



A. NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS134 "Interim Financial Reporting" and Chapter 9, Part K of the 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 financial year ended 31 December 2006.

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 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS").

FRS 117	Leases
Amendment to FRS 119	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

The adoption of the new/revised FRSs does not have significant financial impact on the Group. The principal effects of adopting FRS 117 are as follows:-

(a) FRS 117 : Leases

Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of FRS117 has resulted in a change in the accounting policy relating to the classification of leasehold land. Leasehold land are now classified as prepaid lease payments and amortised on a straight line basis over the lease term.



As a result of the adoption of FRS 117, comparative amounts as at 31 December 2006 have been reclassified as follows:-

	As previously stated RM'000	Reclassification RM'000	Restated RM'000
Property, plant and equipment	1,095,813	(690,690)	405,123
Prepaid lease payments	-	690,690	690,690
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- (b) Amendment to FRS 119 : Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of this FRS does not have any material impact to the Group as the retirement benefit plan previously undertaken by Johore Tenggara Oil Palm Berhad Group was discontinued in April 2007.

- (c) FRS 124 : Related Party Disclosures

This FRS does not have any material impact to the Group other than additional disclosure on key management personnel remuneration and disclosure by the Company on related party transactions.

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 operations of the Group are not affected by any seasonal or cyclical factors other than the plantation operation, which is affected by the usual seasonal production of fresh fruit bunches.

5. Unusual Items

There were no unusual items for the current financial year to date.



6. Changes in Estimates

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

7. Changes in Debt and Equity Securities

There have been no issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current financial year to date.

8. Dividends Paid

There were no dividends paid during the current financial year to date.

9. Segmental Reporting

Current Year To Date	Manufacturing & Trading RM'000	Plantation RM'000	Others RM'000	Total RM'000
Revenue				
External sales	260,893	104,746	52	365,691
Results				
Segment results	17,005	8,947	(94)	25,858
Unallocated income				1,006
Unallocated expenses				(2,480)
Profit from operations				24,384
Finance costs				(10,624)
Share of results of associated company			4	4
Profit before taxation				13,764
Taxation				(5,403)
Profit for the period				8,361



10. Valuations of Property, Plant and Equipment

The Group did not revalue its property, plant and equipment.

11. Material Subsequent Events

On 30 April 2007, Tradewinds Plantation Berhad (“TPB”), a subsidiary of the Company, has entered into a conditional Subscription Agreement for the proposed subscription of 100,000,000 new ordinary shares of RM1.00 each in Kongsı Meriah (M) Sdn Bhd (“KMM”) at a total subscription price of RM268 million (“Proposed Subscription”). Upon completion of the Proposed Subscription, KMM would become a 99.9% subsidiary of TPB.

The Proposed Subscription is conditional upon the completion of the agreement dated 18 April 2007 between Gula Padang Terap Plantations Sdn Bhd (“GPTP”) and KMM whereby GPTP has agreed to sell and transfer to KMM the leases granted by Perbadanan Kemajuan Negeri Kedah, presently held by and registered in the name of GPTP, over 54 parcels of leasehold agriculture land measuring approximately 11,411 hectares for a transfer consideration of RM268 million.

The completion of the Proposed Subscription is also subject to approvals of the shareholders of TPB and KMM and approvals of the relevant authorities.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

13. Capital Commitments

The amount of capital commitments not provided for in the interim financial statements as at 31 March 2007 were as follows:-

	RM’000
Property, plant and equipment	199,979
Plantation development expenditure	85,000
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	284,979
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14. Contingent Liabilities and Contingent Assets

The contingent liabilities as at 31 March 2007 were as follows:-

	RM'000
Corporate guarantee for credit facilities granted to third parties under "Skim Industri Pertanian"	<u>663</u>

There were no contingent assets as at 31 March 2007.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. Review of Performance

For the quarter under review, the Group achieved revenue of RM365.7 million, representing an increase of RM146.8 million from RM218.9 million recorded for the corresponding quarter last year. The increase in revenue during the quarter under review was mainly due to higher sales of refined sugar by the Manufacturing and Trading Division due to the contribution of 3-months operation by Gula Padang Terap Sdn Bhd, which was acquired on 30 November 2006. The Plantation Division also contributed to the higher sales during the quarter due to the contribution of 3-months operation in the current quarter as compared to a 1-month operation in the preceding year's corresponding quarter as TPB was formed on 28 February 2006.

The Group's profit before taxation increased by RM8.2 million to RM13.8 million for the quarter under review from RM5.6 million for the preceding year's corresponding quarter. The increase in profit before taxation was mainly due to the higher average selling price of refined sugar by the Manufacturing and Trading Division and the higher average selling price of oil palm products by the Plantation Division.

