

KIM LOONG RESOURCES BERHAD

(Company Number : 22703-K)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/01/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/01/2018 RM'000 (Restated)	CURRENT YEAR TO-DATE 31/01/2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/01/2018 RM'000 (Restated)
Revenue	198,519	269,805	872,937	1,075,332
Cost of sales	<u>(168,666)</u>	<u>(224,396)</u>	<u>(742,321)</u>	<u>(880,630)</u>
Gross profit	29,853	45,409	130,616	194,702
Other income	2,446	5,670	12,200	14,155
Operating expenses	(19,258)	(19,432)	(53,506)	(49,229)
Finance costs	<u>(236)</u>	<u>(321)</u>	<u>(1,076)</u>	<u>(1,407)</u>
Profit before tax	12,805	31,326	88,234	158,221
Tax	<u>(10,727)</u>	<u>(6,659)</u>	<u>(28,544)</u>	<u>(36,436)</u>
Profit for the period	<u>2,078</u>	<u>24,667</u>	<u>59,690</u>	<u>121,785</u>
Other comprehensive income:				
Cash flow hedge	-	-	-	(185)
Tax relating to other comprehensive income	-	-	-	45
Other comprehensive income for the period, net of tax	-	-	-	(140)
Total comprehensive income for the period	<u>2,078</u>	<u>24,667</u>	<u>59,690</u>	<u>121,645</u>
Profit/(Loss) for the period attributable to :				
Owners of the Company	3,148	18,283	52,123	96,545
Non-controlling interests	<u>(1,070)</u>	<u>6,384</u>	<u>7,567</u>	<u>25,240</u>
	<u>2,078</u>	<u>24,667</u>	<u>59,690</u>	<u>121,785</u>
Total comprehensive income for the period attributable to :				
Owners of the Company	3,148	18,283	52,123	96,405
Non-controlling interests	<u>(1,070)</u>	<u>6,384</u>	<u>7,567</u>	<u>25,240</u>
	<u>2,078</u>	<u>24,667</u>	<u>59,690</u>	<u>121,645</u>
Earnings per share (sen) :				
- Basic	0.34	1.96 *	5.58	10.34 *
- Diluted	0.34	N/A	5.58	N/A
Dividends per share (sen)	3.00	3.00 *	6.00	8.00 *

* 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 31/01/2019 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	530,872	538,629	541,647
Bearer plants	78,094	80,452	81,357
Land use rights	1,880	1,994	2,108
Deferred tax assets	3,481	11,191	13,177
Prepayments	4,321	2,061	1,677
	618,648	634,327	639,966
Current assets			
Inventories	50,712	57,226	39,579
Biological assets	2,611	4,269	5,766
Receivables	29,044	37,893	28,555
Prepayments	2,785	3,051	4,070
Tax recoverable	3,207	2,741	2,708
Derivative financial asset	263	-	185
Short term funds	78,436	62,486	60,872
Cash and bank balances	194,698	237,555	224,649
	361,756	405,221	366,384
TOTAL ASSETS	980,404	1,039,548	1,006,350
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	318,433	318,430	311,804
Reserves	417,982	421,875	403,672
Treasury shares	(1,626)	(1,626)	(1,626)
	734,789	738,679	713,850
Non-controlling interests	91,063	91,296	82,776
Total equity	825,852	829,975	796,626
Non-current liabilities			
Interest bearing borrowings (secured)	4,590	9,515	17,555
Other payables	-	98	188
Deferred tax liabilities	85,481	86,648	87,032
	90,071	96,261	104,775
Current liabilities			
Payables and accruals	48,390	71,662	67,283
Interest bearing borrowings (secured)	14,712	17,564	17,560
Dividend payable	-	18,672	15,560
Derivative financial liability	-	217	-
Tax payable	1,379	5,197	4,546
	64,481	113,312	104,949
Total liabilities	154,552	209,573	209,724
TOTAL EQUITY AND LIABILITIES	980,404	1,039,548	1,006,350
Net assets per share (RM)	0.79	0.79 *	0.76 *

