

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/07/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2017 RM'000 (Restated)	CURRENT YEAR TO-DATE 31/07/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2017 RM'000 (Restated)
Revenue	210,287	260,457	446,777	516,108
Cost of sales	<u>(182,257)</u>	<u>(210,937)</u>	<u>(377,568)</u>	<u>(418,163)</u>
Gross profit	28,030	49,520	69,209	97,945
Other income	3,122	3,047	6,255	5,596
Operating expenses	(12,289)	(11,283)	(23,555)	(20,958)
Finance costs	<u>(289)</u>	<u>(369)</u>	<u>(580)</u>	<u>(758)</u>
Profit before tax	18,574	40,915	51,329	81,825
Tax	<u>(4,503)</u>	<u>(9,025)</u>	<u>(12,362)</u>	<u>(18,945)</u>
Profit for the period	<u>14,071</u>	<u>31,890</u>	<u>38,967</u>	<u>62,880</u>
Other comprehensive income:				
Cash flow hedge	-	(1,021)	-	301
Tax relating to other comprehensive income	-	246	-	(72)
Other comprehensive income for the period, net of tax	-	(775)	-	229
Total comprehensive income for the period	<u>14,071</u>	<u>31,115</u>	<u>38,967</u>	<u>63,109</u>
Profit for the period attributable to :				
Owners of the Company	12,012	26,264	32,141	49,988
Non-controlling interests	<u>2,059</u>	<u>5,626</u>	<u>6,826</u>	<u>12,892</u>
	<u>14,071</u>	<u>31,890</u>	<u>38,967</u>	<u>62,880</u>
Total comprehensive income for the period attributable to :				
Owners of the Company	12,012	25,489	32,141	50,217
Non-controlling interests	<u>2,059</u>	<u>5,626</u>	<u>6,826</u>	<u>12,892</u>
	<u>14,071</u>	<u>31,115</u>	<u>38,967</u>	<u>63,109</u>
Earnings per share (sen) :				
- Basic	1.29	2.81 *	3.44	5.35 *
- Diluted	1.29	N/A	3.44	N/A
Dividends per share (sen)	3.00	3.00 *	3.00	3.00 *

* 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 31/07/2018 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	535,019	538,629	541,647
Bearer plants	78,719	80,452	81,357
Land use rights	1,937	1,994	2,108
Deferred tax assets	9,974	11,191	13,177
Prepayments	1,751	2,061	1,677
	627,400	634,327	639,966
Current assets			
Inventories	40,174	57,226	39,579
Biological assets	2,418	4,269	5,766
Receivables	37,323	37,893	28,555
Prepayments	4,422	3,051	4,070
Tax recoverable	2,444	2,741	2,708
Derivative financial asset	-	-	185
Cash and bank balances	322,124	300,041	285,521
	408,905	405,221	366,384
TOTAL ASSETS	1,036,305	1,039,548	1,006,350
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	318,432	318,430	311,804
Reserves	426,008	421,875	403,672
Treasury shares	(1,626)	(1,626)	(1,626)
	742,814	738,679	713,850
Non-controlling interests	95,572	91,296	82,776
Total equity	838,386	829,975	796,626
Non-current liabilities			
Interest bearing borrowings (secured)	6,600	9,515	17,555
Other payables	-	98	188
Deferred tax liabilities	85,503	86,648	87,032
	92,103	96,261	104,775
Current liabilities			
Payables and accruals	54,061	71,662	67,283
Interest bearing borrowings (secured)	17,710	17,564	17,560
Dividend payable	28,008	18,672	15,560
Derivative financial liability	1,633	217	-
Tax payable	4,404	5,197	4,546
	105,816	113,312	104,949
Total liabilities	197,919	209,573	209,724
TOTAL EQUITY AND LIABILITIES	1,036,305	1,039,548	1,006,350
Net assets per share (RM)	0.80	0.79 *	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		
6 months ended									
31 July 2018									
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)	-	155,799	-	118,294	2,383	120,677
As restated	318,430	-	-	-	421,875	(1,626)	738,679	91,296	829,975
Profit or loss	-	-	-	-	32,141	-	32,141	6,826	38,967
Total comprehensive income for the period	-	-	-	-	32,141	-	32,141	6,826	38,967
Dividends	-	-	-	-	(28,008)	-	(28,008)	(2,550)	(30,558)
Issuance of shares arising from exercise of Warrants	2	-	-	-	-	-	2	-	2
Total for transactions with owners	2	-	-	-	(28,008)	-	(28,006)	(2,550)	(30,556)
Balance as at 31 July 2018	<u>318,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,008</u>	<u>(1,626)</u>	<u>742,814</u>	<u>95,572</u>	<u>838,386</u>
6 months ended									
31 July 2017									
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)	-	158,838	-	120,501	2,679	123,180
As restated	311,804	6,626	-	140	396,906	(1,626)	713,850	82,776	796,626
Profit or loss	-	-	-	-	49,988	-	49,988	12,892	62,880
Other comprehensive income	-	-	-	229	-	-	229	-	229
Total comprehensive income for the period	-	-	-	229	49,988	-	50,217	12,892	63,109
Dividends	-	-	-	-	(24,896)	-	(24,896)	(4,250)	(29,146)
Total for transactions with owners	-	-	-	-	(24,896)	-	(24,896)	(4,250)	(29,146)
Balance as at 31 July 2017	<u>311,804</u>	<u>6,626</u>	<u>-</u>	<u>369</u>	<u>421,998</u>	<u>(1,626)</u>	<u>739,171</u>	<u>91,418</u>	<u>830,589</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