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

	Quarter Reported On RM'000	Immediate Preceding Quarter RM'000	Increase RM'000
Profit before taxation	13,764	12,780	984

For the current quarter under review, the Group recorded an increase of RM1.0 million in profit before taxation as compared to the immediate preceding quarter. The increase in profit before taxation was mainly due to the higher sales volume of refined sugar by the Manufacturing and Trading Division.



3. Prospects

The financial performance of the Plantation Division is expected to be better than 2006 based on the prevailing prices of palm products and the expected increase in production in the remaining period of the current financial year.

The Manufacturing and Trading Division is expected to maintain its profitability for the remaining period of the current financial year.

Based on the above circumstances, the Directors expect the performance of the Group for the remaining period of the current financial year to be better.

4. Variance on Forecast Profit/Shortfall in Profit Guarantee

Not applicable.

5. Taxation

Taxation comprises:-

	Current Year Quarter RM'000	Current Year To Date RM'000
Income tax	6,932	6,932
Deferred tax	(1,529)	(1,529)
	<u>5,403</u>	<u>5,403</u>

The taxation charge of the Group for the current quarter and financial year 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

There were no sales of unquoted investments or properties during the current quarter.

7. Quoted Securities Other Than Securities in Existing Subsidiaries and Associated Company

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



(b) Investments in quoted securities as at the reporting period were as follows:-

	RM'000
(i) at cost	45,135
(ii) at carrying value	7,720
(iii) at market value	7,990

8. (a) Status of Corporate Proposals

The status of corporate proposals announced but not completed as at 21 May 2007, being the latest practicable date, are as follows:

On 22 September 2006, Tradewinds (M) Berhad ("TWS") entered into 2 conditional sale 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 USD2,286,316; and
- (b) Conditional Sale and Purchase Agreement of Loan ("CSPA Loan") for the disposal of TWS's right, title and interest to:-
 - (i) all moneys owing and payable by P.T. Bumipermai Suryalestari ("BPSL") to TWS by virtue of the advances made by TWS ("TWS' 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 TWS to the rights of Maybank as creditor in respect to TWS' Advances;
 - (ii) Pledge of Shares Agreement dated 5 September 1997 between PT Sadin Multiagro Sentosa, TWS, 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 TWS 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 TWS 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,

(collectively, the "Assigned Rights") to Labuan Agri Investment (L) Bhd for a total cash consideration of USD10,713,684.

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.

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

The Proposed Subscription is conditional upon the completion of the agreement dated 18 April 2007 between Gula Padang Terap Plantations Sdn Bhd ("GPTP") and KMM whereby GPTP has agreed to sell and transfer to KMM the leases granted by Perbadanan Kemajuan Negeri Kedah, presently held by and registered in the name of GPTP, over 54 parcels of leasehold agriculture land measuring approximately 11,411 hectares for a transfer consideration of RM268 million.

The completion of the Proposed Subscription is also subject to approvals of the shareholders of TPB and KMM and approvals of the relevant authorities.

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

There was no corporate proposal involving fund raising.



9. Group Borrowings and Debt Securities

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

	RM'000
<u>Long Term Borrowings</u>	
Secured term loans	589,521
Unsecured term loan	130,000
Less: Current portion of long term borrowings	(166,583)
	<u>552,938</u>
<u>Short Term Borrowings</u>	
Secured	
Revolving credit	127,000
Unsecured	
Revolving credit	78,000
Bankers' acceptance	150,574
Overdraft	70
	228,644
Current portion of long term borrowings	166,583
	<u>522,227</u>
Total	<u>1,075,165</u>

10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 21 May 2007, being the latest practicable date.

11. Changes in Material Litigation

There was no pending material litigation as at 21 May 2007, being the latest practicable date.



12. Dividend

The Board of Directors does not recommend any dividend for the first quarter ended 31 March 2007.

13. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share for the current year to date is based on the profit for the period attributable to equity holders of the Company of RM8.3 million and the number of ordinary shares outstanding during the current year to date of 296,470,484.

(b) Diluted earnings per share

Currently, there are potential ordinary shares comprising RM160,000,000 nominal value 10-year 3% irredeemable convertible unsecured loan stocks ("TPB ICULS") that were issued on 28 February 2006. The profit for the period attributable to equity holders of the Company used in computing the diluted earnings per share has been adjusted as follows:-

	Current Year To Date RM'000
Profit attributable to equity holders of the Company	8,327
Effect of assumed conversion of TPB ICULS	(236)
Profit attributable to equity holders of the Company including assumed conversion of TPB ICULS	<u>8,091</u>

As the diluted earnings per share is derived from the assumed conversion of the subsidiary's potential ordinary shares, it does not affect the issued share capital of the Company. Thus, the number of ordinary shares used in computing the diluted earnings per share is the same as that used in computing the basic earnings per share.



BY ORDER OF THE BOARD

MOHAMAD AFFENDI BIN YUSOFF (LS007158)
SAKINAH BINTI ABDUL KADIR (MAICSA 7000087)
Company Secretaries

Kuala Lumpur
28 May 2007