## (A) NOTES TO THE INTERIM FINANCIAL REPORT

### 1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Chapter 9, part K of Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005.

### 2. Changes in Accounting Policies

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 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 January 2006:

| | |
|---|---|
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 101 | Presentation of Financial Statements |
| FRS 102 | Inventories |
| FRS 108 | Accounting Policies, Changes in Estimates and Errors |
| FRS 110 | Events after the Balance Sheet Date |
| FRS 116 | Property, Plant and Equipment |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 128 | Investments in Associates |
| FRS 131 | Interests in Joint Ventures |
| FRS 132 | Financial Instruments: Disclosure and Presentation |
| FRS 133 | Earnings Per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |
| FRS 140 | Investment Property |

With the exception of FRS 3, 5, 101, 116, 136 and 140, the adoption of the remaining FRSs does not have a significant financial impact on the Group. The principal effects of adopting FRS 3, 5, 101, 116, 136 and 140 are as follows:

(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets

Following the adoption of these new FRSs, the Group has ceased to amortise goodwill/reserve arising on consolidation and acquisition. Prior to 1 January 2006, goodwill/reserve on consolidation and acquisition were amortised over the estimated useful life which range from one to twenty five years.

Goodwill is carried at cost less accumulated impairment losses and is now subject to annual impairment test, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised immediately in the income statement and subsequent reversal is prohibited. Reserve on consolidation and acquisition, after reassessment, is now recognised immediately in profit or loss.

The changes in these accounting policies have been accounted for prospectively. In accordance with the transitional provisions of FRS 3, the reserve on consolidation and acquisition as at 1 January 2006 of RM 25,771,000 was derecognised with a corresponding adjustment to the opening balance of accumulated losses. The cessation of amortisation of goodwill/reserve has the effect of increasing the profit before taxation for the current financial year to date by RM 344,000.

(b) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the classification as held for sale, the carrying amount of the assets shall be measured in accordance with applicable FRSs. Then, on initial classification as held for sale, the assets shall be measured at the lower of its carrying amount and fair value less costs to sell. The Group has applied FRS 5 prospectively in accordance with its transitional provision. The adoption of this FRS has resulted in the Group classifying assets with carrying amount of RM 24,466,000 as held for sale and presenting it separately from other assets in the balance sheet.

(c) FRS 101: Presentation of Financial Statements

The adoption of this FRS has affected the presentation of minority interest, share of after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. This FRS also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to shareholders of the Company and to minority interest.

Certain comparative figures of the Group's financial statements have been restated to conform with the current period's presentation which is based on the revised requirements of this FRS.

(d) FRS 116: Property, Plant and Equipment

The revised FRS has resulted in a change in the method of determining the residual value of an asset and thus affects the depreciable amount of the underlying asset. The change in estimates has been accounted for prospectively and has the effect of increasing the depreciation charge of property, plant and equipment – hotel properties by RM 16,102,000 for the current financial year to date.

(e) FRS 140: Investment Properties

The adoption of this new FRS has resulted in a change in accounting policy for investment properties. Investment properties are now stated at fair value, representing open-market value determined by external valuers or directors. Gain or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise. Prior to 1 January 2006, investment properties were stated at valuation. Revaluations were carried out once every five years and any revaluation increase was taken to equity as a revaluation reserve. In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives as at 31 December 2005 are not restated. The revaluation reserve in respect of the investment properties of RM 1,012,000 as at 1 January 2006 was transferred to the accumulated losses. The change in accounting policy has resulted in the recognition of gain on fair value of investment properties of RM 8,642,000 in the income statement during the financial year to-date.

## 3. Audit Report of the Preceding Annual Financial Statements

The auditors' report of the preceding annual financial statements was not subject to any qualification.

## 4. 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.

## 5. Unusual Significant Items

The following items occurred during the current financial year to date:

| | **RM'000** |
|---|---|
| Effect of dilution of interest in subsidiaries | |
| Decrease in accumulated losses | 118,215 |
| Decrease in exchange equalisation reserve | (3,578) |

## 6. Changes in Estimates

The change in estimates in the depreciable amount of property, plant and equipment – hotel properties due to the adoption of revised FRS 116 as mentioned in Note 2(d) has decreased the profit before taxation for the current quarter by RM 4,621,000 and decreased the profit before taxation for the current year to date by RM 16,102,000.

