



TRADEWINDS CORPORATION BERHAD

(Formerly known as Pernas International Holdings Berhad)
(Company No. 6393-A)

(A) NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted by the Group in the audited financial statements for the year ended 31 December 2003.

In addition, the Group has adopted MASB 32 "Property Development Activities" which is effective for the current financial year. The adoption does not have any significant effect to the Group's retained earnings.

2. Audit Report of the Preceding Annual Financial Statements

The auditors' report of the preceding annual financial statements was not subject to any qualification. However, the auditors have drawn attention on the going concern basis of preparation of the financial statements and the Directors' restructuring plans. The status of the matters raised is as follows:

- (i) The Group remains in a net current liabilities position. However, the Group registered a net profit of RM52.5 million for the year under review as compared to a net loss of RM70.3 million in the preceding year.
- (ii) On 30 April 2004, the Group completed the Proposed Hotel Restructuring Scheme which involves the restructuring of the Redeemable Cumulative Convertible Preference Shares ("RCCPS") in Tradewinds Hotels & Resorts Sdn Bhd ("THR"), (formerly known as Arena Target Sdn Bhd) and the consolidation of the Group's hotel companies and businesses under THR.
- (iii) On 8 February 2005, the Group completed the acquisition of Ambang Budi Sdn Bhd and the lands in Mukim of Tebrau and Sedili Kechil by issuance of RM483,000,000 Irredeemable Convertible Unsecured Loan Stocks ("ICULS"). The ICULS listing and quotation on the Main Board of Bursa Securities is expected to be in March 2005.



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- (iv) The Directors are still actively pursuing the various plans to improve the cash flow position of the Group.

The status of corporate proposals announced but not completed are detailed in Note 8 (a) of Part B.

3. Seasonal or Cyclical Factors

The Group's plantation operations are affected by the usual seasonal production of fresh fruit bunches. The hotel operations are subject to the seasonal fluctuation in occupancy rates of certain resorts and hotels. The Group's other operations are generally not affected by any major seasonal or cyclical factors.

4. Unusual Significant Items

	Current Year Quarter RM'000	Current Year To Date RM'000
Write back of redemption premium and dividends on RCCPS (previously treated as finance cost)	-	53,537
Gain on dilution of interest in subsidiaries	-	25,991
Allowance for impairment loss of investment in associates and other investments	(3,650)	(19,637)
Share of additional loss in an associate arising from impairment of property	(8,646)	(8,646)
	<u>(12,296)</u>	<u>51,245</u>

There were no other unusual significant items for the current year quarter and financial year to date.

5. Changes in Estimates

There were no changes in estimates of amounts reported in the prior quarter of the current financial year or prior financial year that have a material effect in the current quarter.

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6. Changes in Debt and Equity Securities

Following the completion of the Hotel Restructuring Scheme, the Group extinguished the RCCPS debts of RM623 million in THR in which THR issued 1,017,926,388 new ordinary shares, RM371,641,345 nominal value of 10 year 2% Irredeemable Convertible Unsecured Loan Stocks ("THR ICULS") and RM153,448,000 nominal value of 10 year 2% Redeemable Convertible Unsecured Loan Stocks ("THR RCULS") to the RCCPS holders and the initial vendors of the hotel businesses and hotel companies that were transferred to THR and to settle inter-company balances. Upon consolidation, the equity component of THR ICULS, which are held by a minority interest were reclassified to minority interest and THR RCULS, which are held by the Company were eliminated.

In the previous quarter, a warrant holder had exercised his subscription rights to convert 20 warrants 2002/2004 into 20 TWSCorp ordinary shares of RM1.00 each at a conversion price of RM1.10 per share. The 20 ordinary shares arising from the aforesaid exercise has been granted listing and quotation on the Main Board of Bursa Securities on 17 December 2004. The remaining warrants 2002/2004 expired on 30 September 2004 without conversion other than as mentioned above.

Other than as disclosed above, there have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the interim period at Group level.

