

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirement and should be read in conjunction with the Group’s audited financial statement for the year ended 31 December 2004.

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 2004.

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 sale of 1.33% shares in New Britain Palm Oil Ltd concluded on 10 January 2005 as previously reported.

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, repurchases, resale and repayment of debt and equity securities during the quarter.

A7. Dividend

There was no dividend declared during the Quarter. However, the Board declared an interim dividend of 15% per ordinary share of RM0.50 each less 28% income tax on 19 May, 2005 in respect of the financial year ending 31 December 2005.

The dividend amount, net of tax, at RM14,140,626 is payable on the 29 July 2005.

A8. Segmental Information

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

	Malaysia	Papua New Guinea	Indonesia	Group
	RM'000	RM'000	RM'000	RM'000
REVENUE				
External sales	187,604	108,633	11,194	307,431
Plantation operations	53,938	108,633	11,194	173,765
Manufacturing	124,974	-	-	124,974
Oleochemicals	123,323	-	-	123,323
Rubber based products	1,651	-	-	1,651
Management Services	6,097	-	-	6,097
Property investment	1,738	-	-	1,738
Other Investment Income	857			857
RESULTS				
Profit/(Loss) before taxation				
Plantation operations	9,504	31,026	(4,379)	36,151
Manufacturing	3,958	-	-	3,958
Oleochemicals	3,894			3,894
Rubber based products	64			64
Management services	1,973	-	-	1,973
Property investment	(179)	-	-	(179)
Associated companies	1,915	-	-	1,915
Interest income	362	178	0	540
Total PBT before Interest and Exceptional item	17,533	31,204	(4,379)	44,538
Add/(Less):				
Interest expense	(5,588)	(608)	(357)	(6,553)
Exceptional item	2,574	257	(4,297)	(1,466)
Total Group PBT	14,519	30,853	(9,033)	36,339

<u>OTHER INFORMATION</u>	Malaysia	Papua New Guinea	Indonesia	Group
<u>Total segment assets</u>	2,710,847	682,337	221,922	3,615,106
Plantation operations	2,120,466	682,337	221,922	3,024,725
Manufacturing	456,901			456,901
Oleochemicals	417,094			417,094
Rubber based products	39,807			39,807
Management Services	40,756			40,756
Property investment	92,724			92,724
Associated companies	80,515			80,515
Unallocated corporate assets	50,787			50,787
<u>Total segment liabilities</u>	648,855	57,473	23,444	729,772
Plantation operations	473,998	57,473	23,444	554,915
Manufacturing	151,737			151,737
Oleochemicals	151,306			151,306
Rubber based products	431			431
Management Services	21,5388			21,538
Property investment	1,582			1582
Unallocated corporate liabilities	119,604	93,368		212,972
Capital expenditure	29,634	13,236	5,565	48,435
Plantation operations	1,597	13,236	5,565	20,398
Manufacturing Oleochemicals	28,037			28,037
Depreciation and amortization	4,711	9,591	2,467	16,769
Plantation operations	2,270	9,591	2,467	14,328
Manufacturing Oleochemicals	2,400			2,400
Others	41			41
Non-cash expenses other than Depreciation	262			262

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 31 December 1997 by 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

There were no material events occurring subsequent to the end of the interim period.

A11. Changes in the composition of the Group

There is no change in the composition of the Group during the quarter.

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 Commitments

Authorised capital expenditures not provided for in the financial statements as at 31 March 2005 are as follows:

	RM'000
Contracted	46,265
Not Contracted	68,641

	114,906
	=====

A14. Impairment of Assets

There was no impairment losses recognised by the Company and the Group during the Quarter, there were no reversals of impairment losses required to be recognised in the quarter.

B. ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the performance of the Company and its Principal Subsidiaries

Plantation :

(i) Plantation Operation Malaysia

The Group's 1st Quarter 2005 FFB production was at 120,136mt which is 7,906 mt (7.05%) higher compared to FFB production achieved in the same Quarter 2004. The Group's cumulative Oil Extraction Rate for the Quarter was at 19.78 % compared to 19.29% achieved for the same Quarter 2004.

For the Quarter, Malaysia Plantation operation achieved CPO and PK price averages of RM1,468.00 and RM1,019.57 per mt respectively compared to RM1,698.33 and RM1,011.76 achieved for CPO/PK respectively in same quarter 2004 .

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

NBPOL recorded 161,590 mt FFB production in the first Quarter 2005 which is 7,182 mt lower (4.25% lower) compared to the same Quarter last year. Together with purchase crops NBPOL processed 245,946 mt FFB in the Quarter which is 3.9% lower compared to the same Quarter last year.

