

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

**Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION
31-07-2005**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO-DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2005 RM'000	31/07/2004 RM'000	31/07/2005 RM'000	31/07/2004 RM'000
1 Revenue	58,042	60,085	106,682	123,242
2 Profit/(loss) before tax	2,870	2,045	4,656	8,543
3 Profit/(loss) after tax and minority interests	2,286	2,219	4,023	6,632
4 Net profit/(loss) for the period	2,286	2,219	4,023	6,632
5 Basic earnings/(loss) per share (sen)	1	2	3	6
6 Dividends per share (sen)	3.00	3.00	3.00	3.00

AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
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7 Net tangible assets per share (RM)	1.72	2.09
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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
	31/07/2005 RM'000	31/07/2004 RM'000	31/07/2005 RM'000	31/07/2004 RM'000
Revenue	<u>58,042</u>	<u>60,085</u>	<u>106,682</u>	<u>123,242</u>
Gross profit	5,907	5,096	10,821	14,135
Other operating income	597	163	998	370
Operating expenses	<u>(2,969)</u>	<u>(2,277)</u>	<u>(5,451)</u>	<u>(4,498)</u>
Profit from operations	3,535	2,982	6,368	10,007
Finance costs	<u>(665)</u>	<u>(937)</u>	<u>(1,712)</u>	<u>(1,464)</u>
Profit before tax	2,870	2,045	4,656	8,543
Tax	<u>(832)</u>	<u>(593)</u>	<u>(1,313)</u>	<u>(2,579)</u>
Profit after tax	2,038	1,452	3,343	5,964
Minority interests	<u>248</u>	<u>767</u>	<u>680</u>	<u>668</u>
Net profit for the period	<u><u>2,286</u></u>	<u><u>2,219</u></u>	<u><u>4,023</u></u>	<u><u>6,632</u></u>
Earnings per share (sen) :				
- Basic	1	2	3	6
- Diluted	1	N/A	2	N/A
Dividends per share (sen)	3.00	3.00	3.00	3.00

(The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2005)

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT CURRENT QUARTER ENDED 31/07/2005 RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/01/2005 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	329,477	328,987
Quoted investments	5,991	6,607
Development expenditure	332	162
Goodwill on consolidation	1,624	1,624
	337,424	337,380
CURRENT ASSETS		
Inventories	7,261	8,591
Receivables	10,434	10,926
Tax recoverable	1,397	1,015
Cash and bank balances	47,707	7,309
	66,799	27,841
CURRENT LIABILITIES		
Payables	14,350	13,469
Interest bearing borrowings (secured)	13,585	17,722
Dividend payable	3,076	-
Tax payable	343	1,110
	31,354	32,301
Net Current Assets/(Liabilities)	35,445	(4,460)
NON-CURRENT LIABILITIES		
Interest bearing borrowings (secured)	22,727	53,021
Other borrowings	11,789	12,916
Deferred tax	35,236	34,905
	69,752	100,842
	303,117	232,078
CAPITAL AND RESERVES		
Share capital	170,864	106,750
Reserves	124,201	117,843
	295,065	224,593
Minority interests	8,052	7,485
	303,117	232,078
Net tangible assets per share (RM)	1.72	2.09

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2005)

KIM LOONG RESOURCES BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

6 months ended 31 July 2005	Share capital RM'000	Non-distributable reserves RM'000	Distributable reserve RM'000	Total RM'000
Balance as at 1 February 2005	106,750	87,888	29,955	224,593
Movements during the period	64,114	5,411	4,023	73,548
Transfer among reserves	-	(406)	406	-
Dividends	-	-	(3,076)	(3,076)
Balance as at 31 July 2005	170,864	92,893	31,308	295,065
6 months ended 31 July 2004				
Balance as at 1 February 2004	106,750	88,610	21,427	216,787
Movements during the period	-	-	6,632	6,632
Transfer among reserves	-	(481)	481	-
Dividends	-	-	(3,074)	(3,074)
Balance as at 31 July 2004	106,750	88,129	25,466	220,345

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2005)

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 31/07/2005 RM'000	6 months ended 31/07/2004 RM'000
Net cash generated from operating activities	11,681	12,821
Net cash used in investing activities	(5,873)	(8,730)
Net cash generated from financing activities	38,954	4,180
Net increase in cash and cash equivalents	44,762	8,271
Cash and cash equivalents at beginning of period	1,948	555
Cash and cash equivalents at end of period (Note a)	<u>46,710</u>	<u>8,826</u>
<u>Note a : Cash and cash equivalents at end of period</u>		
Cash and bank balances	47,707	10,131
Bank overdrafts	(997)	(1,305)
	<u>46,710</u>	<u>8,826</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 2005)

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 (previously known as MASB 26) 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 2005. 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 2005.

