

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/04/2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/04/2015 RM'000	CURRENT YEAR TO-DATE 30/04/2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/04/2015 RM'000
Revenue	177,704	162,875	177,704	162,875
Cost of sales	<u>(154,053)</u>	<u>(134,495)</u>	<u>(154,053)</u>	<u>(134,495)</u>
Gross profit	23,651	28,380	23,651	28,380
Other income	2,446	2,596	2,446	2,596
Operating expenses	(7,337)	(7,467)	(7,337)	(7,467)
Finance costs	<u>(349)</u>	<u>(282)</u>	<u>(349)</u>	<u>(282)</u>
Profit before tax	18,411	23,227	18,411	23,227
Tax	<u>(4,334)</u>	<u>(5,493)</u>	<u>(4,334)</u>	<u>(5,493)</u>
Profit for the period	<u>14,077</u>	<u>17,734</u>	<u>14,077</u>	<u>17,734</u>
Other comprehensive income:				
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	<u>14,077</u>	<u>17,734</u>	<u>14,077</u>	<u>17,734</u>
Profit for the period attributable to :				
Owners of the Company	12,410	14,779	12,410	14,779
Non-controlling interests	<u>1,667</u>	<u>2,955</u>	<u>1,667</u>	<u>2,955</u>
	<u>14,077</u>	<u>17,734</u>	<u>14,077</u>	<u>17,734</u>
Total comprehensive income for the period attributable to :				
Owners of the Company	12,410	14,779	12,410	14,779
Non-controlling interests	<u>1,667</u>	<u>2,955</u>	<u>1,667</u>	<u>2,955</u>
	<u>14,077</u>	<u>17,734</u>	<u>14,077</u>	<u>17,734</u>
Earnings per share (sen) :				
- Basic	3.99	4.75	3.99	4.75
- Diluted	N/A	N/A	N/A	N/A
Dividends per share (sen)	-	10.00	-	10.00

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2016)

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT CURRENT QUARTER ENDED 30/04/2016 RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/01/2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	392,698	394,725
Biological assets	84,426	84,989
Land use rights	2,220	2,248
Deferred tax assets	13,391	13,522
	492,735	495,484
Current assets		
Inventories	36,661	43,956
Receivables	36,527	28,431
Prepayments	4,827	5,293
Tax recoverable	354	415
Deposits with licensed banks and other financial institutions	192,529	187,234
Cash and bank balances	60,310	44,241
	331,208	309,570
TOTAL ASSETS	823,943	805,054
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	311,804	311,804
Reserves	282,127	269,717
Treasury shares	(1,558)	(1,558)
	592,373	579,963
Non-controlling interests	75,917	74,250
Total equity	668,290	654,213
Non-current liabilities		
Interest bearing borrowings (secured)	23,585	25,595
Other payables	277	272
Deferred tax liabilities	50,912	51,887
	74,774	77,754
Current liabilities		
Payables and accruals	58,410	51,759
Interest bearing borrowings (secured)	17,915	17,725
Tax payable	4,554	3,603
	80,879	73,087
Total liabilities	155,653	150,841
TOTAL EQUITY AND LIABILITIES	823,943	805,054
Net assets per share (RM)	1.90	1.86

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2016)

KIM LOONG RESOURCES BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Non-distributable			Distributable					
	Share capital	Share premium	Revaluation reserve	Other reserve	Retained profits	Treasury shares			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
3 months ended									
<u>30 April 2016</u>									
Balance as at 1 February 2016	311,804	6,626	39,170	-	223,921	(1,558)	579,963	74,250	654,213
Changes in equity for the period:									
Realisation of revaluation reserve to retained earnings	-	-	(208)	-	208	-	-	-	-
Profit or loss	-	-	-	-	12,410	-	12,410	1,667	14,077
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	12,410	-	12,410	1,667	14,077
Balance as at 30 April 2016	<u>311,804</u>	<u>6,626</u>	<u>38,962</u>	<u>-</u>	<u>236,539</u>	<u>(1,558)</u>	<u>592,373</u>	<u>75,917</u>	<u>668,290</u>

