

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134, Interim Financial reporting, issued by the Malaysian Accounting Standard Board (MASB). The Interim Financial Report should be read in conjunction with the Group's audited financial statement for the year ended 31 December 2005.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the last audited financial statements for the financial year ended 31 December 2005, except for the adoption of the following new and revised Financial Reporting Standard ("FRS") which are effective for financial periods beginning 1 January 2006:

FRS 2	: Share-based Payment
FRS 3	: Business Combinations
FRS 5	: Non-current Assets Held for Sale and Discontinued Operations
FRS 101	: Presentation of Financial Statements
FRS 102	: Inventories
FRS 108	: Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	: Events after the Balance Sheet Date
FRS 116	: Property, Plants and Equipments
FRS 121	: The Effects of Changes in Foreign Exchange Rates
FRS 127	: Consolidated and Separate Financial Statements
FRS 128	: Investments in Associates
FRS 131	: Interest in Joint Ventures
FRS 132	: Financial Instruments : Disclosure and Presentation
FRS 133	: Earning Per Share
FRS 136	: Impairment of Assets
FRS 138	: Intangible Assets
FRS 140	: Investment Property

The adoption of FRS 102, 108, 110, 116, 121, 128, 131, 132 and 133 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) Employee share option scheme (FRS 2, Share-based Payment)

In prior years, no amounts were recognized when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option' exercise price receivable.

With effect from 1 January 2006, in order to comply with FRS 2, the Group recognizes the fair value of such share option as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognized in a capital reserve within equity. If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings.

The Group has taken advantage of the transitional provisions set out in paragraph 53 of FRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (a) all options granted to employees on or before 31 December 2004; and
- (b) all options granted to employees after 31 December 2004 but which had vested before 1 January 2006.

The Group ESOS was approved by the shareholders on the 29 June 2004 and granted before 31 December 2004, therefore the standard has no financial impact on the Group.

Details of the employee share option scheme can be found in the Company's annual report for the year ended 31 December 2005.

- (b) Amortisation of positive and negative goodwill (FRS 3, Business Combination and FRS 136, Impairment of Assets and FRS 138: Intangible Assets)

The adoption of the new FRS 3 and the consequential changes of FRS 136 and FRS 138 have resulted in a change in the accounting policy relating to goodwill acquired in business combination.

The adoption of these new and revised FRSs has resulted in the Group ceasing annual amortization of goodwill. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognized in profit or loss and subsequent reversal is not allowed.

Prior to 1 January 2006, goodwill was amortised on a straight line basis over 20 years or its expected useful life, whichever is shorter. The reserve on consolidation is amortised to income statement over a period of 5 years or the expected useful life, whichever is shorter. This change in policy has no financial impact on the Group for this reporting Quarter as the Group has no remaining goodwill carrying value positive or negative as at 31 December 2005 and no goodwill arising from acquisition during the quarter.

(c) FRS 5: Non- current Assets Held for Sale and Discontinued Operations

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before classification as held for sale, the carrying amount of the asset is measured in accordance with applicable FRSs. Then on initial classification as held for sale, the disposal group is recognized at the lower of carrying amount and fair value less cost to sell.

The Company has one asset previously classified as long term investment (unquoted shares) partly sold in 2005 and now under negotiation for further sale. The carrying amount is reflective of the net value expected from the unquoted long term investment asset now reclassified as held for sale.

(d) Changes in presentation (FRS 101, Presentation of Financial Statements and FRS 127, Consolidated and Separate Financial Statements) – Minority interests.

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2006, in order to comply with FRS 101 and FRS 127, minority interest at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

(e) FRS 140: Investment Property

The adoption of this FRS has resulted in a change in the accounting policy relating to the classification of a significant building asset held for rental to investment property. Prior to 1 January 2006, the building was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Upon the adoption of the FRS 140 at 1 January 2006, the Company has adopted the cost model and the unamortized cost of the building is retained as the surrogate carrying amount as allowed by the standard. The reclassification of the building has been accounted for retrospectively as disclosed on the face of balance sheet and the comparative amount as at 31 December 2005 has been restated.

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 other than on the followings:

The completion of the Disposal of the Group's Sumatra Plantation Companies being PT Trimitra Sumber Perkasa, PT Multrada Multi Maju and PT Padang Bolak Jaya in Lahad Sumatra for a gross cash consideration of US\$60 million on the 27 March 2006. Please also refer to note B 8 (iii).

