



ASIATIC DEVELOPMENT BERHAD

(Incorporated in Malaysia under Company No : 34993-X)
10th Floor, Wisma Genting, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia. P.O. Box 11224,
50740 Kuala Lumpur. Tel: 03-21782255/23332255 Fax: 03-21641032
Website: <http://www.asiatic.com.my> E-mail: info@asiatic.com.my

FIRST QUARTERLY REPORT

31 May 2006

Quarterly report on consolidated results for the first quarter ended 31 March 2006. The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/03/2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2005 RM'000	CURRENT YEAR TO-DATE 31/03/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/2005 RM'000
Revenue	130,478	106,445	130,478	106,445
Cost of sales	(72,519)	(54,746)	(72,519)	(54,746)
Gross profit	57,959	51,699	57,959	51,699
Other income	2,985	2,538	2,985	2,538
Other expenses	(13,472)	(12,157)	(13,472)	(12,157)
Profit from operations	47,472	42,080	47,472	42,080
Share of results in associates	340	945	340	945
Profit before taxation	47,812	43,025	47,812	43,025
Taxation	(10,843)	(7,800)	(10,843)	(7,800)
Profit for the period	36,969	35,225	36,969	35,225
Attributable to:				
Equity holders of the Company	36,541	34,790	36,541	34,790
Minority interests	428	435	428	435
	<u>36,969</u>	<u>35,225</u>	<u>36,969</u>	<u>35,225</u>
Basic earnings per share - sen	4.90	4.68	4.90	4.68
Diluted earnings per share - sen	4.86	4.67	4.86	4.67

(The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005.)



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

	<i>(Unaudited)</i> AS AT END OF CURRENT QUARTER 31/3/2006 RM'000	<i>Restated</i> <i>(Unaudited)</i> AS AT PRECEDING FINANCIAL YEAR END 31/12/2005 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	582,976	583,524
Land held for property development	226,989	225,427
Investment properties	9,470	9,065
Biological assets	431,967	429,723
Associates	11,476	12,864
Long term receivables	16,977	16,977
Deferred taxation	6,212	6,250
Current assets		
Property development costs	111,906	111,382
Inventories	119,200	120,796
Trade and other receivables	96,858	74,345
Amount due from associates	891	683
Short term investments	139,464	114,067
Bank balances and deposits	61,982	65,536
	530,301	486,809
TOTAL ASSETS	1,816,368	1,770,639
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	373,106	372,779
Reserves	1,294,365	1,257,116
	1,667,471	1,629,895
Minority interests	11,062	10,634
<i>Total equity</i>	1,678,533	1,640,529
Non-current liabilities		
Other payables	4,120	4,120
Provision for directors' retirement gratuities	5,312	5,312
Deferred taxation	23,520	23,309
	32,952	32,741
Current liabilities		
Trade and other payables	99,954	92,950
Amount due to ultimate holding and other related companies	504	1,204
Taxation	4,425	3,215
	104,883	97,369
<i>Total liabilities</i>	137,835	130,110
TOTAL EQUITY AND LIABILITIES	1,816,368	1,770,639
NET ASSETS PER SHARE (RM)	2.23	2.19

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005.)



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006

	<----- Attributable to equity holders of the Company ----->								
	Share Capital RM'000	Share Premium RM'000	Option Reserve RM'000	Re- valuation Reserve RM'000	Reserve on Exchange Differences RM'000	Unappro- priated Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Balance at 1 January 2006	372,779	28,269	-	18,115	288	1,210,444	1,629,895	10,634	1,640,529
Issue of shares pursuant to ESOS [see Note I(f)]	327	577	-	-	-	-	904	-	904
Value of employees' services under ESOS	-	-	140	-	-	-	140	-	140
Net loss not recognised in income statement – exchange difference	-	-	-	-	(9)	-	(9)	-	(9)
Net profit for the financial period	-	-	-	-	-	36,541	36,541	428	36,969
Balance at 31 March 2006	373,106	28,846	140	18,115	279	1,246,985	1,667,471	11,062	1,678,533
Balance at 1 January 2005	371,252	26,153	-	18,115	290	1,070,736	1,486,546	9,898	1,496,444
Issue of shares	90	76	-	-	-	-	166	-	166
Net profit for the financial period	-	-	-	-	-	34,790	34,790	435	35,225
Balance at 31 March 2005	371,342	26,229	-	18,115	290	1,105,526	1,521,502	10,333	1,531,835

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005.)



