

KBB RESOURCES BERHAD (Company No.583565-U)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	As at 30.06.11 (Unaudited) RM'000	As at 31.12.10 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	93,809	103,107
Intangible Assets	201	250
Other Investments	2,000	2,000
	<u>96,010</u>	<u>105,357</u>
Current Assets		
Inventories	34,943	31,243
Trade Receivables	47,307	46,275
Other Receivables, Deposits and Prepayments	918	883
Tax Recoverable	1,134	1,078
Fixed Deposit with Licensed Banks	-	25
Cash and Bank Balances	1,005	690
	<u>85,307</u>	<u>80,194</u>
TOTAL ASSETS	<u>181,317</u>	<u>185,551</u>
EQUITY AND LIABILITIES		
Share Capital	60,000	60,000
Exchange Translation Reserve	(4,506)	(4,509)
Accumulated Losses	(14,769)	(10,750)
Total Equity	<u>40,725</u>	<u>44,741</u>
Non-Current Liabilities		
Borrowings	22,451	22,521
Deferred Tax Liabilities	1,441	1,441
	<u>23,892</u>	<u>23,962</u>
Current Liabilities		
Trade Payables	9,632	9,845
Other Payables and Accruals	4,498	5,072
Borrowings	102,237	101,698
Provision for Taxation	333	233
	<u>116,700</u>	<u>116,848</u>
Total Liabilities	<u>140,592</u>	<u>140,810</u>
TOTAL EQUITY AND LIABILITIES	<u>181,317</u>	<u>185,551</u>
Net Assets Per Ordinary Share Attributable to Ordinary Equity Shareholders (RM)	0.34	0.37

Note:-

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

KBB RESOURCES BERHAD (Company No.583565-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2011

	Current Year Quarter	Individual Quarter Preceding Year Corresponding Quarter	Current Year to Date	Cumulative Quarter Preceding Year Corresponding Period
	30.06.11 (Unaudited) RM'000	30.06.10 (Unaudited) RM'000	30.06.11 (Unaudited) RM'000	30.06.10 (Unaudited) RM'000
Revenue	21,223	46,555	44,891	100,511
Cost of Sales	(19,232)	(60,417)	(39,652)	(108,568)
Gross Profit/(Loss)	1,991	13,862	5,239	(8,057)
Other Income	67	19	86	25
Administrative Expenses	(1,762)	(11,456)	(3,815)	(12,564)
Selling and Distribution Expenses	(2,427)	(2,429)	(5,008)	(4,768)
Operating Loss	(2,131)	(27,728)	(3,498)	(25,364)
Finance Costs	(156)	(1,862)	(321)	(3,355)
Loss Before Taxation	(2,287)	(29,590)	(3,819)	(28,719)
Taxation	(25)	(249)	(200)	(442)
Loss for the Period	(2,312)	(29,839)	(4,019)	(29,161)
Earnings Per Share				
- Basic (sen)	(1.93)	(24.87)	(3.35)	(24.30)
- Diluted (sen)	-	-	-	-

Note:-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010 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
FOR THE PERIOD ENDED 30 JUNE 2011

	Share Capital	Non- Distributable Exchange Translation Reserve	Distributable Accumulated Losses	Total Equity
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Balance as at 1 January 2011	60,000	(4,509)	(10,750)	44,741
Foreign Currency Translation	-	3	-	3
Loss for the Period	-	-	(4,019)	(4,019)
Balance as at 30 June 2011	<u>60,000</u>	<u>(4,506)</u>	<u>(14,769)</u>	<u>40,725</u>

	Share Capital	Non- Distributable Exchange Translation Reserve	Distributable Retained Profits / (Loss)	Total Equity
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000
Balance as at 1 January 2010	60,000	(3,412)	34,504	91,092
Foreign Currency Translation	-	(475)	-	(475)
Profit for the Period	-	-	(29,161)	(29,161)
Balance as at 30 June 2010	<u>60,000</u>	<u>(3,887)</u>	<u>5,343</u>	<u>61,456</u>

Note:-

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

KBB RESOURCES BERHAD (Company No.583565-U)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2011

