KIM LOONG RESOURCES BERHAD
(Company Number: 22703-K)

EXPLANATORY NOTES

A1. Basis of preparation

The interim financial report is unaudited and has 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 report should be read in conjunction with the audited financial statements for the financial year ended 31 January 2013. 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 2013.

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 2013 except for the adoption of the new and amended FRSs which are relevant to the Group's operations with effect from 1 February 2013 as set out below:

Amendments to FRS 101 Presentation of Items of Other Comprehensive Income
FRS 10 Consolidated Financial Statements
FRS 11 Joint Arrangements
FRS 12 Disclosures of Interests in Other Entities
FRS 13 Fair Value Measurement
FRS 119 Employee Benefits
FRS 127 Separate Financial Statements
FRS 128 Investment in Associates and Joint Ventures
Amendments to FRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
Improvements to FRSs issued in 2012
Amendments to FRS 10, FRS 11 and FRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The Directors do not expect any material impact on the financial statements arising from adoption of the above standards and interpretations.

The Group has not elected for early adoption of the following new and amended FRSs relevant to the current operations of the Group, which were issued but not yet effective for the financial year ended 31 January 2014:

	Effective for financial periods beginning on or after
Amendments to FRS 10, FRS 12 and FRS 127 – Investment Entities	1 January 2014
Amendments to FRS 132 Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9 Financial Instruments	1 January 2015

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 January 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework.

A2. 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 production of FFB for the current quarter dropped by 29% compared the preceding quarter which is broadly in line with the above trend.

A3. 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.

A4. Material changes in estimates

There were no changes in estimates that have had material effects in the current quarter.

A5. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter ended 30 April 2013.

A6. Dividends paid

No dividends have been paid during the current financial year-to-date.

A7. Segmental information

Major segments by activity:-

	Revenue		Results	
	3 months ended		3 months ended	
	30/04/2013	30/04/2012	30/04/2013	30/04/2012
	RM'000	RM'000	RM'000	RM'000
Plantation operations	30,761	33,011	13,306	14,878
Milling operations	132,806	156,382	7,930	9,667
	163,567	189,393	21,236	24,545
Less:				
Inter-segment eliminations	(26,257)	(31,631)	2,382	3,833
	137,310	157,762	23,618	28,378
Less:				
Unallocated expenses			(672)	(777)
Finance income			1,390	1,346
Finance costs			(267)	(342)
Profit before tax			24,069	28,605
Tax expenses			(6,127)	(6,889)
Profit for the period			17,942	21,716

A8. Material subsequent events

As at 21 June 2013, there were no material subsequent events that have not been reflected in the financial statements for the current financial period.

A9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial year-to-date, including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A10. Contingent liabilities or Contingent assets

As at 21 June 2013, there were no material changes in contingent liabilities or contingent assets at Group level since the end of last annual reporting period at 31 January 2013. Save for disclosed in Note B9, there were no contingent liabilities or contingent assets, which upon becoming enforceable, may have material effect on the net assets, profits or financial position of our Group.

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 RM137.31 million and RM24.07 million respectively for the current quarter ended 30 April 2013, as compared to RM157.76 million and RM28.61 million respectively for the corresponding period last year.

The 13% and 16% drops in revenue and PBT respectively were mainly due to lower crude palm oil ("CPO") and palm kernel oil ("PKO") prices which were about 29% and 44% respectively lower than the corresponding period last year despite 43% higher FFB production achieved.

