

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MASB 26 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia’s Listing Requirement and should be read in conjunction with the Group’s audited financial statement for the year ended 31 December 2003.

The accounting policies and presentation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2003.

A2. Status on Qualification of Audited Financial Statements

The audit report of the Group’s preceding year financial statement was not qualified.

A3. Seasonality or Cyclicity of Operations

There were no abnormal seasonal factors that affect result for the quarter under review.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no significant items which unusually affect assets, liabilities, equity net income or cash flows during the quarter except on the following;

- (i) There was a sale of 4,400,000 New Britain Palm Oil Ltd (NBPOL) shares concluded on the 31 December 2004. The sale represents 3.67% equity in NBPOL. The sale was for a cash consideration of equivalent to RM27,650,664.
- (ii) Following the completion by Johor Land Berhad (JLB), a 50.55% subsidiary, on its issuance of 22,000,000 Ordinary Shares as part consideration to the Johor Corporation for Tebrau land purchase, the status of JLB in the consolidated accounts of the Group is changed from a subsidiary to an associate company as at December 31, 2004. This necessitate the restatement on the Balance Sheet on assets and Liabilities position for JLB in the Group accounts – Also refer to note A11.

A5. Change in Accounting Estimates

There were no changes in estimate of amount reported in prior interim period or financial year that have a material effect in the current financial quarter for the current financial period.

A6. Debt and Equity Securities

There was no cancellation, repurchase, resale and repayment of debt and equity securities during the quarter.

A7. Dividend Paid

An interim dividend of 10% less tax 28% was paid on the 3rd December 2004. Net dividend paid was at RM9.359 million.

A8. Segmental Information

Segmental information for the current financial year based on geographical locations and business segments within the geographical locations are as follows:

	Group	Malaysia	Papua New Guinea	Indonesia
	RM'000	RM'000	RM'000	RM'000
REVENUE				
External sales	1,459,659	945,741	464,376	49,542
Plantation operations	811,175	297,257	464,376	49,542
Manufacturing	525,547	525,547		
<i>Oleochemicals</i>	<i>517,209</i>	<i>517,209</i>		
<i>Rubber based products</i>	<i>8,338</i>	<i>8,338</i>		
Property development	104,580	104,580		
Management Services	10,017	10,017		
Property Investment	7,159	7,159		
Other investment income	1,181	1,181		

	Group	Malaysia	Papua New Guinea	Indonesia
	RM'000	RM'000	RM'000	RM'000
RESULTS				
Plantation operations	232,147	80,440	143,949	7,758
Manufacturing	25,069	25,069		
<i>Oleochemicals</i>	24,530	24,530		
<i>Rubber based products</i>	539	539		
Management services	7,895	7,895		
Property development	24,669	24,669		
Property investment	(303)	(303)		
Associated companies	14,878	14,878		
Investment income	3,708	3,708		
Interest income	2,240	1,320	920	
Profit/(Loss) before interest and exceptional item	310,303	157,676	144,869	7,758
Add/(Less):				
Interest expense	(29,892)	(27,544)	(1,538)	(810)
Exceptional item	9,239	21,611	6,048	(18,420)
Profit/(Loss) before taxation	289,650	151,743	149,379	(11,472)

	Group	Malaysia	Papua New Guinea	Indonesia
	RM'000	RM'000	RM'000	RM'000
<u>OTHER INFORMATION</u>				
<u>Total segment assets</u>	3,663,851	2,664,331	772,067	227,453
Plantation operations	3,088,125	2,088,605	772,067	227,453
Manufacturing	423,918	423,918		
<i>Oleochemicals</i>	383,474	383,474		
<i>Rubber based products</i>	40,444	40,444		
Property development	-	-		
Management Services	58,603	58,603		
Property investment	93,205	93,205		
Associated companies	80,147	80,147		
Unallocated corporate assets	53,402	53,402		
<u>Total segment liabilities</u>	806,919	629,968	145,299	31,652
Plantation operations	651,596	474,645	145,299	31,652
Manufacturing	132,937	132,937		
<i>Oleochemicals</i>	132,256	132,256		
<i>Rubber based products</i>	681	681		
Property development	-	-	-	-
Management Services	20,388	20,388		
Property investment	1,998	1,998		
Unallocated corporate liabilities	208,380	117,606	90,774	

