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 2007.

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 2007.

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 Cyclicality 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 under review.

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

During the quarter under review, the Company buys back 2,112,600 of its issued shares from the open market at an average price of RM7.89 per share. Total consideration paid for the buybacks including transaction costs is at RM16,934,477 and this was financed by internally generated funds.

All of the shares buy backs are being retained as treasury shares.
Besides the share buybacks, there were no cancellation, resale and repayment of debt and equity securities during the quarter other than on loans repayments in accordance with the Group's loans repayment schedules.

A7. Dividend Paid

There was no dividend paid during the quarter.

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	**573,696**	**279,291**		**852,987**
Plantation operations	103,065	279,291		382,356
Manufacturing	330,874			330,874
Oleochemicals *Rubber based products*	*328,262* *2,612*			*328,262* *2,612*
Quick Service Restaurants	128,828			128,828
Management Services	8,633			8,633
Investment Property	1,955			1,955
Other investment income	341			**341**
RESULTS				
Plantation operations	53,323	121,688	(53)	174,958
Manufacturing	15,370			15,370
Oleochemicals *Rubber based products* *Biodiesel*	*15,717* *(63)* *(284)*			15,717 (63) (284)
Quick Service Restaurants	25,996			*25,996*
Subsidiary *Significant Associate (of Subsidiary)*	*12,760* *13,236*			*12,760* *13,236*
Management Services	2,241			*2,241*
Investment Property	217			217
Other Associated companies	4,226			4,226
Investment income	354			354
Profit/(Loss) before interest	101,727	121,688	(53)	223,362
Add/(Less):				
Interest income	1,244	3,754		4,998
Interest expense	(15,278)	(286)		(15,564)

	Malaysia	**Papua New Guinea & Solomon Island**	**Indonesia**	**Group**
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before Taxation				
Continuing Operations	**87,693**	**125,156**	**(53)**	**212,796**
Total profit before tax	**87,693**	**125,156**	**(53)**	**212,796**
OTHER INFORMATION				
Total segment Assets	**4,206,613**	**1,250,767**		**5,457,380**
Plantation operations	2,102,502	1,250,767		3,353,269
Manufacturing	827,389			827,389
Oleochemicals *Rubber based products* *Biodiesel*	*749,886* *9,378* *68,125*			749,886 9,378 68,125
Quick Service Restaurants	269,295			269,295
Management Services	102,839			102,839
Investment Property	81,118			*81,118*
Associated companies	**535,131**			*535,131*
Unallocated corporate assets	**288,339**			**288,339**
Total segment liabilities	**1,449,547**	**191,826**		**1,641,373**
Plantation operations	597,299	71,776		669,075
Manufacturing	398,688			398,688
Oleochemicals *Rubber based products* *Biodiesel*	*377,833* *835* *20,020*			*377,833* *835* *20,020*
Quick Service Restaurants	257,363			257,363
Management Services	62,104			62,104
Property investment				
Unallocated Corporate liabilities	**134,093**	**120,050**		**254,143**

	Malaysia	Papua New Guinea & Solomon Island	Indonesia	Group
	RM'000	RM'000	RM'000	RM'000
Capital expenditure	**25,569**	**10,604**		**36,173**
Plantation operations	8,058	10,604		18,662
Manufacturing	9,404			9,404
Oleochemicals *Rubber Based products* *Bio-diesel*	*5,568* *208* *3,628*			5,568 208 3,628
Quick Service Restaurant	7,405			7,405
Management services	702			702
Depreciation and amortization	**16,480**	**17,768**		**34,248**
Plantation operations	4,520	17,768		22,288
Manufacturing – Oleochemicals	4,243			4,243
Quick Service Restaurant	5,514			5,514
Management services	279			279
Property investment	858			858
Prepaid lease payment	648			648
Intangible assets	**418**			**418**
Non-cash expenses other than depreciation	70,729	9,315		80,044

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**

There was announced in November 2007 of a proposed acquisition of 62.01% equity interest in Sindora Berhad. The acquisitions was completed on 25 April 2008. Following this completion Sindora is now a subsidiary of the Company and would be consolidated into the Group account with effect from 1st May 2008.

A11. **Changes in the Composition of the Group**

The composition of the Group has not changed during the quarter under review.

