TRADEWINDS CORPORATION 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 FRS 134, 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 2004.

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 2004.

2. Audit Report of the Preceding Annual Financial Statements

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

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

Included in the profit before taxation for the current financial year to date were the following:-

	RM'000
Net gain on disposal of associates	25,860
Share of gain on disposal of properties in an associate	18,575
Allowance for impairment loss in associates	(67,969)
Impairment loss net of write back/write off of property, plant and equipment	(30,565)
Impairment loss on development properties	(5,480)
Net effect on reduction of interest charged to a joint venture	(6,685)
Provision for diminution in value of other investments	(3,448)
	(69,712)

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.

6. Changes in Debt and Equity Securities

On 8 February 2005, the Group completed the acquisition of 100% equity interest in Ambang Budi Sdn Bhd ("ABSB") and the lands in Mukim of Tebrau and Sedili Kechil ("Lands") by issuance of an aggregate RM483,000,000 nominal value of 7-year 2% Irredeemable Convertible Unsecured Loan Stocks ("2% ICULS 2005/2012") of the Company. The 2% ICULS 2005/2012 were subsequently listed on the Main Board of Bursa Malaysia Securities Berhad on 29 March 2005. The acquisition of ABSB and Lands by issuance of 2% ICULS 2005/2012 has increased the net tangible assets ("NTA")* per share of the Group by RM0.68 (RM0.22 was attributable to the acquisition of ABSB).

On 3 May 2005, the Company redeemed its RM200 million 8.5% Redeemable Secured Bonds 2000/2005.

Other than as stated above, there have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial year to date.

(* NTA = Shareholders' equity less goodwill net of reserve on consolidation)

7. Dividend Paid

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

8. 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	291,25	107,813	392,845	645,508	29,075	1,466,495
Inter-segment revenue		(2,730)	-	(1,633)	(3,512)	(7,875)
External revenue	291,25	105,083	392,845	643,875	25,563	1,458,620
Results						
Segment results	49,59	18,434	49,838	44,023	14,056	175,941
(Loss)/gain on disposal of associates		(39)	-	25,899	-	25,860
Impairment loss net of write back/write off of property, plant and equipment	(29,90	-	(4)	(611)	(49)	(30,565)
Impairment loss on development property	(41	-	(5,062)	-	-	(5,480)
Provision for diminution in value of other investments		-	-	-	(3,448)	(3,448)
Unallocated income						6,366
Unallocated expenses						(57,846)
Profit from operations						110,828

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

Except for the impairment loss made on a hotel property, 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

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

11. Changes in the Composition of the Group

(a) On 5 January 2005, the Group completed the disposal of its 45% equity interest in United Malayan Flour (1996) Sdn Bhd ("UMF").

(b) As stated in Note 6, on 8 February 2005, the Group completed the acquisition of ABSB. The acquisition of ABSB by issuance of RM168,000,000 nominal value of 2% ICULS 2005/2012 has increased the NTA per share of the Group by RM0.22.

(c) On 25 March 2005, the Group completed the acquisition of the remaining 10% equity interest in Tradewinds International Insurance Brokers Sdn Bhd ("TIIB") for a cash consideration of RM1.6 million. TIIB is a 90% owned subsidiary of the Company.

(d) On 29 April 2005, the Group completed the disposal of the first tranche of 28,260,870 ordinary shares in United Malayan Land Bhd ("UM Land") for RM65,000,001 in cash.

(e) On 24 June 2005, the Group completed the acquisition of the remaining 40% equity interest in TPC Development Limited for a total consideration of USD1.45 million with USD0.55 million in cash and the remaining USD0.9 million in the form of property. TPC Development Limited is a 60% owned subsidiary of Tradewinds Resources Sdn Bhd ("TRSB"). TRSB is a 100% owned subsidiary of the Company.

(f) On 24 June 2005, the Group completed the acquisition of the remaining 40% equity interest in Croesus Limited for a cash consideration of USD1.55 million. Croesus Limited is a 60% owned subsidiary of Delta Delights Sdn Bhd, a wholly-owned subsidiary of Tradewinds (M) Berhad ("TWS"). TWS is a 53% owned subsidiary of TRSB.

