

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your ordinary shares in KBB Resources Berhad (583565-U) ("KBB" or "our Company"), you should at once hand this Abridged Prospectus together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants (as defined herein), which is the subject of this Abridged Prospectus should be addressed to our Share Registrar, Equiniti Services Sdn Bhd, Level 8, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur.

This Abridged Prospectus, together with the NPA and RSF are only despatched to our shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear on our Record of Depositors not later than 5.00 p.m. on 30 December 2013. This Abridged Prospectus together with the NPA and RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders (as defined herein) and their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither we nor M&A Securities Sdn Bhd (15017-H) ("M&A Securities") shall accept any responsibility or liability in the event that any acceptance or renunciation made by the Entitled Shareholders or their renounee(s) (if applicable) are or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

A copy of this Abridged Prospectus, together with the NPA and RSF, have been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, together with the NPA and RSF, have also been lodged with the Companies Commission of Malaysia, who takes no responsibility for the contents of these documents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at the Extraordinary General Meeting held on 22 August 2013. Approval for the issuance of the Warrants (as defined herein) to non-resident shareholders of our Company has been obtained from Bank Negara Malaysia via its letter dated 25 June 2013. Approval-in-principle has also been obtained from Bursa Malaysia Securities Berhad (635998-W) ("Bursa Securities") via its letter dated 26 June 2013 for the admission of the Warrants to the Official List of Bursa Securities and the listing of the Rights Shares (as defined herein) and new KBB Shares (as defined herein) to be issued upon exercise of the Warrants on the Main Market of Bursa Securities. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd (165570-W) that all the Central Depository System accounts of the Entitled Shareholders have been duly credited and notices of allotment have been despatched to the Entitled Shareholders. Admission of the Warrants to the Official List of Bursa Securities and quotation of the Rights Shares, Warrants and new KBB Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants.

All the documentation relating to this Rights Issue with Warrants including this Abridged Prospectus, together with the NPA and RSF, have been seen and approved by our Board of Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.

M&A Securities, being the Adviser for this Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.



BERSATU

KBB RESOURCES BERHAD

(Company No. 583565-U)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 120,000,000 NEW ORDINARY SHARES OF RM0.15 EACH IN KBB ("RIGHTS SHARES") TOGETHER WITH UP TO 120,000,000 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING ORDINARY SHARE OF RM0.15 EACH IN KBB TOGETHER WITH ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED AT 5.00 P.M. ON 30 DECEMBER 2013 AT AN ISSUE PRICE OF RM0.18 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE

Adviser



M&A SECURITIES SDN BHD (15017-H)

(A Wholly-Owned Subsidiary of Insas Berhad)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:

Entitlement Date	: Monday, 30 December 2013, at 5.00 P.M.
Last date and time for sale of provisional allotment of rights	: Tuesday, 7 January 2014, at 5.00 P.M.
Last date and time for transfer of provisional allotment of rights	: Friday, 10 January 2014, at 4.00 P.M.
Last date and time for acceptance and payment	: Thursday, 16 January 2014, at 5.00 P.M.*
Last date and time for excess application and payment	: Thursday, 16 January 2014, at 5.00 P.M. *

* or such later date and time as our Directors may determine and announce not less than two (2) Market Days (as defined herein) before the stipulated date and time.

This Abridged Prospectus is dated 30 December 2013

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSON SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

DEFINITIONS

Except where the context otherwise requires, the following definitions and abbreviations shall apply throughout this Abridged Prospectus, NPA and RSF:

Abridged Prospectus	:	This Abridged Prospectus issued by KBB dated 30 December 2013
Act	:	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
Amendments to the MA	:	Amendments to the MA to effect the Par Value Reduction
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CDS	:	Central Depository System
CDS Account(s)	:	A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depositories) Act, 1991 and the rules of Bursa Depository for the recording of deposits or withdrawal of securities and dealings in such securities by the depositor
Code	:	Malaysian Code on Take-Overs and Mergers, 2010, as amended from time to time and any re-enactment thereof
Deed Poll	:	The deed poll dated 16 December 2013 executed by our Company constituting the Warrants
DSCSH	:	Dato' Sri Chin Seak Huat (JP), our Group Managing Director
DSNK	:	Dato' Sri Navaneethakrishner A/L Kathirgamatamby, our Executive Deputy Chairman
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EPS	:	Earnings per Share
Entitled Shareholder(s)	:	Our shareholder(s) whose names appear on the Record of Depositors on the Entitlement Date
Entitlement Date	:	At 5.00 p.m. on 30 December 2013, being the time and date which the Entitled Shareholder(s) must be registered in our Record of Depositors with Bursa Depository in order to be entitled to participate in the Rights Issue with Warrants
Exercise Price	:	Price at which one (1) Warrant is exercisable into one (1) KBB Share, being RM0.20, subject to such adjustments as may be allowed under the Deed Poll
FYE	:	Financial year ended/ending, as the case may be
FPE	:	Financial period ended/ending, as the case may be
Issue Price	:	The issue price pursuant to the Rights Issue with Warrants of RM0.18 per Rights Share
KBB or Company	:	KBB Resources Berhad (583565-U)
KBB Group or Group	:	KBB and its subsidiaries
KBB Shares or Shares	:	Ordinary shares of RM0.15 each in KBB
LAT	:	Loss after taxation

DEFINITIONS (CONT'D)

LBITDA	:	Loss before interest, taxation, depreciation and amortisation
LBT	:	Loss before taxation
LPD	:	16 December 2013, being the latest practicable date prior to the issuance of this Abridged Prospectus
Market Day(s)	:	A day on which Bursa Securities is open for trading in securities
MA	:	Memorandum and Articles of Association of KBB
Main Market LR	:	Main Market Listing Requirements of Bursa Securities
Maximum Scenario	:	Assuming all Entitled Shareholders fully subscribe for their respective entitlements under the Rights Issue with Warrants
Minimum Scenario	:	Assuming only DSCSH and DSNK subscribed for up to 60,000,000 Rights Shares pursuant to the Undertakings
Minimum Subscription Level	:	The minimum subscription level of the Rights Issue with Warrants to raise the minimum gross proceeds of RM10.8 million
M&A Securities	:	M&A Securities Sdn Bhd (15017-H)
NA	:	Net assets
NPA	:	Notice of Provisional Allotment in relation to the Rights Issue with Warrants
NTA	:	Net tangible assets
Par Value Reduction	:	Reduction of the issued and paid-up share capital of KBB pursuant to Section 64 of the Act via the cancellation of RM0.35 from the par value of RM0.50 for each KBB share, which was completed and took effect on 31 October 2013
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PRC	:	People's Republic of China
Proposals	:	Par Value Reduction, Rights Issue with Warrants and Amendments to the MA
Record of Depositors	:	A record of depositors established by Bursa Depository under the rules of depository, as amended from time to time
Rights Issue with Warrants	:	Renounceable rights issue of up to 120,000,000 Rights Shares together with up to 120,000,000 Warrants at an issue price of RM0.18 per Rights Share on the basis of one (1) Rights Share for every one (1) KBB Share held together with one (1) Warrant for every one (1) Rights Share subscribed
Rights Shares	:	Up to 120,000,000 new KBB Shares to be issued pursuant to the Rights Issue with Warrants
RM and sen	:	Ringgit Malaysia and sen respectively
RSF	:	Rights Subscription Form in relation to the Rights Issue with Warrants
SC	:	Securities Commission Malaysia
Undertakings	:	Irrevocable undertakings by DSCSH and DSNK to subscribe for their collective entitlements and excess applications of up to 60,000,000 Rights Shares to be issued together with up to 60,000,000 Warrants

DEFINITIONS (CONT'D)

US	:	United States of America
USD	:	United States Dollar, the official currency of the US
Warrant(s)	:	Up to 120,000,000 free detachable warrants to be issued pursuant to the Rights Issue with Warrants
5D-WAMP	:	5-day volume weighted average market price

References to "we", "us", "our" and "ourselves" are to our Company and save where the context otherwise requires, our subsidiaries. All references to "you" in this Abridged Prospectus are to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Designation)	Age	Address	Nationality	Occupation
Dato' Sohaimi Bin Shahadan <i>(Independent Non-Executive Chairman)</i>	44	No. 15 Jalan DM3 Taman Desa MOCCIS 47000 Sungai Buloh Selangor	Malaysian	Director
Dato' Sri Navaneethakrishner A/L Kathirgamatamby <i>(Executive Deputy Chairman)</i>	43	No. 5 Medan Bayan Indah 11900 Bayan Lepas Penang	Malaysian	Director
Dato' Sri Chin Seak Huat (JP) <i>(Group Managing Director)</i>	47	Lot 1072 & 1073 Jalan Besar 14300 Nibong Tebal Penang	Malaysian	Director
Dato' Loh Choon Kiang <i>(Executive Director)</i>	50	No. 7, Jalan Bukit Indah 1 Taman Bukit Indah 14000 Bukit Mertajam Penang	Malaysian	Director
Khor Wooi Lip <i>(Non-Independent Non-Executive Director)</i>	39	11-A Lorong Sentul 23 Taman Sentul Jaya 14000 Bukit Mertajam Penang	Malaysian	Director
See Toh Kean Yaw <i>(Independent Non-Executive Director)</i>	40	6 Lebuhraya Maktab 10250 Georgetown Penang	Malaysian	Director/ Accountant
Abdul Fareed Bin Abdul Gafoor <i>(Independent Non-Executive Director)</i>	44	22 Jalan 12 Changkat Minden 11700 Gelugor Penang	Malaysian	Director/ Advocate and Solicitor

AUDIT COMMITTEE

Name	Designation	Directorship
Abdul Fareed Bin Abdul Gafoor	Chairman	Independent Non-Executive Director
See Toh Kean Yaw	Member	Independent Non-Executive Director
Khor Wooi Lip	Member	Non-Independent Non-Executive Director

CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARIES**Tan Tong Lang (MAICSA 7045482)**

No. 9 Jalan Pahlawan 38/3
Section 3
Bandar Mahkota Cheras
43200 Kajang
Selangor
Telephone number: 03-2279 3088

P'ng Chiew Keem (MAICSA 7026443)

19 Tingkat Bukit Kecil 2
Taman Sri Nibong
11900 Penang
Telephone number: 04-210 8833

Chong Voon Wah (MAICSA 7055003)

15-8 Alma Puri 51
Jalan Kampung Batu
Batu 5, Jalan Ipoh
51200 Kuala Lumpur
Telephone number: 03-2279 3088

REGISTERED OFFICE

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Telephone number: 04-210 8831

HEAD/MANAGEMENT OFFICE

Lot 208, Phase II
Kuala Ketil Industrial Estate
09300 Kuala Ketil
Kedah
Telephone number: 04-416 2222
Email address: admin@eka.com.my
Website: <http://www.krb.com.my>

PRINCIPAL BANKERS**Public Bank Berhad**

45 & 46, Jalan Putra
Taman Tanjung Peteri
09300 Kuala Ketil
Kedah
Telephone number: 04-416 3318

Bank Kerjasama Rakyat Malaysia Berhad

Level 16, Bangunan Bank Rakyat
Jalan Tangsi
50732 Kuala Lumpur
Telephone number: 03-2612 9600

CORPORATE DIRECTORY (CONT'D)

**AUDITORS/ REPORTING
ACCOUNTANTS**

**CHI-LLTC (AF 1114)
Chartered Accountants**

No. 29B Lorong P.S. 1
Bandar Perda
14000 Bukit Mertajam
Penang
Telephone number: 03-2692 4022

SHARE REGISTRAR

Equiniti Services Sdn Bhd

Level 8 Menara MIDF
82 Jalan Raja Chulan
50200 Kuala Lumpur
Telephone number: 03-2166 0933

**SOLICITORS FOR THE RIGHTS ISSUE
WITH WARRANTS**

Peter Ling & Van Geysel

L-2-4, Block L, Plaza Damas
No. 60, Jalan Sri Hartamas 1
50480 Kuala Lumpur
Telephone number: 03-6203 9288

**ADVISER FOR THE RIGHTS ISSUE
WITH WARRANTS**

M&A Securities Sdn Bhd

No. 45-3, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone number: 03-2284 2911

STOCK EXCHANGE LISTING

Main Market of Bursa Securities

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BERSATU
KBB RESOURCES BERHAD
(Company No. 583565-U)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

30 December 2013

Directors:

Dato' Sohaimi Bin Shahadan (*Executive Non-Executive Chairman*)
Dato' Sri Navaneethakrishner A/L Kathirgamatamby (*Executive Deputy Chairman*)
Dato' Sri Chin Seak Huat (JP) (*Group Managing Director*)
Dato' Loh Choon Kiang (*Executive Director*)
Khor Wooi Lip (*Non-Independent Non-Executive Director*)
See Toh Kean Yaw (*Independent Non-Executive Director*)
Abdul Fareed Bin Abdul Gafoor (*Independent Non-Executive Director*)

To: The Entitled Shareholders of KBB Resources Berhad

Dear Sir / Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 120,000,000 RIGHTS SHARES TOGETHER WITH UP TO 120,000,000 WARRANTS ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) KBB SHARE HELD TOGETHER WITH ONE (1) WARRANT FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED AT 5.00 P.M. ON 30 DECEMBER 2013 AT AN ISSUE PRICE OF RM0.18 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE

1. INTRODUCTION

On 3 April 2013, M&A Securities, on our behalf, announced the Proposals including the issue price for the Rights Shares which has been fixed at RM0.18 per Rights Share, and the exercise price of the Warrants which has been fixed at RM0.20 per Warrant.

On 22 August 2013, M&A Securities had, on behalf of our Board, announced that our shareholders had, at an EGM held on even date, approved the Proposals.

A certified true extract of the ordinary resolution pertaining to the Rights Issue with Warrants, which was passed at the said EGM, is set out in **Appendix I** of this Abridged Prospectus.

On 28 June 2013, M&A Securities had, on behalf of our Board, announced that BNM had vide its letter dated 25 June 2013 approved the issuance of the Warrants to non-resident shareholders pursuant to the Rights Issue with Warrants.

Bursa Securities had vide its letter dated 26 June 2013 approved the following:

- (i) Admission to the Official List of Bursa Securities and the listing of and quotation for 120,000,000 Warrants to be issued pursuant to the Rights Issue with Warrants; and
- (ii) Listing of and quotation for:
 - (a) Up to 120,000,000 new KBB Shares to be issued pursuant to the Rights Issue with Warrants; and
 - (b) Up to 120,000,000 new KBB Shares to be issued arising from the exercise of the Warrants to be issued pursuant to the Rights Issue with Warrants.

The abovesaid Bursa Securities' approval-in-principle is subject to the following conditions:

	Conditions	Status of Compliance
(i)	KBB and M&A Securities must fully comply with the relevant provisions under the Main Market LR pertaining to the implementation of the Rights Issue with Warrants.	To be complied
(ii)	KBB and M&A Securities to inform Bursa Securities upon the completion of the Rights Issue with Warrants.	To be complied
(iii)	KBB and M&A to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed.	To be complied
(iv)	KBB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the new Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

On 22 October 2013, the High Court of Malaya had granted an order confirming the Par Value Reduction. The sealed order was lodged with the Companies Commission of Malaysia on 31 October 2013 and accordingly, the Par Value Reduction took effect on 31 October 2013.

The official listing of and quotation for the Rights Shares and Warrants to be issued pursuant to the Rights Issue with Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders/renouncees are ready for crediting and notices of allotment have been despatched to them.

On 12 December 2013, M&A Securities, on our behalf, announced that the Entitlement Date has been fixed at 5.00 p.m. on 30 December 2013.

No person is authorised to give any information or make any representation not contained herein in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by M&A Securities or us.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

The Rights Issue with Warrants involves a renounceable rights issue of up to 120,000,000 Rights Shares together with up to 120,000,000 Warrants at an issue price of RM0.18 per Rights Share on the basis of one (1) Rights Share for every one (1) existing KBB Shares held together with one (1) Warrant for every one (1) Rights Share subscribed. The Rights Shares with Warrants will be offered to the Entitled Shareholders.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. The Rights Shares which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounee(s). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable basis, more specified under Section 3.8 herein.

The shareholders of our Company who renounce their entitlements to the Rights Shares will not be entitled to the Warrants and shall be deemed to have also renounced their entitlements to the Warrants. The shareholders of KBB who accept only part of the Rights Shares shall only be entitled to the Warrants in the proportion to their acceptance of the Rights Shares. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded on the Main Market of Bursa Securities.

The Warrants shall only be issued to the Entitled Shareholders who subscribe for the Rights Shares pursuant to the Rights Issue with Warrants. Should the Entitled Shareholders renounce all or any part of their entitlements to the Rights Shares, they will not be entitled to the Warrants attached thereto. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares. Any Rights Shares with Warrants not taken up or allotted for any reasons, if any, will be made available for application under the excess Rights Shares with Warrants application.

As you are an Entitled Shareholder and the Rights Shares are prescribed securities, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares with Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Rights Shares with Warrants provisionally allotted to you, as well as to apply for excess Rights Shares with Warrants if you so choose to.

Any dealing in our securities will be subject to, *inter-alia*, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998, the rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights Shares with Warrants will be credited directly into the respective CDS Accounts of the successful applicants. No physical share or warrant certificates will be issued but notices will be despatched to the successful applicants.

2.2 Basis of determining the issue price of the Rights Shares and exercise price of the Warrants

(i) Rights Shares

Our Board had on 3 April 2013 fixed the issue price for the Rights Shares at RM0.18 per Rights Share after taking into consideration the following:

- (a) our Group's accumulated losses of RM37.46 million and RM37.02 million based on its audited financial statements for the 18 months FPE 30 June 2012 and unaudited consolidated financial statements for the 9 months FPE 31 March 2013, respectively;
- (b) our Group's LAT of RM26.71 million based on its audited financial statements for the 18 months FPE 30 June 2012 and PAT of RM0.44 million based on its unaudited consolidated financial statements for the 9 months FPE 31 March 2013; and
- (c) the par value of KBB Shares (after the Par Value Reduction) of RM0.15 each.

The issue price of RM0.18 per Rights Share represents a discount of 21.74% from the theoretical ex-rights price of KBB shares upon completion of the Par Value Reduction and Rights Issue with Warrants of RM0.23 per Share calculated based on the 5D-WAMP of KBB shares up to 2 April 2013 of RM0.28, being the market day immediately preceding price fixing date on 3 April 2013.

(ii) Warrants

Our Board had on 3 April 2013 fixed the exercise price for the Warrants at RM0.20 per Warrant after taking into consideration the following:

- (a) the financial position of our Group as set out in Section 2.2(i)(a) and (b) above; and
- (b) the par value of KBB Shares (after the Par Value Reduction) of RM0.15 each.

The exercise price of the Warrants at RM0.20 per Warrant represents a discount of 28.57% and 13.04% to the 5D-WAMP of KBB shares up to 2 April 2013, being the market date immediately preceding price fixing date on 3 April 2013, of RM0.28 and theoretical ex-rights price of the KBB Shares of RM0.23, respectively.

The Warrants are attached to the Rights Shares without any cost and will be issued only to shareholders of KBB who subscribe for the Rights Shares.

2.3 Ranking of the Rights Shares and new KBB Shares to be issued

The Rights Shares shall, upon allotment and issuance, rank *pari passu* among themselves.

The new KBB Shares to be issued pursuant to the Rights Issue with Warrants and exercise of the Warrants, if any, shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and fully paid-up KBB 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 the new KBB Shares.

2.4 Salient terms of the Warrants

Please refer to **Appendix II** of this Abridged Prospectus for the salient terms of the Warrants.

2.5 Undertakings by Shareholders

The Rights Issue with Warrants will be implemented on a minimum subscription basis. In determining the minimum amount of RM10.8 million to be raised from the Rights Issue with Warrants, our Board has taken into consideration factors which include among others, the funding requirements of our Company, including our Company's working capital requirements and the ability of our Company to raise financing. Our Board intends to raise minimum proceeds of RM10.8 million and the intended amount is earmarked for the level of funds required for working capital, capital expenditure, and the estimated expenses arising from the Proposals, as set out in Section 5 of this Abridged Prospectus.

In order to meet the Minimum Subscription Level, our Company had, on 13 June 2013, procured the irrevocable written undertakings from DSCSH and DSNK, our directors and substantial shareholders, to subscribe in full for their collective entitlements and excess application of up to 60,000,000 Rights Shares to be issued together with up to 60,000,000 Warrants, as disclosed in the table below:

Name	No. of Shares directly held as at the LPD		No. of Rights Shares entitled		No. of Rights under excess application		Total Shares to be subscribed pursuant to the Undertakings	
	('000)	^ %	('000)	* %	('000)	%	('000)	%
DSCSH	16,650	13.88	16,650	27.75	13,350	22.25	30,000	50.00
DSNK	5,900	4.92	5,900	9.83	24,100	40.17	30,000	50.00
Total	22,550	18.80	22,550	37.58	37,450	62.42	60,000	100.00

Notes:

^ % of issued and paid-up share capital as at the LPD.

* % of Rights Shares under Minimum Scenario.

Pursuant to the Undertakings, the above shareholders had confirmed that they have sufficient financial resources to take up the aforementioned 60,000,000 Rights Shares collectively and such confirmations have been verified by M&A Securities. Notwithstanding the above, in the event the Minimum Subscription Level is not achieved, the implementation of the Rights Issue with Warrants will be terminated and all consideration received for the Rights Shares will be immediately returned to all subscribers of the Rights Shares.

Pursuant to the Undertakings and under the Minimum Scenario, the combined shareholdings of DSCSH and DSNK upon the completion of the Rights Issue with Warrants shall increase to 45.86%. DSCSH and DSNK has confirmed that they are not parties acting in concert and as such our Company confirms that the Undertakings will not give rise to any consequences of mandatory general offer obligation pursuant to the Code immediately after the Rights Issue with Warrants.

However, should any of the above shareholders exercise their Warrants, such that their respective resulting shareholdings in KBB increases above 33% or increase by more than 2% in any six (6) months period, he will be obliged under the Code to undertake a mandatory offer for all the remaining KBB Shares not already held by them respectively after the exercise of the Warrants. In such an event, the respective shareholders will seek the relevant exemptions under the Code should they not intend to undertake such mandatory offer.

2.6 Details of Other Corporate Exercises

As at the LPD, save for the Rights Issue with Warrants, our Board confirms that there is no other outstanding corporate exercise which we intend to undertake, which have been announced but pending completion.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION

3.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such provisionally allotted Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the Rights Shares with Warrants provisionally allotted to you, as well as to apply for excess Rights Shares with Warrants if you choose to do so.

3.2 NPA

The provisional allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the provisionally allotted Rights Shares with Warrants will be by book entries through CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. Entitled Shareholders and/or their renounees (if applicable) are required to have valid and subsisting CDS Accounts when making their applications.

3.3 Last date and time of acceptance and payment

The last date and time for acceptance and payment for the Rights Shares with Warrants is on 16 January 2014 at 5.00 p.m., or such later date and time as may be determined and announced by our Board at their absolute discretion.

3.4 Procedure for full acceptance and payment

Acceptance and payment for the Rights Shares with Warrants provisionally allotted to you as an Entitled Shareholder or your renounee(s) (if applicable) must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this Abridged Prospectus, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE), EXCESS APPLICATION FOR THE RIGHTS ISSUE WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS, ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

You or your renounee(s) (if applicable) accepting the provisionally allotted Rights Shares are required to complete Part I(a) and Part II of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST** or **DELIVERED BY HAND** using the envelope provided (at your own risk) to our Share Registrar at the following address:

Equiniti Services Sdn Bhd
Level 8, Menara MIDF
82 Jalan Raja Chulan
50200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 16 January 2014, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

One (1) RSF can only be used for acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of more than one (1) CDS Account. If successful, Rights Shares with Warrants subscribed by you or your renounee(s) (if applicable) will be credited into the respective CDS Accounts where the provisionally allotted Rights Shares with Warrants are standing to the credit.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renounee(s) (if applicable) should take note that a trading board lot for the Rights Shares with Warrants will comprise 100 Rights Shares and 100 Warrants each respectively. Successful applicants of the Rights Shares will be given free attached Warrants on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share which will be accompanied with one (1) Warrant. Fractions of a Rights Share and Warrant arising from the Rights Issue with Warrants will be dealt with by our Board as they may deem fit.

If acceptance and payment for the Rights Shares with Warrants provisionally allotted to you and/or your renounee(s) (if applicable) is not received by the Share Registrar on 16 January 2014 by 5.00 p.m., being the last date and time for acceptance and payment, or such extended date and time as may be determined and announced by our Board at their discretion, you and/or your renounee(s) (if applicable) will be deemed to have declined the provisional allotment made to you and/or your renounee(s) (if applicable) and it will be cancelled.

Such Rights Shares with Warrants not taken up will be allotted to the applicants applying for excess Rights Shares with Warrants, if the Rights Shares with Warrants are not fully taken up by such applicants. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. Our Board reserves the right not to accept or to accept in part only any application without providing any reasons.

You or your renounee(s) (if applicable) who lose, misplace or for any other reasons require another copy of the RSF may obtain additional copies from your stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>), our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "KBB RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT NUMBER OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE

ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPACHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED ONLY IN PART, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPACHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.5 Procedure for part acceptance

You can accept part of your provisionally allotted Rights Shares with Warrants. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share which will be accompanied with one (1) Warrant.

You must complete both Part I(a) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this Abridged Prospectus.

The portion of the provisionally allotted Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the provisional allotment of the Rights Shares with Warrants.

3.6 Procedure for sale/transfer of provisional allotment of Rights Shares with Warrants

As the provisionally allotted Rights Shares with Warrants are prescribed securities, you and/or your renounce(s) (if applicable) may sell/transfer all or part of your entitlement to the Rights Shares with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional allotted Rights Shares with Warrants standing to the credit of your CDS Accounts. To sell/transfer of all or part of your entitlement to the Rights Shares with Warrants, you and/or your renounce(s) (if applicable) may sell such entitlement in the open market or transfer to such persons as may be allowed pursuant to the rules of Bursa Depository.

In selling/transferring all or part of your provisionally allotted Rights Shares with Warrants, you and/or your renounee(s) (if applicable) need not deliver any document including the RSF, to the stockbroker. However, you and/or your renounee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchasers or transferees of the provisionally allotted Rights Shares with Warrants may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers or from our Share Registrar, or at our Registered Office. This Abridged Prospectus and RSF are also available on Bursa Securities' website (<http://www.bursamalaysia.com>).