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 except on loan repayment in accordance with the loan repayment schedule.

A7. Dividend Paid

There was no dividend paid during the Quarter under review.

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	238,613	122,855	12,940	374,408
Plantation operations	54,382	122,855	12,940	190,177
Manufacturing	175,501			175,501
<i>Oleochemicals</i>	173,395			173,395
<i>Rubber based products</i>	2,106			2,106
Management Services	6,883			6,883
Property Investment	1,847			1,847
Other investment income	-			-
RESULTS				
Plantation operations	39,183	34,108	9,896	83,187
Manufacturing	6,488			6,488
<i>Oleochemicals</i>	6,455			6,455
<i>Rubber based products</i>	33			33
Management Services	1,080			1,080
Property investment	(382)			(382)
Associated companies	(163)			(163)
Investment income	-			-
Interest income	818	11		829
Profit/(Loss) before interest and exceptional item	47,024	34,119	9,896	91,039
Add/(Less):				
Interest expense	(12,347)	(397)	(116)	(12,860)
Profit/(Loss) before taxation	34,677	33,722	9,780	78,179
<u>OTHER INFORMATION</u>				
<u>Total segment assets</u>	3,004,626	760,889	158,739	3,924,254
Plantation operations	2,338,490	760,889	158,739	3,258,118
Manufacturing	530,864			530,864
<i>Oleochemicals</i>	519,673			519,673
<i>Rubber based products</i>	11,191			11,191
Property development	0			0
Management Services	45,971			45,971
Property investment	89,301			89,301
<i>Associated companies</i>	-			-
<i>Unallocated corporate assets</i>	420,640			420,640

	Malaysia	Papua New Guinea	Indonesia	Group
	RM'000	RM'000	RM'000	RM'000
Total segment liabilities	1,220,233	77,139	3,931	1,301,303
Plantation operations	936,759	77,139	3,931	1,017,829
Manufacturing	252,511			252,511
<i>Oleochemicals</i>	<i>252,383</i>			<i>252,383</i>
<i>Rubber based products</i>	<i>128</i>			<i>128</i>
Property development	-			-
Management Services	29,564			29,564
Property investment	1,399			1,399
Unallocated corporate liabilities	123,786	102,645	0	226,431
Capital expenditure	22,401	18,987	13,926	55,314
Plantation operations	4,602	18,987	13,926	37,515
Manufacturing - Oleochemicals	17,794			17,794
Others	5			5
Depreciation and amortization	7,323	9,026	1,503	17,852
Plantation operations	3,902	9,026	1,503	14,431
Manufacturing - Oleochemicals	3,385			3,385
Others	36			36
Non-cash expenses other than Depreciation	(52,278)	11,738		(40,540)

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

Please refer to note B11 on legal updates on significant development subsequent to the end of the interim period over the Company's acquisition of QSR Brands Bhd.

A11. Changes in the Composition of the Group

- a) As at the end of the Quarter under review the Company held 52.03% equity interest in QSR Brands Bhd. This would have changed the composition of the Group significantly with QSR becoming a subsidiary, except that there is still ownership and acquisition related issues to be deliberated on to satisfactory conclusion. Although post end of Quarter development are in the Group's favour, there are still matters that needed conclusive resolution for the Group's of QSR from Long Term Investment to Investment in Subsidiary Company and consolidated. (Please also refer to note B 11)
- b) The Group disposed three of its Plantation companies all operating in Lahad, Sumatra, Indonesia via a sale and purchase agreement dated 27 January 2006 which was completed on 27 March 2006. The disposal reduces the Group Planted areas by 16,740 hectares and one 30 mt palm oil mill. The disposal reduces the Group Indonesia planted areas to 13,370 hectares and with balance available and plantable land of about 45,000 hectares in Kalimantan Tengah, Indonesia.
- c) During the Quarter under review the Company acquired JTP Trading Sdn Bhd, a company whose principal activity is trading in local and export market on Banana and other tropical fruits, from the Johor Corporation for cash consideration of RM414,000.