* 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		
Year ended									
31 January 2019									
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	-	-	-	-	52,123	-	52,123	7,567	59,690
Total comprehensive income for the year	-	-	-	-	52,123	-	52,123	7,567	59,690
Dividends	-	-	-	-	(56,016)	-	(56,016)	(7,830)	(63,846)
Issuance of shares arising from exercise of Warrants	3	-	-	-	-	-	3	-	3
Issuance of shares to non-controlling interests of a subsidiary company	-	-	-	-	-	-	-	30	30
Total for transactions with owners	3	-	-	-	(56,016)	-	(56,013)	(7,800)	(63,813)
Balance as at 31 January 2019	<u>318,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>417,982</u>	<u>(1,626)</u>	<u>734,789</u>	<u>91,063</u>	<u>825,852</u>
Year ended									
31 January 2018									
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	-	-	-	-	96,545	-	96,545	25,240	121,785
Other comprehensive income	-	-	-	(140)	-	-	(140)	-	(140)
Total comprehensive income for the year	-	-	-	(140)	96,545	-	96,405	25,240	121,645
Dividends	-	-	-	-	(71,576)	-	(71,576)	(16,720)	(88,296)
Transition to no-par value regime	6,626	(6,626)	-	-	-	-	-	-	-
Total for transactions with owners	6,626	(6,626)	-	-	(71,576)	-	(71,576)	(16,720)	(88,296)
Balance as at 31 January 2018	<u>318,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,875</u>	<u>(1,626)</u>	<u>738,679</u>	<u>91,296</u>	<u>829,975</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

	Year ended 31/01/2019 RM'000	Year ended 31/01/2018 RM'000 (Restated)
Operating activities		
Cash receipts from customers	885,444	1,068,801
Rental received	146	139
Interest received	8,804	9,473
Cash paid to suppliers and employees	(774,068)	(910,247)
Cash generated from operations	120,326	168,166
Interest paid	(1,102)	(1,422)
Tax paid	(26,284)	(34,171)
Net cash from operating activities	92,940	132,573
Investing activities		
Proceeds from disposal of property, plant and equipment	561	242
Acquisition of bearer plants and property, plant and equipment	(30,057)	(25,691)
Net proceeds from compulsory acquisition	-	268
Net investments in short term funds	(15,485)	(1,645)
Interest paid	-	(12)
Net cash used in investing activities	(44,981)	(26,838)
Financing activities		
Proceeds from issuance of shares	3	-
Proceeds from issuance of shares to non-controlling interests (NCI) in a subsidiary company	30	-
Drawdown of bank borrowings	1,000	-
Repayments of bank borrowings	(8,040)	(9,040)
Dividend paid to shareholders of the Company	(74,688)	(68,464)
Dividend paid to NCI in subsidiary companies	(9,330)	(15,220)
Net cash used in financing activities	(91,025)	(92,724)
Net (decrease)/increase in cash and cash equivalents	(43,066)	13,011
Cash and cash equivalents at beginning of year	234,531	222,630
Effect of exchange rate changes on cash and cash equivalents	946	(1,110)
Cash and cash equivalents at end of year (Note a)	<u>192,411</u>	<u>234,531</u>
Note a : Cash and cash equivalents at end of year		
Cash on hand and cash in banks	47,869	84,006
Deposits with licensed banks	146,829	153,549
Cash and bank balances	<u>194,698</u>	<u>237,555</u>
Less: Bank overdrafts	(2,287)	(3,024)
Cash and cash equivalents	<u>192,411</u>	<u>234,531</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)