KIM LOONG RESOURCES BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Non-distributable			Distributable					
	Share capital	Share premium	Revaluation reserve	Other reserve	Retained profits	Treasury shares			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
3 months ended									
30 April 2015									
Balance as at 1 February 2015	311,109	5,505	40,002	761	220,271	(1,496)	576,152	73,869	650,021
Changes in equity for the period:									
Realisation of revaluation reserve to retained earnings	-	-	(208)	-	208	-	-	-	-
Profit or loss	-	-	-	-	14,779	-	14,779	2,955	17,734
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	14,779	-	14,779	2,955	17,734
Share-based payment under ESOS	-	-	-	95	-	-	95	-	95
Transfer of reserve arising from exercise of ESOS	-	236	-	(236)	-	-	-	-	-
Transfer of reserve upon expiry of ESOS	-	-	-	(620)	620	-	-	-	-
Issuance of shares pursuant to: - exercise of ESOS	695	886	-	-	-	-	1,581	-	1,581
Expenses in relation to issuance of shares	-	(3)	-	-	-	-	(3)	-	(3)
Total for transactions with owners	695	1,119	-	(761)	620	-	1,673	-	1,673
Balance as at 30 April 2015	<u>311,804</u>	<u>6,624</u>	<u>39,794</u>	<u>-</u>	<u>235,878</u>	<u>(1,496)</u>	<u>592,604</u>	<u>76,824</u>	<u>669,428</u>

(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 2016)

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended 30/04/2016 RM'000	3 months ended 30/04/2015 RM'000
Operating activities		
Cash receipts from customers	169,851	156,809
Rental received	46	48
Interest received	1,969	2,232
Cash paid to suppliers and employees	(138,224)	(136,340)
Cash generated from operations	33,642	22,749
Interest paid	(308)	(271)
Tax paid	(4,165)	(5,172)
Net cash from operating activities	29,169	17,306
Investing activities		
Proceeds from disposal of property, plant and equipment	76	315
Acquisition of biological assets and property, plant and equipment	(5,863)	(11,269)
Interest paid	(198)	(304)
Net cash used in investing activities	(5,985)	(11,258)
Financing activities		
Proceeds from issuance of shares	-	1,581
Expenses paid in relation to issuance of shares	-	(3)
Repayments of bank borrowings	(1,340)	(1,563)
Net cash (used in)/from financing activities	(1,340)	15
Net increase in cash and cash equivalents	21,844	6,063
Cash and cash equivalents at beginning of period	228,620	264,061
Cash and cash equivalents at end of period (Note a)	<u>250,464</u>	<u>270,124</u>
Note a : Cash and cash equivalents at end of period		
Cash and bank balances	60,310	58,417
Deposits with licensed banks and other financial institutions	192,529	218,677
Bank overdrafts	(2,375)	(6,970)
	<u>250,464</u>	<u>270,124</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2016)

KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

EXPLANATORY NOTES

A1. Basis of preparation

The interim financial report is unaudited and has 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 report should be read in conjunction with the audited financial statements for the financial year ended 31 January 2016. 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 2016.

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 2016 except for the adoption of the amended FRSs which are relevant to the Group’s operations with effect from 1 February 2016 as set out below:

Annual Improvements to FRSs 2012-2014 Cycle

Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 127: Equity Method in Separate Financial Statements

Amendments to FRS 101: Disclosure Initiative

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception

The Directors do not expect any material impact on the financial statements arising from adoption of the above standards.

The Group has not elected for early adoption of the following new and amended FRSs relevant to the current operations of the Group, which were issued but not yet effective for the financial year ending 31 January 2017:

	Effective for financial periods beginning on or after
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 9 Financial Instruments	1 January 2018
Amendments to FRS 10 and FRS128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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Malaysian Financial Reporting Standards (MFRS Framework)

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities are allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Company falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 January 2019. In presenting its first MFRS financial statements, the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits. The Group and the Company are in the midst of assessing the impact of adopting the MFRS Framework.

A2. Seasonal or cyclical factors

Based on recent observation, the production of Fresh Fruit Bunches ("FFB") from our mature estates 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 production of FFB for the current quarter was 18% lower comparing to the preceding quarter which was broadly in line with national production trend.

A3. 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.

A4. Material changes in estimates

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

A5. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the first quarter ended 30 April 2016.

A6. Dividends paid

No dividends have been paid during the current financial year-to-date.

KIM LOONG RESOURCES BERHAD

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A7. Segmental information

Major segments by activity:-

	Revenue		Results	
	3 months ended		3 months ended	
	30/04/2016	30/04/2015	30/04/2016	30/04/2015
	RM'000	RM'000	RM'000	RM'000
Plantation operations	27,086	27,976	8,690	10,184
Milling operations	174,311	158,650	8,235	10,951
	201,397	186,626	16,925	21,135
Add/(Less):				
Inter-segment adjustments and eliminations	(23,693)	(23,751)	486	742
	177,704	162,875	17,411	21,877
Less:				
Unallocated expenses			(638)	(604)
Finance income			1,987	2,236
Finance costs			(349)	(282)
Profit before tax			18,411	23,227
Tax expenses			(4,334)	(5,493)
Profit for the period			14,077	17,734

A8. Material subsequent events

As at 27 June 2016, there were no material subsequent events that have not been reflected in the financial statements for the current financial year.