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 March 2006 are as follows:

	RM'000
Contracted	18,949
Not Contracted	36,815

	55,764
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A14. Impairment of Assets

There was no impairment loss 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 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 revenue increased by RM66.98 million (21.79%) for the Quarter under review compared to the corresponding Quarter 2005. The Oleochemicals division contributed RM50.53 million (76.86%) to the increase. The PNG operation is the other significant contributor contributing RM12.98 million (19.75%) in additional revenue for the first Quarter 2006.

The Group's after tax profit increased by RM44.09 million (241%) for the Quarter under review compared to the corresponding Quarter 2005. The disposal of Sumatra Subsidiaries contributed RM28.76 million to the profit mainly being reversal of losses accounted for to the date of disposal. Excluding this contribution, the Group's after tax profit improved by RM15.33 million (83.85%). All sector recorded increased profit for the Quarter including Indonesia which record a profit of RM9.78 million compared to a loss of RM9.03 million recorded in the corresponding Quarter 2005 contributed in part by the strengthening of the Indonesian Rupiah.

The Group has available US\$60 million loan facility to finance the Indonesia plantation development. Up to the end of the Quarter under review, US\$33 million have been drawn from this loan for Indonesia plantation related development purposes.

The Oleochemicals division profit before tax improve to RM6.49 million compared to RM3.89 million achieved over the corresponding Quarter 2005.

The Group's assets at new Investment location via NBPOL in Solomon Island are safe from any threat of disturbances through out the recent upheaval in the state capital, Honiara.

The concerted effort for gaining Board control on the newly acquired Group, QSR Brands Bhd, looks promising for satisfactory completion in the near future.

The Group's BioDiesel investment plan commences during the Quarter with contract on major plant items being made. Barring the unforeseen completion of the production facility is expected by end of July 2007.

The Group's Cash position improved to RM337.62 million compared to RM190.10 as at 31 December 2005. The Group's loan is almost unchanged compared to position as at 31 December 2005.

(b) **Operational results**

Plantations:

(i) **Plantation Operation Malaysia**

The Group's FFB production for the 1st Quarter 2006 was at 111,143mt which is 9.31% lower compared to FFB production for the corresponding Quarter 2005.

The Group's cumulative Oil Extraction Rate for the 1st Quarter 2006 is at 18.94% compared to 19.78% for 2005.

The FFB processed by the Group during the Quarter was 4.33% lower compared to the corresponding Quarter 2005.

Malaysian Plantation operation achieved CPO and PK price averages of RM1,422.07 and RM993.09 per mt respectively for the 1st Quarter 2006, compared to RM1,468.00 and RM1,019.57 per mt for CPO and PK respectively for the corresponding Quarter 2005.

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

NBPOL recorded 173,512 mt FFB production in the 1st Quarter 2006 which is 7.38% higher compared to the corresponding Quarter 2005. Together with purchase crops, NBPOL processed 261,787 mt FFB which is 6.40% higher for the Quarter compared to the corresponding Quarter 2005.

NBPOL average Crude Palm Oil extraction rate for the 1st Quarter 2006 is at 22.19% as compared to 22.05% for the corresponding Quarter 2005. NBPOL price averages CIF Rotterdam is at K1,446.73 per mt CPO which approximate to RM1,808.42 per mt.

In addition, NBPOL refined approximately 30% of its CPO. Approximately 20% of the refined Palm Olein is sold locally and has been seeing increase demand. NBPOL RBDPO price average CIF Rotterdam for the 1st Quarter 2006 was at K1,509.87 per mt approximate to RM1,887.34.

The newly acquired Solomon Island plantation via the Guadalcanal Plains Palm Oil Ltd (GPPOL) is progressively being rehabilitated. Works on plantings, replanting as well as reconstruction of the palm oil mill are progressing as scheduled. The Group is on target for the Solomon Island plantations and mill to start generating its FFB and Palm Products toward the end of 2nd Quarter 2006.

(iii) **Plantation Operation - Indonesia**

FFB production for the Kalimantan plantations, Indonesia operation for the 1st Quarter, 2006 was at 22,364 mt. This is 62.50% higher compared to the FFB productions for the Kalimantan's Indonesia corresponding Quarter 2005.

The rehabilitation spending made over the last two to three years is starting to show result. The coming into maturity of new planted areas further contributed to higher FFB produced. As at the end of the Quarter under review the Group has 7,115 mature hectares. This is an increase from 3,103 mature hectares as at end of the last corresponding Quarter.