	Current Year to Date 30.06.11 (Unaudited) RM'000	Preceding Year Corresponding Period 30.06.10 (Unaudited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Operations	43,859	100,755
Payment to Suppliers and Employees	(47,515)	(86,745)
Income Tax Paid	(93)	(840)
Interest Paid	(197)	(3,355)
Net Cash (used in)/from Operating Activities	(3,946)	9,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Property, Plant and Equipment	4,022	-
Purchase of Property, Plant and Equipment	(145)	(7,106)
Net Cash from/(used in) Investing Activities	3,877	(7,106)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers Acceptance	-	(2,939)
Islamic Acceptance Bills	-	(84)
Proceeds from Hire Purchase Payables	287	287
Repayment of Hire Purchase Payables	(471)	(200)
Repayment of Term Loan	-	(583)
Net Cash used in Financing Activities	(184)	(3,519)
Net Decrease in Cash and Cash Equivalents	(253)	(810)
Effects of Foreign Exchange Rates Changes	305	30
Cash and Cash Equivalents at Beginning	(5,153)	(2,372)
Cash and Cash Equivalents at End	(5,101)	(3,152)
Represented by:-		
Fixed Deposits with Licensed Banks	-	25
Cash and Bank Balances	1,005	407
Bank Overdrafts	(6,106)	(3,584)
	(5,101)	(3,152)

Note:-

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
- 2ND QUARTER ENDED 30 JUNE 2011

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

A1) 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 2010 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 2010.

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 for the financial year ended 31 December 2010 except for the adoption of new and revised Financial Reporting Standards (“FRS”), Amendments to FRSs and Interpretations effective for financial periods beginning on or after 1st July 2010 and 1st January 2011 as disclosed below:-

On 1st January 2010, the Group adopted the following FRS :-

*FRS 4	Insurance Contracts
Amendment to FRS 7	Improving Disclosure about Financial Instruments
FRS 8	Operating Segments
Amendment to FRS 101	Presentation of Financial Statements
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
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

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
- 2ND QUARTER ENDED 30 JUNE 2011

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

A2) Changes in Accounting Policies (continue)

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	Investment 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)
FRS 1 (revised)	First-time Adoption of Financial Reporting Standards
FRS 3 (revised)	Business Combinations
FRS 127 (revised)	Consolidated and Separate Financial Statements
* IC Interpretation 12	Service Concession Arrangements
* IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
* IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendment to FRS 2	Share-based payment: Vesting Conditions and Cancellation
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
- 2ND QUARTER ENDED 30 JUNE 2011

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

A2) Changes in Accounting Policies (continued)

Amendment to FRS 138	Intangible Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
* Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives

* Not applicable to the Group.

The adoption of the above new / revised FRSs 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.

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.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
- 2ND QUARTER ENDED 30 JUNE 2011

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

A8) Segmental Information (continued)

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. The segmental information for the past three months ended 30 June 2011 were as follows:

	Revenue	Total Assets	Capital Expenditure
	RM’000	RM’000	RM’000
Malaysia	44,891	164,028	145
Indonesia	-	17,289	-
	<u>44,891</u>	<u>181,317</u>	<u>145</u>

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 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 STATEMENTS
- 2ND QUARTER ENDED 30 JUNE 2011

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 RM21.22million in the current individual quarter ended 30th June 2011 compared with the revenue of approximately RM46.56million in the corresponding individual quarter of the preceding year. The revenue of the Group for the current year to date declined by 54.41% mainly due to rationalization and consolidation of business operations.

The Group recorded loss before tax of approximately RM2.29million in the current individual quarter compared with the loss before tax of approximately RM29.59million in the corresponding individual quarter of the preceding year. The loss for the Group for the current quarter was mainly due to the increase in raw materials price especially in sago starch, corn starch, potato starch and tapioca starch and lower net selling prices as a result of stiff competition within the industry. The higher administration cost as a result of professional fee incurred for restructuring exercise has also adversely affected the group performance.

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

	Current Year Quarter	Immediate Preceding Quarter	%
	30.06.11	31.03.11	+ / -
	RM'000	RM'000	
Revenue	21,203	23,688	(10.49)
(Loss) Before Taxation	(2,287)	(1,513)	52.41

The Group recorded revenue of approximately RM21.20 million or 10.49% lower in the current quarter compared with the revenue of approximately RM23.69 million in the preceding quarter. The decrease in revenue for the current quarter was due to rationalization and consolidation of business operations.

