

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 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 under review with the exception of the consequential effect resulting from the first time consolidation of Sindora Berhad into the Group consolidated accounts incorporating two months of its results with effect from May 2008.

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 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:

KULIM (MALAYSIA) BERHAD – Company No. 23370-V

Interim report for the financial year ending 31 December 2008

| | Cumulative 2008 | | | Cumulative 2007 | | | Change |
|--|-----------------|-----------------------------------|----------------|-----------------|-----------------------------------|----------------|------------------------|
| | Malaysia | Papua New Guinea & Solomon Island | Group | Malaysia | Papua New Guinea & Solomon Island | Group | Group [2008 over 2007] |
| REVENUE | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| External sales | 1,385,300 | 611,767 | 1,997,067 | 851,651 | 391,024 | 1,242,675 | 754,392 |
| Plantation operations | 239,593 | 611,767 | 851,360 | 156,816 | 391,024 | 547,840 | 303,520 |
| Manufacturing | 789,700 | | 789,700 | 462,975 | | 462,975 | 326,725 |
| <i>Oleochemicals</i> | <i>785,098</i> | | <i>785,098</i> | <i>458,554</i> | | <i>458,554</i> | <i>326,544</i> |
| <i>Rubber based Products</i> | <i>4,602</i> | | <i>4,602</i> | <i>4,421</i> | | <i>4,421</i> | <i>181</i> |
| Foods and Restaurants | 260,035 | | 260,035 | 213,414 | | 213,414 | 46,621 |
| Others Services | 79,789 | | 79,789 | 14,356 | | 14,356 | 65,433 |
| Shipping Services | 12,009 | | 12,009 | | | | 12,009 |
| Investment Property | 3,984 | | 3,984 | 3,745 | | 3,745 | 239 |
| Other investment income | 190 | | 190 | 345 | | 345 | (155) |
| RESULTS | | | | | | | |
| Plantation operations | 77,945 | 225,972 | 303,917 | 1,870 | 132,803 | 134,673 | 169,244 |
| Manufacturing | 52,068 | | 52,068 | 18,861 | | 18,861 | 33,207 |
| <i>Oleochemicals</i> | <i>53,080</i> | | <i>53,080</i> | <i>18,977</i> | | <i>18,977</i> | <i>34,103</i> |
| <i>Rubber based products</i> | <i>(401)</i> | | <i>(401)</i> | <i>(3)</i> | | <i>(3)</i> | <i>(398)</i> |
| <i>Biodiesel</i> | <i>(611)</i> | | <i>(611)</i> | <i>(113)</i> | | <i>(113)</i> | <i>(498)</i> |
| Foods and Restaurants | 53,586 | | 53,586 | 38,385 | | 38,385 | 15,201 |
| <i>Subsidiary</i> | <i>25,818</i> | | <i>25,818</i> | <i>18,242</i> | | <i>18,242</i> | <i>7,576</i> |
| <i>Significant Associate (of Subsidiary)</i> | <i>27,768</i> | | <i>27,768</i> | <i>20,143</i> | | <i>20,143</i> | <i>7,625</i> |
| Others Services | 6,729 | | 6,729 | 4,531 | | 4,531 | 2,198 |
| Shipping Services | 1,942 | | 1,942 | | | | 1,942 |
| Investment Property | 555 | | 555 | 78 | | 78 | 477 |
| Other Associated companies | 3,995 | | 3,995 | (181) | | (181) | 4,176 |
| Investment income/ acquisition effects | 13,346 | | 13,346 | 276 | | 276 | 13,070 |
| Profit/(Loss) before interest | 210,166 | 225,972 | 436,138 | 63,820 | 132,803 | 196,623 | 239,515 |
| Add/(Less): | | | | | | | |
| Interest income | 1,555 | 6,839 | 8,394 | 673 | 13 | 686 | 7,708 |
| Interest expense | (31,152) | (1,835) | (32,987) | (34,188) | (512) | (34,700) | 1,713 |
| Profit/(Loss) before Taxation | | | | | | | |
| Continuing Operations | 180,569 | 230,976 | 411,545 | 30,305 | 132,304 | 162,609 | 248,936 |
| Total profit before tax | 180,569 | 230,976 | 411,545 | 30,305 | 132,304 | 162,609 | 248,936 |