Performance analysis by segments:

	Revenue			
	Quarter ended		Year-to-date ended	
	30/04/2013	30/04/2012	30/04/2013	30/04/2012
	RM'000	RM'000	RM'000	RM'000
Plantation operations	30,761	33,011	30,761	33,011
Milling operations	132,806	156,382	132,806	156,382
	163,567	189,393	163,567	189,393

	Results			
	Quarter ended		Year-to-date ended	
	30/04/2013	30/04/2012	30/04/2013	30/04/2012
	RM'000	RM'000	RM'000	RM'000
Plantation operations	13,306	14,878	13,306	14,878
Milling operations	7,930	9,667	7,930	9,667
	21,236	24,545	21,236	24,545

Plantation operations

The revenue from plantation operations dropped by 7% for the current quarter and year-to-date as compared to the corresponding period in last year. In terms of profit, the plantation operation recorded RM13.31 million for the current quarter and year-to-date, representing a drop of 11% as compared to the corresponding period in last year. The drop in revenue and profit were due to lower palm oil prices but cushioned by higher FFB production. The FFB production for the current quarter and year-to-date were 74,200 MT which was 43% higher than the corresponding period last year.

The plantation operations did not face problem in selling its FFB production as most of the produce was supplied to mills within the Group. Average FFB price was 35% lower for the current quarter and the year-to-date as compared to the corresponding period in last year.

Palm oil milling operations
The revenue from the milling operations dropped by 15% for the current quarter and year-to-date as compared to the corresponding period in last year. The milling operations achieved profit of RM7.93 million in the current quarter which was 18% lower compared the corresponding period in last year. The lower revenue and profit were mainly due to lower palm oil prices.

Total CPO production for the current quarter and year-to-date was 47,700 MT which was 26% higher than production in the corresponding period in last year.

The market condition and demand for the Group's milling products has been good and steady for the current quarter and year-to-date. The sale of CPO, the main product, for the current quarter and year-to-date was 51,600 MT, representing increase of 9,500 MT compared to the corresponding periods in last year.

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

The PBT for the current quarter was RM24.07 million which was 13% lower than RM27.59 million achieved in the preceding quarter ended 31 January 2013. The drop in PBT was mainly due to lower FFB production from plantation operations in the current quarter but cushioned by better palm oil prices. The FFB production for the current quarter dropped by 29% to 74,200 MT as compared to 104,900 MT achieved in the preceding quarter. As for the milling operations, FFB intake during the current quarter increased by 25% as compared to the preceding quarter. The average prices for CPO and PKO for the current quarter improved by 8% and 6% respectively compared to preceding quarter.

B3. Current financial year prospects

For the financial year ending 31 January 2014, we expect the CPO production quantity of the milling operations to be slightly higher than the quantity achieved in the financial year 2013. For the plantation operations, we expect the FFB production to increase and project to achieve about 10% higher than the FFB production achieved in the financial year 2013.

We expect the CPO price to improve from the current level of RM2,400 per MT in the financial year 2014.

Based on the above, we expect the Group's performance to be satisfactory for the financial year 2014.

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

This is not applicable.

B5. Income tax

	Current Quarter Ended 30/04/2013 RM'000	Financial Year-to-date Ended 30/04/2013 RM'000
Malaysian Income Tax		
- Current year	5,874	5,874
Deferred tax		
- Current year	325	325
- Realisation of revaluation surplus on land	(72)	(72)
	253	253
	6,127	6,127

B6. Status of corporate proposals

There is no outstanding corporate proposal as at 21 June 2013.

B7. Group borrowings and debt securities

As at 30 April 2013, the total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	RM'000
Short term borrowings :	
Overdrafts	3,332
Revolving credit	7,500
Term loans	2,232
	13,064
Long term borrowings :	
Term loans	33,476

There were no unsecured interest bearing borrowings as at 30 April 2013.

B8. Breakdown of realised and unrealised profits or losses of the Group

The breakdown of the retained profits of the Group is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	At as 30/04/2013 RM'000	At as 31/01/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	260,519	246,946
- Unrealised	(21,915)	(21,574)
	238,604	225,372
Less: Consolidation adjustments	(58,481)	(59,583)
Retained earnings as per consolidated accounts	180,123	165,789

B9. Material litigation

As at 21 June 2013, there were no material litigations against the Group except the following which has been announced on 27 June 2011:

Prior to the acquisition of the subsidiary company, Tetangga Akrab Pelita (Pantu) Sdn. Bhd. (currently known as Winsome 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.

