

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/04/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/04/2017 RM'000 (Restated)	CURRENT YEAR TO-DATE 30/04/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/04/2017 RM'000 (Restated)
Revenue	236,490	255,651	236,490	255,651
Cost of sales	<u>(195,311)</u>	<u>(207,226)</u>	<u>(195,311)</u>	<u>(207,226)</u>
Gross profit	41,179	48,425	41,179	48,425
Other income	3,133	2,549	3,133	2,549
Operating expenses	(11,266)	(9,675)	(11,266)	(9,675)
Finance costs	<u>(291)</u>	<u>(389)</u>	<u>(291)</u>	<u>(389)</u>
Profit before tax	32,755	40,910	32,755	40,910
Tax	<u>(7,859)</u>	<u>(9,920)</u>	<u>(7,859)</u>	<u>(9,920)</u>
Profit for the period	<u>24,896</u>	<u>30,990</u>	<u>24,896</u>	<u>30,990</u>
Other comprehensive income:				
Cash flow hedge	-	1,322	-	1,322
Tax relating to other comprehensive income	-	(318)	-	(318)
Other comprehensive income for the period, net of tax	-	1,004	-	1,004
Total comprehensive income for the period	<u>24,896</u>	<u>31,994</u>	<u>24,896</u>	<u>31,994</u>
Profit for the period attributable to :				
Owners of the Company	20,129	23,724	20,129	23,724
Non-controlling interests	<u>4,767</u>	<u>7,266</u>	<u>4,767</u>	<u>7,266</u>
	<u>24,896</u>	<u>30,990</u>	<u>24,896</u>	<u>30,990</u>
Total comprehensive income for the period attributable to :				
Owners of the Company	20,129	24,728	20,129	24,728
Non-controlling interests	<u>4,767</u>	<u>7,266</u>	<u>4,767</u>	<u>7,266</u>
	<u>24,896</u>	<u>31,994</u>	<u>24,896</u>	<u>31,994</u>
Earnings per share (sen) :				
- Basic	2.16	2.54 *	2.16	2.54 *
- Diluted	2.16	N/A	2.16	N/A
Dividends per share (sen)	-	-	-	-

* Adjusted for subdivision of every 1 existing ordinary share into 3 ordinary shares ("Share Split") completed in April 2018.

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2018)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT CURRENT QUARTER ENDED 30/04/2018 RM'000	AS AT PRECEDING FINANCIAL YEAR ENDED 31/01/2018 RM'000 (Restated)	AS AT 01/02/2017 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	549,050	551,603	554,621
Bearer plants	79,412	80,452	81,357
Land use rights	1,965	1,994	2,108
Deferred tax assets	10,793	11,191	13,177
Prepayments	1,751	2,061	1,677
	<u>642,971</u>	<u>647,301</u>	<u>652,940</u>
Current assets			
Inventories	53,523	57,226	39,579
Biological assets	3,256	4,269	5,766
Receivables	46,955	37,893	28,555
Prepayments	3,158	3,051	4,070
Tax recoverable	1,471	2,741	2,708
Derivative financial asset	-	-	185
Cash and bank balances	296,314	300,041	285,521
	<u>404,677</u>	<u>405,221</u>	<u>366,384</u>
TOTAL ASSETS	<u><u>1,047,648</u></u>	<u><u>1,052,522</u></u>	<u><u>1,019,324</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	318,430	318,430	311,804
Reserves	454,329	434,200	415,997
Treasury shares	(1,626)	(1,626)	(1,626)
	<u>771,133</u>	<u>751,004</u>	<u>726,175</u>
Non-controlling interests	96,063	91,296	82,776
Total equity	<u>867,196</u>	<u>842,300</u>	<u>808,951</u>
Non-current liabilities			
Interest bearing borrowings (secured)	7,605	9,515	17,555
Other payables	99	98	188
Deferred tax liabilities	86,678	87,297	87,681
	<u>94,382</u>	<u>96,910</u>	<u>105,424</u>
Current liabilities			
Payables and accruals	63,302	71,662	67,283
Interest bearing borrowings (secured)	17,000	17,564	17,560
Dividend payable	-	18,672	15,560
Derivative financial liability	245	217	-
Tax payable	5,523	5,197	4,546
	<u>86,070</u>	<u>113,312</u>	<u>104,949</u>
Total liabilities	<u>180,452</u>	<u>210,222</u>	<u>210,373</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,047,648</u></u>	<u><u>1,052,522</u></u>	<u><u>1,019,324</u></u>
Net assets per share (RM)	0.83	0.80 *	0.78 *

* Adjusted for subdivision of every 1 existing ordinary share into 3 ordinary shares ("Share Split") completed in April 2018.

