

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 2006.

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 2006.

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.

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 interim 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 & Solomon Island	Indonesia	Group
REVENUE	RM'000	RM'000	RM'000	RM'000
External sales	843,663	391,024	7,988	1,242,675
Plantation operations	148,828	391,024	7,988	547,840
Manufacturing	462,975			462,975
<i>Oleochemicals</i>	458,554			458,554
<i>Rubber based products</i>	4,421			4,421
<i>Biodiesel</i>	-			-
Quick Service Restaurants	213,414			213,414
Management Services	14,356			14,356
Investment Property	3,745			3,745
Other investment income	345			345
RESULTS				
Plantation operations	(909)	132,803	2,779	134,673
Manufacturing	18,861			18,861
<i>Oleochemicals</i>	18,977			18,977
<i>Rubber based products</i>	(3)			(3)
<i>Biodiesel</i>	(113)			(113)
Quick Service Restaurants	38,385			38,385
<i>Subsidiary Significant Associate (of Subsidiary)</i>	18,242 20,143			18,242 20,143
Management Services	4,531			4,531
Investment Property	78			78
Other Associated companies	(181)			(181)
Investment income	276			276
Interest income	490	13	183	686
Profit/(Loss) before interest and exceptional item	61,531	132,816	2,962	197,309
Add/(Less):				
Interest expense	(29,919)	(512)	(4,269)	(34,700)
Profit/(Loss) before taxation	31,612	132,304	(1,307)	162,609

	Malaysia	Papua New Guinea & Solomon Island	Indonesia	Group
	RM'000	RM'000	RM'000	RM'000
<u>OTHER INFORMATION</u>				
<u>Total segment assets</u>	3,316,011	933,934	237,085	4,487,030
Plantation operations	2,255,590	933,934	237,085	3,426,609
Manufacturing	711,334			711,334
<i>Oleochemicals</i>	<i>667,156</i>			<i>667,156</i>
<i>Rubber based products</i>	<i>10,111</i>			<i>10,111</i>
<i>Biodiesel</i>	<i>34,067</i>			<i>34,067</i>
Quick Service Restaurants	217,498			217,498
Management Services	46,709			46,709
Investment Property	84,880			84,880
Associated companies	481,957			481,957
Unallocated corporate assets	20,800			20,800
<u>Total segment liabilities</u>	1,677,895	132,298	10,912	1,821,105
Plantation operations	952,421	132,298	10,912	1,095,631
Manufacturing	402,315			402,315
<i>Oleochemicals</i>	<i>401,644</i>			<i>401,644</i>
<i>Rubber based products</i>	<i>652</i>			<i>652</i>
<i>Biodiesel</i>	<i>19</i>			<i>19</i>
Quick Service Restaurants	299,608			299,608
Management Services	22,062			22,062
Property investment	1,489			1,489
Unallocated corporate liabilities	157,396	109,085		266,481
Capital expenditure	67,414	63,012	50,329	180,755
Plantation operations	14,071	63,012	50,329	127,412
Manufacturing	34,517			34,517
<i>Oleochemicals</i>	<i>13,633</i>			<i>13,633</i>
<i>Rubber Based products</i>	<i>-</i>			<i>-</i>
<i>Bio-diesel</i>	<i>20,884</i>			<i>20,884</i>
Quick Service Restaurant	18,701			18,701
Others	125			125

	Malaysia	Papua New Guinea & Solomon Island	Indonesia	Group
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortization	33,056	26,360	2,310	61,726
Plantation operations	14,663	26,360	2,310	43,333
Manufacturing - Oleochemicals	8,113			8,113
Quick Service Restaurant	10,199			10,199
Others	81			81
Non-cash expenses other than Depreciation	31,180	28,188	3,442	62,810

A9. Valuation of Property, Plant and Equipment

The carrying value of 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. However, in 2006, the Group changed its accounting policy on estate development expenditure in Malaysia from valuation model to cost model by stating the estate development expenditure to its initial cost and the change effect from the adoption of FRS 117 Leases. Other than changes resulting from these changes in accounting policy the carrying value was brought forward without any amendment.