7. Dividend Paid

There was no dividend paid during the year.

8. Segmental Reporting

Current Year To Date	Hotels RM'000	Properties RM'000	Plantations RM'000	Manufacturing and Trading RM'000	Others RM'000	Group RM'000
Revenue						
Total revenue	287,215	25,765	333,780	580,124	27,618	1,254,502
Inter-segment revenue	-	(2,657)	-	(517)	(3,147)	(6,321)
External revenue	287,215	23,108	333,780	579,607	24,471	1,248,181



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Current Year To Date	Hotels RM'000	Properties RM'000	Plantations RM'000	Manufacturing and Trading RM'000	Others RM'000	Group RM'000
Results						
Segment result	38,903	11,729	56,042	72,918	10,754	190,346
Gain on dilution of interest in subsidiaries	-	-	-	-	25,991	25,991
Impairment loss on property, plant and equipment	(2,559)	(11,241)	-	(5,478)	-	(19,278)
Write off of property, plant and equipment	(848)	(270)	(1,827)	(64)	(27)	(3,036)
Reversal of/(provision for) diminution of other investments	-	25	-	(49)	(4,629)	(4,653)
Unallocated income						23,619
Unallocated expenses						(29,314)
Profit from operations						<u>183,675</u>

9. Valuation of Investment Properties, Development Properties and Property, Plant and Equipment

The valuation of investment properties and hotel properties held by the Group as at the end of the current quarter has been brought forward, without amendment from the previous annual report. The Group did not revalue its development properties and other property, plant and equipment.

10. Material Subsequent Events

- On 5 January 2005, the Group completed the disposal of 45% equity interest in United Malayan Flour (1996) Sdn Bhd.
- On 10 January 2005, the Company's warrants 1995/2005 expired without conversion.



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- (c) On 8 February 2005, the Group completed the acquisition of Ambang Budi Sdn Bhd and the lands in Mukim of Tebrau and Sedili Kechil by issuance of an aggregate RM483,000,000 Irredeemable Convertible Unsecured Loan Stocks ("ICULS"). The ICULS listing and quotation on the Main Board of Bursa Securities is expected to be in March 2005.

11. Changes in the Composition of the Group

On 30 April 2004, the Group has completed the consolidation of the Group's hotel companies and businesses under THR. The dilution of interest resulting from the hotel restructuring scheme, in hotel companies and business to THR has decreased the accumulated losses of the Group by RM27.7 million.

On 30 August 2004, the Group has completed the disposal of 70% equity interest in Ladang Serasa Sdn Bhd and 100% equity interest in Teon Choon Realty Company Sdn Bhd to TWS for a total purchase consideration of RM94.543 million. The disposal has resulted in a gain on dilution of interest in subsidiaries amounting to RM26.0 million.

On 14 June 2004, TCB Land Sdn Bhd ("TLSB"), (formerly known as Pernas Hotel Chain Holdings Sdn Bhd), a wholly-owned subsidiary of Tradewinds Corporation Berhad ("TWSCorp") acquired 40% equity interest in Prestige Frontier Sdn Bhd ("PFSB") from a third party for a cash consideration of RM1.00. TLSB previously held 60% equity interest in PFSB.

On 15 October 2004, upon application by Jean Simon Wigs Sdn Bhd ("JSW"), a 85% dormant subsidiary of Tradewinds Resources Sdn Bhd (formerly known as Pernas Securities Sdn Berhad) which in turn is a wholly-owned subsidiary of TWSCorp, was deregistered from the Register of Companies Commission of Malaysia.

The acquisition of 40% equity interest in PFSB and the deregistration of JSW do not have any material financial effect to the Group.



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12. Changes in Contingent Liabilities or Contingent Assets

The Group has recognised the litigation claims arising in a subsidiary for work performed by a subcontractor and additional tax assessment previously disputed by a subsidiary as disclosed in the 2003 financial statements totaling RM1,652,000.

The Group has removed the disclosure on its share of additional tax assessment amounting to RM3,834,000 disputed by an associate following Inland Revenue Board agreement on the tax treatment adopted by the associate.