A12. **Changes in Contingent Liabilities or Contingent Assets**

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

A13. **Capital Commitment**

Authorised capital expenditures not provided for in the financial statements as at 31 March 2008 are as follows:

	RM'000
Contracted	46,070
Not contracted	105,787

	151,857
	=======

A14. **Impairment of Assets**

There were no significant impairment losses recognised by the Company and the Group during the quarter.

B. **ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS**

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

Group Results and update

The Group's revenue for the 1st quarter under review increased by RM282.66 million (49.56%) compared to the corresponding quarter 2007.

Plantation yield in the quarter for Malaysia recovered after a difficult year 2007 and in fact surpassed expectation. The Papua operation extracted higher CPO from slightly lower ffb productions. Non plantation groups showed commendable growth in revenue and profit.

Group's profit before tax for the quarter increased by RM135.90 million (176.74%) compared to the same quarter in 2007. NBPOL, NatOleo and QSR Brands Bhd contributed to the increase by RM59.88 million (44.06%), RM4.45 million (2.47%) and RM8.23 million (6.06%) higher profit respectively for the quarter under review compared to their 2007 1st quarter's results. The Malaysian plantation operation contributed RM50.13 million (36.89%) more to the profit from a difficulty quarter in 2007. The contributors to remainder are mainly resulting from disposal of loss making entity no longer in the Group structure.

Business condition for Bio-Diesel is uncertain. In view of the uncertainty and difficult business environment the Group is holding back its commercial commencement.

On the equity front, there were 6,256,249 warrants and 262,900 ESOS converted and exercised into new shares during the quarter.

(b) **Operational results**

Plantations:

(i) Plantation Operation - Malaysia

The Group's ffb production for the 1st quarter 2008 is at 131,459 mt. This is 34.91% higher compared to the ffb production for the corresponding quarter 2007.

The Group's OER for the 1st quarter 2008 is at 19.20% compared to OER of 18.49% for the corresponding quarter 2007.

Total ffb processed by the Group mills for the 1st quarter 2008 is at 140,236 mt which is 40.96% higher compared to the corresponding quarter 2007. Total ffb processed is inclusive of crops purchased from outside the Group.

Malaysian plantation operation achieved CPO and PK 1st quarter price averages of RM2,641.29 and RM1,905.23 per mt respectively compared to RM1,649.84 and RM883.49 per mt for CPO and PK respectively for the corresponding quarter 2007.

(ii) Plantation Operation - Papua New Guinea & Solomon Islands

NBPOL produced 197,218 mt ffb in the 1st quarter 2008 which is 3.72% lower compared to the corresponding quarter 2007. Together with crops purchased from outside the Group, NBPOL processed 307,100 mt ffb which is 3.43**%** lower compared to the corresponding quarter 2007.

NBPOL average Crude Palm Oil extraction rate for the 1st quarter 2008 is at 23.21**%** as compared to 22.16% achieved for the corresponding quarter 2007. Price averages on CIF basis is at US$954 per mt CPO compared to the corresponding quarter in 2007 price average of US$585.

GPPOL ffb production for the 1st quarter 2008 is at 23,231 mt. and OER achieved is at 20.68%.

Manufacturing:

The Group's Oleochemicals division revenue for the 1st quarter 2008 is at RM328.26 million which is 58.72% higher compared to the corresponding quarter 2007.

Natoleo's PBT for the 1st quarter 2008 is at RM12.59 million which is 36.03% higher compared to the corresponding quarter in 2007.

Quick Service Restaurants:

QSR revenue for the 1st quarter 2008 is at RM128.82 million, 24.11% higher compared to the corresponding quarter in 2007. QSR's PBT grew by RM8.23 million (46.34%) compared to the same quarter in 2007

Its significant associate, KFC Holding revenue grew by 22.87% to RM494.86 million and its PBT increased by 21.7% to RM40.11 million.

Property Investment:

The Group's office tower, the Menara Ansar in Johor Bahru recorded a surplus of RM217 thousand for the 1st quarter 2008 compared to deficit of RM83 thousand for the corresponding quarter in 2007.

B2. **Material Changes in the Quarterly Results**

All significant Group operations posted higher revenue and profit during the quarter. Strong palm products prices contributed significantly to the better performance. Malaysia FFB production is significantly higher during the quarter compared to the corresponding quarter last year. In spite of difficult operating conditions brought about by higher main input costs the non plantation operation, the Oleo-chemicals and the Fast food divisions perform well during the quarter posting commendable revenue and profit growth.

