

JOHORE TENGGARA OIL PALM BHD (Co. No. 17867-T)
(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL REPORTING

BURSA MALAYSIA LISTING REQUIREMENTS

1. Review of performance

For the third quarter ended 30 September 2004, the Group recorded a revenue of RM 23.1 million as compared to RM 20.6 million registered in the corresponding period last financial year. Revenue for the quarter improved due to a significant increase in selling prices of palm products.

An operating profit before tax of RM 8.1 million was achieved as compared to RM 1.9 million profit for the corresponding period last year due to the improved selling prices and lower operating expenses. However an extraordinary expense in the form of impairment loss in value of certain properties of RM 79.2 million was recognized resulting in an operating loss before taxation for the quarter of RM 69.5 million. The impairment loss arose when the book values of certain landed properties were matched against the valuations by C H Williams Talhar & Wong Sdn Bhd. that was carried out in relation to the proposed merger between JTOP and the plantation subsidiaries of Tradewinds M Bhd. The details of the loss after tax is as follows:

	Current quarter ended 30.09.2004	Current quarter ended 30.09.2003	9 months ended 30.09.2004	9 months ended 30.09.2003
	RM '000	RM '000	RM '000	RM '000
Revenue	23,103	20,608	64,693	55,675
Less :				
Operating expenses	(14,434)	(18,468)	(39,425)	(43,839)
Finance cost	(1,025)	(935)	(2,698)	(2,758)
Add : Other operating income	425	785	939	1,278
Profit before impairment and other adjustment	8,069	1,990	23,509	10,356
Less :				
Impairment loss	(79,203)	-	(79,203)	-
Depreciation adjustment	1,612	-	1,612	-
Deferred tax reversal	9,871	-	9,871	-
Corporate tax	(2,430)	(3,832)	(4,115)	(4,226)
Loss after tax and impairment adjustments	(62,082)	(1,842)	(48,326)	6,130

Further explanation on the valuation exercise is highlighted as per MASB 26 Disclosure Requirements (i) on page 6 below.

2. Comparison of results with the preceding quarter's

For the quarter under review, the Group recorded a loss before tax of RM 69.5 million as compared to a profit of RM 9.9 million in the immediate preceding quarter. The extraordinary loss is mainly due to the same reason mentioned in Note 1 above.

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3. Prospects for the current financial year

Notwithstanding the impairment loss as stated in Note 1 above, if the prices of palm products are maintained at the prevailing levels, the Board expects the Group's operating results for the current financial year to be better than the preceding year.

4. Variance of actual profit from forecast profit

The Group has not issued any profit forecast for the year under review.

5. Taxation

	Current Year Quarter 30.9.2004 RM'000	Current Year To date 30.9.2004 RM'000
Current tax expense	(2,544)	(4,964)
Underprovision in prior year	0	(272)
Reversal of deferred tax	9,985	10,992
	<u>7,441</u>	<u>5,756</u>

The effective tax rate of the Group for the current quarter and current year to date were lower than the statutory tax rate principally due to the reversal of deferred tax liability as a result of the impairment loss.

6. Unquoted securities and / or properties

There is no sale of unquoted investments and/or properties for the financial quarter under review.

7. Quoted securities

(a) Summary of purchases and sales of quoted investments:-

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current year quarter ended 30.9.2004 <u>RM'000</u>	Preceding year corresponding quarter ended 30.9.2003 <u>RM'000</u>	Current year to date ended 30.9.2004 <u>RM'000</u>	Preceding year corresponding period ended 30.9.2003 <u>RM'000</u>
Total purchases	-	-	-	-
Total sale proceeds	<u>57</u>	<u>1,030</u>	<u>57</u>	<u>1,196</u>
Total loss on disposal	<u>7</u>	<u>39</u>	<u>7</u>	<u>(199)</u>

(b) Summary of details of all investments

	30/9/2004 <u>RM'000</u>	31/12/2003 <u>RM'000</u>
Total investments at cost	<u>7,647</u>	<u>7,697</u>
Total investments at carrying value / book value (after provision for diminution in value)	<u>5,239</u>	<u>6,342</u>
Total investments at market value at end of reporting period	<u>5,239</u>	<u>6,342</u>

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8. Status of corporate proposals

Our main advisor, CIMB, had on 25 May 2004, made an announcement to Bursa Malaysia on the proposed merger of JTOP and the plantation subsidiaries of Tradewinds (M) Bhd. ("Tradewinds"). The proposed merger, which involves a scheme that requires the creation of a Special Purpose Vehicle, namely Jubilant Century Berhad ("JCB"), also involves the following: -