	Group	Malaysia	Papua New Guinea	Indonesia
	RM'000	RM'000	RM'000	RM'000
Capital expenditure	162,786	61,197	68,220	33,369
Plantation operations	127,304	25,715	68,220	33,369
Manufacturing Oleochemicals -	34,189	34,189		
Others	1,293	1,293		
Depreciation and amortization	62,618	26,245	27,992	8,381
Plantation operations	52,043	15,670	27,992	8,381
Manufacturing Oleochemicals -	9,517	9,517	-	-
Others	1,058	1,058	-	-
Non-cash expenses other than Depreciation	(18,692)	(18,672)	(20)	-

A9. Valuation of Property, Plant and Equipment

The carrying value of the land and estate development expenditure for the Group except those located overseas, is based on valuation carried out on 31st December 1997 by an independent qualified valuer using the open market method of valuation to reflect their fair value. The carrying value was brought forward without any amendment.

A10. Material Events Subsequent to the End of the Interim Period

On January 10, 2005 the Company concluded on a further sale of 1,600,000 shares in NBPOL representing 1.33% of its Equity for net cash consideration, in Ringgit Equivalent, of RM10,054,800.

Following this and the earlier share sales, Kulim's shareholding in NBPOL is now 5% lower at 75%.

A11. Changes in the Composition of the Group

Johor Land Berhad a 50.55% subsidiary has completed on its 22,000,000 share issue to Johor Corporation on the December 20, 2004 being the second stage in the process of its land acquisition from the latter. Consequent to this completion, KMB's effective shareholding in JLB has now been diluted to 41.43%, resulting in its status change from that of a subsidiary to an associate company to Kulim.

A12. Changes in Contingent Liabilities or Contingent Assets

Since the last Balance Sheet date, there were no material changes in contingent liabilities and contingent assets.

A13. Capital Commitment

Authorised capital expenditures not provided for in the financial statements as at 31 December 2004 are as follows:

	RM'000
Approved by Directors and contracted for	88,627
Approved by Directors but not contracted for	50,846

	139,473
	=====

A14. Impairment of Assets

There was no significant impairment loss recognised by the Company and the Group during the Quarter.

There were reversals of impairment losses recognised in the quarter. The reversals represent restatement to costs on Kulim Ltd (a 100% subsidiary) investment shares as follows;

	NBV	Mkt Value	Cost
	31.12.03	31.12.04	1996
	GBP	GBP	GBP
Investment shares	<u>2,415,068</u>	<u>4,363,562</u>	<u>4,069,014</u>

The reversal of the impairment loss provision of GBP1,653,946 to the Investments acquisition costs resulted in the Group's profit for the Quarter to increase by RM11,495,226.

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENT

B1. Review of the Performance of the Company and Its Principal Subsidiaries

(a) Group Results and update

The Group's turnover increased by RM96.81 million (41%) and RM431.49 million (41.97%) for the reporting Quarter and for four Quarters 2004 respectively. This is contributed by better prices contracted for palm products and higher revenue recorded by Natural Oleochemicals Sdn Bhd as well as contribution from newly acquired companies.

The after tax profit increased by RM29.58 million (190.7%) to RM45.10 million and RM71.22 million (53.95%) to RM203.24 million for the reporting Quarter and four cumulative Quarters of 2004 respectively compared to the same Quarters last year.

Higher prices contracted for year compared to 2003 contributed to better result for Malaysia plantation operation despite a decline in its FFB harvest.

PNG operation recorded better result contributed by higher FFB production and higher total FFB processed.

Natural Oleochemicals operational result is 20% lower compared to the corresponding period last year.

Indonesia plantation operation record its first operational surplus at RM7.7 million contributed in part by the newly acquired Indonesia plantation assets.

Disposal of shares in NBPOL, reversal of impairment loss on Kulim Ltd investment shares and the realization of previously suspended (unrealized) profit on land sale contributed to better profit for the quarter and the year under review.

(b) **Operational results**

Plantations :

(i) **Plantation Operation Malaysia**

The Group's 4th Quarter 2004 FFB production was at 149,936 mt which is almost unchanged compared to the FFB production for the corresponding Quarter 2003.

Cumulative FFB production for the four Quarters 2004 at 553,213 mt is 8.7% lower compared to the same period 2003. The Group's cumulative Oil Extraction Rate for the cumulative Quarters 2004 improved to 19.33% compared to 18.72% for 2003.

For the Cumulative four Quarters 2004 Malaysia Plantation operation achieved CPO and PK price averages of RM1,676.23 and RM1,068.56 per mt respectively compared to RM1,441.45 and RM732 per mt for CPO and PK for the corresponding period 2003 respectively.

