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

1. **Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standard (“FRS”) 134: “Interim Financial Reporting” and Chapter 9 Part K Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying notes attached to the interim financial statements. The interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of KBB Resources Berhad (“KBB” or the “Company”) and its wholly-owned subsidiary companies (hereinafter referred to as the “Group”) since the financial year ended 31 December 2009.

1. **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 for the financial year ended 31 December 2009 except for the adoption of new and revised Financial Reporting Standards (“FRS”), Amendments to FRSs and Interpretations effective for financial periods beginning 1st July 2009, 1st January 2010 and 1st March 2010 as disclosed below:-

|  |  |
| --- | --- |
| \* FRS 4 | Insurance Contracts |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 8 | Operating Segments |
| FRS 101 | Presentation of Financial Statements (as revised in 2009) |
| FRS 123 | Borrowing Costs |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| Amendment to FRS 1 and FRS 127 | First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| Amendment to FRS 2 | Share-based Payment: Vesting Conditions and Cancellations |

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

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| --- | --- |
| Amendment to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendment to FRS 7 | Financial Instruments: Disclosures |
| Amendment to FRS 8 | Operating Segments |
| Amendment to FRS 107 | Statement of Cash Flows |
| Amendment to FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| Amendment to FRS 110 | Event after the Reporting Period |
| Amendment to FRS 116 | Property, Plant and Equipment |
| Amendment to FRS 117 | Leases |
| Amendment to FRS 118 | Revenue |
| Amendment to FRS 119 | Employee Benefits |
| \* Amendment to FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| Amendment to FRS 123 | Borrowings Costs |
| \* Amendment to FRS 128 | Investments in Associates |
| \* Amendment to FRS 129 | Financial Reporting in Hyperinflationary Economies |
| \* Amendment to FRS 131 | Interests in Joint Ventures |
| Amendment to FRS 132 | Financial Instruments: Presentation |
| Amendment to FRS 134 | Interim Financial Reporting |
| Amendment to FRS 136 | Impairment of Assets |
| Amendment to FRS 138 | Intangible Assets |
| Amendment to FRS 139, FRS 7 and IC Interpretation 9 | Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives |
| \* Amendment to FRS 140 | Investment Property |
| Amendment to FRSs | Improvement to FRSs (2009) |
| \* IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |
| \* IC Interpretation 11 | FRS 2 –Group and Treasury Share Transactions |
| \* IC Interpretation 13 | Customer Loyalty Programmes |
| \* IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| Amendment to FRS 132 | Financial Instruments: Presentation (The amendments in Paragraphs 11, 16 and 97E of the Standard, relating to Classification of Rights Issues) |

 \* Not applicable to the Group.

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

The adoption of the above new and revised FRSs, Amendments to FRSs and Interpretations do not have significant impact on the 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.

**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.

**A6. Debt and Equity Securities**

 There were no issuances, repurchases, and repayments of long term debt and equity issued during the current quarter.

**A7. Dividend Paid**

 There was no dividend paid in the current quarter.

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

**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 Malaysia and Indonesia.

**A9. Valuation of Property, Plant and Equipment**

 The Group did not carry out any valuation on its property, plant and equipment. 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 materials events subsequent to the reporting period that have not been reflected in the interim financial statements as at the date of this report.

**A11. Changes in the Composition of the Group**

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

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

**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.

**PART B: EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of Performance**

 The Group recorded revenue of approximately RM53.96million in the current individual quarter ended 31st March 2010 compared with the revenue of approximately RM44.16million in the corresponding individual quarter of the preceding year. The revenue for the current quarter has improved by 22.2% mainly attributed to higher demand and selling price for its products.

 The Group recorded profit before tax of approximately RM0.87million in the current individual quarter compared with the profit before tax of approximately RM1.28million in the corresponding individual quarter of the preceding year. The profit performance of the Group for the current quarter was due to the increase in prices of raw materials and also the increase in selling and distribution costs.

 **B2. Material Change in the Profit before Taxation of Current Quarter Compared with the Immediate Preceding Quarter**

The Group recorded revenue of approximately RM53.96million in the current quarter compared with the revenue of approximately RM47.31million in the preceding quarter. The improvement in revenue was mainly attributed to higher demand and selling price for its products.

 The Group recorded profit before tax of approximately RM0.87million in the current quarter compared with profit before tax of approximately RM0.76million in the immediate preceding quarter. The improvement in profit was in line with the increase in revenue.

**PART B: EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B3. Current Year Prospects**

 The Group after considering the current economic condition and barring any unforeseen circumstances will strive to achieve a satisfactory result by taking prudent measures and improving operational efficiency.

**B4. Variance between Actual Profit and Forecast Profit**

 The Group did not issue any profit forecast or profit guarantee during the current quarter under review.

**B5. Taxation**

**B6. Unquoted Investments and Properties**

 There were no sales and purchases of unquoted investments and properties for the current quarter.

**B7. Quoted Securities**

 There were no purchases or disposals of quoted securities for the current quarter.

**B8. Corporate Proposals**

 There were no corporate proposals announced but not completed as at the date of the interim financial statements.

**PART B: EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B9. Borrowings and Debt Securities**

 The Group’s borrowings as at 31st March 2010 are as follows:-



Included in the Group’s borrowings are foreign currency borrowing denominated in Indonesian Rupiah of approximately RM6.0million (comprising of approximately IDR16.8billion).

**B10. Off Balance Sheet Financial Instruments**

 There were no financial instruments with off balance sheet risk as at the date of the interim financial statements.

**PART B: EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B11. Material Litigation**

 There were no material litigations against the Group or taken by the Group as at the date of the interim financial statements.

**B12. 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:-

Diluted earnings per share have not been computed as the effect of the share options under ESOS is anti-dilutive in nature.

**PART B: EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B13. Audit Report Qualification**

Save for one of its subsidiary, the auditors’ report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2009 did not contain any qualification. The Board of Directors is taking active steps to resolve this matter.

**B14. Authorization for Issue**

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Board.