- (i) Proposed acquisitions by JCB from Tradewinds of the issued and paid-up share capital held by Tradewinds in its plantation subsidiaries ("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 JCB ("JCB Shares") at an issue price of RM1.60 per JCB Share and RM96,479,445 nominal value of 10-year 3% irredeemable convertible unsecured loan stocks ("ICUL") in JCB ("JCB 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 JCB Shares between JCB and all the existing shareholders of JTOP ("JTOP Existing Shareholders") pursuant to a members' scheme of arrangement under Section 176 of the Companies Act, 1965 ("Companies Act") ("JTOP Scheme") on the basis of 1 new JCB Share for every 1 existing JTOP Share held by the JTOP Existing Shareholders ("Proposed Share Exchange");
- (iii) Proposed assumption by JCB of RM63,520,555 of the net inter-company advances ("Assumed Advances") by Tradewinds to certain Plantation Subsidiaries as at 31 December 2003 through the issuance of RM63,520,555 nominal value of JCB ICULS to Tradewinds ("Proposed Debt Assumption");
- (iv) Proposed transfer of the listing status of JTOP on the Main Board of Bursa Malaysia Securities Berhad (*formerly known as Malaysia Securities Exchange Berhad*) ("Bursa Malaysia") to JCB ("Proposed Transfer of Listing"); and
- (v) Proposed placement of such number of JCB Shares and JCB ICULS at a placement price to be determined later ("Proposed Placement") to meet the minimum public shareholding spread requirement in accordance with the Listing requirements of Bursa Malaysia,

In conjunction with the Proposed Merger, CIMB on behalf of the following parties will also seek the approval of the Securities Commission ("SC") for the following exemptions ("Proposed Exemptions"): -

- (a) Tradewinds, from the obligation to undertake a mandatory general offer for the remaining JCB Shares pursuant to the Proposed Acquisitions; and

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- (b) JCB, from the obligation to undertake a mandatory general offer for the remaining ordinary shares of RM1.00 each in Ladang Serasa Sdn Bhd ("Ladang Serasa") pursuant to the Proposed Acquisitions,

The Proposed Acquisitions, Proposed Share Exchange, Proposed Debt Assumption, Proposed Transfer of Listing, Proposed Placement and Proposed Exemptions are inter-conditional.

Currently, all our advisors, including CIMB, are preparing the relevant documents for submission to SC for approval.

9. Group borrowings

	30/9/2004	31/12/2003
	<u>RM'000</u>	<u>RM'000</u>
<u>Short term</u>		
Term loans – secured	349	383
Revolving credits – secured	63,900	65,900
Revolving credits – unsecured	9,200	3,000
Bank overdraft - unsecured	44	1
Hire purchase – secured	24	24
	<u>73,517</u>	<u>69,308</u>
<u>Long term</u>		
Term loans – secured	205	457
Hire purchase – secured	15	33
	<u>220</u>	<u>490</u>

10. Financial instruments with off balance sheet risks

There is no financial instrument with off balance sheet risks issued as at the date of this quarterly report.

11. Material litigation

There is no material litigation involving the Group as at the date of this quarterly report.

12. Dividend

The Board does not recommend any dividend for the quarter ended 30 September 2004 (Q3 2003 : Nil)

13. Earnings per share

The basic and diluted loss per share for the current financial quarter is calculated based on the consolidated loss after tax and minority interest of RM58.6 million divided by the number of ordinary shares in issue during the financial quarter of 160 million shares.

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MASB 26 DISCLOSURE REQUIREMENTS

(a) Accounting policies

The quarterly financial statements have been prepared in accordance with MASB 26 Interim Financial Reporting and Chapter 9 part K of the Listing Requirements of Bursa Malaysia. The accounting policies, methods of computation and bases of consolidation used in the preparation of the interim financial statements are consistent with those adopted and used in the preparation of the most recent annual financial statements for year ended 31 December 2003.

(b) Audit qualification

The annual report of the preceding year did not have any qualification.

(c) Seasonal or cyclical factors

The Group's plantation operations are affected by seasonal crop production, weather condition and fluctuating commodity prices.

(d) Exceptional item

There is no exceptional item in the financial quarter under review.

(e) Nature and amount of changes in estimates

There is no material change in the nature and amounts in estimates reported in prior interim period or financial year that has a material effect in the current financial quarter.

(f) Issuances, cancellation, repurchases, resale and repayment of debt and equity securities.

