DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors and the Management of Tradewinds Corporation Berhad ("TCB"), I am pleased to present the 40th Annual Report and Audited Financial Statements for the financial year ended 31 December 2006.

BUSINESS ENVIRONMENT

During the year in review, the Malaysian economy was stronger and more resilient despite challenging environment encompassing persistently high crude oil prices, rising global interest rates and increased competition from emerging regional economies. Pragmatic macroeconomic policies coupled with strong fundamentals and robust domestic activity particularly in the private sector, has continued to propel economic expansion amidst high export demand for electronics and primary commodities. This resulted in an overall growth in real Gross Domestic Product of 5.9%.

GROUP PERFORMANCE

For the financial year under review, the Group recorded a consolidated revenue of RM1,605.5 million, representing an increase of 10.8% from the previous year's revenue of RM1,449.2 million. This improvement was derived mainly from increased sales recorded by Plantation Division resulting from the completed merger with Johore Tenggara Oil Palm Berhad ("JTOP"), and higher sales contribution from the sugar business.

The Group registered a profit before tax of RM37.7 million, an increase of RM42.6 million as compared to a loss before taxation of RM4.9 million incurred in the preceding financial year. The turnaround was mainly due to the increase in the average selling price of refined sugar, higher insurance brokerage income, gain on fair valuation of investment properties and absence of allowance for impairment loss on associates charged in the previous financial year. The Group's bottom line contribution would have been much better if not for higher depreciation charges due to the implementation of the new Financial Reporting Standards ("FRS") and write-off of hotel properties, property, plant and equipment during the said year.

MAJOR CORPORATE DEVELOPMENTS

- On 28 February 2006, the Group via its subsidiary, Tradewinds (M) Berhad ("Tradewinds"), completed the much-awaited merger exercise with JTOP to consolidate and rationalise its oil palm businesses. Tradewinds Plantation Berhad ("TPB"), the special purpose vehicle set up to hold the merged plantation businesses was listed on the Bursa Malaysia Securities Berhad on 15 March 2006 together with its Irredeemable Convertible Unsecured Loan Stocks. TPB is a 69.76% subsidiary of Tradewinds.

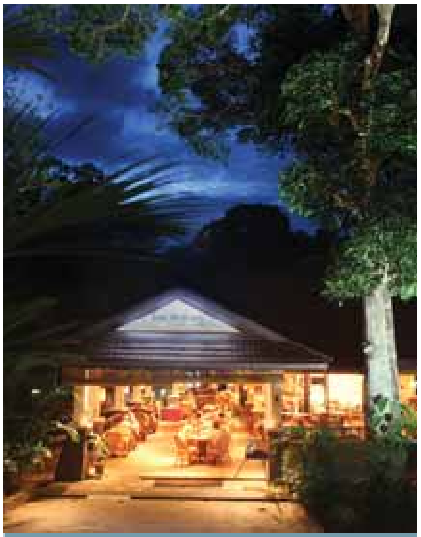
- On 14 April 2006, the Group completed the disposal of the Second and Final Tranche of 28,892,630 ordinary shares of United Malayan Land Berhad ("UMLand") to Wawasan Perangsang Mewah Sdn Bhd. With the disposal, UMLand ceased to be an associate company of the Group.

- On 7 June 2006, TPB acquired 6,340,587 ordinary shares of RM1.00 each representing 30% of the issued and fully paid-up share capital of Ladang Serasa Sdn Bhd, which was previously a 70 percent-owned subsidiary of TPB, for a cash consideration of RM16.5 million. Ladang Serasa Sdn Bhd is now a wholly-owned subsidiary of TPB.

Moorish-themed lounge at Hotel Istana Kuala Lumpur

Aerial view of Ladang Binu, Sarawak

Storage facility at Central Sugars Refinery



Seri Mutiara Restaurant at Mutiara Taman Negara, Pahang

Urban Bistro is Hotel Istana's latest offering in contemporary dining

- On 15 November 2006, Tradewinds completed the acquisition of the entire issued and fully paid-up share capital of Gula Padang Terap Sdn Bhd from Jalinan Semangat Sdn Bhd, Perbadanan Kemajuan Negeri Kedah and PPB Group Berhad for a total cash consideration of RM188.0 million.

- On 30 April 2007, TPB entered into a conditional Subscription Agreement for the proposed subscription of 100,000,000 new ordinary shares of RM1.00 each in Kongsi Meriah (M) Sdn Bhd ("KMSB") at a total subscription price of RM268 million. Upon completion, KMSB would be a 99.9% subsidiary of TPB.