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 2005.

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. The production will rise in the second quarter, peak in the third quarter and slowly decline in the fourth quarter. The current quarter production of FFB is 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.

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A6. Debt and equity securities

The Company's issued and paid up capital increased from RM106,750,000 as at 31 January 2005 to RM170,863,600 as at 31 July 2005 as a result of the following:

- (a) issuance of 64,050,000 new ordinary shares of RM1 each to the shareholders pursuant to a renounceable rights issue with detachable free warrants on the basis of three (3) new ordinary shares with two (2) detachable free warrants for every five (5) existing ordinary shares.
- (b) issuance of 63,600 new ordinary shares of RM1 each under the Company's Employees' Share Option Scheme ("ESOS")

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 dividend paid during the current financial year-to-date was 4 sen per ordinary share, less tax, in respect of the final dividend for the financial year 2005 which was paid on 15 August 2005.

A8. Segmental information

Major segments by activity:-

	Revenue		Results	
	6 months ended		6 months ended	
	31/07/2005	31/07/2004	31/07/2005	31/07/2004
	RM'000	RM'000	RM'000	RM'000
Plantation operations	21,697	22,123	5,550	7,589
Milling operations	94,597	108,093	1,964	3,466
	116,294	130,216	7,514	11,055
Less:				
Inter-segment eliminations	(9,612)	(6,974)	(47)	(60)
	106,682	123,242	7,467	10,995
Less:				
Unallocated expenses			(1,099)	(988)
Profit from operations			6,368	10,007

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.

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A10. Material subsequent events

There are no material events subsequent to the end of the current financial period that have not been reflected in the financial statements for the current financial period up to 19 September 2005.

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 2005.

KIM LOONG RESOURCES BERHAD

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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 was RM106.68 million and RM4.66 million respectively for the half year ended 31 July 2005, as compared to RM123.24 million and RM8.54 million respectively for the last year’s corresponding period.

The 13% drop in revenue of RM16.56 million is mainly due to drop in Crude Palm Oil (“CPO”) price by 11% which affected both the plantation and milling operations.

Despite the increase in FFB production by 14,000 MT or 22%, the revenue of the plantation operations dropped by RM0.42 million to RM21.70 million as compared to RM22.12 million achieved for the last year’s corresponding period due to the lower CPO price. The increase in FFB production is due to increased mature acreage and a more productive age profile of the palms. The decline in profit is also partly due to increase in cost of consumables applied in the plantations. As a result, the profit from the plantation operations dropped by 27% or RM2.04 million to RM5.55 million as compared to RM7.59 million for the last year’s corresponding period. The PBT for the half year ended 31 July 2005 would have increased by additional RM5 million if the weighted average CPO price maintains at last year’s corresponding period level.

The revenue from milling operations dropped by RM13.50 million or 12% to RM94.60 million mainly due to lower CPO price. The profit from milling operations dropped by RM1.50 million or 43% to RM1.97 million as compared to RM3.47 million achieved for the last year’s corresponding period. The drop in profit is mainly due to the following:

- i) under utilisation, which is less than 50%, of the processing capacity of our mill at Keningau, Sabah after its processing capacity was expanded from 15 MT of FFB/hour to 45 MT of FFB per hour in July 2004 as our young oil palm tree has yet to reach full yield potential; and
- ii) lower processing margin at the Kota Tinggi mill as a result of competition for FFB supplies from surrounding mills.

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

The Group recorded a PBT of RM2.87 million for the quarter ended 31 July 2005 as compared to RM1.79 million for the preceding quarter ended 30 April 2005 mainly due to higher profit contribution from the plantation operations. The 60% or RM1.08 million increase in PBT is mainly on account of higher FFB production during the current quarter. The increase in FFB production as compared to the first quarter is broadly in line with the seasonal production trend.

B3. Current financial year prospects

For the financial year ending 31 January 2006, the production quantity for both the plantation and milling operations is expected to be higher than the financial year 2005. The increase in production for the plantation operations is expected to be more than 20% due to the increased mature acreage and a more productive age profile of the palms. For the milling operations, the rate of utilization of processing capacity of the mill at Keningau will improve with the increasing FFB production of our estates at Keningau and hence boost the palm oil production quantity for the Group.