The average Crude Palm Oil extraction rate for the Quarter was at 22.05% as compared to 22.49% achieved for the same Quarter last year. CPO price averages achieved were PNG Kina 1,267 per mt CIF, equivalent to RM 1,571.

During the Quarter, NBPOL launched the “Sungold” Brand of cooking oil for the PNG market.

The Kina currency further strengthen during the Quarter to K0.80 as compared to K0.83 for each Ringgit Malaysia recorded at 31 December 2004.

iii) Plantation Operation - Indonesia

FFB production for the Indonesia Plantation operation for the 1st Quarter 2005 was at 31,440 mt which is 64.12% higher compared to the FFB production for the same Quarter last year. New plantations addition from July 2004 contributed to the higher FFB produced. Indonesia operation is still in loss position due to higher corrective spending and young palms age.

The CPO mill, completed toward end of Q1, 2004, is in operation for the full Quarter this year. CPO production was at 5,988 mt compared to 1,994 mt produced in Q1, 2004.

Manufacturing:

The Oleochemicals division turnover for the 1st Quarter 2005 was at RM123.32 million which is 6.4% higher compared to the same Quarter 2004. PBT at RM3.89 million is 72.92% lower compared to the same Quarter last year. The Oleochemicals performance is affected by high raw materials input cost. These costs formed more than 80% of Oleochemicals products costs.

Property Investment

The Group's office tower, the Menara Ansar in Johor Bahru is fully tenanted. For the first Quarter 2005 the property recorded a smaller deficit of RM179,000 compared to a deficit of RM182,000 recorded in the corresponding quarter last year.

B2. Material Changes in the Quarterly Results

For comparison, CPO prices were at their highest in 2004 during the first quarter averaging at RM1,800 per mt. Prices have weakened quite significantly since and traded at around RM1,400 per mt CPO during the first Quarter 2005. Weaker CPO prices have impacted on the Group's plantation operation for the Quarter with Plantation revenue decreased by 12.29% and Plantation operation profit decreased by 38.38% compared to corresponding period last year.

The Oleochemicals division performance is affected by higher raw materials input costs. As a result PBT declined despite the growth in its revenue.

Significant rehabilitation spending for the Indonesia plantations coupled with increase in input costs and lower production level resulted in the operational loss position for the Indonesia operation.

B3. Current Year Prospects

Palm products prices have stabilized at around RM1,400 per mt CPO compared to RM 1,676 per mt Group average achieved last year. Price declined would affect Plantation performance for the year. PK prices are more resilient and trading at around RM1,050 per mt as at middle May 2005. CPO and PK prices appeared maintainable at current traded levels well into the next Quarter.

The Group's Indonesia plantation operation is still establishing the grounds for better performance. There is still corrective spending to be incurred during the year to bring up plantation yields to acceptable levels. Sign for better yield looks encouraging for future Quarters.

In addition to lower than expected harvest the IDR weakness also affected the Group's Indonesia's investment performance. The Group does not expect the Indonesia plantation to be in profit just yet.

B4. Profit Forecast / Profit Guarantee

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

B5. Taxation

	CURRENT QUARTER		CUMULATIVE QUARTERS	
	31.03.05 RM'000	31.03.04 RM'000	31.03.05 RM'000	31.03.04 RM'000
Current Taxation	(15,332)	(19,783)	(15,332)	(19,783)
-Malaysia	(3,683)	(6,692)	(3,683)	(6,692)
-Overseas	(11,649)	(13,091)	(11,649)	(13,091)
Transfer to deferred Taxation	(2,083)	(3,122)	(2,083)	(3,122)
-Malaysia	(2,083)	(3,122)	(2,083)	(3,122)
-Overseas	-	-	-	-
Share of tax in associated Company	(641)	(623)	(641)	(623)
	(18,056)	(23,528)	(18,056)	(23,528)

The effective tax rate on group profit for the 1st Quarter 2005 is higher than the statutory rate due to withholding tax on dividend received from NBPOL during the Quarter and losses at Indonesia subsidiaries level not matched against profit at Group level for tax purposes.

B6. Sale of Unquoted Investments and/or Properties

	CURRENT QUARTER 1 Jan – 31 March RM'000	CUMULATIVE QUARTERS 1 Jan – 31 March 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 RM'000	CUMULATIVE QUARTERS RM'000
Total Purchase consideration	-	-
Total Sales proceeds	-	-
Total Profit/(Loss) on Disposals	-	-

- b. Investment as at 31 March 2005.