| | Malaysia | Papua New Guinea & Solomon Island | Group |
|---|------------------|-----------------------------------|------------------|
| | RM'000 | RM'000 | RM'000 |
| <u>OTHER INFORMATION</u> | | | |
| <u>Total segment Assets</u> | 4,708,085 | 1,465,453 | 6,173,538 |
| Plantation operations | 2,143,750 | 1,465,453 | 3,609,203 |
| Manufacturing | 947,798 | | 947,798 |
| <i>Oleochemicals</i> | <i>871,837</i> | | <i>871,837</i> |
| <i>Rubber based products</i> | <i>8,982</i> | | <i>8,982</i> |
| <i>Biodiesel</i> | <i>66,979</i> | | <i>66,979</i> |
| Foods and Restaurants | 226,053 | | 226,053 |
| Others Services | 207,274 | | 207,274 |
| Shipping Services | 195,380 | | <i>195,380</i> |
| Investment Property | 83,661 | | <i>83,661</i> |
| Associated companies | 587,192 | | <i>587,192</i> |
| Unallocated corporate assets | 316,977 | | 316,977 |
| <u>Total segment liabilities</u> | 1,730,679 | 323,798 | 2,054,477 |
| Plantation operations | 680,287 | 299,516 | 979,803 |
| Manufacturing | 475,180 | | 475,180 |
| <i>Oleochemicals</i> | <i>455,409</i> | | <i>455,409</i> |
| <i>Rubber based products</i> | <i>722</i> | | <i>722</i> |
| <i>Biodiesel</i> | <i>19,049</i> | | <i>19,049</i> |
| Foods and Restaurants | 234,861 | | 234,861 |
| Others Services | 54,064 | | 54,064 |
| Shipping Services | 13,014 | | 13,014 |
| Property investment | | | |
| Unallocated Corporate liabilities | 273,273 | 24,282 | 297,555 |
| Capital expenditure | 68,969 | 57,622 | 126,591 |
| Plantation operations | 20,530 | 57,622 | 78,152 |
| Manufacturing | 13,485 | | 13,485 |
| <i>Oleochemicals</i> | <i>8,636</i> | | <i>8,636</i> |
| <i>Rubber Based products</i> | <i>243</i> | | <i>243</i> |
| <i>Bio-diesel</i> | <i>4,606</i> | | <i>4,606</i> |
| Foods and Restaurants | 18,682 | | 18,682 |
| Others Services | 3,258 | | 3,258 |
| Shipping Services | 13,014 | | 13,014 |

| | Malaysia | Papua New Guinea & Solomon Island | Group |
|--|---------------|-----------------------------------|----------------|
| | RM'000 | RM'000 | RM'000 |
| Depreciation and amortization | 47,164 | 9,547 | 56,711 |
| Plantation operations | 11,123 | 9,547 | 20,670 |
| Manufacturing - Oleochemicals | 8,560 | | 8,560 |
| Foods and Restaurants | 9,511 | | 9,511 |
| Others Services | 5,353 | | 5,353 |
| Shipping Services | 8,525 | | 8,525 |
| Property investment | 1,357 | | 1,357 |
| Prepaid lease payment | 1,863 | | 1,863 |
| Intangible assets | 872 | | 872 |
| Non-cash expenses other than depreciation | 17,462 | 147,955 | 165,416 |

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 none.