Other than the above, there were no changes in contingent liabilities or assets of the Group since 31 December 2003.

13. Capital Commitments

	31.12.04
	RM'000
- Hotel properties	23,298
- Property, plant and equipment	143,353
- Acquisition of Ambang Budi Sdn Bhd and lands in Mukim Tebrau and Sedili	483,000
- Acquisition of a subsidiary by TWS	131,600
Authorised capital expenditure	<u>781,251</u>

Pursuant to the Restructuring cum Subscription Agreement dated 12 June 2003 entered into by TWSCorp, Khazanah Nasional Berhad ("KNB"), THR and TCB OUE Sdn Bhd (formerly known as Pernas OUE Sdn Bhd), a 70% owned subsidiary of TWSCorp, TWSCorp is required to purchase any remaining THR ICULS held by KNB up to RM100,000,000 nominal value of THR ICULS in five tranches over a period of five years from 1 May 2009 at RM20,000,000 nominal value of THR ICULS per annum.



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(B) ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (PARAGRAPH 9.22 AND APPENDIX 9B)

1. Review of Performance

The Group's revenue for the quarter under review was RM309.6 million, which represents a decrease of 5.8% from RM328.8 million registered in the corresponding quarter last year. The decline in revenue was mainly attributed to lower sales achieved by the manufacturing and trading division. For the year ended 31 December 2004, the Group's revenue increased by RM98.6 million or 8.6% to RM1,248.2 million. The higher revenue achieved was mainly due to increase in sales by the hotels and plantations divisions.

For the fourth quarter under review, the Group achieved pre-tax profit of RM15.1 million as compared to a pre-tax loss of RM72.9 million in the corresponding quarter last year. The improvement in performance was due to better operational performance from the hotel division, lower write down of assets and lower finance cost arising from the restructuring of the RCCPS.

For the year under review, the Group recorded pre-tax profit of RM146.7 million as compared to a pre-tax loss of RM23.0 million last year. The turnaround was contributed by better operational performance from the hotel division, lower write down of assets, lower finance cost arising from the restructuring of RCCPS, a write back of redemption premium and dividend on RCCPS (RM53.5 million), lower share of loss in joint ventures (RM6.6 million) and gain on dilution of interest in subsidiaries (RM26.0 million). This is despite the gain on sale of Arena Johan Sdn Bhd (RM52.0 million) recorded in the previous corresponding period.

2. Material Changes in the Profit Before Taxation for the Quarter Reported on as Compared to the Immediate Preceding Quarter

	Quarter Reported On RM'000	Immediate Preceding Quarter RM'000	Decrease RM'000
Profit before taxation	<u>15,080</u>	<u>61,052</u>	<u>(45,972)</u>



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The decrease in profit before taxation in the current quarter as compared to the immediate preceding quarter was mainly due to one off gain on dilution of interest in subsidiaries registered in the preceding quarter, write down of assets and additional share of loss in an associate arising from impairment of property as mentioned in Note 4 of Part A and lower operating profits from hotels and plantations divisions in the current quarter.

3. Prospects

The fresh fruit bunches production is expected to be higher in 2005 due to more planted areas coming into maturity and the improved maturity profile of the Group's plantations. The manufacturing and trading and hotel divisions are expected to continue with its positive contribution towards the Group's performance. The contribution from the newly acquired development properties is not expected to be significant but will provide a steady stream of cash flows to the Group. The remaining investment properties will continue to generate recurring rental income. Based on the above circumstances, the Directors expect the operational performance of the Group for the financial year 2005 to be satisfactory.

4. Variance on Profit / Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document during the current financial period.