There is no issuance or repayment of debt or equity securities, share buy-back, share cancellation, share held as treasury shares and resale of treasury shares for the current financial year to date.

(g) Dividends paid

No dividend has been paid during the financial quarter.

(h) Segmental reporting

No segmental information has been prepared as the Group's principal activity in the current financial period involves predominantly the cultivation, processing and sales of fresh fruit bunches, crude palm oil and palm kernel and is wholly carried out in Malaysia.

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(i) **Valuation of property, plant and equipment**

A valuation exercise was carried out by CH Williams Talhar & Wong Sdn Bhd in relation to the proposed merger exercise between JTOP Group and the Plantation Subsidiaries of Tradewinds. The Board of Directors had approved the final valuation on 8 November 2004 and the said valuation reports were submitted to the Securities Commission on 9 November 2004. The valuation resulted in impairment of certain properties amounting to RM79.2 million as shown below.

PROPERTIES	NBV AS AT 30.09.2004	VALUATION	IMPAIRMENT
	RM '000	RM '000	RM '000
Ladang Sg. Relai	109,708	64,500	(45,208)
Ladang Pelangi	56,557	26,800	(29,757)
Ladang Sembrong Kiri	23,535	22,400	(1,135)
Ladang Semai Segar	8,341	6,600	(1,741)
Ladang Bukit Sah	12,632	10,700	(1,932)
Ulu Sebol Mill	1,301	820	(481)
De' Stulang building	5,383	4,500	(883)
Total impairment	217,455	136,320	(81,135)
Less : Offset against revaluation reserve	-	-	1,932
Total impairment charged to P&L	-	-	(79,203)
Less: Deferred tax liability reversed	-	-	9,871
Net impact to P&L	217,455	136,320	(69,332)

MASB 23 states that an impairment loss is to be recognized in the income statement whenever the carrying amount of an asset exceeds its recoverable amount, provided that there is no available revaluation reserve to offset against the impairment.

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On the other hand, certain other properties of the Group will recognize a revaluation surplus from the valuation exercise as follows:

PROPERTIES	NBV AS AT 30.09.2004	VALUATION	SURPLUS
	RM '000	RM '000	RM '000
Ladang Ulu Sebol	72,721	75,800	3,079
Ladang Ulu Papan	45,335	60,100	14,765
Ladang Sg Lebak	38,321	49,900	11,579
Ladang Sg Kachur	20,526	21,400	874
Ladang Sisek	49,752	68,900	19,148
Ladang Agromaju	8,220	25,000	16,780
Ladang Penawar	12,607	27,700	15,093
Ladang Jaya	19,976	22,600	2,624
Industrial lots	1,522	8,420	6,898
Ulu Silika land	12	150	138
Plant & machinerics (U Sebol mill)	2,858	5,719	2,861
Building (U Sebol Mill)	1,660	1,760	100
Building – Bandar Baru UDA	160	410	250
2 units houses at B Tenggara	60	200	140
2 units houses at Kulim	202	255	53
JTOP headquarters - KL	2,530	3,160	630
JTOP lodge – at Desaru	260	410	150
Total revaluation surplus	276,723	371,884	95,161
Less : Impairment offset against revaluation reserve	-	-	(1,932)
Deferred tax liability	-	-	(24,448)
Net impact on revaluation reserve	276,723	371,884	68,781

MASB 23 also states that a revaluation surplus is to be recognized in the balance sheet whenever the recoverable amount of an asset exceeds the carrying amount, provided that there is no previous impairment loss to offset against the revaluation surplus.

The net effect of the valuation exercise has resulted in an enhancement of the NTA for the Group as follows:

	NTA as at 30.09.2004 Before valuation	NTA as at 30.09.2004 After valuation
NTA as at 31.12.2003	RM '000	RM '000
381,820	399,639	403,823
RM2.39 per share	RM2.50 per share	RM2.52 per share

(j) Material events subsequent to third financial quarter

There is no other material event subsequent to 30 September 2004 that has not been reflected in the quarterly financial statements for the quarter ended 30 September 2004.

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(k) Changes in the composition of the group

There is no change in the composition of the Group during the quarter under review.

(l) Contingent liabilities

	30/9/2004	31/12/2003	CHANGE
	RM'000	RM'000	RM'000
Corporate guarantee for credit facilities granted to third parties under "Skim Industri Pertanian"	<u>1,478</u>	<u>1,910</u>	<u>(432)</u>

By Order of the Board

Mohamad Affendi Bin Yusoff (LS 007158)

Company Secretary

Dated: 22 November 2004