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

The following were material events completed subsequent to the end of the interim period:

- i) As announced through Bursa Malaysia on 7th August, the Company disposed of 12,000,000 shares representing 10% of New Britain Palm Oil Ltd (NBPOL) Issued Share Capital of K0.25 each in the month July for a total cash consideration of K96,000,000. A sum equivalent to RM110,372,467 were received from the disposal. The Company's equity holding in NBPOL post disposal is reduced to 61.24%.

The Group realised gain from the disposal is at RM41.61 million.

- ii) On the 22nd June 2007 the Group announced on the disposals of its Indonesia Plantation Companies for a total gross cash consideration of US\$122,606,000. The disposals were completed, in accordance with the terms of the agreement, on the 9th August 2007. The Group's realised gain from the disposal is approximately at RM52 million. Further disclosure will be made at the next quarter reporting upon completion of all terms of sale for delivery post payment date.

A11. Changes in the Composition of the Group

The composition of the Group has not changed during the quarter under review except for the potential effect of the announced disposal of the Group's Indonesia Plantation companies. Upon conclusion, the Group will no longer have any interest in Indonesia. The financial impact and the resulting changes in the Group structure as a result of it exiting Indonesia will be reflected in the next quarter.

A12. Changes in Contingent Liabilities or Contingent Assets

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

A13. Capital Commitment

Authorised capital expenditures not provided for in the financial statements as at 30 June 2007 are as follows:

	RM'000
Contracted	52,640
Not contracted	51,920

	104,560
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A14. Impairment of Assets

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

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENT

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

Group Results and update

The Group's revenue for the quarter under review increased by 56.31% compared to the corresponding quarter 2006. Cumulative two quarters 2007 revenue increased by 55.78% compared to the corresponding quarters 2006.

Group's net profit for the quarter increased by 81.16% compared to the corresponding quarter 2006. Two quarters cumulative net profit increased by 23.08% compared to the corresponding quarters 2006.

NBPOL continued to record impressive result for the year to end June 2007. Its revenue for the second quarter is 40% higher and its PBT is 110% higher compared to the corresponding quarters 2006. NBPOL cumulative two quarters 2007 revenue is 49% higher and its PBT is 107% higher compared to the corresponding quarters 2006.

Quick Service Restaurant sector is seeing good revenue growth of 5% at QSR and 11.69% at KFC. The growth in revenue is translated positively to the Group's result.

For the Oleo chemicals division its feedstock cost is reflective of the movement in palm products and related oils traded prices which are significantly higher compared to a year ago. The effect is softened by some improvement in the Group's fatty acids product sale prices. Compared to the corresponding period 2006 its revenue increased by 48% for the second quarter and 33% for the two cumulative quarters 2007 arising from higher volume sales. The division posted better result for the 2nd quarter and the cumulative two quarters 2007 with PBT of 72% and 76% higher respectively compared to the corresponding quarters 2006.

On the Equity front, the prospect of further improvement in Kulim share price has encouraged further conversion of Kulim warrants into new shares.

As stated earlier, the Group concluded its sale of its Indonesia plantation Companies on the 9th August 2007.

(b) Operational results

Plantations:

(i) Plantation Operation - Malaysia

The Group's ffb production for the 2nd quarter 2007 is at 104,781mt. This is 30.44% lower compared to the ffb production for the corresponding quarter 2006. Cumulative two quarters ffb production is at 202,225mt which is 22.75% below the 2006 corresponding quarters production.

The Group's OER for the cumulative two quarters 2007 is at 18.64% compared to 18.68% for the corresponding quarters 2006.

Total ffb processed by the Group mills for the cumulative two quarters 2007 is 27.87% lower compared to the corresponding quarters 2006. Total ffb processed is inclusive of crops purchased from outside the Group.

