

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

**Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION
31-07-2004**

	INDIVIDUAL QUARTER CURRENT YEAR QUARTER 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2003 RM'000	CUMULATIVE QUARTER CURRENT YEAR TO-DATE 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2003 RM'000
1 Revenue	60,085	55,448	123,242	94,334
2 Profit/(loss) before tax	2,045	3,419	8,543	6,245
3 Profit/(loss) after tax and minority interests	2,219	2,762	6,632	5,206
4 Net profit/(loss) for the period	2,219	2,762	6,632	5,206
5 Basic earnings/(loss) per share (sen)	2.08	2.59	6.21	4.88
6 Dividends per share (sen)	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)	2.05	2.01
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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
	31/07/2004 RM'000	31/07/2003 RM'000	31/07/2004 RM'000	31/07/2003 RM'000
Revenue	<u>60,085</u>	<u>55,448</u>	<u>123,242</u>	<u>94,334</u>
Gross profit	5,096	5,940	14,135	10,407
Other operating income	163	132	370	168
Operating expenses	(2,277)	(2,342)	(4,498)	(3,809)
Diminution in value of quoted securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit from operations	2,982	3,730	10,007	6,766
Finance costs	<u>(937)</u>	<u>(311)</u>	<u>(1,464)</u>	<u>(521)</u>
Profit before tax	2,045	3,419	8,543	6,245
Tax	<u>(593)</u>	<u>(1,100)</u>	<u>(2,579)</u>	<u>(1,905)</u>
Profit after tax	1,452	2,319	5,964	4,340
Minority interests	<u>767</u>	<u>443</u>	<u>668</u>	<u>866</u>
Net profit for the period	<u><u>2,219</u></u>	<u><u>2,762</u></u>	<u><u>6,632</u></u>	<u><u>5,206</u></u>
Earnings per share (sen) :				
- Basic	2.08	2.59	6.21	4.88
- Diluted	N/A	N/A	N/A	N/A
Dividends per share (sen)	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 2004)

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	AS AT CURRENT QUARTER ENDED 31/07/2004 RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/01/2004 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	315,258	311,245
Quoted investments	6,259	6,738
Development expenditure	87	135
Goodwill on consolidation	1,624	1,624
Deferred tax assets	-	-
	323,228	319,742
CURRENT ASSETS		
Inventories	10,041	11,425
Receivables	12,769	8,654
Tax recoverable	1,777	2,256
Cash and bank balances	10,131	1,893
	34,718	24,228
CURRENT LIABILITIES		
Payables	15,834	13,189
Interest bearing borrowings (secured)	12,000	9,986
Dividend payable	3,074	-
Tax payable	1,328	719
	32,236	23,894
Net Current Assets	2,482	334
NON-CURRENT LIABILITIES		
Interest bearing borrowings (secured)	55,315	53,182
Other borrowings	7,641	8,903
Deferred tax	35,493	34,882
	98,449	96,967
	227,261	223,109
CAPITAL AND RESERVES		
Share capital	106,750	106,750
Reserves	113,595	110,037
	220,345	216,787
Minority interests	6,916	6,322
	227,261	223,109
Net tangible assets per share (RM)	2.05	2.01

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2004)

KIM LOONG RESOURCES BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

6 months ended 31 July 2004	Share capital RM'000	Non-distributable reserves RM'000	Distributable reserve RM'000	Total RM'000
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	<u>106,750</u>	<u>88,129</u>	<u>25,466</u>	<u>220,345</u>
6 months ended 31 July 2003				
Balance as at 1 February 2003				
As previously stated	106,750	41,206	27,842	175,798
Prior year adjustment	-	(108)	(14,970)	(15,078)
As restated	<u>106,750</u>	<u>41,098</u>	<u>12,872</u>	<u>160,720</u>
Movements during the period	-	-	5,206	5,206
Balance as at 31 July 2003	<u>106,750</u>	<u>41,098</u>	<u>18,078</u>	<u>165,926</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 2004)

