

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. There is a significant amount on Goodwill recognised during the quarter arising out of the acquisition of a controlling stake in a subsidiary. In accordance with the new reporting standard on Goodwill, the Goodwill is recorded at cost and not amortised but subject to impairment testing in accordance with FRS 136 at least annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. Any impairment loss will be recognised in profit or loss and will not be reversed in subsequent period.

(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 Group has assets previously classified as long term investment (unquoted shares) and certain properties of newly acquired Subsidiary previously classified as Property, plant and equipment. These properties are reclassified as assets held for sale and are now either under negotiation for further sale or being made available for sale. The carrying amount on these assets is reflective of their expected net recoverable value.

(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 consolidation of QSR Brands Bhd balances into the Group's account with effect from 1 June 2006.

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	515,652	262,923	19,141	797,716
Plantation operations	114,594	262,923	19,141	396,658
Manufacturing	348,182			348,182
<i>Oleochemicals</i>	343,587			343,587
<i>Rubber based products</i>	4,595			4,595
Quick Service Restaurants	33,674			33,674
Management Services	15,527			15,527
Property Investment	3,675			3,675
RESULTS				
Plantation operations	54,814	64,352	8,866	128,032
Manufacturing	11,160			11,160
<i>Oleochemicals</i>	11,129			11,129
<i>Rubber based products</i>	31			31
Quick Service Restaurants	2,717			2,717
Management Services	5,221			5,221
Property investment	(506)			(506)
Associated companies	1,908			1,908
Interest income	2,090	15		2,105
Profit/(Loss) before interest and exceptional item	77,404	64,367	8,866	150,637
Add/(Less):				
Interest expense	(26,329)	(566)	(116)	(27,011)
Profit/(Loss) before taxation	51,075	63,801	8,750	123,626
<u>OTHER INFORMATION</u>				
<u>Total segment assets</u>	3,441,750	804,769	178,430	4,424,949
Plantation operations	2,783,004	804,769	178,430	3,766,203
Manufacturing	526,076			526,076
<i>Oleochemicals</i>	514,443			514,443
<i>Rubber based products</i>	11,633			11,633
Management Services	44,540			44,540
Investment Property	88,130			88,130
<i>Associated companies</i>	320,587			320,587
<i>Unallocated corporate assets</i>	18,342			18,342

	Malaysia	Papua New Guinea	Indonesia	Group
	RM'000	RM'000	RM'000	RM'000
<u>Total segment liabilities</u>	1,387,055	99,373	2,357	1,488,785
Plantation operations	905,607	99,373	2,357	1,007,337
Manufacturing	255,821			255,821
<i>Oleochemicals</i>	<i>255,261</i>			<i>255,261</i>
<i>Rubber based products</i>	<i>560</i>			<i>560</i>
Quick Service Restaurants	198,361			198,361
Management Services	25,878			25,878
Property investment	1,388			1,388
Unallocated corporate liabilities	130,627	102,032	0	232,659
Capital expenditure	31,417	73,904	38,439	143,760
Plantation operations	7,976	73,904	38,439	120,319
Manufacturing - Oleochemicals	21,415			21,415
Others	2,026			2,026
Depreciation and amortization	16,637	23,585	2,303	42,525
Plantation operations	7,589	23,585	2,303	33,477
Manufacturing - Oleochemicals	7,285			7,285
Others	1,763			1,763
Non-cash expenses other than Depreciation	(34,973)	33,573		(1,400)

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

There were no material events subsequent to the end of the Interim period that merit a separate early disclosure in this quarterly report.

A11. Changes in the Composition of the Group

The Group composition changes significantly during the Quarter under review with the reclassification of the Group's long Term Investment in QSR Brands Bhd to a subsidiary company with effect from 1 June 2006.

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 30 June 2006 are as follows:

	RM'000
Contracted	48,923
Not Contracted	13,638

	62,561
	=====

A14. Impairment of Assets

There was no impairment loss recognised by the Company and the Group during the Quarter except on the restatement of Goodwill reflective of the estimated carrying value of the Group's investment in QSR Brands Bhd.