	Held as Long Term Investments RM'000	Held as Current Assets RM'000	TOTAL RM'000
At cost	67,667	2,119	69,786
At book value	34,058	660	34,718
At market value	43,155	665	43,820

B8. Status of uncompleted corporate announcement

The Group announcements on corporate proposals are updated as follows:

- i) Proposed Capital Distribution in Specie –Johor Land Berhad (41.43% Associate) shares.

The Company announced on 11 March 2005 on the proposed Capital Distribution-in-Specie of up to 50,550,000 ordinary shares of RM1.00 each in Johor Land Berhad (“JLand Shares”) by Kulim (Malaysia) Berhad to shareholders of the Company through a reduction of its share premium account pursuant to Section 64 of the Companies Act, 1965.

The proposal is being attended to for completion targeted in this financial year.

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

The Company announced on 1st November 2004, that New Britain Palm Oil Ltd, Papua New Guinea, a 75% subsidiary, entered into Memorandums of Understanding (MOU) together with The Government of Solomon Islands, Guadalcanal Provincial Executive and Guadalcanal Plains Resource Development Association (GPRDA) for the acquisition of certain assets and/or interests of Solomon Island Plantations Limited.

NBPOL has received the approval for the proposed investment via the issuance of Investment Certificate by The Solomon Island Government on 28 April 2005. Guadalcanal Plains Palm Oil Ltd (GPPOL) has officially been incorporated as a Public Company in which NBPOL is holding an 80% Equity and the Guadalcanal Plains Resources Development Company Ltd owns the remaining 20% contributed by Plantation assets, as previously disclosed, taken over by GPPOL. GPPOL initial equity is at approximate Ringgit Malaysia equivalent to RM36 million. The announcement is treated as completed.

B9. Borrowings and Debt Securities

	As at 31.03.2005	As at 31.12.2004	As at 31.03.2004
	RM'000	RM'000	RM'000
Term Loans			
Secured - denominated in RM	437,491	427,500	394,102
- denominated in USD	84,356	87,460	57,246
Total term Loan	521,847	514,960	451,348
Less : Amount repayable within 12 months	(37,458)	(41,119)	(78,481)
Total term loan due after 12 months	484,389	473,841	372,867
Short Term Borrowings			
Bank overdrafts - secured	-	-	-
- unsecured	-	4,244	22,737
Short term bank borrowings – secured	110,953	89,251	121,893
- unsecured	-	-	26,306
Total short term loan	110,953	93,495	170,936

B10. Financial instrument with off balance sheet risk

a. Warrants

There were outstanding warrants of 47,289,060. Each warrant entitles its registered holder to subscribe to one (1) new ordinary share of RM0.50 each in the Company at an exercise price of RM2.56 per share.

b. Commodity futures contracts entered into by certain subsidiaries companies outstanding as at 20 May 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	113,730	June 2005 to Dec 2007
Purchase Contract	(28,632)	June 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 hedges 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 March 2005, 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 to be received/paid	RM'000 equivalent	Contract rate
Trade receivables: USD4,520,999	USD	17,173	1USD = RM3.7985
Trade receivable EUR 18,264	EUR	86	1EUR=RM4.685
Trade Payable EUR 28,600	EUR	145	1EUR=RM5.06
Future sales of goods over the following 6 months:	USD	Nil	
Future purchase of Equipment	EUR	Nil	

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 March 2005 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

There was no dividend proposed during the Quarter under review.

An interim dividend for the financial year 2005 was announced on 19 May 2005 at 15% per Ordinary Shares of RM0.50 sen each less 28% income tax.

B13. Earnings Per Share (“EPS”)

		CURRENT QUARTER		CUMULATIVE QUARTERS	
		31.03.05	31.03.04	31.03.05	31.03.04
a. Basic earning per share					
Net profit for the period	(RM’000)	12,727	38,693	12,727	38,693
Weighted average no. of Shares in issue	(’000)	261,830	189,061	261,830	189,061
Basic earning per share	(sen)	4.86	20.47	4.86	20.47

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 10,327,300 million 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		PRECEDING YEAR CORRESPONDING QUARTER	
	MTH-END RATE	AVERAGE RATE	MTH-END RATE	AVERAGE RATE
Indonesia (IDR'000)	0.4010	0.4050	0.4430	0.4460
Papua New Guinea (PGK)	1.2415	1.2243	1.2195	1.1853
United Kingdom (GBP)	7.1445	7.2307	6.9375	6.8398
United States (USD)	3.8000	3.8000	3.8000	3.8000
EUR	5.02	5.10	4.1000	4.0300

By Order of the Board
KULIM (MALAYSIA) BERHAD

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Date : 25 May 2005