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2018)

KIM LOONG RESOURCES BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Non-distributable			Distributable					
	Share capital	Share premium	Revaluation reserve	Hedging reserve	Retained profits	Treasury shares			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
3 months ended									
<u>30 April 2018</u>									
Balance as at 1 February 2018									
As previously stated	318,430	-	37,505	-	266,076	(1,626)	620,385	88,913	709,298
Effects on adoption of MFRS	-	-	(37,505)	-	168,124	-	130,619	2,383	133,002
As restated	318,430	-	-	-	434,200	(1,626)	751,004	91,296	842,300
Profit or loss	-	-	-	-	20,129	-	20,129	4,767	24,896
Total comprehensive income for the period	-	-	-	-	20,129	-	20,129	4,767	24,896
Balance as at 30 April 2018	<u>318,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,329</u>	<u>(1,626)</u>	<u>771,133</u>	<u>96,063</u>	<u>867,196</u>
3 months ended									
<u>30 April 2017</u>									
Balance as at 1 February 2017									
As previously stated	311,804	6,626	38,337	140	238,068	(1,626)	593,349	80,097	673,446
Effects on adoption of MFRS	-	-	(38,337)	-	171,163	-	132,826	2,679	135,505
As restated	311,804	6,626	-	140	409,231	(1,626)	726,175	82,776	808,951
Profit or loss	-	-	-	-	23,724	-	23,724	7,266	30,990
Other comprehensive income	-	-	-	1,004	-	-	1,004	-	1,004
Total comprehensive income for the period	-	-	-	1,004	23,724	-	24,728	7,266	31,994
Balance as at 30 April 2017	<u>311,804</u>	<u>6,626</u>	<u>-</u>	<u>1,144</u>	<u>432,955</u>	<u>(1,626)</u>	<u>750,903</u>	<u>90,042</u>	<u>840,945</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 2018)

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended 30/04/2018 RM'000	3 months ended 30/04/2017 RM'000
Operating activities		
Cash receipts from customers	227,980	239,194
Rental received	37	30
Interest received	1,982	1,842
Cash paid to suppliers and employees	(198,329)	(205,260)
Cash generated from operations	31,670	35,806
Interest paid	(299)	(383)
Tax paid	(6,484)	(4,583)
Net cash from operating activities	24,887	30,840
Investing activities		
Proceeds from disposal of property, plant and equipment	30	57
Acquisition of biological assets and property, plant and equipment	(5,981)	(7,935)
Placements of deposits with other financial institutions	(38,336)	-
Interest paid	-	(12)
Net cash used in investing activities	(44,287)	(7,890)
Financing activities		
Drawdown of bank borrowings	1,000	-
Repayments of bank borrowings	(2,010)	(2,010)
Dividend paid to shareholders of the Company	(18,672)	(15,560)
Dividend paid to NCI in subsidiary companies	(1,500)	-
Net cash used in financing activities	(21,182)	(17,570)
Net (decrease)/increase in cash and cash equivalents	(40,582)	5,380
Cash and cash equivalents at beginning of period	250,354	237,901
Effect of exchange rate changes on cash and cash equivalents	(17)	-
Cash and cash equivalents at end of period (Note a)	<u>209,755</u>	<u>243,281</u>
<u>Note a : Cash and cash equivalents at end of period</u>		
Cash on hand and cash in bank	65,156	50,696
Deposits with licensed banks and other financial institutions	136,126	175,272
Deposits with other financial institutions	95,032	64,573
Cash and bank balances	<u>296,314</u>	<u>290,541</u>
Less: Bank overdrafts	(1,560)	(1,303)
Less: Deposits with other financial institutions	(84,999)	(45,957)
Cash and cash equivalents	<u>209,755</u>	<u>243,281</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 January 2018)

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 the requirements of MFRS 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 2018. 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 2018.

