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.

The Group has not elected for early adoption of the following FRSs relevant to the current operations of the Group, which were issued but not yet effective for the financial year ended 31 January 2010:

		Effective for Financial periods beginning on or after
FRS 3	Business Combinations	1 July 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment		1 January 2010

The above new FRSs, IC Interpretations and the other various amendments to the FRSs are not expected to have any significant impact on the financial statements of the Group and of the Company upon their initial application other than:
- Changes in the presentation of the financial statements that will arise from the adoption of FRS 101.

The Group and the Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139 by virtue of the exemptions given in the respective standards.

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.

A6. Debt and equity securities

The Company's issued and paid-up capital increased from RM302,252,972 as at 31 January 2009 to RM304,237,352 as at 31 January 2010 as a result of:

(a) issuance of 851,900 new ordinary shares of RM1 each under the Company's Employees' Share Option Scheme ("ESOS"); and

(b) issuance of 1,132,480 new ordinary shares of RM1 each pursuant to the exercise of 1,132,480 Warrants.

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

A7. Dividends paid

The gross dividends paid during the current financial year-to-date were as follows:

(a) A final dividend of 2.5 sen less income tax and 0.5 sen tax exempt per ordinary share in respect of the financial year 2009 was paid on 18 August 2009.

(b) An interim single tier tax exempt dividend of 4 sen per ordinary share in respect of the financial year 2010 was paid on 16 December 2009.

A8. Segmental information

Major segments by activity:-

	Revenue		Results	
	Year ended		Year ended	
	31/01/2010	31/01/2009	31/01/2010	31/01/2009
	RM'000	RM'000	RM'000	RM'000
Plantation operations	113,686	144,566	51,935	86,381
Milling operations	442,989	447,718	32,532	19,368
	556,675	592,284	84,467	105,749
Less:				
Inter-segment eliminations	(105,142)	(85,199)	(2,193)	501
	451,533	507,085	82,274	106,250
Less:				
Unallocated expenses			(3,540)	(3,696)
Finance income			1,817	2,490
Finance costs			(1,359)	(660)
Profit before tax			79,192	104,384
Tax expenses			(19,495)	(22,821)
Profit for the year			59,697	81,563

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 March 2010.

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 except for on 6 January 2010, the Company's 100% owned subsidiary, Kim Loong Corporation Sdn. Bhd., completed its acquisition of 2,016,000 ordinary shares of RM1.00 each representing 60% equity interests in Tetangga Akrab Pelita (Pantu) Sdn. Bhd. ("TAPPSB") for a cash consideration of RM25 million which includes the assignment of approximately RM13.3 million of amount owing to the vendor by TAPPSB.

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.

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 RM451.53 million and RM79.19 million respectively for the financial year ended 31 January 2010, as compared to RM507.08 million and RM104.38 million respectively for the last financial year.

The 11% and 24% drop in revenue and PBT respectively were mainly due to lower crude palm oil price which was about 16% lower than last financial year.

The profit from plantation operation for the year under review was RM51.94 million which was RM34.44 million or 40% lower than RM86.38 million recorded for the last financial year. The drop in profit was mainly due to lower FFB price. The FFB production for the year under review was 262,800 MT, a drop of 3.5% or 9,500 MT as compared to the last financial year. The drop in FFB production was broadly in line with the trend of national FFB yield.

As for the milling operation, the profit increased by 68% or RM13.16 million to RM32.53 million as compared to RM19.37 million recorded for the last financial year mainly due to sharp drop in CPO price in the second half of the preceding year which has pulled down the profit for the last financial year. Total CPO production for the year under review was 172,100 MT, which represented a 18% increase as compared to 145,400 MT recorded in the last financial year. Our new mill in Telupid, Sabah contributed 29,100 MT.

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

The PBT for the current quarter was RM17.92 million which was 22% lower than RM22.99 million achieved in the preceding quarter ended 31 October 2009. The FFB production for the current quarter dropped by 8% or 5,400 MT to 65,900 MT as compared to 71,300 MT achieved in the preceding quarter. As for milling operations, the FFB intake during the current quarter also dropped by 6%.

B3. Current financial year prospects

For the financial year ending 31 January 2011, we expect marginal increase in the production quantity of the milling operations as compared to financial year 2010. For the plantation operations, we expect the FFB production quantity to be higher than the quantity achieved in the financial 2010 partly due to contribution from our newly acquired operations in Sarawak.

The Group will continue to monitor the CPO price closely and take appropriate measures to reduce the impact of volatility of CPO price.

Based on the above and barring any unforeseen circumstances, the Board expects the Group's results to be better in the financial year 2011.

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

This is not applicable.

B5. Income tax

	Current Quarter 31/01/2010 RM'000	Current Financial Year-to-date 31/01/2010 RM'000
Malaysian Income Tax		
- Current year	3,272	18,111
- (Over)/under provision in prior year	(68)	35
	3,204	18,146
Real Property Gains Tax		
- Over provision in prior year	-	(26)
Deferred tax		
- Current year	802	1,047
- Realisation of revaluation surplus on land	(73)	(289)
- Under provision in prior year	617	617
	1,346	1,375
	4,550	19,495

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 January 2010:-

	RM'000
At Cost	362
Allowance for diminution in value	(320)
At Book Value	42
At Market Value	42

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 proposal not completed as at 24 March 2010:

(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.

