



NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

1. Accounting Policies

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30th June 2008. 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 financial year ended 30th June 2008.

A limited review on this Quarterly Report has been undertaken by the Company’s External Auditors.

The accounting policies and methods of computation adopted in this quarterly financial statements of the Group are consistent with those adopted in the most recent annual audited financial statements for the year ended 30th June 2008.

2. Qualification of Financial Statements

The audited report of the preceding annual financial statements was not subjected to any qualification.

3. Seasonal or Cyclical Factors

The Group’s business is not materially affected by seasonal or cyclical factors.

4. Nature and Amount of Unusual Items

There were no unusual items in the quarterly financial statement under review.

5. Nature and Amount of Changes in Estimates

There were no changes in estimates reported for quarterly financial statement under review which will have material effect.

6. Debt and Equity Securities

There were no issuances and repayment of debts and equity securities during the quarter under review.

7. Dividend paid

There were no dividend paid during the quarter under review.



8. Segmental Reporting

The Group is principally involved in the business of manufacturing and trading of confectionery and other related foodstuffs. Accordingly, information by industry segment on the Group's operations is not presented.

The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group's operations is also not presented.

9. Valuations of Property, Plant and Equipment

Other than the revaluation of properties of Khee San Berhad to determine the fair value of its net assets for incorporation at group cost, the other properties of the Group, which had been revalued were brought forward from the previous financial statements. There were no other valuations of property, plant and equipment for the financial period ended 31st December, 2008.

The revaluation surplus taken up as group cost is as follows:-

Properties	Net book value as at 31.10.08 RM'000	Revaluation value RM'000	Revaluation surplus RM'000
Factory land and building			
- Seri Kembangan	9,606	22,000	12,394
- Teluk Panglima Garang	4,826	6,270	1,444
Workers' hostel			
- Seri Kembangan	229	1,005	776
			<u>14,614</u>

10. General and Subsequent Events

There were no material events subsequent to 31st December, 2008 to the date of this quarterly report.

11. Changes in the Composition of the Group

Khee San Berhad was consolidated as a subsidiary to the Group during the current quarter under review, with effect from 1st November, 2008. Accordingly, Khee San Berhad's result were also reflected as part of the Group's result from the same effective date.

12. Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last annual balance sheet date.



13. Review of Performance

The Group (after incorporation of Khee San Berhad's result) achieved a profit after income tax after minority interest of RM2.27 million on the back of RM45.01 million in turnover. This represent an decrease of 29.72% and an increase of 41.72%, respectively, as compared with the profit after income tax of RM3.23 million and a turnover of RM31.76 million, respectively, reported in the preceding year corresponding quarter. The Group's result is within expectation.

14. Comparison with Immediate Preceding Quarter's Results

	Current Year Quarter 31/12/2008 RM'000	Immediate Preceding Quarter 30/9/2008 RM'000	% +/-
Turnover	45,007	39,028	+15.32
Profit before income tax	<u>2,746</u>	<u>3,243</u>	-15.32

The turnover (after incorporation of Khee San Berhad's result) of RM45.01 million for the current year quarter ended 31st December, 2008 as compared to a turnover of RM39.03 million achieved for the immediate preceding quarter, represent an approximate increase of 15.32%. Profit before income tax decreased by 15.32% as compared to the result of the immediate preceding quarter. The results are in line with expectations.

15. Current Year Prospects

The year ending 30 June 2009 shall be a challenging year. The Management will ensure that the Group with continue to maintain positive performance for the year ending 30th June, 2009.

16. Profit Forecast

The Company did not issue any profit forecast during this financial quarter.



17. Income tax expense

	Current Year Quarter 31/12/2008 RM'000	Current Year To Date 31/12/2008 RM'000
Income taxation:		
Current period estimates	201	223
Overprovision in prior year	(29)	(29)
Deferred taxation:		
Transferred (from)/to deferred taxation	<u>(229)</u>	<u>501</u>
	<u>(57)</u>	<u>695</u>

The income tax provision for the period is disproportionate to the statutory tax rate principally due to claims for reinvestment allowances and capital allowances.

18. Sale of Investments and/or Properties

There were no sale of long term investments and properties for the current financial quarter ended 31st December, 2008.