3.7 Procedure for acceptance by renounees

Renounees who wish to accept the provisionally allotted Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, or at our Registered Office or from the Bursa Securities' website (<http://www.bursamalaysia.com>) and complete the RSF, submit the same together with the remittance in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 3.4 of this Abridged Prospectus also applies to renounees who wish to accept the provisionally allotted Rights Shares with Warrants.

RENOONEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENT OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF CAREFULLY.

3.8 Procedure for excess application

As an Entitled Shareholder, you and/or your renounee(s) (if applicable) may apply for excess Rights Shares with Warrants in addition to the Right Shares with Warrants provisionally allotted to you and/or your renounee(s) (if applicable) by completing Part I(b) of the RSF (in addition to Parts I and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar at the address set out above, so as to arrive not later than 5.00 p.m. on 16 January 2014, being the last time and date for acceptance and payment, or such extended time and date as may be determined by our Board.

Payment for the excess Rights Shares with Warrants applied for should be made in the same manner set out in Section 3.4 of this Abridged Prospectus, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed "**A/C PAYEE ONLY**" and made payable to "**KBB EXCESS RIGHTS ISSUE ACCOUNT**" and endorsed on the reverse side with the name, address and CDS Account Number of the applicant in block letters to be received by our Share Registrar.

Our Board reserves the right to allot the excess Rights Shares with Warrants applied for under Part I(b) of this RSF, in a fair and equitable basis and in such manner as they in their absolute discretion deem fit and expedient in the best interest of our Company and that the intention of our Board as set out below are achieved. It is the intention of our Board to allot the excess Rights Shares with Warrants in the following priority:

- (i) firstly, to minimise the incidence of odd lots; and
- (ii) secondly, for allocation to Entitled Shareholders who have applied for excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement date;

- (iii) thirdly, for allocation to Entitled Shareholders who have applied for excess Rights Shares with Warrants on a pro-rata basis based on the quantum of their respective excess Rights Shares with Warrants application; and
- (iv) fourthly, for allocation to transferee(s) and/or renounee(s) who have applied for excess Rights Shares with Warrants on a pro-rata basis based on the quantum of their respective excess Rights Shares with Warrants application.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.

YOU SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

3.9 Form of issuance

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the rules of Bursa Depository shall apply in respect of the dealings in the said securities.

Failure to comply with the specific instructions or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share or warrant certificates will be issued to you under the Rights Issue with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts. The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors within eight (8) Market Days from the last date for acceptance and payment of the Rights Issue with Warrants.

Any person who intends to subscribe for the Rights Shares with Warrants as a renounee by purchasing the provisional allotment of Rights Shares with Warrants from an Entitled Shareholder will have his Rights Shares with Warrants credited directly as prescribed securities into his CDS Account.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for excess Rights Shares with Warrants, will be credited directly as prescribed securities into his CDS Account.

3.10 Laws of foreign jurisdictions

This Abridged Prospectus, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue with Warrants will not be made or offered in any foreign jurisdiction.

Foreign Entitled Shareholders or their renounees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so.

M&A Securities, our Company, our Board and officers and other experts would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or their renounees (if applicable) are or may be subject to. Foreign Entitled Shareholders or their renounees (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. M&A Securities, our Company, our Board and officers and other experts shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders or renounees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this Abridged Prospectus together with the accompanying documents will not be sent to the foreign Entitled Shareholders or their renounees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders or their renounees (if applicable) may collect the Abridged Prospectus including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The foreign Entitled Shareholders or their renounees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders or their renounee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against M&A Securities or us in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholders or their renounee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing any of the forms accompanying this Abridged Prospectus, the NPA, and the RSF, the foreign Entitled Shareholders or their renounees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) M&A Securities, our Company and our Board and officers and other experts that:

- (i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renounees (if applicable) are or may be subject to;
- (ii) they have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;
- (iii) they are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- (iv) they are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) they have respectively received a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares with Warrants; and
- (vi) they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this Abridged Prospectus, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders or their renounees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in its absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

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4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

The rationale of the Rights Issue with Warrants is as follows:

- (a) To enable our Company to raise the necessary funds required for further growth without incurring additional interest cost as compared to bank borrowings;
- (b) The Rights Issue with Warrants provides an opportunity for the existing shareholders to further participate in the equity of our Company and the future prospects and growth of our Company. The Undertakings allow DSCSH and DSNK, the directors and substantial shareholders of KBB to extend their support for the Rights Issue with Warrants which will facilitate our Company to raise the necessary funds for the purpose as mentioned in Section 5 below;
- (c) The Warrants attached to the Rights Shares are expected to enhance the attractiveness of the Rights Shares. It provides the shareholders with the option to further participate in the equity of our Company at a pre-determined price and enable them to benefit from the future growth of our Company and any potential capital appreciation arising thereof;
- (d) The Rights Issue with Warrants will strengthen our Company's financial position with enhanced shareholders' funds. These factors are expected to facilitate the continuous business expansion plans of our Company;
- (e) The Rights Issue with Warrants will involve the issuance of new KBB Shares without diluting the existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements; and
- (f) The Rights Issue with Warrants will also provide our Company with additional capital when the Warrants are exercised in the future. The exercise of the Warrants will allow our Company to raise fresh proceeds without incurring additional financing cost and minimise any potential cash outflow in respect of interest servicing.

The Warrants have been attached to the Rights Shares to provide the Entitled Shareholders added incentive to subscribe for the Rights Shares. The issuance of Warrants is expected to enhance the attractiveness of the Rights Issue with Warrants as well as to enable our Company to raise further proceeds as and when any of the Warrants are exercised in the future. In addition, the Warrants would also enable the Entitled Shareholders to benefit for the future growth of our Company.

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5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.18 per Rights Share, the Rights Issue with Warrants is expected to raise gross proceeds of RM10.8 million (under the Minimum Scenario) and RM21.6 million (under the Maximum Scenario).

The details of the utilisation of gross proceeds from the Rights Issue with Warrants are as follows:

Details	Minimum Scenario RM (‘000)	Maximum Scenario RM (‘000)	Timeframe of utilisation (from the listing of the Rights Shares)
Working Capital *	7,900	16,200	Within 12 months
Capital Expenditure #	2,500	5,000	Within 24 months
Expenses relating to the Proposals ^	400	400	Within 3 months
	10,800	21,600	

Notes:

* The working capital will be mainly utilised to finance the growth of our existing business which include the following:

Details	Minimum Scenario RM (‘000)	%	Maximum Scenario RM (‘000)	%
Payment to supplier ⁽ⁱ⁾	2,000	25.32	4,000	24.69
Labour cost ⁽ⁱⁱ⁾	2,000	25.32	3,000	18.52
Purchase of raw materials ⁽ⁱⁱⁱ⁾	2,000	25.32	7,000	43.21
Other Working Capital Requirement Expenses ^(iv)	1,900	24.04	2,200	13.58
	7,900	100.00	16,200	100.00

Notes:

(i) Consists of payment for the outstanding amount due to trade payables including but not limited to sago starch supplier, corn starch supplier, broken rice supplier and packing materials supplier.

(ii) Comprises labour salaries and benefits.

(iii) Comprises the purchase of raw materials including broken rice, sago starch, corn starch and tapioca starch.

(iv) Comprises payment for maintenance of equipment and appliances used in our Group’s production operations and other production operations related purposes.

Comprises capital expenditure which may include and but not limited to purchase of vermicelli cooker, automatic dryer, stainless-steel trolley, rice washing tank, hammer

mill and dewatering machining that comes with mixing to increase the production capacity of our Group. Our Group's current production machineries are old and can no longer produce at its full capacity. As such, our Group intends to purchase additional production equipment to complement our existing machinery. Our management estimates that our Group's production capacity will increase by 12.5% or 25.0% under the Minimum Scenario and Maximum Scenario respectively with the purchase of these new machineries and equipment.

- ^ In the event that the actual expense is less than the allocated amount, the excess allocated amount shall be utilised as working capital for our Group.

The proceeds to be utilised above is expected to directly contribute positively to our Group's future earnings. This is further described in Section 8.3 of this Abridged Prospectus.

The exact quantum of proceeds that may be raised by our Company from the exercise of the Warrants would depend on the actual number of the Warrants exercised. The proceeds from the exercise of the Warrants will be received on an "as and when basis" over the tenure of the Warrants.

Based on the Exercise Price and assuming full exercise of the Warrants, our Company will raise gross proceeds of RM12,000,000 (under the Minimum Scenario) and RM24,000,000 (under the Maximum Scenario) from the full exercise of the Warrants. Any proceeds arising from the exercise of the Warrants in the future shall be utilised as an additional working capital expenditure, investment opportunities and/or business expansion for our Group. Pending full utilisation, we intend to place the proceeds from the Rights Issue with Warrants (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short-term money market instruments, as our Board may deem fit.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purpose, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

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6. RISK FACTORS

In running our business activities, we face risks which may have potential impact to our Group's performance unless proper anticipation and mitigation measures are exercised.

In addition to other information contained in this Abridged Prospectus, you should carefully consider the following risk factors before subscribing for or investing in the Rights Issue with Warrants. You should take note that these risk factors are not exhaustive. There may be additional risk factors, which are not disclosed below, that are not presently known to us or that we currently deem to be less significant, which may materially and adversely affect our business, financial condition, results of operation and prospects.

6.1 Risks relating to the Rights Issue with Warrants

(i) No prior market for the Rights Shares and/or Warrants

There can be no assurance that there will be an active market for the Rights Shares and/or Warrants upon or subsequent to their listing on the Main Market of Bursa Securities or, if developed, that such a market sustainable or adequately liquid during the tenure of the Rights Shares and/or Warrants.

The market price of the Rights Shares and Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, *inter-alia*, trades in substantial amount of the Rights Shares and Warrants on the Main Market of Bursa Securities in the future, the market price and volatility of KBB Shares, announcements relating to the business of our Group, the financial performance of our Group, and exercise period of the Warrants.

In addition to the fundamentals of KBB, the future price performance of the Rights Shares and Warrants will also depend on various external factors such as the economic and political conditions of the country, sentiments and liquidity in the local stock market as well as the performance of regional and world bourses.

On the other hand, the market price of KBB Shares will be influenced by, *inter-alia*, the prevailing market sentiments, volatility of the stock market of the country, operating results of our Group and prospects of the industries in which our Group operates.

As each Rights Share will be issued at RM0.18, there can be no assurance that the market price of the Rights Shares, upon or subsequent to their listing, will remain at or above the issue price.

In addition, there can be no assurance that the exercise price of the Warrants will be less than the prevailing market price of KBB Shares during the tenure of the Rights Shares and Warrants respectively.

(ii) Delay in or abortion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (a) *force majeure* events or events/circumstances, which are beyond the control of our Company and Adviser, arising prior to the implementation of the Rights Issue with Warrants; or
- (b) our shareholders as set out in Section 2.5 above who have given the Undertakings to subscribe for the Rights Issue with Warrants may not fulfil or be able to fulfil its obligation.

In this respect, all monies raised in the Rights Issue with Warrants which are held in a trust account for our Company will be refunded free of interest within 14 days to the entitled shareholders in the event the Rights Issue with Warrants is aborted. Monies not repaid within 14 days will be returned with interest at the rate of 10% per annum or at such other rates as may be prescribed by the SC. Notwithstanding the above, our Company will exercise its best endeavour to ensure the successful implementation of the Rights Issue with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue with Warrants.

(iii) Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on forecasts and assumptions made by our Group and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, *inter alia*, the risk factors as set out in this section. In light of these and other uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

6.2 Risks relating to our Group

We are exposed to certain risks in the food and manufacturing industry. These risks include, without limitation, the following:

(i) Business Risks

Our Group is subject to inherent risks of vermicelli market and noodle manufacturing industry such as raw material and labour shortages, increases in the costs of raw materials and labour, labour disputes, changes in government legislation as well as changes in general economic, business and credit conditions within and outside Malaysia.

Our Group seeks to limit these risks through, *inter-alia*, expansion of both existing and new markets, developing and maintaining a diversified market network and investment in automated machinery to improve efficiency and reduce our Group's dependence on labour.

However, no assurance can be given that changes to any of these factors will not have a material effect on our Group's business.

(ii) Financial Risks

Our Group's total borrowings as at the 30 June 2013 amounted to RM68.06 million and our gearing is at 3 times. While we have not defaulted on any payments of either interest or principal sums, the continued success of our Group will depend on our ability to continue to service these borrowings. All the loans of our Group are based on fixed interest rates. As such, our financial performance is not affected by any event of adverse changes in interest rates.

Upon completion of the Rights Issue with Warrants (but before any exercise of the Warrants), our gearing will decrease to 2.06 times under the Minimum Scenario and 1.55 times under the Maximum Scenario.

(iii) Dependence on Major Suppliers

There are no formal contracts entered into between our Group and our major suppliers. Generally the major raw materials used by our Group, such as rice chips, tapioca starch, cornstarch and sago starch are readily available in Malaysia. The normal course of dealings between the parties are such that our Group will issue purchase orders to our suppliers and the respective suppliers will deliver the goods within the time stipulated in the purchase order. Our Board believes that our Group has good working relationships with our suppliers, many of whom have been supplying raw materials to our Group for more than ten (10) years.

Any dependence on suppliers may disrupt the operations of our Group in the event any of these suppliers to increase or varies the quantity to be sold to our Group. As such, our Group has taken steps to diversify the sourcing of the raw materials from as many suppliers as practicable in order to ensure continuous supply of these raw materials at a reasonable price range. Our Group has a practice of having approximately ten (10) suppliers for each of its important raw materials. In addition, our Board believes that the dependence on any particular supplier is minimal given that the raw materials used by our Group are easily available.

(iv) Dependence on Key Personnel

Our Group believes that its continued success will depend significantly on the abilities and continued efforts of our Directors and senior management. With our Group's human resources strategies to retain competent personnel such as by encouraging participative management, providing competitive and performance based remuneration, adopting succession planning for key positions and providing employees with a variety of on-going training programs to upgrade their knowledge and capabilities, our Group's management has expanded and strengthened over the years. Thus, our Group is confident that it would not face difficulties when the younger members of our management team eventually take over from their seniors in the future. In addition, every effort is made to recruit and retain skilled personnel to ensure the continued growth of our Group. However, the loss of key members of the senior management team could adversely affect our Group's ability to compete in the industry.

(v) Supply and Costs of Raw Materials

The main raw materials used for our Group's products are rice chips, tapioca starch, corn starch and sago starch. Although some ingredients used in our Group's manufacturing process are staple goods whereby their prices and supply are regulated by the Control of Paddy and Rice Act 1974, no assurance can be given that any significant changes to the supply and prices of raw materials will not affect the future profitability of our Group. Nevertheless, our Board believes that any increase in raw material prices will not have a major impact on our Group's profits as the costs of raw materials could be passed on to consumers. Furthermore, our Group has the expertise to change the raw material mix/composition to mitigate any price increase of a particular raw material. However, it is to be noted that it would be difficult for vermicelli and noodle manufacturers, including our Group to anticipate and hedge against a natural disaster that impairs the world's supply of raw material, for example rice chips.

(vi) Operational Risks

Our Group faces certain operational risks which include but are not limited to fire outbreaks, the disruption of electricity and water supply, any occurrence of which would affect our Group's business operations.

Our Group has taken precautionary steps to minimise the risk of fire outbreaks through the installation of fire hydrants, fire extinguishers and the dispersal of the storage of raw materials and finished products at various premises. Our Group has also installed a sprinkler system at our Kuala Ketil factory. In this regard, our Group has in place a fire-fighting team trained in the use of fire-fighting equipment as well as basis fire-fighting techniques.

As our Group's production process is mostly automated, a consistent supply of electricity and water is required for its smooth operations. In this respect, our Group seeks to limit the risk by maintaining at least one (1) month's supply of finished products for contingency purposes. Our Group has also installed water storage tanks in various locations which could store up to a week's supply of water for our production process. However, there is no assurance that these operational risks will not materially affect our Group.

(vii) Competition from New Entrants and Existing Competitors

Our Group operates in a competitive market and faces various competitors, including existing players and new entrants to the industry. As one of the larger players in the vermicelli market and noodle manufacturing industry in Malaysia, our Board is confident that our Group is able to compete with other competitors as our Group has well-established market reputation and brand acceptance within the noodles manufacturing industry and vermicelli market. Our Group provides wide range of products includes vermicelli, instant vermicelli, laksa, noodle and instant noodles sold under the "EKA" brand. Our products are certified Halal. In terms of complying with local and global quality and health standards, our Group is Good Manufacturing Practices (GMP) and ISO9001:2000 certified, and were among the first noodle manufacturers in Malaysia to be awarded with the Hazard Analysis Critical Control Point (HACCP) certification.

Further, our Group has long standing business relationships with our suppliers, continues to be committed to food technology through product development, produces high quality products and has established a large distribution network. These factors may effectively create a barrier of entry to potential competitors. However, no assurance is given that our Group will be able to maintain our existing market share in the future.

(viii) Threat of Substitute Products

The availability of alternative staple food such as rice, yellow noodles and koay teow will impact the demand for our major product, ie, vermicelli. However, these products are not real threats to Vermicelli as most people consume vermicelli and these products together or change from one (1) product to another regularly. The longer shelf life of vermicelli against fresh yellow noodle and koay teow, cheaper pricing against rice and the fact that our Group has built up its brand loyalty under the "EKA" brand, will continue to make its products the preferred choice of food product and thus reduce the threat of substitute products.

(ix) System Disruption

Our Group did not experience any material disruption in business arising from security and system disruption in our factories which affected our operation in the past twelve (12) months prior to the date of this Abridged Prospectus. Our Board does not foresee any disruption to the security and system of our Group's operation which may materially affect our Group's output. In addition, our Group has a regular maintenance schedule for our machinery and equipment. Notwithstanding this, there is no assurance that security and system disruption will not materially affect our Group's business in the future.

(x) Environmental Concern

Our Board believes that our Group's existing operations have presently complied with the relevant regulations governing environment concerns and matters within Malaysia. Notwithstanding the above, there is no assurance that the operations and performance of our Group will not be adversely affected should our Government change the relevant regulations which would result in our Group incurring additional costs for compliance thereof, including but not limited to varying its operating procedures and/or acquiring new production techniques or facilities.

(xi) Dependence on Foreign Labour

In Malaysia, employment of foreign workers is allowed in the construction, plantation, service and manufacturing sectors. A substantial number of our Group's factory workers are foreigners whose employment in Malaysia is governed and authorised by the Government's immigration department.

As at the LPD, our Group has a total of 343 foreign workers. To date, shortage of foreign labour has never been a major issue and has not impeded our Group's business growth or interrupted our operations. However, there is no assurance that any changes to current immigration rules and policies adopted by our Government will not have any adverse impact on our Group's labour force.

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7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

The overview and prospects of the global economy, the Malaysia economy as well as the industry in which our Group operates in, namely the food industry in Malaysia is as follows:

7.1 Overview and prospects of the global economy

Global economic growth remained modest in the first half of 2013, averaging 2.5%. In the US, private demand, supported by a highly accommodative monetary policy contributed to growth, while the fiscal consolidation measures had a negative effect. Economic activity in Japan picked up in response to Abenomic's monetary easing and fiscal stimulus measures aimed at ending deflation and boosting growth. The euro area growth remained subdued, though on a quarter-on-quarter basis, gross domestic product ("GDP") was positive in the second quarter of 2013 after six (6) quarters of recession. The euro area continues to be affected by high unemployment as well as large public and private debts which restrain borrowing and affect growth.

Global economic activity is expected to strengthen moderately during the second half of 2013, with the whole year growth projected at 2.9%. Economic expansion will continue to be supported by growth in major emerging and developing economies, reinforced by strengthening in the advanced economies, particularly in the US where activity is expected to intensify as fiscal consolidation eases and monetary conditions stay supportive.

Global economic activity is forecast to strengthen moderately in 2014. The outlook for advanced economies is expected to improve with output expanding 2% (2013: 1.2%) supported by the easing of fiscal consolidation and a highly accommodative monetary policy in the US and Europe. The US' economy is expected to gain momentum, backed by continued recovery in the property sector and higher household wealth. The European Economic Region, growth is forecast to recover to 1% (2013: -0.4%), driven by smaller fiscal reductions, stronger external demand and improvement of lending conditions to the private sector. In contrast, growth in Japan is projected to decelerate to 1.2% (2013: 2%) as the fiscal stimulus lapses and the consumption tax is increased.

Emerging markets and developing economies are forecast to expand 5.1% (2013: 4.5%) with developing Asia continuing to lead the uptake. Growth in China is projected to decelerate to 7.3% (2013: 7.6%) due to continued restructuring from investment-driven towards a more balanced and higher quality growth based on domestic consumption. India's growth is expected to accelerate to 5.1% (2013: 3.8%) as infrastructure improvements ease supply bottlenecks and external demand strengthens.

Global inflationary pressures are projected to remain subdued due to large output gaps in advanced economies. Also commodity prices have declined amid improved supply conditions and lower demand from emerging markets. Inflation in advanced economies is forecast to increase to 1.7% (2013: 1.2%) while in emerging markets and developing economies, inflation is likely to ease to 5.7% (2013: 6.3%). Meanwhile, world trade volume is expected to increase 4.9% (2013: 2.9%) with strengthening demand in the European Union and the US as well as intra-regional demand in East Asia.

Against these developments, global growth in 2014 is anticipated to increase 3.6% (2013: 2.9%).

(Source: Economic Report 2013/2014, Ministry of Finance)

7.2 Overview and prospects of the Malaysian economy

The Malaysian economy registered real GDP growth of 4.2% during the first half of 2013. The prospects of stronger recovery in advanced economies coupled with moderate, but steady growth in China are expected to create a positive outlook for Malaysian exports. While the impact of the fed tapering in its quantitative easing programme remains a lingering concern, the Malaysian real GDP is expected to register growth of 4.5% - 5% in 2013 (2012: 5.6%) supported by its resilient domestic economy and improving exports during the second half of 2013. In tandem with strong domestic demand, the services and manufacturing sectors are expected to drive growth. On the supply side, growth is expected to be supported by expansion in all economic sectors as strong domestic consumption.

The Malaysian economy is expected to expand further by 5% -5.5% in 2014, supported by favourable domestic demand and an improving external environment. Growth will be private led, supported by strong private capital spending while private consumption continues to be resilient. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities which is evident in the second half of 2013.

Domestic demand is expected to continue its strong growth momentum driven by the private sector and strong fundamentals including low unemployment, rising household income and sustained customer confidence. Private investments are also expected to grow in line with increasing external demand and increasing domestic activity. Labour market conditions are expected to be favourable with the unemployment rate at 3.1% supported by increased employment, particularly in the services-related industries and export-oriented manufacturing industries in tandem with strong domestic consumption and improving external demand while headline inflation is expected to remain manageable at 2% – 3% in 2014 as global food prices, are expected to remain stable. Domestic demand-driven inflation is expected to remain modest, amid increased capacity expansion and improved productivity.

(Source: Economic Report 2013/2014, Ministry of Finance)

7.3 Outlook on Food Industry in Malaysia

Malaysia's food industry is rich in terms of tropical and agricultural resources reflecting diverse cultures in Malaysian society — Malay, Chinese and Indian, have resulted in a fascinating range of processed food with an Asian twist. Increasing consumer awareness in nutrition value and food fortification for healthcare has created the demand for functional/healthy minimally processed fresh food, organic food and natural food flavors from plants and seafood.

The Malaysian food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products. The strong economic growth in the late 80's and early 90's contributed to major changes in consumer purchases and consumption patterns. Malaysians living in urban areas are relatively brand conscious, and they prefer to shop in stores, which offer them convenience and good product selections. Lifestyle changes have led to an increase in the demand for convenience food and health food.

The food processing industry is predominantly Malaysian-owned. In Malaysia, the food industry is dominated by small and medium scale companies. The major sub-sectors are the fish and fish products, livestock and livestock products, fruits, vegetables and cocoa.

In line with the government's emphasis on the agriculture sector, the processed food and beverages industry had become an important component of the agro-based industry. Malaysia is also one of the world major producers of spices.

Malaysia remains a net importer of food in 2011 (RM34.5 billion). Major food imports were cereals and cereal preparations (RM7.2 billion), vegetables and fruits (RM4.2 billion), cocoa (RM3.6 billion), sugar and sugar confectionery (RM3.4 billion) and animal feed (RM2.8 billion). Raw materials such as cereals and dairy products continue to be imported for further processing. In 2011, Malaysia exported food products worth RM20.6 billion to more than 200 countries, of which, processed food contributed about RM13.5 billion. The main exports were cocoa and cocoa preparations (RM3.8 billion), prepared cereals and flour preparations (RM1.6 billion) and margarine and shortening (RM1.3 billion). Major export destinations were Singapore, the US, Indonesia and PRC.

(Source: Malaysian Investment Development Authority, 2012)

7.4 Future Prospects of our Group

The overall prospects for vermicelli industry in Malaysia look promising as it is supported by increasing demand both locally and internationally. The steady growth of Malaysia's economy that expanded 5-6% in 2013, explains the increasing consumer confidence in spending. The vermicelli market is also expected to be boosted by the growing national population and its persistent popularity as a staple food for Malaysians. The popularity on instant noodles could prove a bane to the demand for dried vermicelli, although the emergence of instant vermicelli could bolster the loss of dried vermicelli demand to instant noodle variants. On the supply side, government plans to increase rice production bodes well for the raw material availability for the vermicelli market, while continued advancements in automated noodles manufacturing systems are likely to contribute to greater and higher quality production.

Our Group provides wide range of products includes vermicelli, instant vermicelli, laksa, noodle and instant noodles sold under the "EKA" brand. KBB's products are certified Halal. In terms of complying with local and global quality and health standards, our Group is Good Manufacturing Practices (GMP) and ISO9001:2000 certified, and were among the first noodle manufacturers in Malaysia to be awarded with the Hazard Analysis Critical Control Point (HACCP) certification.

Moving forward, in order for our Group to maintain/improve our market share, we will have to continue fending off competition from our competitors. Over the years with persistent hard work, our Group and personnel have successfully carved a reputable market share and has secured its position as a major vermicelli and noodles manufacturer in the country. These are results from its good relationship with distributors, continuous product improvement efforts and continuous upgrading of new manufacturing technologies, machines and equipment as well as the practice of stringent safety and health practices.