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Barring unforeseen circumstances and based on the current palm oil prices, the Board expects the Group's profit to increase substantially in the second half of the financial year ending 31 January 2006 as compared to first half of the financial year 2006.

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

This is not applicable

B5. Income tax

	Current Quarter 31/07/2005 RM'000	Current Financial Year-to-date 31/07/2005 RM'000
Malaysian Income Tax		
- Current year	470	982
- Overprovision in prior years	-	-
Deferred tax		
- Current year	362	331
- Underprovision in prior years	-	-
	<u>832</u>	<u>1,313</u>

There is no significant difference between the effective tax rate and the statutory tax rate for the current financial quarter and financial year-to-date.

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) Total purchase consideration and sale proceeds of quoted securities for the current quarter and financial year-to-date are as follows:-

	Current Quarter 31/07/2005 RM'000	Current Financial Year-to-date 31/07/2005 RM'000
Total purchase consideration	-	724
Total sale proceeds	-	1,440
Total gain on disposals	-	100

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(b) Total investments in quoted securities as at 31 July 2005:-

	RM'000
At Cost	6,435
Allowance for diminution in value	(444)
At Book Value	<u>5,991</u>
At Market Value	<u><u>6,000</u></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.

B8. Status of corporate proposalsStatus of corporate proposals not completed as at 19 September 2005

(A) 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. The Group has taken steps to procure the subdivision and registration of the two pieces of land into the names of the relevant subsidiaries.

(B) Renounceable Rights Issue with detachable free warrants

The issuance and quotation of the rights shares on Bursa Securities were completed on 29 April 2005.

The total gross proceeds of RM70,455,000 arising from the Rights Issue were utilised as follows:

	Approved by Securities Commission	Amount utilised	Balance to be utilised
	RM'000	RM'000	RM'000
Repayments of bank borrowings	30,000	28,350	1,650
Property, plant and equipment	27,750	9,065	18,685
Working capital	11,705	11,705	-
Estimated expenses relating to the Rights Issue	1,000	1,000	-
Total proceeds from the Rights Issue	<u>70,455</u>	<u>50,120</u>	<u>20,335</u>

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B9. Group borrowings and debt securities

As at 31 July 2005, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM'000
Short term borrowings :	
Overdrafts	997
Term loans	<u>12,588</u>
	<u>13,585</u>
Long term borrowings :	
Term loans	<u><u>22,727</u></u>

There is no interest bearing unsecured borrowings as at 31 July 2005.

B10. Financial instruments with off balance sheet risks

There were no financial instruments with off balance sheet risks for the current financial year-to-date.

B11. Material litigation

The Group is not engaged in any material litigation for the current financial year-to-date.

B12. Dividend

The Board is pleased to declare an interim dividend of 3% less income tax of 28% in respect of the financial year ending 31 January 2006.

- (a) (i) amount per share: 3 sen less income tax of 28%;
 - (ii) previous corresponding period: 3 sen less income tax of 28%;
 - (iii) date payable: 12 December 2005; and
 - (iv) in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of the depositors as at 28 November 2005; and
- (b) total dividend for the current financial year: 3 sen less income tax of 28%

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B13. Earnings per share

Basic earnings per share (“Basic EPS”)

The Basic EPS is calculated by dividing the Group’s net profit for the current quarter and the first half year by the weighted average number of ordinary shares in issue during the current quarter and the first half year respectively:

		Current Quarter 31/07/2005	Current Financial Year-to-date 31/07/2005
Net profit for the period	(RM’000)	<u>2,286</u>	<u>4,023</u>
Weighted average number of ordinary shares in issue	(’000)	<u>170,861</u>	<u>142,522</u>
Basic EPS	(sen)	<u>1</u>	<u>3</u>

Diluted earnings per share (“Diluted EPS”)

The Diluted EPS is calculated by dividing the Group’s net profit for the current quarter and the first half year by the weighted average number of ordinary shares in issue during the current quarter and the first half year 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 31/07/2005	Current Financial Year-to-date 31/07/2005
Net profit for the period	(RM’000)	<u>2,286</u>	<u>4,023</u>
Weighted average number of ordinary shares in issue	(’000)	170,861	142,522
Assumed exercise of share option	(’000)	-	-
Assumed exercise of warrants	(’000)	42,700	42,700
Adjusted weighted average number of shares for Diluted EPS	(’000)	<u>213,561</u>	<u>185,222</u>
Diluted EPS	(sen)	<u>1</u>	<u>2</u>