Other than the above, there were no changes in estimates of amounts reported in prior quarters of the financial year or changes in estimates of amounts reported in the prior financial year that have a material effect in the current quarter.

## 7. Changes in Debt and Equity Securities

There have been no issuances, repurchases, resale and repayments of debt and equity securities during the current financial year to date. During the current financial year, the company's 26,271,613 warrants 1996/2006 expires on 26 October 2006 without any conversion.

## 8. Dividend Paid

There was no dividend paid during the current financial year to date.

## 9. Segmental Reporting

| Current Year To Date | Hotel RM'00 | Properties RM'000 | Plantations RM'000 | Manufacturing and Trading RM'000 | Others RM'000 | Group RM'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Total revenue | 290,49 | 93,124 | 464,698 | 725,623 | 36,728 | 1,610,672 |
| Inter-segment revenue | | (2,141) | - | (598) | (2,511) | (5,250) |
| External revenue | 290,49 | 90,983 | 464,698 | 725,025 | 34,217 | 1,605,422 |
| **Results** | | | | | | |
| Segment results | (7,70 | 36,396 | 58,386 | 43,901 | 26,418 | 157,396 |
| Unallocated income | | | | | | 24,065 |
| Unallocated expenses | | | | | | (46,686) |
| Profit from operations | | | | | | 134,775 |

## 10. Valuation of Investment Properties, Development Properties and Property, Plant and Equipment

The investment properties and hotel properties held by the Group as at the end of the current quarter has been revalued. The revaluation was carried out on 31 December 2006. The hotel properties revaluation exercise has resulted in a charge on revaluation deficit of RM 24,320,000 to the income statement and a revaluation surplus of RM 32,029,000 was credited to the revaluation reserve account. The valuation of investment properties has resulted in a gain on fair value of RM 8,642,000 on the investment properties in 2006, which was recognised in the income statement. The net effect on the above valuations have resulted in an increase in the Group’s net assets by 1.59 sen. The Group did not revalue its development properties and other property, plant and equipment.

## 11. Material Subsequent Events

There were no material events subsequent to the end of the current quarter.

## 12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period except for the following:-

(a) On 25 May 2004, Tradewinds (M) Berhad ("Tradewinds"), Johore Tenggara Oil Palm Berhad ("JTOP") and Tradewinds Plantation Berhad (formerly known as Jubilant Century Berhad)("TPB") entered into a Merger Agreement where Tradewinds and JTOP have agreed to undertake and implement a scheme of amalgamation of companies and a merger exercise ("the Merger") to consolidate and rationalise oil palm businesses of Tradewinds and JTOP via TPB, a special purpose vehicle set up to facilitate the implementation of the Merger. The Merger involves the following:

(i) Proposed acquisitions by TPB from Tradewinds of the issued and paid-up share capital held by Tradewinds in its plantation subsidiaries for a total purchase consideration of RM687,124,750 to be satisfied by the issuance of 369,153,315 new ordinary shares of RM1.00 each in TPB ("TPB Shares") at an issue price of RM1.60 per TPB Share and RM96,479,445 nominal value 10-year 3% irredeemable convertible unsecured loan stocks ("ICULS") in TPB ("TPB ICULS") at an issue price of RM1.00 per nominal value TPB ICULS ("Proposed Acquisitions");

(ii) Proposed exchange of the entire issued and paid-up share capital of JTOP comprising 160,000,000 ordinary shares of RM1.00 each in JTOP ("JTOP Shares") with 160,000,000 new TPB Shares between TPB and JTOP's existing shareholders pursuant to a proposed members' scheme of arrangement under Section 176 of the Companies Act, 1965, on the basis of one new TPB Share for every one existing JTOP Share held by the JTOP's existing shareholders ("Proposed Share Exchange");

(iii) Proposed assumption by TPB of RM 63,520,555, being part of the net inter-company advances owing by certain plantation subsidiaries to Tradewinds, through the issuance of RM 63,520,555 nominal value TPB ICULS to Tradewinds ("Proposed Debt Assumption");

(iv) Proposed placement of certain number of TPB Shares and TPB ICULS at a placement price to be determined later to enable TPB to meet the minimum public shareholding spread for the listing of the TPB Shares and TPB ICULS in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad; and

(v) Proposed transfer of the listing status of JTOP on the Main Board of Bursa Malaysia Securities Berhad to TPB.