19. Securities

As at 31st December, 2008, the Group has the following securities in Malaysia:-

	Company		Subsidiary		Group	
	Cost RM	**Market value RM	Cost RM	**Market value/Cost RM	Cost RM	Market value RM
Quoted (in Malaysia)						
Shares in corporations	2,252,992	795,925	248,414	122,500	2,501,406	918,425
Portfolio investments in quoted shares and In money markets	1,544,725	1,544,725	-	-	1,544,725	1,544,725
	<u>3,797,717</u>	<u>2,340,650</u>	<u>248,414</u>	<u>122,500</u>	<u>4,046,131</u>	<u>2,463,150</u>
Unquoted (outside Malaysia)						
Shares in corporation	-	-	1	1	1	1
	<u>3,797,717</u>	<u>2,340,650</u>	<u>248,415</u>	<u>122,501</u>	<u>4,046,132</u>	<u>2,463,151</u>
Less : Impairment loss on investments	(1,457,067)	-	(125,914)	-	(1,582,981)	-
	<u>2,340,650</u>	<u>2,340,650</u>	<u>122,501</u>	<u>122,501</u>	<u>2,463,151</u>	<u>2,463,151</u>
Unquoted Bonds	<u>4,000,000</u>		<u>-</u>		<u>4,000,000</u>	
	<u>6,340,650</u>		<u>122,501</u>		<u>6,463,151</u>	

** Carried at lower of cost and market value.



20. Status of Corporate Proposals

Pursuant to an announcement dated 25th August, 2006 made to Bursa Malaysia, the Company is still assessing the feasibility of listing its principal subsidiary company, Kinross Food Industries (M) Sdn Bhd on the various Capital Market on the London Stock Exchange.

Other than as abovementioned, there were no corporate proposals announced but not completed at the date of this quarterly report.

21. Group Borrowings

As at 31st December, 2008

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings			
Bankers' acceptance	10,262	34,950	45,212
Revolving credits	-	25,000	25,000
Hire-purchase creditors	10,546	-	10,546
Term loans	-	50,231	50,231
Bank overdraft	6,061	10,150	16,211
	<u>26,869</u>	<u>120,331</u>	<u>147,200</u>
Long term borrowings			
Hire-purchase creditors	32,351	-	32,351
Term loans	-	43,027	43,027
	<u>32,351</u>	<u>43,027</u>	<u>75,378</u>
Total	<u>59,220</u>	<u>163,358</u>	<u>222,578</u>

22. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk at the date of this quarterly report.

23. Material Litigation

Other than as disclosed below, there was no pending material litigation against the Group as at 23rd February 2008.

There is a third party claim against a subsidiary, Khee San Food Industries Sdn Bhd, since 1982 for a commission on sales of approximately RM2 million, before interest and other costs. Based on legal advice, the directors are of the opinion that the outcome will be in favour of the subsidiary and therefore no provision is required.



24. Proposed dividend

No interim dividend is proposed for this quarter under review.

25. Earnings per share

Earnings per share is calculated by dividing the Group's profit after income tax by:-

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	CURRENT YEAR QUARTER 31/12/2008 RM	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2007 RM	CURRENT YEAR TO DATE 31/12/2008 RM	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2007 RM
Basic	Number of 78,045,000 ordinary shares	Weighted number of 77,831,008 ordinary shares	Number of 78,045,000 ordinary shares	Weighted number of 77,831,008 ordinary shares
Fully diluted	Ordinary shares in issue and issueable of 83,490,000 (inclusive of adjustment for assumed full exercise of remaining share options)	Ordinary shares in issue and issueable of 83,490,000 (inclusive of adjustment for assumed full exercise of remaining share options)	Ordinary shares in issue and issueable of 83,490,000 (inclusive of adjustment for assumed full exercise of remaining share options)	Ordinary shares in issue and issueable of 83,490,000 (inclusive of adjustment for assumed full exercise of remaining share options)

**BY ORDER OF THE BOARD
LONDON BISCUITS BERHAD**

**DATO' LIEW YEW CHUNG
(MANAGING DIRECTOR)**

Dated :