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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 has previously measured 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 does 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 ended 31 January 2018</u>			
Cost of sales	(878,750)	(1,880)	(880,630)
Operating expenses	(47,732)	(1,497)	(49,229)
Profit before tax	161,598	(3,377)	158,221
Tax	(37,310)	874	(36,436)
Profit for the year	124,288	(2,503)	121,785
Profit attributable to:			
Owners of the Company	98,752	(2,207)	96,545
Non-controlling interests	25,536	(296)	25,240
	<u>124,288</u>	<u>(2,503)</u>	<u>121,785</u>
Total comprehensive income attributable to:			
Owners of the Company	98,612	(2,207)	96,405
Non-controlling interests	25,536	(296)	25,240
	<u>124,148</u>	<u>(2,503)</u>	<u>121,645</u>
<u>Preceding year corresponding quarter ended 31 January 2018</u>			
Cost of sales	(223,931)	(465)	(224,396)
Operating expenses	(18,434)	(998)	(19,432)
Profit before tax	32,789	(1,463)	31,326
Tax	(7,264)	605	(6,659)
Profit for the period	25,525	(858)	24,667
Profit attributable to:			
Owners of the Company	18,988	(705)	18,283
Non-controlling interests	6,537	(153)	6,384
	<u>25,525</u>	<u>(858)</u>	<u>24,667</u>
Total comprehensive income attributable to:			
Owners of the Company	18,988	(705)	18,283
Non-controlling interests	6,537	(153)	6,384
	<u>25,525</u>	<u>(858)</u>	<u>24,667</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
Definition of a Business (Amendments to MFRS 3 Business Combination)	1 January 2020
Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)	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 second quarter of each year and will rise in the third quarter, peak in the fourth quarter and then slowly decline in the first quarter of the following year. The production of FFB for the current fourth quarter has increased significantly by 28% or 20,600 MT as compared to the preceding quarter. The increase in production was mainly due to seasonal trend factor and broadly in line with the FFB yield performance for Sabah in which about 75% of the Group’s plantations located.

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 year ended 31 January 2019 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 year, the Company issued 2,625 new ordinary shares arising from exercises of Warrants.

As at 31 January 2019, the Company held as treasury shares a total of 1,806,000 of its 935,413,332 issued ordinary shares.

The outstanding unexercised number of Warrants as at 31 January 2019 was 46,677,610.

A6. Segmental information

Major segments by activity:-

	Revenue		Results	
	Year ended		Year ended	
	31/01/2019	31/01/2018	31/01/2019	31/01/2018
	RM'000	RM'000	RM'000	RM'000
Plantation operations	128,885	190,954	43,151	108,253
Milling operations	854,558	1,045,981	43,370	50,895
	983,443	1,236,935	86,521	159,148
Add/(Less):				
Inter-segment adjustments and eliminations	(110,506)	(161,603)	1,228	(1,940)
	<u>872,937</u>	<u>1,075,332</u>	87,749	157,208
Less:				
Unallocated expenses			(7,273)	(7,157)
Finance income			8,834	9,577
Finance costs			(1,076)	(1,407)
Profit before tax			88,234	158,221
Tax expenses			(28,544)	(36,436)
Profit for the year			<u>59,690</u>	<u>121,785</u>

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A7. 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;
- (b) A final single tier dividend of 3 sen per ordinary share in respect of the financial year 2018 was paid on 29 August 2018; and
- (c) An interim single tier dividend of 3 sen per ordinary share in respect of the financial year 2019 was paid on 22 November 2018.

A8. Material subsequent events

As at 22 March 2019, 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 RM872.94 million and RM88.23 million respectively for the financial year ended 31 January 2019, as compared to RM1,075.33 million and RM158.22 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 (%)
	31/01/2019	31/01/2018		31/01/2019	31/01/2018	
(A) Financial Data:	RM'000	RM'000		RM'000	RM'000	
Revenue	198,519	269,805	(26%)	872,937	1,075,332	(19%)
Earnings before interest, tax, depreciation and amortisation (“EBITDA”)	21,463	40,527	(47%)	123,495	193,269	(36%)
Profit before interest and tax	13,041	31,647	(59%)	89,310	159,628	(44%)
Profit before tax	12,805	31,326	(59%)	88,234	158,221	(44%)
Profit after tax	2,078	24,667	(92%)	59,690	121,785	(51%)
Profit attributable to ordinary equity holders of the Company	3,148	18,283	(83%)	52,123	96,545	(46%)
(B) Statistics:						
Plantation						
FFB production (MT)	94,679	92,326	3%	310,082	340,410	(9%)
FFB yield per hectare (MT/Ha)	6.82	6.47	5%	21.78	23.88	(9%)
Average FFB selling price (RM/MT)	346	522	(34%)	416	562	(26%)
Palm Oil Milling						
CPO production (MT)	89,740	88,991	1%	316,268	322,407	(2%)
CPO sold (MT)	86,578	81,707	6%	329,489	313,486	5%
CPO oil extraction rate (%)	21.26	21.33	(0%)	21.35	21.32	0%
Average CPO price (RM/MT)	1,862	2,522	(26%)	2,169	2,718	(20%)

