

**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
	31/07/2007 RM'000	31/07/2006 RM'000	31/07/2007 RM'000	31/07/2006 RM'000
Revenue	111,174	63,881	179,138	116,134
Cost of sales	<u>(89,697)</u>	<u>(55,568)</u>	<u>(149,050)</u>	<u>(100,903)</u>
Gross profit	21,477	8,313	30,088	15,231
Other income	1,202	180	1,604	2,462
Operating expenses	(3,922)	(3,340)	(6,957)	(6,558)
Gain on disposal of subsidiary company	-	-	-	75
Finance costs	<u>(236)</u>	<u>(369)</u>	<u>(476)</u>	<u>(773)</u>
<b>Profit before tax</b>	18,521	4,784	24,259	10,437
Tax expenses	<u>(4,557)</u>	<u>(1,217)</u>	<u>(5,780)</u>	<u>(2,265)</u>
<b>Profit for the period</b>	<u>13,964</u>	<u>3,567</u>	<u>18,479</u>	<u>8,172</u>
Attributable to :				
Equity holders of the Company	11,782	4,159	16,332	8,802
Minority interests	<u>2,182</u>	<u>(592)</u>	<u>2,147</u>	<u>(630)</u>
	<u>13,964</u>	<u>3,567</u>	<u>18,479</u>	<u>8,172</u>
<b>Earnings per share (sen) :</b>				
- Basic	6.71	2.43	9.44	5.15
- Diluted	5.85	1.94	8.32	4.10
<b>Dividends per share (sen)</b>	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 2007)

**KIM LOONG RESOURCES BERHAD**

(Company Number : 22703-K)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>AS AT CURRENT QUARTER ENDED 31/07/2007 RM'000</b>	<b>AS AT PRECEDING FINANCIAL YEAR ENDED 31/01/2007 RM'000 (Restated)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	107,329	103,601
Biological assets	65,418	65,360
Prepaid land lease payments	167,808	168,994
Quoted investments	178	2,212
Development expenditure	1,444	1,031
Deferred tax assets	350	270
	342,527	341,468
<b>Current assets</b>		
Inventories	15,663	10,663
Receivables	21,002	13,634
Tax recoverable	211	638
Deposits with licensed banks and other financial institution	48,119	27,325
Cash and bank balances	12,332	12,504
	97,327	64,764
<b>TOTAL ASSETS</b>	439,854	406,232
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	174,836	171,459
Share premium	36,055	35,284
Revaluation reserve	45,899	45,197
Other reserve	-	64
Retained profits	69,702	61,883
	326,492	313,887
Minority interests	12,080	10,151
<b>Total equity</b>	338,572	324,038
<b>Non-current liabilities</b>		
Interest bearing borrowings (secured)	10,145	12,669
Other borrowings	7,461	7,575
Deferred tax liabilities	33,998	33,935
	51,604	54,179
<b>Current liabilities</b>		
Payables	27,925	18,018
Interest bearing borrowings (secured)	9,125	8,833
Dividend payable	8,918	-
Tax payable	3,710	1,164
	49,678	28,015
<b>Total liabilities</b>	101,282	82,194
<b>TOTAL EQUITY AND LIABILITIES</b>	439,854	406,232
<b>Net assets per share attributable to ordinary equity holders of the Company (RM)</b>	1.87	1.83

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2007)

