

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/07/2009 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2008 RM'000	CURRENT YEAR TO-DATE 31/07/2009 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2008 RM'000
Revenue	126,044	182,107	225,020	318,393
Cost of sales	<u>(99,116)</u>	<u>(132,375)</u>	<u>(177,900)</u>	<u>(231,371)</u>
Gross profit	26,928	49,732	47,120	87,022
Other income	580	824	1,083	1,647
Operating expenses	(4,535)	(5,734)	(9,311)	(10,465)
Finance costs	<u>(285)</u>	<u>(168)</u>	<u>(606)</u>	<u>(352)</u>
Profit before tax	22,688	44,654	38,286	77,852
Tax expenses	<u>(5,782)</u>	<u>(11,312)</u>	<u>(9,657)</u>	<u>(18,938)</u>
Profit for the period	<u><u>16,906</u></u>	<u><u>33,342</u></u>	<u><u>28,629</u></u>	<u><u>58,914</u></u>
Attributable to :				
Equity holders of the Company	13,155	27,735	22,007	48,737
Minority interests	<u>3,751</u>	<u>5,607</u>	<u>6,622</u>	<u>10,177</u>
	<u><u>16,906</u></u>	<u><u>33,342</u></u>	<u><u>28,629</u></u>	<u><u>58,914</u></u>
Earnings per share (sen) :				
- Basic	4.34	9.23 ^	7.27	16.36 ^
- Diluted	4.31	9.09 ^	7.22	16.12 ^
Dividends per share (sen)	4.00	33.00	4.00	33.00

(The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2009)

^ These earnings per share have been adjusted accordingly pursuant to the completion of Bonus Issue in the financial year 2009 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 31/07/2009 RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/01/2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	176,741	169,515
Biological assets	64,479	65,330
Prepaid land lease payments	165,010	164,647
Quoted investments	13	13
Development expenditure	2,290	1,453
Deferred tax assets	3,662	3,359
	412,195	404,317
Current assets		
Inventories	16,774	24,287
Receivables	19,442	26,319
Tax recoverable	1,827	1,177
Deposits with licensed banks and other financial institution	99,147	67,320
Cash and bank balances	19,364	9,059
	156,554	128,162
TOTAL ASSETS	<u>568,749</u>	<u>532,479</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	302,998	302,253
Share premium	755	623
Revaluation reserve	44,108	44,521
Other reserve	280	218
Retained profits	58,709	43,483
	406,850	391,098
Minority interests	33,455	27,729
Total equity	440,305	418,827
Non-current liabilities		
Interest bearing borrowings (secured)	30,250	22,323
Other borrowings	13,667	13,672
Deferred tax liabilities	42,822	42,348
	86,739	78,343
Current liabilities		
Payables	24,259	23,376
Interest bearing borrowings (secured)	4,714	9,315
Dividend payable	7,194	-
Tax payable	5,538	2,618
	41,705	35,309
Total liabilities	128,444	113,652
TOTAL EQUITY AND LIABILITIES	<u>568,749</u>	<u>532,479</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	1.34	1.29

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2009)

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	
6 months ended								
<u>31 July 2009</u>								
Balance as at 1 February 2009	302,253	623	44,521	218	43,483	391,098	27,729	418,827
Realisation of revaluation surplus, net of tax	-	-	(413)	-	413	-	-	-
Income and expenses recognised directly in equity	-	-	(413)	-	413	-	-	-
Profit for the period	-	-	-	-	22,007	22,007	6,622	28,629
Total recognised income and expenses for the period	-	-	(413)	-	22,420	22,007	6,622	28,629
Dividends	-	-	-	-	(7,194)	(7,194)	(900)	(8,094)
Share-based payment under ESOS	-	-	-	148	-	148	-	148
Transfer of reserve arising from exercise of ESOS	-	86	-	(86)	-	-	-	-
Issuance of shares pursuant to:								
- exercise of ESOS	688	51	-	-	-	739	-	739
- exercise of Warrants	57	-	-	-	-	57	-	57
Share issuance expenses	-	(5)	-	-	-	(5)	-	(5)
Minority interests' share of losses set off against their advances	-	-	-	-	-	-	4	4
Balance as at 31 July 2009	302,998	755	44,108	280	58,709	406,850	33,455	440,305