As at 31 January 2019, the Group’s total planted area is 14,946 hectares. The age profile of mature area can be analysed as follows:

- < 3 years (Immature) : 7%
- 3 – 6 years (Young mature) : 7%
- 7 – 15 year (Prime mature) : 30%
- 16 – 20 years (Old mature) : 48%
- > 20 years (Pre-replanting) : 8%

During the current year to-date, the Group has carried out replanting of about 680 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 (%)
	31/01/2019	31/01/2018		31/01/2019	31/01/2018	
Revenue:	RM'000	RM'000		RM'000	RM'000	
Plantation	32,791	48,132	(32%)	128,885	190,954	(33%)
Milling	194,351	262,516	(26%)	854,558	1,045,981	(18%)
	227,142	310,648	(27%)	983,443	1,236,935	(20%)
Results:						
Plantation	9,116	25,986	(65%)	43,151	108,253	(60%)
Milling	8,448	11,391	(26%)	43,370	50,895	(15%)
	17,564	37,377	(53%)	86,521	159,148	(46%)

Plantation operations

The lower revenue and profit for the current quarter as compared to the corresponding period last year was mainly due to a 34% lower average selling price despite a marginal increase in FFB production.

For the year-to-date, the lower revenue and profit as compared to the corresponding period last year was mainly due to a significantly lower average selling price as well as lower FFB production.

The lower FFB production for the current year to-date as compared to last year was mainly attributable to the estates in Sabah which had shown a lower production over the relatively high production records in last year. A strong recovery of FFB production was recorded in the last year corresponding period. Nevertheless, the Group's estates in Sabah have performed well in terms of achieving the FFB production target set.

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 and profit 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 substantial drop in CPO selling price despite a higher sales quantity recorded.

Lower profit was also caused by competitions for crops in Sandakan region resulting a squeeze in processing margin in the current quarter and year-to-date.

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 RM12.81 million which was 47% lower than RM24.10 million achieved in the preceding quarter ended 31 October 2018.

The profit contribution from plantation has dropped by RM1.11 million or 11% from RM10.23 million to RM9.12 million mainly due to lower FFB price despite a 28% higher production. As for the milling operations, the profit also dropped from RM14.13 million to RM8.45 million mainly caused by sharp drop in palm oil prices and lower processing margin. Further information and statistics are tabulated below:

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/01/2019	31/10/2018	
(A) Financial Data:			
	RM'000	RM'000	
Revenue	198,519	227,641	(13%)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	21,463	33,077	(35%)
Profit before interest and tax	13,041	24,360	(46%)
Profit before tax	12,805	24,100	(47%)
Profit after tax	2,078	18,645	(89%)
Profit attributable to ordinary equity holders of the Company	3,148	16,834	(81%)
(B) Statistics:			
Plantation			
FFB production (MT)	94,679	74,086	28%
FFB yield per hectare (MT/Ha)	6.82	5.23	30%
Average FFB selling price (RM/MT)	346	414	(16%)
Palm Oil Milling			
CPO production (MT)	89,740	86,423	4%
CPO sold (MT)	86,578	85,737	1%
CPO oil extraction rate (%)	21.26	21.11	1%
Average CPO price (RM/MT)	1,862	2,127	(12%)

B3. Current financial year prospects

For the financial year ending 31 January 2020, we forecast the FFB production to have no material difference as compared to the financial year 2019 after taking into consideration of drop in production from oil palm areas due to replanting programs but cushioned by increasing yield from young mature areas.

For the milling operations, the Group has achieved a record high processing quantity of 1.48 million MT of FFB in the financial year 2019, the management is optimistic that the 3 mills in the Group could continue to maintain high utilization rate of processing capacity in the financial year 2020.

We are of the view that CPO price could be moving higher from the current level of RM2,000 per MT considering production trends would be entering low yield cycle in the first half of 2019. However, CPO price is generally 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 2020.