The financial statements of the Group for the financial period ended 30 April 2018 are the first set of financial statements prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) Framework. The date of transition to the MFRS Framework was on 1 February 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 February 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from FRS in Malaysia to MFRS as disclosed as follows:

a) Property, plant and equipment

Upon adoption of the MFRS Framework, the Group has elected to measure certain freehold and leasehold lands on the date of transition at their fair values and has used that fair values as deemed cost at that date. The differences between the fair values and the previous carrying amounts, net of tax, have been adjusted to the opening retained profits at the date of transition on 1 February 2017.

b) Bearer plants

The amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will now be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). As the Group is currently measuring the bearer biological assets at cost less amortisation, the change in accounting policies is limited to reclassification of the bearer assets from biological assets to bearer plants and thus, the change will not impact comprehensive income or equity.

c) Biological assets

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants, biological assets which form part of the bearer plants were not recognised. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets was recognised in profit or loss.

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d) Business combinations

As part of its transition to MFRS, the Group elected to apply the optional exemption not to restate those business combinations that occurred before the date of transition, 1 February 2017.

The impact of the changes in accounting policy on the financial statements as a result of the transition to the MFRS Framework are as follows:

Condensed Consolidated Statement of Financial Position

	Previously stated under FRS RM'000	Effects on adoption of MFRS RM'000	Restated under MFRS RM'000
<u>As at 31 January 2018</u>			
Non-current assets			
Property, plant and equipment	388,819	162,784	551,603
Bearer plants	-	80,452	80,452
Biological assets	79,956	(79,956)	-
Deferred tax assets	11,240	(49)	11,191
Current assets			
Biological assets	-	4,269	4,269
Prepayments	3,490	(439)	3,051
Equity			
Retained profits	266,076	168,124	434,200
Revaluation reserve	37,505	(37,505)	-
Non-controlling interests	88,913	2,383	91,296
Non-current liabilities			
Deferred tax liabilities	53,238	34,059	87,297
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<u>As at 1 February 2017</u>			
Non-current assets			
Property, plant and equipment	389,461	165,160	554,621
Bearer plants	-	81,357	81,357
Biological assets	81,357	(81,357)	-
Deferred tax assets	13,300	(123)	13,177
Current assets			
Biological assets	-	5,766	5,766
Prepayments	4,509	(439)	4,070
Equity			
Retained profits	238,068	171,163	409,231
Revaluation reserve	38,337	(38,337)	-
Non-controlling interests	80,097	2,679	82,776
Non-current liabilities			
Deferred tax liabilities	52,822	34,859	87,681
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Condensed Consolidated Statement of Comprehensive Income

	Previously stated under FRS RM'000	Effects on adoption of MFRS RM'000	Restated under MFRS RM'000
<u>Corresponding preceding quarter ended 30 April 2017</u>			
Cost of sales	(206,744)	(482)	(207,226)
Operating expenses	(9,094)	(581)	(9,675)
Profit before tax	41,973	(1,063)	40,910
Tax	(10,188)	268	(9,920)
Profit for the period	31,785	(795)	30,990
Profit attributable to:			
Owners of the Company	24,311	(587)	23,724
Non-controlling interests	7,474	(208)	7,266
	<u>31,785</u>	<u>(795)</u>	<u>30,990</u>
Total comprehensive income attributable to:			
Owners of the Company	25,315	(587)	24,728
Non-controlling interests	7,474	(208)	7,266
	<u>32,789</u>	<u>(795)</u>	<u>31,994</u>

The Group has not elected for early adoption of the following new and amended MFRSs, annual improvements and IC Interpretation, which were issued but not yet effective for the financial year ending 31 January 2019:

	Effective for financial periods beginning on or after
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 9 Prepayment Features with Negative Compensation (Amendment to MFRS 9)	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendment to MFRS 119)	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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A2. Seasonal or cyclical factors

Crop production is seasonal and could be affected by severe weather condition such as El-Nino and La Nina.

Based on observation, the production of Fresh Fruit Bunches (“FFB”) from our mature estates 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 was 13% or 12,000 MT lower as compared to the preceding quarter. The drop was broadly in line with the trend of the National FFB yield.

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 a material effect 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 first quarter ended 30 April 2018.

In April 2018, the Company has completed the followings:

- (a) Listing and quotation for 935,410,707 Subdivided Shares on the Main Market of Bursa Securities arising from subdivision of every 1 ordinary share in the Company into 3 ordinary shares; and
- (b) Listing and quotation for 46,680,235 Warrants on the Main Market of Bursa Securities.