(ii) **Plantation Operation - Papua New Guinea
- New Britain Palm Oil Ltd (NBPOL)**

NBPOL recorded 115,505mt FFB production in the 4th Quarter 2004 which is 4.11% higher compared to the same Quarter last year. For the cumulative Quarters 2004, NBPOL produced 469,618 mt FFB which is 13.29% higher compared to the production in the corresponding period 2003.

NBPOL average cumulative Crude Palm Oil extraction rate for the cumulative Quarters 2004 is at 22.53% as compared to 22.57% for the corresponding Cumulative Quarters 2003. NBPOL cumulative FOB price average are at K1,227.73 per mt CPO approximate to RM1,469.59 per mt.

(iii) **Plantation Operation - Indonesia**

FFB production for the Indonesia operation for the 4th Quarter 2004 was at 109,326 mt. This is 85,057 mt higher compared to the FFB productions for the same Quarter last year. FFB production for the Four cumulative Quarters 2004 was at 150,438 mt which is 69,594 mt higher compared to the corresponding Quarters 2003.

The inclusion of FFB from the new plantations acquired with effect from its completion date contributed significantly to the higher Group's Indonesia FFB production.

Manufacturing:

The Oleochemicals's division turnover for the 4th Quarter 2004 is at RM128.52 million which is 36.17% higher compared to the corresponding Quarter 2003. For the cumulative Quarters 2004 turnover is at RM517.21 million which is 47.92% higher compared to the corresponding Quarters 2003.

Despite the higher turnover secured, the 4th Quarter recorded negligible profit compared to RM6.5 million recorded for 4th Quarter 2003. PBT margin on Oleochemicals products for the year declined to 4.8% from 8.6% for the corresponding period in 2003.

Profit before tax for the year is lower by 20% compared to 2003.

Property:

(i) **Property Development**

Johor Land Berhad recorded a cumulative turnover of RM104.58 million for the year compared to RM68.68 million achieved for the corresponding period 2003. The Quarter recorded a PBT (loss) of RM(2.00) million compared to PBT of RM10.94 million in the 4th Quarter 2003.

PBT for the cumulative four Quarters 2004 is at RM23.96 million against RM13.96 million recorded for the corresponding period 2003.

(ii) **Property Investment**

The Group's office tower, the Menara Ansar in Johor Bahru is fully tenanted. For the cumulative four Quarters 2004 the property recorded a smaller deficit of RM0.30 million compared to a deficit of RM1.76 million recorded over the corresponding period 2003. Rental rates remained below expectation.

B2. Material Changes in the Quarterly Results

Good palm product prices contracted for the Quarter contributed to a strong operational performance for the plantation sector. Higher FFB production and higher FFB processed in PNG contributed to its better performance for the Quarter. The Indonesian Rupiah weakened during the Quarter compared to the closing rate at end of last Quarter and result in additional RM 4.73 million unrealized forex loss.

The Oleochemicals division showed strong growth in turnover but result is affected by input materials price increases not matched by sale price increases.

Profit contribution from NBPOL share sale completed at end of the Quarter boosted the result for the Quarter by RM6.99m.

The reversal on impairment in value of Investment at Kulim Ltd, UK added further RM11.49m to the Quarter's profit.

A portion of the profit element on land sale to Group company previously suspended was realised during the quarter. The realised portion contributed RM14.73 million to the Quarter's profit.

B3. Current Year Prospects

Palm products prices are softening currently but off its lows. CPO was last traded at RM1,335 per mt whereas palm kernel is comparatively still resilient and last traded at RM1,033 per mt.

Fundamental on edible oil trades particularly on Palm competitors are alternating between leads on good Soya harvest to rumblings of Asian Rusts affecting Soya bean plantings in America and Brazil. CPO traded prices are now at large discount of US\$120 per mt to Soya Oil. Considering the discount, prices looked maintainable at present levels with bias for upward reversals to the alternative of Soya oil correcting downward.

High petroleum products prices and fertilizers price levels will have continued impact on the Group's plantation operational costs.

The new additions to the Group's Indonesia plantation operation would have some effects on the Group's result due to their young palm age and low yield hence higher cost per mt. The Group expects to spend above average to nurture the plantations with full agricultural inputs this year. This is necessary expenditures to ensure improve contribution from the plantations to Group's medium to long term result.

The Indonesian currency the Rupiah position will continue to be significant and its levels would have its effects on the Group's annual results. Barring the unforeseen, the outlook for the currency for stability is much more promising than it has been these last few years.

The Oleochemicals capacity expansion is targeted for completion in the 3rd Quarter 2005 and is expected to contribute positively to the Group's future performance.