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 RM58.67 million (16.10%) for the quarter under review compared to the corresponding quarter 2005. The Group revenue for the two cumulative quarters 2006 increased by RM125.65 million (18.70%) compared to the corresponding quarters 2005. QSR Brand Bhd is consolidated for the first time with effect from 1 June 2006 and contributed RM33.67 million to the Group's revenue.

The Group's PAT increased by RM18.24 million (122.61%) for the quarter under review compared to the corresponding quarter 2005. The Group PAT for the two cumulative quarters 2006 increased by RM62.29 million (187.85%) compared to the corresponding quarters 2005.

QSR Brand Bhd contributed RM2.72 million to the Group's PAT. On its own QSR Brands Bhd recorded a Revenue and PAT of RM203.07 million and RM24.58 million for the two cumulative quarters 2006 respectively, an Increase of 11.98% and 7.85% over the cumulative quarters 2005 respectively.

The delivery on terms of the Sumatra sale and the accounting for the Investment carrying value in QSR resulted in net favourable addition to PAT at RM10.64 million.

All geographical sectors recorded increased profit for the cumulative quarters 2006 including Indonesia which record a profit of RM8.63 million compared to a loss of RM25.99 million recorded in the corresponding Quarters 2005 contributed by the stabilizing IDR and the disposal of Sumatra operation.

The Oleochemicals division profit before tax improve to RM11.13 million compared to RM9.44 million achieved over the corresponding quarters 2005.

Solomon Island operation is progressing as scheduled with initial CPO produced in June 2006.

The Group gained Board control of the newly acquired business, QSR Brands Bhd at the EGM held on 7 June 2006 and has since been also in control of QSR's associate KFC Holdings Bhd Board. With these positive developments the Group has reclassified the investment from a long term investment to investment in a subsidiary and consolidated with effect from 1 June 2006.

The Group's BioDiesel investment plan is progressing as scheduled, barring the unforeseen, completion of the production facility is expected by end of July 2007.

The Group's cash position declined to RM317.14 million compared to RM337.62. The Group's loan increased with the addition of QSR Brands Bhd. There were scheduled term loan repayments made during the quarter.

(b) Operational results

Plantations:

(i) Plantation Operation Malaysia

The Group's FFB production for the 2nd quarter 2006 was at 150,643mt which is 10.93% higher compared to FFB production for the corresponding quarter 2005. Two quarters 2006 FFB produced was at 261,786 mt, 1.33% higher than 2005 corresponding position.

The Group's cumulative Oil Extraction Rate (OER) for the two cumulative quarters 2006 is at 18.68% compared to 19.52% for 2005. A very wet 2nd quarter affected OER for the Group Malaysia operation.

The FFB processed by the Group over the two quarters 2006 was 1.63% higher compared to the corresponding quarters 2005.

Malaysian plantation operation achieved CPO and PK price averages of RM1,426.85 and RM947.09 per mt respectively for the two cumulative quarters 2006, compared to RM1,443.11 and RM1,029.44 per mt for CPO and PK respectively for the corresponding quarters 2005.

(ii) **Plantation Operation - Papua New Guinea & Solomon Island**

NBPOL recorded 198,063 mt FFB production in the 2nd Quarter 2006 which is 6.43% higher compared to the corresponding quarter 2005. Cumulative two quarters FFB produced was at 371,575 mt or 6.87% higher compared to the corresponding quarters 2005. Together with purchase crops, NBPOL processed 562,680 mt FFB which is 6.11% higher for the two quarters compared to the corresponding quarters 2005.

NBPOL average Crude Palm Oil extraction rate for the two cumulative quarters 2006 is at 22.36% as compared to 22.18% for the corresponding quarters 2005. NBPOL price averages CIF Rotterdam is at K1,391.89 per mt CPO which approximate to RM1,759.35 per mt.