B3. **Current Year Prospects**

Palm products prices have softened from the year's high but have stayed at comparatively good levels. Malaysia's FFB productions look promising towards exceeding last year's production. A matter of concern is on the major costs item of fertilizers and diesel which have gone up substantially compared to the previous years

QSR Brands Bhd and its significant associate KFCH are delivering on higher sales and are projected to continue growing with higher revenue generated over the next twelve months. As in plantations sector the challenges are on managing significant materials costs increases which have moved up significantly.

The Oleochemicals products sales have good prospects to remain strong and products prices gave reasonable margin. Further rebounds on Glycerine demand and prices as recorded in the 1st quarter after a long decline will have a welcome impact on future prospects for the division.

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 Jan to 31 Mar 2008 RM'000	1 Jan to 31 Mar 2007 RM'000	1 Jan to 31 Mar 2008 RM'000	1 Jan to 31 Mar 2007 RM'000
Current Taxation	(51,054)	(21,978)	(51,054)	(21,978)
-Malaysia	(17,575)	(4,517)	(17,575)	(4,517)
-Overseas	(33,479)	(17,461)	(33,479)	(17,461)
Transfer to deferred Taxation	(1,031)	(188)	(1,031)	(188)
-Malaysia	(1,031)	(216)	(1,031)	(216)
-Overseas	-	28	-	28
Total	**(52,085)**	**(22,166)**	**(52,085)**	**(22,166)**

Effective tax rate for the Group for the 1st Quarter is lower than the statutory rate due to the availability of tax allowances and certain income not attracting taxes.

B6. **Sale of Unquoted Investments and/or Properties**

	CURRENT QUARTER 1 Jan 2008 - 31 Mar 2008 RM'000	CUMULATIVE QUARTERS 1 Jan 2008 - 31 Mar 2008 RM'000
	Nil	Nil

B7. **Financial Assets at Fair Value (Quoted Securities)**

(a) The particulars of purchase or disposal of quoted securities which made up substantially of trusts funds under surplus cash management by the Group are as follows :-

	THIS YEAR	
	CURRENT QUARTER 1 Jan - 31 Mar RM'000	CUMULATIVE QUARTERS 1 Jan - 31 Dec RM'000
Total Purchase consideration	40,295	40,295
Total Sale proceeds	(79,972)	(79,792)
Total Profit/(Loss) on Disposals	529	529

(b) Investment as at 31 Dec 2007.

	Held as Long Term Investments RM'000	Held as Current Assets RM'000	TOTAL RM'000
At cost	25,148	114,502	139,650
At book value	4,618	72,788	77,407
At market value	4,653	72,837	77,490

B8. **Status of Uncompleted Corporate Announcement**

The Group announced on 13th November 2007 on the following corporate events/exercises:

i. Acquisition of 59,533,289 ordinary shares of RM1.00 each in SINDORA ("SINDORA Shares"), representing approximately 62.01% of the issued and paid up share capital of SINDORA ("Proposed Acquisition");

ii. Proposed Collaboration with PNG Sustainable Development Program Limited to jointly undertake oil palm feasibility studies in Kamusie, Papua New Guinea ("Collaboration").

The status of the announcements as at the date of this report is as follows;

Announcement i)

The proposed acquisition of 62.01% of Sindora Berhad shares was completed on the 25th April 2008. The Mandatory General Offer on the remaining shares in Sindora Berhad not already owned by the Company is being attended to with offer notice posted on the 6th May and its first completion date is 27th May 2008.

Announcement ii)

Collaboration agreement with PNG Sustainable Development Program Limited was signed on 5th December 2007. At the date of this report there were no significant developments over this matter.

B9. **Borrowings and Debt Securities**

	As at 31 March 2008	As at 31 Dec 2007
	RM'000	RM'000
Term Loans		
Secured - denominated in RM	898,935	957,465
- denominated in USD	50,162	52,795
- denominated in SDR	-	14,826
Less : Due within 12 months (reclassified to short term borrowings)	(359,704)	(358,539)
Total – Term Loan	**589,393**	**666,547**
Short Term Borrowings (reclassified)	**359,704**	**358,539**
Bank overdrafts - secured	-	-
- unsecured	11,309	14,835
Short term bank borrowings – secured	268,512	251,268
- unsecured	-	-
Total – Short Term Borrowings	**279,821**	**266,103**
Total Borrowings	**1,228,918**	**1,291,189**