	6 months ended 31/07/2018 RM'000	6 months ended 31/07/2017 RM'000
Operating activities		
Cash receipts from customers	450,080	515,575
Rental received	73	66
Interest received	4,221	4,693
Cash paid to suppliers and employees	(380,846)	(423,929)
Cash generated from operations	73,528	96,405
Interest paid	(591)	(760)
Tax paid	(12,788)	(9,066)
Net cash from operating activities	60,149	86,579
Investing activities		
Proceeds from disposal of property, plant and equipment	166	64
Acquisition of bearer plants and property, plant and equipment	(13,540)	(14,898)
Placements of deposits with other financial institutions	(40,745)	(716)
Interest paid	-	(12)
Net cash used in investing activities	(54,119)	(15,562)
Financing activities		
Proceeds from issuance of shares	2	-
Drawdown of bank borrowings	1,000	-
Repayments of bank borrowings	(4,020)	(6,020)
Dividend paid to shareholders of the Company	(18,672)	(15,560)
Dividend paid to NCI in subsidiary companies	(4,050)	(4,250)
Net cash used in financing activities	(25,740)	(25,830)
Net (decrease)/increase in cash and cash equivalents	(19,710)	45,187
Cash and cash equivalents at beginning of period	250,354	237,901
Effect of exchange rate changes on cash and cash equivalents	795	-
Cash and cash equivalents at end of period (Note a)	231,439	283,088
Note a : Cash and cash equivalents at end of period		
Cash on hand and cash in bank	73,849	63,740
Deposits with licensed banks and other financial institutions	156,528	202,306
Deposits with other financial institutions	91,747	66,165
Cash and bank balances	322,124	332,211
Less: Bank overdrafts	(3,275)	(2,807)
Less: Deposits with other financial institutions	(87,410)	(46,316)
Cash and cash equivalents	231,439	283,088

(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

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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.