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial year-to-date, including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A10. Contingent liabilities or Contingent assets

As at 27 June 2016, there were no material changes in contingent liabilities or contingent assets at Group level since the end of last annual reporting period at 31 January 2016. Save for disclosed in Note B9, there were no contingent liabilities or contingent assets, which upon becoming enforceable, may have material effect on the net assets, profits or financial position of our Group.

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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 Group recorded a higher revenue at RM177.70 million but a lower profit before tax (“PBT”) at RM18.41 million for the current quarter ended 30 April 2016, as compared to RM162.88 million and RM23.23 million respectively for the corresponding period last year.

Performance analysis by segments:

	Revenue			
	Quarter ended		Year-to-date ended	
	30/04/2016	30/04/2015	30/04/2016	30/04/2015
	RM'000	RM'000	RM'000	RM'000
Plantation operations	27,086	27,976	27,086	27,976
Milling operations	174,311	158,650	174,311	158,650
	201,397	186,626	201,397	186,626

	Results			
	Quarter ended		Year-to-date ended	
	30/04/2016	30/04/2015	30/04/2016	30/04/2015
	RM'000	RM'000	RM'000	RM'000
Plantation operations	8,690	10,184	8,690	10,184
Milling operations	8,235	10,951	8,235	10,951
	16,925	21,135	16,925	21,135

Plantation operations

The revenue from plantation operations dropped by 3% for the current quarter and the year-to-date as compared to the corresponding period last year. In terms of profit for the current quarter and year-to-date, it dropped by 15% or RM1.49 million compared to the corresponding period last year. The lower revenue and profit was mainly caused by lower production but cushioned by better FFB price.

The FFB production for the current quarter was 52,500 MT which was 18% lower than 64,200 MT achieved in last year first quarter. The significant drop in production was likely caused by the El Nino phenomenon.

The plantation operations did not face problem in selling its FFB production as most of the produce was supplied to mills within the Group. The average FFB price was 19% higher for the current quarter and year-to-date comparing to the respective corresponding period last year.

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Palm oil milling operations

Due to higher selling prices, the revenue for the current quarter increased by 10% comparing to the corresponding period last year. However, the profit recorded for the current quarter was RM8.24 million which was 25% lower comparing to the profit achieved in the corresponding period last year. The drop in profit was partly caused by lower oil extraction rate (“OER”) as well as lower FFB intake arising from competition for crop in view of low FFB production during the current period.

Total CPO production for the current quarter and year-to-date was 51,400 MT which was 18% lower than 62,300 MT achieved in the corresponding period last year.

The market condition and demand for the Group’s milling products has been good and steady for the current quarter and year-to-date. The sale of CPO, the main product, for the current quarter and year-to-date was 58,700 MT, which were only 2% lower comparing to 59,900 MT recorded in the corresponding period last year. The average prices of CPO for the current quarter and year-to-date was in the region of RM2,480 per MT which was about 12% higher comparing to the respective corresponding period last year.

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

The PBT for the current quarter was RM18.41 million which was 27% higher than RM14.46 million achieved in the preceding quarter ended 31 January 2016. The increase in profit was mainly contributed by increase in oil prices as well as reduction in oil stock. The recognition of impairment of assets of RM1.2 million in the preceding quarter has also resulted a lower profit in that quarter. The FFB production for the current quarter was 52,500 MT which was 18% lower than 64,400 MT achieved in the preceding quarter. The drop in FFB production in the current quarter was broadly in line with national production trend.

As for the milling operations, FFB processed during the current quarter was 241,000 MT which was 18% lower than 292,200 MT recorded in the preceding quarter due to sharp drop in FFB production in the regions. The average price of CPO for the current quarter stood at about RM2,480 per MT level which was 15% higher than the preceding quarter.

B3. Current financial year prospects

For the financial year ending 31 January 2017, we foresee an increase in FFB production from young mature area but in view of the potential effects caused by El Nino phenomenon in the first quarter, we expect the FFB production to be flat while the CPO production could be lower, comparing to the quantity achieved in the financial year 2016.

Subject to the fluctuation in the Ringgit currency and commodity market, we expect the CPO price could move towards higher levels considering a potential drop in CPO supply caused by the El Nino phenomenon.