B10. **Financial Instruments with Off Balance Sheet Risk**

(a) As at 31 March 2008, there were outstanding warrants of 13,045,999. 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 28 May 2008 (being a date not earlier than 7 days from the date of issue of the quarterly report) are as follows:

	RM'000	Maturity Period
Sale Contract	514,328	June 2008 to Dec 2009
Purchase Contract	(366,858)	June 2008 to Dec 2008

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 31 March 2008, 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: USD237,538,692	USD	778,683	1USD = RM3.32781
Trade receivables: EUR		EUR	1EUR = nil
Future sales of goods over the following 6 months:	USD	Nil	
Future purchase of equipments EUR Nil	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 31 March 2008 on open contracts which hedge anticipated future foreign currency sales amounted to RM20,340,749. 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 pending legal suits against Kulim in relation to the above acquisition are as follows:-

1) KLHC Suit No. D5-22-899-2005

1. Firstcrest Global Limited (No. Syarikat: 650678)
2. Cogent Management Limited (No. Syarikat: 650679)
3. Batemans Capital Limited (No. Syarikat : 650739)
4. Eagle Option Sdn. Bhd. (No. Syarikat: 672334-M)

v.

1. Indexia Assets Limited (No. Syarikat : 434721)
2. Naunton International Limited (No. Syarikat: 480530)
3. Yates Ventures Limited (No. Syarikat: 371504)
4. Kulim (Malaysia) Berhad (No. Syarikat: 23370-V)
5. UOB Kay Hian Pte. Ltd. (No. Syarikat :197000447-W)

The Plaintiffs are seeking a declaration that the sale and purchase agreement between Kulim as purchaser and Wisdom, Indexia, Yates and Naunton as vendors 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 the vendors' Shares held in QSR ("QSR Shares") which had purportedly been sold to Firstcrest Global Limited ("FGL"), Cogent Management Limited ("CML") and Batemans Capital Limited ("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 matter is pending full trial after the Plaintiffs' application for an inter partes interim injunction was dismissed by the High Court, the Court of Appeal and the Federal Court.

2) KLHC Suit No. D5-22-942-2005

1. Chain Valley Management Limited (No. Syarikat 650672)
2. Eagle Option Sdn. Bhd. (No. Syarikat: 672334-M)

v.

1. Indexia Assets Limited (No. Syarikat : 434721)
2. Kulim (Malaysia) Berhad (No. Syarikat: 23370-V)
3. UOB Kay Hian Pte. Ltd. (No. Syarikat :197000447-W)

The Plaintiffs are seeking a declaration that the sale and purchase agreement between Kulim as purchaser and Indexia as vendor is 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 shares held in QSR ("QSR Shares") which had been sold to Chain Valley Management Limited ("CVM"). The matter is pending full trial after the Plaintiffs' application for an inter partes interim injunction was dismissed by the High Court, the Court of Appeal and the Federal Court.

B12. **Dividend Proposed**

The Board proposed final dividend of 15% (less tax) per ordinary shares of RM0.50 each in respect of the financial year ended 31 December 2007.

The dividend payment was approved by the shareholders at the AGM held on the 26 May 2008.

Entitlement date is fixed for the 30th June 2008 and payment date on the 25th July 2008.

B13. **Earnings Per Share ("EPS")**

	CURRENT QUARTER 1 Jan - 31 March		CUMULATIVE QUARTERS 1 Jan - 31 March	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
a) **Basic earnings per share**				
Net profit for the period	98,193	34,822	98,193	34,822
Weighted average no. of shares in issue	284,187	277,352	284,187	277,352
Basic earnings per share	34.56	12.56	34.56	12.56
Diluted Earnings per share	33.43	11.47	33.43	11.47

b) **Diluted earnings per share**

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

(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 13,045,999 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 2,979,250 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)	0.3477	0.3506	0.3807	0.3861
Papua New Guinea Kina (PGK/Kina/K)	1.1705	1.2001	1.1770	1.2151
United Kingdom Pound Sterling (GBP)	6.3850	6.5032	6.7785	6.8516
United States of America Dollar (USD/US$)	3.1985	3.2568	3.4545	3.4944
EUR	4.9307	4.8944	4.6435	4.6190
Singapore Dollar (S$)	2.3148	2.3039	2.3016	2.3155

By Order of the Board
KULIM (MALAYSIA) BERHAD

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

Dated : 26th May 2008