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006

	<i>Current Quarter 31/03/2006 RM'000</i>	<i>Preceding Year Corresponding Period 31/03/2005 RM'000</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit from ordinary activities before taxation	47,812	43,025
Adjustments for:		
Depreciation of property, plant and equipment	4,659	4,257
Interest income	(1,367)	(753)
Share of results in associates	(340)	(945)
Depreciation of investment property	152	162
Other adjustments	146	7
	<u>3,250</u>	<u>2,728</u>
Operating profit before changes in working capital	51,062	45,753
Changes in working capital:		
Net change in current assets	(18,527)	(655)
Net change in current liabilities	8,297	3,654
	<u>(10,230)</u>	<u>2,999</u>
Cash generated from operations	40,832	48,752
Tax paid	(12,515)	(11,915)
NET CASH GENERATED FROM OPERATING ACTIVITIES	28,317	36,837
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,815)	(8,304)
Planting and development expenditure (<i>classified under biological assets</i>)	(2,244)	(3,147)
Other investing activities	2,681	(2,079)
NET CASH USED IN INVESTING ACTIVITIES	(7,378)	(13,530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares [<i>see Note I(f)</i>]	904	166
NET CASH GENERATED FROM FINANCING ACTIVITIES	904	166
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,843	23,473
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	179,603	108,608
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	201,446	132,081
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Financial assets at fair value	139,464	85,761
Bank balances and deposits	61,982	46,320
Cash and cash equivalents at end of financial period	201,446	132,081

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005.)



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ASIATIC DEVELOPMENT BERHAD NOTES TO THE INTERIM FINANCIAL REPORT - FIRST QUARTER ENDED 31 MARCH 2006

I) Compliance with Financial Reporting Standard (“FRS”) 134

a) *Accounting Policies and Methods of Computation*

The interim financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2005. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 December 2005 as well as the new/revised MASB approved accounting standards that are effective and applicable in the current financial year.

The Malaysian Accounting Standards Board (“MASB”) issued a total of 21 new/revised FRSs, of which 18 are applicable to financial statements for financial periods beginning on or after 1 January 2006.

In the current period, the Group adopted the following new/revised FRSs below, which are relevant to its operations. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

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 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the new/revised FRSs did not result in substantial changes to the Group's accounting policies other than the effects arising from the following FRSs:

FRS 2	Share-based Payment
FRS 101	Presentation of Financial Statements
FRS 140	Investment Property

The principal effects of the changes in accounting policies resulting from the adoption of the above FRSs by the Group is as set-out below:

i) FRS 2: Share-based Payment

An entity is required to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity settled, share based compensation plan i.e. the Asiatic Executive Share Option Scheme since 1 September 2000, where share options are issued to eligible executives and executive directors of the Group.

Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted. Effective on 1 January 2006, with the adoption of FRS 2, the fair value of employees' services rendered in exchange for the grant of the share options is recognised as an expense over the vesting period. The fair value is measured by the use of a trinomial model. The total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each share option granted at the grant date and the number of share options vested by vesting date, with a corresponding increase in equity. Before the end of the vesting period, at each balance sheet date, the Group will revise its estimates of the number of share options that are expected to be vested at the vesting date and recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement is made. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium account when the share options are exercised.

The Group has adopted the transitional provision in FRS 2 to account for those share options that were granted after 31 December 2004 and had not yet been vested on 1 January 2006. However, the impact from the adoption of FRS 2 on the financial statements of the Group is immaterial and is not separately disclosed.

ii) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of results in associates, biological assets 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. FRS 101 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 equity holders of the Company and to its minority shareholders.

Share of results in associates is now disclosed net of tax in the consolidated income statement.

Planting and development expenditure (“PDE” or new planting expenditure) previously classified under property, plant and equipment is now disclosed separately in the consolidated balance sheet as biological assets. The Group maintains its existing accounting policy on biological assets and shall comply with the provisions of FRS 141 : Agriculture, the equivalent of International Accounting Standard 41, once it becomes effective for application in Malaysia. The current period’s presentation of the Group’s financial statements is based on the revised requirements of FRS 101, with comparatives restated to conform with the current period’s presentation. The effect to the Group on adoption of FRS 101 is set out in item (iv) below.

iii) FRS 140: Investment Property

FRS 140 defines an investment property as a property held for long-term rental yield and/or for capital appreciation and is not occupied by the companies in the Group. It is initially measured at cost, including direct transaction costs.

The Group adopted the cost model to measure all its investment properties. Under the cost model, investment property is measured at depreciated cost less any accumulated impairment losses.