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 31/07/2004 RM'000	6 months ended 31/07/2003 RM'000
Net cash generated from operating activities	12,821	10,042
Net cash used in investing activities	(8,730)	(25,924)
Net cash generated from financing activities	4,180	24,870
Net increase in cash and cash equivalents	8,271	8,988
Cash and cash equivalents at beginning of period	555	(4,954)
Cash and cash equivalents at end of period (Note a)	<u>8,826</u>	<u>4,034</u>
<u>Note a : Cash and cash equivalents at end of period</u>		
Cash and bank balances	10,131	12,015
Bank overdrafts	(1,305)	(7,981)
	<u>8,826</u>	<u>4,034</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 2004)

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 the requirements of MASB 26 - Interim Financial Reporting 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 2004. 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 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 January 2004.

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 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

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

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A7. Dividends paid

No dividend has been paid during the current financial year-to-date.

A8. Segmental information

Major segments by activity:-

	Revenue		Results	
	6 months ended		6 months ended	
	31/07/2004	31/07/2003	31/07/2004	31/07/2003
	RM'000	RM'000	RM'000	RM'000
Plantation operations	22,123	12,956	7,589	4,429
Milling operations	108,093	83,305	3,466	3,172
	130,216	96,261	11,055	7,601
Less:				
Inter-segment eliminations	(6,974)	(1,927)	(60)	(61)
	<u>123,242</u>	<u>94,334</u>	10,995	7,540
Less:				
Unallocated expenses			(988)	(774)
Profit from operations			<u>10,007</u>	<u>6,766</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 23 September 2004.

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A11. Changes in the composition of the Group

The changes in the composition of the Group during the current quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations are as follows:

- (a) On 5 May 2004, the Company incorporated a subsidiary company, Palm Nutraceuticals Sdn. Bhd. (“PNSB”). Currently, the paid-up capital of PNSB is RM2 divided into 2 ordinary shares of RM1 each fully paid and is a wholly owned subsidiary of the Company. PNSB has not commenced operations.
- (b) On 25 May 2004, a 90% owned subsidiary company, Okidville Plantations Sdn. Bhd. (“OPSB”), incorporated a company called Winsome Kledang Sdn. Bhd. (“WKSB”). Currently, the paid-up capital of WKSB is RM2 divided into 2 ordinary shares of RM1 each fully paid. WKSB has not commenced 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 2004.

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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 achieved a revenue and profit before tax (“PBT”) of RM123.24 million and RM8.54 million respectively for the half year ended 31 July 2004, representing an increase of 31% and 37% respectively as compared to last year’s corresponding period.

The 31% increase in revenue of RM28.91 million is contributed by higher palm oil prices as well as higher production from both the milling and plantation operations. The revenue of the plantation operations has increased by RM9.16 million or 71% to RM22.12 million as compared to last year’s corresponding period of only RM12.96 million. The increase is mainly due to better palm oil prices and higher FFB production. The FFB price has increased by 21% whilst the FFB production has increased by approximately 41% due to increased mature acreage and a more productive age profile of the palms. Currently, the mature acreage is approximately 27,000 acres representing 96% of the existing planted area of the Group and the age of the majority of the palms is below 5 years. As a result, the profit from the plantation operations increased by 71% or RM3.16 million to RM7.59 million as compared to RM4.43 million in last year’s corresponding period.

The milling operations have recorded an increase of 30% or RM24.79 million in revenue mainly due to higher palm oil production and higher palm oil prices. The FFB intake was approximately 6% higher than last year’s corresponding period, and the new mill in Keningau, Sabah contributed 15% of the total FFB intake. Besides that, the average palm oil prices also increased by approximately 17% as compared to last year’s corresponding period. On the other hand, the FFB purchase cost also increased by 26% due to competition for FFB from surrounding mills. As a result, the profit from the milling operations increased only marginally by 9% or RM0.30 million to RM3.47 million as compared to RM3.17 for last year’s corresponding period.

