

**KIM LOONG RESOURCES BERHAD**

(Company Number : 22703-K)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/01/2009 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/01/2008 RM'000	CURRENT YEAR TO-DATE 31/01/2009 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/01/2008 RM'000
Revenue	80,143	150,357	507,085	469,876
Cost of sales	<u>(62,113)</u>	<u>(104,149)</u>	<u>(383,835)</u>	<u>(358,648)</u>
Gross profit	18,030	46,208	123,250	111,228
Other income	1,086	899	3,654	3,130
Operating expenses	(5,810)	(6,059)	(21,847)	(17,313)
Impairment loss of assets	(72)	(122)	(72)	(122)
Diminution in value of quoted securities	(43)	(7)	(43)	(7)
Finance costs	<u>(161)</u>	<u>(196)</u>	<u>(660)</u>	<u>(880)</u>
<b>Profit before tax</b>	13,030	40,723	104,282	96,036
Tax expenses	<u>(1,675)</u>	<u>(11,109)</u>	<u>(22,821)</u>	<u>(24,573)</u>
<b>Profit for the period</b>	<u>11,355</u>	<u>29,614</u>	<u>81,461</u>	<u>71,463</u>
Attributable to :				
Equity holders of the Company	8,613	23,212	65,273	58,518
Minority interests	<u>2,742</u>	<u>6,402</u>	<u>16,188</u>	<u>12,945</u>
	<u>11,355</u>	<u>29,614</u>	<u>81,461</u>	<u>71,463</u>
<b>Earnings per share (sen) :</b>				
- Basic	2.85	8.24 ^	21.72	22.38 ^
- Diluted	2.83	7.98 ^	21.51	21.71 ^
<b>Dividends per share (sen)</b>	3.00	5.00	36.00	18.00

**(The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2008)**

^ These earnings per share have been adjusted accordingly pursuant to the completion of Bonus Issue which was on the basis of two new ordinary shares for every five existing ordinary shares.

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**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>AS AT CURRENT QUARTER ENDED 31/01/2009 RM'000</b>	<b>AS AT PRECEDING FINANCIAL YEAR ENDED 31/01/2008 RM'000 (Restated)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	169,515	121,916
Biological assets	65,330	64,929
Prepaid land lease payments	164,647	166,622
Quoted investments	13	56
Development expenditure	1,221	1,532
Deferred tax assets	3,359	927
	404,085	355,982
<b>Current assets</b>		
Inventories	24,417	15,218
Receivables	26,319	29,263
Tax recoverable	1,177	225
Deposits with licensed banks and other financial institution	67,320	82,949
Cash and bank balances	9,059	18,694
	128,292	146,349
<b>TOTAL ASSETS</b>	<u>532,377</u>	<u>502,331</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	302,253	209,957
Share premium	624	36,263
Revaluation reserve	44,521	44,785
Other reserve	218	-
Retained profits	43,380	94,918
	390,996	385,923
Minority interests	27,729	16,066
<b>Total equity</b>	418,725	401,989
<b>Non-current liabilities</b>		
Interest bearing borrowings (secured)	22,323	7,538
Other borrowings	13,672	12,144
Deferred tax liabilities	42,348	38,541
	78,343	58,223
<b>Current liabilities</b>		
Payables	23,376	28,309
Interest bearing borrowings (secured)	9,315	9,651
Tax payable	2,618	4,159
	35,309	42,119
<b>Total liabilities</b>	113,652	100,342
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>532,377</u>	<u>502,331</u>
<b>Net assets per share attributable to ordinary equity holders of the Company (RM)</b>	1.29	1.84

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2008)