A11. Changes in the Composition of the Group

The composition of the Group changed during the quarter under review with the completion of direct acquisition of 62.01% equity interest in Sindora Berhad (Sindora) which is followed by a Mandatory General Offer for its shares not already owned post direct acquisition. Sindora is consolidated into the Group's accounts with effect from 1 May 2008. At its initial consolidated date, the acquisition is secured at a Negative Goodwill of RM14 million. This is accounted for in the income statement for the quarter under review with revision for position as at 30 June 2008 accounting for further acquisition of Sindora Shares post 1 May 2008. As at 30 June 2008 the Company held 74.33% equity interest in Sindora.

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 2008 are as follows:

| | RM'000 |
|----------------|---------|
| Contracted | 63,710 |
| Not contracted | 104,463 |
| | ----- |
| | 168,173 |
| | ===== |

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 2nd quarter under review increased by RM482.39million (72.9%) compared to the corresponding 2nd quarter 2007.

The Group's revenue for the cumulative two quarters under review increased by RM754.39 million (60.71%) compared to the corresponding cumulative two quarters 2007.

Plantation ffb yield for the quarter for Malaysia is 8.8% higher than the corresponding quarter in 2007. The PNG operation is experiencing lower ffb yield for the quarter but it is compensated by higher OER achieved of 23.28%.

Group's profit before tax for two quarters to end June 2008 increased by RM248.94 million (153%) compared to the corresponding quarters in 2007. NBPOL, NatOleo and QSR Brands Bhd (Group) contributed to the increase by RM98.67 million (39%), RM34.10 million (13.5%) and RM16.7 million (6.61%) higher profit respectively for the quarters under review compared to their 2007 corresponding quarters' results. The Malaysian plantation operation contributed RM76 million (57.44%) more to the profit from a difficult corresponding quarters in 2007.

The acquisition of Sindora Berhad was completed during the quarter and consolidated into the Group accounts with effect from 1 May, 2008. Sindora contributed RM 8.18 million to the Group PBT representing its two months results in addition to the accounting for revised Negative Goodwill of RM13.14 million as at the end of the quarter under review.

Business condition for Bio-Diesel is changing to within reasonable range for commencement. The Group is gearing for its business commencement in the month of October 2008.

On the equity front, there were 3,046,278 warrants and 104,500 ESOS exercised and converted into new shares during the quarter respectively.

Operational results

Plantations:

(i) Plantation Operation - Malaysia

The Group's ffb production for the 2nd quarter 2008 is at 116,363mt. This is 8.8% higher compared to the ffb production for the corresponding quarter 2007.

The Group's cumulative ffb production for two quarters to end June 2008 is at 247,822mt. This is 24.97% higher compared to the ffb production for the corresponding quarters 2007.

The Group's OER for the cumulative two quarters 2008 is at 19.36% compared to OER of 18.64% for the corresponding quarters 2007.

Total ffb processed by the Group mills for the cumulative two quarters 2008 is at 286,260mt which is 24.8% lower compared to the corresponding quarters 2007. Total ffb processed is inclusive of crops purchased from outside the Group.

Malaysian plantation operation achieved CPO and PK cumulative two quarters price averages of RM2,787 and RM1,969 per mt compared to RM1,681 and RM934 per mt for CPO and PK respectively for the corresponding quarters 2007.

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

NBPOL produced 200,177 mt ffb in the 2nd quarter 2008 which is 8.82% lower compared to the corresponding quarter 2007. Together with crops purchased from outside the Group, NBPOL processed 306,309 mt ffb which is 7.67% lower compared to the corresponding quarter 2007.

The Group's cumulative ffb production for two quarters to end June 2008 is at 397,395mt. This is 6.36 % lower compared to the ffb production for the corresponding quarters 2007. Total two quarters ffb processed is at 613,376 mt.

NBPOL Lower ffb produced is softened by higher OER achieved at 23.28% for the two cumulative quarters 2008.

GPPOL ffb production for the 2nd quarter 2008 is at 26,361 mt and OER achieved is at 21.1%. Ffb processed is at 31,311 MT. Its cumulative own ffb production for two quarters to end June 2008 is at 46,451mt. This is 38% higher compared to the ffb production for the corresponding quarters 2007.