B4. Profit Forecast/Profit Guarantee

The Company is not subject to any profit forecast or profit guarantee requirement.

B5. Taxation

	CURRENT QUARTER		CUMULATIVE QUARTERS	
	31.12.04 RM'000	31.12.03 RM'000	31.12.04 RM'000	31.12.03 RM'000
Current Taxation	1,677	8,550	(61,042)	(42,723)
-Malaysia	13,002	(2,566)	(16,284)	(17,819)
-Overseas	(11,325)	11,116	(44,758)	(24,904)
Transfer to deferred taxation	(18,055)	(11,168)	(22,170)	(22,455)
-Malaysia	(2,534)	(1,459)	(6,649)	(12,746)
-Overseas	(15,521)	(9,709)	(15,521)	(9,709)
Share of tax in associated Company	(930)	334	(3,197)	(1,498)
Total	(17,308)	(2,284)	(86,409)	(66,676)

The tax for the Quarter and cumulative Quarters are slightly higher and is affected by the effect of significant unrealized forex loss not affecting taxable profit, the effect of withholding tax on dividend declared by overseas subsidiary and the tax effect on unallowable losses at subsidiary level cautioned by realised profit on share sale and land sales attracting lower or no tax.

B6. Sale of Unquoted Investments and/or Properties

	CURRENT QUARTER 1 October – 31 December RM'000	CUMULATIVE QUARTERS 1 January – 31 December RM'000
	-	-

B7. Quoted Securities

- (a) The particulars of purchase or disposal of quoted securities by the Group are as follows :-

	THIS YEAR	
	CURRENT QUARTER 1 October – 31 December RM'000	CUMULATIVE QUARTERS 1 January – 31 December RM'000
Total Purchase consideration	-	207
Total Sale proceeds	-	(262)
Total Profit/(Loss) on Disposals	-	24

- (b) Investment as at 31 December 2004.

	Held as Long Term Investments RM'000	Held as Current Assets RM'000	TOTAL RM'000
At cost	52,581	2,243	54,824
At book value	34,760	704	35,464
At market value	41,826	710	42,536

B8. Status of Uncompleted Corporate Announcement

The Group announcements on corporate proposals are updated as follows:

(i) **Announcement on Subsidiary
– Johor Land Berhad Proposal**

Johor Land second stage purchase cost settlement for land acquisition from the Johor Corporation was completed on the 20 December 2004. This occurred on the completion of 22,000,000 share issuance to the vendor in accordance with the sale and purchase agreement. The completion effectively diluted Kulim's shareholding in JLB from 50.55% to 41.43%. The remainder of purchase consideration is covered by the issued CULS. The announcement is treated as completed.

(ii) **Mandatory General Offer (MGO)
– Kumpulan Bertam Plantations Bhd (KBP)**

The Group announced on 6 July 2004 that Kulim will undertake an MGO on the 37.97% shares of KBP not already owned by it.

As duly announced on November 30, 2004, at the closing date of offer on November 26, 2004, 30.96% of the KBP remaining shareholders accepted the offer bringing Kulim's total equity holding in KBP to 92.99%. The announcement is treated as completed.

(iii) **Announcement dated 1st November 2004 – New Britain Palm Oil Ltd (NBPOL) on Solomon Islands Investment Proposal**

There was announced on 1st November 2004 on New Britain Palm Oil Ltd, Papua New Guinea, an 80.00% subsidiary (as at announcement date), that entered into Memorandums of Understanding (MOU) together with The Government of Solomon Islands, Guadalcanal Provincial Executive and Guadalcanal Plains Resource Development Association for the acquisition of certain assets and/or interests of Solomon Island Plantations Limited.

All negotiations have been completed and shareholders approval secured at the EGM. NBPOL is awaiting the issuance of Investment certificate from the Solomon Island Government. Further details on this proposal will be made available to Kulim shareholders at the appropriate time.