The erection of the Group's new Palm Oil mill at Kalimantan is progressing as scheduled with its anticipated commissioning by the end of third quarter 2006.

Manufacturing:

The Oleochemicals division turnover for 1st Quarter 2006 was at RM173.39 million which is 40.60% higher compared to the corresponding Quarter 2005. Sales of Oleochemicals products increased in volume by 35,866 mt or 55.57% over 2005.

Operational result for the Quarter improved by 65.77% compared to the same Quarter 2005. Glycerine product prices are still at significantly low level compared to prior years. This together with still high feed-stock costs has some impact on the Group's Oleochemicals division performance which could be better in comparison to earlier years.

Property Investment

The Group's office tower, the Menara Ansar in Johor Bahru has recorded an operation deficit of RM0.38 million for the 1st Quarter 2006 as compared to a deficit of RM0.18 million for the corresponding Quarter in 2005. Significant major items maintenance cost incurred in the Quarter contributed to the higher income deficit.

B2. Material Changes in the Quarterly Results

Palm products prices have remained stable during the Quarter under review but slightly lower compared to the Group's secured prices over the corresponding Quarter 2005. Lower comparative prices together with lower FFB produced for Malaysian sector lowered contribution from the Oil Palm operation sector.

The reversal of losses/provisions on disposal of Group investment in Sumatra contributed to better performance during the Quarter under review.

Improved Group's Kalimantan operation coupled with the stronger Rupiah help the Group's Indonesia operation which recorded an encouraging operational profit compared to loss position over the corresponding Quarter 2005.

B3. Current Year Prospects

CPO prices are stable and forward month trades are currently quoted at around RM1,440 per mt. Price out look for the coming months seems sustainable with continued bias for the upside. Barring the unforeseen, Malaysia operation is expected to maintain comparatively good operational performance for the financial year 2006. The PNG and Indonesia (Kalimantan) operation have shown the potential for positive surprises to exceed expectation.

The Indonesian currency position will continue to have significant impact on Group's result. Currently it is about 5% stronger than the closing rate as at 31 December 2005. This would have mixed impact to the Group with lower IDR revenue but expect lower imported input costs on fertilizer and capital items.

The Group's Oleochemical division's plant capacity expansion from 150,000 tpa to 380,000 tpa was completed and fully operational commencing from end of 2005. This would place the Group in a better competitive advantage in products costing and the ability to offer higher volume of products. The operational result for the first Quarter 2006 is very encouraging and the Group expects the year 2006 to be a better performing year for the Oleochemical division with its more significant presence in this sector.

In addition, NatOleo is also planning for investment on an Oleic Acid plant at a cost of RM17 million. This investment is expected to strengthen further NatOleo's presence in the Oleochemical products market.

The expected resolution of QSR Brands Bhd acquisition this year would contribute positively to the Group's 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	
	31.03.2006 RM'000	31.03.2005 RM'000	31.03.2006 RM'000	31.03.2005 RM'000
Current Taxation	(12,214)	(15,332)	(12,214)	(15,332)
-Malaysia	(3,021)	(3,683)	(3,021)	(3,683)
-Overseas	(9,193)	(11,649)	(9,193)	(11,649)
Transfer to deferred Taxation	(3,633)	(2,083)	(3,633)	(2,083)
-Malaysia	(3,633)	(2,083)	(3,633)	(2,083)
-Overseas	-	-	-	-
Total	(15,847)	(17,415)	(15,847)	(17,415)

The effective tax rate on the Group's profit for the 1st Quarter 2006 is lower than the statutory tax rate due to significant contributory items to profits not attracting taxes.

B6. Sale of Unquoted Investments and/or Properties

	CURRENT QUARTER 1 January 2006 - 31 March 2006 RM'000	CUMULATIVE QUARTERS 1 January 2006 - 31 March 2006 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 January - 31 March RM'000	CUMULATIVE QUARTERS 1 January - 31 March RM'000
Total Purchase consideration	449	449
Total Sale proceeds	-	-
Total Profit/(Loss) on Disposals	-	-

- (b) Investment as at 31 March 2006.

	Held as Long Term Investments RM'000	Held as Current Assets RM'000	TOTAL RM'000
At cost	443,100	2,119	445,219
At book value	409,858	635	410,493
At market value	404,784	641	405,425

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 Distribution-in-specie has completed on the 22 March 2006.