In the current financial year ending 31 January 2019, the Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) Framework for the first time. 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	149,810	538,629
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	155,799	421,875
Revaluation reserve	37,505	(37,505)	-
Non-controlling interests	88,913	2,383	91,296
Non-current liabilities			
Deferred tax liabilities	53,238	33,410	86,648
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<u>As at 1 February 2017</u>			
Non-current assets			
Property, plant and equipment	389,461	152,186	541,647
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	158,838	396,906
Revaluation reserve	38,337	(38,337)	-
Non-controlling interests	80,097	2,679	82,776
Non-current liabilities			
Deferred tax liabilities	52,822	34,210	87,032
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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>Preceding year corresponding cumulative two quarters ended 31 July 2017</u>			
Cost of sales	(417,214)	(949)	(418,163)
Operating expenses	(18,786)	(2,172)	(20,958)
Profit before tax	84,946	(3,121)	81,825
Tax	(19,724)	779	(18,945)
Profit for the period	65,222	(2,342)	62,880
Profit attributable to:			
Owners of the Company	51,849	(1,861)	49,988
Non-controlling interests	13,373	(481)	12,892
	<u>65,222</u>	<u>(2,342)</u>	<u>30,990</u>
Total comprehensive income attributable to:			
Owners of the Company	52,078	(1,861)	50,217
Non-controlling interests	13,373	(481)	12,892
	<u>65,451</u>	<u>(2,342)</u>	<u>63,109</u>
<u>Preceding year corresponding quarter ended 31 July 2017</u>			
Cost of sales	(210,470)	(467)	(210,937)
Operating expenses	(9,692)	(1,591)	(11,283)
Profit before tax	42,973	(2,058)	40,915
Tax	(9,536)	511	(9,025)
Profit for the period	33,437	(1,547)	31,890
Profit attributable to:			
Owners of the Company	27,538	(1,274)	26,264
Non-controlling interests	5,899	(273)	5,626
	<u>33,437</u>	<u>(1,547)</u>	<u>31,890</u>
Total comprehensive income attributable to:			
Owners of the Company	26,763	(1,274)	25,489
Non-controlling interests	5,899	(273)	5,626
	<u>32,662</u>	<u>(1,547)</u>	<u>31,115</u>

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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
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
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

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 second quarter dropped significantly by 24% or 19,200 MT as compared to the preceding quarter where 88% of the drop was contributed by the Group’s estate in Keningau region in Sabah. The sharp drop in production from Keningau region was mainly due to seasonal factor as the estates in this area has achieved high production yield in the six months period prior to the current quarter.

The Group has about 50% of its productive area located in Keningau, Sabah

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.

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A5. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the first half year ended 31 July 2018 except for the following:

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.

During the period, the Company issued 1,875 new ordinary shares arising from exercises of Warrants.

As at 31 July 2018, the Company held as treasury shares a total of 1,806,000 of its 935,412,582 issued ordinary shares.

The outstanding unexercised number of Warrants as at 31 July 2018 was 46,678,360.

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.

A7. Segmental information

Major segments by activity:-

	Revenue		Results	
	6 months ended		6 months ended	
	31/07/2018	31/07/2017	31/07/2018	31/07/2017
	RM'000	RM'000	RM'000	RM'000
Plantation operations	65,406	99,119	23,808	57,344
Milling operations	437,230	502,587	20,794	19,834
	502,636	601,706	44,602	77,178
Add/(Less):				
Inter-segment adjustments and eliminations	(55,859)	(85,598)	4,739	1,433
	446,777	516,108	49,341	78,611
Less:				
Unallocated expenses			(1,621)	(853)
Finance income			4,189	4,825
Finance costs			(580)	(758)
Profit before tax			51,329	81,825
Tax expenses			(12,362)	(18,945)
Profit for the period			38,967	62,880

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A8. Material subsequent events

