

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO-DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2008 RM'000	31/10/2007 RM'000	31/10/2008 RM'000	31/10/2007 RM'000
Revenue	108,549	140,381	426,942	319,519
Cost of sales	<u>(90,351)</u>	<u>(105,449)</u>	<u>(321,722)</u>	<u>(254,499)</u>
Gross profit	18,198	34,932	105,220	65,020
Other income	921	627	2,568	2,231
Operating expenses	(5,572)	(4,297)	(16,037)	(11,254)
Finance costs	<u>(147)</u>	<u>(208)</u>	<u>(499)</u>	<u>(684)</u>
Profit before tax	13,400	31,054	91,252	55,313
Tax expenses	<u>(2,208)</u>	<u>(7,684)</u>	<u>(21,146)</u>	<u>(13,464)</u>
Profit for the period	<u>11,192</u>	<u>23,370</u>	<u>70,106</u>	<u>41,849</u>
Attributable to :				
Equity holders of the Company	7,923	18,974	56,660	35,306
Minority interests	<u>3,269</u>	<u>4,396</u>	<u>13,446</u>	<u>6,543</u>
	<u>11,192</u>	<u>23,370</u>	<u>70,106</u>	<u>41,849</u>
Earnings per share (sen) :				
- Basic	2.62	6.70 [^]	18.89	13.79 [^]
- Diluted	2.60	6.46 [^]	18.69	13.31 [^]
Dividends per share (sen)	-	10.00	33.00	13.00

(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.

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT CURRENT QUARTER ENDED 31/10/2008 RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/01/2008 RM'000 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	150,383	121,916
Biological assets	64,973	64,929
Prepaid land lease payments	164,842	166,622
Quoted investments	56	56
Development expenditure	1,299	1,532
Deferred tax assets	1,071	927
	382,624	355,982
Current assets		
Inventories	26,324	15,218
Receivables	20,256	29,263
Tax recoverable	1,101	225
Deposits with licensed banks and other financial institution	85,023	82,949
Cash and bank balances	18,538	18,694
	151,242	146,349
TOTAL ASSETS	533,866	502,331
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	302,124	209,957
Share premium	633	36,263
Revaluation reserve	44,727	44,785
Other reserve	123	-
Retained profits	34,561	94,918
	382,168	385,923
Minority interests	26,478	16,066
Total equity	408,646	401,989
Non-current liabilities		
Interest bearing borrowings (secured)	3,627	7,538
Other borrowings	13,681	12,144
Deferred tax liabilities	41,923	38,541
	59,231	58,223
Current liabilities		
Payables	26,315	28,309
Interest bearing borrowings (secured)	8,922	9,651
Dividend payable	22,659	-
Tax payable	8,093	4,159
	65,989	42,119
Total liabilities	125,220	100,342
TOTAL EQUITY AND LIABILITIES	533,866	502,331
Net assets per share attributable to ordinary equity holders of the Company (RM)	1.26	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	
9 months ended								
31 October 2008								
Balance as at 1 February 2008								
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	-	-	(619)	-	619	-	-	-
Reduction in deferred tax arising from change in tax rate	-	-	561	-	-	561	103	664
Income and expenses recognised directly in equity	-	-	(58)	-	619	561	103	664
Profit for the period	-	-	-	-	56,660	56,660	13,446	70,106
Total recognised income and expenses for the period	-	-	(58)	-	57,279	57,221	13,549	70,770
Dividends	-	-	-	-	(67,651)	(67,651)	(1,200)	(68,851)
Share-based payment under ESOS	-	-	-	317	-	317	-	317
Transfer of reserve arising from exercise of ESOS	-	194	-	(194)	-	-	-	-
Issuance of shares pursuant to:								
- exercise of ESOS	1,238	475	-	-	-	1,713	-	1,713
- exercise of Warrant	4,681	-	-	-	-	4,681	-	4,681
- Bonus Issue	86,248	(36,263)	-	-	(49,985)	-	-	-
Share issuance expenses	-	(36)	-	-	-	(36)	-	(36)
Reversal of minority interests' share of losses previously set off against their advances	-	-	-	-	-	-	(1,937)	(1,937)
Balance as at 31 October 2008	302,124	633	44,727	123	34,561	382,168	26,478	408,646