**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	Reserve on consolidation	Revaluation reserve	Other reserve	Retained profits			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>6 months ended</b>									
<b>31 July 2007</b>									
<b>Balance as at 1 February 2007</b>	171,459	35,284	-	45,197	64	61,883	313,887	10,151	324,038
Realisation of revaluation surplus, net of tax	-	-	-	(405)	-	405	-	-	-
Prior year over provision of deferred tax on revaluation surplus	-	-	-	326	-	-	326	-	326
Reduction in deferred tax arising from change in tax rate	-	-	-	781	-	-	781	106	887
Share-based payment under ESOS	-	-	-	-	202	-	202	-	202
Transfer of reserve arising from exercise of ESOS	-	266	-	-	(266)	-	-	-	-
Income and expenses recognised directly in equity	-	266	-	702	(64)	405	1,309	106	1,415
Profit for the period	-	-	-	-	-	16,332	16,332	2,147	18,479
Total recognised income and expenses for the period	-	266	-	702	(64)	16,737	17,641	2,253	19,894
Dividends distributed to equity holders	-	-	-	-	-	(8,918)	(8,918)	(438)	(9,356)
Issuance of shares	3,377	505	-	-	-	-	3,882	-	3,882
Minority interests' share of loss set off against their advances	-	-	-	-	-	-	-	114	114
Pre-acquisition profit acquired from minority interests	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 July 2007</b>	<b>174,836</b>	<b>36,055</b>	<b>-</b>	<b>45,899</b>	<b>-</b>	<b>69,702</b>	<b>326,492</b>	<b>12,080</b>	<b>338,572</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	Reserve on consolidation	Revaluation reserve	Other reserve	Retained profits			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>6 months ended</b>									
<b>31 July 2006</b>									
<b>Balance as at 1 February 2006</b>	170,864	35,154	11,352	45,981	-	35,381	298,732	8,779	307,511
Prior year adjustments :									
Effects of adopting FRS 3 on goodwill on consolidation	-	-	-	-	-	(470)	(470)	-	(470)
As restated	170,864	35,154	11,352	45,981	-	34,911	298,262	8,779	307,041
Effect of adopting FRS 3 on reserve on consolidation	-	-	(11,352)	-	-	11,352	-	-	-
Realisation of revaluation surplus, net of tax	-	-	-	(406)	-	406	-	-	-
Share-based payment under ESOS	-	-	-	-	87	-	87	-	87
Transfer of reserve arising from exercise of ESOS	-	12	-	-	(12)	-	-	-	-
Income and expenses recognised directly in equity	-	12	-	(406)	75	406	87	-	87
Profit for the period	-	-	-	-	-	8,802	8,802	(630)	8,172
Total recognised income and expenses for the period	-	12	-	(406)	75	9,208	8,889	(630)	8,259
Dividends distributed to equity holders	-	-	-	-	-	(4,923)	(4,923)	-	(4,923)
Issuance of shares	108	15	-	-	-	-	123	-	123
Minority interests' share of loss set off against their advances	-	-	-	-	-	-	-	1,465	1,465
<b>Balance as at 31 July 2006</b>	<b>170,972</b>	<b>35,181</b>	<b>-</b>	<b>45,575</b>	<b>75</b>	<b>50,548</b>	<b>302,351</b>	<b>9,614</b>	<b>311,965</b>

(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 2007)

**KIM LOONG RESOURCES BERHAD**

(Company Number : 22703-K)

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>6 months ended 31/07/2007 RM'000</b>	<b>6 months ended 31/07/2006 RM'000</b>
<b>Net cash from operating activities</b>	26,875	10,727
<b>Net cash used in investing activities</b>	(7,465)	(2,246)
<b>Net cash from/(used in) financing activities</b>	1,131	(4,716)
<b>Net increase in cash and cash equivalents</b>	<u>20,541</u>	<u>3,765</u>
<b>Cash and cash equivalents at beginning of period</b>	38,750	30,729
<b>Cash and cash equivalents at end of period (Note a)</b>	<u><u>59,291</u></u>	<u><u>34,494</u></u>
<b><u>Note a : Cash and cash equivalents at end of period</u></b>		
Cash and bank balances	12,332	10,327
Deposits with licensed banks and other financial institution	48,119	25,120
Bank overdrafts	(1,160)	(953)
	<u><u>59,291</u></u>	<u><u>34,494</u></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 2007)

# 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 2007. 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 2007.

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 2007 except for the adoption of the following amended FRSs effective for the financial period which are relevant to its operations:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of FRS 124 does not have significant financial impact on the Group.

Prior to 1 February 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated amortization and impairment loss, if any. The adoption of the revised FRS 117 has resulted in the change in the accounting policy relating to the classification of leases of land. Leasehold land held for own use is now classified as operating lease and where necessary the minimum lease payments or the up-front payments made are allocated between land and the building elements in proportion to the fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid land lease payments and are amortised on a straight line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 February 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions. The classification of leasehold land as prepaid land lease payments has been accounted for retrospectively and certain comparatives are restated as follows:

	As previously stated RM'000	Effects on adoption of FRS 117 RM'000	As restated RM'000
<b>As at 31 January 2007</b>			
Property, plant and equipment	272,595	(168,994)	103,601
Prepaid land lease payments	-	168,994	168,994

## **KIM LOONG RESOURCES BERHAD**

(Company Number: 22703-K)

### **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 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.

### **A6. Debt and equity securities**

The Company's issued and paid up capital increased from RM171,458,700 as at 31 January 2007 to RM174,836,299 as at 31 July 2007 as a result of:

- (a) issuance of 3,051,500 new ordinary shares of RM1 each under the Company's Employees' Share Option Scheme ("ESOS"); and
- (b) issuance of 326,099 new ordinary shares of RM1 each pursuant to the exercise of 326,099 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.

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**A8. Segmental information**

Major segments by activity:-

	<b>Revenue</b>		<b>Results</b>	
	6 months ended		6 months ended	
	31/07/2007	31/07/2006	31/07/2007	31/07/2006
	RM'000	RM'000	RM'000	RM'000
Plantation operations	40,624	25,185	17,863	6,128
Milling operations	158,096	103,354	6,890	3,489
	198,720	128,539	24,753	9,617
Less:				
Inter-segment eliminations	(19,582)	(12,405)	-	-
	<u>179,138</u>	<u>116,134</u>	24,753	9,617
Less:				
Unallocated expenses			(1,253)	(898)
Finance income			645	308
Finance costs			(476)	(773)
Other investment income			572	2,183
Profit before tax			24,259	10,437
Tax expenses			(5,780)	(2,265)
Profit for the period			<u>18,479</u>	<u>8,172</u>

**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 period that have not been reflected in the financial statements for the current financial period up to 25 September 2007.