As at 25 September 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 RM446.78 million and RM51.33 million respectively for the first half year ended 31 July 2018, as compared to RM516.11 million and RM81.83 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 (2 nd quarter)			Cumulative Period		
	Current Year Quarter	Preceding Year Quarter	Changes (%)	Current Year To-date	Preceding Corresponding Period	Changes (%)
	31/07/2018	31/07/2017		31/07/2018	31/07/2017	
(A) Financial Data:	RM'000	RM'000		RM'000	RM'000	
Revenue	210,287	260,457	(19%)	446,777	516,108	(13%)
Earnings before interest, tax, depreciation and amortisation (“EBITDA”)	27,399	49,539	(45%)	68,955	99,102	(30%)
Profit before interest and tax	18,863	41,284	(54%)	51,909	82,583	(37%)
Profit before tax	18,574	40,915	(55%)	51,329	81,825	(37%)
Profit after tax	14,071	31,890	(56%)	38,967	62,880	(38%)
Profit attributable to ordinary equity holders of the Company	12,012	26,264	(54%)	32,141	49,998	(36%)
(B) Statistics:						
Plantation						
FFB production (MT)	61,063	82,494	(26%)	141,317	170,750	(17%)
FFB yield per hectare (MT/Ha)	4.23	5.80	(27%)	9.73	11.97	(19%)
Average FFB selling price (RM/MT)	444	554	(20%)	463	582	(20%)
Palm Oil Milling						
CPO production (MT)	68,160	78,568	(13%)	140,105	147,847	(5%)
CPO sold (MT)	75,690	78,382	(3%)	157,173	147,526	7%
CPO oil extraction rate (%)	21.27	21.31	0%	21.54	21.29	1%
Average CPO price (RM/MT)	2,300	2,706	(15%)	2,361	2,844	(17%)

As at 31 July 2018, the Group’s total planted area is 14,946 hectares. The age profile of mature area can be analysed as follows:

- < 3 years (Immature) : 4%
- 3 – 6 years (Young mature) : 11%
- 7 – 15 year (Prime mature) : 29%
- 16 – 20 years (Old mature) : 51%
- > 20 years (Pre-replanting) : 5%

During the current year to-date, the Group has carried out replanting of about 300 hectares.

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

	Individual Period (2 nd quarter)			Cumulative Period		
	Current Year Quarter	Preceding Year Quarter	Changes (%)	Current Year To-date	Preceding Corresponding Period	Changes (%)
	31/07/2018	31/07/2017		31/07/2018	31/07/2017	
Revenue:	RM'000	RM'000		RM'000	RM'000	
Plantation	27,129	45,639	(41%)	65,406	99,119	(34%)
Milling	205,136	252,969	(19%)	437,230	502,587	(13%)
	232,265	298,608	(22%)	502,636	601,706	(16%)
Results:						
Plantation	5,974	24,008	(75%)	23,808	57,344	(58%)
Milling	8,168	13,563	(40%)	20,794	19,834	5%
	14,142	37,571	(62%)	44,602	77,178	(42%)

Plantation operations

The lower revenue and profit for the current quarter and the year-to-date as compared to the corresponding periods last year was mainly due to lower FFB production and a 20% 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 Sabah especially the 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 drop in CPO selling price despite a higher sales quantity recorded. In terms of profit, the Group recorded a lower profit for the current quarter as compared to the corresponding period last year mainly due to lower CPO selling price and 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 RM18.57 million which was lower than RM32.76 million achieved in the preceding quarter ended 30 April 2018.

The profit contribution from plantation has dropped by 67% from RM17.83 million to RM5.97 million due to lower production and price. As for the milling operations, the profit also dropped from RM12.63 million to RM8.17 million due to drop in processing margin. Further information and statistics are tabulated below:

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/07/2018	30/04/2018	
(A) Financial Data:			
Revenue	RM'000	RM'000	
	210,287	236,490	(11%)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	27,399	41,556	(34%)
Profit before interest and tax	18,863	33,046	(43%)
Profit before tax	18,574	32,755	(43%)
Profit after tax	14,071	24,896	(43%)
Profit attributable to ordinary equity holders of the Company	12,012	20,129	(40%)
(B) Statistics:			
Plantation			
FFB production (MT)	61,063	80,254	(24%)
FFB yield per hectare (MT/Ha)	4.23	5.50	(23%)
Average FFB selling price (RM/MT)	444	477	(7%)
Palm Oil Milling			
CPO production (MT)	68,160	71,946	(5%)
CPO sold (MT)	75,690	81,483	(7%)
CPO oil extraction rate (%)	21.27	21.81	(2.5%)
Average CPO price (RM/MT)	2,300	2,418	(5%)