REVIEW OF OPERATIONS

For the financial year ended 31 December 2006, the Group continued to operate with its four core divisions, namely Hotel, Plantation, Property, and Manufacturing, Trading and Others Division.

HOTEL DIVISION

The hotel business was very encouraging in 2006 as a result of various measures taken to increase occupancy, enhance productivity and reduce non-critical expenses on operations.

While the average room rate increased by 9.5%, the occupancy rates for the hotel group recorded a slight increase to 66.9% compared to 64.6% in 2005. Notwithstanding the increase in occupancy, food and beverage ("F&B") patronage did not increase as expected, evidenced by a 7.2% decline in F&B spending in 2006. However, the decline was a common trend across the hotel industry as more choices in the form of restaurants outside the hotels are available to guests.

For the twelve months up to 31 December 2006, the Division recorded a revenue of RM290.5 million, a slight decrease of RM800,000 from previous year despite the temporary closure of Mutiara Beach Resort Penang for renovations. Better operating performance in 2006 has resulted in the operating hotel group's EBITDA improved by 10.4% to RM71.8 million (from RM65.0 million in 2005). The hotel group's bottom line contribution would have fared better if not for the implementation of the new FRS. The requirements under the new FRS have the effect of eroding yields and this affected our financial performance, as reflected in our accounts.

Newly-refurbished lobby at Hilton Petaling Jaya

Inline with our strategy to improve the quality of our hotel properties, several upgrading projects mentioned in last year's report have been completed. The Group has completed the refurbishment of Hotel Istana's lobby and restaurants, culminating in the re-introduction of Hotel Istana by YB Datuk Seri Tengku Adnan Tengku Mansor, Minister of Tourism Malaysia on 16 May 2007. With this, the Group looks forward to a better operating performance from Hotel Istana in 2007.

In 2007, the main focus of our renovation efforts will be on Mutiara Beach Resort Penang. In view of the extensive renovations planned, it is anticipated that the property, which will be renamed to InterContinental Resort Penang and will reopen in the 2nd quarter of 2008. Notwithstanding this and other smaller scale renovation projects in various hotel properties, the Group is confident of a better operating performance from our hotels in 2007, particularly in conjunction with Visit Malaysia Year 2007.

PLANTATION DIVISION

During the year under review, the Group's Plantation Division registered a total revenue of RM464.5 million compared to RM382.3 million during the corresponding period last year, representing a surge of 21.5%. The favourable result was mainly due to the contributions from JTOP group after the merger between Tradewinds' plantation assets and JTOP on 28 February 2006, the increase in matured oil palm plantation area as well as higher production and price of Crude Palm Oil ("CPO") and Palm Kernel ("PK") products.

The merger with JTOP has resulted in an increase of the Group's plantation land bank to 146,251 hectares from 117,663 hectares previously, with 99,132 hectares or 67.8% planted with oil palm. The total matured area of the Group has increased by 34.4% to 84,173 hectares during the year, against 62,631 hectares during the same corresponding period last year.

The Group recorded a total production of 1,335,409 metric tonne ("MT") of fresh fruit bunches ("FFB"), an increase of 247,365 MT or 22.7% from 1,088,044 MT from previous year. In addition, the production of CPO and PK have increased by 60,350 MT and 16,607 MT to 259,587 and 62,951 respectively, translating to an increase of 30.3% and 35.8%.

The Group's oil extraction rate ("OER") has decreased slightly to 19.93% from 20.63% reported earlier whilst PK extraction rate showed a marginal improvement to 4.83% from 4.80% last year.

Going forward, the Group will continue to review its plantation and mill utilisation strategies and capacity requirements to optimise operational efficiency and effectiveness.

PROPERTY DIVISION

The revenue from Property Division is derived mainly from joint venture development of two parcels of land in Johor, disposal of some remnant land parcels and office rental income from Kompleks Antarabangsa and Menara Tun Razak, as well as their respective car parks.

The proceeds recorded from the disposal of land in Tebrau and Karamunsing were RM50 million and RM16.3 million respectively.

Ladang Sawit Cherul, Kemaman, Terengganu

Activity at Ladang Permai, Lahad Datu, Sabah

Menara Tun Razak, Kuala Lumpur

Kompleks Antarabangsa, Kuala Lumpur

CSR's factory-packed sugar for domestic consumption

Serasa palm oil mill in Gua Musang, Kelantan

The Division recorded a drop in revenue to RM90.5 million for the financial year ended 31 December 2006 compared to RM105.1 million during the same corresponding period last year.