On 18 February 2011, the following Judgment for the High Court Civil Suit No. 22-10-2005-I (SG) was delivered at Kuching High Court, which had been announced to Bursa Securities on 22 February 2011:

1. the Plaintiffs are entitled to their claim to land under native customary rights in the Sg. Tenggang Native Customary Rights Development area at Pantu;
2. the destruction of the Plaintiffs' respective native customary rights land by the first 3 Defendants, namely Lembaga Pembangunan dan Lindungan (Land Custody and Development Authority), Pelita Holdings Sdn. Bhd. and Tetangga Akrab Pelita (Pantu) Sdn. Bhd. (currently known as Winsome Pelita (Pantu) Sdn. Bhd.), was unlawful and damages to be assessed by the Deputy Registrar be paid by the first 3 Defendants with interest at 4% per annum from the date hereof until settlement;
3. the first 3 Defendants forthwith give vacant possession of the Plaintiffs' native customary rights land;
4. the first 3 Defendants and their servants, agents, assignees and successors are restrained from entering, occupying, clearing, harvesting or in any way howsoever carrying out works in the Plaintiffs' native customary rights land; and
5. Costs to the Plaintiffs to be paid by the first 3 Defendants to be taxed unless agreed. No order as to costs against the 4^{th} Defendant, namely State Government of Sarawak, as it is a nominal Defendant.

On 9 March 2011, the Court of Appeal had granted a stay of execution of the Judgment delivered by the High Court.

The Group has filed our Memorandum and record of Appeal on 11 April 2011. Hearing of the Appeal has been carried out on 17 October 2012.

There is no significant progress on the case and our solicitor is of the view that we have a fair prospect of succeeding in this Appeal. Accordingly, the Directors are of the opinion that no liabilities are required to be accrued.

B10. Dividend

No dividend has been declared or proposed for the current financial period ended 30 April 2013 and previous year corresponding period ended 30 April 2012.

B11. Earnings per share

Basic earnings per share ("Basic EPS")

The Basic EPS is calculated by dividing the profit attributable to the owners 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, excluding treasury shares held by the Company:

		Current Quarter Ended 30/04/2013	Financial Year-to-date Ended 30/04/2013
Net profit for the period	(RM'000)	14,128	14,128
Weighted average number of ordinary shares in issue	('000)	308,642	308,642
Basic EPS	(sen)	4.58	4.58

Diluted earnings per share ("Diluted EPS")

The Diluted EPS is calculated by dividing the profit attributable to the owners 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.

Shares that are anti-dilutive are ignored in the computation of Diluted EPS.

		Current Quarter Ended 30/04/2013	Financial Year-to-date Ended 30/04/2013
Net profit for the period	(RM'000)	14,128	14,128
Weighted average number of ordinary shares in issue	('000)	308,642	308,642
Adjustment for dilutive effect of unexercised share options	('000)	62	62
Adjusted weighted average number of shares for Diluted EPS	('000)	308,704	308,704
Diluted EPS	(sen)	4.58	4.58

B12. Audit qualification

The auditors' report of the preceding annual financial statements of the Group did not contain any qualification.

B13. Profit before tax

Profit before tax is arrived at after charging/(crediting) the following items:

		Current Quarter Ended 30/04/2013 RM'000	Financial Year-to-date Ended 30/04/2013 RM'000
(a)	Interest income	(1,390)	(1,390)
(b)	Other income including investment income	(480)	(480)
(c)	Interest expense	267	267
(d)	Depreciation and amortization	6,069	6,069
(e)	Provision for and write off of receivables	-	-
(f)	Provision for and write off of inventories	-	-
(g)	Gain or loss on disposal of quoted or unquoted investment or properties	-	-
(h)	Impairment of assets	-	-
(i)	Foreign exchange gain or loss	-	-
(j)	Gain or loss on derivatives	2,669	2,669
(k)	Exceptional items	-	-