The Proposed Acquisitions, Proposed Share Exchange and Proposed Debt Assumption were completed on 28 February 2006 and thereafter; TPB became a 69.76% owned subsidiary of Tradewinds. On 15 March 2006, the entire 529,153,415 TPB Shares and RM 160,000,000 nominal value TPB ICULS were officially listed on the Main Board of Bursa Malaysia Securities Berhad.

The Merger has contributed to the following Group results :-

| | **Current Year Quarter RM'000** | **Current Year To Date RM'000** |
|---|---|---|
| Revenue | 33,048 | 100,202 |
| Loss for the financial period | (2,004) | (5,965) |

If the Merger had been completed on 1 January 2006, the Group revenue and loss for the financial year from 1 January 2006 to 31 December 2006 would have been RM 1,621,236,000 and RM 23,045,000 respectively.

The assets and liabilities arising from the Merger are as follows:-

| | **Fair value RM'000** |
|---|---|
| Property, plant and equipment | 369,069 |
| Plantation development expenditure | 173,295 |
| Other investments | 3,047 |
| Deferred tax assets | 887 |
| Inventories | 6,863 |
| Trade and other receivables | 58,019 |
| Tax recoverable | 4,222 |
| Cash and bank balances | 566 |
| Trade and other payables | (16,423) |
| Retirement benefit obligations | (2,431) |
| Tax payables | (98) |
| Borrowings | (138,743) |
| Deferred tax liabilities | (106,594) |
| Total net assets | 351,679 |
| Less: Goodwill diluted | (17,815) |
| Less: Minority interest | (219,227) |
| Group's share of net assets | 114,637 |
| Less: Gain on dilution of interest in subsidiaries | (114,637) |
| Purchase consideration satisfied by cash | - |

The cash flow effect on the completion of the Merger is as follows :-

| | Current Year To Date RM'000 |
|---|---|
| Purchase consideration satisfied by cash | - |
| Cash and cash equivalents of subsidiaries acquired | 558 |
| Net cash inflow to the Group | 558 |

(b) On 29 March 2006, TPB acquired the entire shareholding of Tradewinds Plantation Management Sdn Bhd ("TPMSB") and Tradewinds Plantech Sdn Bhd ("TPSB") for a cash consideration of RM2 for each company.

TPMSB is principally involved in the provision of plantation management and advisory services and TPSB is principally involved in the provision of technical support and advisory services to subsidiaries within the Group.

(c) On 7 April 2006, the Group completed the disposal of its 30% equity interest in Meritus Hotels & Resorts Sdn Bhd.

(d) On 14 April 2006, the Group completed the Second and Final Tranche disposal 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 of the Group.

(e) On 28 April 2006, TPB acquired the entire shareholding of Tradewinds Agro Services Sdn Bhd (formerly known as Sparkling Crest Sdn Bhd) ("TASSB") for a cash consideration of RM2.

TASSB is principally involved in the provision of plantation management and advisory services to non-group companies.

(f) 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 ("LSSB"), which was previously a 70% owned subsidiary of TPB, for a cash consideration of RM16.5 million.

LSSB is principally involved in the business of cultivation of oil palm and production of crude palm oil.

(g) 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.

The acquisition has contributed the following results to the Group: -

| | **Current Year Quarter RM'000** | **Current Year To Date RM'000** |
|---|---|---|
| Revenue | 15,419 | 15,419 |
| Loss for the period | (2,596) | (2,596) |

If the acquisition had completed on 1 January 2006, the Group revenue and loss for the year would have been RM 1,833,203,000 and RM 6,602,000 respectively.

The assets and liabilities arising from the acquisition are as follows: -

| | Fair value RM'000 |
|---|---|
| Property, plant and equipment | 24,011 |
| Other investments | 801 |
| Inventories | 130,205 |
| Trade and other receivables | 116,103 |
| Deposits placed with licensed banks | 56,852 |
| Cash and bank balances | 1,758 |
| Trade and other payables | (9,641) |
| Tax payables | (556) |
| Retirement benefit obligations | (5,538) |
| Borrowings | (153,469) |
| Deferred tax liabilities | (4,251) |
| Total net assets | 156,275 |
| Goodwill on acquisition | 16,748 |
| Minority Interest | 14,977 |
| Purchase consideration | 188,000 |

The cash outflow on the completion of the acquisition is as follows: -

| | Current Year To Date RM'000 |
|---|---|
| Purchase consideration | 188,000 |
| Less: Deposit paid in prior years | 56,400 |
| Purchase consideration paid by cash | 131,600 |
| Cash and cash equivalents of subsidiary acquired | (58,610) |
| Net cash outflow to the Group | 72,990 |

(h) On 22 November 2006, Tradewinds Travel & Tours Sdn Bhd, a wholly owned subsidiary of Tradewinds Corporation Berhad entered into a Share Sale Agreement with Travelynne & Tours Sdn Bhd for the disposal of its entire 100% equity interest together with preference shares held in Malaysian & Far Eastern Travel Limited ("Mafeta") and Mafeta's wholly owned subsidiary, Discerning Holidays Limited for a cash consideration of £1. The sale was completed on 28th December 2006.