NBPOL RBDPO price average CIF Rotterdam for the cumulative two quarters 2006 was at K1,512.85 per mt approximate to RM1,912.24 NBPOL refined approximately 30% of its CPO production in the two quarters 2006.

The Guadalcanal Plains Palm Oil Ltd (GPPOL) Solomon Island is progressively being rehabilitated. Works on planting and replanting are progressing as scheduled. The CPO mill reconstruction is practically completed and successfully running from late May 2006 with full month operation commencing June 2006.

(iii) **Plantation Operation - Indonesia**

FFB production for Indonesia operation for the reporting quarter is at 29,015 mt an increase of 92.83% compared to the corresponding quarter 2005. Cumulative two quarters FFB production is at 51,379 mt, 105.03% higher compared to the corresponding quarters 2005. The rehabilitation spending made over the last two to three years is continuing to show result but yet to reach its optimum level. As at the end of the quarter under review the Group has 9,732 mature hectares. This is an increase (ex Sumatra) from 7,113 mature hectares as at end of the last corresponding quarter.

The erection of the Group's new Palm Oil mill is progressing as scheduled with its anticipated commissioning by the end of this financial year 2006.

Manufacturing:

The Oleochemicals division revenue for 2nd quarter 2006 was at RM174.79 million which is 40.60% higher compared to the corresponding quarter 2005. Revenue for the cumulative two quarters 2006 was at RM348.18 an increase of 36.65% over the corresponding quarters 2005.

Operational result for the two quarters 2006 improved by 17.90% compared to the corresponding quarters 2005. Oleochemicals product prices weakened slightly compared to those secured in the corresponding quarters 2005. This together with stronger feed-stock costs has some impact on the Group's Oleochemicals division performance which could have been better in comparison to earlier years from higher volume sales.

Property Investment

The Group's office tower, the Menara Ansar in Johor Bahru recorded an operation deficit of RM0.51 million for the two quarters 2006 as compared to a surplus of RM0.17 million for the corresponding quarters in 2005. Scheduled maintenance cost incurred in the quarters and some termination of tenancy contributed to the higher income deficit. Vacant office spaces have impending tenants coming in but rental rates remain low.

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.

The Indonesia operation is showing improvements arising from increase FFB production and the absence of significant forex adverse movement particularly after the disposal of the Sumatra sector.

PNG is performing better in the quarter reflective of higher FFB produced and higher OER achieved.

The consolidation of QSR Brands Bhd from June 2006 further improve the Group's result for the Quarter under review.

The delivery on terms to sales completion in the Sumatra operation sales resulted in further positive reversal of accumulated losses on the investment that affect favourably the quarterly result against the unfavourable charge on goodwill impairment.

B3. Current Year Prospects

Palm products prices have strengthened quite significantly since end of June 2006 and these look sustainable. PNG and Indonesia operation are expected to benefit significantly from the stronger palm products prices. The Indonesian currency position will continue to have significant impact on Groups result. Currently it is hovering at about a neutral level for the Group.

The oleochemicals division prospects is challenging with feedstock cost moving higher.

Investment on an Oleic Acid plant at a cost of RM17 million is expected to be completed by end of 2006. This investment is expected to strengthen further the Group's presence in the Oleochemical products market from 2007 onward.

QSR Brands Bhd performances for the first two quarters in 2006 have been encouraging and barring the unexpected, the good performance is expected to continue. Its significant associate the KFC Holdings Bhd are expected to perform as well as its 1st half 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	
	1 April 2006 to 30 Jun 2006 RM'000	1 April 2005 to 30 Jun 2005 RM'000	1 Jan 2006 to 30 Jun 2006 M'000	1 Jan 2005 to 30 Jun 2005 RM'000
Current Taxation	(12,848)	(10,848)	(25,062)	(26,180)
-Malaysia	(4,790)	(3,581)	(7,811)	(7,264)
-Overseas	(8,058)	(7,267)	(17,251)	(18,916)
Transfer to deferred Taxation	517	(1,090)	(3,116)	(3,173)
-Malaysia	(240)	(1,090)	(3,873)	(3,173)
-Overseas	757	-	757	-
Total	(12,331)	(11,938)	(28,178)	(29,353)

The effective tax rate on the Group's profit for the 2nd Quarter 2006 is reflective of the official tax rate with the cumulative rate lower due to significant contributory items to profits not subjected to taxes.