The significant drop in ffb harvested and processed is generally shared by other producers in Johor which may have been the unexpected after effect on palms from the extra heavy rain fall and flooding experienced at end of last year and at the start of this financial year. Low ffb crops are affecting the Group Malaysia's operational result.

Malaysian plantation operation achieved CPO and PK cumulative price averages of RM1,680.87 and RM933.92 per mt respectively, compared to RM1,426.85 and RM947.09 per mt for CPO and PK respectively for the corresponding quarters 2006.

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

NBPOL produced 219,547mt ffb in the 2nd quarter 2007 which is 10.85% higher compared to the corresponding quarter 2006. Together with crops purchased from outside the Group, NBPOL processed 331,753mt ffb which is 10.26% higher compared to the corresponding quarter 2006. Cumulative two quarters 2007 ffb production and processed is at 424,395 and 638,853mt, an increase of 14.22% and 13.54% for own and processed crops respectively.

NBPOL cumulative average Crude Palm Oil extraction rate for the two quarters 2007 is at 22.40% as compared to 22.36% achieved for the corresponding quarters 2006. Price averages on FOB basis is at K1,603.61 (RM1,869.81) per mt CPO compared to corresponding quarters 2006 price average of K1,095.90 (RM1,277.82).

RBDP Olein price average local sales and export on fob basis is at K1,796.85 (RM2,095.12) per mt compared to the corresponding quarters 2006 price average of K1,274.14 (RM1,485.65) per mt.

GPPOL ffb production for the 2nd quarter 2007 was at 19,346 mt and cumulative two quarters production is at 33,524mt. Cumulative OER achieved is at 22.10%.

(iii) **Plantation Operation - Indonesia**

Ffb production for Group's Indonesia operation for the 2nd quarter 2007 is at 32,493mt, an increase of 12% compared to the corresponding quarter 2006. Cumulative ffb production for two quarters 2007 is at 58,211 mt which is 13.41% higher compared to the corresponding quarters 2007.

Cumulative OER achieved is at 19.2%.

Manufacturing:

The Oleochemicals division's revenue for the 2nd quarter 2007 was at RM251.74 million which is 48% higher compared to the corresponding quarter 2006. Its cumulative two quarters 2007 revenue is at RM458.55 million which is 33% higher compared to the corresponding quarters 2006.

Natoleo's PBT for the 2nd quarter 2007 is at RM5.36 million which is 72% higher compared to the corresponding quarter 2006. Its two quarters 2007 cumulative PBT is at RM14.61 million which is 76% higher compared to the corresponding quarters 2006.

Quick Service Restaurants:

QSR revenue for the cumulative two quarters 2007 is 5% higher compared to the corresponding quarters in 2006. Higher finance costs curtailed its PBT's growth.

KFC's revenue and PBT improved by 11.69% and 10% compared to corresponding quarters last year respectively.

Property Investment:

The Group's office tower, the Menara Ansar in Johor Bahru recorded a RM0.78million surplus for the cumulative two quarters 2007 compared to deficit of RM0.51 million for the corresponding quarters 2006.

B2. Material Changes in the Quarterly Results

PNG's operation is performing very well this quarter with higher production and higher price averages achieved on palm products sales.

QSR Brands Bhd also contributed to higher Group's result in this reporting quarter being its first full second quarter contribution to the Group's result. Its significant associate is performing better than its second quarter last year.

The oleochemical division is contributing higher operational profit in this reporting quarter. Higher sale volume from increased capacity post expansion completion in 2006 is delivering higher PBT.

Malaysia plantation operation is affected by lower production and lesser positive effect of palm products price uptrend as the Group has sold forward from last year.

B3. Current Year Prospects

Palm products prices have softened of late but continued to be traded at good price levels and this should augur well for the Group. Higher cropping levels expected for the 2nd half of the year would also contribute to better results for the Malaysian plantation operations. The Group's PNG operation is expected to be well rewarded from the strong price trends should this remain at levels currently traded. Solomon operation is expected to contribute positively to the Group's result being its first full year in operation with larger areas rehabilitated and available for harvest.