B9. Borrowings and Debt Securities

	As at 31.12.2004	As at 31.12.2003
	RM'000	RM'000
Term Loans		
Secured - denominated in RM	427,499	401,417
- denominated in USD	87,461	55,641
Total Term Loans	514,960	457,058
Less :		
Amount repayable within 12 months	(41,124)	(86,329)
Total Long Term Loan	473,837	370,729
Short Term Borrowings		
Bank overdrafts - secured	-	-
- unsecured	4,244	30,663
Short term bank borrowings - secured	89,251	108,745
- unsecured	-	31,214
Total Short Term Borrowings	93,495	170,622

B10. Financial Instruments with Off Balance Sheet Risk

- (a) Commodity futures contracts entered into by certain subsidiary companies outstanding as at 22 February 2005 (being a date not earlier than 7 days from the date of issue of the quarterly report) are as follows:

	<u>RM'000</u>	<u>Maturity Period</u>
Sale Contract	66,084	March 2005 to Dec 2005
Purchase Contract	(18,416)	March 2005 to Dec 2005

The above exchange traded commodity contracts were entered into with the objective of managing and hedging the Group's exposure to adverse price movements in vegetable oil commodities.

The associated credit risk is minimal as these contracts were entered into with Brokers of commodity exchange. Gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions at which time they are included in the measurement of such transactions gains or losses on contracts which are no longer designated as hedge are included in Income Statement.

Forward foreign exchange contracts are entered into by a subsidiary company in currencies other than its functional currency to manage exposure to fluctuations in foreign currency exchange rate on specific transactions. Currently, the Group's policy is to enter into forward foreign exchange contracts for up to 30% of such foreign currency receipts where company is able to enjoy premium market swap point and up to 80% of such foreign currency payment over the following year but it is subject to review by management from time to time due to the currency market trend and situation.

At 31 December 2004, the settlement dates on open forward contracts range between 1 and 6 months. The foreign currency amounts and contractual exchange rate for the group's outstanding contracts are as follows:

Hedged item	Currency	RM'000 Equivalent	Contract rate
Trade receivables: USD 4,422,609	USD	16,808	1USD = RM3.8006
Future sales of goods over the following 6 months:	USD	Nil	
Future purchase of equipments Euro95,180	Euro	459,000	1Euro = RM4.82

The fair values of outstanding forward contracts of the group at the Balance Sheet date approximate their carrying amounts.

The net unrecognised gain at 31 December 2004 on open contracts which hedge anticipated future foreign currency sales amounted to RMnil.

These net exchange gains are deferred until the related sales are transacted, at which time they are included in the measurement of such transactions.

B11. Changes in Material Litigations

There is no pending material litigation in the financial year to date.

B12. Dividend Proposed

The Directors declared a 10% Dividend during the Quarter. The dividend was paid on December 3, 2004 besides this, there was no other dividend proposed during the Quarter under review.

B13. Earnings Per Share (“EPS”)

		CURRENT QUARTER		CUMULATIVE QUARTERS	
		1 October – 31 December		1 January – 31 December	
		2004	2003	2004	2003
		RM’000	RM’000	RM’000	RM’000
a) Basic earnings per share					
Net profit for the period	(RM’000)	45,770	6,129	173,247	105,221
Weighted average no. of shares in issue	(‘000)	215,826	189,056	215,826	189,056
Basic earnings per share	(sen)	21.21	3.24	80.27	55.66

b) Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The Company has two categories of dilutive potential ordinary shares;

- (i) From the renounceable rights issue of 47,289,060 with free warrants of same number. The exercise period for the warrants opens from July 13, 2005 being 1 year after the issue date of July 13, 2004 and available for exercise within a period of 4 years there after expiring in 2009.

The dilutive earnings per share arising from warrants exercise potential are not calculated as the warrants conversion has anti - dilutive effects.

(ii) On the Employee Share Option Scheme.

There were accepted options for 10,935,700 shares at RM2.04 per share outstanding and exercisable within a period of 5 years from date of issue expiring October 2009. This has dilutive effect and its potential effect is computed as disclosed.

B14. Currency Translation

The exchange rates used for each unit of the currencies in the Group for the current financial period are:

	THIS YEAR CURRENT QUARTER		PRECEEDING YEAR CORRESPONDING QUARTER	
	MTH-END RATE	AVERAGE RATE	MTH-END RATE	AVERAGE RATE
Indonesia Rupiah (IDR/RP '000)	0.4090	0.4250	0.4490	0.4370
Papua New Guinea Kina (PGK/Kina/K)	1.2070	1.1841	1.1510	1.0553
United Kingdom Pound Sterling (GBP)	7.3169	6.9649	6.7420	6.4278
United States of America Dollar (USD/US\$)	3.8000	3.8000	3.8000	3.8000
EURO	5.1729	4.7239	4.7435	4.3638

By Order of the Board
KULIM (MALAYSIA) BERHAD

IDHAM JIHADI BIN ABU BAKAR, MAICSA 7007381
HASLINDA MOHD NOR @ MOHD NOAH LS 05697
(Secretaries)

Dated : 22 February 2005