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	
6 months ended								
31 July 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	-	-	(409)	-	409	-	-	-
Reduction in deferred tax arising from change in tax rate	-	-	403	-	-	403	66	469
Income and expenses recognised directly in equity	-	-	(6)	-	409	403	66	469
Profit for the period	-	-	-	-	48,737	48,737	10,177	58,914
Total recognised income and expenses for the period	-	-	(6)	-	49,146	49,140	10,243	59,383
Dividends	-	-	-	-	(44,992)	(44,992)	(1,200)	(46,192)
Share-based payment under ESOS	-	-	-	187	-	187	-	187
Transfer of reserve arising from exercise of ESOS	-	187	-	(187)	-	-	-	-
Issuance of shares pursuant to:								
- exercise of ESOS	1,224	453	-	-	-	1,677	-	1,677
- exercise of Warrants	4,268	-	-	-	-	4,268	-	4,268
Share issuance expenses	-	(31)	-	-	-	(31)	-	(31)
Reversal of minority interests' share of losses previously set off against their advances	-	-	-	-	-	-	(1,932)	(1,932)
Balance as at 31 July 2008	215,449	36,872	44,779	-	99,072	396,172	23,177	419,349

(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 2009)

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 31/07/2009 RM'000	6 months ended 31/07/2008 RM'000
Net cash from operating activities	56,266	74,839
Net cash used in investing activities	(17,407)	(27,616)
Net cash from/(used in) financing activities	3,188	(34,232)
Net increase in cash and cash equivalents	42,047	12,991
Cash and cash equivalents at beginning of period	75,278	100,123
Cash and cash equivalents at end of period (Note a)	<u>117,325</u>	<u>113,114</u>
<u>Note a : Cash and cash equivalents at end of period</u>		
Cash and bank balances	19,364	17,551
Deposits with licensed banks and other financial institution	99,147	96,964
Bank overdrafts	(1,186)	(1,401)
	<u>117,325</u>	<u>113,114</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 2009)

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 2009. 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 2009.

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 2009.

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.

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A6. Debt and equity securities

The Company's issued and paid-up capital increased from RM302,252,972 as at 31 January 2009 to RM302,997,758 as at 31 July 2009 as a result of:

- (a) issuance of 688,000 new ordinary shares of RM1 each under the Company's Employees' Share Option Scheme ("ESOS"); and
- (b) issuance of 56,786 new ordinary shares of RM1 each pursuant to the exercise of 56,786 Warrants.

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

A7. Dividends paid

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

A8. Segmental information

Major segments by activity:-

	Revenue		Results	
	6 months ended		6 months ended	
	31/07/2009	31/07/2008	31/07/2009	31/07/2008
	RM'000	RM'000	RM'000	RM'000
Plantation operations	52,962	85,736	25,160	56,699
Milling operations	217,643	279,681	13,834	20,592
	270,605	365,417	38,994	77,291
Less:				
Inter-segment eliminations	(45,585)	(47,024)	514	1,002
	225,020	318,393	39,508	78,293
Less:				
Unallocated expenses			(1,377)	(1,442)
Finance income			761	1,353
Finance costs			(606)	(352)
Profit before tax			38,286	77,852
Tax expenses			(9,657)	(18,938)
Profit for the period			28,629	58,914

KIM LOONG RESOURCES BERHAD

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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 24 September 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.

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 2009.

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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 RM225.02 million and RM38.27 million respectively for the first half year ended 31 July 2009, as compared to RM318.39 million and RM77.85 million respectively for last year’s corresponding period.

The 29% and 51% drop in revenue and PBT respectively were mainly due to lower crude palm oil price which was about 36% less than last year’s corresponding period.