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

The Group recorded a PBT of RM2.04 million for the quarter ended 31 July 2004 as compared to RM6.50 million for the preceding quarter ended 30 April 2004. The 69% drop in PBT of RM4.46 million is mainly caused by stocks being realised at a value lower than their carrying amount as a result of the sharp decline in CPO price and also a lower processing margin due to competition for FFB supplies from surrounding mills.

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B3. Current financial year prospects

For the financial year ending 31 January 2005, the production quantity for both the plantation and milling operations are expected to be higher than for the financial year 2004. The higher production for the plantation operations is due to the increasing mature acreage and a more productive age profile of the palms. For the milling operations, the increasing production of the new mill's operations in Keningau, Sabah is expected to boost the palm oil production quantity for the Group.

Barring unforeseen circumstances, the Board expects the Group's performance to improve in the financial year ending 31 January 2005 as compared to the financial year 2004.

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

This is not applicable

B5. Income tax

	Current Quarter 31/07/2004 RM'000	Current Financial Year-to-date 31/07/2004 RM'000
Malaysian Income Tax		
- Current year	520	1,840
- Underprovision in prior years	-	128
Deferred tax	73	611
	<u>593</u>	<u>2,579</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.

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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 31/07/2004 RM'000	Current Financial Year-to-date 31/07/2004 RM'000
Total purchase consideration	-	-
Total sale proceeds	-	568
Total gain on disposals	-	90

- (b) Total investments in quoted securities as at 31 July 2004:-

	RM'000
At Cost	6,607
Allowance for diminution in value	(348)
At Book Value	<u>6,259</u>
At Market Value	<u>6,140</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 23 September 2004

- (A) Status of subdivision and transfer of titles of two pieces of plantation land acquired :

- (i) 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 name of the relevant subsidiaries.

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(B) Proposed Rights Issue With Warrants :

(1) On 12 May 2004, the Company announced the following corporate proposals:

- (i) Proposed renounceable rights issue of 64,050,000 new ordinary shares of RM1.00 each in the Company at an issue price to be determined later together with 42,700,000 free detachable warrants on the basis of three (3) new ordinary shares of RM1.00 each together with two (2) free detachable warrants for every five (5) existing ordinary shares of RM1.00 each at a date to be determined later (“Proposed Rights Issue With Warrants”).

The Company has applied to the Securities Commission for approval of the Proposed Rights Issue With Warrants. As this also requires the Company’s shareholders’ approval, an Extraordinary General Meeting (“EGM”) will be convened at a later date.

- (ii) Proposed establishment of share option scheme for eligible employees and Directors of the Company and its subsidiary companies (“Proposed Share Option Scheme”).

The Company will be seeking the Company’s shareholders’ approval for the Proposed Share Option Scheme at an EGM to be convened at a later date.

(2) On 10 August 2004, the Company submitted an application to Securities Commission for the Proposed Rights Issue With Warrants and is now pending approval.

B9. Group borrowings and debt securities

As at 31 July 2004, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM’000
Short term borrowings :	
Overdrafts	1,305
Term loans	10,695
	<u>12,000</u>
Long term borrowings :	
Term loans	<u>55,315</u>

There is no interest bearing unsecured borrowings as at 31 July 2004.

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.

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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 2005.

- (a) (i) amount per share: 3 sen less income tax of 28%;
 - (ii) previous corresponding period: Nil;
 - (iii) date payable: 15 December 2004 ; and
 - (iv) in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of the depositors as at 24 November 2004; and
- (b) total dividend for the current financial year: 3 sen less income tax of 28%

B13. Earnings per share

- (a) Current financial quarter

The basic earnings per share is calculated based on the Group's net profit of RM2.22 million divided by the weighted average number of shares in issue during the period of 106,750,000 shares.

- (b) Current financial year-to-date

The basic earnings per share is calculated based on the Group's net profit of RM6.63 million divided by the weighted average number of shares in issue during the period of 106,750,000 shares.