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 were submitted and acknowledged 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 January 2010, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM'000
Short term borrowings :	
Overdrafts	1,675
Revolving credit	3,000
Term loans	3,697
	8,372
Long term borrowings :	
Term loans	36,747

There were no unsecured interest bearing borrowings as at 31 January 2010.

B10. Financial instruments with off balance sheet risks

Commodity future contracts

Commodity future contracts entered into by the Group and outstanding as at 24 March 2010 are as follows:

Description	Ringgit Equivalent (RM'000)	Maturity Period	Unrealised Gain (RM'000)
Purchase contracts	2,494	May 2010	83

The above exchange traded commodity contracts were entered into to manage the exposure of adverse movements in CPO price.

The associated credit risk is minimal as these contracts were entered into with a brokerage firm registered with commodity exchanges. Gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions. Gains and losses on contracts which are no longer designated as hedges are included in the income statement.

Interest rate swap contracts

The Group has entered into interest rate swap contract to convert floating rate liabilities to fixed rate liabilities to reduce the Group's exposure from adverse fluctuations in interest rate on underlying debts instruments. The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. The interest rate swap contract as at 24 March 2010 is as follows:

	Notional Amount (RM'000)	Effective Period	Interest Rate
Interest Rate Swap	6,000	2 February 2010 to 3 February 2015	The Group will pay the Bank based on fixed rate 3.66% per annum where the Bank will pay the Group based on MYR KLIBOR 1M rate, every month based upon amortised notional amount.

There is minimal credit risk as the swap was entered into with reputable bank.

Commodity swap contracts

The Group has entered into "Crude Palm Oil – Target Redemption Swap" with a reputable bank to hedge against the exposure of adverse movement of CPO price. The Crude Palm Oil – Target Redemption Swap contract entered into by the Group and outstanding as at 24 March 2010 is as follows:

Date of contract	Notional Quantity	Fixed price	Settlement
1 March 2010	Total 9,000 MT or equivalent to 750 MT per calendar month	RM2,800 per MT	The Bank will pay the Group the amount by which the Valuation Price is below the Fixed Price. If the Valuation Price is above the Fixed Price, the Group will pay the difference to the Bank.

Effective Date :	1 April 2010.
Termination Date :	31 March 2011, or the date immediately after the Group's accumulated Intrinsic Value is equal to or exceed RM 525,000, whichever is earlier.
Valuation price :	With respect to a Calculation Period, the unweighted arithmetic mean of the price of the Commodity Reference Price stated in Malaysian Ringgit during that Calculation Period.
Commodity Reference Price :	CRUDE PALM OIL "FCPO" – BMDB means that the price for a Pricing Date will be that day's Specified Price per metric tonne of deliverable grade Crude Palm Oil on the Bursa Malaysia Derivatives Berhad ("BMDB") for the Future Contract, for the applicable third nearby month, stated in Malaysia Ringgit on each commodity business day.

Intrinsic Value :	For each settlement, subject to a minimum of zero: MAX {0, Fixed Price – Valuation Price}
Target Value :	RM 700 per metric tonne (i.e. RM525,000).

There is minimal credit risk as the swap was entered into with reputable bank.

B11. Material litigation

As at 24 March 2010, there were no material litigations against the Group except the following:

Prior to the acquisition of the subsidiary company, Tetangga Akrab Pelita (Pantu) Sdn. Bhd., announced by the Company on 1 December 2009, there were several legal claims made against that subsidiary company by natives for customary rights to land belonging to that subsidiary company.

Based on the legal opinion and in view of the advice by LCDA that the necessary procedures in obtaining the consent from the landowners had been complied with, the Directors of the Company are of the opinion that any other claims by landowners other than those that have been supported and approved by the Tuai Rumah and the Development Committee appointed for that purpose is likely to have no basis. Therefore, no provision for contingent liabilities was made for these legal claims.

B12. Dividend

The Board is pleased to propose a final single tier tax exempt dividend of 6 sen per share in respect of the financial year ended 31 January 2010.

(a) (i) amount per share: 6 sen;
(ii) previous corresponding period: 3 sen comprises of 2.5 sen less income tax of 25% and 0.5 sen tax exempt;
(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: 10 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 financial year by the weighted average number of ordinary shares in issue during the current quarter and the current year-to-date respectively:

		Current Quarter 31/01/2010	Current Financial Year-to-date 31/01/2010
Net profit for the period/year	(RM'000)	11,729	48,310
Weighted average number of ordinary shares in issue	('000)	304,090	303,271
Basic EPS	(sen)	3.86	15.93

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 financial year by the weighted average number of ordinary shares in issue during the current quarter and the current year-to-date 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 31/01/2010	Current Financial Year-to-date 31/01/2010
Net profit for the period/year	(RM'000)	11,729	48,310
Weighted average number of ordinary shares in issue	('000)	304,090	303,271
Adjustment for dilutive effect of unexercised share options	('000)	243	219
Adjustment for dilutive effect of warrants	('000)	1,649	1,556
Adjusted weighted average number of shares for Diluted EPS	('000)	305,982	305,046
Diluted EPS	(sen)	3.83	15.84