Investment property previously classified under property, plant and equipment is now disclosed as a separate line item on the face of the consolidated balance sheet within non-current assets. In line with the revised requirements of FRS 101, the comparative is restated to conform with the current period’s presentation. The effect to the Group on adoption of FRS 140 is set out in item (iv) below.

iv) The effects on the comparatives to the Group on adoption of FRS 101 and FRS 140 are as follows:

RM’000	As previously reported	Effects on adoption of FRSs	As restated
Group			
At 1 January 2006			
Property, plant and equipment	1,022,312	(438,788)	583,524
Investment properties	-	9,065	9,065
Biological assets	-	429,723	429,723
3 months ended 31 March 2005			
Share of results in associates	1,290	(345)	945
Profit before taxation	43,370	(345)	43,025
Taxation	8,145	(345)	7,800

b) Disclosure of Audit Report Qualification and Status of Matters Raised

The audit report of the Group’s annual financial statements for the financial year ended 31 December 2005 did not contain any qualification.

c) Seasonal or Cyclical Factors

The production of fresh fruit bunches (“FFB”) is seasonal in nature and normally peaks in the second half of the year.

d) Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no unusual items affecting the assets, liabilities, equities, net income or cash flow for the current quarter ended 31 March 2006.

e) Material Changes in Estimates

There were no significant changes made in estimates of amounts reported in prior financial years.

f) Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity during the current quarter ended 31 March 2006 other than the issuance of **653,000** new ordinary shares of 50 sen each, for cash, arising from the exercise of options granted under the Asiatic Executive Share Option Scheme at exercise prices of **92** sen and **145** sen per ordinary share.

g) Dividend Paid

No dividend has been paid during the current quarter.

h) Segment Information

Segment analysis for the current quarter is set out below:

	Plantation RM'000	Property RM'000	Others RM'000	Total RM'000
Revenue – external	104,040	26,438	-	130,478
Segment profit	41,902	3,758	445	46,105
Interest income				1,367
Share of results in associates				340
Profit before taxation				47,812
Taxation				(10,843)
Profit for the quarter				36,969

i) Valuation of Property, Plant and Equipment

There were no changes to valuation of property, plant and equipment brought forward from the previous financial year.

j) Material Events Subsequent to the End of Financial Period

There were no material events subsequent to the end of the current quarter that have not been reflected in this interim financial report.

k) Changes in the Composition of the Group

There were no material changes in the composition of the Group for the current quarter ended 31 March 2006.

l) Changes in Contingent Liabilities or Contingent Assets

There were no significant changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2005.

m) Capital Commitments

Authorised capital commitments not provided for in the interim financial statements as at 31 March 2006 are as follows:

	Contracted RM'000	Not Contracted RM'000	Total RM'000
Property, plant and equipment	8,209	42,592	50,801
Biological assets	6,647	37,767	44,414
Investment in subsidiaries	1,460	-	1,460
	16,316	80,359	96,675



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ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA – FIRST QUARTER ENDED 31 MARCH 2006

II) Compliance with Appendix 9(B) of Bursa Malaysia Listing Requirements

1) Review of Performance

The results of the Group are tabulated below:

	Individual Quarter			Preceding Quarter	
	1Q2006 RM'Million	1Q2005 RM'Million	% +/-	4Q2005 RM'Million	% +/-
Revenue					
Plantation	104.0	95.2	+9	128.1	-19
Property	26.5	11.2	>100	25.7	+3
	130.5	106.4	+23	153.8	-15
Profit before tax					
o Plantation	41.9	40.2	+4	54.9	-24
o Property	3.7	0.6	>100	2.5	+48
o Others	2.2	2.2	-	2.3	-4
	47.8	43.0	+11	59.7	-20

For the current quarter, the Group registered a **23%** increase in revenue as compared to that of the previous year's corresponding quarter mainly due to higher CPO selling price and higher progress billings from properties.

Profit before tax for the current quarter was **11%** higher than that of the previous year's corresponding quarter, mainly due to higher CPO selling price and higher profit contribution from the property segment.

2) *Material Changes in Profit Before Taxation for the Current Quarter as Compared with the Immediate Preceding Quarter*

Overall, profit before tax for the current quarter was **20%** lower than that of the preceding quarter mainly due to a **23%** seasonal decline in FFB production.

3) *Prospects*

Barring any unforeseen circumstances, the performance of the Group for the remaining period of the current financial year is expected to be satisfactory.

4) *Variance of Actual Profit from Forecast Profit*

The Group did not issue any profit forecast or profit guarantee for the financial year.

5) **Taxation**

Tax charge/(credit) for the current quarter are set out below:

	Current Quarter RM'000
Current taxation:	
- Malaysian income tax charge	10,594
- Deferred tax charge	249

	<u>10,843</u>

The effective tax rate for the current quarter is lower than the statutory tax rate mainly due to utilisation of agriculture allowance.