**KIM LOONG RESOURCES BERHAD**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company						Minority interests	Total equity
	Non-distributable			Distributable				
	Share capital	Share premium	Revaluation reserve	Other reserve	Retained profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Year ended</b>								
<b><u>31 January 2009</u></b>								
<b>Balance as at 1 February 2008</b>								
As previously stated	209,957	36,263	44,785	-	92,947	383,952	15,222	399,174
Prior year adjustments :								
Effects of adopting FRS 112 on deferred tax	-	-	-	-	1,971	1,971	844	2,815
As restated	209,957	36,263	44,785	-	94,918	385,923	16,066	401,989
Realisation of revaluation surplus, net of tax	-	-	(825)	-	825	-	-	-
Reduction in deferred tax arising from change in tax rate	-	-	561	-	-	561	103	664
Income and expenses recognised directly in equity	-	-	(264)	-	825	561	103	664
Profit for the year	-	-	-	-	65,273	65,273	16,188	81,461
Total recognised income and expenses for the period	-	-	(264)	-	66,098	65,834	16,291	82,125
Dividends	-	-	-	-	(67,651)	(67,651)	(2,700)	(70,351)
Share-based payment under ESOS	-	-	-	411	-	411	-	411
Transfer of reserve arising from exercise of ESOS	-	193	-	(193)	-	-	-	-
Issuance of shares pursuant to:								
- exercise of ESOS	1,238	476	-	-	-	1,714	-	1,714
- exercise of Warrant	4,810	-	-	-	-	4,810	-	4,810
- Bonus Issue	86,248	(36,263)	-	-	(49,985)	-	-	-
Share issuance expenses	-	(45)	-	-	-	(45)	-	(45)
Reversal of minority interests' share of losses previously set off against their advances	-	-	-	-	-	-	(1,928)	(1,928)
<b>Balance as at 31 January 2009</b>	<b>302,253</b>	<b>624</b>	<b>44,521</b>	<b>218</b>	<b>43,380</b>	<b>390,996</b>	<b>27,729</b>	<b>418,725</b>

**KIM LOONG RESOURCES BERHAD**

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company						Minority interests	Total equity
	Non-distributable				Distributable			
	Share capital	Share premium	Revaluation reserve	Other reserve	Retained profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Year ended</b>								
<b>31 January 2008</b>								
<b>Balance as at 1 February 2007</b>								
As previously stated	171,459	35,284	45,197	64	61,883	313,887	10,151	324,038
Prior year adjustments :								
Effects of adopting FRS 112 on deferred tax	-	-	-	-	2,704	2,704	1,159	3,863
As restated	171,459	35,284	45,197	64	64,587	316,591	11,310	327,901
Realisation of revaluation surplus, net of tax	-	-	(818)	-	818	-	-	-
Prior year under provision of deferred tax	-	-	(163)	-	-	(163)	-	(163)
Reduction in deferred tax arising from change in tax rate	-	-	569	-	-	569	104	673
Income and expenses recognised directly in equity	-	-	(412)	-	818	406	104	510
Profit for the year	-	-	-	-	58,518	58,518	12,945	71,463
Total recognised income and expenses for the period	-	-	(412)	-	59,336	58,924	13,049	71,973
Dividends	-	-	-	-	(29,005)	(29,005)	(3,324)	(32,329)
Share-based payment under ESOS	-	-	-	279	-	279	-	279
Transfer of reserve arising from exercise of ESOS	-	343	-	(343)	-	-	-	-
Issuance of shares pursuant to:								
- exercise of ESOS	3,575	636	-	-	-	4,211	-	4,211
- exercise of Warrant	34,923	-	-	-	-	34,923	-	34,923
Reversal of minority interests' share of losses previously set off against their advances	-	-	-	-	-	-	(4,969)	(4,969)
<b>Balance as at 31 January 2008</b>	<b>209,957</b>	<b>36,263</b>	<b>44,785</b>	<b>-</b>	<b>94,918</b>	<b>385,923</b>	<b>16,066</b>	<b>401,989</b>

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	Year ended 31/01/2009 RM'000	Year ended 31/01/2008 RM'000
Net cash from operating activities	83,053	87,072
Net cash used in investing activities	(58,814)	(27,728)
Net cash (used in)/from financing activities	(49,084)	2,029
Net (decrease)/increase in cash and cash equivalents	(24,845)	61,373
Cash and cash equivalents at beginning of year	100,123	38,750
Cash and cash equivalents at end of year (Note a)	<u>75,278</u>	<u>100,123</u>
<b>Note a : Cash and cash equivalents at end of year</b>		
Cash and bank balances	9,059	18,694
Deposits with licensed banks and other financial institution	67,320	82,949
Bank overdrafts	(1,101)	(1,520)
	<u>75,278</u>	<u>100,123</u>

