

# 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 fourth quarter ended 31 December 2005, the Group recorded a revenue of RM23.2 million as compared to RM20.7 million registered in the corresponding period of the previous financial year. Loss before taxation recorded for the current quarter was RM4.0 million as compared to loss of RM0.4 million registered for the corresponding period of the previous financial year. The variance in loss before taxation was mainly due to the following factors:-

- (i) lower prices of CPO and palm kernel,
- (ii) lower FFB production from the Group's estates arising from the prolonged drought in the early part of 2005,
- (iii) lower extraction rates of CPO and palm kernel which contributed to the shortfall in revenue,
- (iv) higher operating expenditure, and
- (v) write-off of advances to an Associate Company of RM6.4 million.

#### 2. Comparison of results with the preceding quarter

As above, the loss before tax for the quarter under review was RM4.0 million as compared to the immediate preceding quarter's profit before tax of RM1.3 million due to a decline in volume of CPO and palm kernel sold, lower palm kernel price and the write-off of advances to an Associate Company of RM6.4 million.

#### 3. Prospects for the current financial year

The Directors are of the opinion that the Group's operating results for the current financial year would be satisfactory.

#### 4. Variance of actual profit from forecast profit

The Group has not issued any profit forecast in a public document for the year under review.

#### 5. Taxation

|                     | <b>Current Year<br/>Quarter<br/>31.12.2005<br/>RM'000</b> | <b>Current Year<br/>To date<br/>31.12.2005<br/>RM'000</b> |
|---------------------|---|---|
| Current tax expense | (1,243)   | (3,696)   |
| Deferred tax        | (421)   | 183   |
|                     | <u>(1,664)</u>  | <u>(3,513)</u>  |

The effective tax rate of the Group for the current year to date was higher than the statutory tax rate as the Group's net profit before tax was inclusive of losses before tax of some companies within the Group. There were also expenses which were non-allowable as tax deduction.

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## 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<br>Year<br>Quarter<br>31.12.2005<br><u>RM'000</u> | Preceding Year<br>Corresponding<br>Quarter<br>31.12.2004<br><u>RM'000</u> | Current<br>Year<br>To Date<br>31.12.2005<br><u>RM'000</u> | Preceding Year<br>Corresponding<br>Period<br>31.12.2004<br><u>RM'000</u> |
| Total purchases                 | -   | -   | -   | -  |
| Total sale proceeds             | 1   | 57  | 37  | 57   |
| Total profit/(loss) on disposal | 0   | 7   | (1)   | 7  |

### (b) Summary of details of all investments

|  | 31/12/2005<br><u>RM'000</u> | 31/12/2004<br><u>RM'000</u> |
|--|-----------------------------|-----------------------------|
| Total investments at cost  | 6,652                       | 6,945                       |
| Total investments at carrying value / book value (after provision for diminution in value) | 4,475                       | 5,105                       |
| Total investments at market value at end of reporting period                               | 4,475                       | 5,105                       |

## 8. Status of corporate proposals

Our advisor, Commerce International Merchant Bankers Berhad ("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 Tradewinds Plantation Berhad ("TPB"), formerly known as Jubilant Century Berhad, also 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 ("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 of 10-year 3% irredeemable convertible unsecured loan stocks ("ICULS") in TPB ("TPB ICULS") ("Proposed Acquisitions");

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- (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 TPB Shares between TPB 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 TPB Share for every 1 existing JTOP Share held by the JTOP Existing Shareholders ("Proposed Share Exchange");
- (iii) Proposed assumption by TPB 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 TPB 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 TPB ("Proposed Transfer of Listing"); and
- (v) Proposed placement of such number of TPB Shares and TPB 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 TPB Shares pursuant to the Proposed Acquisitions; and
- (b) TPB, 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.

CIMB announced that the SC had on 21 December 2004, approved the Proposed Exemptions.

The SC's conditional approval on the other proposals of the submission was obtained via its letter dated 10 June 2005, and an announcement made by CIMB on 13 June 2005 to that effect. The SC had also approved, on behalf of the Foreign Investment Committee (FIC), the equity structure of TPB.

The Court Convened Meeting ("CCM") in conjunction with the Scheme of Arrangement for the Proposed Share Exchange, and the EGM, to seek shareholders approval on all the proposals was held on 12 September 2005.

All the resolutions pertaining to the proposals were passed by the shareholders during the CCM and EGM.