(g) On 19 September 2005, TIIB completed the acquisition of the entire issued and paid up share capital of SKS Agency Sdn Bhd for RM10 million.

(h) On 7 December 2005, Superior Palm Sdn Bhd, a wholly owned subsidiary of TCB OUE Sdn Bhd which in turn is a 70% owned subsidiary of the Company was deregistered from the Companies Commission of Malaysia.

(i) On 28 December 2005, the Group completed the disposal of 70% equity interest in Lityan Applications Sdn Bhd ("LASB") for RM75,000. LASB is a 70% owned subsidiary of TCB Commercial Sdn Bhd which in turn is a wholly-owned subsidiary of the Company.

(j) On 30 December 2005, the Group completed the disposal of 35% equity interest in Otis Elevator Company (M) Sdn Bhd for RM37.5 million.

Other than the acquisition of ABSB which has increased the NTA per share of the Group by RM0.22, the above disposals and acquisitions do not have any material effect on the NTA and results of the Group.

12. 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 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 RM431,778,900 from the sale of its land.

A subsidiary has discharged the corporate guarantee for bank facility granted to a joint venture amounting to RM11,818,000.

On 25 May 2005, UM Land, an associate of the Group and a third party have agreed, through an exchange of letters between their solicitors, to a settlement whereby UM Land will pay the third party a sum of RM15,500,000 as full and final settlement of the claims made against UM Land ("Settlement"). On 27 May 2005, the Kuala Lumpur High Court also granted that another third party is to indemnify UM Land on the consequence of the contingent liability and the Settlement sum. Accordingly, the Group no longer has share in respect of the above contingent liability amounting to RM5,022,000.

Other than the above, there were no changes in contingent liabilities or assets of the Group since 31 December 2004.

13. Capital Commitments

	31.12.05 RM'000
- Hotel properties	61,317
- Property, plant and equipment	235,397
- Acquisition of subsidiaries	131,600
Authorised capital expenditure	428,314

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”), 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.

(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 RM387.9 million, which represents an increase of RM81.6 million (27%) from that of the previous year's corresponding quarter. For the financial year ended 31 December 2005, the Group's revenue increased by RM213.8 million (17%) to RM1.46 billion. The higher revenue achieved was mainly attributable to the increase in sales recorded by the hotels division, revenue contribution from its newly acquired development properties, higher sales of refined sugar and the increase in sales of palm products during the period under review.

For the quarter under review, the Group recorded a loss before taxation of RM28.9 million as compared to a profit before taxation of RM20.0 million recorded for the corresponding quarter last year. The loss in the current quarter was mainly due to the allowance for impairment loss in an associate, impairment of assets and effect on the reduction in interest charged to a joint venture despite higher contribution from associates and recognition of gain on disposal of associates.

For the financial year ended 31 December 2005, the Group recorded an operating profit of RM110.8 million as compared to RM188.9 million in the previous corresponding year. The lower operating profit in the current year was due to the higher cost of raw sugar, lower average selling price of palm products, impairment of assets of RM39.5 million and reduction in interest charged to a joint venture of RM26.7million.

For the financial year ended 31 December 2005, the Group recorded a pre-tax profit of RM6.2 million as compared to RM151.6 million in the previous corresponding year. The lower profit in the current year was due to the higher cost of raw sugar, lower average selling price of palm products, higher allowance for impairment loss in associates by RM53.0 million, impairment of assets of RM39.5 million and net effect on the reduction of interest charged to a joint venture of RM6.7 million despite higher contribution from associates due to gain on sale of properties and recognition of gain on disposal of associates totaling RM44.4 million. There was also a write back of dividends and redemption premium on Redeemable Cumulative Convertible Preference Shares and gain on dilution of interest in subsidiaries made in the previous financial year.

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
(Loss)/profit before taxation	(28,896)	26,880	(55,776)

The Group recorded a loss before taxation of RM28.9 million in the current quarter as compared to a profit before taxation of RM26.9 million in the third quarter mainly due to higher allowance for impairment loss in an associate, impairment of assets and reduction in interest charged to a joint venture despite recognition of gain on disposal of associates. There was also higher contribution from associates due to gain on sale of properties in the preceding quarter.