The Group recorded loss before tax of approximately RM2.29million in the current quarter compared with loss before tax of approximately RM1.51million in the immediate preceding quarter. The reasons for the loss were mainly due to the reason elaborated in Note B1 above.

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 will continue to rationalize and consolidate its business operation, moving forward, the Group will 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.

The Group is reorganizing its business to strengthen focus on its core business, integrated vermicelli manufacturing and sago product manufacturing within domestic market. With the large customer base and a team of dedicated employees, the Group anticipates sustaining an improved performance in the next quarter of the financial year.

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

	Current Year Quarter 30.06.11 RM'000	Current Year-to- Date 30.06.11 RM'000
Income Tax	(25)	(200)
Deferred Tax	-	-
	<u>(25)</u>	<u>(200)</u>

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.

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
- 2ND QUARTER ENDED 30 JUNE 2011

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

B8) Corporate Proposals

As at date of this report, the Group had on 4 July 2011 entered into a conditional Debts Restructuring Agreement with Malaysia Trustees Berhad and the respective financiers set out below:-

- i. Alliance Bank Malaysia Berhad
- ii. AmBank (M) Berhad
- iii. AmIslamic Bank Berhad
- iv. Bank Muamalat Malaysia Berhad
- v. Hong Leong Bank Berhad
- vi. HSBC Bank Malaysia Berhad
- vii. Malayan Banking Berhad
- viii. RHB Bank Berhad
- ix. OCBC Bank (Malaysia) Berhad
- x. Prima Uno Berhad
- xi. United Overseas Bank (Malaysia) Bhd

The Group also had on 9 August 2011 appointed MIMB Investment Bank Berhad as its Principal Adviser in seeking the necessary approvals from the regulatory authorities and its shareholders pursuant to the Proposal Debts Restructuring Scheme.

B9) Borrowings and Debts Securities

The Groups' borrowings as at 30th June 2011 are as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term Borrowings:-			
Bank Overdrafts	1,055	5,050	6,105
Bankers Acceptance	7,937	60,041	67,978
Islamic Acceptance Bills	-	17,009	17,009
Hire Purchase Payables	-	426	426
Revolving Credit	-	2,400	2,400
Short Term Loan	-	6,229	6,229
Term Loans	214	1,876	2,090
	<u>9,207</u>	<u>93,030</u>	<u>102,237</u>
Long Term Borrowings:-			
Hire Purchase Payables	-	144	144
Term Loans	906	21,401	22,307
	<u>906</u>	<u>21,545</u>	<u>22,451</u>
Total	<u>10,113</u>	<u>114,575</u>	<u>124,688</u>

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
- 2ND QUARTER ENDED 30 JUNE 2011

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

B9) Borrowings and Debts Securities (continued)

Included in the Group's borrowings is foreign currency borrowings denominated in Indonesian Rupiah amounting IDR18.108 billion, equivalent to approximately RM6.23 million. The above borrowings by the Company and Corporate Guarantee given by the Company, in respect of credit facilities will be addressed by the Company pursuant to the Corporate Debts Restructuring Scheme excluding for the foreign loan.

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.

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:-

	Individual Quarter	Cumulative Period
	Current Year Quarter 30.06.11 RM'000	Preceding Year Corresponding Quarter 30.06.10 RM'000
Loss for the Period (RM'000)	(2,312)	(29,839)
Weighted Average Number of Ordinary Shares of RM0.50 each ('000)	120,000	120,000
Earnings Per Share		
- Basic (sen)	(1.93)	(24.87)
- Diluted (sen)	-	-

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

KBB RESOURCES BERHAD (Company No.583565-U)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
- 2ND QUARTER ENDED 30 JUNE 2011

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

B13) Realised and Unrealised Loss

	30.06.2011	31.12.2010
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries :-		
- Realised	(35,628)	(27,459)
- Unrealised	(1,441)	(1,441)
	<hr/>	<hr/>
	(37,069)	(28,900)
Consolidation adjustments	22,300	18,150
	<hr/>	<hr/>
Total accumulated losses of the Group as per consolidated accounts	<u>(14,769)</u>	<u>(10,750)</u>

B14) Audit Report Qualifications

The auditors' report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2010 did not contain any qualification except for opening balances of inventories accordance to ISA 510.

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.