6) ***Profit on Sale of Unquoted Investments and/or Properties***

The results for the current quarter do not include any profit or loss on sale of unquoted investments and properties which are not in the ordinary course of business of the Group.

7) ***Quoted Securities Other than Securities in Existing Subsidiaries and Associates***

There were no dealings in quoted securities for the current quarter ended 31 March 2006.

8) ***Status of Corporate Proposals Announced***

a) ***Proposed Share Buy-Back***

On 19 April 2006, the Company announced that the present mandate granted by the shareholders of the Company on 27 June 2005 for the Company to buy back its own shares will expire at the conclusion of the forthcoming Annual General Meeting ("AGM"). In this regard, the Company proposed to seek from its shareholders at the aforesaid AGM to be convened, a renewal of the authority to purchase up to ten percent (10%) of the issued and paid-up share capital of the Company comprising 746,282,000 ordinary shares of 50 sen each as at 19 April 2006 ("the Proposed Share Buy-Back").

As at 24 May 2006, the Proposed Share Buy-Back is subject to the approval of the shareholders at the AGM to be convened on 20 June 2006.

b) *Proposed Joint Venture*

On 8 June 2005, the Company announced that 5 of its subsidiaries had entered into 5 separate Joint Venture Agreements for the cultivation of oil palm on approximately 98,300 hectares of land in Kabupaten Ketapang, Provinsi Kalimantan Barat, Indonesia (“the Land”) (“the Proposed Joint Venture”). The Proposed Joint Venture is subject to the following conditions being fulfilled within 12 months from the date of the Joint Venture Agreements or such period as may be mutually extended by parties to the said agreements:

- i) the letter of confirmation from the local government of Kabupaten Ketapang on the Proposed Joint Venture;
- ii) the approval of Badan Koordinasi Penanaman Modal or Investment Coordinating Board in Indonesia;
- iii) the issuance of the Hak Guna Usaha certificates or Right/Title to Cultivate the Land;
- iv) due diligence study on the Land and the Joint Venture Companies; and
- v) any other approvals, licenses and permits required for the Proposed Joint Venture.

The period for the fulfilment of the above conditions has since been extended up to and including 8 June 2007.

As at 24 May 2006, there have been no further changes to the status of the Proposed Joint Venture.

9) *Group Borrowings and Debt Securities*

The Group does not have any borrowings or debt securities as at 31 March 2006.

10) *Off Balance Sheet Financial Instruments*

There are no off balance sheet financial instruments as at 24 May 2006.

11) *Changes in Material Litigation*

The Company and Asiatic Tanjung Bahagia Sdn Bhd (“ATBSB”), a wholly-owned subsidiary, had vide previous announcements informed shareholders on the status of the legal suit filed in the High Court of Sabah and Sarawak at Kota Kinabalu Suit No. K22-245 of 2002 wherein the Company and ATBSB were named as the Second and Third Defendants respectively (“the Suit”). The Suit was instituted by certain natives (“the Plaintiffs”) claiming Native Customary Rights over the agricultural land or part thereof held under title number CL095330724 measuring approximately 8,830 hectares situated at Sungai Tongod, District of Kinabatangan, Sandakan, Sabah which was acquired by ATBSB from Hap Seng Consolidated Berhad (“HSCB”) (“the Tongod Land”). Subsequently, the Plaintiffs had also applied for an interlocutory injunction to restrain the Company and ATBSB from entering, trespassing, clearing, using or occupying the Tongod Land or part thereof (“the Injunction”).

Our solicitors maintain their opinion that the Plaintiffs’ action is misconceived and unsustainable.

There have been no changes to the status of the aforesaid litigation as at 24 May 2006.

12) *Dividend Proposed or Declared*

No dividend has been proposed or declared for the current quarter ended 31 March 2006.

13) *Earnings per Share*

**Current
Quarter
1Q2006**

a) **Basic earnings per share**

Profit for the financial period attributable to equity holders of the
Company (*RM'000*)

36,541

Weighted number of ordinary shares in issue (*'000*)

745,834

Basic earnings per share (*sen*)

4.90

b) **Diluted earnings per share**

Profit for the financial period attributable to equity holders of the
Company (*RM'000*)

36,541

Adjusted weighted number of ordinary shares in issue ('000)

Weighted number of ordinary shares in issue

745,834

Adjustment for share options granted under the Asiatic
Executive Share Option Scheme

6,195

752,029

Diluted earnings per share (*sen*)

4.86

TAN SRI MOHD AMIN BIN OSMAN
Chairman
Asiatic Development Berhad