The overall industry trend of purpose-built office sector will remain robust as the take-up space and occupancy rates increase steadily. This is mainly due to the contribution from corporate expansions as well as business service sector. The launch of a few Real Estates Investment Trust (REITs) in 2006 will continue to have a positive impact on the purpose-built office sector.

Based on impressive occupancy rates for December 2006 of 94.5% and 98.5% for Kompleks Antarabangsa and Menara Tun Razak respectively, the management projects a significant increase in rental and parking revenue. Further marginal increase is projected from rental reviews.

In anticipation of approximately another 12 million sq. ft of new office space in the pipeline which will be ready for the market in 2008, the Division will continue to further enhance the performances of the two buildings by improving quality of facilities services, rationalising operating costs and increasing yields.

To meet increasing expectations from tenants, the Division will continue to embark on maintaining and improving building services of the two buildings with a view to optimise tenants retention, command better rental, improve tenancy profile, maximise growth potentials and remain competitive in the office rental sector.

MANUFACTURING, TRADING AND OTHERS DIVISION

The Manufacturing, Trading and Others Division reported a total revenue of RM760.1 million for the financial year ended 31 December 2006 against RM670.5 million in the last financial year.

2006 was a very challenging year for Central Sugars Refinery Sdn Bhd ("CSR") following the shortage of refined sugar in the domestic market. In addition, the volatility in the price of raw sugar has also affected CSR during the period under review.

Despite these challenges, CSR managed to maintain its commendable financial performance, posting higher revenue of RM687.1 million, an increase of 12.7% from RM609.7 million recorded previously, mainly due to increase in domestic sales by 46,348 tonnes to 318,800 tonnes. However, sales from export market declined by 48,124 tonnes to 158,905 tonnes.

The increase in turnover has contributed to the increase in profit before tax ("PBT") for the period under review. The PBT has improved by 6.5% to RM54.4 million from RM51.1 million in the last financial year.

The Group also successfully completed the acquisition of the entire equity interest in Gula Padang Terap Sdn Bhd ("GPT") in 2006. GPT is expected to contribute positively to the Group in years ahead.

Tradewinds International Insurance Brokers Sdn Bhd, a wholly-owned insurance broker company, has continued to report a commendable performance attributable to its brokerage services to energy and power sectors.

POIS Sdn Bhd, a subsidiary involved in marketing and servicing of IT equipment, recorded a slight improvement in its bottom line performance in 2006. However, it was another difficult year for our travel-related businesses at Tradewinds Travel & Tours Sdn Bhd and security management and services business, PRISM Security Management Sdn Bhd and its subsidiary, PRISM Protection Sdn Bhd.

Our associate company, Avon Cosmetics (M) Sdn Bhd, maintained its momentum with RM40.7 million profit after tax compared to RM40.9 million previously. However, it was a very challenging year for MCIS Safety Glass Sdn Bhd, a company involved in manufacturing and trading of safety glass, as a result of overall drop in demand for cars in the automotive industry as well as setbacks in operations and process flow within the company. Measures are being undertaken to put the company back on track.

DIVIDENDS

The Board of Directors does not recommend any dividend for the year ended 31 December 2006.

PROSPECTS

The Malaysian economy has been forecasted by Bank Negara Malaysia to grow by 6% in 2007 with the roll-out of the 9th Malaysia Plan, Visit Malaysia Year 2007, the country's 50th Anniversary celebrations, Iskandar Development Region, as well as forex and Real Property Gains Tax (RPGT) liberating measures announced by the Government in late March 2007. These are expected to stimulate and improve economic activities domestically and spur consumers' confidence further.

It will be an exciting year for the Hotel Division and Travel businesses, where they would benefit the most from the on-going "Visit Malaysia Year" Campaign with a projected tourists arrival of 20.1 million in 2007.

The prospects for CPO and FFB look positive, due to improving palm age profile coming into maturity, coupled with higher yield forecasted and continuous efforts to strengthen the plantation operations.

Barring unforeseen circumstances, the Group will continue to deliver an improved performance from our core businesses as well as exploring potential business opportunities with a view to strengthen our future earnings.

CORPORATE GOVERNANCE

We have included statements on Corporate Governance and Internal Control in the Annual Report between pages 23 and 34, which pronounces the commitment of the Board to instill the highest practice of corporate governance within the Group.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I extend my appreciation to the management and staff for their dedication and commitment to the Group during the year. I wish to also record my appreciation to the spirit of professionalism and wisdom of my fellow Directors in the Board for their invaluable contributions to the Group.

Last but not least, I would like to thank our shareholders, valued customers, business associates and financiers for their continuous support to the Group.

DATO' SERI MEGAT NAJMUDDIN KHAS
Chairman