3. Prospects

The proposed merger of the plantation businesses of Tradewinds (M) Berhad ("TWS") and Johore Tenggara Oil Palm Berhad ("Proposed Merger") is expected to be completed during the first quarter of the financial year ending 31 December 2006. The completion of the Proposed Merger would bring about an enlarged matured plantation area of the Group and an expected increase in palm products. The financial performance of the Plantation Division is expected to be better than 2005 due to the expected increase in palm products and firmer crude palm oil prices.

Against the challenge of increasing raw sugar prices, the manufacturing and trading division is expected to perform satisfactorily for the coming financial year.

The contribution from the hotel division is expected to be lower in 2006 in anticipation of the refurbishment exercise to be carried out on Mutiara Beach Resort Penang.

The change in accounting policy on depreciation of hotel properties following the adoption of FRS 116, "Property, Plant and Equipment", which is effective from 1 January 2006 is also expected to have an impact on the results of the hotel division.

The contribution from the development properties acquired during the year will not be significant but is expected to provide a 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 performance of the Group for the financial year ending 31 December 2006 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 year.

5. Taxation

Taxation of the Company and its subsidiaries comprises:

	Current Year Quarter RM'000	Current Year To Date RM'000
Current period charge	6,418	30,195
Over provision in respect of prior years		
- Income tax	(261)	(1,214)
- Real property gains tax	(464)	(464)
Deferred taxation	1,690	2,691
	7,383	31,208

The effective tax rate of the Group for the current quarter and current year to date 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, despite utilisation of tax losses by certain subsidiaries and no tax charge on capital gain arising from disposal of investments.

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	-	-
Profit on sale of properties	2,345	5,971

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

(a) There were no purchases and disposals of quoted securities.

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

	RM'000
At cost	47,748
At carrying value	15,815
At market value	17,456

8. Corporate Proposals

(a) Status of Corporate Proposals

The status of corporate proposals announced but not completed as at 22 February 2006 (being the latest practical date) are as follows:

(i) Proposed disposal of remaining 28,892,630 ordinary shares in UM Land.

On 28 October 2005, Tradewinds Corporation Berhad entered into a second supplemental agreement (“SSA”) with Wawasan Perangsang Mewah Sdn Bhd to vary certain terms and conditions of the share sale agreement dated 6 November 2003. The variations amongst others are as follow:-

a) The total purchase price for the 57,153,500 Sale Shares, being the entire Sale Shares which are the subject of the Proposed Disposal, has been reduced from RM131,453,050 to RM106,572,653.50 (“Price Revision”). Since the First Tranche was completed prior to the Price Revision, the entire reduction in purchase price has been effectively applied towards the Price Revision for the remaining 28,892,630 ordinary shares for RM41,572,652.50; and

b) The completion date of the SSA has been extended to 31 March 2006.

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

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

(aa) Proposed acquisitions by Tradewinds Plantation Berhad ("TPB") (formerly known as Jubilant Century Berhad) 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 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 TPB ICULS;

(bb) 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 160 million new TPB Shares between TPB and JTOP 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 existing shareholders;

(cc) Proposed assumption by TPB of RM63,520,555, being part of the net inter-company advances owing by certain plantation subsidiaries to TWS, through the issuance of RM63,520,555 nominal value TPB ICULS to TWS;

(dd) 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 Securities; and

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

The Proposed Merger was approved by the Securities Commission, subject to certain conditions, on 10 June 2005 and the shareholders of TWS on 9 September 2005.

On 22 September 2005, TWS entered into a supplemental agreement with TPB for the proposed assumption by TPB from TWS of RM40.0 million outstanding amount owing by Amalan Penaga (M) Sdn Bhd ("APSB"), a wholly owned subsidiary of TWS, to TWS ("Assumed APSB Advances") ("Proposed APSB Debt Assumption"), pursuant to the conditional share sale agreement between TWS and TPB ("APSB SSA") in respect of the acquisition by TPB of the entire equity interest held by TWS in APSB ("Proposed APSB Acquisition"). Pursuant to the Proposed APSB Debt Assumption, TWS shall cause APSB to, amongst others, capitalise the Assumed APSB Advances by way of allotment and issuance of 40,000,000 new ordinary shares of RM1.00 each in APSB to TPB on the completion date of the Proposed APSB Acquisition.