The assets and liabilities arising from the disposal are as follows: -

| | Fair value RM'000 |
|---|---|
| Property, plant and equipment | 80 |
| Trade and other receivables | 1,033 |
| Cash and bank balances | 60 |
| Trade and other payables | (314) |
| Total net assets | 859 |
| Loss on disposal | (859) |
| Disposal consideration satisfied by cash | 0 |

The cash outflow on the completion of the disposal is as follows: -

| | Current Year To Date RM'000 |
|---|---|
| Disposal consideration | 0 |
| Cash and cash equivalents of subsidiary disposed | (60) |
| Net cash outflow to the Group | (60) |

Other than change of composition arising from the Merger and the acquisition of Gula Padang Terap Sdn Bhd, there was no material effect on the results or net assets of the Group arising from the above acquisitions and disposals for the current quarter and financial year to date.

## 13. Changes in Contingent Liabilities or Contingent Assets

The Group has pledged certain portion of its land held for sale to security trustees for certain private debt securities of RM228 million (31.12.05: RM182 million) issued by its joint venture partners, Hartaplus Realty Sdn Bhd and Oxbridge Height Sdn Bhd pursuant to the term of the joint venture arrangements. The Group is entitled to guaranteed payments amounting to RM 431,778,900 from the sale of its land.

The Group has provided corporate guarantee for credit facilities granted to third parties under "Skim Industri Pertanian" amounting to RM 742,000.

The Group has share of litigation claims by subcontractors against its joint venture operation in respect of work performed amounting to RM 7,019,000. As the claim has been disputed and the amount of the liability cannot be reliably estimated, no provision for any liability has been made in the financial statements.

Other than the above, there were no changes in contingent liabilities or assets of the Group since 31 December 2005.

## 14. Capital Commitments

| | 31.12.06 |
|---|---|
| | RM'000 |
| - Hotel properties | 76,319 |
| - Property, plant and equipment | 304,735 |
| Authorised capital expenditure | 381,054 |

Pursuant to the Restructuring cum Subscription Agreement dated 12 June 2003 entered into by Khazanah Nasional Berhad ("KNB"), the Company, Tradewinds Hotels & Resorts Sdn Bhd ("THR") and TCB OUE Sdn Bhd both 70% owned subsidiaries of the Company, the Company is required to purchase any remaining 2% Irredeemable Convertible Unsecured Loan Stocks 2004/2013 issued by THR ("2% ICULS 2004/2013") held by KNB up to RM100,000,000 nominal value of 2% ICULS 2004/2013 in five tranches over a period of five years from 1 May 2009 at RM20,000,000 nominal value of 2% ICULS 2004/2013 per annum in the event the 2% ICULS 2004/2013 remains outstanding at that time and held by KNB.

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

### 1. Review of Performance

For the quarter under review, the Group recorded revenue of RM465.6 million, representing an increase of RM87.2 million from RM378.4 million recorded in the corresponding quarter last year. The increase in revenue was mainly due to higher sale volume of refined sugar and enlarged oil palm plantation hectarage arising from the merger exercise. The Group's loss before taxation decreased by RM23.2 million to RM9.1 million for the quarter under review from RM32.3 million for the preceding year corresponding quarter. The decrease in loss before taxation was mainly due to higher sales volume by the Plantation Division, gain on fair valuation of investment properties and absence of one time write-down on impairment on investment in associates. However this was partly offset by revaluation deficit on certain hotel properties assets.

The Group's performance is boosted by higher sales achieved by the plantation, refined sugar and insurance businesses for the year ended 31 December 2006. The Group recorded a profit before taxation of RM33.9 million as compared to a loss before taxation of RM 4.9 million incurred in the preceding year. The turnaround was achieved mainly due to increase in 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 made in the corresponding period last year. However, this was partly offset by higher depreciation charge on hotel properties, retrenchment benefits of Mutiara Beach Resort Penang, impairment on plantation and higher financing cost by the oil palm plantation division, revaluation deficit on certain hotel properties assets and lower contribution from the associates and joint ventures.