- ii) Proposed acquisition Of Industrial Land

The Group announced on the Signing of a Sale and Purchase Agreement on 30th December 2005 for the purchase of an Industrial Land at Tanjung Langsat, Johor for Bio - Diesel plant site. The announcement is in progress towards completion of payment in accordance with the Sale and Purchase Agreement.

- iii) Proposal Cash Disposal of the followings:
 -100% equity interests in PT Multrada Multi Maju
 -100% equity interests in PT Trimitra Sumber Perkasa
 -100% equity interests in PT Padang Bolak Jaya

The proposal as announced by the Company on the 27th January 2006 through Bursa Malaysia has been completed on the 27 March 2006.

- v) Proposed Joint Venture with Peter Cremer (Singapore) GmbH for production and marketing of methyl esters, glycerine and all its by-products in connection with the proposed Bio-Diesel project.

The proposal as announced by the Company on the 9th February 2006 through Bursa Malaysia has a completion period of six month within which the parties thereto are to satisfy the terms and conditions for its formation as stipulated in the Joint -Venture agreement.

B9. Borrowings and Debt Securities

	As at 31.03.2006	As at 31.12.2005
	RM'000	RM'000
Term Loans		
Secured - denominated in RM	902,127	832,232
- denominated in USD	98,608	160,656
Less : Due within 12 months (reclassified to short term borrowings)	(78,001)	(122,058)
Total - Term Loan	922,734	870,830
Short Term Borrowings	78,001	122,058
Bank overdrafts - secured	-	-
- unsecured	-	8,596
Short term bank borrowings - secured	145,702	135,049
- unsecured	-	-
Total - Short Term Borrowings	223,703	265,703
Total Borrowings	1,146,437	1,136,533

B10. Financial Instruments with Off Balance Sheet Risk

- (a) As at 31 March 2006, there were outstanding warrants of 46,968,539. Each warrants entitles its registered holder to subscribe to one (1) new ordinary share of RM0.50 each in the Company at a revised exercise price of RM2.43 per share.
- (b) Commodity futures contracts entered into by certain subsidiary companies outstanding as at 24 May 2006 (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	41,598	June 2006 to Dec 2007
Purchase Contract	(6,065)	June 2006 to Dec 2006

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 2006, 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: USD31,956,840	USD	118,398	1USD = RM3.704933
Trade receivables: EUR	EUR		1EUR = 0
Future sales of goods over the following 6 months:	USD	Nil	
Future purchase of equipments	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 2006 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. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, we are not aware of any material litigation, claims or arbitration involving Kulim and its subsidiaries either as a plaintiff or defendant:-

- (a) **Suit No D5-22-899-2005: Firstcrest Global Ltd, Batemans Capital Ltd, Cogent Management Ltd and Eagle Option Sdn Bhd vs. Kulim, Indexia, Naunton, Yates and UOB Kay Hian.**

The Plaintiffs are seeking a declaration that the Agreements are void and for a permanent injunction restraining the defendants from disposing or dealing with or negotiating for the sale or diminishing the value of any of their QSR Shares which had been sold to FGL, CML and BCL vide Shares Sale Agreements dated 20 April 2005, to any other party (other than to FGL, CML and BCL) including Kulim. Based on the Statement of Claim, the QSR Shares purportedly sold to FGL by Indexia were 6,173,110 QSR Shares; the QSR Shares purportedly sold to CML by Naunton were 5,416,200 QSR Shares and the QSR Shares purportedly sold to BCL by Yates were 8,143,400 QSR Shares.

The Plaintiffs had obtained an Interim (Ex-Parte) Injunction Order which was served on Kulim on 1 July 2005, *inter alia* restraining Indexia, Naunton, Yates and UOB Kay Hian from dealing with the said QSR Shares with other parties including but not limited to Kulim.

Indexia, Yates together with Naunton separately filed applications to set aside the Interim (Ex-Parte) Injunction Order which were both scheduled to be heard on 20 July 2005.

On 20 July 2005 both the said applications were adjourned for mention on 22 July 2005 and the Court proceeded to hear the Plaintiffs' application to extend the Interim (Ex-Parte) Injunction Order and heard submissions by the counsels of both the Plaintiffs and Indexia, Yates, Naunton and Kulim. The Judge reserved his decision to 22 July 2005. In the interim, the Judge extended the Interim (Ex-Parte) Injunction to 22 July 2005. On 22 July 2005, the Plaintiffs' application to extend the Interim (Ex-Parte) Injunction was dismissed with costs.