B6. Sale of Unquoted Investments and/or Properties

	CURRENT QUARTER 1 April 2006 - 30 Jun 2006 RM'000	CUMULATIVE QUARTERS 1 January 2006 - 30 Jun 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 April - 30 Jun RM'000	CUMULATIVE QUARTERS 1 January - 30 Jun RM'000
Total Purchase consideration	3,203	3,653
Total Sale proceeds	-	-
Total Profit/(Loss) on Disposals	-	-

- (b) Investment as at 30 Jun 2006.

	Held as Long Term Investments RM'000	Held as Current Assets RM'000	TOTAL RM'000
At cost	37,894	2,119	40,013
At book value	4,652	3,203	7,855
At market value	5,278	3,230	8,508

B8. Status of Uncompleted Corporate Announcement

The Group announcements on corporate proposals are updated as follows:

- i) 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.

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

Nexsol (Malaysia) Sdn Bhd and Nexsol (Singapore) Pte Ltd have been formed as investment vehicles for the Group's Joint Venture in BioDiesel with Peter Cremer GmbH. The orders for plant have been made and the plant erections are being implemented at both sites in Tanjung Langsat Pasir Gudang Johor and in Jurong Singapore respectively.

B9. Borrowings and Debt Securities

	As at 30 Jun 2006	As at 31 Dec 2005
	RM'000	RM'000
Term Loans		
Secured - denominated in RM	932,727	832,232
- denominated in USD	169,142	160,656
- denominated in SDR	25,760	-
Less : Due within 12 months (reclassified to short term borrowings)	(56,265)	(122,058)
Total - Term Loan	1,071,364	870,830
Short Term Borrowings	56,625	122,058
Bank overdrafts - secured	-	-
- unsecured	11,130	8,596
Short term bank borrowings - secured	164,746	135,049
- unsecured	-	-
Total - Short Term Borrowings	232,501	265,703
Total Borrowings	1,303,865	1,136,533

B10. Financial Instruments with Off Balance Sheet Risk

- (a) As at 30 June 2006, there were outstanding warrants of 46,963,539. 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 August 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	116,972	Sept 2006 to Dec 2008
Purchase Contract	(24,519)	Sept 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 the 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. However it is subject to review by management from time to time due to the currency market trend and situation.

At 30 June 2006, the settlement dates on open forward contracts range between 1 and 12 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: USD113,159,471	USD	408,383	1USD = RM3.608
Trade receivables: EUR	EUR		1EUR = 0
Future sales of goods over the following 6 months:	USD	Nil	
Future purchase of equipments EUR1,552,500	EUR	7,271	1 EUR = 4.6835

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

The net unrecognised gain at 30 June 2006 on open contracts which hedge anticipated future foreign currency sales amounted to RM929,132. 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

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:-

- (1) **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 which is fixed for mention on 1 August 2006.

On 12 August 2005 the Plaintiffs' filed an amended Statement of Claim and Kulim had filed an application to strike out the amended Statement of Claim which is now fixed for Hearing on 1 August 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 Appeals proper were heard before the Federal Court 5, 6 June 2006 and on 7 June 2006 the Federal Court dismissed the appeals with costs.

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.

2) 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 which is fixed for mention on 1 August 2006.

On 12 August 2005 the Plaintiffs’ filed an amended Statement of Claim and Kulim had filed an application to strike out the amended Statement of Claim which is now fixed for Hearing on 1 August 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 Appeals proper were heard before the Federal Court 5, 6 June 2006 and on 7 June 2006 the Federal Court dismissed the appeals with costs.

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.