**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 2007.



## **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 RM179.14 million and RM24.26 million respectively for the cumulative two quarters ended 31 July 2007, as compared to RM116.13 million and RM10.44 million respectively for last year’s corresponding period.

The large 54% and 132% increases in revenue and PBT respectively were mainly contributed by higher crude palm oil price which was 60% more than last year’s corresponding period.

The profit from plantation operation for the period under review increased by 191% or RM11.73 million to RM17.86 million as a result of the good palm oil prices despite a drop in FFB production from 95,700MT to 93,500MT.

As for the milling operation, the profit also increased by 97% or RM3.40 million to RM6.89 million mainly contributed by good performance of our Keningau mill.

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

The PBT for the current quarter was RM18.52 million which is RM12.78 million or 223% higher than RM5.74 million achieved last quarter ended 30 April 2007. The higher PBT was mainly contributed by 30% increase in FFB production as well as 26% increase in palm oil prices. In addition, the improved rate of utilisation of capacity of our mills also resulted in better profit contribution in the current quarter.

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

For the financial year ending 31 January 2008, we expect a significant increase in the production from both the plantation and milling operations as compared to financial year 2007. With a more productive age profile of the palms, the plantation operations production is expected to increase about 15%. For the milling operations, the FFB processed by the mill at Keningau is expected to further increase and contribute in boosting the palm oil production for the Group.

Barring any unforeseen circumstances, based on the above factors and high CPO price expected, the Board expects the Group to perform better in the second half as compared to first half of the financial year ending 31 January 2008.

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

This is not applicable

**KIM LOONG RESOURCES BERHAD**

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**B5. Income tax**

	Current Quarter 31/07/2007 RM'000	Current Financial Year-to-date 31/07/2007 RM'000
<b>Malaysian Income Tax</b>		
- Current year	3,085	4,589
<b>Deferred tax</b>		
- Current year	1,472	1,538
- Overprovision in prior years	-	(347)
	4,557	5,780

The effective tax rate is lower than the statutory tax rate for the current quarter and current financial year-to-date mainly due to adjustment on overprovision of deferred tax in prior years and certain income is 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) Total purchase consideration and sale proceeds of quoted securities for the current quarter and financial year-to-date are as follows:-

	Current Quarter 31/07/2007 RM'000	Current Financial Year-to-date 31/07/2007 RM'000
Total purchase consideration	-	-
Total sale proceeds	2,572	2,572
Total gain on disposals	539	539

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(b) Total investments in quoted securities as at 31 July 2007:-

	RM'000
At Cost	661
Allowance for diminution in value	(483)
At Book Value	<u>178</u>
At Market Value	<u>233</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 proposals**Status of corporate proposals not completed as at 25 September 2007

(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	30,000	-
Property, plant and equipment	24,250	19,031	5,219
Working capital	15,205	15,205	-
Estimated expenses relating to the Rights Issue	1,000	1,000	-
Total proceeds from the Rights Issue	<u>70,455</u>	<u>65,236</u>	<u>5,219</u>

## **KIM LOONG RESOURCES BERHAD**

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

As at 31 July 2007, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM'000
Short term borrowings :	
Overdrafts	1,160
Revolving credit	3,000
Term loans	4,965
	<u>9,125</u>
Long term borrowings :	
Term loans	<u>10,145</u>

There was no interest bearing unsecured borrowing as at 31 July 2007.

### **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 26% in respect of the financial year ending 31 January 2008.

- (a) (i) amount per share: 3 sen less income tax of 26%;
  - (ii) previous corresponding period: 3 sen less income tax of 28%;
  - (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: 3 sen less income tax of 26%

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**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 six months by the weighted average number of ordinary shares in issue during the current quarter and the first six months respectively:

		Current Quarter 31/07/2007	Current Financial Year-to-date 31/07/2007
Net profit for the period	(RM'000)	<u>11,782</u>	<u>16,332</u>
Weighted average number of ordinary shares in issue	('000)	<u>175,681</u>	<u>172,965</u>
Basic EPS	(sen)	<u>6.71</u>	<u>9.44</u>

**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 six months by the weighted average number of ordinary shares in issue during the current quarter and the first six months 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 31/07/2007	Current Financial Year-to-date 31/07/2007
Net profit for the period	(RM'000)	<u>11,782</u>	<u>16,332</u>
Weighted average number of ordinary shares in issue	('000)	175,681	172,965
Adjustment for dilutive effect of unexercised share options	('000)	1,151	957
Adjustment for dilutive effect of warrants	('000)	24,419	22,386
Adjusted weighted average number of shares for Diluted EPS	('000)	<u>201,251</u>	<u>196,308</u>
Diluted EPS	(sen)	<u>5.85</u>	<u>8.32</u>