B3. Current financial year prospects

For the financial year ending 31 January 2019, we forecast the FFB production to be in region of 85% 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 31/07/2018 RM'000	Financial Year-to-date Ended 31/07/2018 RM'000
Malaysian Income Tax		
- Current year	4,211	12,291
Deferred tax		
- Current year	494	475
- Realisation of revaluation surplus on land	(202)	(404)
	292	71
	<u>4,503</u>	<u>12,362</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 September 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 31/07/2018 RM'000	As at 31/07/2017 RM'000
Short term borrowings:		
Overdrafts	3,275	2,807
Revolving credit	7,500	5,500
Term loans	6,935	8,040
	<u>17,710</u>	<u>16,347</u>
Long term borrowings:		
Term loans	<u>6,600</u>	<u>13,535</u>

- (a) There were no unsecured interest bearing borrowing as at 31 July 2018.
- (b) The movements in terms loans were due to repayments.
- (c) Weighted average interest rate of borrowings as at 31 July 2018 was 5.40%. The proportion of debt that is based on fixed interest rate was 12% of total borrowings.

B8. Material litigation

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

B9. Dividend

The Board is pleased to declare an interim single tier dividend of 3 sen per share in respect of the financial year ending 31 January 2019.

- (a) (i) amount per share: 3 sen single tier;
(ii) previous corresponding period: 3 sen single tier per share;
(iii) date of payment: 22 November 2018; and
(iv) in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of the depositors as at 31 October 2018; and
- (b) total dividend for the current financial year: 3 sen single tier per share.

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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 half year by the weighted average number of ordinary shares in issue during the current quarter and the first half year respectively, excluding treasury shares held by the Company:

		Current Quarter Ended 31/07/2018	Financial Year-to-date Ended 31/07/2018
Net profit for the period	(RM'000)	12,012	32,141
Weighted average number of ordinary shares in issue	('000)	933,606	933,605
Basic EPS	(sen)	1.29	3.44

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 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 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 31/07/2018	Financial Year-to-date Ended 31/07/2018
Net profit for the period	(RM'000)	12,012	32,141
Weighted average number of ordinary shares in issue	('000)	933,606	933,605
Adjustment for dilutive effect of warrants *	('000)	-	-
Adjusted weighted average number of shares for Diluted EPS	('000)	933,606	933,605
Diluted EPS	(sen)	1.29	3.44

* There is no adjustment as the effect is anti-dilutive.

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B11. Profit before tax

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

	Current Quarter Ended 31/07/2018 RM'000	Financial Year-to-date Ended 31/07/2018 RM'000
(a) Interest income	(2,261)	(4,189)
(b) Other income including investment income	(66)	(1,271)
(c) Interest expense	289	580
(d) Depreciation and amortization	8,536	17,046
(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	(812)	(795)
(j) Gain or loss on derivatives	1,392	1,780
(k) Net (gain)/loss arising from changes in fair value of biological assets	838	1,851
(l) Exceptional items	-	-

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 31 July 2018:

Type of Derivatives	Contract/Notional Value as at 31 July 2018 RM'000	Fair Value as at 31 July 2018 RM'000
(i) CPO Futures – Long Contract - Less than 1 year	21,487	19,854

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.

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

	Current Quarter Ended 31/07/2018 RM'000	Financial Year-to-date Ended 31/07/2018 RM'000
Loss on derivatives	1,392	1,780

- (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 31 July 2018 is RM30.1 million of which RM37.3 million is trade in nature with normal trade credit terms of less than 60 days.