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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 31/01/2019 RM'000	Financial Year-to-date Ended 31/01/2019 RM'000
Malaysian Income Tax		
- Current year	4,118	22,199
- Under/(over) provision in prior years	15	(199)
	4,133	22,000
Deferred tax		
- Current year	(438)	118
- Realisation of revaluation surplus on land	(202)	(808)
- Overprovision of liabilities in prior years	(235)	(235)
- Overprovision of assets in prior years	6,716	6,716
- Change in RPGT rate	753	753
	6,594	6,544
	<u>10,727</u>	<u>28,544</u>

Due to change in tax legislation that unabsorbed business losses shall be deductible for a maximum period of 7 years, deferred tax assets of RM6.66 million in respect of unabsorbed business losses is derecognised in the current quarter as there is uncertainty that sufficient profit will be generated within 7 years for utilisation of unabsorbed business losses brought forward.

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.

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- (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 22 March 2019.

B7. Group borrowings and debt securities

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

	As at 31/01/2019 RM'000	As at 31/01/2018 RM'000
Short term borrowings:		
Overdrafts	2,287	3,024
Revolving credit	7,500	6,500
Term loans	4,925	8,040
	<u>14,712</u>	<u>17,564</u>
Long term borrowings:		
Term loans	<u>4,590</u>	<u>9,515</u>

- (a) There were no unsecured interest bearing borrowing as at 31 January 2019.
- (b) The movements in terms loans were due to repayments.
- (c) Weighted average interest rate of borrowings as at 31 January 2019 was 5.34%. The proportion of debt that is based on fixed interest rate was 5% of total borrowings.

B8. Material litigation

As at 22 March 2019, there were no material litigations against the Group.

B9. Dividend

The Board is pleased to propose a final single tier dividend of 3 sen per share in respect of the financial year ended 31 January 2019 subject to shareholders' approval at the forthcoming 44th Annual General Meeting.

- (a) (i) amount per share: 3 sen single tier;
(ii) previous corresponding period: 3 sen single tier per share;
(iii) date of payment: 29 August 2019; and
(iv) in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of the depositors as at 9 August 2019; and
- (b) total dividend for the current financial year: 6 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 financial year by the weighted average number of ordinary shares in issue during the current quarter and the financial year respectively, excluding treasury shares held by the Company:

		Current Quarter Ended 31/01/2019	Financial Year-to-date Ended 31/01/2019
Net profit for the period/year	(RM'000)	3,148	52,123
Weighted average number of ordinary shares in issue	('000)	933,607	933,606
Basic EPS	(sen)	0.34	5.58

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 financial year by the weighted average number of ordinary shares in issue during the current quarter and the financial 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 31/01/2019	Financial Year-to-date Ended 31/01/2019
Net profit for the period/year	(RM'000)	3,148	52,123
Weighted average number of ordinary shares in issue	('000)	933,607	933,606
Adjustment for dilutive effect of warrants *	('000)	-	-
Adjusted weighted average number of shares for Diluted EPS	('000)	933,607	933,606
Diluted EPS	(sen)	0.34	5.58

* 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 31/01/2019 RM'000	Financial Year-to-date Ended 31/01/2019 RM'000
(a) Interest income	(1,906)	(8,834)
(b) Other income including investment income	(711)	(2,420)
(c) Interest expense	236	1,076
(d) Depreciation and amortization	8,422	34,185
(e) Provision for and write off of receivables	12	12
(f) Provision for and write off of inventories	59	59
(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)/loss	171	(946)
(j) Gain or loss on derivatives	81	2,843
(k) Net (gain)/loss arising from changes in fair value of biological assets	540	1,658
(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 January 2019:

Type of Derivatives	Contract/Notional Value as at 31 January 2019 RM'000	Fair Value as at 31 January 2019 RM'000
(i) CPO Futures – Long Contract - Less than 1 year	15,614	15,877

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 31/01/2019 RM'000	Financial Year-to-date Ended 31/01/2019 RM'000
Loss on derivatives	81	2,843

- (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 January 2019 is RM29.0 million of which RM21.5 million is trade in nature with normal trade credit terms of less than 60 days.