

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 RM302,706,872 as at 30 April 2009 as a result of:

- (a) issuance of 412,900 new ordinary shares of RM1 each under the Company's Employees' Share Option Scheme ("ESOS"); and
- (b) issuance of 41,000 new ordinary shares of RM1 each pursuant to the exercise of 41,000 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	
	3 months ended		3 months ended	
	30/04/2009	30/04/2008	30/04/2009	30/04/2008
	RM'000	RM'000	RM'000	RM'000
Plantation operations	21,966	38,590	8,429	25,678
Milling operations	94,024	121,356	7,639	8,100
	115,990	159,946	16,068	33,778
Less:				
Inter-segment eliminations	(17,014)	(23,660)	228	(423)
	98,976	136,286	16,296	33,355
Less:				
Unallocated expenses			(777)	(679)
Finance income			400	706
Finance costs			(321)	(184)
Profit before tax			15,598	33,198
Tax expenses			(3,875)	(7,626)
Profit for the period			11,723	25,572

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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 June 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 RM98.98 million and RM15.60 million respectively for the current quarter ended 30 April 2009, as compared to RM136.29 million and RM33.20 million respectively for last year’s corresponding period.

The 27% and 53% drop in revenue and PBT respectively were mainly due to lower crude palm oil price which was about 40% less than last year’s corresponding period.

The profit from plantation operation for the current quarter was RM8.43 million which was RM17.25 million or 67% lower than RM25.68 million recorded for last year’s corresponding period. The drop in profit was mainly due to lower FFB price while the FFB production maintained at the level of 59,000 MT which was 1,000 MT more as compared to last year’s corresponding period.

As for the milling operation, the profit only dropped by 6% or RM0.46 million to RM7.64 million due to higher milling throughput and efficiency. Total CPO production for the current quarter was 35,317 MT which was a 9% increase as compared to 32,428 MT recorded in last year’s corresponding period.

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

The PBT for the current quarter was RM15.60 million which was 19% higher than RM13.13 million achieved in the last quarter ended 31 January 2009. The increase in PBT was mainly due to better performance of milling operations as well as better palm oil prices. As a result of drop in FFB production by 10,900 MT, plantation operations only contributed about 52% of the PBT in the current quarter.

B3. Current financial year prospects

For the financial year ending 31 January 2010, we expect further increase in the production from both the plantation and milling operations as compared to financial year 2009.

In view of the current economic downturn and volatile 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 performance to be good 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 30/04/2009 RM'000	Current Financial Year-to-date 30/04/2009 RM'000
Malaysian Income Tax		
- Current year	3,845	3,845
Deferred tax		
- Current year	102	102
- Realisation of revaluation surplus on land	(72)	(72)
	30	30
	<u>3,875</u>	<u>3,875</u>

The effective tax rate is lower than the statutory tax rate for the current quarter and current financial year-to-date mainly due to certain income which are 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) 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 30 April 2009:-

	RM'000
At Cost	362
Allowance for diminution in value	(349)
At Book Value	<u>13</u>
At Market Value	<u>15</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.

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B8. Status of corporate proposals

Status of corporate proposal not completed as at 24 June 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 11 August 2008, the Group received a letter from Desa Cattle (Sabah) Sdn. Bhd. informing us that the subdivided draft land titles together with the Memorandum of Payment have been issued by Lands and Surveys Department. The issuance of subdivided land titles is currently pending acceptance and payment of the balance land premium by the respective beneficial owners.

B9. Group borrowings and debt securities

As at 30 April 2009, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM'000
Short term borrowings :	
Overdrafts	933
Revolving credit	3,000
Term loans	2,261
	<hr/>
	6,194
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Long term borrowings :	
Term loans	20,333
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There was no unsecured interest bearing borrowing as at 30 April 2009.

B10. Financial instruments with off balance sheet risks

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

B11. Material litigation

As at 24 June 2009, there was no material litigation against the Group.

B12. Dividend

No dividend has been declared or proposed since the end of the previous financial quarter.

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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 3 months by the weighted average number of ordinary shares in issue during the current quarter and the first 3 months respectively:

		Current Quarter 30/04/2009	Current Financial Year-to-date 30/04/2009
Net profit for the period	(RM'000)	<u>8,852</u>	<u>8,852</u>
Weighted average number of ordinary shares in issue	('000)	<u>302,373</u>	<u>302,373</u>
Basic EPS	(sen)	<u>2.93</u>	<u>2.93</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 3 months by the weighted average number of ordinary shares in issue during the current quarter and the first 3 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 30/04/2009	Current Financial Year-to-date 30/04/2009
Net profit for the period	(RM'000)	<u>8,852</u>	<u>8,852</u>
Weighted average number of ordinary shares in issue	('000)	<u>302,373</u>	<u>302,373</u>
Adjustment for dilutive effect of unexercised share options	('000)	<u>364</u>	<u>364</u>
Adjustment for dilutive effect of warrants	('000)	<u>1,870</u>	<u>1,870</u>
Adjusted weighted average number of shares for Diluted EPS	('000)	<u>304,607</u>	<u>304,607</u>
Diluted EPS	(sen)	<u>2.91</u>	<u>2.91</u>