(The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2008)

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## EXPLANATORY NOTES

### A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 January 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 January 2008.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 January 2008 except for the adoption of the following FRSs effective for the annual periods beginning on or after 1 July 2007 which are relevant to its operations:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The initial application of the above FRSs and amendments to FRSs does not have any material impact on the financial statements of the Group except for:

#### FRS 112 Income Taxes

The revised FRS 112 requires that entities with unused reinvestment allowance or other similar allowance in excess of the normal capital allowance to recognise deferred tax asset to the extent that it is probable that the future taxable profit will be available against which the unused reinvestment allowance or other similar allowance can be utilised.

The financial impacts have been accounted for retrospectively and certain comparatives are restated as follows:

	As previously stated RM'000	Effects on adoption of FRS 112 RM'000	As restated RM'000
<b>As at 1 February 2007</b>			
Deferred tax assets	270	2,720	2,990
Retained profits	61,883	2,704	64,587
Minority interests	10,151	1,159	11,310
Deferred tax liabilities	33,935	(1,143)	32,792

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	As previously stated RM'000	Effects on adoption of FRS 112 RM'000	As restated RM'000
<b>Year ended 31 January 2008</b>			
Tax expenses	23,525	1,048	24,573
Net profit for the year	72,511	(1,048)	71,463
Net profit attributable to equity holders of the Company	59,251	(733)	58,518
Net profit attributable to minority interests	13,260	(315)	12,945
<b>As at 31 January 2008</b>			
Retained profits	92,947	1,971	94,918
Minority interests	15,222	844	16,066
Deferred tax liabilities	41,356	(2,815)	38,541

**A2. Audit qualification**

The auditors' report of the preceding annual financial statements of the Group did not contain any qualification.

**A3. Seasonal or cyclical factors**

The production of Fresh Fruit Bunches ("FFB") from the estates and palm oil from the mill is normally low during the first quarter of each year and will rise in the second quarter, peak in the third quarter and then slowly decline in the fourth quarter. The current quarter production of FFB was broadly in line with the above trend.

**A4. Unusual items**

There were no unusual items that have material effects on the assets, liabilities, equity, net income or cash flows for the current financial year-to-date.

**A5. Material changes in estimates**

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

**A6. Debt and equity securities**

The Company's issued and paid-up capital increased from RM209,956,695 as at 31 January 2008 to RM302,252,972 as at 31 January 2009 as a result of:

- (a) issuance of 1,238,700 new ordinary shares of RM1 each under the Company's Employees' Share Option Scheme ("ESOS");
- (b) issuance of 4,809,941 new ordinary shares of RM1 each pursuant to the exercise of 4,809,941 Warrants; and

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- (c) issuance of 86,247,636 bonus shares of RM1 each which were credited as fully paid-up share capital on the basis of two (2) new ordinary shares for every five (5) existing ordinary shares (“Bonus Issue”).

There were no cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date.

### A7. Dividends paid

The gross dividends paid during the current financial year-to-date were as follows:

- (a) A special dividend of 23 sen per ordinary share less income tax in respect of the financial year 2009 was paid on 30 May 2008.
- (b) A final dividend of 5 sen per ordinary share less income tax in respect of the financial year 2008 was paid on 22 August 2008.
- (c) An interim dividend of 10 sen per ordinary share less income tax in respect of the financial year 2009 was paid on 26 November 2008.