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The approval from the Ministry of International Trade and Industry on the proposed merger was obtained vide its letter dated 7 October 2005.

On 12 October 2005, the High Court has sanctioned the Scheme of Arrangement ("Scheme") which involves the following:

- a. The proposed exchange of the entire issued and paid-up ordinary share capital of JTOP with the ordinary shares of RM1.00 each in TPB whereby all the existing shareholders of JTOP (whose names appear in the Register of Members or Record of Depositors of JTOP at the close of business on a date to be determined and announced later), will exchange all their ordinary shares of RM1.00 each in JTOP for new TPB shares on the basis of one (1) new TPB share for every one (1) existing JTOP share held ("Proposed Share Exchange").
- b. As a result of the Proposed Share Exchange, JTOP will become a wholly owned subsidiary of TPB. There will be no change in the issued and paid-up share capital of JTOP. JTOP existing shareholders, through the Proposed Share Exchange, will become shareholders of TPB.

On 2 December 2005, the SC approved an extension of time of six months to 9 June 2006 for TPB, Tradewinds and/or JTOP to comply with the conditions imposed by the SC in respect of certain properties as set out in the announcement dated 13 June 2005.

On 20 December 2005, Bursa Malaysia Securities Berhad (Bursa Securities) approved the application by TPB for listing with a public spread of 18.57% of the issued and paid-up share capital of 529,153,415 ordinary shares of RM1.00 each in TPB as in compliance with the public shareholding spread requirement pursuant to Paragraph 3.05(1) of the Listing Requirements.

Bursa Securities had also on 20 December 2005, approved-in-principal the quotation of TPB on Bursa Securities.

JTOP had on 26 January 2006, issued the Notice of Books Closure and Suspension of Shares to the Shareholders to recall and cancel all issued shares in existence. These shares will be replaced by newly issued and paid-up shares of TPB on 28 February 2006. Suspension of trading on JTOP Shares took effect from 9.00 a.m. on 16 February 2006, and thereafter, the book closure for the share exchange took place on 22 February 2006.

The new TPB Shares to be issued under the Share Exchange will be allotted to the entitled shareholders of JTOP not later than ten (10) Market Days after the Book Closure Date.

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## 9. Group borrowings

|                               | <u>31/12/2005</u><br><u>RM'000</u> | <u>31/12/2004</u><br><u>RM'000</u> |
|-------------------------------|------------------------------------|------------------------------------|
| <b><u>Short term</u></b>      |                                    |                                    |
| Bank overdraft - unsecured    | 2                                  | 29                                 |
| Term loans – secured          | -                                  | 398                                |
| Revolving credits – secured   | 5,100                              | 63,700                             |
| Revolving credits – unsecured | 9,230                              | 9,970                              |
| Hire purchase – secured       | 9                                  | 24                                 |
|                               | <hr/> 14,341                       | <hr/> 74,121                       |
| <b><u>Long term</u></b>       |                                    |                                    |
| Term loans – secured          | 99,700                             | 60                                 |
| Hire purchase – secured       | -                                  | 9                                  |
|                               | <hr/> 99,700                       | <hr/> 69                           |

During the quarter under review, the Company entered into a 7-year term loan facility agreement with Malayan Banking Berhad for a total sum of RM100.0 million. A one-off drawdown of RM99.7 million was made to pay off the revolving credits of RM75.0 million, with the balance used for working capital. The term loan facility was divided into 7 tranches with interest rates ranging from 4.35% to 5.55%.

## 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 31 December 2005.

## 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 RM5.5 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 (FRS 134 – INTERIM FINANCIAL REPORTING)**

**(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 the year ended 31 December 2004.

**(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 conditions 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 the 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**

For the period under review, there is no amendment to the valuation of Property, Plant and Equipment.

**(j) Material events subsequent to fourth financial quarter**

There is no material event subsequent to 31 December 2005 that has not been reflected in the quarterly financial statements for the quarter ended 31 December 2005 .

**(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**

|  | 31/12/2005<br>RM'000 | 31/12/2004<br>RM'000 | CHANGE<br>RM'000 |
|--|----------------------|----------------------|------------------|
| Corporate guarantee for credit facilities granted to third parties under "Skim Industri Pertanian" | <u>1,063</u>         | <u>1,397</u>         | <u>(334)</u>     |

By Order of the Board

Mohamad Affendi Bin Yusoff (LS 007158)

Company Secretary

Dated : 23 February 2006