As at 30 April 2018, the Company held as treasury shares a total of 1,806,000 of its 935,410,707 issued ordinary shares.

The outstanding unexercised number of Warrants as at 30 April 2018 was 46,680,235.

A6. Dividends paid

The gross dividend paid during the current financial year-to-date was as follows:

- (a) A special single tier dividend of 6 sen per ordinary share (2 sen per Subdivided Share) in respect of the financial year 2018 was paid on 7 February 2018.

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A7. Segmental information

Major segments by activity:-

	Revenue		Results	
	3 months ended		3 months ended	
	30/04/2018	30/04/2017	30/04/2018	30/04/2017
	RM'000	RM'000	RM'000	RM'000
Plantation operations	38,277	53,480	17,834	33,336
Milling operations	232,094	249,618	12,626	6,271
	270,371	303,098	30,460	39,607
Add/(Less):				
Inter-segment adjustments and eliminations	(33,881)	(47,447)	1,520	(123)
	236,490	255,651	31,980	39,484
Less:				
Unallocated expenses			(862)	(417)
Finance income			1,928	2,232
Finance costs			(291)	(389)
Profit before tax			32,755	40,910
Tax expenses			(7,859)	(9,920)
Profit for the period			24,896	30,990

A8. Material subsequent events

As at 25 June 2018, 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

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 2018.

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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 recorded a lower revenue and profit before tax (“PBT”) at RM236.49 million and RM32.76 million respectively for the current quarter ended 30 April 2018, as compared to RM255.65 million and RM40.91 million respectively for the corresponding period last year. Drop in performance was mainly due to lower FFB production and palm oil prices. Further information and statistics are tabulated below:

	Individual Period (4 th quarter)			Cumulative Period		
	Current Year Quarter	Preceding Year Quarter	Changes (%)	Current Year To-date	Preceding Corresponding Period	Changes (%)
	30/04/2018	30/04/2017		30/04/2018	30/04/2017	
(A) Financial Data:	RM'000	RM'000		RM'000	RM'000	
Revenue	236,490	255,651	(7%)	236,490	255,651	(7%)
Earnings before interest, tax, depreciation and amortisation (“EBITDA”)	41,556	49,563	(16%)	41,556	49,563	(16%)
Profit before interest and tax	33,046	41,299	(20%)	33,046	41,299	(20%)
Profit before tax	32,755	40,910	(20%)	32,755	40,910	(20%)
Profit after tax	24,896	30,990	(20%)	24,896	30,990	(20%)
Profit attributable to ordinary equity holders of the Company	20,129	23,724	(15%)	20,129	23,724	(15%)
(B) Statistics:						
Plantation						
FFB production (MT)	80,254	88,256	(9%)	80,254	88,256	(9%)
FFB yield per hectare (MT/Ha)	5.50	6.17	(11%)	5.50	6.17	(11%)
Average FFB selling price (RM/MT)	477	608	(22%)	477	608	(22%)
Palm Oil Milling						
CPO production (MT)	71,946	69,279	4%	71,946	69,279	4%
CPO sold (MT)	81,483	69,144	18%	81,483	69,144	18%
CPO oil extraction rate (%)	21.81	21.27	3%	21.81	21.27	3%
Average CPO price (RM/MT)	2,418	2,990	(19%)	2,418	2,990	(19%)

As at 30 April 2018, the Group’s total planted area is 14,946 hectares. The age profile of mature area can be analysed as follows:

- a) < 3 years (Immature) : 3%
- b) 3 – 6 years (Young mature) : 11%
- c) 7 – 15 year (Prime mature) : 29%
- d) 16 – 20 years (Old mature) : 52%
- e) > 20 years (Pre-replanting) : 5%

During the current year to-date, the Group has carried out replanting of about 100 hectares.