### 2. Material Changes in the (Loss)/Profit Before Taxation for the Quarter Reported on as Compared to the Immediate Preceding Quarter

| | Quarter Reported On | Immediate Preceding Quarter | Decrease |
|---|---|---|---|
| | RM'000 | RM'000 | RM'000 |
| (Loss)/ Profit before taxation | (9,084) | 46,944 | 56,028 |

The significant decline to a loss before taxation in the current quarter as compared to the immediate preceding quarter was mainly due to provision for diminution in value of other investments, lower contribution by the manufacturing and trading division, revaluation deficit on certain hotel properties assets, higher finance cost and share of loss in joint venture.

**3. Prospects**

Based on the prevailing palm oil product prices and the expected increase in production, the financial performance of the Plantation Division for the financial year ending 31 December 2007 is expected to perform better than 2006.

Manufacturing and trading division is expected to perform better for the financial year ending 31 December 2007.

The contribution from the hotel division is expected to be maintained despite the temporary closure for refurbishment on Mutiara Beach Resort Penang.

The properties for development are expected to provide a stream of cash flows to the Group. The investment properties will continue to generate recurring rental income.

Barring any unforeseen circumstances, the Directors expect the performance of the Group for the financial year ending 31 December 2007 to be better.

**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 comprises:

| | Current Year Quarter RM'000 | Current Year To Date RM'000 |
|---|---|---|
| Current period charge | 2,029 | 32,223 |
| (Over)/under provision of income tax in respect of prior years | (48) | 333 |
| Real property gains tax | - | 70 |
| Deferred taxation | 13,284 | 17,178 |
| | 15,265 | 49,804 |

The tax charge of the Group for the current quarter and financial period to date reflects an effective tax rate which is higher than the statutory income tax rate mainly due to certain expenses that are not deductible for tax purposes and tax losses of subsidiaries which are not available for Group relief.

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

(a) These were no sale of unquoted investments during the current quarter. The Group recorded a loss of RM 57,732 on the sale of unquoted investment during the financial year to date.

(b) There were no profits /(losses) on properties disposed during the current quarter and year to date.

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

**(a)** Total purchases and disposals of quoted securities and profit arising there from are as follows:

| | Current Year Quarter RM'000 | Current Year To Date RM'000 |
|---|---|---|
| Total purchase consideration | - | - |
| Total sale proceeds | - | 8,118 |
| Total (loss)/profit on disposals | - | 1,124 |

**(b)** Investment in quoted securities of the Group as at the reporting period are as follows:

| | RM'000 |
|---|---|
| At cost | 144,109 |
| At carrying value | 25,785 |
| At market value | 30,032 |

## 8. Corporate Proposals

### (a) Status of Corporate Proposals

The status of corporate proposals announced but not completed as at 23 February 2007 (being the latest practical date) are as follows:

(i) On 22 September 2006, Tradewinds entered into 2 conditional sales and purchase agreements: -

(a) Conditional Sale and Purchase Agreement of Shares ("CSPA Shares") for the disposal of its entire 100% equity interest in Tenaga Lestari (M) Sdn Bhd ("TLSB") to Willalpha Investments Limited for a total cash consideration of USD 2,286,316; and

(b) Conditional Sale and Purchase Agreement of Loan ("CSPA Loan") for the disposal of Tradewinds' right, title and interest to:-

(i) All moneys owing and payable by P.T. Bumipermai Suryalestari ("BPSL") to Tradewinds by virtue of the advances made by Tradewinds ("Tradewinds' Advances") in relation to the Loan Agreement dated 5 November 1996 between BPSL and Maybank International (L) Limited for the principal amount of USD10 million ("Bank Loan") and the Novation Agreement dated 30 June 1998 between BPSL, Maybank International (L) Limited and Malayan Banking Bhd ("Maybank") and the subrogation of Tradewinds to the rights of Maybank as creditor in respect to Tradewinds' Advances;

(ii) Pledged of Shares Agreement dated 5 September 1997 between PT Sadin Multiagro Sentosa, Tradewinds, BPSL and P.T. Bumibangka Lestari ("BBL") as amended by an amendment to the Pledge of Shares Agreement dated 22 August