Although, no assurance is given that our Group is able to maintain its existing market position in the vermicelli and noodles manufacturing industry, our management is confident that our Group can sustain its position in view of its established brand name and strong local following. Furthermore, our management is confident that the impact of new entrants is limited by the numerous barriers to entry such as the heavy investments required for acquiring production related equipment and machinery as well as the marketing efforts required to promote a new brand.

Although our Group seeks to continue to adopt appropriate strategies to remain competitive, there can be no assurance that competition from existing competitors and/or new entrants, including foreign competitors will not have a material adverse effect on its performance.

While our Group's strategy is still focused on increasing our local market share, our Group will continue to identify a suitable strategic partner in PRC and Thailand in order to venture into the overseas market. Our Group has initiated preliminary discussions with certain potential strategic partners and hope to be able to venture into both PRC and Thailand by the last

quarter of 2014. The PRC and Thailand were considered in view of the following factors:

(i) PRC

Based on the site visits conducted by our management in search of a suitable strategic partner in the PRC, it was noted that there is a growing demand for foreign manufactured noodles such as laksa. Also, our management believes that its instant vermicelli range of products, which are flavoured based on Malaysian traditional food flavours such as "Beehoon Laksa" will be well accepted there.

(ii) Thailand

The main manufacturing facility of our Group is in Kuala Ketil, Kedah which is in close proximity to Thailand. Thailand was chosen as our targeted overseas market as the transportation cost for exporting our products to Thailand is lower as compared to export to other countries.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

For illustration purpose, the effects of the Rights Issue with Warrants on the share capital, NA, NTA, gearing, earnings and dividends in our Group are as follows:

8.1 Share capital

The proforma effects of the Rights Issue with Warrants on our issued and paid-up share capital are as follows:

	←--Minimum Scenario--→		←--Maximum Scenario--→	
	No. of KBB Shares	RM	No. of KBB Shares	RM
Existing as at the LPD	120,000,000	18,000,000	120,000,000	18,000,000
To be issued pursuant to the Rights Issue with Warrants	60,000,000	9,000,000	120,000,000	18,000,000
Share capital after the Rights Issue with Warrants	180,000,000	27,000,000	240,000,000	36,000,000
To be issued assuming full exercise of Warrants pursuant to the Rights Issue with Warrants	60,000,000	9,000,000	120,000,000	18,000,000
Enlarged Share Capital	240,000,000	36,000,000	360,000,000	54,000,000

8.2 NA, NTA and gearing

Based on our latest audited consolidated statement of financial position as at 30 June 2013 and on the assumption that the Rights Issue with Warrants had been effected on that date, the proforma effects of the Rights Issue with Warrants on our consolidated NA, NA per Share and gearing are set out in the ensuing tables below:

Minimum Scenario

	(I) Audited as at 30 June 2013 RM('000)	(I) After the Par Value Reduction ⁽ⁱ⁾ RM('000)	(II) After (I) and the Rights Issue with Warrants RM('000)	(III) After (II) and assuming full exercise of Warrants RM('000)
Share capital	60,000	18,000	27,000	36,000
Share premium	-	-	1,800	4,800
Capital reserve	-	5,230	⁽ⁱⁱ⁾ 4,830	4,830
Exchange translation reserve	(4,920)	(4,920)	(4,920)	(4,920)
Revaluation reserve	4,393	4,393	4,393	4,393
Other reserve	-	-	[^] (2,400)	-
Warrants reserve	-	-	[^] 2,400	-
Accumulated losses	(36,770)	-	-	-
Shareholders' funds / NA	22,703	22,703	33,103	45,103
No. of KBB Shares ('000)	120,000	120,000	180,000	240,000
NA per KBB Share	0.19	0.19	0.18	0.19
Interest bearing borrowings	68,063	68,063	68,063	68,063
Gearing	3.00	3.00	2.06	1.51

Maximum Scenario

	(I) Audited as at 30 June 2013 RM('000)	(I) After the Par Value Reduction ⁽ⁱ⁾ RM('000)	(II) After (I) and the Rights Issue with Warrants RM('000)	(III) After (II) and assuming full exercise of Warrants RM('000)
Share capital	60,000	18,000	36,000	54,000
Share premium	-	-	3,600	9,600
Capital reserve	-	5,230	⁽ⁱⁱ⁾ 4,830	4,830
Exchange translation reserve	(4,920)	(4,920)	(4,920)	(4,920)
Revaluation reserve	4,393	4,393	4,393	4,393
Other reserve	-	-	[^] (4,800)	-
Warrants reserve	-	-	[^] 4,800	-
Accumulated losses	(36,770)	-	-	-
Shareholders' funds / NA	22,703	22,703	43,903	67,903
No. of KBB Shares ('000)	120,000	120,000	240,000	360,000
NA per KBB Share	0.19	0.19	0.18	0.19
Interest bearing borrowings	68,063	68,063	68,063	68,063
Gearing	3.00	3.00	1.55	1.00

Notes:

(i) After the Par Value Reduction which was completed on 31 October 2013.

(ii) After deducting expenses for the Proposals of RM400,000.

(iii) Based on the theoretical fair value of RM0.04 per Warrant derived using the Black-Scholes option pricing model.

8.3 Earnings and EPS

Under the Rights Issue with Warrants, our Company shall raise proceeds of between RM10.8 million and RM21.6 million under the Minimum Scenario and Maximum Scenario, respectively. From the total proceeds raised, between RM6.5 million (Minimum Scenario) and RM15.0 million (Maximum Scenario) shall be utilised to directly contribute positively to the our Group's future earnings. Details are as follows:

Details	Minimum Scenario RM ('000)	Maximum Scenario RM ('000)	Contribution to our Group
Labour cost	2,000	3,000	This comprises labour salaries and benefits which are crucial in maintaining our Group's existing workforce and to enable our Group to increase our workforce. The increase in our Group's workforce will enable us to support our planned future increase in production volume thereby increasing our revenue and profitability.
Purchase of raw materials	2,000	7,000	This comprises the purchase of raw materials including broken rice, sago starch, corn starch and tapioca starch. These production inputs are used for the production of our Group's products, namely vermicelli, instant vermicelli, laksa, noodle and instant noodles. These raw materials shall be utilised for our Group's planned future increase in production volume.
Capital expenditure	2,500	5,000	This comprises capital expenditure which may include but not limited to purchase of vermicelli cooker, automatic dryer, stainless-steel trolley, rice washing tank, hammer mill and dewatering machining that comes with mixing to increase the production capacity of our Group. Our management estimates that the our Group's production capacity will increase by 12.5% or 25.0% under the Minimum Scenario and Maximum Scenario respectively with the purchase of these new machineries and equipments and thereby increasing the revenue of our Group.
Total	6,500	15,000	

The Rights Issue with Warrants is aimed at increasing the production volume and revenue of our Group and shall contribute positively to the future earnings of our Group and consequently its EPS.

8.4 Dividend

The Rights Issue with Warrants is not expected to affect the dividend policy of our Company as future dividend payable by our Company would be dependent on *inter-alia*, the future profitability and cashflow position of our Group.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds of the Rights Issue with Warrants, cash in hand, cashflow generated from our operations and available banking facilities, our Group will have adequate working capital to meet our business requirements due within a period of twelve (12) months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, our Group have total outstanding bank borrowings as follows:

	Floating rate interest bearing borrowings RM ('000)	Non-floating rate interest bearing borrowings RM ('000)
Short-term borrowings	-	22,223
Long-term borrowings	-	51,984
Total	-	74,207

Our Group has no borrowing in foreign currencies as at the LPD.

After having all reasonable enquires and to the best knowledge of our Board, there has not been any default on payments of either interest or principal sums by our Group, in respect of any borrowings during the FYE 30 June 2013 and for the subsequent financial period up to the LPD.

9.3 Material Commitments

Save as disclosed below, as at the LPD, there is no material commitment, incurred or known to be incurred, which may have a material impact on the results or financial position of our Group:

	As at the LPD
Non-cancellable operating lease commitments:	
Not later than one (1) year	575,560
Between two (2) to five (5) years	1,966,000
Later than five (5) years	2,240,000
Total	4,781,560
	As at the LPD
Capital commitments:	
Not later than one (1) year	406,717
Between two (2) to five (5) years	3,725,808
Later than five (5) years	2,561,476
Total	6,694,001

9.4 Contingent Liabilities

Save as disclosed below, to the best knowledge of our Board, there are no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have a substantial impact in the ability of KBB to meet its obligations as and when they fall due:

- (i) Our Company is contingently liable in respect of a corporate guarantee of RM8,625,000 granted to Kilang Bihun Bersatu Sdn Bhd, our wholly-owned subsidiary.

10. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus, the Deed Poll, the NPA and RSF enclosed herewith.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
KBB RESOURCES BERHAD

DATO' SOHAIMI BIN SHAHADAN
INDEPENDENT NON-EXECUTIVE CHAIRMAN

CERTIFIED EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT OUR EGM HELD ON 22 AUGUST 2013

(Prepared for inclusion in this Abridged Prospectus)

KBB RESOURCES BERHAD

(Company No. 583565-U)
(Incorporated in Malaysia)

EXTRACT OF MINUTES OF GENERAL MEETING

EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF KBB RESOURCES BERHAD (“KBB”) HELD AT THE CONFERENCE ROOM OF KBB, LOT 208, PHASE II, KUALA KETIL INDUSTRIAL ESTATE, 09300 KUALA KETIL, KEDAH DARUL AMAN ON THURSDAY, 22 AUGUST 2013 AT 10.00 A.M.

4. ORDINARY RESOLUTION 1 – PROPOSED RIGHTS ISSUE WITH WARRANTS

The next resolution was to consider and if thought fit, to pass with or without modifications, the ordinary resolution on the proposed renounceable rights issue of up to 120 million new ordinary shares of RM0.15 each in the Company together with up to 120 million new free detachable warrants at an issue price of RM0.18 per rights share after the Proposed Par Value Reduction on the basis of one (1) rights share together with one (1) warrant for every one (1) ordinary share of RM0.15 each held in the Company on an entitlement date to be determined later (“Proposed Rights Issue with Warrant”).

The Chairman then informed the rationale of the Proposed Rights Issue with Warrants as below:-

- 1) To enable the Company to raise the necessary funds required for further growth without incurring additional interest cost as compared to bank borrowings;
- 2) To provide an opportunity for existing shareholders to further participate in the equity of the Company and the future prospects and growth of the Company.
- 3) The warrants attached to the rights shares were to provide the shareholders with the option to further participate in the equity of the Company at a pre-determined price and enable the shareholders to benefit from the future growth of the Company and any potential capital appreciation arising thereof.
- 4) The Company’s financial position would be strengthened with enhanced shareholders’ funds and these were expected to facilitate the continuous business expansion plans of the Company.
- 5) There would be no dilution in shareholding if all entitled shareholders fully subscribed for their respective entitlements.
- 6) To provide the Company with additional capital when the warrants were exercised in the future without incurring additional finance cost and minimise any potential cash outflow in respect of interest servicing.

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KBB RESOURCES BERHAD

(Company No. 583565-U)

Extract of Minutes of EGM held on 22 August 2013

He then welcomed questions from the floor and there were none.

Mr. Chern Shu Hui, the proxy for HLIB Nominees (Tempatan) Sdn. Bhd. proposed and Mr. Leow Heng Thian, the proxy for HLIB Nominees (Tempatan) Sdn. Bhd. seconded the proposal that the Proposed Rights Issue with Warrants be approved.

The motion was then put to the vote of the meeting by show of hands.

The result of the vote by show of hands was as follows:-

“In Favour” - 5

“Against” - 0

As there were no objections, the Chairman declared the following Ordinary Resolution 1 unanimously carried:-

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 120,000,000 NEW ORDINARY SHARES OF RM0.15 EACH IN KBB (“RIGHTS SHARES”) TOGETHER WITH UP TO 120,000,000 NEW FREE DETACHABLE WARRANTS (“WARRANTS”) AT AN ISSUE PRICE OF RM0.18 PER RIGHTS SHARE AFTER THE PROPOSED PAR VALUE REDUCTION ON THE BASIS OF ONE (1) RIGHTS SHARE TOGETHER WITH ONE (1) WARRANT FOR EVERY ONE (1) EXISTING ORDINARY SHARE OF RM0.15 EACH HELD IN KBB (“KBB SHARES”) ON ENTITLEMENT DATE TO BE DETERMINED LATER (“ENTITLEMENT DATE”) (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)

“THAT subject to the passing of Special Resolutions 1 and 2, and the approvals from relevant authorities being obtained where necessary, approval be and is hereby given for KBB to undertake the Proposed Rights Issue with Warrants as follows:

- (a) To provisionally issue and allot by way of renounceable rights issue of up to 120,000,000 Rights Shares together with up to 120,000,000 free Warrants at an issue price of RM0.18 on the basis of one (1) Rights Share for every one (1) KBB Share held to the entitled shareholders of the Company whose name appear in the Record of Depositors on the Entitlement Date;
- (b) To issue the Warrants based on the principal terms of which are set out in Section 2.2 of the Circular to Shareholders dated 31 July 2013 and upon the terms and conditions of a deed poll to be executed by KBB (“Deed Poll”);
- (c) To issue and allot such number of new KBB Shares arising from the exercise of the Warrants during the tenure of the Warrants; and
- (d) To allot and issue such other additional Warrants as maybe required or permitted to be issued as a result of any adjustment under the provision of the Deed Poll;

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KBB RESOURCES BERHAD

(Company No. 583565-U)

Extract of Minutes of EGM held on 22 August 2013

AND THAT the issue price of the Rights Shares shall be fixed at RM0.18 for each Rights Share and the exercise price of the Warrants shall be fixed at RM0.20 for each Warrant;

AND THAT the Directors be and are hereby authorised to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Directors in their absolute discretion;

AND THAT the Directors be and are hereby entitled to deal with all or any of the fractional entitlement of the Rights Shares and Warrants arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner as the Directors may in their absolute discretion deems fit and in the best interest of the Company;

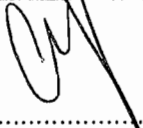
AND THAT the Rights Shares and the new KBB Shares to be issued pursuant to the exercise of the Warrants, shall upon allotment and issue, rank *pari passu* in all respects with the then existing KBB Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the Rights Shares and the new KBB Shares to be issued pursuant to the exercise of the Warrants (as the case may be);

AND THAT the proceeds from the Proposed Rights Issue with Warrants will be utilised for such purposes as set out in Section 2.2.5 of the Circular to Shareholders dated 31 July 2013 and the Directors be authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary or expedient, subject to (where applicable) the approval of the relevant authorities;

AND THAT the Directors be and are hereby authorised to enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they may deemed fit and expedient in order to implement, finalise and give effect to the aforesaid Deed Poll and that the Common of the Company be affixed to the Deed Poll in accordance with the Articles of Association of the Company;

AND FURTHER THAT the Directors be and are hereby authorised with full power to make any modifications, variations and/or amendments in any manner as may be in the best interest of the Company or as may be required by the relevant authority/authorities to give effect to the Proposed Rights Issue with Warrants, and to take all such steps as they may deem necessary or expedient in the best interests of the Company to implement, finalise and give full effect to the Proposed Rights Issue with Warrants.”

CERTIFIED TRUE EXTRACT,



.....
DATO' SRI CHIN SEAK HUAT (JP)
Director



.....
TAN TONG LANG (MAICSA7045482)
Secretary

Date: 12 December 2013

SALIENT TERMS OF THE WARRANTS

Terms	Details
Number of Warrants	: Up to 120,000,000 Warrants to subscribe for up to 120,000,000 new KBB Shares, to be issued to the Entitled Shareholders who subscribes for the Rights Issue with Warrants.
Detachability	: The Warrants which are to be issued pursuant to Rights Issue with Warrants are immediately detachable upon allotment and issue of the Rights Shares. The Warrants will be traded separately.
Issue Price	: The Warrants which are to be issued pursuant to Rights Issue with Warrants are to be issued free to the Entitled Shareholders and renounees who subscribe for the Rights Shares.
Exercise Price	: The exercise price of the Warrants is RM0.20 per Warrant. The exercise price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Exercise Period	: The Warrants may be exercised any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants. Warrants not exercised during the Exercise Period will thereafter become lapse and void.
Exercise Rights	: Each Warrant entitles the registered holder to subscribe for one (1) new KBB Share at the Exercise Price during the Exercise Period and shall be subject to adjustments in accordance with the Deed Poll.
Expiry Date	: A date being five (5) years from and including the date of issue of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day.
Mode of Exercise	: The holders of the Warrants shall pay cash by way of banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia for the aggregate Exercise Price payable when exercising the Warrants and subscribing for new KBB Shares.
Deed Poll	: The Warrants are constituted by the Deed Poll.
Board Lot	: The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new KBB Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
Status of New KBB Shares to be issued pursuant to the exercise of the Warrants	: All the new KBB Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank <i>pari passu</i> in all respects with the then existing KBB Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the said new KBB Shares.
Rights in the Event of Winding Up, Liquidation, Compromise and/or Arrangement	: Where a resolution has been passed for a members' voluntary winding-up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:

Terms

Details

- (a) for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purposes by a Special Resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all the Warrant holders; and
 - (b) in any other case, every Warrant holder will be entitled to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Exercise Rights represented by that Warrant to the extent specified in the exercise forms and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company will give effect to such election accordingly.
- Listing : Approval has been obtained from Bursa Securities for the admission of the Warrants to the Official List of the Main Market of Bursa Securities as well as for the listing of and quotation for the Warrants and new KBB Shares to be issued arising from the exercise of the Warrants.
- Adjustment in the Exercise Price and/or the number of Warrants held by warrant holders in event of alteration to the share capital : Subject to the provision in the Deed Poll, the Exercise Price and the number of Warrants held by each Warrant holder shall be adjusted by the Board in consultation with the adviser and certification of the external auditors of KBB, in the event of alteration to the share capital of our Company.
- Modification : Save as expressly provided in the Deed Poll, no modification, amendment or addition may be made to the provisions of the Deed Poll without the sanction of a special resolution by the Warrant Holders, other than any modification to the Deed Poll which is not materially prejudicial to the interests of the Warrant Holders or if in the opinion of our Company and the approved adviser, is to correct a manifest error or to comply with the rules of Bursa Malaysia Depository Sdn Bhd, or the Securities Industry (Central Depositories) Act, 1991 or Bursa Securities or mandatory provisions of Malaysian law. Any modification to the Deed Poll may be effected only by a further deed poll executed by our Company and expressed to be supplemental to the Deed Poll, and only if the requirements of the relevant provision of the Deed Poll have been complied with.
- Further Issues : Subject to the provision in the Deed Poll, our Company is free to issue shares to shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as our Company sees fit but the Warrant holders will not have any participating rights in such issue unless otherwise resolved by our Company in general meeting.
- Governing Law : Laws of Malaysia.

INFORMATION ON OUR COMPANY**1. HISTORY AND BUSINESS**

KBB was incorporated in Malaysia on 20 June 2002 under the Act as a public limited company under its present name.

We were listed on the Main Market of Bursa Securities on 24 February 2004.

We are an investment holding company. Our subsidiaries are principally engaged in the manufacturing and marketing of rice and sago sticks (vermicelli) and other related products as set out in Section 5 of this Appendix.

2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are as follows:

Type	No. of Shares	Par value RM	Total RM
Authorised	400,000,000	0.15	60,000,000
Issued and fully paid-up	120,000,000	0.15	18,000,000

Changes in Issued and Paid-Up Share Capital

The changes in our Company's issued and paid-up share capital since incorporation are as follows:

Date of allotment	No. of Shares	Par value RM	Consideration	Total RM
20.06.2002	2	1.00	Subscribers' shares	2.00
01.10.2003	30,155,209	1.00	Issued pursuant to the acquisition of subsidiaries	30,155,211
19.12.2003	3,844,789	1.00	Cash	34,000,000
22.12.2003	68,000,000	0.50	*	34,000,000
16.02.2004	12,000,000	0.50	Cash	40,000,000
27.09.2005	40,000,000	0.50	Bonus Issue	60,000,000
31.10.2013	-	0.15	^	18,000,000

Notes:

* *Share split*

^ *Par Value Reduction*

3. SUBSTANTIAL SHAREHOLDERS

Based on our Record of Depositors as at the LPD, the proforma effects of the Rights Issue with Warrants on the shareholdings of our substantial shareholders are as follows:

Minimum Scenario (Pursuant to the Undertakings and assuming none of the other Entitled Shareholders subscribe for the Rights Issue with Warrants)

Name of Substantial Shareholder	As at the LPD			(I) After the Rights Issue with Warrants			(II) After (I) and assuming full exercise of Warrants		
	Direct		Indirect	Direct		Indirect	Direct		Indirect
	No. of KBB Shares	%		No. of KBB Shares	%		No. of KBB Shares	%	
DSCSH	16,650,000	13.88	-	46,650,000	25.92	-	76,650,000	31.94	-
DSNK	5,900,000	4.92	4,355,400 ⁽¹⁾	35,900,000	19.94	4,355,400 ⁽¹⁾	65,900,000	27.46	4,355,400 ⁽¹⁾
Datin Sri Harumi Takizawa	4,355,400	3.63	5,900,000 ⁽¹⁾	4,355,400	2.42	35,900,000 ⁽¹⁾	4,355,400	1.81	65,900,000 ⁽¹⁾

Maximum Scenario (Assuming all Entitled Shareholders subscribe for the Rights Issue with Warrants)

Name of Substantial Shareholder	As at the LPD			(I) After the Rights Issue with Warrants			(II) After (I) and assuming full exercise of Warrants		
	Direct		Indirect	Direct		Indirect	Direct		Indirect
	No. of KBB Shares	%		No. of KBB Shares	%		No. of KBB Shares	%	
DSCSH	16,650,000	13.88	-	33,300,000	13.88	-	49,950,000	13.88	-
DSNK	5,900,000	4.92	4,355,400 ⁽¹⁾	11,800,000	4.92	8,710,800 ⁽¹⁾	17,700,000	4.92	13,066,200 ⁽¹⁾
Datin Sri Harumi Takizawa	4,355,400	3.63	5,900,000 ⁽¹⁾	8,710,800	3.63	11,800,000 ⁽¹⁾	13,066,200	3.63	17,700,000 ⁽¹⁾

Note:

(1) Deemed interested pursuant to Section 6A of the Act by virtue of his /her spouse shareholdings in our Company.

4. BOARD OF DIRECTORS

The age, profession, designation, nationalities and addresses of our Board are set out under the Corporate Directory on page (vi) of this Abridged Prospectus.

Minimum Scenario (Pursuant to the Undertakings and assuming none of the other Entitled Shareholders subscribe for the Rights Issue with Warrants)

Name of Director	As at the LPD				(I) After the Rights Issue with Warrants				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of KBB Shares	%	No. of KBB Shares	%	No. of KBB Shares	%	No. of KBB Shares	%	No. of KBB Shares	%	No. of KBB Shares	%
Dato' Sohaimi Bin Shahadan	-	-	-	-	-	-	-	-	-	-	-	-
DSNK	5,900,000	4.92	4,355,400 ⁽¹⁾	3.63	35,900,000	19.94	4,355,400 ⁽¹⁾	2.42	65,900,000	27.46	4,355,400 ⁽¹⁾	1.81
DSCSH	16,650,000	13.88	-	-	46,650,000	25.92	-	-	76,650,000	31.94	-	-
Dato' Loh Choon Khiang	400,000	0.33	-	-	400,000	0.22	-	-	400,000	0.17	-	-
Khor Wooli Lip	-	-	120,000 ⁽¹⁾	0.10	-	-	120,000 ⁽¹⁾	0.07	-	-	120,000 ⁽¹⁾	0.05
See Toh Kean Yaw	-	-	-	-	-	-	-	-	-	-	-	-
Abdul Fareed Bin Abdul Gafoor	-	-	-	-	-	-	-	-	-	-	-	-

Maximum Scenario (Assuming all Entitled Shareholders subscribe for the Rights Issue with Warrants)

Name of Director	As at the LPD				(I) After the Rights Issue with Warrants				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of KBB Shares	%	No. of KBB Shares	%	No. of KBB Shares	%	No. of KBB Shares	%	No. of KBB Shares	%	No. of KBB Shares	%
Dato' Sohaimi Bin Shahadan	-	-	-	-	-	-	-	-	-	-	-	-
DSNK	5,900,000	4.92	4,355,400 ⁽¹⁾	3.63	11,800,000	4.92	8,710,800 ⁽¹⁾	3.63	17,700,000	4.92	13,066,200 ⁽¹⁾	3.63
DSCSH	16,650,000	13.88	-	-	33,300,000	13.88	-	-	49,950,000	13.88	-	-
Dato' Loh Choon Khiang	400,000	0.33	-	-	800,000	0.33	-	-	1,200,000	0.33	-	-
Khor Wooli Lip	-	-	120,000 ⁽¹⁾	0.10	-	-	240,000 ⁽¹⁾	0.10	-	-	360,000 ⁽¹⁾	0.10
See Toh Kean Yaw	-	-	-	-	-	-	-	-	-	-	-	-
Abdul Fareed Bin Abdul Gafoor	-	-	-	-	-	-	-	-	-	-	-	-

Note:

(1) Deemed interested pursuant to Section 6A of the Act by virtue of his spouse shareholdings in our Company.

5. SUBSIDIARY AND ASSOCIATED COMPANIES

Our subsidiaries as at the LPD are as follows:

Subsidiaries	Date / Country of incorporation	Issued and paid-up capital	Effective ownership (%)	Principal Activities
Kilang Bihun Bersatu Sdn Bhd	15 September 1988 / Malaysia	RM17,441,860	100	Manufacturing and marketing of all types of rice and sago sticks (vermicelli)
Bersatu Sago Industries Sdn Bhd	23 December 2000 / Malaysia	RM500,000	100	Manufacturing and marketing all types of sago starch and related products
Kilang Bihun Bersatu (East Malaysia) Sdn Bhd	18 April 2001 / Malaysia	RM300,000	100	Manufacturing and marketing of all types of sago sticks (vermicelli)
Bersatu (BVI) Limited	9 July 2004 / British Virgin Islands	USD1,425,001	100	Investment holding
PT Bersatu International Food Industries	29 October 2004 / Indonesia	Rupiah 13.653 billion	100	Manufacturing and marketing all types of rice and sago sticks (vermicelli)
Rasayang Food Industries Sdn Bhd	10 June 1998 / Malaysia	RM7,915,000	100	Manufacturing and trading of "beehoon" and "beehoon laksa"
Bersatu Noodles Industries Sdn Bhd	29 August 2006 / Malaysia	RM1,000,000	100	Manufacturing and trading of noodles and related products
Bersatu Sago Industries (Mukah) Sdn Bhd	26 June 2007 / Malaysia	RM500,000	100	Manufacturing and marketing of all types of sago starch and related products
Bersatu Biotechnology (Johore) Sdn Bhd	24 October 2007 / Malaysia	RM500,000	100	Manufacturing and trading of sago starch and its related products
Violet Dollars Diversified Sdn Bhd	20 March 2012 / Malaysia	RM2	100	Dormant

We do not have any associated company as at LPD.

6. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements for the FYE 31 December 2010, 18 months FPE 30 June 2012, FYE 30 June 2013 and the unaudited consolidated financial statements for the three (3) months FPE 30 September 2012 and 2013 are as follows:

	<-----Audited----->			<-----Unaudited----->	
	FYE 31 December 2010 (RM'000)	18 months FPE 30 June 2012 (RM'000)	FYE 30 June 2013 (RM'000)	Three (3) months FPE 30 September 2012 (RM'000)	Three (3) months FPE 30 September 2013 (RM'000)
Revenue	159,256	123,310	97,156	32,437	22,643
Gross profit / (loss)	(12,257)	(21,333)	15,305	4,721	3,415
Other income	519	59,311	4,284	311	72
Finance costs	6,262	540	5,499	956	1,327
PBT / (LBT)	(46,919)	(27,433)	246	205	(963)
Taxation income / (expense)	1,665	725	441	-	-
PAT / (LAT)	(45,254)	(26,708)	687	205	(963)
EBITDA / (LBITDA)	(42,322)	(27,618)	5,304	1,161	364
Gross profit / (loss) margin (%)	(7.70)	(17.3)	15.75	14.55	15.08
Net profit / (loss) margin (%)	(28.42)	(21.66)	0.71	0.63	(4.25)
Number of shares in issue ('000)	600,000	600,000	600,000	600,000	600,000
EPS (LPS) (sen)	(7.54)	(4.45)	0.11	0.17	(0.80)
Diluted EPS (LPS) (sen)	N/A	N/A	N/A	N/A	N/A
Dividend per share (sen)	N/A	N/A	N/A	N/A	N/A

Note:

N/A Not available

Commentary on Financial Performance

FYE 31 December 2010 (audited)

Based on the audited financial statements for the FYE 31 December 2010, our Group recorded a LAT of RM45.3 million and has a net current liabilities position of RM36.7 million. In addition, our Group's revenue declined substantially by approximately 16% as compared to FYE 31 December 2009 from RM189.5 million to RM159.3 million. The lower revenue registered was mainly due to rationalisation and consolidation of its operations.

Our Group recorded a total LBT of RM46.9 million as compared to PBT of RM4.8 million in the previous financial year. The loss was mainly due to the provision for obsolete stock, provision for impairment losses of plant and equipment in Indonesian subsidiary and provision of doubtful debts amounting to a total of RM33.6 million. Provision for obsolete stock was made for damaged stocks as well as for stocks aging above twelve (12) months. Impairment losses of plant and equipment in the Indonesia subsidiary were due to obsolete and damaged assets

of the company since it has ceased operations from June 2009. Our management had also provided 15% as provision of doubtful debts for all debts exceeding its credit period of five (5) months.

18 months FPE 30 June 2012 (audited)

Our Group recorded revenue of approximately RM123.3 million in the 18 months FPE 30 June 2012 compared with the revenue of approximately RM159.3 million in FYE 31 December 2010 representing a decline by approximately 22.60%. As part of our Company's business rationalisation and consolidation efforts, two (2) sago starch manufacturing factories located in Sarawak had been rented out to Agro Sago Sdn Bhd effective August 2011 which resulted in the decreased in revenue generated from sago starch.

Our Group's LBT reduced to approximately RM27.43 million in the 18 months FPE 30 June 2012 mainly due to our Group's effort on improving operational efficiency and implementing cost cutting measures especially on the two (2) factories in Sarawak being rented out which reduced the operating expenses by approximately RM4.8 million as well as the recognition of the one-off debt waiver amounting to RM56.85 million resulting from the successful implementation of our debt restructuring proposal.

However, our Group had also written-off approximately RM32.2 million of trade receivables and approximately RM20.9 million of inventories. In total, RM53.1 million was written-off during the 18 months FPE 30 June 2012.

The trade receivables and inventories were written off after our management had engaged an independent accounting firm, CHI-LLTC, to conduct a limited review on our trade receivables and inventories.

The findings of report which lead to our Board's decision to write-off the trade receivables are as follows:

- (i) A series of the debtors were un-contactable during the review;
- (ii) Accounting errors which resulted by duplicated sales invoices being taken up in the sales ledger; and
- (iii) Un-reconciled outstanding amount due to poor documentation.

The findings of report which lead to our Board's decision to write-off the inventories are as follows:

- (i) Higher volume of raw material wastage resulted from the reduced efficiency of older machineries and equipment;
- (ii) There were no proper controls and inventory movement documentations in the recording of incoming and/or outgoing inventories;
- (iii) Certain purchases taken up in the accounting system but were not delivered to our premises;
- (iv) Sales of finished goods but inventory records were not updated accordingly;
- (v) Damaged or expired inventories; and
- (vi) Loss of inventories due to theft.

This write-off is a one-off event and is not expected to be carried out in the following financial years. Nothing has come to our management's attention that our remaining trade receivables cannot be collected.

FYE 30 June 2013 (audited)

Our Group's revenue for the FYE 30 June 2013 has been increased to RM97.2 million as compared to previous 18 months FPE 30 June 2012 annualised return of RM82.2 million which is an increase of approximately 18.29%. The increase was mainly due to the increased of approximately 5% in our product's pricing as well as the increased in production volume as a result of the improvement in our operation's efficiency and productivity.

Our Group recorded a PAT of RM0.69 million in comparison to the 18 months FPE 30 June 2012 LBT of RM26.71 million. This was resulted from inventories written off, impairment losses of property, plant and machinery and provision for doubtful debts in previous year.

3 months FPE 30 September 2013 (unaudited)

Our Group's revenue for the 3 months FPE 30 September 2013 was RM22.6 million and LBT was RM0.96 million. The revenue was lower by RM9.8 million or 30% lower than preceding year corresponding quarter. This was due to the lower production volume resulting from a one-off repair on four (4) units of our production machineries.

Our Group recorded LBT of approximately RM0.96 million as compared with the PAT of approximately RM0.21 million in the 3 months FPE 30 September 2012 as a result of lower production volume as well as higher finance expenses incurred due to the increase in bank borrowing from Bank Kerjasama Rakyat Malaysia Berhad.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of KBB Shares as traded on Bursa Securities for the past twelve (12) months are as follows:

	High (RM)	Low (RM)
2012		
November	0.47	0.41
December	0.55	0.44
2013	0.52	0.45
January	0.52	0.46
February	0.48	0.26
March	0.31	0.20
April	0.30	0.20
May	0.29	0.25
June	0.29	0.23
July	0.25	0.23
August	0.24	0.20
September	0.23	0.19
October	0.24	0.21
November	0.25	0.21

The last transacted price of KBB Shares on 2 April 2013 being the date immediately prior to the announcement of the Proposals was RM0.30 per Share.

The last transacted price of KBB Shares on 16 December 2013, being the LPD was RM0.215 per share.

The last transacted price of KBB Shares on 24 December 2013, being the market day prior to the ex-date of the Rights Issue with Warrants was RM0.195 per share.

(Source: M&A Securities)

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2013 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON

(Prepared for inclusion in this Abridged Prospectus)



CH International

CHI-LLTC (AF : 1114)
Chartered Accountants

No. 29B, Lorong P.S.1, Bandar Perda,
14000 Bukit Mertajam,
Pulau Pinang, Malaysia.
Tel: +604 530 6080
Fax: +604 530 6050
Email: elwyn@lltc.my
Web: www.lltc.my
(Offices and Affiliate Offices
located throughout Malaysia)

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF KBB RESOURCES BERHAD AS AT 30 JUNE 2013 TOGETHER WITH THE NOTES

The Board of Directors
KBB Resources Berhad
51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

Dear Sirs

**KBB RESOURCES BERHAD ("KBB")
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

We have reviewed the Proforma Consolidated Statements of Financial Position of KBB and its subsidiary companies (collectively referred to as "KBB Group") based on the latest audited financial statements as at 30 June 2013, together with the notes thereon, as set out in the accompanying statements (which we have stamped for the purpose of identification), for which the Directors of KBB are collectively and individually responsible. The Proforma Consolidated Statements of Financial Position have been prepared for the purpose of inclusion in the Abridged Prospectus to the shareholders of KBB in connection with the Proposals (as defined below). The Proforma Consolidated Statements of Financial Position should not be relied on for any other purposes.

The details of the proposals are as follows:

- (a) Proposed reduction of its existing issued and paid-up share capital from RM60,000,000 comprising 120,000,000 ordinary shares of RM0.50 each in KBB to RM18,000,000 comprising 120,000,000 ordinary shares of RM0.15 each in KBB via the cancellation of RM0.35 from the par value of each existing ordinary RM0.50 each in KBB pursuant to Section 64 of the Companies Act, 1965 ("Proposed Par Value Reduction");
- (b) Proposed renounceable rights issue of up to 120,000,000 new ordinary shares of RM0.15 each in KBB ("Rights Issue") together with up to 120,000,000 free detachable warrants ("Warrants") at an issue price of RM0.18 per Rights Share after the Proposed Par Value Reduction on the basis of one (1) Rights Share for every one (1) ordinary share of RM0.15 each in KBB ("KBB Shares" or "Shares") held together with one (1) free Warrant for every one (1) Rights Share subscribed at an entitlement date to be determined later ("Proposed Rights Issue with Warrants"); and
- (c) Proposed amendment to relevant clauses of the memorandum and/or Articles of Association of the Company for the Proposed Par Value Reduction ("Proposed Amendment").

(collectively, the "Proposals")

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with affiliated offices worldwide





CH International

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the Proforma Consolidated Statements of Financial Position to the audited financial statements of KBB for the financial year ended 30 June 2013 and considering the evidence supporting the adjustments, and discussing the Proforma Consolidated Statements of Financial Position with the representatives of KBB.

As the Proforma Consolidated Statements of Financial Position has been prepared for illustrative purposes only, such information, may not, because of its nature, reflect the actual financial position, results and cash flows of KBB Group. Furthermore, such information does not purport to predict the future financial position, results and cash flows of KBB Group.

In our opinion:

- (a) The Proforma Consolidated Statements of Financial Position have been properly compiled on the basis as set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position based on the audited financial statements of KBB as at 30 June 2013, which have been prepared in accordance with Malaysian Financial Reporting Standards (MFRSs) and the requirements of the Companies Act, 1965 in Malaysia, which include International Financial Reporting Standards, and in a manner consistent with the financial statements and the accounting policies of KBB; and
- (b) The adjustments made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position as at 30 June 2013.

The accompanying Proforma Consolidated Statements of Financial Position and this letter have been prepared solely for the purposes of inclusion in the Abridged Prospectus in connection with the Proposals. This letter should not be reproduced, referred to in any other document, or used for any other purpose without prior written consent.

Yours faithfully,

CHI-LLTC
Firm No: AF 1114
Chartered Accountants

Tang Boon Hiap
Approval No: 2127/02/15(J)
Partner of the Firm



**KBB Resources Berhad and its subsidiary companies (“KBB Group”)
Proforma Consolidated Statements of Financial Position as at 30 June 2013 (Minimum Scenario)**

The Proforma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the Consolidated Statements of Financial Position of the KBB Group as at 30 June 2013 and also based on the assumption that the following events had been effected on that date.

	Note	Audited as at 30 June 2013 RM	Proforma I After the Proposed Par Value Reduction RM	Proforma II After Proforma I and the Proposed Rights Issue with Warrants RM	Proforma III After Proforma II and Full Exercise of Warrants RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment		75,820,232	75,820,232	75,820,232	75,820,232
Intangible assets		193,411	193,411	193,411	193,411
Other investment		1	1	1	1
		<u>76,013,644</u>	<u>76,013,644</u>	<u>76,013,644</u>	<u>76,013,644</u>
CURRENT ASSETS					
Inventories		10,367,888	10,367,888	10,367,888	10,367,888
Trade receivables		19,222,345	19,222,345	19,222,345	19,222,345
Other receivables, deposits and prepayments		959,944	959,944	959,944	959,944
Current tax asset		422,550	422,550	422,550	422,550
Fixed deposits with licensed banks		5,218,530	5,218,530	5,218,530	5,218,530
Cash and bank balances	1	2,192,065	2,192,065	12,592,065	24,592,065
		<u>38,383,322</u>	<u>38,383,322</u>	<u>48,783,322</u>	<u>60,783,322</u>
TOTAL ASSETS		<u>114,396,966</u>	<u>114,396,966</u>	<u>124,796,966</u>	<u>136,796,966</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	2	60,000,000	18,000,000	27,000,000	36,000,000
Share premium	2	-	-	1,800,000	4,800,000
Capital reserve	2	-	5,229,796	4,829,796	4,829,796
Foreign currency translation reserve		(4,920,343)	(4,920,343)	(4,920,343)	(4,920,343)
Revaluation reserve		4,393,426	4,393,426	4,393,426	4,393,426
Other reserve	2	-	-	(2,400,000)	-
Warrant reserve	2	-	-	2,400,000	-
Accumulated losses	2	(36,770,204)	-	-	-
TOTAL EQUITY		<u>22,702,879</u>	<u>22,702,879</u>	<u>33,102,879</u>	<u>45,102,879</u>

**KBB Resources Berhad and its subsidiary companies (“KBB Group”)
Proforma Consolidated Statements of Financial Position as at 30 June 2013
(Minimum Scenario) (Cont’d)**

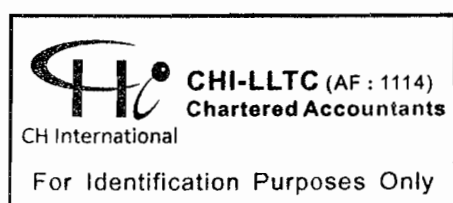
The Proforma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the Consolidated Statements of Financial Position of the KBB Group as at 30 June 2013 and also based on the assumption that the following events had been effected on that date (cont’d).

	Note	Audited as at 30 June 2013 RM	Proforma I After the Proposed Par Value Reduction RM	Proforma II After Proforma I and the Proposed Rights Issue with Warrants RM	Proforma III After Proforma II and Full Exercise of Warrants RM
NON-CURRENT LIABILITIES					
Deferred taxation		1,203,443	1,203,443	1,203,443	1,203,443
Loans and borrowings		58,719,714	58,719,714	58,719,714	58,719,714
		<u>59,923,157</u>	<u>59,923,157</u>	<u>59,923,157</u>	<u>59,923,157</u>
CURRENT LIABILITIES					
Trade payables		9,602,429	9,602,429	9,602,429	9,602,429
Other payables and accruals		6,683,921	6,683,921	6,683,921	6,683,921
Current tax liabilities		259,052	259,052	259,052	259,052
Loans and borrowings		15,225,528	15,225,528	15,225,528	15,225,528
		<u>31,770,930</u>	<u>31,770,930</u>	<u>31,770,930</u>	<u>31,770,930</u>
TOTAL LIABILITIES		<u>91,694,087</u>	<u>91,694,087</u>	<u>91,694,087</u>	<u>91,694,087</u>
TOTAL EQUITY AND LIABILITIES		<u>114,396,966</u>	<u>114,396,966</u>	<u>124,796,966</u>	<u>136,796,966</u>
Net Assets (“NA”) Computation					
No. of shares in issue		120,000,000	120,000,000	180,000,000	240,000,000
Par value (RM)		0.50	0.15	0.15	0.15
Net assets (“NA”)		22,702,879	22,702,879	33,102,879	45,102,879
NA per share (RM)		0.19	0.19	0.18	0.19

**KBB Resources Berhad and its subsidiary companies (“KBB Group”)
Proforma Consolidated Statements of Financial Position as at 30 June 2013
(Maximum Scenario)**

The Proforma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the Consolidated Statements of Financial Position of the KBB Group as at 30 June 2013 and also based on the assumption that the following events had been effected on that date.

	Note	Audited as at 30 June 2013 RM	Proforma I After the Proposed Par Value Reduction RM	Proforma II After Proforma I and the Proposed Rights Issue with Warrants RM	Proforma III After Proforma II and Full Exercise of Warrants RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment		75,820,232	75,820,232	75,820,232	75,820,232
Intangible assets		193,411	193,411	193,411	193,411
Other investment		1	1	1	1
		<u>76,013,644</u>	<u>76,013,644</u>	<u>76,013,644</u>	<u>76,013,644</u>
CURRENT ASSETS					
Inventories		10,367,888	10,367,888	10,367,888	10,367,888
Trade receivables		19,222,345	19,222,345	19,222,345	19,222,345
Other receivables, deposits and prepayments		959,944	959,944	959,944	959,944
Current tax asset		422,550	422,550	422,550	422,550
Fixed deposits with licensed banks		5,218,530	5,218,530	5,218,530	5,218,530
Cash and bank balances	1	2,192,065	2,192,065	23,392,065	47,392,065
		<u>38,383,322</u>	<u>38,383,322</u>	<u>59,583,322</u>	<u>83,583,322</u>
TOTAL ASSETS		<u>114,396,966</u>	<u>114,396,966</u>	<u>135,596,966</u>	<u>159,596,966</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	2	60,000,000	18,000,000	36,000,000	54,000,000
Share premium	2	-	-	3,600,000	9,600,000
Capital reserve	2	-	5,229,796	4,829,796	4,829,796
Foreign currency translation reserve		(4,920,343)	(4,920,343)	(4,920,343)	(4,920,343)
Revaluation reserve		4,393,426	4,393,426	4,393,426	4,393,426
Other reserve	2	-	-	(4,800,000)	-
Warrant reserve	2	-	-	4,800,000	-
Accumulated losses	2	(36,770,204)	-	-	-
TOTAL EQUITY		<u>22,702,879</u>	<u>22,702,879</u>	<u>43,902,879</u>	<u>67,902,879</u>



**KBB Resources Berhad and its subsidiary companies (“KBB Group”)
Proforma Consolidated Statements of Financial Position as at 30 June 2013
(Maximum Scenario) (Cont’d)**

The Proforma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the Consolidated Statements of Financial Position of the KBB Group as at 30 June 2013 and also based on the assumption that the following events had been effected on that date (cont’d).

	Note	Audited as at 30 June 2013 RM	Proforma I After the Proposed Par Value Reduction RM	Proforma II After Proforma I and the Proposed Rights Issue with Warrants RM	Proforma III After Proforma II and Full Exercise of Warrants RM
NON-CURRENT LIABILITIES					
Deferred taxation		1,203,443	1,203,443	1,203,443	1,203,443
Loans and borrowings		58,719,714	58,719,714	58,719,714	58,719,714
		<u>59,923,157</u>	<u>59,923,157</u>	<u>59,923,157</u>	<u>59,923,157</u>
CURRENT LIABILITIES					
Trade payables		9,602,429	9,602,429	9,602,429	9,602,429
Other payables and accruals		6,683,921	6,683,921	6,683,921	6,683,921
Current tax liabilities		259,052	259,052	259,052	259,052
Loans and borrowings		15,225,528	15,225,528	15,225,528	15,225,528
		<u>31,770,930</u>	<u>31,770,930</u>	<u>31,770,930</u>	<u>31,770,930</u>
TOTAL LIABILITIES		<u>91,694,087</u>	<u>91,694,087</u>	<u>91,694,087</u>	<u>91,694,087</u>
TOTAL EQUITY AND LIABILITIES		<u>114,396,966</u>	<u>114,396,966</u>	<u>135,596,966</u>	<u>159,596,966</u>
Net Assets (“NA”) Computation					
No. of shares in issue		120,000,000	120,000,000	240,000,000	360,000,000
Par value (RM)		0.50	0.15	0.15	0.15
Net assets (“NA”)		22,702,879	22,702,879	43,902,879	67,902,879
NA per share (RM)		0.19	0.19	0.18	0.19

KBB RESOURCES BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Basis of Preparation and Consolidation

The Proforma Consolidated Statements of Financial Position are prepared for illustrative purposes only and based on the Consolidated Statements of Financial Position of the KBB Group as at 30 June 2013 and on the assumption that the corporate exercise had taken place on 30 June 2013.

The Proforma Consolidated Statements of Financial Position have been prepared on bases and accounting policies consistent with those previously adopted by the KBB Group in the preparation of audited financial statements.

Proforma I

Proforma I incorporates the effect of proposed reduction of its existing issued and paid-up share capital from RM60,000,000 comprising 120,000,000 ordinary shares of RM0.50 each in KBB to RM18,000,000 comprising 120,000,000 ordinary shares of RM0.15 each in KBB via the cancellation of RM0.35 from the par value of each existing ordinary RM0.50 each in KBB pursuant to Section 64 of the Companies Act, 1965 ("Proposed Par Value Reduction"). The Proposed Par Value Reduction was effected on 31 October 2013.

Proforma II

Proforma II incorporates the effects of Proforma I and the Proposed Rights Issue with Warrants based on the following two (2) scenarios:-

Minimum Scenario

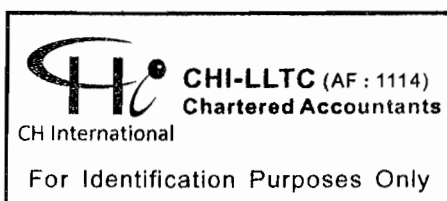
Assuming the Proposed Rights Issue with Warrants will be subscribed on the minimum level of subscription of 60,000,000 Rights Issue at an indicative issue price of RM0.18 per Rights Share together with 60,000,000 Warrants.

Arising from the issuance of the Warrant, a warrant reserve of RM2,400,000 will be created based on the indicative fair value of RM0.04 per Warrant. The estimated expenses of the Proposed Rights Issues with Warrants amounted to approximately RM400,000 will be charged against capital reserve.

Maximum Scenario

Assuming all the existing shareholders will subscribe in full for their respective Rights Shares entitlements of 120,000,000 Rights Issue at an indicative issue price of RM0.18 per Rights Share together with 120,000,000 Warrants.

Arising from the issuance of the Warrant, a warrant reserve of RM4,800,000 will be created based on the indicative fair value of RM0.04 per warrant. The estimated expenses of the Proposed Rights Issues with Warrants amounted to approximately RM400,000 will be charged against capital reserve.



KBB RESOURCES BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Proforma III

Proforma III incorporates the effects of Proforma II and assumption of full exercise of the Warrants as follows:

Minimum Scenario

Assuming exercise of all 60,000,000 Warrants at the indicative exercise price of RM0.20 per Warrant.

Maximum Scenario

Assuming exercise of all 120,000,000 Warrants at the indicative exercise price of RM0.20 per Warrant.

KBB RESOURCES BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

1. Cash and Bank Balances

The movements of the cash and bank balances of the KBB Group are as follows:

<u>Minimum Scenario</u>	RM
As at 30 June 2013	2,192,065
Proposed Par Value Reduction	-
Proforma I	2,192,065
Rights Issues	10,800,000
Less: Estimated Expenses	(400,000)
Proforma II	12,592,065
Full Exercise of Warrants	12,000,000
Proforma III	<u>24,592,065</u>

<u>Maximum Scenario</u>	RM
As at 30 June 2013	2,192,065
Proposed Par Value Reduction	-
Proforma I	2,192,065
Rights Issues	21,600,000
Less: Estimated Expenses	(400,000)
Proforma II	23,392,065
Full Exercise of Warrants	24,000,000
Proforma III	<u>47,392,065</u>

KBB RESOURCES BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

2. Share Capital and Reserves

The movements of the issued and paid-up share capital and reserves of the KBB Group are as follows:

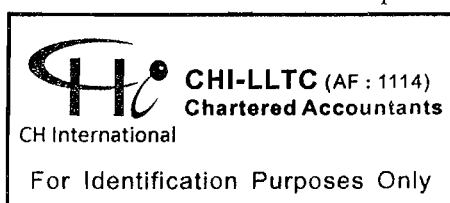
<u>Minimum Scenario</u>	Ordinary share capital RM'000	Share premium RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Warrant reserve * RM'000	Accumulated losses RM'000
As at 30 June 2013	60,000	-	-	(4,920)	4,393	-	-	(36,770)
Proposed Par Value Reduction	(42,000)	-	5,230	-	-	-	-	36,770
Proforma I	18,000	-	5,230	(4,920)	4,393	-	-	-
Rights Issue with Warrants	9,000	1,800	-	-	-	(2,400)	2,400	-
Less: Estimated expenses	-	-	(400)	-	-	-	-	-
Proforma II	27,000	1,800	4,830	(4,920)	4,393	(2,400)	2,400	-
Full Exercise of Warrants ^	9,000	3,000	-	-	-	2,400	(2,400)	-
Proforma III	36,000	4,800	4,830	(4,920)	4,393	-	-	-

<u>Maximum Scenario</u>	Ordinary share capital RM'000	Share premium RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Warrant reserve * RM'000	Accumulated losses RM'000
As at 30 June 2013	60,000	-	-	(4,920)	4,393	-	-	(36,770)
Proposed Par Value Reduction	(42,000)	-	5,230	-	-	-	-	36,770
Proforma I	18,000	-	5,230	(4,920)	4,393	-	-	-
Rights Issue with Warrants	18,000	3,600	-	-	-	(4,800)	4,800	-
Less: Estimated expenses	-	-	(400)	-	-	-	-	-
Proforma II	36,000	3,600	4,830	(4,920)	4,393	(4,800)	4,800	-
Full Exercise of Warrants ^	18,000	6,000	-	-	-	4,800	(4,800)	-
Proforma III	54,000	9,600	4,830	(4,920)	4,393	-	-	-

Notes:

* Warrant reserve was derived based on the assumption of the theoretical fair value of RM0.04 per Warrant.

^ Based on the indicative exercise price of RM0.20 per Warrant.



APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated

On behalf of the Board of Directors



Dato' Sri Chin Seak Huat (JP)



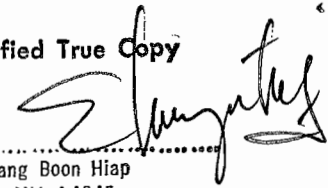
See Toh Kean Yaw

APPENDIX V

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 JUNE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON

(Prepared for inclusion in this Abridged Prospectus)

Certified True Copy



.....
Tang Boon Hiap
MIA 14245
Chartered Accountant



CH International

CHI-LLTC (AF : 1114)
Chartered Accountants

An Independent Member of CH International (Group) Limited
with affiliated offices worldwide

KBB RESOURCES BERHAD
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

KBB RESOURCES BERHAD
(Incorporated in Malaysia)

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KBB RESOURCES BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Profit/(Loss) for the financial year	<u>687,679</u>	<u>(2,431,952)</u>
Attributable to: Owners of the Company	<u>687,679</u>	<u>(2,431,952)</u>

DIVIDENDS

No dividends were paid, declared or proposed by the Company since the end of the previous financial period. The directors also do not recommend any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no changes in the share capital of the Company during the financial year.

The Company did not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

- (a) 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:
- (i) 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 are satisfied that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount that they might be expected to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) 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; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements of the Group and of the Company misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability 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 affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely 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.

DIRECTORS

The directors who served on the Board of the Company since the date of the last report are:

Dato' Sri Chin Seak Huat (JP)	
Dato' Loh Choon Kiang	
Dato' Sohaimi Bin Shahadan	(Appointed on 3-10-2013)
Abdul Fareed Bin Abdul Gafoor	(Appointed on 26-8-2013)
Dato' Sri Navaneethakrishner A/L Kathirgamatamby	(Appointed on 25-1-2013)
Khor Wooi Lip	
See Toh Kean Yaw	
Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir	(Resigned on 24-6-2013)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in the ordinary shares of the Company were as follows:

	Number of ordinary shares of RM0.50 each			
	At 1-7-2012	Bought	Sold	At 30-6-2013
The Company				
Direct interest				
Dato' Sri Chin Seak Huat (JP)	16,650,000	-	-	16,650,000
Dato' Sri Navaneethakrishner A/L Kathirgamatamby	-	14,000,000	(8,100,000)	5,900,000
Dato' Loh Choon Kiang	400,000	-	-	400,000
Indirect interest				
* Dato' Sri Navaneethakrishner A/L Kathirgamatamby	-	12,576,500	(8,221,100)	4,355,400
* Khor Wooi Lip	120,000	-	-	120,000

* Indirect interest through their spouse

By virtue of his interest in the shares in the Company, Dato' Sri Chin Seak Huat (JP) deemed to have interest in shares in the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any benefit (other than benefits disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company 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, except as disclosed in Note 27 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is 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 33 to the financial statements.

AUDITORS

The auditors, Messrs. CHI-LLTC, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 October 2013.



Dato' Sri Chin Seak Huat (JP)

Pulau Pinang



Dato' Loh Choon Kiang

KBB RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Sri Chin Seak Huat (JP) and Dato' Loh Choon Khiang, being two of the directors of **KBB RESOURCES BERHAD**, do hereby state that, in the opinion of the directors, the financial statements set out on pages 9 to 63 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information set out in Note 35 to the financial statements have been prepared 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.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 October 2013.

Dato' Sri Chin Seak Huat (JP)

Dato' Loh Choon Khiang

Pulau Pinang

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Dato' Sri Chin Seak Huat (JP) (I/C No.: 660224-08-5095), being the officer primarily responsible for the financial management of **KBB RESOURCES BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 9 to 64 are to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the)
abovenamed Dato' Sri Chin Seak Huat)
(JP) at Seberang Jaya in the state of)
Pulau Pinang on 25 October 2013)

Dato' Sri Chin Seak Huat (JP)

Before me,

Commissioner for Oaths

No. 44-A, Tingkat Satu,
Jalan Todak 4,
Bandar Seberang Jaya,
13700 Perai, Pulau Pinang





CH International

CHI-LLTC (AF : 1114)

Chartered Accountants

No. 29B, Lorong P.S.1, Bandar Perda,

14000 Bukit Mertajam,

Pulau Pinang, Malaysia.

Tel: +604 530 6080

Fax: +604 530 6050

Email: elwyn@lltc.my

Web: www.lltc.my

(Offices and Affiliate Offices
located throughout Malaysia)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KBB RESOURCES BERHAD**

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **KBB RESOURCES BERHAD**, which comprise the statements of financial position as at 30 June 2013 of the Group and of the Company, and 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 notes, as set out on pages 9 to 63.

The financial statements of the Company as at 30 June 2012 were audited by another auditors, whose report dated 30 August 2012, express an unqualified opinion on those statements.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.





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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KBB RESOURCES BERHAD (Con't)**
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, as disclosed in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act other than as disclosed in Note 11 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 36 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with 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 Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.





CH International

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KBB RESOURCES BERHAD (Con't)**
(Incorporated in Malaysia)

Other Matters

1. As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 July 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 January 2011 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial period ended 30 June 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the financial year then ended.
2. 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 content of this report.

CHI-LLTC
Firm No: AF 1114
Chartered Accountants

Tang Boon Hiap
Approval No: 2127/02/15(J)
Chartered Accountant

Pulau Pinang
25 October 2013

An Independent Member of CH International (Group) Limited with affiliated offices worldwide



KBB RESOURCES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Note	GROUP		COMPANY	
		1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Revenue	4	97,155,977	123,310,046	-	-
Cost of sales		<u>(81,850,909)</u>	<u>(144,643,476)</u>	<u>-</u>	<u>-</u>
Gross profit/(loss)		15,305,068	(21,333,430)	-	-
Other income		4,283,493	59,311,440	1,513,254	15,000,199
Administrative and other operating expenses		<u>(13,843,613)</u>	<u>(64,870,761)</u>	<u>(3,938,896)</u>	<u>(66,829,819)</u>
Profit/(Loss) from operations	5	5,744,948	(26,892,751)	(2,425,642)	(51,829,620)
Finance costs	6	<u>(5,498,654)</u>	<u>(539,988)</u>	<u>(6,310)</u>	<u>(82,042)</u>
Profit/(Loss) before tax		246,294	(27,432,739)	(2,431,952)	(51,911,662)
Income tax expense	7	<u>441,385</u>	<u>724,632</u>	<u>-</u>	<u>-</u>
Profit/(Loss) for the financial year/period		<u>687,679</u>	<u>(26,708,107)</u>	<u>(2,431,952)</u>	<u>(51,911,662)</u>
Other comprehensive income, net of tax					
Revaluation of land and buildings		-	5,391,974	-	-
Transfer to deferred taxation		<u>-</u>	<u>(998,548)</u>	<u>-</u>	<u>-</u>
Total other comprehensive income for the financial year/period		<u>-</u>	<u>4,393,426</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the financial year/period		<u>687,679</u>	<u>(22,314,681)</u>	<u>(2,431,952)</u>	<u>(51,911,662)</u>
Earnings/(Loss) per share attributable to Owners of the Company (sen):					
Basic	8	<u>0.57</u>	<u>(22.00)</u>		

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

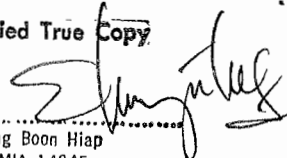
KBB RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	9	75,820,232	82,629,313	103,106,573
Intangible assets	10	193,411	199,611	249,521
Other investment	12	1	1	2,000,000
		<u>76,013,644</u>	<u>82,828,925</u>	<u>105,356,094</u>
Current assets				
Inventories	14	10,367,888	4,371,980	31,243,337
Trade receivables	15	19,222,345	15,604,687	46,274,585
Other receivables, deposits and prepayments	16	959,944	3,258,474	883,452
Current tax asset		422,550	1,343,315	1,078,033
Cash and bank balances	17	7,410,595	7,099,910	715,267
		<u>38,383,322</u>	<u>31,678,366</u>	<u>80,194,674</u>
TOTAL ASSETS		<u>114,396,966</u>	<u>114,507,291</u>	<u>185,550,768</u>
EQUITY AND LIABILITIES				
Equity attributable to Owners of the Company				
Share capital	18	60,000,000	60,000,000	60,000,000
Reserves	19	(526,917)	(261,772)	(4,509,205)
Accumulated losses		(36,770,204)	(37,457,883)	(10,749,776)
TOTAL EQUITY		<u>22,702,879</u>	<u>22,280,345</u>	<u>44,741,019</u>
LIABILITIES				
Non-current liabilities				
Deferred taxation	20	1,203,443	1,678,408	1,440,980
Loans and borrowings	21	58,719,714	55,397,469	22,521,083
		<u>59,923,157</u>	<u>57,075,877</u>	<u>23,962,063</u>
Current liabilities				
Trade payables	24	9,602,429	10,155,700	9,845,467
Other payables and accruals	25	6,683,921	13,701,451	5,071,636
Loans and borrowings	21	15,225,528	11,042,004	101,697,964
Current tax liabilities		259,052	251,914	232,619
		<u>31,770,930</u>	<u>35,151,069</u>	<u>116,847,686</u>
TOTAL LIABILITIES		<u>91,694,087</u>	<u>92,226,946</u>	<u>140,809,749</u>
TOTAL EQUITY AND LIABILITIES		<u>114,396,966</u>	<u>114,507,291</u>	<u>185,550,768</u>

KBB RESOURCES BERHAD
(Incorporated in Malaysia)

Certified True Copy


Tang Boon Hiep
MIA 14245
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Con't)

	Note	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	9	174,949	191,750	-
Investments in subsidiaries	11	18,640,639	18,640,639	43,511,206
Other investment	12	1	1	2,000,000
Amount due from subsidiaries	13	25,233,137	25,831,989	17,849,741
		<u>44,048,726</u>	<u>44,664,379</u>	<u>63,360,947</u>
Current assets				
Other receivables, deposits and prepayments	16	10,620	2,283,905	101,557
Current tax asset		-	23,623	23,623
Cash and bank balances	17	5,176,600	5,064,082	3,621
		<u>5,187,220</u>	<u>7,371,610</u>	<u>128,801</u>
TOTAL ASSETS		<u>49,235,946</u>	<u>52,035,989</u>	<u>63,489,748</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital	18	60,000,000	60,000,000	60,000,000
Accumulated losses		(81,770,286)	(79,338,334)	(27,426,672)
TOTAL EQUITY		<u>(21,770,286)</u>	<u>(19,338,334)</u>	<u>32,573,328</u>
LIABILITIES				
Non-current liabilities				
Loans and borrowings	21	52,862,054	55,380,654	20,000,000
Amount due to subsidiaries	23	-	1,270,150	9,166,350
		<u>52,862,054</u>	<u>56,650,804</u>	<u>29,166,350</u>
Current liabilities				
Other payables and accruals	25	2,943,624	9,965,192	224,070
Loans and borrowings	21	15,200,554	4,758,327	1,526,000
		<u>18,144,178</u>	<u>14,723,519</u>	<u>1,750,070</u>
TOTAL LIABILITIES		<u>71,006,232</u>	<u>71,374,323</u>	<u>30,916,420</u>
TOTAL EQUITY AND LIABILITIES		<u>49,235,946</u>	<u>52,035,989</u>	<u>63,489,748</u>

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

KBB RESOURCES BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

	Attributable to Owners of the Company				Total RM
	Share Capital RM	Foreign Currency Translation Reserve RM	Revaluation Reserve RM	Accumulated Losses RM	
GROUP					
At 1 January 2011	60,000,000	(4,509,205)	-	(10,749,776)	44,741,019
Foreign currency translation	-	(145,993)	-	-	(145,993)
Revaluation of land and buildings	-	-	4,393,426	-	4,393,426
Total comprehensive loss for the financial period	-	-	-	(26,708,107)	(26,708,107)
At 30 June 2012/ 1 July 2012	60,000,000	(4,655,198)	4,393,426	(37,457,883)	22,280,345
Foreign currency translation	-	(265,145)	-	-	(265,145)
Total comprehensive income for the financial year	-	-	-	687,679	687,679
At 30 June 2013	60,000,000	(4,920,343)	4,393,426	(36,770,204)	22,702,879
COMPANY					
At 1 January 2011	60,000,000	-	-	(27,426,672)	32,573,328
Total comprehensive loss for the financial period	-	-	-	(51,911,662)	(51,911,662)
At 30 June 2012/ 1 July 2012	60,000,000	-	-	(79,338,334)	(19,338,334)
Total comprehensive loss for the financial year	-	-	-	(2,431,952)	(2,431,952)
At 30 June 2013	60,000,000	-	-	(81,770,286)	(21,770,286)

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

KBB RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	GROUP		COMPANY		
	Note	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		246,294	(27,432,739)	(2,431,952)	(51,911,662)
Adjustments for:					
Amortisation on amount due from subsidiaries		-	-	-	25,447,729
Amortisation on amount due to subsidiaries		-	-	-	(983,417)
Bad debts written off		-	32,219,449	-	-
Depreciation		8,589,828	14,222,158	19,725	3,250
(Gain)/Loss on disposal of property, plant and equipment		(21,800)	534,794	-	-
Impairment loss on property, plant and equipment		-	6,672,715	-	-
Impairment loss on investments in subsidiaries		-	-	-	24,870,569
Impairment loss on other investments		-	1,999,999	-	1,999,999
Impairment loss on amount due from subsidiaries		-	-	-	7,161,769
Interest income		(160,295)	(4,992)	(157,254)	-
Interest expenses		5,498,654	539,988	6,310	82,042
Inventories written off		-	20,900,210	-	-
Property, plant and equipment written off		3,591	995	-	-
Waiver of debts		-	(57,179,948)	-	(11,243,000)
Reversal of amortisation on amount due to subsidiaries		-	-	1,472,007	-
Reversal of impairment loss on property, plant and equipment		(1,566,682)	-	-	-
Reversal of impairment loss on trademarks		-	(1,275)	-	-
Operating profit/(loss) before working capital changes		12,589,590	(7,528,646)	(1,091,164)	(4,572,721)
(Increase)/Decrease in inventories		(5,995,908)	5,960,628	-	-
Decrease/(Increase) in receivables		(1,319,127)	(3,927,545)	2,273,285	(2,182,348)
(Decrease)/Increase in payables		(7,567,569)	9,246,337	(7,021,568)	9,741,121
Subsidiaries		-	-	(2,143,305)	(47,504,527)
Cash (used in)/generated from operations		(2,293,014)	3,750,774	(7,982,752)	(44,518,475)
Interest received		160,295	4,992	157,254	-
Interest paid		(5,498,654)	(539,988)	(6,310)	(82,042)
Tax paid		(176,846)	(342,473)	-	-
Tax refunded		1,132,389	62,703	23,623	-
Net cash (used in)/generated from operating activities		(6,675,830)	2,936,008	(7,808,185)	(44,600,517)

KBB RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS (Con't)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	GROUP		COMPANY	
		1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiary		-	-	-	(2)
Purchase of property, plant and equipment	9(d)	(811,971)	(414,362)	(2,924)	(55,000)
Proceeds from disposal of property, plant and equipment		22,800	4,864,354	-	-
Proceeds from disposal of intangible assets		-	50,000	-	-
Net cash (used in)/generated from investing activities		<u>(789,171)</u>	<u>4,499,992</u>	<u>(2,924)</u>	<u>(55,002)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/(Decrease) in other short term borrowings		9,842,800	(54,560,764)	9,842,800	(10,283,000)
Proceed from of term loan		-	60,000,000	-	60,000,000
Repayment of hire purchase payables		(144,274)	(610,933)	(12,639)	(1,020)
Repayment of term loan		(1,906,534)	-	(1,906,534)	-
Placement of fixed deposits		(118,396)	(5,075,001)	(115,355)	(5,000,000)
Net cash generated from/(used in) financing activities		<u>7,673,596</u>	<u>(246,698)</u>	<u>7,808,272</u>	<u>44,715,980</u>
Net increase/(decrease) in cash and cash equivalents		208,595	7,189,302	(2,837)	60,461
Effect on foreign currency translation		(16,307)	(12,824)	-	-
Cash and cash equivalents at beginning of financial year/period		<u>1,999,777</u>	<u>(5,176,701)</u>	<u>64,082</u>	<u>3,621</u>
Cash and cash equivalents at end of financial year/period	17	<u>2,192,065</u>	<u>1,999,777</u>	<u>61,245</u>	<u>64,082</u>

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

KBB RESOURCES BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013

1. CORPORATE INFORMATION

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

The registered office of the Company is 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at Lot 208 Phase II, Kuala Ketil Industrial Estate, 09300 Kuala Ketil, Kedah Darul Aman.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 October 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost convention in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia except as otherwise stated in the financial statements.

As at 30 June 2013, the Company having a capital deficiency of RM21,770,286. The directors are of the opinion that the preparation of the financial statements of the Company on a going concern basis is appropriate due to the Company had obtained successful proposals as disclosed in Note 33(c) in the financial statements.

The financial statements of the Group and of the Company for the financial year ended 30 June 2013 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards. In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia.

The preparation of financial statements in conformity with MFRSs 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 reporting period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.1 Basis of preparation (Con't)

The transition to MFRSs does not have financial impact to the financial statements of the Group and the Company.

2.2 Standards issued but not yet effective

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

Effective for financial periods beginning on or after 1 January 2013

MFRS 3	Business Combinations
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (revised)
MFRS 127	Consolidated and Separate Financial Statements (revised)
MFRS 128	Investments in Associates and Joint Ventures (revised)
Amendments to MFRS 1	First-time Adoption of MFRS- Government Loans
Amendments to MFRS 7	Financial Instruments: Disclosures- Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
Improvements to MFRSs (2012)	Annual Improvements 2009 - 2011 Cycle

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 10	Investment Entity
Amendments to MFRS 132	Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

Amendments to MFRS 9 (IFRS 9 as issued by IASB in November 2009 and October 2010)	Financial Instruments
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The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and the Company upon their initial application, except as described below:

(i) MFRS 9 Financial Instruments

MFRS 9 [IFRS 9 (2009)] replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. MFRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.2 Standards issued but not yet effective (Con't)

(i) MFRS 9 Financial Instruments (Con't)

MFRS 9 [IFRS 9 (2010)] includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Under MFRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

(ii) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces all the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

MFRS 10 changes the definition of control. An investor controls an investee when it 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 establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements.

The adoption of MFRS 10 may lead to consolidation of entities that were previously not included in the Group. The Group is currently examining the financial impact of application of MFRS 10.

(iii) MFRS 13 Fair Value Measurement

MFRS 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. The definition of fair value under this standard emphasises the principle that fair value is a market-based measurement, not an entity specific measurement.

The adoption of MFRS 13 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 13.

(iv) MFRS 119 Employee Benefits (2011)

This revised MFRS 119 will supersede the existing MFRS 119 when effective. This new standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. Past service costs, whether unvested or already vested, are recognised immediately in the profit or loss as incurred and the annual defined benefit costs in the profit or loss will include net interest expense/income on the defined benefit asset/liability.

The adoption of MFRS 119 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 119 (2011).

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.2 Standards issued but not yet effective (Con't)

(v) MFRS 127 Separate Financial Statements (2011)

Upon the adoption of MFRS 10, the accounting requirements relating to the preparation of consolidated financial statements are no longer covered under MFRS 127. This revised MFRS 127 only cover the requirements relating to the accounting for investments in subsidiaries, associates and joint ventures in the separate financial statements of the entity. In such cases, the entity should account for such investments either at cost, or in accordance with MFRS 9.

The adoption of MFRS 127 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 127 (2011).

2.3 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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 classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

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.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; 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.

For each business combination, the Group elects whether it measures the non-acquiree's identifiable net assets at the acquisition date.

Transaction costs, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.3 Basis of consolidation (Con't)

(ii) Business combinations (Con't)

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) 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 interest 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.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises 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 an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and 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 profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.4 Property, plant and equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at valuation less impairments losses recognised after the date of revaluation. Leasehold land and buildings are stated at valuation less accumulated amortisation or depreciation and impairment losses recognised after the date of revaluation.

Land and buildings are revalued periodically, at least once in every five (5) periods or earlier if circumstances indicate that the carrying amount may differ significantly from the market value.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

The revaluation surplus included in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated.

Capital expenditure in progress is not depreciated as this asset is not available for use.

Leasehold land is amortised over the terms of the remaining lease period.

Depreciation of other property, plant and equipment are depreciated over the straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Shop house, factory buildings and improvement	2% to 10%
Plant, machinery and equipment	5 % to 25%
Vessel	10%
Motor vehicles	10% to 20%
Furniture, fittings and office equipment	10% to 25%

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.5 Intangible assets

(i) Goodwill on consolidation

Goodwill acquired in a business combination is recognised as an asset at the acquisition date and is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12 to the financial statements. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated, at the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. An impairment loss is recognised for a cash-generating unit when the recoverable amount of the unit is less than the carrying amount of the unit. Any impairment loss recognised is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then, to the other assets of the units within pro rata on the basis of the carrying amount of each applicable asset in the unit. Any impairment loss recognised for goodwill is not reversed.

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 value of the operation disposed of and the portion of the cash-generating unit retained.

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 in accordance with Note 2.17 to the financial statements.

(ii) Trademarks

Trademarks are initially measured at cost. Following the initial recognition, trademarks with definite life are stated at cost less accumulated amortisation and impairment losses while trademarks with indefinite life are stated at cost less impairment losses. Trademarks with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of a trademark with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value on the first-in-first-out method.

Cost includes actual cost of materials and incidentals in bringing inventories into store and in the case of manufactured inventories and work-in-progress, it also includes direct labour and attributable production overheads.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

For arrangements entered into prior to 1 January 2010, the date of inception is deemed to be 1 January 2010 in accordance with the MFRS 1.

(i) Finance Lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating Lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

2.8 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.9 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market 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.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company has the positive intention and ability to hold the investment to maturity.

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.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.9 Financial assets (Con't)

(iv) Available-for-sale financial assets

Available-for-sale financial assets 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. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that 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. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

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

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, 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.

Regular way of purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

2.10 Impairment of financial assets

The Group and the Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.10 Impairment of financial assets (Con't)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss 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. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.11 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.11 Financial liabilities (Con't)

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2.12 Impairment of non-financial assets

The Group and the Company assesses 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 makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.12 Impairment of non-financial assets (Con't)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.13 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period 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.

2.14 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at banks and deposits held at call with licensed banks which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

2.15 Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.16 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.16 Income taxes (Con't)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in RM, which the Group's functional and presentation currency.

(ii) Foreign currency translation and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximately those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using exchange rates at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.17 Foreign currencies (Con't)

(ii) Foreign currency translation and balances (Con't)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising in monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is transferred to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation on non-monetary items in respect of which gain and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the date of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on 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 reporting date.

2.18 Revenue and income recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

(i) Sales of goods

Revenue from sales of goods is recognised upon the transfer of significant risks and rewards of the ownership of the goods to the customers.

(ii) Interest income

Interest income is recognised on receipt basis using the effective interest method.

(iii) Management fee

Management fee is recognised on accrual basis when services are rendered.

(iv) Rental income

Rental income is recognised on accrual basis at agreed rental rates.

2. SIGNIFICANT ACCOUNTING POLICIES (Con't)

2.19 Employee benefits

(i) Short term benefits

Wages, salaries, allowances, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contribution to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred. Once the contributions have been paid, the Group has no further payment obligations.

2.20 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 management, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.21 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Critical judgement made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 2, 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.

3.2 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 adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as stated in Note 2.4. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological development will impact on the economic useful lives and residual values of the assets and therefore, future depreciation charges may be revised. The Group's and the Company's property, plant and equipment as at 30 June 2013 is disclosed in Note 9 to the financial statements.

(ii) Impairment of financial assets

The Group and the Company assesses 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 considers 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 loans and receivables at the reporting date is disclosed in Note 15 to the financial statements.

(iii) Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories.

(iv) Fair value estimates for certain financial assets and liabilities

The Group carries certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgements. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Con't)

3.2 Key sources of estimation uncertainty (Con't)

(v) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognise tax assets/liabilities based on their understanding of the prevailing tax laws and estimates of whether such assets/liabilities will be realised/settled in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact on the tax recognition in the period in which the outcome is determined.

(vi) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

(vii) Revaluation of properties

Freehold land, leasehold land, factory buildings and improvement of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal period value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(viii) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(ix) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

4. REVENUE

Revenue of the Group represents the gross invoiced value of goods sold less returns and discounts allowed.