- 3) **Suit No D2-24-315-2005 QSR v 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.

- 4) **Suit No D3-22-1469-2005 Four individual shareholders of QSR v 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 were heard on 25 May 2006 for case management and were further fixed for hearing on 1 June 2006.

On 1 June 2006 the Federal Court adjourned the hearing of Kulim's applications for leave to a date to be fixed.

- 5) **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 an appeal to the Federal Court which appeal is fixed for hearing on 15 August 2006.

On 27 March 2006 QSR obtained leave to commence Committal Proceedings against all the Directors of Kulim in respect of the issue of the Offer Document. On 6 July 2006, Kulim's application to set aside the leave to commence committal proceedings was allowed with costs.

- 6) **Suit No . D2-22-105-2006 Kulim v 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.

- 7) **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.

On 20 March 2006 Kulim's solicitors filed an application to strike out the action or alternatively that the action be transferred and heard together with Kuala Lumpur High Court Suit No. D5-22-899-2005 and Kuala Lumpur High Court Suit No. D5-22-942-2005 with all further proceedings in the action therein be stayed pending such transfer and further directions to be obtained from the Judge having conduct of the Suit Nos. D5-22-899-2005 and D5-22-942-2005. This application was set for hearing on 23 May 2006 but was adjourned at the request of the Plaintiff.

The Mention date is now fixed on 6 September 2006 and this suit is being transferred to the Kuala Lumpur High Court under D7-22-848-2006.

8) **Suit No . D6-22-229-2006 Kulim v 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.

In light of KFCH's announcement on 20 June 2006 that it will not be proceeding with the Proposed Private Placement, the Writ of Summons and the application for an interlocutory injunction were withdrawn on 28 June 2006.

9) **Suit No. D5-22-852-2006**

1. QSR BRANDS BERHAD
 2. CHAI SING HONG
 3. RAZMI BIN ALIAS
 4. LIM KUAN YEW
 5. AHMAD AZNAN BIN MOHD NAWAWI
 6. TOH CHUN WAH
- ...PLAINTIFFS

against

1. KULIM (MALAYSIA) BERHAD
2. CIMSEC NOMINEES (TEMPATAN) SDN BHD
3. AHAMAD BIN MOHAMAD
4. TAN SRI DATO' MUHAMMAD ALI BIN HASHIM
5. JAMALUDIN BIN MD ALI
6. SHEIK SHARUFUDDIN BIN SHEIK MOHD
7. WONG SENG LEE

8. KUA HWEE SIM
9. MOHAMMAD BIN ALWI
10. IDHAM JIHADI BIN ABU BAKAR ...DEFENDANTS

On 7 June 2006, Kulim has been served with an unsealed writ instituted by QSR and 5 former directors of QSR in respect of the proceedings and resolutions passed at the Extraordinary General Meeting (“EGM”) of QSR held on 7 June 2006. The Defendants are, inter alia, Kulim, some of its directors, and CIMSEC Nominees (Tempatan) Sdn Bhd.

In addition, on 8 June 2006, Kulim’s Solicitors were served with the unsealed application for inter alia interim orders restraining the Defendants either by themselves or agents from implementing, giving effect, causing to be implemented or giving effect the resolutions passed at the said EGM including the resolutions appointing the 3rd to 10th Defendants as directors of QSR, the 3rd to 10th Defendants holding out, representing themselves, acting, carrying out duties and functions as directors of QSR.

The matter which was fixed for hearing on 15 June 2006 was adjourned to 21 June 2006 for the hearing of the Plaintiffs’ application for injunctions and orders to:-

- a. restrain the Defendants either by themselves or agents from implementing, giving effect, causing to be implemented or giving effect the resolutions passed at the said EGM including the resolutions appointing the 3rd to 10th Defendants as directors of QSR,
- b. restrain the 3rd to 10th Defendants holding out, representing themselves, acting, carrying out duties and functions as directors of QSR. The 1st to 10th Defendants are to be restrained and an injunction be issued restraining them from restraining the 2nd to 6th Plaintiffs from carrying out their duties and functions as directors of QSR in any manner howsoever.

