

# **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.

## KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

### 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
	<u>225,020</u>	<u>318,393</u>	39,508	78,293
Less:				
Unallocated expenses			(1,377)	(1,442)
Finance income			761	1,353
Finance costs			(606)	(352)
Profit before tax			<u>38,286</u>	<u>77,852</u>
Tax expenses			(9,657)	(18,938)
Profit for the period			<u>28,629</u>	<u>58,914</u>

## **KIM LOONG RESOURCES BERHAD**

(Company Number: 22703-K)

### **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.

## **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 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.

**KIM LOONG RESOURCES BERHAD**

(Company Number: 22703-K)

**B5. Income tax**

	Current Quarter 31/07/2009 RM'000	Current Financial Year-to-date 31/07/2009 RM'000
<b>Malaysian Income Tax</b>		
- Current year	5,667	9,512
<b>Real Property Gains Tax</b>		
- Over provision in prior year	(26)	(26)
<b>Deferred tax</b>		
- 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.

## **KIM LOONG RESOURCES BERHAD**

(Company Number: 22703-K)

### **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
	<u>4,714</u>
Long term borrowings :	
Term loans	<u>30,250</u>

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.

## KIM LOONG RESOURCES BERHAD

(Company Number: 22703-K)

### 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

(Company Number: 22703-K)

### 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