5. PROFIT/(LOSS) FROM OPERATIONS

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
This has been arrived at after charging:				
Amortisation on amount due from subsidiaries	-	-	-	25,447,729
Audit fee				
- current year/period	103,997	105,100	25,000	18,000
- special audit/other services	-	3,000	-	3,000
- over provision in prior period/year	(6,000)	-	(3,000)	-
Bad debts written off	-	32,219,449	-	-
Depreciation	8,589,828	14,222,158	19,725	3,250
Directors' remuneration	831,932	1,225,365	831,932	1,225,365
Impairment loss on amount due from subsidiaries	-	-	-	7,161,769
Impairment loss on investments in subsidiaries	-	-	-	24,870,569
Impairment loss on other investment	-	1,999,999	-	1,999,999
Impairment loss on property, plant and equipment	-	6,672,715	-	-
Inventories written off	-	20,900,210	-	-
Loss on disposal of property, plant and equipment	-	534,794	-	-
Loss on foreign exchange	-	27,559	-	-
Property, plant and equipment written off	3,591	995	-	-
Rental expenses	566,133	877,755	-	-
Reversal on amount due to subsidiaries	-	-	1,472,007	-
and crediting:				
Amortisation on amount due to subsidiaries	-	-	-	983,417
Bad debts recovered	-	7,209	-	-
Interest income	160,295	4,992	157,254	-
Gain on foreign exchange	51,224	-	-	-
Gain on disposal of property, plant and equipment	21,800	-	-	-
Rental income	720,000	-	-	-
Reversal of impairment loss on property, plant and equipment	1,566,682	-	-	-
Reversal of impairment loss on trademarks	-	1,275	-	-
Waiver of debts	-	57,179,948	-	11,243,000

6. FINANCE COSTS

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Interest on hire purchase	13,633	55,768	6,310	559
Interest on term loan	4,835,735	-	-	-
Interest on revolving credit	648,322	-	-	-
Other interest	964	484,220	-	81,483
	<u>5,498,654</u>	<u>539,988</u>	<u>6,310</u>	<u>82,042</u>

7. INCOME TAX EXPENSE

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Current tax				
Provision for Year of Assessment 2011	-	22,000	-	-
Provision for Year of Assessment 2012	13,578	-	-	-
Provision for Year of Assessment 2013	10,001	-	-	-
Under provision in prior period/years	10,001	14,488	-	-
	<u>33,580</u>	<u>36,488</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 20)				
Relating to reversal of temporary differences	(166,924)	(842,140)	-	-
(Over)/Under provision in prior period/years	(308,041)	81,020	-	-
	<u>(474,965)</u>	<u>(761,120)</u>	<u>-</u>	<u>-</u>
	<u>(441,385)</u>	<u>(724,632)</u>	<u>-</u>	<u>-</u>

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

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Profit/(Loss) before tax	<u>246,294</u>	<u>(27,432,739)</u>	<u>(2,431,952)</u>	<u>(51,911,662)</u>

7. INCOME TAX EXPENSE (Con't)

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Taxation at Malaysian statutory tax rate of 25%	61,576	(6,858,185)	(607,988)	(12,977,916)
Proportionate adjusted loss	(1,318,152)	-	(282,590)	-
Income not subject to tax	(660,152)	(13,034,661)	-	(3,241,550)
Expenses not deductible for tax purposes	894,483	9,450,175	489,579	16,215,928
Under provision of income tax expense in prior period/years	10,001	14,488	-	-
(Over)/Under provision of deferred tax in prior period/years	(308,041)	81,020	-	-
Realisation on unrecognised deferred tax assets	-	145,405	-	-
Utilisation of deferred tax assets previously not recognised	(928,635)	-	-	-
Utilisation of proportionate income previously not recognised	173,042	-	-	-
Deferred tax assets not recognised during the year/period	1,634,493	9,477,126	400,999	3,538
Income tax expense for the year/period	<u>(441,385)</u>	<u>(724,632)</u>	<u>-</u>	<u>-</u>

As of 30 June 2013, the approximate amount of unabsorbed capital allowances, unabsorbed reinvestment allowances and carry forward tax losses of the Group and the Company are as follows:

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Unabsorbed capital allowances	<u>13,325,790</u>	<u>13,407,280</u>	<u>-</u>	<u>-</u>
Unabsorbed reinvestment allowances	<u>13,605,599</u>	<u>11,466,512</u>	<u>-</u>	<u>-</u>
Carry forward tax losses	<u>68,182,300</u>	<u>43,042,062</u>	<u>-</u>	<u>-</u>

The unabsorbed capital allowances, unabsorbed reinvestment allowances and carry forward tax losses are subject to agreement by the tax authorities.

8. EARNINGS/(LOSS) PER SHARE

The basic earning/(loss) per share is calculated based on the consolidated profit/(loss) for the financial year/period attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year/period as follows:

(i) Basic earnings/(loss) per share

	GROUP	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Profit/(Loss) attributable to owners of the Company	<u>687,679</u>	<u>(26,708,107)</u>
Weighted average number of ordinary shares of RM0.50 each in issue	<u>120,000,000</u>	<u>120,000,000</u>
Basic earnings/(loss) per share (in sen)	<u>0.57</u>	<u>(22.00)</u>

(ii) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is not presented as there were no potential dilutive on ordinary shares outstanding at the end of the reporting year/period.

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Leasehold land RM	Shop house, factory building and improvement RM	Plant, machinery and equipment RM	Vessel RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital expenditure in progress RM	Total RM
Cost or valuation									
At 1 January 2011	2,255,167	4,703,933	42,357,796	113,995,853	786,791	6,130,307	5,372,304	1,137,725	176,739,876
Additions	-	-	187,446	125,102	-	206,200	100,821	-	619,569
Disposals/Written off	(600,000)	-	(4,591,551)	(1,866,408)	(410,000)	(1,906,878)	(3,330)	-	(9,378,167)
Foreign exchange translation	-	(27,214)	(29,898)	(2,173,631)	-	(1,412)	(37,453)	-	(2,269,608)
Revaluation	1,397,783	2,905,507	1,088,684	-	-	-	-	-	5,391,974
At 30 June 2012/ 1 July 2012	3,052,950	7,582,226	39,012,477	110,080,916	376,791	4,428,217	5,432,342	1,137,725	171,103,644
Additions	-	-	-	750,215	-	93,498	56,258	-	899,971
Disposals/Written off	-	-	-	-	-	(417,192)	(6,070)	-	(423,262)
Foreign exchange translation	-	(140,604)	(154,474)	1,459,572	-	(4,960)	(3,152,618)	-	(1,993,084)
At 30 June 2013	3,052,950	7,441,622	38,858,003	112,290,703	376,791	4,099,563	2,329,912	1,137,725	169,587,269
Accumulated depreciation									
At 1 January 2011	-	874,071	6,332,490	47,673,031	178,336	4,393,670	2,412,092	-	61,863,690
Charge for the financial period	-	166,860	1,192,811	11,917,831	100,936	604,683	239,037	-	14,222,158
Disposals/Written off	-	-	(718,686)	(1,866,408)	(95,667)	(1,294,928)	(2,335)	-	(3,978,024)
Foreign exchange translation	-	-	(7,848)	(2,139,063)	-	(912)	183,637	-	(1,964,186)
At 30 June 2012/ 1 July 2012	-	1,040,931	6,798,767	55,585,391	183,605	3,702,513	2,832,431	-	70,143,638
Charge for the financial year	-	192,004	883,507	7,121,329	37,679	249,522	105,787	-	8,589,828
Disposals/Written off	-	-	-	-	-	(416,192)	(2,479)	-	(418,671)
Foreign exchange translation	-	-	(49,631)	2,577,265	-	(4,042)	(1,022,055)	-	1,501,537
At 30 June 2013	-	1,232,935	7,632,643	65,283,985	221,284	3,531,801	1,913,684	-	79,816,332

9. **PROPERTY, PLANT AND EQUIPMENT (Con't)**

GROUP	Freehold land RM	Leasehold land RM	Shop house, factory building and improvement RM	Plant, machinery and equipment RM	Vessel RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital expenditure in progress RM	Total RM
<u>Accumulated impairment loss</u>									
At 1 January 2011	-	-	-	11,769,613	-	-	-	-	11,769,613
Additions	-	578,293	3,199,338	2,889,694	-	5,390	-	-	6,672,715
Foreign exchange translation	-	-	-	(111,635)	-	-	-	-	(111,635)
At 30 June 2012/ 1 July 2012	-	578,293	3,199,338	14,547,672	-	5,390	-	-	18,330,693
Reversal	-	-	(1,566,682)	-	-	-	-	-	(1,566,682)
Foreign exchange translation	-	(35,151)	(27,033)	(2,750,795)	-	(327)	-	-	(2,813,306)
At 30 June 2013	-	543,142	1,605,623	11,796,877	-	5,063	-	-	13,950,705
<u>Total accumulated depreciation and impairment loss</u>									
At 1 January 2011	-	874,071	6,332,490	59,442,644	178,336	4,393,670	2,412,092	-	73,633,303
At 30 June 2012	-	1,619,224	9,998,105	70,133,063	183,605	3,707,903	2,832,431	-	88,474,331
At 30 June 2013	-	1,776,077	9,238,266	77,080,862	221,284	3,536,864	1,913,684	-	93,767,037
<u>Net carrying amount</u>									
At cost	2,255,167	3,829,862	36,025,306	54,553,209	608,455	1,736,637	2,960,212	1,137,725	103,106,573
At 1 January 2011	2,255,167	3,829,862	36,025,306	54,553,209	608,455	1,736,637	2,960,212	1,137,725	103,106,573
At cost	-	1,099,340	25,706,815	39,947,853	193,186	720,314	2,599,911	1,137,725	71,405,144
At valuation	3,052,950	4,863,662	3,307,557	-	-	-	-	-	11,224,169
At 30 June 2012	3,052,950	5,963,002	29,014,372	39,947,853	193,186	720,314	2,599,911	1,137,725	82,629,313
At cost	-	903,097	22,836,757	35,209,841	155,507	562,699	416,228	1,137,725	61,221,854
At valuation	3,052,950	4,762,448	6,782,980	-	-	-	-	-	14,598,378
At 30 June 2013	3,052,950	5,665,545	29,619,737	35,209,841	155,507	562,699	416,228	1,137,725	75,820,232

9. PROPERTY, PLANT AND EQUIPMENT (Con't)

COMPANY	Motor vehicle RM	Office equipment RM	Total RM
Cost			
At 1 January 2011	-	-	-
Additions	195,000	-	195,000
At 30 June 2012/ 1 July 2012	195,000	-	195,000
Additions	-	2,924	2,924
At 30 June 2013	195,000	2,924	197,924

Accumulated depreciation

At 1 January 2011	-	-	-
Charge for the financial period	3,250	-	3,250
At 30 June 2012/ 1 July 2012	3,250	-	3,250
Charge for the financial year	19,500	225	19,725
At 30 June 2013	22,750	225	22,975

Net carrying amount

At 1 January 2011	-	-	-
At 30 June 2012	191,750	-	191,750
At 30 June 2013	172,250	2,699	174,949

- (a) The net carrying amount of property, plant and equipment pledged to licensed banks for banking facilities granted to the Group as disclosed in Note 21 to the financial statements are as follows:

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Land and buildings	36,373,031	35,650,833	4,815,909

- (b) The net carrying amount of property, plant and equipment held under hire purchase arrangements are as follows:

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Plant, machinery and equipment	114,000	215,169	490,141
Motor vehicles	259,515	532,604	859,557
	373,515	747,773	1,349,698

	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
Motor vehicle	172,250	191,750	-

9. PROPERTY, PLANT AND EQUIPMENT (Con't)

- (c) Freehold land, leasehold land, factory buildings and improvement have been revalued in the financial period ended 30 June 2012 based on valuations performed by Sr Tan Keat Lim, MRICS, MRISM a valuer from VPC Alliance (Pg) Sdn. Bhd., Chew Kwong Cheang a valuer from VPC Alliance (Sarawak) Sdn. Bhd. and Noraini Jaafar Sidek, MSIM a valuer from Raine & Horne International Zaki + Partners Sdn. Bhd.. All firms are independent firms of professional valuers, and the valuations were arrived at using the "comparison method" and "cost method" of valuation.

Had the revalued freehold land, leasehold land, factory buildings and improvement of the Group been carried at historical cost, the net carrying amount of the freehold land, leasehold land, factory buildings and improvement that would have been included in the financial statements of the Group as at 30 June 2013 are as follows:

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Freehold land	1,655,167	1,655,167	-
Leasehold land	1,890,239	1,962,993	-
Factory buildings and improvement	2,163,916	2,224,612	-
	<u>5,709,322</u>	<u>5,842,772</u>	<u>-</u>

- (d) During the financial year/period, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Purchase of property, plant and equipment during the financial year/period, at cost	899,971	619,569	2,924	195,000
Less: Amount financed under hire purchase instalment plans	(88,000)	(140,000)	-	(140,000)
Less: Amount included in other payables	-	(65,207)	-	-
Cash payments made to purchase property, plant and equipment	<u>811,971</u>	<u>414,362</u>	<u>2,924</u>	<u>55,000</u>

10. INTANGIBLE ASSETS

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Trademarks, at net carrying amount:			
At beginning of the financial year/period	199,611	249,521	350,871
Foreign currency translation	(6,200)	(1,185)	15,210
Disposal during the financial year/period	-	(50,000)	-
Impairment loss	-	-	(116,560)
Reversal of impairment loss	-	1,275	-
At end of the financial year/period	<u>193,411</u>	<u>199,611</u>	<u>249,521</u>

11. INVESTMENTS IN SUBSIDIARIES

	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
Unquoted shares, at cost	51,760,350	51,760,350	51,760,348
Less: Impairment loss	(33,119,711)	(33,119,711)	(8,249,142)
	<u>18,640,639</u>	<u>18,640,639</u>	<u>43,511,206</u>

The movement of the impairment loss are as follows:

	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
At beginning of the financial year/period	33,119,711	8,249,142	2,473,039
Reversal for the financial year/period	-	-	(2,473,039)
Charge for the financial year/period	-	24,870,569	8,249,142
	<u>33,119,711</u>	<u>33,119,711</u>	<u>8,249,142</u>

Detail of subsidiaries are as follows:

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Equity interest held by the Company</u>		
			30-6-2013	30-6-2012	1-1-2011
Kilang Bihun Bersatu Sdn. Bhd.	Malaysia	Manufacturing and marketing of all types of rice and sago sticks (vermicelli)	100%	100%	100%
Kilang Bihun Bersatu (East Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and marketing of all types of rice and sago sticks (vermicelli)	100%	100%	100%
Rasayang Food Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of "beehoon" and "beehoon laksa"	100%	100%	100%
Bersatu Noodles Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of noodles and related products	100%	100%	100%
PT Bersatu International Food Industries #	Indonesia	Ceased operations in manufacturing and marketing of all types of rice and sago sticks (vermicelli)	100%	100%	100%

11. INVESTMENTS IN SUBSIDIARIES (Con't)

Detail of subsidiaries are as follows: (Con't)

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Equity interest held by the Company</u>		
			<u>30-6-2013</u>	<u>30-6-2012</u>	<u>1-1-2011</u>
Bersatu Sago Industries Sdn. Bhd.	Malaysia	Temporarily ceased operations in manufacturing and marketing of all types of sago starch and related products	100%	100%	100%
Bersatu Sago Industries (Mukah) Sdn. Bhd.	Malaysia	Temporarily ceased operations in manufacturing and marketing of all types of sago starch and related products	100%	100%	100%
Bersatu Biotechnology (Johore) Sdn. Bhd.	Malaysia	Manufacturing and marketing of all types of sago starch and related products	100%	100%	100%
Bersatu BVI Limited	British Virgin Islands	Investment holding	100%	100%	100%
Violet Dollars Diversified Sdn. Bhd.	Malaysia	Dormant	100%	100%	-

The audit report of a subsidiary which had ceased operations and marked “#” was audited by a firm other than CHI-LLTC and reported an qualification relating to the appropriateness of the going concern basis of accounting used in the preparation of its financial statements.

12. OTHER INVESTMENT

	GROUP/COMPANY		
	30-6-2013	30-6-2012	1-1-2011
	RM	RM	RM
At cost:			
Secondary bonds	2,000,000	2,000,000	2,000,000
Less: Impairment loss	(1,999,999)	(1,999,999)	-
	<u>1</u>	<u>1</u>	<u>2,000,000</u>

The secondary bonds with the maturity date on 26 January 2012 have been charged to the Trustee for the benefit of the Bondholders pursuant to primary collateralised loan obligations transactions entered into by the lending bank.

The impairment loss arose from the non-receipt of funds on maturity of the secondary bonds.

13. AMOUNT DUE FROM SUBSIDIARIES

	30-6-2013	COMPANY 30-6-2012	1-1-2011
	RM	RM	RM
Gross amount	80,527,160	84,857,329	44,265,583
Less: Impairment loss	(25,360,137)	(25,360,137)	(18,198,368)
Amortisation	(29,933,886)	(33,665,203)	(8,217,474)
	<u>25,233,137</u>	<u>25,831,989</u>	<u>17,849,741</u>

The amount due from subsidiaries are interest free, unsecured and have an average maturity of 10 years.

The movement of the impairment loss are as follows:

	30-6-2013	COMPANY 30-6-2012	1-1-2011
	RM	RM	RM
At beginning of the financial year/period	25,360,137	18,198,368	-
Charge for the financial year/period	-	7,161,769	18,198,368
	<u>25,360,137</u>	<u>25,360,137</u>	<u>18,198,368</u>

The movement of the amortisation are as follows:

	30-6-2013	COMPANY 30-6-2012	1-1-2011
	RM	RM	RM
At beginning of the financial year/period	33,665,203	8,217,474	-
Charge for the financial year/period	-	25,447,729	8,217,474
Reclassification from amount due to subsidiaries	(3,731,317)	-	-
	<u>29,933,886</u>	<u>33,665,203</u>	<u>8,217,474</u>

14. INVENTORIES

	30-6-2013	GROUP 30-6-2012	1-1-2011
	RM	RM	RM
At cost:			
Raw materials	3,996,358	1,993,117	12,293,915
Work-in-progress	849,609	90,092	2,333,109
Finished goods	4,626,558	1,250,347	14,862,317
Consumables	895,363	1,038,424	1,753,996
	<u>10,367,888</u>	<u>4,371,980</u>	<u>31,243,337</u>
Recognised in profit or loss:			
Inventories written off	-	20,900,210	-

15. TRADE RECEIVABLES

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Third parties	20,026,091	16,408,433	55,895,729
Less: Impairment loss	(803,746)	(803,746)	(9,621,144)
	<u>19,222,345</u>	<u>15,604,687</u>	<u>46,274,585</u>

The movements in impairment loss are as follows:

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
At beginning of the financial year/period	803,746	9,621,144	5,834,915
Foreign currency translation	-	2,755	(1,225)
Charge for the financial year/period	-	(8,820,153)	3,787,454
	<u>803,746</u>	<u>803,746</u>	<u>9,621,144</u>

The Group's normal credit terms extended to trade receivables ranges from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The ageing analysis of trade receivables are as follows:

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Neither past due nor impaired	6,746,961	11,421,511	21,196,673
1 to 3 months past due but not impaired	7,021,056	2,531,586	12,873,476
More than 4 months past due but not impaired	5,454,328	1,651,590	12,204,436
	<u>19,222,345</u>	<u>15,604,687</u>	<u>46,274,585</u>
Impaired	803,746	803,746	9,621,144
	<u>20,026,091</u>	<u>16,408,433</u>	<u>55,895,729</u>

Trade receivables that are neither past due nor impaired

Trade receivables that were neither past due nor impaired relate to customers for whom there were no default.

None of the Group's trade receivables that are neither past due nor impaired have been recognised during the financial year.

Trade receivables that are past due but not impaired

Trade receivables that were neither past due but not impaired mainly arose from active corporate customers with healthy business relationship, in which management is of the view that the amounts are recoverable based on past payments history.

The trade receivables of the Group's that are past due but not impaired are unsecured in nature.

15. TRADE RECEIVABLES (Con't)**Trade receivables that are impaired**

Trade receivables that are impaired relate to customers that exhibit significant difficulties and have defaulted on payments.

Information on financial risks of trade receivables are disclosed in Note 31 to the financial statements.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Other receivables	129,970	181,177	96,476
Deposits and prepayments	829,974	3,077,297	786,976
	<u>959,944</u>	<u>3,258,474</u>	<u>883,452</u>
	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
Deposits	1,000	1,000	1,000
Prepayments	9,620	2,282,905	100,557
	<u>10,620</u>	<u>2,283,905</u>	<u>101,557</u>

The amount due from other receivables are interest free, unsecured and with no fixed term of repayment.

Information on financial risks of other receivables are disclosed in Note 31 to the financial statements.

17. CASH AND CASH EQUIVALENTS

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Cash in hand and at banks	2,192,065	1,999,777	690,135
Fixed deposits with licensed banks	5,218,530	5,100,133	25,132
Cash and bank balances	<u>7,410,595</u>	<u>7,099,910</u>	<u>715,267</u>
	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
Cash in hand and at banks	61,245	64,082	3,621
Fixed deposits with licensed banks	5,115,355	5,000,000	-
Cash and bank balances	<u>5,176,600</u>	<u>5,064,082</u>	<u>3,621</u>

17. CASH AND CASH EQUIVALENTS (Con't)

The Group's and the Company's fixed deposits are pledged to licensed banks for bank guarantee granted to a subsidiary and banking facilities granted to the Company as disclosed in Note 21 to the financial statements.

The interest rate for fixed deposits is 2.50% (30-6-2012: 2.50%, 1-1-2011: 2.25%) per annum.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date :-

	30-6-2013	GROUP 30-6-2012	1-1-2011
	RM	RM	RM
Cash and bank balances	7,410,595	7,099,910	715,267
Bank overdrafts (Note 21)	-	-	(5,866,836)
Less: Fixed deposits pledged to licensed banks	<u>(5,218,530)</u>	<u>(5,100,133)</u>	<u>(25,132)</u>
	<u>2,192,065</u>	<u>1,999,777</u>	<u>(5,176,701)</u>
		COMPANY	
	30-6-2013	30-6-2012	1-1-2011
	RM	RM	RM
Cash and bank balances	5,176,600	5,064,082	3,621
Less: Fixed deposits pledged to licensed banks	<u>(5,115,355)</u>	<u>(5,000,000)</u>	<u>-</u>
	<u>61,245</u>	<u>64,082</u>	<u>3,621</u>

Information on financial risk of cash and cash equivalents are disclosed in Note 31 to the financial statements.

18. SHARE CAPITAL

	GROUP/ COMPANY		
	30-6-2013	30-6-2012	1-1-2011
	RM	RM	RM
Authorised:			
200,000,000 ordinary shares of RM0.50 each	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:			
120,000,000 ordinary shares of RM0.50 each	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>

19. RESERVES

	30-6-2013	GROUP	1-1-2011
	RM	30-6-2012	RM
		RM	RM
Non-distributable			
Foreign currency translation reserve	(4,920,343)	(4,655,198)	(4,509,205)
Revaluation reserve	4,393,426	4,393,426	-
	<u>(526,917)</u>	<u>(261,772)</u>	<u>(4,509,205)</u>

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The revaluation reserve relates to the revaluation of freehold land, leasehold land, factory buildings and improvement.

20. DEFERRED TAXATION

	30-6-2013	GROUP	1-1-2011
	RM	30-6-2012	RM
		RM	RM
At beginning of the financial year/period	1,678,408	1,440,980	2,959,645
Recognised in statements of comprehensive income (Note 7)	(474,965)	(761,120)	(1,518,665)
Deferred tax liabilities on revaluation reserve	-	998,548	-
At end of the financial year/period	<u>1,203,443</u>	<u>1,678,408</u>	<u>1,440,980</u>

The components and movements of deferred taxation during the financial year/period are as follows:

	30-6-2013	GROUP	1-1-2011
	RM	30-6-2012	RM
		RM	RM
Property, plant and equipment	384,466	679,860	6,009,324
Impairment on trade receivables	-	-	(2,076,791)
Revaluation reserve	998,548	998,548	-
Unabsorbed reinvestment allowances	(179,571)	-	(2,348,283)
Unabsorbed tax losses	-	-	(143,270)
	<u>1,203,443</u>	<u>1,678,408</u>	<u>1,440,980</u>

21. LOANS AND BORROWINGS

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Secured			
Current liabilities			
Bank overdrafts (Note 17)	-	-	5,866,836
Bills payables	-	-	84,943,957
Hire purchase payables (Note 22)	38,358	139,734	400,557
Revolving credit	9,842,800	-	2,443,599
Short term loans	-	6,156,582	5,857,677
Term loans	5,344,370	4,745,688	2,185,338
	<u>15,225,528</u>	<u>11,042,004</u>	<u>101,697,964</u>
Non-current liabilities			
Hire purchase payables (Note 22)	188,260	143,157	353,267
Term loans	58,531,454	55,254,312	22,167,816
	<u>58,719,714</u>	<u>55,397,469</u>	<u>22,521,083</u>
Total loans and borrowings			
Bank overdrafts (Note 17)	-	-	5,866,836
Bills payables	-	-	84,943,957
Hire purchase payables (Note 22)	226,618	282,891	753,824
Revolving credit	9,842,800	-	2,443,599
Short term loans	-	6,156,582	5,857,677
Term loans	63,875,824	60,000,000	24,353,154
	<u>73,945,242</u>	<u>66,439,473</u>	<u>124,219,047</u>
Maturity of loans and borrowings (excluding hire purchase) :-			
Not later than 1 year	15,187,170	10,902,270	101,297,407
Later than 1 year and not later than 5 years	27,173,852	55,254,312	22,167,816
More than 5 years	31,357,602	-	-
	<u>73,718,624</u>	<u>66,156,582</u>	<u>123,465,223</u>
	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
Secured			
Current liabilities			
Hire purchase payables (Note 22)	13,384	12,639	-
Revolving credit	9,842,800	-	-
Term loans	5,344,370	4,745,688	1,526,000
	<u>15,200,554</u>	<u>4,758,327</u>	<u>1,526,000</u>
Non-current liabilities			
Hire purchase payables (Note 22)	112,958	126,342	-
Term loans	52,749,096	55,254,312	20,000,000
	<u>52,862,054</u>	<u>55,380,654</u>	<u>20,000,000</u>
Total loans and borrowings			
Hire purchase payables (Note 22)	126,342	138,981	-
Revolving credit	9,842,800	-	-
Term loans	58,093,466	60,000,000	21,526,000
	<u>68,062,608</u>	<u>60,138,981</u>	<u>21,526,000</u>

21. LOANS AND BORROWINGS (Con't)

	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
Maturity of loans and borrowings (excluding hire purchase) :-			
Not later than 1 year	15,187,170	4,745,688	1,526,000
Later than 1 year and not later than 5 years	21,391,494	55,254,312	20,000,000
More than 5 years	31,357,602	-	-
	<u>67,936,266</u>	<u>60,000,000</u>	<u>21,526,000</u>

The range of effective interest rates during the financial year/period for loans and borrowings were as follows:

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Bank overdrafts	-	-	6.55% - 8.50%
Bills payable	-	-	2.75% - 9.80%
Hire purchase payables	2.42% - 3.80%	2.23% - 4.00%	2.23% - 3.80%
Revolving credit	8.35%	-	9.80%
Short term loans	-	18.00%	18.00%
Term loans	<u>8.35% - 13.75%</u>	<u>8.35% - 13.75%</u>	<u>4.83% - 7.80%</u>

	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
Hire purchase payables	2.42%	2.42%	-
Revolving credit	8.35%	-	-
Term loan	<u>8.35%</u>	<u>8.35%</u>	<u>7.80%</u>

The revolving credit and term loans are secured by way of:

- (i) legal charges over the landed properties of the Group as disclosed in Note 9 to the financial statements;
- (ii) a debenture incorporating fixed and floating charge over present and future assets of the Group;
- (iii) pledging of the fixed deposit as disclosed in Note 17 to the financial statements; and
- (iv) personal guarantee by a director of the Company.

The term loan is repayable over 10 years by 119 monthly instalments of RM739,110.00 each and final instalment of RM783,714.34.