On 22 July 2005 the Plaintiffs' solicitors filed a Notice of Appeal under Civil Appeal No. W-02-785-2005 to the Court of Appeal against the whole of the decision at the High Court on 22 July 2005 to dismiss with cost the Plaintiffs' application to extend the Interim (Ex-Parte) Injunction Order.

In the High Court, Kulim has filed an application to strike out the suit against Kulim on 2 August 2005 which is fixed for mention on 4 July 2006.

On 12 August 2005 the Plaintiffs' filed an amended Statement of Claim and Kulim had on 26 August 2005 filed an application to strike out the amended Statement of Claim which is now fixed for Hearing on 4 July 2006.

(b) **Suit No D5-22-942-2005: Chain Valley Management and Eagle Option vs. Kulim, Indexia and UOB Kay Hian**

The Plaintiffs are seeking a declaration that the Indexia Principal and Supplementary Agreements are void ab initio and for a permanent injunction restraining the defendants from disposing or dealing with or negotiating for the sale or diminishing the value of any of the 9,557,900 QSR Shares which had been sold to CVM.

The Plaintiffs had applied for an ex parte interim injunction (“Interim Injunction”) but the Court has ordered that the application be heard inter partes on 20 July 2005 and that the cause papers be served on the defendants. However, on 20 July 2005, the hearing of the Interim Injunction application was adjourned to 22 July 2005 for hearing. On 22 July 2005, the Plaintiffs’ application for an Interim Injunction was dismissed with costs.

On 22 July 2005 the Plaintiffs’ solicitors filed a Notice of Appeal under Civil Appeal No. W-02-786-2005 to the Court of Appeal against the whole of the decision at the High Court on 22 July 2005 to dismiss with cost the Plaintiffs’ application for an Interim Injunction.

Kulim has filed an application to strike out the suit on 2 August 2005 which is fixed for mention on 4 July 2006.

On 12 August 2005 the Plaintiffs’ filed an amended Statement of Claim and Kulim had on 26 August 2005 filed an application to strike out the amended Statement of Claim which is now fixed for Hearing on 4 July 2006.

On 22 March 2006 the Court of Appeal had dismissed with costs the appeals filed by Firstcrest, Cogent, Batemans, Chain Valley and Eagle Option against orders of the High Court dismissing their applications for injunctions to restrain the sale of 29,290,610 (“12.2% Block”) shares of QSR Brands Bhd to Kulim. Federal Court had on 14 April 2006 granted leave on limited grounds to Firstcrest Global Limited, Cogent Management Limited, Batemans Capital Limited, Chain Valley Management Limited and Eagle Option Sdn Bhd (“Applicants”) to appeal against the decisions of the High Court on 22.7.2005 and of the Court of Appeal on 22.3.2006, which upheld the decision of the High Court to dismiss the application for injunction by the Applicants against Kulim and various vendors in respect of the shares in dispute amounting to 12.2% of the issued and paid up capital of QSR Brands Berhad (“12.2% Block”).

On 24 April 2006 the Federal Court had unanimously dismissed the application by Firstcrest Global Limited, Cogent Management Limited, Batemans Capital Limited, Chain Valley Management Limited and Eagle Option Sdn Bhd (“Applicants”) for interim preservation orders to restrain Kulim from exercising voting rights attached to the shares in dispute amounting to 12.2% of the issued and paid up capital of QSR Brands Bhd (“12.2% Block”) and to have all dividends and distributions payable on the said 12.2% Block paid into a stakeholders’ account. Therefore, there is no restriction on Kulim’s right to vote on the 12.2% Block.

However, the Federal Court has ordered that Kulim shall not, with effect from 24 April 2006, directly or indirectly, either by itself or through its servants, agents, nominees or otherwise, sell, transfer, dispose, mortgage or pledge the 12.2% Block until the said appeal is disposed. CIMSEC Nominees (Tempatan) Sdn Bhd ("CIMSEC"), the nominees of the present mortgagees of the 12.2% Block and the present chargees and mortgagees are not affected by the said order. The Appeal proper to the Federal Court will be heard on 25 May 2006.