### A8. Segmental information

Major segments by activity:-

	<b>Revenue</b>		<b>Results</b>	
	Year ended		Year ended	
	31/01/2009	31/01/2008	31/01/2009	31/01/2008
	RM'000	RM'000	RM'000	RM'000
Plantation operations	144,566	124,183	86,381	75,650
Milling operations	447,718	411,776	19,266	23,790
	592,284	535,959	105,647	99,440
Less:				
Inter-segment eliminations	(85,199)	(66,083)	501	(1,806)
	<u>507,085</u>	<u>469,876</u>	106,148	97,634
Less:				
Unallocated expenses			(3,696)	(3,327)
Finance income			2,490	1,954
Finance costs			(660)	(880)
Other investment income			-	655
Profit before tax			<u>104,282</u>	<u>96,036</u>
Tax expenses			(22,821)	(24,573)
Profit for the year			<u>81,461</u>	<u>71,463</u>



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### **A9. Valuation of property, plant and equipment**

The valuations of property, plant and equipment stated in the previous annual financial statements have been brought forward without amendment.

### **A10. Material subsequent events**

There are no material events subsequent to the end of the current financial year that have not been reflected in the financial statements for the current financial period up to 26 March 2009.

### **A11. Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations except for on 23 January 2009, the Company's 70% owned subsidiary, Desa Kim Loong Palm Oil Sdn. Bhd., acquired 2 ordinary shares of RM1 each fully paid representing 100% of the issue and paid-up capital of Kim Loong Technologies (Sabah) Sdn. Bhd. at a consideration of RM2.

### **A12. Contingent liabilities or Contingent assets**

There were no material changes in contingent liabilities at group level since the last annual balance sheet as at 31 January 2008.

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### **ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES**

#### **B1. Review of the performance of the Company and its principal subsidiaries**

The revenue and profit before tax (“PBT”) of the Group were RM507.08 million and RM104.28 million respectively for the current financial year ended 31 January 2009, as compared to RM469.88 million and RM96.04 million respectively for last year’s corresponding period.

The 8% and 9% growth in revenue and PBT respectively were mainly contributed by higher crude palm oil price which was about 7% more than last year’s corresponding period as well as higher FFB production.

The profit from plantation operation for the financial year 2009 recorded an increase of 14% or RM10.73 million to RM86.38 million as a result of the better palm oil prices and about 10% increase in FFB production by 24,000 MT as compared to last financial year.

As for the milling operation, the profit dropped by 19% or RM4.52 million to RM19.27 million mainly due to inventory write-down as a result of the steep decline in palm oil product prices in the second half of the financial year.

#### **B2. Comparison of profit before tax for the quarter reported on with the immediate preceding quarter**

The PBT for the current quarter was RM13.03 million which was very close to RM13.40 million achieved in the last quarter ended 31 October 2008 despite the sharp drop in average CPO price of 27% or RM600 per MT. Plantation operations contributed about 75% of the PBT in the current quarter.

#### **B3. Current financial year prospects**

For the financial year ending 31 January 2010, we expect further increase in the production from both the plantation and milling operations as compared to financial year 2009.

In view of the current economic downturn and volatile commodity price, the Group will take measures to mitigate the exposure to any unexpected loss due to sudden drop in CPO price.

Based on the above and barring any unforeseen circumstances, the Board expects the Group’s performance to be satisfactory in the financial year 2010.

#### **B4. Variance of actual profit from forecast profit and shortfall in profit guarantee**

This is not applicable.

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**B5. Income tax**

	Current Quarter 31/01/2009 RM'000	Current Financial Year-to-date 31/01/2009 RM'000
<b>Malaysian Income Tax</b>		
- Current year	3,066	21,250
- Prior year over provision	2	(468)
	3,068	20,782
<b>Deferred tax</b>		
- Current year	(1,800)	2,672
- Realisation of revaluation surplus on land	(72)	(289)
- Prior year under provision	424	265
- Reduction in tax rate	55	(609)
	(1,393)	2,039
	<u>1,675</u>	<u>22,821</u>

The effective tax rate is lower than the statutory tax rate for the current quarter and current financial year-to-date mainly due to adjustments on recognition of deferred tax assets on reinvestment and other similar allowances in excess of their normal capital allowances and certain income which are not taxable.

**B6. Profits/(losses) on sale of unquoted investments and/or properties**

There were no profits/(losses) derived from the sale of unquoted investments and/or properties for the current quarter and financial year-to-date.