The profit from plantation operation for the period under review was RM25.16 million which was RM31.54 million or 56% lower than RM56.70 million recorded for last year’s corresponding period. The drop in profit was mainly due to lower FFB price. The FFB production for the period under review was 125,500 MT, a drop of 5,000 MT as compared to last year’s corresponding period. The drop in FFB production was broadly in line with the trend of national FFB yield.

As for the milling operation, the profit dropped by 33% or RM6.76 million to RM13.83 million mainly due to lower margin as a result of stiff competition. Total CPO production for the period under review was 80,600 MT, which represented a 12% increase as compared to 72,000 MT recorded in last year’s corresponding period. Our new mill in Telupid, Sabah contributed 9,400 MT.

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

The PBT for the current quarter was RM22.69 million which was 45% higher than RM15.60 million achieved in the last quarter ended 30 April 2009. The increase in PBT was mainly due to better performance of plantation operations as well as better palm oil prices. The FFB production for the current quarter increased by 8,100 MT to 66,800 MT as compared to 58,700 MT achieved in the preceding quarter.

B3. Current financial year prospects

For the financial year ending 31 January 2010, we expect further increase in the production quantity of the milling operations as compared to financial year 2009. For the plantation operations, we expect the FFB production quantity in the second half year will be higher than the quantity achieved in the first half year.

In view of the volatility of commodity price, the Group will continue to 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 results 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 31/07/2009 RM'000	Current Financial Year-to-date 31/07/2009 RM'000
Malaysian Income Tax		
- Current year	5,667	9,512
Real Property Gains Tax		
- Over provision in prior year	(26)	(26)
Deferred tax		
- Current year	213	315
- Realisation of revaluation surplus on land	(72)	(144)
	141	171
	5,782	9,657

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

Status of 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 July 2009:-

	RM'000
At Cost	362
Allowance for diminution in value	(349)
At Book Value	13
At Market Value	28

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 24 September 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 28 July 2009, the remaining amount of land premium due was paid to Jabatan Tanah and Ukur, Kota Kinabalu (“JTU”) in respect of the subdivision and conversion. The duly executed and accepted draft subdivided land titles have been submitted to and acknowledged receipt by JTU on 30 July 2009.

The Group is currently waiting for the final subdivided land titles to be issued by JTU.

B9. Group borrowings and debt securities

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

	RM'000
Short term borrowings :	
Overdrafts	1,186
Revolving credit	3,000
Term loans	528
	<hr/>
	4,714
	<hr/>
Long term borrowings :	
Term loans	30,250
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There were no unsecured interest bearing borrowings as at 31 July 2009.

B10. Financial instruments with off balance sheet risks

There were no financial instruments with off balance sheet risks as at 24 September 2009.

B11. Material litigation

As at 24 September 2009, there were no material litigations against the Group.

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B12. Dividend

The Board is pleased to declare an interim single tier tax exempt dividend of 4 sen per share in respect of the financial year ending 31 January 2010.

- (a) (i) amount per share: 4 sen single tier tax exempt;
 - (ii) previous corresponding period: 33 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: 4 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 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 31/07/2009	Current Financial Year-to-date 31/07/2009
Net profit for the period	(RM'000)	13,155	22,007
Weighted average number of ordinary shares in issue	('000)	302,858	302,620
Basic EPS	(sen)	4.34	7.27

KIM LOONG RESOURCES BERHAD

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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 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 31/07/2009	Current Financial Year-to-date 31/07/2009
Net profit for the period	(RM’000)	13,155	22,007
Weighted average number of ordinary shares in issue	(’000)	302,858	302,620
Adjustment for dilutive effect of unexercised share options	(’000)	336	314
Adjustment for dilutive effect of warrants	(’000)	2,126	2,037
Adjusted weighted average number of shares for Diluted EPS	(’000)	305,320	304,971
Diluted EPS	(sen)	4.31	7.22