On 26 April 2006 the Applicants obtained *ex parte* leave to commence Committal Proceedings against Kulim and all Directors of Kulim in respect of an alleged breach of an undertaking by Kulim for pledging the 12.2% Block to CIMSEC. Kulim's solicitors are preparing an application to set aside the leave.

- (c) **Suit No D2-24-315-2005 QSR vs Kulim, Wisdom, OSK Nominees (Tempatan) Sdn Bhd, AmSec Nominees (Tempatan) Sdn Bhd, Enigma Sinar Sdn Bhd and RHB Nominees (Tempatan) Sdn Bhd.**

QSR sought to restrain, *inter alia*, the holding of the extraordinary general meetings requisitioned called the 3rd, 4th, 5th and 6th Defendants for the purpose of removing certain QSR directors and to restrain Kulim from voting until Kulim issued the offer document. On 15 September 2005, the Summons in Chambers application was dismissed with costs. The date for the hearing on the Originating Summons has yet to be fixed.

- (d) **Suit No D3-22-1469-2005 Four individual shareholders of QSR vs Kulim together with Datuk Haji Ishak bin Ismail ("Datuk Ishak"), Wisdom, Bursa Securities and SC**

Four individual shareholders of QSR are defendants claiming, *inter alia*, for the freezing of the transfer of the 48,003,000 QSR Shares sold to Kulim under the Wisdom Agreement, that Datuk Ishak and Wisdom and parties acting in concert with them be ordered to make a general offer based on the highest price for QSR shares acquired by the Wisdom Concert parties, that if no order is granted compelling the said parties to make a general offer, the Offer made by Kulim should be at the highest price paid by the Wisdom Concert parties, damages and other reliefs.

The *ex parte* injunction of 11 October 2005 was set aside by the High Court on 25 October 2005 ("**Setting Aside Order**") who also ordered that damages be assessed and costs awarded and paid to Kulim and the other Defendants. On 25 October 2005, the Plaintiffs had filed a Notice of Appeal against the Setting Aside Order and applied for and have obtained an *ex parte* order for a stay pending the hearing of the Appeal. However the 48,003,000 QSR Shares were credited to Kulim's CDS account prior to the grant of the *ex parte* stay order.

The Appeal proper in respect of the Setting Aside Order has yet to be heard.

Kulim has filed for two (2) applications for leave to appeal the decision of the Court of Appeal granting the stay order to the Federal Court which applications are to be heard on 25 May 2006.

- (e) **Kuala Lumpur High Court** Application for Judicial Review No. R2-25-220-2005 and Civil Appeal W-02-1216-05 QSR Brands Berhad v Securities Commission of Malaysia and Kulim (Malaysia) Berhad

On 26 October 2005, Kulim's Solicitors were served with an ex parte application for leave for judicial review filed by QSR against the SC and Kulim. On 17 November 2005 the High Court dismissed the application for leave. QSR filed an appeal against the decision of the High Court refusing leave which appeal was heard on 7 December 2005 and dismissed with costs. QSR has filed for leave to appeal the decision of the Court of Appeal to the Federal Court which application is pending but for which no date has been fixed as yet.

On 27.3.2006 QSR it announced it has obtained leave to commence Committal Proceedings against all the Directors of Kulim in respect of the issue of the Offer Document. Kulim's application to set aside the leave is to be heard on 20 June 2006.

- (e) **Suit No . D2-22-105-2006 Kulim vs QSR**

On 25 January 2006 Kulim filed a Writ of Summons vide Kuala Lumpur High Court Suit No. D2-22-105-2006 against QSR seeking inter alia, a declaration that the proposed private placement of up to 10% of the issued and paid up capital of QSR which was announced by QSR on 30 December 2005 ("Proposed Private Placement") is ultra vires Article 4(iv) of the Articles of Association of QSR and orders to restrain the implementation of the Proposed Private Placement until Kulim's representatives have been appointed to the Board of QSR and have had opportunity to consider the Proposed Private Placement and until related legal suits have been disposed off. The application of Kulim for an interlocutory injunction to restrain inter alia the implementation of the Proposed Private Placement and other corporate proposals adverse to the interest of Kulim was granted on 15 February 2006. QSR has filed an appeal to the Court of Appeal on the same day which is to be heard on 18 May 2006 and at the request of QSR, the appeal was postponed to a date to be fixed