5. Taxation

Taxation of the Company and its subsidiaries comprises:

	Current Year Quarter RM'000	Current Year To Date RM'000
Current period charge	6,327	32,551
Over provision in respect of prior years	(6,297)	(7,696)
Deferred taxation	(3,419)	1,934
Real property gains tax	90	4,407
Tax on dividends on RCCPS	-	5,257
	<u>(3,299)</u>	<u>36,453</u>



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The effective tax rate of the Group for the current quarter and current year to date (after excluding the reversal of over provision in respect of prior years) is higher than the statutory tax rate due principally to the absence of Group relief for losses suffered by certain subsidiaries and certain expenses that were not deductible for tax purposes offset by the capital gains arising from the dilution of subsidiaries which is subject to real property gains tax and utilisation of tax losses for certain subsidiaries.

The tax on dividends on RCCPS is a result of write back of the dividends as disclosed in Note 4 of Part A.

6. Profits/(Losses) on Sale of Unquoted Investments and/or Properties

	Current Year Quarter RM'000	Current Year To Date RM'000
Profit on sale of unquoted investments	634	8,724
Profit on sale of properties	<u>3,011</u>	<u>7,716</u>

7. Quoted Securities other than Securities in Existing Subsidiaries and Associated Companies

(a) Total purchases and disposals of quoted securities and profit/(loss) arising therefrom are as follows:

	Current Year Quarter RM'000	Current Year To Date RM'000
Total purchase consideration	-	-
Total sale proceeds	3,961	7,984
Total profit on disposals	<u>529</u>	<u>4,547</u>

(b) Investment in quoted securities comprising marketable securities and other investments of the Group as at the reporting period are as follows

	RM'000
At cost	48,637
At carrying value	19,368
At market value	<u>18,144</u>



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8. Corporate Proposals

(a) Status of Corporate Proposals

The status of corporate proposals announced but not completed as at 21 February 2005 (being the latest practical date) are as follows:

- (i) Proposed disposal of 24.6% equity interest in UM Land.

The proposed disposal is pending the settlement of sale consideration from the purchaser.

- (ii) Proposed disposal of 70% equity interest in Lityan Applications Sdn Bhd (formerly known as Pernas-Lityan Sdn Bhd) for RM750,000 by TCB Commercial Sdn Bhd (formerly known as Pernas Trading Sdn Bhd), a wholly-owned subsidiary of TWSCorp.

The proposed disposal is pending the settlement of sale consideration from the purchaser.

- (iii) Proposed surrender of lease and sale of land to IJM Properties Sdn Bhd.

The proposed disposal is pending approvals from the various relevant authorities.

On 12 November 2004, Sovereign Place Sdn Bhd ("SPSB"), a wholly owned subsidiary of TWS entered into Settlement Agreement with Sogo (KL) Sdn Bhd ("Sogo KL"), (formerly known as Pernas Sogo Sdn Bhd) for Sogo KL to deliver vacant possession and surrender its rights of usage as car park to part of the above land in consideration for an acceptable permanent replacement car park, subject to the approvals from the relevant authorities. SPSB's obligations under the Settlement Agreement are subject to a maximum expenditure of RM5.0 million.

- (iv) Proposed merger of the plantation businesses of TWS and Johore Tenggara Oil Palm Berhad ("JTOP") that involves the following:-

- a) Proposed acquisitions by Jubilant Century Berhad ("JCB") from TWS of the issued and paid-up share capital held by TWS in its plantation subsidiaries for a total purchase consideration of RM687.125 million to be satisfied by the issuance of 369,153,315 new ordinary shares of RM1.00 each in JCB ("JCB Shares") at an issue price of RM1.60 per JCB share and RM96,479,445 nominal value 10-year 3% irredeemable convertible unsecured loan stocks ("ICULS") in JCB ("JCB ICULS") at an issue price of RM1.00 per JCB ICULS;



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- b) Proposed exchange of the entire issued and paid-up share capital of JTOP comprising 160 million ordinary shares of RM1.00 each in JTOP ("JTOP Shares") with new JCB Shares between JCB and JTOP existing shareholders pursuant to a members' scheme of arrangement under Section 176 of the Companies Act, 1965 on the basis of one new JCB Share for every one existing JTOP share held by JTOP existing shareholders;
- c) Proposed assumption by JCB of RM63,520,555 being part of the net inter-company advances by TWS to certain plantation subsidiaries as at 31 December 2003 through the issuance of RM63,520,555 nominal value JCB ICULS to TWS;
- d) Proposed transfer of the listing status of JTOP on the Main Board of Bursa Securities to JCB; and
- e) Proposed placement of certain number of JCB shares and JCB ICULS at a placement price to be determined later to enable JCB to meet the minimum public shareholding spread for the listing and quotation of the JCB Shares in accordance with the Listing Requirements of Bursa Securities.