On 1 September 2005, TWS entered into a conditional agreement with APSB for the proposed acquisition of 60% equity interest in Retus Plantation Sdn Bhd ("RPSB") for a cash consideration of RM15,860,718 ("Proposed RPSB Acquisition"). The Proposed RPSB Acquisition is in accordance with the condition precedent set out in the APSB SSA pursuant to the Proposed Merger which requires the completion of the disposal of 60% equity interest in RPSB by APSB prior to the acquisition of APSB by TPB from TWS. The Proposed RPSB Acquisition was approved by the Foreign Investment Committee on 19 September 2005. The completion of the Proposed RPSB Acquisition is pending the APSB SSA having become unconditional in accordance with the terms and conditions of the APSB SSA.

The completion of the Proposed Merger is pending the issuance of TPB Shares and TPB ICULS.

(iii) Proposed acquisition of the entire issued and fully paid-up share capital of Gula Padang Terap Sdn Bhd ("GPTSB") by TWS from Jalinan Semangat Sdn Bhd, Perbadanan Kemajuan Negeri Kedah and PPB Group Berhad for a total cash consideration of RM188.0 million.

The proposed acquisition was approved by the Ministry of International Trade and Industry and the shareholders of TWS on 27 May 2005 and 9 September 2005 respectively.

The completion of the proposed acquisition is pending the fulfillment of the conditions precedent contained in the Share Sale Agreement for the proposed acquisition of GPTSB.

(iv) Proposed disposal of leasehold land by TCB Realty Sdn Bhd, a wholly owned subsidiary of Tradewinds Properties Sdn Bhd, which in turn a wholly owned subsidiary of the Company to Syarikat Kapasi Sdn Bhd for RM16.3 million.

The proposed disposal is pending the approval from the relevant authorities.

(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:

	Total RM'000	Local Currency RM'000	US Dollar Currency RM'000
Long Term Borrowings			
Secured:			
9.0% Bonds 2000/2008	100,000	100,000	-
Term loans	830,993	830,993	-
Term loans under Islamic financing	98,000	98,000	-
	1,028,993	1,028,993	-
Unsecured:			
Irredeemable Convertible Unsecured Loan Stocks (debt component)			
- 2% ICULS 2004/2014	75,402	75,402	-
- 2% ICULS 2005/2013	52,828	52,828	-
Term loans	5,977	-	5,977
Advances from minority shareholders of subsidiaries			
- Interest bearing	1,520	1,520	-
- Non-interest bearing	132,212	132,212	-
	267,939	261,962	5,977
Less: Repayment due within 12 Months	(126,676)	(120,699)	(5,977)
	1,170,256	1,170,256	-

	Total RM'000	Local Currency RM'000	US Dollar Currency RM'000
Short Term Borrowings			
Secured:			
Revolving credit	25,000	25,000	-
Revolving credit under Islamic financing	106,000	106,000	-
	131,000	131,000	-
Unsecured:			
Bank overdrafts	26,577	26,577	-
Trade bills	49,227	49,227	-
Revolving credits	406,328	406,328	-
Short term advance	104,200	104,200	-
	586,332	586,332	-
Current portion of long term borrowings	126,676	120,699	5,977
Hire purchase and lease creditors	18	18	-
	844,026	838,049	5,977

10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 31 December 2005.

11. Material Litigation

As at 22 February 2006, 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 2005.

13. Earnings/(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 net loss for the current year to date of RM46,605,000 and on the weighted average number of 623,032,231 ordinary shares in issue during the year.

(ii) Fully diluted loss per share

Based on FRS 133, Earnings Per Share, the 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 loss per share. In addition, the conversion of Irredeemable Convertible Unsecured Loan Stocks of the Group is also anti-dilutive. Hence, the fully diluted loss per share is not applicable.