KIM LOONG RESOURCES BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Minority interests RM'000	Total equity RM'000
	Non-distributable			Distributable				
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000		
9 months ended								
31 October 2007								
Balance as at 1 February 2007								
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	-	-	(614)	-	614	-	-	-
Prior year over provision of deferred tax on revaluation surplus	-	-	163	-	-	163	-	163
Reduction in deferred tax arising from change in tax rate	-	-	570	-	-	570	104	674
Income and expenses recognised directly in equity	-	-	119	-	614	733	104	837
Profit for the period	-	-	-	-	35,306	35,306	6,543	41,849
Total recognised income and expenses for the period	-	-	119	-	35,920	36,039	6,647	42,686
Dividends	-	-	-	-	(8,918)	(8,918)	(438)	(9,356)
Share-based payment under ESOS	-	-	-	236	-	236	-	236
Transfer of reserve arising from exercise of ESOS	-	300	-	(300)	-	-	-	-
Issuance of shares pursuant to:								
- exercise of ESOS	3,278	562	-	-	-	3,840	-	3,840
- exercise of Warrant	31,995	-	-	-	-	31,995	-	31,995
Reversal of minority interests' share of losses previously set off against their advances	-	-	-	-	-	-	(2,034)	(2,034)
Balance as at 31 October 2007	206,732	36,146	45,316	-	91,589	379,783	15,485	395,268

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended 31/10/2008 RM'000	9 months ended 31/10/2007 RM'000
Net cash from operating activities	90,058	48,490
Net cash used in investing activities	(43,599)	(14,844)
Net cash (used in)/from financing activities	(43,728)	22,947
Net increase in cash and cash equivalents	2,731	56,593
Cash and cash equivalents at beginning of period	100,123	38,750
Cash and cash equivalents at end of period (Note a)	<u>102,854</u>	<u>95,343</u>

Note a : Cash and cash equivalents at end of period

Cash and bank balances	18,538	11,244
Deposits with licensed banks and other financial institution	85,023	85,271
Bank overdrafts	(707)	(1,172)
	<u>102,854</u>	<u>95,343</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)

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

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 102	Cash Flows Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 137	Provision, 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
As at 1 February 2007			
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

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

	As previously stated RM'000	Effects on adoption of FRS 112 RM'000	As restated RM'000
Year ended 31 January 2008			
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
As at 31 January 2008			
Retained profits	92,947	1,971	94,918
Minority interests	15,222	844	16,066
Deferred tax liabilities	41,356	(2,815)	38,541

The adoption of FRS 112 does not have financial impact on the financial results for the preceding year corresponding nine months period ended 31 October 2007.

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 FFB yield pattern of our estates in Keningau region showed a better than expected performance in the second quarter.

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 RM302,123,872 as at 31 October 2008 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");

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

- (b) issuance of 4,680,841 new ordinary shares of RM1 each pursuant to the exercise of 4,680,841 Warrants; and
- (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.

A8. Segmental information

Major segments by activity:-

	Revenue		Results	
	9 months ended		9 months ended	
	31/10/2008	31/10/2007	31/10/2008	31/10/2007
	RM'000	RM'000	RM'000	RM'000
Plantation operations	120,651	76,172	76,098	43,033
Milling operations	373,761	281,603	15,759	14,628
	494,412	357,775	91,857	57,661
Less:				
Inter-segment eliminations	(67,470)	(38,256)	128	(1,730)
	426,942	319,519	91,985	55,931
Less:				
Unallocated expenses			(2,189)	(1,806)
Finance income			1,955	1,226
Finance costs			(499)	(684)
Other investment income			-	646
Profit before tax			91,252	55,313
Tax expenses			(21,146)	(13,464)
Profit for the period			70,106	41,849

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

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 December 2008.

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.

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.

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

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 was RM426.94 million and RM91.25 million respectively for the cumulative three quarters ended 31 October 2008, as compared to RM319.52 million and RM55.31 million respectively for last year’s corresponding period.

The increases of 34% and 65% in revenue and PBT respectively were mainly contributed by higher crude palm oil price which was about 29% more than last year’s corresponding period as well as higher FFB production.

The profit from plantation operation for the nine months period under review recorded an increase of 77% or RM33.07 million to RM76.10 million as a result of the good palm oil prices and about 21% increase in FFB production by 35,000 MT as compared to last year’s corresponding period.

As for the milling operation, the profit increased by 8% or RM1.13 million to RM15.76 million despite the sharp drop in Crude Palm Oil (“CPO”) price in the 3rd quarter.