Manufacturing:

The Group's Oleochemicals division revenue for the 2nd quarter 2008 is at RM456.84 million which is 81.47% higher compared to the corresponding quarter 2007.

Its PBT for the 2nd quarter 2008 is at RM33.97 million which is 534% higher compared to the corresponding quarter in 2007.

The Group's Oleochemicals division revenue for the cumulative two quarters to end June 2008 is at RM785 million which is 71.21% higher compared to the corresponding quarters 2007.

Its PBT for the two quarters to end June 2008 is at RM46.56 million which is 218.6% higher compared to the corresponding quarters in 2007.

Foods and Restaurants:

QSR revenue for the 2nd quarter 2008 is at RM131 million, 19.7% higher compared to the corresponding quarter in 2007. QSR's PBT grew by RM8 million (47.33%) compared to the same quarter in 2007

Its significant associate, KFC Holding revenue for the 2nd quarter grew by 30.81% to RM530.58 million and its PBT increased by 26.4% to RM43.2 million.

QSR revenue for the cumulative two quarters to end June 2008 is at RM260 million which is 21.85% higher compared to the corresponding quarters 2007.

Its PBT for the two quarters to end June 2008 is at RM48.57 million which is 52.43% higher compared to the corresponding quarters in 2007.

Property Investment:

The Group's office tower, the Menara Ansar in Johor Bahru recorded a surplus of RM338 thousand for the 2nd quarter 2008 compared to RM161 thousand for the corresponding quarter in 2007. For the two quarters to end June it record as surplus of RM555 thousand compared to RM78 thousand for the corresponding quarters 2007.

B2. Material Changes in the Quarterly Results

Stronger palm products prices realised during the quarter contributed to the better performance during the quarter. Malaysia plantation operation posted reversal from a loss position due to low production and low prices in 2007 to higher production and higher prices realised in the corresponding quarters in 2008 to record 1092% loss reversal to a profit of RM40.5 million.

In addition, the Negative Goodwill accounted for in the Income Statement arising from the consolidation of Sindora Berhad and Sindora initial contribution to the Group's result added to the improved performance for the quarter.

B3. Current Year Prospects

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

QSR Brands Bhd and its significant associate KFCH are delivering on higher sales during the first two quarters of the year. Higher cost of living following various costs increases and higher inflation effects may have a delayed impact on the sales performance in the coming quarters as a section of the markets readjust their spending of their disposable income. The Group will be assessing the situation closely for an appropriate market response. In addition to consumers spending that may be turning cautious there are also challenges on managing significant materials costs increases.

The Oleochemicals products sales have good prospects to remain strong and products prices delivering reasonable margin. The weakening in its feedstock costs is expected to augur well to its better performance and to cushion for some costs increases on its secondary input costs items other than its main feedstock.

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 to 30 June 2008 RM'000 | 1 April to 30 June 2007 RM'000 | 1 Jan to 30 June 2008 RM'000 | 1 Jan to 30 June 2007 RM'000 |
| Current Taxation | (38,212) | (23,047) | (89,266) | (46,033) |
| -Malaysia | (8,817) | (6,123) | (26,392) | (10,641) |
| -Overseas | (29,395) | (16,924) | (62,874) | (35,392) |
| Transfer to deferred Taxation | (17,915) | 1,091 | (18,946) | 904 |
| -Malaysia | (17,915) | 1,058 | (18,946) | 841 |
| -Overseas | - | 33 | - | 63 |
| Total | (56,127) | (21,956) | (108,212) | (45,129) |

Effective tax rate for the Group for the quarter and cumulative two quarters 2008 is approximate to the official tax rates applicable to the Group companies.