22. HIRE PURCHASE PAYABLES

	30-6-2013	GROUP 30-6-2012	1-1-2011
	RM	RM	RM
Future minimum hire purchase payments:			
Not later than 1 year	47,989	150,280	435,528
Later than 1 year and not later than 5 years	142,548	167,054	366,152
More than 5 years	77,028	-	-
Total future minimum hire purchase payments	<u>267,565</u>	<u>317,334</u>	<u>801,680</u>
Less: Future finance charges	(40,947)	(34,443)	(47,856)
Present value of hire purchase liabilities (Note 21)	<u>226,618</u>	<u>282,891</u>	<u>753,824</u>
Analysis of present value of hire purchase liabilities:			
Not later than 1 year	38,358	139,734	400,557
Later than 1 year and not later than 5 years	98,398	143,157	353,267
More than 5 years	89,862	-	-
	<u>226,618</u>	<u>282,891</u>	<u>753,824</u>
Less: Amount due within 12 months (Note 21)	(38,358)	(139,734)	(400,557)
Amount due after 12 months (Note 21)	<u>188,260</u>	<u>143,157</u>	<u>353,267</u>
		COMPANY	
	30-6-2013	30-6-2012	1-1-2011
	RM	RM	RM
Future minimum hire purchase payments:			
Not later than 1 year	18,948	18,949	-
Later than 1 year and not later than 5 years	94,740	149,965	-
More than 5 years	36,277	-	-
Total future minimum hire purchase payments	<u>149,965</u>	<u>168,914</u>	-
Less: Future finance charges	(23,623)	(29,933)	-
Present value of hire purchase liabilities (Note 21)	<u>126,342</u>	<u>138,981</u>	-
Analysis of present value of hire purchase liabilities:			
Not later than 1 year	13,384	12,639	-
Later than 1 year and not later than 5 years	60,997	126,342	-
More than 5 years	51,961	-	-
	<u>126,342</u>	<u>138,981</u>	-
Less: Amount due within 12 months (Note 21)	(13,384)	(12,639)	-
Amount due after 12 months (Note 21)	<u>112,958</u>	<u>126,342</u>	-

The effective interest rates are as disclosed in Note 21 to the financial statements.

23. AMOUNT DUE TO SUBSIDIARIES

	30-6-2013	COMPANY 30-6-2012	1-1-2011
	RM	RM	RM
Gross amount	-	6,473,474	13,386,257
Less: Amortisation	-	(5,203,324)	(4,219,907)
	<u>-</u>	<u>1,270,150</u>	<u>9,166,350</u>

The amount due to subsidiaries are interest free, unsecured and have an average maturity of 10 years.

Information on financial risks of amount due to subsidiaries are disclosed in Note 31 to the financial statements.

23. AMOUNT DUE TO SUBSIDIARIES (Con't)The movement of the amortisation are as follows:

	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
At beginning of the financial year/period	5,203,324	4,219,907	-
Reclassification to amount due from subsidiaries	(3,731,317)	-	-
Reversal for the financial year/period	(1,472,007)	-	-
Charge for the financial year/period	-	983,417	4,219,907
	<u>-</u>	<u>983,417</u>	<u>4,219,907</u>
At end of the financial year/period	<u>-</u>	<u>5,203,324</u>	<u>4,219,907</u>

24. TRADE PAYABLES

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Third parties	<u>9,062,429</u>	<u>10,155,700</u>	<u>9,845,467</u>

Trade payables are non-interest bearing and the normal credit terms granted to the Group ranges from 30 to 90 days.

Information on financial risks of trade payables are disclosed in Note 31 to the financial statements.

25. OTHER PAYABLES AND ACCRUALS

	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Other payables	3,448,471	4,293,516	3,075,361
Accruals	1,206,267	1,132,715	1,996,275
Amount due to directors	<u>2,029,183</u>	<u>8,275,220</u>	<u>-</u>
	<u>6,683,921</u>	<u>13,701,451</u>	<u>5,071,636</u>
	30-6-2013 RM	COMPANY 30-6-2012 RM	1-1-2011 RM
Other payables	780,225	1,550,711	180
Accruals	134,216	139,261	223,890
Amount due to directors	<u>2,029,183</u>	<u>8,275,220</u>	<u>-</u>
	<u>2,943,624</u>	<u>9,965,192</u>	<u>224,070</u>

The amount due to other payables and directors are interest free, unsecured and with no fixed term of repayment.

Information on financial risks of other payables are disclosed in Note 31 to the financial statements.

26. EMPLOYEE BENEFITS

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Salaries, wages, allowances and overtime	8,898,116	13,447,484	702,474	1,745,238
Contribution to defined contribution plan	429,322	650,349	43,623	114,108
Social security contributions	58,508	88,879	2,887	5,891
	<u>9,385,946</u>	<u>14,186,712</u>	<u>748,984</u>	<u>1,865,237</u>
Number of employees (excluding directors)	<u>528</u>	<u>546</u>	<u>4</u>	<u>5</u>

27. RELATED PARTY DISCLOSURES**(a) Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has related party relationships with its subsidiaries, directors' related companies and key management personnel. Directors' related companies refer to companies in which directors of the Company have substantial financial interests.

(b) Related party transactions and balances are as follows:

The Group had the following transactions with related parties during the financial year/period:

	GROUP	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Rental paid/payable to a company in which a Company's director has substantial financial interests	<u>-</u>	<u>18,000</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

(c) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Director of the Group and the Company.

27. RELATED PARTY DISCLOSURES (Con't)

(c) Compensation of key management personnel (Con't)

The remuneration of the key management personnel during the financial year/period were as follows:

	GROUP		COMPANY	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Executive directors:				
Salaries and other emoluments	638,672	947,318	638,672	947,318
Contribution to defined contribution plan	63,960	96,275	63,960	96,275
	<u>702,632</u>	<u>1,043,593</u>	<u>702,632</u>	<u>1,043,593</u>
Non-Executive directors:				
Fees and other emoluments	129,300	181,772	129,300	181,772
	<u>831,932</u>	<u>1,225,365</u>	<u>831,932</u>	<u>1,225,365</u>

The number of Directors of the Group whose total remuneration during the year/period fall within the following bands are as follows:

	GROUP	
	1-7-2012 to 30-6-2013 RM	1-1-2011 to 30-6-2012 RM
Executive:		
Less than RM100,000	2	3
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	2
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 and above	1	1
	<u>3</u>	<u>6</u>
Non-executive:		
Less than RM100,000	2	5
RM100,001 to RM150,000	1	1
	<u>3</u>	<u>6</u>

28. COMMITMENTS

	30-6-2013	GROUP	1-1-2011
	RM	30-6-2012	RM
Non-cancellable operating lease commitments:			
Future minimum rental payables:			
Not later than one year	267,250	474,590	665,210
Later than one year but not later than five years	14,540	253,950	882,450
	<u>281,790</u>	<u>728,540</u>	<u>1,547,660</u>

29. SEGMENTAL INFORMATION

For the purposes of businesses are presented in the following segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment:

(a) Business segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision makers monitor the results, assets and liabilities attributable to each reportable segment.

Segment assets include all tangible assets, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include all trade payables and accruals attributable to the manufacturing and sales activities of the individual segments, bank loans managed directly by the segments, and other current liabilities with the exception of deferred tax liabilities and other corporate liabilities.

The Group's activities comprise manufacturing and marketing of all types of rice and sago sticks (vermicelli), sago starch and related products and are considered as a single business segment.

Information regarding the Group's reportable segment by geographical location as provided to the Group's chief operating decision makers is set out below:

	Revenue RM	Total assets RM	Total liabilities RM	Capital expenditure RM
30-6-2013				
Malaysia	97,155,977	105,279,614	85,644,994	899,971
Indonesia	-	9,117,352	6,048,096	-
British Virgin Islands	-	-	997	-
	<u>97,155,977</u>	<u>114,396,966</u>	<u>91,694,087</u>	<u>899,971</u>
30-6-2012				
Malaysia	123,301,407	103,778,431	85,746,102	619,569
Indonesia	8,639	10,728,860	6,439,181	-
	<u>123,310,046</u>	<u>114,507,291</u>	<u>92,185,283</u>	<u>619,569</u>

30. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 described how the class of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analysed the financial assets and liabilities in the reporting date by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

30. FINANCIAL INSTRUMENTS (Con't)

(a) Classification of financial instruments (Con't)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
GROUP			
30-6-2013			
Financial assets			
Trade receivables	19,222,345	-	19,222,345
Other receivables, deposits and prepayments	959,944	-	959,944
Cash and bank balances	7,410,595	-	7,410,595
Total financial assets	27,592,884	-	27,592,884
Financial liabilities			
Trade payables	-	9,602,429	9,602,429
Other payables and accruals	-	6,683,921	6,683,921
Loans and borrowings	-	73,945,242	73,945,242
Total financial liabilities	-	90,231,592	90,231,592
30-6-2012			
Financial assets			
Trade receivables	15,604,687	-	15,604,687
Other receivables, deposits and prepayments	3,258,474	-	3,258,474
Cash and bank balances	7,099,910	-	7,099,910
Total financial assets	25,963,071	-	25,963,071
Financial liabilities			
Trade payables	-	10,155,700	10,155,700
Other payables and accruals	-	13,701,451	13,701,451
Loans and borrowings	-	66,439,473	66,439,473
Total financial liabilities	-	90,296,624	90,296,624
1-1-2011			
Financial assets			
Trade receivables	46,274,585	-	46,274,585
Other receivables, deposits and prepayments	883,452	-	883,452
Cash and bank balances	715,267	-	715,267
Total financial assets	47,873,304	-	47,873,304
Financial liabilities			
Trade payables	-	9,845,467	9,845,467
Other payables and accruals	-	5,071,636	5,071,636
Loans and borrowings	-	124,219,047	124,219,047
Total financial liabilities	-	139,136,150	139,136,150

30. FINANCIAL INSTRUMENTS (Con't)

(a) Classification of financial instruments (Con't)

COMPANY	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
30-6-2013			
Financial assets			
Other receivables, deposits and prepayments	10,620	-	10,620
Cash and bank balances	5,176,600	-	5,176,600
Amount due from subsidiaries	25,233,137	-	25,233,137
Total financial assets	30,420,357	-	30,420,357
Financial liabilities			
Other payables and accruals	-	2,943,624	2,943,624
Loans and borrowings	-	68,062,608	68,062,608
Total financial liabilities	-	71,006,232	71,006,232
30-6-2012			
Financial assets			
Other receivables, deposits and prepayments	2,283,905	-	2,283,905
Cash and bank balances	5,064,082	-	5,064,082
Amount due from subsidiaries	25,831,989	-	25,831,989
Total financial assets	33,179,976	-	33,179,976
Financial liabilities			
Other payables and accruals	-	9,965,192	9,965,192
Loans and borrowings	-	60,138,981	60,138,981
Amount due to subsidiaries	-	1,270,150	1,270,150
Total financial liabilities	-	71,374,323	71,374,323
1-1-2011			
Financial assets			
Other receivables, deposits and prepayments	101,557	-	101,557
Cash and bank balances	3,621	-	3,621
Amount due from subsidiaries	17,849,741	-	17,849,741
Total financial assets	17,954,919	-	17,954,919
Financial liabilities			
Other payables and accruals	-	224,070	224,070
Loans and borrowings	-	21,526,000	21,526,000
Amount due to subsidiaries	-	9,166,350	9,166,350
Total financial liabilities	-	30,916,420	30,916,420

30. FINANCIAL INSTRUMENTS (Con't)**(b) Fair values of financial instruments****Determination of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade receivables (current)	15
Other receivables, deposits and prepayments (current)	16
Cash and bank balances (current)	17
Loans and borrowings (current and non-current)	21
Trade payables (current)	24
Other payables and accruals (current)	25

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to the relatively short term nature of these financial instruments.

The carrying amount of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of non-current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's is exposed to financial risk arising from its operations and the use of financial instruments. The key financial risk include credit risk, liquidity risk and interest rate risk and foreign currency risk.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group minimises credit risk by dealing exclusively with high credit rating financial institutions.

The Group's objective is seek continual revenue growth while minising losses incurred due to increased credit exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)**(a) Credit risk (Con't)****Credit risk concentration profile**

At 30 June 2013, the Group does not have any major concentration of credit risk relating to the any single customer as at the end of the reporting year.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 15 to the financial statements.

Financial assets that are past due but or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 to the financial statements.

Financial assets that are impaired

Information regarding financial assets that are impaired is disclosed in Note 15 to the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's exposures to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintenance a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM	Later than one year but not later than five years RM	More than five years RM	Total RM
GROUP				
30-6-2013				
Financial liabilities				
Trade payables	9,602,429	-	-	9,602,429
Other payables and accruals	6,683,921	-	-	6,683,921
Loans and borrowings	15,235,159	27,316,400	31,434,630	73,986,189
Total undiscounted financial liabilities	31,521,509	27,316,400	31,434,630	90,272,539

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

(b) Liquidity risk (Con't)

	On demand or within one year RM	Later than one year but not later than five years RM	More than five years RM	Total RM
GROUP				
30-6-2012				
Financial liabilities				
Trade payables	10,155,700	-	-	10,155,700
Other payables and accruals	13,701,451	-	-	13,701,451
Loans and borrowings	11,052,550	55,421,366	-	66,473,916
Total undiscounted financial liabilities	34,909,701	55,421,366	-	90,331,067
1-1-2011				
Financial liabilities				
Trade payables	9,845,467	-	-	9,845,467
Other payables and accruals	5,071,636	-	-	5,071,636
Loans and borrowings	101,732,935	22,533,968	-	124,266,903
Total undiscounted financial liabilities	116,650,038	22,533,968	-	139,184,006
COMPANY				
30-6-2013				
Financial liabilities				
Other payables and accruals	2,943,624	-	-	2,943,624
Loans and borrowings	15,206,118	21,486,234	31,393,879	68,086,231
Total undiscounted financial liabilities	18,149,742	21,486,234	31,393,879	71,029,855
30-6-2012				
Financial liabilities				
Other payables and accruals	9,965,192	-	-	9,965,192
Loans and borrowings	4,764,637	55,404,277	-	60,168,914
Amount due to subsidiaries	-	1,270,150	-	1,270,150
Total undiscounted financial liabilities	14,729,829	56,674,427	-	71,404,256
1-1-2011				
Financial liabilities				
Other payables and accruals	224,070	-	-	224,070
Loans and borrowings	1,526,000	20,000,000	-	21,526,000
Amount due to subsidiaries	-	9,166,350	-	9,166,350
Total undiscounted financial liabilities	1,750,070	29,166,350	-	30,916,420

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their borrowings.

The Group manage interest rate exposure by using a mix of fixed and floating rate debts and actively reviewing the debt portfolio, taking into account the investment holding period and nature of its assets.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings).

	30-6-2013	GROUP	1-1-2011
	RM	30-6-2012	RM
		RM	RM
Applicable interest rate			
- Increase by 10 basis points	(737,186)	(66,439)	(124,209)
- Decrease by 10 basis points	737,186	66,439	124,209

(d) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Indonesian Rupiah ("IDR"), Foreign currency justified risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency is as follows:

	IDR	GROUP	IDR
	30-6-2013	30-6-2012	1-1-2011
	RM	RM	RM
Financial assets			
Trade receivables	-	-	236,910
Other receivables, deposits and prepayments	-	-	18,875
Cash and bank balances	79,986	53,672	34,522
	<u>79,986</u>	<u>53,672</u>	<u>290,307</u>
Financial liabilities			
Trade payables	(23,152)	(24,650)	(47,300)
Other payables and accruals	(26,647)	(28,035)	(408,513)
	<u>(49,799)</u>	<u>(52,685)</u>	<u>(455,813)</u>
Net currency exposure	<u>30,187</u>	<u>987</u>	<u>(165,506)</u>

32. CAPITAL MANAGEMENT

The objective of the Group's capital management is to ensure that it maintains healthy ratios in order to support its business operations and maximise shareholder value.

The Group manage its capital structure and make adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may, from time to time, adjust the dividend payout to shareholders or issue new share, where necessary.

The Group monitors capital using a gearing ratio. The Group's strategies were unchanged from the previous financial period. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as loans and borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

The gearing ratio of the Group as at the end of the reporting year/period was as follows:

	Note	30-6-2013 RM	GROUP 30-6-2012 RM	1-1-2011 RM
Loan and borrowings	21	73,945,242	66,439,473	124,219,047
Trade payables	24	9,602,429	10,155,700	9,845,467
Other payables and accruals	25	6,683,921	13,701,451	5,071,636
		<u>90,231,592</u>	<u>90,296,624</u>	<u>139,136,150</u>
Less : Cash and cash equivalents	17	(2,192,065)	(1,999,777)	5,176,701
Net debt		<u>88,039,527</u>	<u>88,296,847</u>	<u>144,312,851</u>
Total equity		<u>22,702,879</u>	<u>22,280,345</u>	<u>44,741,019</u>
Total capital		<u>110,742,406</u>	<u>110,577,192</u>	<u>189,053,870</u>
Gearing ratio		<u>0.79</u>	<u>0.80</u>	<u>0.76</u>

33. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Proposed private placement of RM6,000,000

On 28 March 2012, the Company had announced that the Group proposes to implement a private placement of up to 12,000,000 new ordinary shares of RM0.50 each to independent third parties to be identified. The proposed private placement is expected to raise up to RM6,000,000 based on an indicative issue price of RM0.50 per placement share. The proposal was submitted to Bursa Malaysia Securities Berhad on 3 April 2012.

On 4 December 2012, the Board of the Directors of the Company had resolved to cancel the Proposed Private Placement as contemplating on undertaking other fund raising exercise in lieu of the Proposed Private Placement.

(b) Proposed acquisition of 10% equity interest in World Granary Holding Limited for a total purchase consideration of RM21,000,000

On 28 January 2013, the Company had entered into the Shares Sale Agreement with Ren Zhao Feng and Ting Ming Hung (collectively, "the Vendors") to purchase 10% of the entire issued and paid-up capital of World Granary Holding Limited ("Tianxia")("Tianxia Shares" or "Sale Share") for a total purchase consideration of RM21,000,000 ("Purchase Consideration") to be satisfied by the issuance of 35,000,000 new ordinary shares of RM0.50 each in the Company at the issue price of RM0.60 each ("KBB Shares")("Proposed Acquisition").

33. SIGNIFICANT AND SUBSEQUENT EVENTS (Con't)

(b) **Proposed acquisition of 10% equity interest in World Granary Holding Limited for a total purchase consideration of RM21,000,000 (Con't)**

On 4 June 2013, the Company had announced that the proposed Shares Sale Agreement had been terminated as both parties had mutually agreed due to the unsatisfaction with the terms and conditions of Shares Sale Agreement. The Proposed Acquisition will no longer effective upon the termination of the Shares Sale Agreement and each parties is released from its obligations to perform its obligations under the Shares Sale Agreement in respect of the Proposed Acquisition.

On 7 June 2013, the Company had further announced that the reason for non-fulfillment of the conditions precedent ("CP") of the Shares Sale Agreement ("SSA") is because the Company unable to obtain the consent from the financier of Tianxia Group and private equity fund (which are CP to the SSA) within the prescribed deadline as set out in the SSA and the parties has mutually decided not to the extend the said deadline.

(c) **Proposals**

On 3 April 2013, the Company had announced that it is proposing to undertake the followings:

(i) **Proposed par value reduction**

Proposed reduction of its existing issued and paid-up share capital from RM60,000,000 comprising 120,000,000 ordinary shares of RM0.50 each in the Company to RM18,000,000 comprising 120,000,000 ordinary shares of RM0.15 each in the Company via the cancellation of RM0.35 from the par value of each existing ordinary RM0.50 each in the Company pursuant to Section 64 the Companies Act, 1965.

(ii) **Proposed rights issue with warrants**

Proposed renounceable rights issue of up to 120,000,000 new ordinary shares of RM0.15 each in the Company ("Right Shares") together with up to 120,000,000 free detachable warrants ("Warrants") at the issue price of RM0.18 per Rights Share after the Proposed Par Value Reduction on the basis of one (1) Rights Share for every one (1) ordinary share of RM0.15 each in the Company held together with one (1) free Warrant for every one (1) Rights Share subscribed at an entitlement date to be determined later.

(iii) **Proposed amendment**

Proposed amendment to relevant clauses of the Memorandum and/or Articles of Association of the Company for the Proposed Par Value Reduction.

On 22 August 2013, the Company had announced that the above proposed were duly approved by the shareholders of the Company during the Extraordinary General Meeting.

On 22 October 2013, the Company had announced that the High Court of Malaya had granted an order confirming the Proposed Par Value Reduction. The sealed order will be extracted and an office copy of the order will be lodged with the Companies Commission of Malaysia for the Proposed Par Value Reduction to take effect.

(d) **Corporate guarantee**

On 6 August 2013, the Company is contingently liable in respect of a corporate guarantee of RM8,625,000 granted to Kilang Bihun Bersatu Sdn. Bhd..

34. MATERIAL LITIGATIONS

(i) Kong Saw Ming & Sons Contract Services VS Bersatu Sago Industries Sdn. Bhd.

On 30 August 2013, the Group had announced that Bersatu Sago Industries Sdn. Bhd. (“BSI”), a wholly-owned subsidiary of the Company had, on 17 July 2013 been served with the Writ of Summons and Statement of Claims, both dated 5 July 2013 issued by the Magistrates Court of Sibu in relation to the claims filed by the Plaintiffs through a firm of lawyers acting on their behalf. According to the Statement of Claim, the Plaintiffs had through a firm of lawyers acting on their behalf issued a letter dated 11 June 2013 to BSI demanded the outstanding sum of RM22,933.26 as at 25 March 2013 from BSI but BSI failed and still fails to pay the partial of the outstanding sum. BSI is exposed to the claim, interests and legal expenses as stated above.

On 3 September 2013, the Group further announced that BSI is not a major subsidiary of the Group and the total cost of investment in BSI is RM500,000. In addition, the Group is seeking the necessary legal advise to resolve and/or defend against this matter.

(ii) Kepala Batus Bihun Sdn. Bhd. VS Kilang Bihun Bersatu Sdn. Bhd.

On 30 August 2013, the Group had announced that Kilang Bihun Bersatu Sdn. Bhd. (“KBBSB”), a wholly-owned subsidiary of the Company had, on 4 July 2013 been served with the Writ of Summon dated 20 June 2013 and Statement of Claims dated 19 June 2013 issued by the Session Court of Sungai Petani, Kedah in relation to the claims filed by the Plaintiff through a firm of lawyers acting on its behalf. According to the Statement of Claim, the Plaintiff had repeatedly request for payment but the said requests were ignored by KBBSB. On 9 May 2013, the Plaintiff had through a firm of lawyers acting on its behalf issued a legal notice to KBBSB demanded the outstanding sum but KBBSB failed and still fails to pay the outstanding sum. KBBSB had appointed a firm of lawyers to act on its behalf and the case was fixed for mentioned on 1 September 2013.

On 3 September 2013, the Group further announced that KBBSB is a major subsidiary of the Group and the total cost of investment in KBBSB is RM4,909,091. In addition, the Group is seeking the necessary legal advise to resolve and/or defend against this matter.

On 18 October 2013, the Group had announced that the hearing for summary judgement application has been fixed on 24 November 2013.

35. COMPARATIVE FIGURES

The financial statements of the previous financial period which are presented for comparative purpose were examined and reported on by another firm of auditor.

The comparative figures relate to the period from 1 January 2011 to 30 June 2012 cover an eighteen (18 months) period. These are not comparable to the current financial year, as the current financial year results cover a twelve (12) months period.