- (f) **Suit No . S3-22-90-2006 Firstcrest Global Limited and 4 others against Kulim, Cimsec Nominees (Tempatan) Sdn Bhd ("CIMSEC"), CIMB Berhad, Bumiputra-Commerce Bank Berhad, OCBC Bank (Malaysia) Berhad, and OCBC Ltd (Labuan Branch)**

On 15 February 2006 Kulim was served a Writ of Summons in respect of Kuala Lumpur High Court Suit No. S3-22-90-2006. The Writ was filed by Firstcrest Global Limited and 4 others against Kulim, Cimsec Nominees (Tempatan) Sdn Bhd ("CIMSEC"), CIMB Berhad, Bumiputra-Commerce Bank Berhad, OCBC Bank (Malaysia) Berhad, and OCBC Ltd (Labuan Branch). The Plaintiffs are seeking, inter alia, declarations that Kulim is holding 29,260,610 QSR shares ("12.2% Block") as trustee for the Plaintiffs and seeking an injunction against Kulim and CIMSEC to prevent the disposal or dealing with the 12.2% Block. Kulim has instructed its solicitors to resist the Plaintiffs' claim.

(g) **Suit No . D6-22-229-2006 Kulim vs KFC Holdings (Malaysia) Bhd**

On 24 February 2006 Kulim filed a Writ of Summons vide Kuala Lumpur High Court Suit No. D6-22-229-2006 against KFC Holdings (Malaysia) Berhad (“KFCH”) seeking inter alia, a declaration that the proposed private placement of up to 10% of the issued and paid up capital of KFCH which was announced by KFCH on 15 June 2005 (“Proposed Private Placement”) is ultra vires Article 4(iv) of the Articles of Association of KFCH and orders to restrain the implementation of the Proposed Private Placement until Kulim’s representatives have been appointed to the Board of QSR and have had opportunity to appoint nominees of QSR to the Board of KFCH and consider the Proposed Private Placement and until related legal suits have been disposed off. The application of Kulim for an interlocutory injunction to restrain inter alia the implementation of the Proposed Private Placement and other corporate proposals adverse to the interest of Kulim will be heard on 28 June 2006.

For updates on material litigation of Kulim, shareholders and warrant holders of QSR are advised to refer to the website <http://www.announcements.bursamalaysia.com>.

B12. **Dividend Proposed**

There was no dividend proposed during the Quarter.

B13. **Earnings Per Share (“EPS”)**

		CURRENT QUARTER 1 Jan - 31 Mar		CUMULATIVE QUARTERS 1 Jan - 31 Mar	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
a) Basic earnings per share					
Net profit for the period	(RM'000)	54,342	12,727	54,342	12,727
Weighted average no. of shares in issue	('000)	263,914	261,830	263,914	261,830
Basic earnings per share	(sen)	20.59	4.86	20.59	4.86

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.

(i) From the renounceable rights issue of 47,289,060 shares with free warrants of same number. The exercise period for the warrants opens from July 13, 2005 being one (1) year after the issue date of July 13, 2004 and available for exercise within a period of four (4) years there after expiring in July 2009. As at the end of the reporting Quarter there were 46,968,539 warrants outstanding. The potential dilutive effect of these outstanding warrants is computed as disclosed.

(ii) On the Employee Share Option Scheme

There were accepted ESOS options for 11,171,000 shares exercisable at RM2.04 per share. As at end of the reporting Quarter there were outstanding 8,303,250 options exercisable within the expiry period to October 2009. The potential dilutive effect of these outstanding ESOS is computed as disclosed.

The diluted earnings per share is not calculated as the warrants conversion has anti-dilutive effect.

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)	0.4010	0.3930	0.4010	0.4050
Papua New Guinea Kina (PGK/Kina/K)	1.2305	1.2633	1.2415	1.2243
United Kingdom Pound Sterling (GBP)	6.5226	6.5226	7.1445	7.2307
United States of America Dollar (USD/US\$)	3.6850	3.7425	3.8000	3.8000
EUR			5.0200	5.1000

By Order of the Board
KULIM (MALAYSIA) BERHAD

IDHAM JIHADI BIN ABU BAKAR, MAICSA 7007381
SALMAH BINTI ABD WAHAB, LS 02140
(Secretaries)

Dated :