B6. Sale of Unquoted Investments and/or Properties

| | CURRENT QUARTER 1 April 2008 - 30 June 2008 RM'000 | CUMULATIVE QUARTERS 1 Jan 2008 - 30 June 2008 RM'000 |
|--|--|--|
| | Nil | Nil |

B7. Financial Assets at Fair Value (Quoted Securities)

- (a) The particulars of purchase or disposal of quoted securities (short term money market trust funds) are as follows :-

| | THIS YEAR | |
|----------------------------------|--|---|
| | CURRENT QUARTER 1 April - 30 June RM'000 | CUMULATIVE QUARTERS 1 Jan - 30 April RM'000 |
| Total Purchase consideration | 11,968 | 54,773 |
| Total Sale proceeds | (78,823) | (158,795) |
| Total Profit/(Loss) on Disposals | 484 | 1,013 |

- (b) Investment as at 30 June 2008.

| | Held as Long Term Investments RM'000 | Held as Current Assets RM'000 | TOTAL RM'000 |
|-----------------|---|----------------------------------|-----------------|
| At cost | 32,168 | 3,207 | 35,375 |
| At book value | 7,533 | 1,598 | 9,131 |
| At market value | 7,570 | 1,610 | 9,180 |

B8. Status of Uncompleted Corporate Announcement

The Company and its subsidiaries announced on the following corporate events not yet completed at the last report date and their status at the date of this report is as follows;

- ii. Announcement made by Kulim (Malaysia) Berhad.

On 13th November 2007 the Company announced on a proposed Collaboration with PNG Sustainable Development Program Limited to jointly undertakes oil palm feasibility studies in Kamusie, Papua New Guinea ("Collaboration").

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.

- ii. Announcement made by New Britain Palm Oil Ltd, Papua New Guinea.

On 13 June 2008 New Britain Palm Oil Ltd, a 51% Subsidiary of the Company, announced on its bid for Ramu Agri-Industry Ltd (RAI) a company listed at the Port of Moresby, Papua New Guinea (PNG) Stock

Exchange, for shares not already owned by it at K6.10 a share valuing RAI at US\$53 million.

RAI has approximately 30,000 hectares agricultural land in PNG and is in Sugar planting and cattle rearing and since 2003 has gradually switch from sugar to Oil Palm planting.

At the offer date NBPOL has accumulated 19.45% stake in RAI. NBPOL initial offer has met with counter offer from other interested party. NBPOL has since revised its offer price to K6.80 a share effectively increasing the value of RAI from approximately US\$53 million to US\$60 million.

The offer is open to RAI shareholders for acceptance by 14th September 2008.

- ii. Announcement made by Sindora Berhad (Sindora), a newly acquired subsidiary of the Company;

As at end of its last group quarterly report Sindora made two uncompleted corporate proposals announcement as follows;

i. On 22 March 2007, the Company had entered into a conditional Sale and Purchase cum Subscription Agreement (SPS) with Johari bin Ma'arof, Laili binti Ismail and Hayati binti Jalaludin and JM Permata Sdn Bhd (JMP) to:

- a) acquire 1,856,992 ordinary shares of RM1.00 each in JMP representing 46.4% of the existing issued and paid-up share capital of JMP for a purchase consideration of RM11,141,952 to be satisfied by cash; and
- b) subscribe for a total of 1,166,667 new JMP shares upon completion of the proposed acquisition for a total subscription price of RM7.0 million. Upon completion, the Company's equity interest in JMP shall increase to approximately 58.52%.

The Company had on 11 September 2007 entered into a Supplemental Share Purchase cum Subscription Agreement to vary certain terms and conditions of the Principal Agreement, which among others, included the following:-

- a) acquire 2,632,600 ordinary shares of RM1.00 each in JMP representing 65.8% of the existing issued and paid-up share capital of JMP for a purchase consideration of RM10,530,400 or RM4.00 per share to be satisfied by cash; and
- b) subscribe for a total of RM 750,000 new JMP shares upon completion of the Revised Proposed Acquisition for a total subscription price of RM3.0 million. Upon completion, the Company's equity interest in JMP shall increase to approximately 71.21%.