36. **SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES**

The following analysis of realised and unrealised accumulated losses of the Group and of the Company at 30 June 2013 and 2012 is presented in accordance with the directive issued by Bursa Securities and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The accumulated losses of the Group and of the Company as at 30 June 2013 and 2012 is analysed as follows:

	GROUP		COMPANY	
	30-6-2013 RM	30-6-2012 RM	30-6-2013 RM	30-6-2012 RM
Total accumulated losses of the Company and its subsidiaries				
- realised	(90,714,300)	(116,067,480)	(81,770,286)	(79,338,334)
- unrealised	(1,203,443)	(679,860)	-	-
Consolidation adjustments	55,147,539	79,289,457	-	-
Total accumulated losses as per statement of financial position	<u>(36,770,204)</u>	<u>(37,457,883)</u>	<u>(81,770,286)</u>	<u>(79,338,334)</u>

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 30 SEPTEMBER 2013

(Prepared for inclusion in this Abridged Prospectus)

**KBB RESOURCES BERHAD (Company No.583565-U)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AND QUARTERLY REPORT FOR THE PERIOD ENDED
30 SEPTEMBER 2013**

	Current Year As at 30.09.13 (Unaudited) RM'000	Preceding Year As at 30.06.13 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	73,152	75,820
Intangible Assets	187	193
	<u>73,339</u>	<u>76,013</u>
Current Assets		
Inventories	10,380	10,368
Trade Receivables	20,262	19,222
Other Receivables, Deposits and Prepayments	1,287	960
Tax Recoverable	413	422
Fixed Deposit with Licensed Banks	5,500	5,219
Cash and Bank Balances	1,685	2,192
	<u>39,527</u>	<u>38,383</u>
TOTAL ASSETS	<u>112,866</u>	<u>114,396</u>
EQUITY AND LIABILITIES		
Share Capital	60,000	60,000
Exchange Translation Reserve	(5,415)	(4,920)
Revaluation Reserve	4,393	4,393
Accumulated Losses	(37,733)	(36,770)
Total Equity	<u>21,245</u>	<u>22,703</u>
Non-Current Liabilities		
Borrowings	51,984	58,720
Deferred Tax Liabilities	1,203	1,203
	<u>53,187</u>	<u>59,923</u>
Current Liabilities		
Trade Payables	7,337	9,602
Other Payables and Accruals	5,202	4,655
Amount Owing to Directors	3,426	2,029
Borrowings	22,224	15,225
Provision for Taxation	245	259
	<u>38,434</u>	<u>31,770</u>
Total Liabilities	<u>91,621</u>	<u>91,963</u>
TOTAL EQUITY AND LIABILITIES	<u>112,866</u>	<u>114,396</u>
Net Assets Per Ordinary Share Attributable to Ordinary Equity Shareholders (RM)	0.18	0.19

Notes:-

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

KBB RESOURCES BERHAD (Company No.583565-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AND QUARTERLY REPORT ON CONSOLIDATED PERIOD ENDED
30 SETEMBER 2013

	Current Year Quarter 30.09.13 (Unaudited) RM'000	Individual Quarter Preceding Year Corresponding Quarter 30.09.2012 (Unaudited) RM'000	Current Year To Date 30.09.13 (Unaudited) RM'000	Cumulative Quarter Preceding Year Corresponding Period 30.09.2012 (Unaudited) RM'000
Revenue	22,643	32,437	22,643	32,437
Cost of Sales	(19,228)	(27,716)	(19,228)	(27,716)
Gross Profit	3,415	4,721	3,415	4,721
Other Income	72	311	72	311
Administrative Expenses	(1,380)	(1,809)	(1,380)	(1,809)
Selling and Distribution Expenses	(1,743)	(2,062)	(1,743)	(2,062)
Operating Profit/(Loss)	364	1,161	364	1,161
Finance Costs	(1,327)	(956)	(1,327)	(956)
Profit/(Loss) Before Taxation	(963)	205	(963)	205
Taxation	-	-	-	-
Profit/(Loss) for the Period	(963)	205	(963)	205
Earnings Per Share				
- Basic (sen)	(0.80)	0.17	(0.80)	0.17
- Diluted (sen)	-	-	-	-

Notes:-

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

KBB RESOURCES BERHAD (Company No.583565-U)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND QUARTERLY REPORT ON
CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

	Share Capital	-----Non-Distributable----- Exchange Translation Reserve	Revaluation reserve	Distributable Accumulated Losses	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Audited</u>					
Balance as at 1 July 2012	60,000	(4,655)	4,393	(37,458)	22,280
Foreign Currency Translation	-	(265)	-	-	(265)
Revaluation of land and building	-	-	-	-	-
Profit for the Year	-	-	-	688	688
Balance as at 30 June 2013	60,000	(4,920)	4,393	(36,770)	22,703
<u>Unaudited</u>					
Balance as at 1 July 2013	60,000	(4,920)	4,393	(36,770)	22,703
Foreign Currency Translation	-	(495)	-	-	(495)
Revaluation of land and building	-	-	-	-	-
Loss for the Period	-	-	-	(963)	(963)
Balance as at 30 September 2013	60,000	(5,415)	4,393	(37,733)	(21,245)

Note:-

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

KBB RESOURCES BERHAD (Company No.583565-U)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS AND QUARTERLY
REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED
30 SEPTEMBER 2013

	Current Year to Date (3 months) 30.09.13 (Unaudited) RM'000	Preceding Year Corresponding Period (12 months) 30.06.2013 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Operations	21,603	93,727
Payment to Suppliers and Employees	(22,705)	(97,822)
Income Tax Paid	(37)	74
Interest Paid	(1)	(3)
Net Cash used in Operating Activities	(1,140)	(4,024)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Property, Plant and Equipment	-	28
Purchase of Property, Plant and Equipment	(8)	(269)
Withdrawal of Fixed Deposit	-	100
Net Cash (used in)/from Investing Activities	(8)	(141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Banker Acceptance	-	-
Islamic Acceptance Bills	2,107	-
Proceeds from Hire Purchase Payables	-	525
Repayment of Hire Purchase Payables	(116)	(725)
Proceeds from Loan	-	8,080
Repayment of Term Loan	(1,361)	-
Advance from Directors	1,397	2,048
Interest Paid	(1,326)	(5,494)
Net Cash from/(used in) Financing Activities	701	4,434
Net increase in Cash and Cash Equivalents	(447)	269
Effects of Foreign Exchange Rates Changes	221	42
Cash and Cash Equivalents at Beginning	7,411	7,100
Cash and Cash Equivalents at End	7,185	7,411
Represented by:-		
Fixed Deposits with Licensed Banks	5,500	5,219
Cash and Bank Balances	1,685	2,192
	7,185	7,411

Notes:-

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 30 SEPTEMBER 2013

PART A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING
STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING

A1) Basis of Preparation

The interim financial statements for the current quarter are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards (“MFRSs”) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements are the Group’s first MFRS compliant interim financial statements and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied. The date of transition to the MFRS framework is 1 January 2012. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this interim financial statements, are consistent with those of the audited financial statements for the financial period ended (“FRS”) 30 June 2013.

The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

Paragraph 20 of MFRS 134 requires the comparative statements to be presented from the comparable interim period (current and period-to-date) of immediate preceding financial year. Save for statement of financial position and, the comparatives disclosed in these condensed financial statements are for the 3-month period from 1 July 2012 to September 2012, not from the beginning of the preceding financial period of 1 January 2012, as the Group changed its financial year in 2011 from 31 December 2011 to 30 June 2012.

A2) Changes in Accounting Policies

The accounting policies adopted by the Group in the interim financial statements are consistent with those adopted in the audited financial statements as at and for the 12 month period ended 30 June 2013 except for the adoption of newly-issued accounting framework – MFRS IC Interpretations to be applied by all Entities other than Private Entities for the financial period beginning on 1 January 2012 :-

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combination
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 9	Financial Instruments
MFRS 10	Consolidated Financial Statements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 30 SEPTEMBER 2013

PART A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING
STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING

A2) Changes in Accounting Policies (continued)

MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 124	Related Party Disclosures
NFRS 127	Consolidated and Separate Financial Statements
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above new MFRSs does not have significant financial impact on the interim financial statements of the Group.

A3) Seasonal or Cyclical Factors

The Group’s performance is not significantly affected by any seasonal or cyclical factors.

A4) Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date.

A5) Material Changes in Estimates

There was no material changes in estimates of amount reported in prior interim period or financial period that have a material effect in the current quarter and financial year-to-date.

A6) Debt and Equity Securities

There were no issuances, repurchases, and repayments of long term debt and equity issued during the current quarter and financial year-to-date.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 30 SEPTEMBER 2013

PART A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL
REPORTING STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING

A7) Dividend Paid

There was no dividend paid in the current quarter and financial year-to-date.

A8) Segmental Information

The Group is principally engaged in the manufacturing and marketing of all types of rice, sago sticks (vermicelli) and other related products. Business segmental information has therefore not been prepared as the Group’s revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and non-cash expenses are mainly confined to one business segment.

The segmental information is therefore presented in respect of the Group’s geographical segments. The Group operates in two principal geographical areas namely West Malaysia and East Malaysia. The segmental information for the past three months ended 30th September 2013 was as follows:

	Revenue RM’000	Total Assets RM’000	Capital Expenditures RM’000
West Malaysia	21,238	91,062	8
East Malaysia	1,405	21,804	-
	22,643	112,866	8

A9) Valuation of Property, Plant and Equipment (PPE)

The Group had carried out the valuation on its property, plant and equipment from the previous audited annual financial statements. The property, plant and equipment of the Group are stated at cost less accumulated depreciation and any accumulated impairment losses.

A10) Events Subsequent to the Balance Sheet Date

There were no other material events subsequent to the reporting period that have not been reflected in the interim financial statements as at the date of this report except disclosed in B7.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 30 SEPTEMBER 2013

PART A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING
STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING

A11) Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date.

A12) Changes in Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of the interim financial statements.

A13) Capital Commitments

There was no capital commitment in the current quarter under review.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER
ENDED 30 SEPTEMBER 2013

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

B1) Review of Group Performance

	Jul – Sept 2013	Apr – June 2013	Jul – Sept 2012	Jul'13 – Sept'13
	RM'000	RM'000	RM'000	RM'000
Revenue				
- West Malaysia	21,238	20,274	28,323	21,238
- East Malaysia	1,405	1,530	4,114	1,405
Total	22,643	21,804	32,437	22,643
Profit/(Loss) before tax				
- West Malaysia	416	2,550	(578)	416
- East Malaysia	(1,379)	(2,766)	783	(1,379)
Total	(963)	(216)	205	(963)

Comparison with corresponding period in the previous year

The Group's revenue for the current quarter under review was RM22.6 million and loss before tax was RM0.96 million.

The revenue was lower by RM9.8 million or 30% lower than preceding year corresponding quarter. This is mainly due to machineries broken down and new competitors took market share.

The Group recorded loss before tax of approximately RM0.9 million in the current quarter as compared with the profit before tax of approximately RM0.2 million in the corresponding quarter of the preceding year as a result of higher operating cost such as admin, selling and finance expenses incurred.

For West Malaysia, its revenue for the current quarter has been decreased by approximately RM7.1 million as compared to corresponding quarter in previous year due to decrease in sales of our major product such as bihun and laksa. However, West Malaysia had achieved profit before tax of RM0.42 million for the quarter as compared to corresponding quarter in previous year in loss position. This is mainly due to improvement in efficiency and productivity.

For East Malaysia, its revenue for the current quarter has been decreased by approximately RM2.7 million as compared to corresponding quarter in previous year due to decrease sales volume of Bihun. Loss before tax suffered by East Malaysia for RM1.4 million was mainly due to higher operating cost such as admin and selling cost incurred.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER
ENDED 30 SEPTEMBER 2013

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

B1) Review of Group Performance (continued)

Comparison with preceding quarter

The Group's revenue for the quarter under review was higher by RM0.84 million or 4% if compared with the preceding quarter. The increase was mainly due to higher demand in festive seasons such as Hari Raya in August 2013.

The Group recorded loss before tax for the current quarter was RM0.75 million higher than immediate preceding quarter. This was mainly due to higher operating cost incurred.

For West Malaysia, its revenue for the current quarter has been increased RM1.0 million if compared with the preceding quarter. However, the revenue of East Malaysia was stable at RM1.4 million by decreased only RM0.1 million as compared to the preceding quarter.

The West Malaysia's profit before taxation for the quarter approximately RM0.42 million as compared with the preceding quarter was about RM2.5 million was mainly due to higher production to increase in production overhead expenses such as maintenance of machinery to improve in operation efficiency and productivity and operating cost. East Malaysia's loss before tax for the quarter has been decreased by RM1.4 million was mainly due to improvement in operation efficiency and productivity in the rice and sago sticks (vermicelli).

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER
ENDED 30 SEPTEMBER 2013

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

B2) Current Year Prospects

The Group anticipates a sustaining an improved performance in the next quarter of the financial year with the large customer base and a team of dedicated employees.

The Group still continue its effort at cost cutting measures, improving in operation efficiency and productivity, improving in inventory control and credit control as well as focus on product development and quality improvement in the rice and sago sticks (vermicelli) operation in order to remain competitive in the market.

B3) Variance between Actual Profit and Forecast Profit

The Group did not issue any profit forecast or profit guarantee during the current quarter under review.

B4) Taxation

	Current Year Quarter 30.09.13 RM'000	Current Year-to- Date 30.09.13 RM'000
Income Tax	-	-
Deferred Tax	-	-
	-	-

B5) Unquoted Investments and Properties

There were no sales and purchases of unquoted investments and properties for the current quarter.

B6) Quoted Securities

There were no purchases or disposals of quoted securities for the current quarter.

**KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORT FOR QUARTER
ENDED 30 SEPTEMBER 2013**

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

B7) Corporate Proposals

Except for the following disclosure, there were no corporate proposals announced but not yet completed by the Group for the financial period under review.

On 22 August 2013, the shareholders had approved the following proposal in the Extraordinary General Meeting.

1. Proposed reduction of its existing issued and paid-up share capital from RM60,000,000 comprising 120,000,000 ordinary shares of RM0.50 each in KBB to RM18,000,000 comprising 120,000,000 ordinary shares of RM0.15 each in KBB via the cancellation of RM0.35 from the par value of each existing ordinary RM0.50 each in KBB pursuant to Section 64 the Companies Act, 1965 (“Proposed Par Value Reduction”);
2. Proposed renounceable rights issue of up to 120,000,000 new ordinary shares of RM0.15 each in KBB (“Rights Shares”) together with up to 120,000,000 free detachable warrants (“Warrants”) at the issue price of RM0.18 per Rights Share after the Proposed Capital Reduction on the basis of one (1) Rights Share for every one (1) ordinary share of RM0.15 each in KBB held together with one (1) free Warrant for one (1) Rights Share subscribed at an entitlement date to be determined later (“Proposed Rights Issue with Warrants”); and
3. Proposed amendment to relevant clauses of the Memorandum and/or Articles of Association of the Company for the Proposed Par Value Reduction (“Proposed Amendment”).

Subsequent to the above, the said proposals had been approved by the relevant authorities as follows:-

1. On 22 October 2013, the High Court of Malaysia at Kuala Lumpur had granted an order confirming the Proposed Par Value Reduction.
2. On 31 October 2013, the sealed order of the High Court of Malaysia confirming the par value reduction has been lodged with the Company Commission of Malaysia. This also marks the completion of KBB’s capital reduction exercise. Consequently, reduction of par value of the ordinary share of KBB from RM0.50 to RM0.15 per share will take effect from 31 October 2013.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 30 SEPTEMBER 2013

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

B8) Borrowings and Debts Securities

The Groups' borrowings as at 30th September 2013 are as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term Borrowings:-			
Hire Purchase Payables	-	28	28
Short Term Loan	11,436	5,414	16,850
Term Loans	5,345	-	5,345
	<u>16,781</u>	<u>5,442</u>	<u>22,223</u>
Long Term Borrowings:-			
Hire Purchase Payables	-	183	183
Term Loans	51,801	-	51,801
	<u>51,801</u>	<u>183</u>	<u>51,984</u>
Total	<u>68,582</u>	<u>5,625</u>	<u>74,207</u>

Included in the Group's borrowings is foreign currency borrowings denominated in Indonesian Rupiah amounting IDR18.108 billion, equivalent to approximately RM5.78 million.

B9) Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of the interim financial statements.

B10) Material Litigation

As at to-date, the Writ of Summons and Statement of Claims, both dated 05 July 2013 served to Bersatu Sago Industries Sdn Bhd is pending hearing of summary judgment.

Meanwhile, the Writ of Summon dated 20 June 2013 and Statement of Claims dated 19 June 2013 served to Kilang Bihun Bersatu Sdn Bhd is fixed for mentioned on 8 December 2013 to fix a hearing date for summary judgment application.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 30 SEPTEMBER 2013

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

B11) Earnings per Share

The basic earnings per share of the Group are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial period calculated as follows:-

	Current Months Period Ended	Individual Quarter Preceding Year Corresponding Quarter	Current Year to Date	Cumulative Period Preceding Year Corresponding Period
	30.09.2013 RM'000	30.09.2012 RM'000	30.09.2013 RM'000	30.09.2012 RM'000
Profit/(Loss) for the Period (RM'000)	(963)	205	(963)	205
Weighted Average Number of Ordinary Shares of RM0.50 each ('000)	120,000	120,000	120,000	120,000
Earnings Per Share				
- Basic (sen)	(0.80)	(0.17)	(0.80)	(0.17)
- Diluted (sen)	-	-	-	-

Diluted earnings per share have not been computed as the effect of the share options under ESOS is anti-dilutive in nature.

Notes:-

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 30 SEPTEMBER 2013

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

B12) Realized and Unrealized Loss

	30.09.2013 RM'000	30.06.2013 RM'000
Total retained earnings of the Company and its subsidiaries :-		
- Realized	(91,654)	(90,714)
- Unrealized	(1,204)	(1,204)
	<u>(92,858)</u>	<u>(91,918)</u>
Consolidation adjustments	55,125	55,148
Total accumulated losses of the Group as per consolidated accounts	<u>(37,733)</u>	<u>(36,770)</u>

B13) Profit / (Loss) for the period / year

	Current Year Quarter	Individual Quarter Preceding Year Corresponding Quarter	Current Year to Date ⁽²⁾	Cumulative Quarter Preceding Year Corresponding Period
	30.09.2013 (Unaudited) RM'000	30.09.2012 (Unaudited) RM'000	30.09.2013 (Unaudited) RM'000	30.09.2012 (Unaudited) RM'000
Profit / (Loss) for the period / year is arrive at after charging / (crediting) :-				
Interest expense	1,327	956	1,327	956
Depreciation and amortization	1,942	2,223	1,942	2,223
Foreign exchange loss	3	37	3	37
(Gain)/Loss on disposal of property, plant & equipment	-	4	-	4

Notes:-

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

**KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL REPORTS FOR QUARTER
ENDED 30 SEPTEMBER 2013**

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

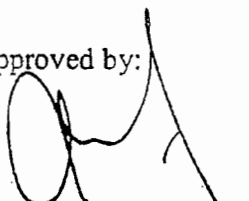
B14) Audit Report Qualifications

The auditors' report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2013 did not contain any qualification.

B15) Authorization for Issue

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Board.

Approved by:



Dato' Sri Chin Seak Huat (JP)
Group Managing Director

DIRECTORS' REPORT

(Prepared for inclusion in this Abridged Prospectus)



BERSATU

KBB RESOURCES BERHAD (583565-U)

Lot 208, Phase II, Kuala Ketil Industrial Estate, 09300 Kuala Ketil,
Kedah Darul Aman, Malaysia.

Tel: 604-4162222 Fax: 604-4162022

Email: admin@eka.com.my Http: //www.krb.com.my

20 DEC 2013

Registered Office:

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Date

To: The Entitled Shareholders of KBB Resources Berhad

Dear Sir/Madam,

On behalf of the Board of Directors ("Board") of KBB Resources Berhad (the "Company"), I wish to report that, after due inquiries in relation to the Company and its subsidiaries "Group") during the period between 30 June 2013, being the date on which the latest audited consolidated statements have been made up, and the date hereof, being a date not earlier than 14 days before the issue of this Abridged Prospectus), that:

- (a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 9.4 of this Abridged Prospectus, there are no any contingent liabilities which have arisen by reason of any guarantees or indemnities given by any company within the Group;
- (e) since the last audited consolidated financial statements of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and
- (f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited consolidated financial statements of the Group.

Yours faithfully,
For and on behalf of the Board
KBB RESOURCES BERHAD


DATO' SOHAIMI BIN SHAHADAN
INDEPENDENT NON-EXECUTIVE CHAIRMAN

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights Shares, Warrants and the new Shares to be issued pursuant to the exercise of the Warrants, no securities shall be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issuance of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.15 each, all of which rank *pari passu* with one another.
- (iii) All the Rights Shares and the new Shares to be issued pursuant to the exercise of Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid-up ordinary share capital, save and except that such Shares will not be entitled to any dividend, rights, allotment and/or other distribution, the entitlement date of which is prior to the date of allotment of such Shares.
- (iv) As at the date of this Abridged Prospectus, save for the Entitled Shareholders who will be provisionally allotted the Rights Shares together with Warrants under the Rights Issue with Warrants no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries as of the date of this Abridged Prospectus.
- (v) Save for the Rights Issue with Warrants and as disclosed in Appendix III of this Abridged Prospectus, none of our securities have been issued or agreed to be issued either as fully or partly paid-up otherwise than in cash, within the two (2) years immediately preceding the date of this Abridged Prospectus.

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2. ARTICLES OF ASSOCIATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are as follows:

Remuneration of Directors **Article 103**

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office Provided Always that :

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Alternate Director **Article 100**

- (1) A Director may appoint a person approved by a majority of his co-Directors to act as his alternate Provided That any fee paid by the Company to the alternate shall be deducted from that Director's remuneration. The alternate Director shall be entitled to notices of all meetings and to attend, speak and vote at any such meeting at which his appointor is not present. Any appointment so made may be revoked at any time by the appointor or by majority of the Directors (excluding the director who appointed the alternate), and any appointment or revocation under this Article shall be effected by notice in writing to be delivered to the Secretary of the Company. An alternate Director shall ipso facto cease to be an alternate Director if his appointor for any reason ceases to be a Director.
- (2) If any Director retires by rotation and is re-elected by the meeting or is, pursuant to these Articles, deemed to be re-elected at the meeting at which such retirement took effect, any appointment made by him of an alternate Director which was in force immediately prior to the appointor's retirement shall continue to operate after such re-election as if the appointor had not so retired.

Director may act himself or by his firm in professional capacity***Article 113***

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.

Remuneration of Managing Director***Article 137***

- (1) The Directors may from time to time appoint any one or more of their body to be :
 - (a) Managing Director; and/or
 - (b) Deputy Managing Director.
- (2) Any such appointment shall be for such period not exceeding three (3) years subject to reappointment and on such terms as they think fit, and may vest in such Managing Director and/or Deputy Managing Director as may be appointed by them such of the powers hereby vested in the Directors generally as they may think fit. The Managing Director and the Deputy Managing Director shall be subject to the control of the Board of Directors.

3. MATERIAL CONTRACTS

Save as disclosed below and the Deed Poll, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years preceding the date of this Abridged Prospectus:

- (i) Our Company had on 16 April 2012 entered into a settlement agreement with Malaysian Trustees Berhad and its financiers, namely Alliance Bank Malaysia Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad, Bank Muamalat Malaysia Berhad, Hong Leong Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, RHB Bank Berhad, OCBC Bank (Malaysia) Berhad, Prima Uno Berhad and United Overseas Bank (Malaysia) Bhd (collectively the "Financiers") for the proposed settlement of debt owing to the Financiers amounting to RM116.9 million (as at 30 September 2010, being the cut-off date used).
- (ii) Our Company had on 20 June 2012 entered into a debenture with Bank Kerjasama Rakyat Malaysia Berhad to restructure our Group's debt via banking facilities amounting to RM70.0 million comprising the following:
 - (a) a term financing facility for the maximum limit of RM60.0 million for the purpose of part financing our Group's existing debt with its then existing financial creditors; and
 - (b) a bank guarantee facility/revolving credit facility for the maximum limit of RM10.0 million to part finance the purchase of raw materials for its existing and new orders in relation to our Group's business operations.

The debt settlement was completed on 27 June 2012 wherein the Company had paid an aggregate settlement sum of RM60.0 million to the Financiers.

- (iii) The shares sale agreement dated 28 January 2013 ("Shares Sale Agreement") entered into with Ren Zhao Feng and Ting Ming Hung (collectively, the "Vendors") to purchase 10% of the entire issued and paid-up capital of World Granary Holding Limited ("Tianxia") ("Tianxia Shares") for a total purchase consideration of RM21,000,000, to be satisfied via the issuance of 35,000,000 new ordinary shares of RM0.50 each in our Company at the issue price of RM0.60 each ("Proposed Acquisition"). Completion of the Proposed Acquisition is conditional upon, among other things, the approval of the relevant third party of the Vendors for the any change in the existing shareholding or partnership structure including without limitation, the sale, transfer or assignment of beneficial interests; (b) any change of shareholders or partners of the Vendors; or (c) any change in the control of the Vendors, whereby control includes power to appoint or cause to be appointed a majority of directors of the Vendors or the power to make or cause to be made decision in respect of the administration of the Vendors and to give effect to such decisions. These conditions of the Shares Sale Agreement could not be satisfied and accordingly the Shares Sale Agreement was mutually terminated in accordance with its terms on 4 June 2013. The Proposed Acquisition is no longer effective.

4. MATERIAL LITIGATION

Save as disclosed below, our Board confirms that neither our Company nor any of our subsidiaries are engaged in any material litigation, claims or arbitration as at the LPD, either as plaintiff or defendant, and our Board is not aware and does not has any knowledge of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group:

- (i) Kilang Bihun Bersatu Sdn Bhd ("KBBSB"), a wholly-owned subsidiary of KBB had, on 4 July 2013 been served with the Writ of Summon dated 20 June 2013 and Statement of Claims dated 19 June 2013 issued by the Session Court of Sungai Petani, Kedah in relation to the claims filed by Kepala Batas Bihun Sdn Bhd ("the Plaintiff").

The Plaintiffs seeks against KBBSB for the following:

- (a) the sum of RM735,690.51;
- (b) interest of 5% per annum on the outstanding sum from 20 June 2013 until final and full payment;
- (c) costs of relating to the action; and
- (d) further or other relief as the Court deems fit and proper to grant.

The said suit was brought by the Plaintiff on the premise that KBBSB had failed, neglected and refused to pay to the Plaintiff the sum of RM735,690.51 for goods delivered to KBBSB. However, KBBSB had stopped any further payments to the Plaintiff due to the fact that there are various "discrepancies" including the non-delivery of goods by the Plaintiff on the amount claimed and a purported "inventories write-off" that amounted to approximately RM20.9 million. In addition, KBB had conducted an investigative audit for a suspected fraud involving a previous director of KBBSB in relations to the said suit. Based on the result of the investigative audit, KBB had lodged a police report against KBBSB and the previous director of KBBSB.

Following the hearing of the summary judgement application on 24 December 2013, the Court has set 8 January 2014 as the date of the delivery of decision for the summary judgement application.

Our management has been advised by our solicitors that a summary judgement application can only succeed against KBBSB if there are no triable issues. In view of the various triable issues involving the said suit, the chances of the Plaintiff succeeding in obtaining a summary judgement against KBBSB is small and therefore the said suit is not likely to succeed.

5. GENERAL

- (i) The nature of our business is set out in Section 1, Appendix III of this Abridged Prospectus. Save as disclosed in Section 5, Appendix III of this Abridged Prospectus, there are no corporations that are related to our Company by virtue of Section 6 of the Act as at the date of this Abridged Prospectus.
- (ii) The total estimated expenses of or in connection with the Proposals including professional fees, fees payable to the relevant authorities, registration and other incidental expenses of approximately RM400,000 will be borne by our Company.
- (iii) None of our Directors have any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year of the date of this Abridged Prospectus.
- (iv) Save as disclosed in this Abridged Prospectus, our Directors are not aware of any material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (v) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:
 - (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;
 - (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact of our Group's revenue or operating income; and
 - (e) substantial increase in revenue.

6. WRITTEN CONSENTS

The written consents of the Adviser, Company Secretaries, Principal Bankers, Share Registrar and the Solicitors for the Rights Issue with Warrants to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given before issuance of this Abridged Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors/Reporting Accountants to the inclusion in this Abridged Prospectus of their names and letters relating to the audited consolidated financial statements of our Group for the FYE 30 June 2013 and the proforma consolidated statement of financial position of our Group as at 30 June 2013 respectively, in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not subsequently been withdrawn.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at our Registered Office at Level 8, Menara MIDF, 82 Jalan Raja Chulan, 50200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:

- (i) Our MA;
- (ii) Our audited consolidated financial statements for the FYE 31 December 2010, 18 months FPE 30 June 2012 and FYE 30 June 2013;
- (iii) Our unaudited consolidated results for the three (3) months FPE 30 September 2013;
- (iv) The proforma consolidated statement of financial position of our Group as at 30 June 2013 together with the notes and Reporting Accountants' letter thereon as set out in Appendix IV of this Abridged Prospectus;
- (v) The Deed Poll;
- (vi) The Directors' Report as set out in Appendix VII of this Abridged Prospectus;
- (vii) The consent letters referred to in Section 6 of this Appendix;
- (viii) The Undertakings as referred to in Section 2.5 of this Abridged Prospectus; and
- (ix) The material contracts referred to in Section 3 of this Appendix.

8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

M&A Securities, being the Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.