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

The PBT for the current quarter was RM13.40 million which was RM31.25 million or 70% lower than RM44.65 million achieved in the last quarter ended 31 July 2008. The lower PBT was mainly due to 31% drop in average CPO selling price to RM2,420 per MT in the current quarter from RM3,500 per MT in the preceding quarter and inventory losses from the steep decline in palm oil product prices.

B3. Current financial year prospects

For the financial year ending 31 January 2009, we expect an increase in the production from both the plantation and milling operations as compared to financial year 2008. Furthermore, the Group expects additional revenue and profit contribution from downstream activities such as sales of carbon credits, bio-fertilizers and palm fibre oil.

Despite the unexpected drop of the CPO price to approximately RM1,600 per MT level recently, we still expect our average CPO selling price for the financial year 2009 to be higher than average CPO selling price of RM2,550 per MT in the financial year 2008 as the Group has achieved an average CPO selling price of RM3,150 per MT for the first nine months of the financial year ending 31 January 2009. Furthermore, the Group has sold forward part of the FFB production in the fourth quarter at the equivalent CPO price of approximately RM3,350 per MT.

Barring any unforeseen circumstances, the Group expects to perform better than financial year 2008.

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

This is not applicable.

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

B5. Income tax

	Current Quarter 31/07/2008 RM'000	Current Financial Year-to-date 31/07/2008 RM'000
Malaysian Income Tax		
- Current year	3,081	18,184
- Prior year over provision	(470)	(470)
	2,611	17,714
Deferred tax		
- Current year	(228)	4,472
- Realisation of revaluation surplus on land	(67)	(217)
- Prior year over provision	(159)	(159)
- Reduction in tax rate	51	(664)
	(403)	3,432
	<u>2,208</u>	<u>21,146</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 prior year over provision and reduction in tax rate 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 October 2008:-

	RM'000
At Cost	362
Allowance for diminution in value	(306)
At Book Value	<u>56</u>
At Market Value	<u>10</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.

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

B8. Status of corporate proposals

Status of corporate proposals not completed as at 26 December 2008:

(a) Proposed share buy-back

On 25 November 2008, the Company announced that it proposes to seek the authority and mandate from the shareholders of the Company for the purchase of the Company's ordinary shares up to ten percent (10%) of the issued and paid-up share capital of the Company.

The proposed share buy-back is subject to and conditional upon the approval of the shareholders of the Company at an Extraordinary General Meeting to be held at a later date.

(b) 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 October 2008, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM'000
Short term borrowings :	
Overdrafts	707
Revolving credit	3,000
Term loans	5,215
	<u>8,922</u>
Long term borrowings :	
Term loans	<u>3,627</u>

There was no unsecured interest bearing borrowing as at 31 October 2008.

B10. Financial instruments with off balance sheet risks

There were no financial instruments with off balance sheet risks as at 26 December 2008.

B11. Material litigation

As at 26 December 2008, there was no material litigation against the Group.

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

B12. Dividend

No dividend has been declared or proposed since the end of the previous financial quarter.

- (a) (i) amount per share: Nil;
(ii) previous corresponding period: 10 sen less income tax of 26%;
(iii) date payable : Not Applicable; and
(iv) in respect of deposited securities, the date of entitlement to dividends will be determined on the basis of the record of the depositors: Not Applicable; and
- (b) total dividend for the current financial year: 33 sen per share less income tax of 25%.

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 cumulative three quarters by the weighted average number of ordinary shares in issue during the current quarter and the current year-to-date respectively:

		Current Quarter 31/10/2008	Current Financial Year-to-date 31/10/2008
Net profit for the period	(RM'000)	7,923	56,660
Weighted average number of ordinary shares in issue	('000)	301,911	299,945
Basic EPS	(sen)	2.62	18.89

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

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 cumulative three quarters 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 31/10/2008	Current Financial Year-to-date 31/10/2008
Net profit for the period	(RM’000)	7,923	56,660
Weighted average number of ordinary shares in issue	(’000)	301,911	299,945
Adjustment for dilutive effect of unexercised share options	(’000)	490	704
Adjustment for dilutive effect of warrants	(’000)	1,986	2,525
Adjusted weighted average number of shares for Diluted EPS	(’000)	304,387	303,174
Diluted EPS	(sen)	2.60	18.69