The above proposal is pending the approvals of the relevant authorities and shareholders.

- (v) The proposed acquisition of the entire issued and fully paid-up share capital of Gula Padang Terap Sdn Bhd (formerly known as Gula Padang Terap Berhad) by TWS from Jalinan Semangat Sdn Bhd, Perbadanan Kemajuan Negeri Kedah and PPB Group Berhad for a total cash consideration of RM188 million.

The proposed acquisition is pending the approvals of the relevant authorities and shareholders.

(b) Status of Utilisation of Proceeds Raised from Corporate Proposal

Not applicable.



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9. Group Borrowings and Debt Securities

Group borrowings as at the end of the reporting period are as follows:

	Total RM'000	Local Currency RM'000	US Dollar Currency RM'000
<u>Long Term Borrowings</u>			
Secured:			
8.5% Bonds 2000/2005	200,000	200,000	-
9.0% Bonds 2000/2008	100,000	100,000	-
Term loans	665,668	665,668	-
Term loans under Islamic financing	95,000	95,000	-
	<u>1,060,668</u>	<u>1,060,668</u>	<u>-</u>
Unsecured:			
2% Irredeemable Convertible			
Unsecured Loan Stocks 2004/2013 ("THR ICULS")	79,251	79,251	-
Term loans	17,690	-	17,690
Advances from minority shareholders of subsidiaries			
- Interest bearing	2,437	2,437	-
- Non-interest bearing	132,223	132,223	-
	<u>231,601</u>	<u>213,911</u>	<u>17,690</u>
Less: Repayment due within 12 months	<u>(282,948)</u>	<u>(271,411)</u>	<u>(11,537)</u>
Hire purchase and lease creditors	18	18	-
	<u>1,009,339</u>	<u>1,003,186</u>	<u>6,153</u>
<u>Short Term Borrowings</u>			
Secured:			
Revolving credit	26,500	26,500	-
Revolving credit under Islamic financing	120,000	120,000	-
Unsecured:			
Bank overdrafts	25,436	25,436	-
Trade bills	47,436	47,436	-
Revolving credits	451,050	451,050	-
Short term advance	54,200	54,200	-
	<u>724,622</u>	<u>724,622</u>	<u>-</u>
Current portion of long term borrowings	<u>282,948</u>	<u>271,411</u>	<u>11,537</u>
Hire purchase and lease creditors	30	30	-
	<u>1,007,600</u>	<u>996,063</u>	<u>11,537</u>



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10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 31 December 2004.

11. Material Litigation

As at 21 February 2005, being a date not earlier than 7 days from the date of issue of this quarterly report, there were no changes in material litigation since the last annual balance sheet date.

12. Dividends

The Board of Directors does not recommend any dividend for the year ended 31 December 2004.

13. Earnings/(loss) per share

(i) Basic earnings per share

The basic earnings per share for the current quarter and for the financial year ended has been calculated based on the Group's net loss for the quarter and net profit for the financial year of RM1,746,000 and RM52,504,000, respectively, and on the weighted average number of 623,032,212 ordinary shares in issue during the period.

(ii) Fully diluted earnings per share

The fully diluted earnings per share is not applicable as based on MASB 13, conversion of warrants is considered dilutive when they would result in the issue of new ordinary shares for less than the market value of the shares. As the current exercise price of the warrants is higher than the market value of the ordinary shares, there is no impact on dilution in the earnings per share.