QSR Brands Bhd and its significant associate KFC Holdings (Malaysia) Bhd are delivering on higher sales to date and are projected to continue growing with higher revenue generated from KFC's same store sales growth as well as from new stores targeted to be opened over the remainder of the year.

The Oleochemicals division is reaping the advantage of its expanded size to manage costs whilst higher sales prices for its products would see the division continuing its positive performance.

The completion of Biodiesel plants at Tg Langsat Johor and at Jurong Singapore is delayed but within expectation. The scenario and prospect for Biodiesel have changed significantly with very strong price uptrend on its feedstock costs. The Group would closely monitor the situation.

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 Apr to 30 June 2007 RM'000	1 Apr to 30 June 2006 RM'000	1 Jan to 30 June 2007 RM'000	1 Jan to 30 June 2006 RM'000
Current Taxation	(23,047)	(12,848)	(46,033)	(25,062)
-Malaysia	(6,123)	(4,790)	(10,641)	(7,811)
-Overseas	(16,924)	(8,058)	(35,392)	(17,251)
Transfer to deferred Taxation	1,091	517	904	(3,116)
-Malaysia	1,058	(240)	841	(3,873)
-Overseas	33	757	63	757
Total	(21,956)	(12,331)	(45,129)	(28,178)

The tax rate is reflective of the official tax rates in the countries that the Group operates. The rate is higher compared to the corresponding quarter in 2006 due to significant contributory items to profits realised in the corresponding quarter 2006 from assets disposal not attracting taxes.

B6. Sale of Unquoted Investments and/or Properties

	CURRENT QUARTER 1 Apr 2007 - 30 June 2007 RM'000	CUMULATIVE QUARTERS 1 Jan 2007 - 30 June 2007 RM'000
	Nil	Nil

B7. Financial Assets at Fair Value (Quoted Securities)

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

	THIS YEAR	
	CURRENT QUARTER 1 Apr - 30 June 2007 RM'000	CUMULATIVE QUARTERS 1 Jan - 30 June 2007 RM'000
Total Purchase consideration	5	5
Total Sale proceeds	(4,500)	(4,500)
Total Profit/(Loss) on Disposals	-	-

- (b) Investment as at 30 June 2007.

	Held as Long Term Investments RM'000	Held as Current Assets RM'000	TOTAL RM'000
At cost	42,742	5,058	47,800
At book value	5,521	3,245	8,766
At market value	10,584	3,270	13,854

B8. Status of Uncompleted Corporate Announcement

As at end of the quarter under review there were no uncompleted Group announcements on corporate proposals with the exception of the announced disposal of the Group's Indonesia plantation companies. The disposals were completed on the 9th August 2007.

B9. Borrowings and Debt Securities

	As at 30 June 2007	As at 31 Dec 2006
	RM'000	RM'000
Term Loans		
Secured - denominated in RM	1,013,530	934,923
- denominated in USD	175,162	163,278
- denominated in SDR	18,024	22,295
Less : Due within 12 months (reclassified to short term borrowings)	(223,283)	(188,116)
Total - Term Loan	983,433	932,380
Short Term Borrowings (reclassified)	223,283	188,116
Bank overdrafts - secured	-	-
- unsecured	13,674	26,598
Short term bank borrowings - secured	261,159	174,392
- unsecured	27,000	-
Total - Short Term Borrowings	301,833	200,990
Total Borrowings	1,508,549	1,321,486

B10. Financial Instruments with Off Balance Sheet Risk

(a) As at 30 June 2007, there were outstanding warrants of 34,285,637. Each warrant 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 23 August 2007 (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	240,994	Sept 2007 to Dec 2009
Purchase Contract	(48,862)	Sept 2007 to Dec 2007

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 2007, 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: USD110,825,910	USD	379,493	1USD = RM3.424
Trade receivables: EUR	EUR		1EUR = nil
Future sales of goods over the following 6 months:	USD	Nil	
Future purchase of equipments EURNil	EUR	Nil	1 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 as at 30 June 2007 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

Status of the legal suits against/by Kulim in relation to the above acquisition is as follows:-

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 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.