2000 and the shares pledged by PT Sadin Multiagro Sentosa in BPSL and BBL in consideration of Tradewinds entering into and assuming obligations under the Guarantee and Indemnity dated 5 November 1996 in relation to the Bank Loan; and

(iii) Upon execution of the Company Assignment, all moneys owing and payable by BPSL to Tradewinds as assignee of TLSB's rights, title and interest in and to all moneys (denominated in United States Dollars) owing and payable by BPSL to TLSB by virtue of the advances made by TLSB ("TLSB's Advances") and the subrogation of TLSB to the rights of Maybank as creditor with respect to TLSB's Advances, to Labuan Agri Investment (L) Bhd for a total cash consideration of USD 10,713,684.

The completion of the CSPA Shares and CSPA Loan is pending the fulfillment of the conditions precedent obtained in the CSPA Shares and CSPA Loan.

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

Not applicable.

## 9. Group Borrowings and Debt Securities

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

| | RM'000 |
|---|---|
| Short Term Borrowings | |
| Secured: | |
| Revolving credit | 25,000 |
| Revolving credit under Islamic financing | 120,000 |
| | 145,000 |
| Unsecured: | |
| Bank overdrafts | 17,391 |
| Revolving credits | 396,365 |
| Banker Acceptance | 216,469 |
| | 630,225 |
| Current portion of long term borrowings | 260,242 |
| | 1,035,467 |
| Long Term Borrowings | |
| Secured: | |
| 9.0% Bonds 2000/2008 | 100,000 |
| Term loans | 1,059,887 |
| Term loans under Islamic financing | 144,000 |
| | 1,303,887 |
| Unsecured: | |
| Irredeemable Convertible Unsecured Loan Stocks (debt component) | |
| - 2% ICULS 2004/2014 | 72,977 |
| - 2% ICULS 2005/2013 | 47,058 |
| Advances from minority shareholders of subsidiaries | |
| - Interest bearing | 817 |
| - Non-interest bearing | 132,218 |
| | 253,070 |
| Less: Repayment due within 12 Months | (260,242) |
| | 1,296,715 |

## 10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 31 December 2006.

## 11. Material Litigation

As at 21 February 2007, 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 except as disclosed in note 13 above.

## 12. Dividend

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

## 13. Loss per share

(i) Basic loss per share

The basic loss per share for the current year to date has been calculated based on the Group's loss for the current year to date attributable to the shareholders of the Company of RM 9,805,000 and on the weighted average number of 623,032,231 ordinary shares in issue during the period.

(ii) Fully diluted loss per share

The fully diluted loss per share for the current year to date is calculated after taking into consideration subsidiaries potential ordinary shares in issue that are convertible into ordinary shares of the subsidiaries, the Company's warrants and ICULS in issue. The subsidiaries potential ordinary shares comprising Tradewinds Plantation Berhad's ("TPB") 160,000,000 ICULS issued on 28 February 2006, Tradewinds Hotels & Resorts Sdn Bhd's ("THR") 371,641,345 ICULS and 153,447,612 RCULS in issue since 2004. In determining whether potential ordinary shares are dilutive or anti-dilutive, each issue or series of potential ordinary shares is considered separately and in sequence from the most dilutive to the least dilutive. The warrants are considered dilutive when they would result in the issue of new ordinary shares for less than the market value of the shares. As the exercise price of the warrants is higher than the market value of the ordinary shares prior to the expiry date on 26 November 2006, there is no impact on dilution in the loss per share.

After taking into consideration the above, the Company's ICULS, TPB's ICULS and THR's ICULS have anti-dilutive effect on the loss per share to the shareholders of the Company.

The loss attributable to the shareholder of the Company in computing fully diluted loss per share is reconciled as follows :-

| | **RM'000** |
|---|---|
| Loss attributable to shareholders of the Company | (9,805) |
| Less: Effect on conversion of THR RCULS | (3,504) |
| Loss attributable to the shareholders of the Company including assumed conversions of THR RCULS | (13,309) |

As the fully diluted loss per share is derived from the assumed conversion of the subsidiary's potential ordinary shares, the weighted average number of ordinary shares used in computing the fully diluted loss per share is the same as the basic loss per share.

**BY ORDER OF THE BOARD**

**SAKINAH BT ABDUL KADIR (MAICSA 7000087)**
**MUHAMMAD HAFIDZ BIN NURUDDIN (MAICSA 7005820)**
Company Secretaries

Kuala Lumpur
28 February 2007