Based on the above, we expect the Group’s performance for the financial year 2017 to be satisfactory.

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 Ended 30/04/2016 RM'000	Financial Year-to-date Ended 30/04/2016 RM'000
Malaysian Income Tax		
- Current year	5,178	5,178
Deferred tax		
- Current year	(775)	(775)
- Realisation of revaluation surplus on land	(69)	(69)
	(844)	(844)
	<u>4,334</u>	<u>4,334</u>

B6. Status of corporate proposals

There is no outstanding corporate proposal as at 27 June 2016.

B7. Group borrowings and debt securities

As at 30 April 2016, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM'000
Short term borrowings :	
Overdrafts	2,375
Revolving credit	7,500
Term loans	8,040
	<u>17,915</u>
Long term borrowings :	
Term loans	<u>23,585</u>

There were no unsecured interest bearing borrowings as at 30 April 2016.

B8. Breakdown of realised and unrealised profits or losses of the Group

The breakdown of the retained profits of the Group is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	At as 30/04/2016 RM'000	At as 31/01/2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	308,121	295,408
- Unrealised	(20,937)	(20,937)
	<u>287,184</u>	<u>274,471</u>
Less: Consolidation adjustments	(50,645)	(50,550)
Retained earnings as per consolidated accounts	<u>236,539</u>	<u>223,921</u>

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B9. Material litigation

As at 27 June 2016, there were no material litigations against the Group except for the following:

Prior to the acquisition of the subsidiary company, Tetangga Akrab Pelita (Pantu) Sdn. Bhd. (currently known as Winsome Pelita (Pantu) Sdn. Bhd.), announced by the Company on 1 December 2009, there were several legal claims made against that subsidiary company by natives for customary rights to land that subsidiary company has development rights over.

On 18 February 2011, the High Court Civil Suit No. 22-1-2005-I (SG) gave judgment against the subsidiary company was delivered at Kuching High Court, which had been announced to Bursa Securities on 22 February 2011.

On 9 March 2011, the Court of Appeal had granted a stay of execution of the Judgment delivered by the High Court.

The Group has filed an Appeal against the said High Court decision and our Memorandum and Record of Appeal subsequently filed on 11 April 2011. The Appeal was heard on 17 October 2012 but the Court of Appeal reserved Ruling.

On 29 December 2014, more than 2 years after the hearing of the said Appeal, the decision of the Court of Appeal was delivered. Only a summary of the grounds of judgment was read out by the Senior Assistant Registrar and the Court of Appeal dismissed the Appeal. The full ground of judgment was issued on 26 January 2015.

The Group has filed its Appeal against the Court of Appeal Decision to the Federal Court a Notice of Motion for Leave to Appeal and has also filed to the Court of Appeal, a Notice of Motion for an extension of Court of Appeal Order to stay the High Court Judgment in January 2015.

The Federal Court has on 14 January 2016 allowed the subsidiary company's Notice of Motion for Leave to Appeal to the Federal Court against the decision of the Court of Appeal.

The Group has accounted for impairment of assets and provision of liabilities of RM3.3 million.

B10. Dividend

No dividend has been declared or proposed for the current financial period ended 30 April 2016.

- (a) (i) amount per share: Nil;
 - (ii) previous corresponding period: 10 sen;
 - (iii) date of payment: 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: Nil.

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B11. Earnings per share

Basic earnings per share (“Basic EPS”)

The Basic EPS is calculated by dividing the profit attributable to the owners of the Company for the current quarter and the first 3 months by the weighted average number of ordinary shares in issue during the current quarter and the first 3 months respectively, excluding treasury shares held by the Company:

		Current Quarter Ended 30/04/2016	Financial Year-to-date Ended 30/04/2016
Net profit for the period	(RM'000)	12,410	12,410
Weighted average number of ordinary shares in issue	('000)	311,222	311,222
Basic EPS	(sen)	3.99	3.99

Diluted earnings per share (“Diluted EPS”)

Not applicable

B12. Audit qualification

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

B13. Profit before tax

Profit before tax is arrived at after charging/(crediting) the following items:

	Current Quarter Ended 30/04/2016 RM'000	Financial Year-to-date Ended 30/04/2016 RM'000
(a) Interest income	(1,987)	(1,987)
(b) Other income including investment income	(459)	(459)
(c) Interest expense	349	349
(d) Depreciation and amortization	7,463	7,463
(e) Provision for and write off of receivables	-	-
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of quoted or unquoted investment or properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain or loss	-	-
(j) Gain or loss on derivatives	-	-
(k) Exceptional items	-	-