weighted average number of ordinary shares in issue	100,000	100,000	100,000	100,000
Basic earnings per share for: (sen)				
Loss from continuing operations	(0.15)	(0.18)	(0.58)	(0.34)
Profit/(loss) from discontinued operation	-	-	-	-
Loss for the period	(0.15)	(0.18)	(0.58)	(0.34)



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**30. AUTHORISATION FOR ISSUE**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 22 August 2006.

**31. UTILIZATION OF SALES PROCEEDS FROM DISPOSAL OF SUBSIDIARIES**

**i) New Business Ventures**

A sum of RM8,000,000 has been reserved for the proposed oil palm plantation development. So far, the funds have not been utilised and is currently placed in fixed deposit with financial institutions.

**ii) Working Capital Requirement**

A sum of RM1,919,000 which was reserved, has been fully utilized to meet the working capital requirements of the group.

**iii) Disposal Expenses**

A sum of RM600,000, which was reserved, has been fully utilized to meet expenses in relation to the disposal of subsidiary companies in the previous financial year.

**BY ORDER OF THE BOARD**

**(PETER WONG)**  
**COMPANY SECRETARY**  
**LS 006049**

**(ERNEST D. GILIGAN)**  
**COMPANY SECRETARY**  
**LS 0008755**

# SINORA INDUSTRIES BERHAD

(Incorporated in Malaysia – 285072-M)

## Condensed Income Statement For The Quarter Ended 30 June 2006

(The figures have not been audited)

	2nd QUARTER		YEAR TO DATE	
	Current Year 30 Jun 2006	Preceding Year 30 Jun 2005	Current year 31 Jun 2006	Preceding Year 30 Jun 2005
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>				
Revenue	1,272	26,413	1,272	41,654
Cost of sales	909	25,677	909	40,348
<b>Gross profit</b>	<u>363</u>	<u>736</u>	<u>363</u>	<u>1,306</u>
Other Income	200	92	334	147
Administrative expenses	(711)	(476)	(1,278)	(863)
Finance costs	-	(532)	-	(933)
Share of profit/(loss) of associates	-	-	-	-
Share of profit/(loss) of jointly Controlled entities	-	-	-	-
<b>Loss before tax</b>	<u>(148)</u>	<u>(180)</u>	<u>(581)</u>	<u>(343)</u>
Income tax expense	-	-	-	-
<b>Profit for the period from continuing Operations</b>	<u>(148)</u>	<u>(180)</u>	<u>(581)</u>	<u>(343)</u>
Discontinued Operations				
Profit/(loss) for the period from a Discontinued operation	-	-	-	-
<b>Profit for the period</b>	<u>(148)</u>	<u>(180)</u>	<u>(581)</u>	<u>(343)</u>
Attributable to:				
Equity holders of the parent	-	-	-	-
Minority interest	-	-	-	-
	<u>(148)</u>	<u>(180)</u>	<u>(581)</u>	<u>(343)</u>
<b>Earnings per share attributable to equity holders of the parent: (sen)</b>				
Basic, for loss from continuing operations	(0.15)	(0.18)	(0.58)	(0.34)
Basic, for profit/(loss) from discontinued operations	-	-	-	-
Basic, for loss for the period	<u>(0.15)</u>	<u>(0.18)</u>	<u>(0.58)</u>	<u>(0.34)</u>
Diluted, for loss from continuing operations	N/A	N/A	N/A	N/A
Diluted, for profit/(loss) from discontinued operations	N/A	N/A	N/A	N/A
Diluted, for loss for the period	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**SINORA INDUSTRIES BERHAD**

(Incorporated in Malaysia – 285072-M)

**Consolidated Balance Sheet  
As at 30 June 2006**

	(Unaudited)	(Audited)
	As At End of Current Quarter 30 Jun 2006	As at Preceding Financial Year Ended 31 Dec 2005
	<u>RM'000</u>	<u>RM'000</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and equipment	1,375	418
	<hr/>	<hr/>
<b>Current Assets</b>		
Amount due from related companies	1,285	13
Other receivables	2,312	8,244
Tax refundable	36	36
Fixed deposits with licensed banks	22,400	23,200
Marketable security	3,510	-
Cash and bank balances	1,707	352
	<hr/>	<hr/>
	31,250	31,845
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>32,625</u>	<u>32,263</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	100,000	100,000
Retained losses	(68,444)	(67,863)
	<hr/>	<hr/>
<b>Total equity</b>	<u>31,556</u>	<u>32,137</u>
<b>Non-current liabilities</b>	-	-
<b>Current liabilities</b>		
Trade payables	909	-
Other payables	160	126
	<hr/>	<hr/>
<b>Total liabilities</b>	<u>1,069</u>	<u>126</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>32,625</u>	<u>32,263</u>

The Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

# SINORA INDUSTRIES BERHAD

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## Condensed Consolidated Cash Flow Statement For the Quarter ended 30 June 2006

	<b>6 months ended 30 June 2006 <u>RM'000</u></b>	<b>6 months ended 30 June 2005 <u>RM'000</u></b>
Net cash generated from operating activities	4,748	12,550
Net cash generated from/(used) in investing activities	(683)	(2,274)
Net cash generated used in financing activities	-	(2,046)
Net increase/(decrease) in cash and cash equivalents	4,065	8,230
Cash and cash equivalents at the beginning of financial period	<u>23,552</u>	<u>6,710</u>
Cash and cash equivalents at the end of the financial period	<u><u>27,617</u></u>	<u><u>14,940</u></u>
Cash and cash equivalents at the end of the financial period comprise cash, bank balances and marketable security	<u><u>27,617</u></u>	<u><u>14,940</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

# SINORA INDUSTRIES BERHAD

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## Condensed Statement of Changes in Equity For the Financial Quarter ended 30 June 2006

Note	Attributable to Equity Holders of the Parent							Minority Interest	Total Equity
	Non-Distributable				Distributable				
	Share Capital	Share Premium	Treasury Shares	Other Reserves	Held for Sale	Retained Losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2005</b>	100,000	-	-	13,212	-	(100,918)	12,294	-	12,294
Realisation of revaluation reserves	-	-	-	(92)	-	92	-	-	-
Loss for the period	-	-	-	-	-	(343)	(343)	-	(343)
Total recognised income and expense for the period	-	-	-	(92)	-	(251)	(343)	-	(343)
<b>At 30 June 2005</b>	100,000	-	-	13,120	-	(101,169)	11,951	-	11,951
<b>At 1 January 2006</b>	100,000	-	-	-	-	(67,863)	32,137	-	32,137
Loss for the period	-	-	-	-	-	(581)	(581)	-	(581)
<b>At 30 June 2006</b>	100,000	-	-	-	-	(68,444)	31,556	-	31,556

The condensed consolidated statement of changes in equity should be read in conjunction with the audit financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