On 15 July 2007 Kenanga Investment Bank Berhad on behalf of the Company announced that Sindora Berhad through its solicitors, had issued a notice of termination to the Vendors of JMP to terminate the SPA and Supplemental SPA due to non fulfillment of conditions precedent and breach. Accordingly, the Proposals were terminated with effect thereof.

- ii. The Company had on 27 December 2007 announced in respect of the conditional Sale & Purchase Agreement entered into between the Company and KFC Holdings (Malaysia) Bhd to dispose a piece of land (including all factory, buildingd, structures, infrastructure and facilities built or reected on the land) measuring 20.533 acres that forms part of a leasehold industrial land (expiring on 30 January 2041) held under document of title HS(D) 2276, PTD 1384, Mukim Hulu Sungai Johor, Kota Tinggi, Johor for RM6.15 million cash.

The proposal on the Conditional Sale of Land and Purchase of land between Sindora Berhad and KFC Holdings Berhad is awaiting completion. Completion is targeted to be by the end of 2008.

B9. Borrowings and Debt Securities

| | As at 30 June 2008 | As at 31 Dec 2007 |
|--|-----------------------|----------------------|
| | RM'000 | RM'000 |
| Term Loans | | |
| Secured - denominated in RM | 948,892 | 957,465 |
| - denominated in USD | 47,774 | 52,795 |
| - denominated in SDR | 9,358 | 14,826 |
| Less : Due within 12 months (reclassified to short term borrowings) | (328,157) | (358,539) |
| Total - Term Loan | 677,867 | 666,547 |
| Short Term Borrowings (reclassified) | 328,157 | 358,539 |
| Other Short Term Borrowings | | |
| Bank overdrafts - secured | - | - |
| - unsecured | 10,268 | 14,835 |
| Short term bank borrowings - secured | 416,320 | 251,268 |
| - unsecured | - | - |
| Total - Short Term Borrowings | 757,745 | 624,642 |
| Total Borrowings | 1,432,612 | 1,291,189 |

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

- (a) As at 30 June 2008, there were outstanding warrants of 9,999,721. 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 August 2008 (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 | 246,792 | Sept 2008 to Dec 2009 |
| Purchase Contract | (52,295) | Sept 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 100% 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 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: USD240,160,590 | USD | 777,965 | 1USD = RM3.2394 |
| Trade receivables: EUR | | EUR | 1EUR = nil |
| Future sales of goods over the following 6 months: | USD | Nil | |
| Future purchase of equipments | 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 loss as at 30 June 2008 on open contracts which hedge anticipated future foreign currency sales amounted to RM3,277,690. These net exchange loss 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

There was no dividend proposed during the quarter under review.

B13. Earnings Per Share (“EPS”)

| | CURRENT QUARTER | | CUMULATIVE QUARTERS | |
|--|---------------------------|-----------------|-------------------------|-----------------|
| | 1 April - 30 June 2008 | 30 June 2007 | 1 Jan - 30 June 2008 | 30 June 2007 |
| | RM’000 | RM’000 | RM’000 | RM’000 |
| a) Basic earnings per share | | | | |
| Net profit for the period | 89,942 | 39,246 | 188,134 | 76,041 |
| Weighted average no. of shares in issue | 299,739 | 279,117 | 299,739 | 279,117 |
| Basic earnings per share | 30.01 | 14.06 | 62.77 | 27.24 |
| Diluted Earnings per share | 29.14 | 12.84 | 60.96 | 24.88 |

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 9,999,721 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 2,874,750 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 |
| Papua New Guinea Kina (PGK/Kina/K) | 1.2515 | 1.2406 | 1.1660 | 1.2096 |
| United Kingdom Pound Sterling (GBP) | 6.5120 | 6.5667 | 6.9160 | 6.9203 |
| United States of America Dollar (USD/US\$) | 3.2645 | 3.2898 | 3.4545 | 3.4944 |
| EUR | 5.2070 | 5.1555 | 4.6213 | 4.6185 |
| Singapore Dollar (S\$) | 2.3578 | 2.3255 | 2.2530 | 2.2590 |

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 2008