Kulim has applied to strike out the Writ and Statement of Claim and also to strike out the amendments made without Leave to the Statement of Claim by the Plaintiff.

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 July 2005 and of the Court of Appeal on 22 March 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"). Kulim's application for taxation of costs will be heard on 21 September 2007.

On 26 April 2006 the Applicants obtained ex parte leave from the Court of Appeal 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 but have not taken any further steps.

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.

The matter is fixed for case management in the High Court on 23 November 2007.

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 applied to strike out the Writ and Statement of Claim and also to strike out the amendments made without Leave to the Statement of Claim by the Plaintiff.

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 July 2005 and of the Court of Appeal on 22 March 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"). Kulim's application for taxation of costs will be heard on 21 September 2007.

On 26 April 2006 the Applicants obtained ex parte leave from the Court of Appeal 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 but have not taken any further steps.

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.

The matter is fixed for case management in the High Court on 23 November 2007.

- 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. D7-22-848-2006 (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.

On 6 September 2006, the Plaintiff’s solicitors has applied to withdraw the matter and agreed to pay costs of the action to the Defendants to be taxed. The Defendants’ solicitors applied that the withdrawal shall be without liberty to file afresh. The Court then decided that the matter be struck off without liberty to file afresh and the Plaintiffs to pay costs to the Defendants. The Plaintiff has appealed against the said Order in respect of that part of the order denying the Plaintiffs liberty to file afresh and the appeal is fixed for Hearing on 12 September 2007.

8) 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

7. KULIM (MALAYSIA) BERHAD
 8. CIMSEC NOMINEES (TEMPATAN) SDN BHD
 9. AHAMAD BIN MOHAMAD
 10. TAN SRI DATO' MUHAMMAD ALI BIN HASHIM
 11. JAMALUDIN BIN MD ALI
 12. SHEIK SHARUFUDDIN BIN SHEIK MOHD
 13. WONG SENG LEE
 14. KUA HWEE SIM
 15. MOHAMMAD BIN ALWI
 16. 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.

**9. 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.

B12. Dividend Proposed

The Board is proposing an interim dividend payment of 7.5 sen per share less 27% tax. A separate announcement on the interim dividend to be declared will be made following the release of this quarterly report.

B13. Earnings Per Share (“EPS”)

		CURRENT QUARTER		CUMULATIVE QUARTERS	
		1 Apr - 30 June 2007	2006	1 Jan - 30 June 2007	2006
		RM'000	RM'000	RM'000	RM'000
a) Basic earnings per share					
Net profit for the period	(RM'000)	39,246	24,932	76,041	79,274
Weighted average no. of shares in issue	('000)	279,117	264,073	279,117	264,073
Basic earnings per share	(sen)	14.06	9.44	27.24	30.02
Diluted Earnings per share	(sen)	12.84	8.97	24.88	28.52

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 34,285,637 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 4,856,550 options exercisable within the expiry period to August 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)	0.3832	0.3874	0.3900	0.3950
Papua New Guinea Kina (PGK/Kina/K)	1.1660	1.2096	1.2320	1.2640
United Kingdom Pound Sterling (GBP)	6.9160	6.9203	6.7170	6.6198
United States of America Dollar (USD/US\$)	3.4545	3.4944	3.6745	3.7373
EUR	4.6213	4.6185	4.6830	4.6060
Singapore Dollar (S\$)	2.2530	2.259	2.30	2.312

By Order of the Board
KULIM (MALAYSIA) BERHAD

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

Dated : 30th August 2007