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Performance analysis by segments (before inter-segments adjustments and eliminations):

	Individual Period (4 th quarter)			Cumulative Period		
	Current Year Quarter	Preceding Year Quarter	Changes (%)	Current Year To-date	Preceding Corresponding Period	Changes (%)
	30/04/2018	30/04/2017		30/04/2018	30/04/2017	
Revenue:	RM'000	RM'000		RM'000	RM'000	
Plantation	38,277	53,480	(28%)	38,277	53,480	(28%)
Milling	232,094	249,618	(7%)	232,094	249,618	(7%)
	270,371	303,098	(11%)	270,371	303,098	(11%)
Results:						
Plantation	17,834	33,336	(47%)	17,834	33,336	(47%)
Milling	12,626	6,271	101%	12,626	6,271	101%
	30,460	39,607	(23%)	30,460	39,607	(23%)

Plantation operations

The lower revenue and profit for the current quarter and the year-to-date as compared to the corresponding period last year was mainly due to lower FFB production and a 22% drop in the average selling price.

The lower FFB production for the current quarter and the year to-date as compared to the corresponding periods last year was mainly attributable to the estates in Keningau region which had shown a lower production over the relatively high production in last year. A strong recovery of FFB production was recorded in the last year corresponding period.

The plantation operations did not face problem in selling its FFB production as most of the produce was supplied to mills within the Group.

Palm oil milling operations

The lower revenue from the milling operations for the current quarter and the year to-date as compared to the corresponding periods last year was mainly due to 19% drop in CPO selling price despite a higher sales quantity recorded. In terms of profit, the Group recorded a jump of 101% mainly contributed by better processing margin achieved in the current quarter.

The market condition and demand for the Group's milling products has been good and steady for the current quarter and year-to-date.

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

The PBT for the current quarter was RM32.76 million which was slightly higher than RM31.33 million achieved in the preceding quarter ended 31 January 2018.

The profit contribution from plantation has dropped by 31% from RM25.99 million to 17.83 million due to lower production and price. As for the milling operations, the profit increased from RM11.39 million to RM12.63 million due to better processing margin. Further information and statistics are tabulated below:

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30/04/2018	31/01/2018	
(A) Financial Data:			
	RM'000	RM'000	
Revenue	236,490	269,805	(12%)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	41,556	40,527	3%
Profit before interest and tax	33,046	31,647	4%
Profit before tax	32,755	31,326	5%
Profit after tax	24,896	24,668	1%
Profit attributable to ordinary equity holders of the Company	20,129	18,241	10%
(B) Statistics:			
Plantation			
FFB production (MT)	80,254	92,326	(13%)
FFB yield per hectare (MT/Ha)	5.50	6.47	(15%)
Average FFB selling price (RM/MT)	477	522	(9%)
Palm Oil Milling			
CPO production (MT)	71,946	88,991	(19%)
CPO sold (MT)	81,483	81,707	0.3%
CPO oil extraction rate (%)	21.81	21.33	2.3%
Average CPO price (RM/MT)	2,418	2,522	(4%)

B3. Current financial year prospects

For the financial year ending 31 January 2019, we forecast the FFB production to be in region of 90% of financial year 2018 mainly due to upcoming replanting programs for old palm areas but with expectation of increasing yield from young mature areas to cushion the impact.

For the milling operations, the Group has achieved a record high processing quantity of 1.5 million MT of FFB in the financial year 2018, the management is optimistic that the 3 mills in the Group could continue to maintain high utilization rate of processing capacity in the next financial year.

We are uncertain on the direction of CPO price in view of CPO price is susceptible to fluctuation of currency exchange rate, demand and supply of commodity and import policies of major importing countries.

Based on the above, we foresee the Group to perform satisfactorily for the financial year 2019.

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

This is not applicable.

B5. Income tax

	Current Quarter Ended 30/04/2018 RM'000	Financial Year-to-date Ended 30/04/2018 RM'000
Malaysian Income Tax		
- Current year	8,080	8,080
Deferred tax		
- Current year	(19)	(19)
- Realisation of revaluation surplus on land	(202)	(202)
	(221)	(221)
	<u>7,859</u>	<u>7,859</u>

B6. Status of corporate proposals

On 22 December 2017, Mercury Securities Sdn Bhd, on behalf of the Board, announced that Kim Loong Resources Berhad (“KLRB” or the “Company”) proposes to undertake the following:

- (I) Proposed share split involving the subdivision of every 1 existing ordinary share in KLRB into 3 ordinary shares in KLRB (“Subdivided Share(s)”), held on an entitlement date to be determined later (“Proposed Share Split”); and
- (II) Proposed bonus issue of up to 46,770,535 free warrants in KLRB (“Warrant(s)”) on the basis of 1 Warrant for every 20 Subdivided Shares held after the Proposed Share Split (“Proposed Bonus Issue of Warrants”).