**B7. Purchase or disposal of quoted securities**

Changes in the quoted securities held during the financial year-to-date are as follows:

- (a) There is no purchase or disposal of quoted securities during the current quarter and financial year-to-date.
- (b) Total investments in quoted securities as at 31 January 2009:-

	RM'000
At Cost	362
Allowance for diminution in value	(349)
At Book Value	<u>13</u>
At Market Value	<u>13</u>

Allowance is made for any diminution in value of quoted securities if, in the opinion of the Directors, the decline in value is not temporary in nature.

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### **B8. Status of corporate proposals**

Status of corporate proposal not completed as at 26 March 2009:

#### Status of subdivision and transfer of titles of two pieces of plantation land acquired :

The two pieces of the land are registered in favour of two subsidiary companies as the owners of 10,781/12,881 undivided share and 100/12,881 undivided share.

On 11 August 2008, the Group received a letter from Desa Cattle (Sabah) Sdn. Bhd. informing us that the subdivided draft land titles together with the Memorandum of Payment have been issued by Lands and Surveys Department. The issuance of subdivided land titles is currently pending acceptance and payment of the balance land premium by the respective beneficial owners.

### **B9. Group borrowings and debt securities**

As at 31 January 2009, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM'000
Short term borrowings :	
Overdrafts	1,101
Revolving credit	3,000
Term loans	5,214
	<hr/>
	9,315
	<hr/>
Long term borrowings :	
Term loans	22,323
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There was no unsecured interest bearing borrowing as at 31 January 2009.

### **B10. Financial instruments with off balance sheet risks**

There were no financial instruments with off balance sheet risks as at 26 March 2009.

### **B11. Material litigation**

As at 26 March 2009, there was no material litigation against the Group.

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### **B12. Dividend**

The Board is pleased to propose a final dividend of 3 sen per share comprises of 2.5 sen less income tax of 25% and 0.5 sen tax exempt in respect of the financial year ended 31 January 2009.

- (a) (i) amount per share: 3 sen comprises of 2.5 sen less income tax of 25% and 0.5 sen tax exempt ;
  - (ii) previous corresponding period: 5 sen per share less income tax of 25%;
  - (iii) date payable will be announced at a later date; and
  - (iv) in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of the depositors as at a date to be announced at a later date; and
- (b) total dividend for the current financial year: 36 sen per share.

### **B13. Earnings per share**

#### **Basic earnings per share (“Basic EPS”)**

The Basic EPS is calculated by dividing the profit attributable to the equity holders of the Company for the current quarter and the current year-to-date by the weighted average number of ordinary shares in issue during the current quarter and the current year-to-date respectively:

		Current Quarter 31/01/2009	Current Financial Year-to-date 31/01/2009
Net profit for the period	(RM'000)	<u>8,613</u>	<u>65,273</u>
Weighted average number of ordinary shares in issue	('000)	<u>302,235</u>	<u>300,520</u>
Basic EPS	(sen)	<u>2.85</u>	<u>21,72</u>

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**Diluted earnings per share (“Diluted EPS”)**

The Diluted EPS is calculated by dividing the profit attributable to the equity holders of the Company for the current quarter and the current year-to-date by the weighted average number of ordinary shares in issue during the current quarter and the current year-to-date respectively, which has been adjusted for the following:

- (i) the number of ordinary shares that could have been issued under the Company’s ESOS; and
- (ii) the number of ordinary shares that could have been converted from the warrants issued by the Company.

Shares that are anti-dilutive are ignored in the computation of Diluted EPS.

		Current Quarter 31/01/2009	Current Financial Year-to-date 31/01/2009
Net profit for the period	(RM’000)	8,613	65,273
Weighted average number of ordinary shares in issue	(’000)	302,235	300,520
Adjustment for dilutive effect of unexercised share options	(’000)	354	635
Adjustment for dilutive effect of warrants	(’000)	1,599	2,286
Adjusted weighted average number of shares for Diluted EPS	(’000)	304,188	303,441
Diluted EPS	(sen)	2.83	21.51