Kulim’s application for cross-injunctions and orders are that the 2nd to 5th Plaintiffs be restrained from acting, holding themselves out as directors of QSR and/or interfering and/or intermeddling with the management affairs of QSR; that the 2nd to 6th Plaintiffs be restrained from preventing and/or obstructing the 3rd to 10th Defendants from discharging their duties as directors of QSR; from changing and/or altering the composition of the Board of Directors of QSR now comprising of the 3rd to 10th Defendants together with the 6th Plaintiff; be restrained whether by themselves and/or by their servants, agents or otherwise howsoever from proceeding with the purported adjourned QSR EGM on 23 June 2006 at 10.00 a.m. at 3rd Floor, Wisma KFC, 17 Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Plaintiffs’ application for injunction was dismissed and Kulim’s application for cross-injunction was granted on 22 June 2006. The Plaintiffs have filed an appeal. Kulim’s Solicitors have received notice from the Plaintiffs’ Solicitors (2nd to 6th) vide letter dated 31 July 2006 that they do not wish to proceed with the Appeal.

10. Johor Bahru High Court Petition No. 26-3-2006
Chian Soon Juee v. Kulim, Ahamad bin Mohamad, Cimsec and 23 ors

Kulim's Solicitors were served on 2 June 2006 with an unsealed copy of Petition under Section 181 of the Companies Act, 1965 for oppression of a minority shareholder filed in the Johor Bahru High Court. The Petitioner sought, inter alia, certain declarations and an injunction to restrain the holding of the EGM of QSR which had been requisitioned by Kulim and two other shareholders and to be held on 7 June 2006.

The Petitioner also filed an application by Summons in Chambers for interim injunction pending the trial of the matter to, inter alia, restrain the holding of the meeting, from giving effect to the Notice of EGM dated 11 May 2006 and from implementing or giving effect to any resolutions passed at the said EGM. The matter was heard inter partes on 6 June 2006 and was dismissed with costs. The Petitioner's application for interim stay pending appeal to the Court of Appeal was also dismissed by the High Court. To date no appeal papers have been served on Kulim's Solicitors.

11. KUALA LUMPUR HIGH COURT SUIT NO. D5-22-785-2006
KULIM v. QSR & KFCH

Kulim had on 30 May 2006 filed a Writ of Summons and Summons in Chamber in the Kuala Lumpur High Court on an Ex-parte Injunction Application for an order to suspend the voting rights of QSR at the Annual General Meeting of KFCH pending the completion of the EGM of QSR requisitioned by Kulim and two other shareholders on 7 June 2006 and the appointment of the representatives of Kulim on the Board of Directors of QSR reflecting the controlling interest of Kulim in QSR.

On 22 June 2006 the Writ of Summons and Summons-in-Chambers were withdrawn in view of the decision in Suit No. D5-22-852-2006.

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 Apr- 30 Jun		CUMULATIVE QUARTERS 1 Jan - 30 Jun	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
a) Basic earnings per share					
Net profit for the period	(RM'000)	24,932	10,082	79,274	22,809
Weighted average no. of shares in issue	('000)	264,073	261,830	264,073	261,830
Basic earnings per share	(sen)	9.44	3.85	30.02	8.71

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 46,963,539 warrants outstanding. The potential dilutive effect of these outstanding warrants is computed as disclosed.

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

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 8,120,150 options exercisable within the expiry period to October 2009. The potential dilutive effect of these outstanding ESOS 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)	0.3900	0.3950	0.3920	0.4010
Papua New Guinea Kina (PGK/Kina/K)	1.2320	1.2640	1.2430	1.2250
United Kingdom Pound Sterling (GBP)	6.7170	6.6198	6.8030	7.0600
United States of America Dollar (USD/US\$)	3.6745	3.7373	3.8000	3.8000
EUR	4.683	4.606	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 : 29th August 2006