(Collectively, referred to as the “Corporate Exercises”)

The Corporate Exercises were approved by shareholders at the Extraordinary General Meeting held on 20 March 2018.

On 21 March 2018, the Company announced the following:

- (1) the Entitlement Dates for the Share Split and the Bonus Issue of Warrants be both fixed on 4 April 2018.
- (2) the exercise price of the Warrants be fixed at RM1.40 per Warrant, representing the theoretical ex-price after the Share Split.

The Corporate Exercises have been completed after the listing and quotation for 935,410,707 Subdivided Shares and 46,680,235 Warrants on the Main Market of Bursa Securities on 5 April 2018 and 16 April 2018 respectively.

There is no outstanding corporate proposal as at 25 June 2018.

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B7. Group borrowings and debt securities

The total secured borrowings, which are denominated in Ringgit Malaysia, are as follows:

	As at 30/04/2018 RM'000	As at 30/04/2017 RM'000
Short term borrowings:		
Overdrafts	1,560	1,303
Revolving credit	7,500	7,500
Term loans	7,940	8,040
	<u>17,000</u>	<u>16,843</u>
Long term borrowings:		
Term loans	<u>7,605</u>	<u>15,545</u>

(a) There were no unsecured interest bearing borrowing as at 30 April 2018.

(b) The movements in terms loans were due to repayments.

(c) Weighted average interest rate of borrowings as at 30 April 2018 was 5.20%. The proportion of debt that is based on fixed interest rate was 16% of total borrowings.

B8. Material litigation

As at 25 June 2018, there were no material litigations against the Group.

B9. Dividend

No dividend has been declared or proposed for the current financial period ended 30 April 2018 and previous year corresponding period ended 30 April 2017.

B10. 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 30/04/2018	Financial Year-to-date Ended 30/04/2018
Net profit for the period	(RM'000)	<u>20,129</u>	<u>20,129</u>
Weighted average number of ordinary shares in issue	('000)	<u>933,605</u>	<u>933,605</u>
Basic EPS	(sen)	<u>2.16</u>	<u>2.16</u>

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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 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 Ended 30/04/2018	Financial Year-to-date Ended 30/04/2018
Net profit for the period	(RM'000)	20,129	20,129
Weighted average number of ordinary shares in issue	('000)	933,605	933,605
Adjustment for dilutive effect of warrants	('000)	-	-
Adjusted weighted average number of shares for Diluted EPS	('000)	933,605	933,605
Diluted EPS	(sen)	2.16	2.16

B11. Profit before tax

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

	Current Quarter Ended 30/04/2018 RM'000	Financial Year-to-date Ended 30/04/2018 RM'000
(a) Interest income	(1,928)	(1,928)
(b) Other income including investment income	(1,205)	(1,205)
(c) Interest expense	291	291
(d) Depreciation and amortization	8,510	8,510
(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) Provision for/(Reversal of) impairment of assets	-	-
(i) Foreign exchange gain or loss	17	17
(j) Gain or loss on derivatives	388	388
(k) Net (gain)/loss arising from changes in fair value of biological assets	1,013	1,013
(l) Exceptional items	-	-

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B12. Audit qualification

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

B13. Derivatives

The Group has entered into the following derivative which is outstanding as at 30 April 2018:

Type of Derivatives	Contract/Notional Value as at 30 April 2018 RM'000	Fair Value as at 30 April 2018 RM'000
(i) CPO Futures – Long Contract - Less than 1 year	9,700	9,455

The CPO Futures Contracts entered are for the purpose of hedging the cost of purchase of FFB under the milling operations.

There is no change in risks, cash requirements and policies associated with the derivatives since the preceding financial year.

B14. Gains/losses arising from fair value changes of financial liabilities

	Current Quarter Ended 30/04/2018 RM'000	Financial Year-to-date Ended 30/04/2018 RM'000
Loss on derivatives	388	388

- (a) The loss was arising from the CPO Futures Contract as disclosed in Note B13.
- (b) The loss was caused by drop in CPO price in commodity futures market.
- (c) The fair value is calculated by reference to closing price quoted at the end of reporting period.

B15. Additional Information

- (a) Receivables

Total receivables as at 30 April 2018 is RM47.0 million of which RM41.9 million is trade in nature with normal trade credit terms of less than 60 days.