

BUKIT KATIL RESOURCES BERHADCompany No. 1293 - M
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31st DECEMBER 2005**

CONDENSED INCOME STATEMENTS

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31-12-05 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-04 RM'000	CURRENT YEAR TO DATE 31-12-05 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-12-04 RM'000
Revenue	720	709	1,562	1,464
Operating Expenses	(695)	(833)	(996)	(1,982)
Other Operating Income/(Expense)	108	319	111	521
Allowance for Doubtful Debts	0	0	(1)	0
Provision for Liabilities	(28,657)	0	(28,811)	0
PROFIT / (LOSS) FROM OPERATIONS	(28,523)	195	(28,135)	3
Finance costs	(1,398)	(1,308)	(2,765)	(2,594)
LOSS BEFORE TAXATION	(29,922)	(1,113)	(30,900)	(2,591)
Taxation	0	0	0	0
LOSS AFTER TAXATION	(29,922)	(1,113)	(30,900)	(2,591)
Minority interest	0	0	0	0
NET LOSS FOR THE PERIOD	(29,922)	(1,113)	(30,900)	(2,591)
EARNINGS PER SHARE (SEN)				
Basic (based on 66,150,000 ordinary Share)	(45.23)	(1.68)	(46.71)	(3.92)

(The Condensed Income Statements should be read in conjunction with the Notes to the Interim Financial Report from pages 5 to 10)

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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CONDENSED BALANCE SHEETS

	31-12-05	Audited
	RM'000	30-06-05
		RM'000
Property, plant and equipment	56,098	56,202
Long Term Investment	0	1,054
CURRENT ASSETS		
Inventories	5	7
Trade and Other Receivables	264	283
Deposits, Cash and Bank Balances	950	515
	1,219	805
CURRENT LIABILITIES		
Trade and Other Payables	78,135	46,889
Short Term Borrowings	47,380	48,441
Hire Purchase Creditors	0	29
Tax Liabilities	5,685	5,685
	131,200	101,044
NET CURRENT ASSETS / (LIABILITIES)	(129,981)	(100,239)
	(73,883)	(42,983)
Share Capital	66,150	66,150
Capital Reserves	34,315	34,315
Revenue Reserves	(176,972)	(146,072)
Shareholder's Fund	(76,507)	(45,607)
Deferred Taxation	2,624	2,624
	(73,883)	(42,983)
Net asset per share (sen)		
Basic (based on 66,150,000 ordinary share)	(115.66)	(68.94)

(The Condensed Balance Sheets should be read in conjunction with the Notes to the Interim Financial Report from pages 5 to 10)

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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**CONDENSED STATEMENT OF CHANGES IN EQUITY
For The Period Ended 31st December 2005**

	<u>Non – Distributable</u>		<u>Distributable</u>	
	<u>Share</u>	<u>Capital</u>	<u>Retained</u>	<u>Total</u>
	<u>Capital</u>	<u>Reserve</u>	<u>Earnings</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
As at 1 July 2005				
As Previously stated	66,150	34,315	(146,072)	(45,607)
Net Loss For The Year			(30,900)	(30,900)
As at 31st December 2005	<u>66,150</u>	<u>34,315</u>	<u>(176,972)</u>	<u>(76,507)</u>
As at 1 July 2004				
As Previously stated	66,150	34,315	(139,176)	(38,711)
Net Loss For The Period			(2,591)	(2,591)
As At 31st December 2004	<u>66,150</u>	<u>34,315</u>	<u>(141,767)</u>	<u>(41,302)</u>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Report from pages 5 to 10)

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31st DECEMBER 2005**

CONDENSED CASH FLOW STATEMENT

	31-12-05	31-12-04
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(29,922)	(1,113)
Adjustments for :		
Depreciation of Property, Plant and Equipment	5	15
Gain on Disposal of Property, Plant and Equipment	(2)	-
Gain on Disposal of Investment	(106)	-
Property, Plant and Equipment written Off	-	-
Interest and dividend income	-	(17)
Interest Expense	1,398	1,308
Operating profit before working capital changes	<u>(28,627)</u>	<u>193</u>
Changes in working capital :		
Net change in current assets	38	15
Net change in current liabilities	28,643	(173)
Tax paid	-	-
Net cash flows from operating activities	<u>54</u>	<u>35</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income	-	17
Proceeds From Disposal of Property, Plant and Equipment	3	-
Proceed From Disposal of Investment	1,161	-
Purchase of Fixed Assets	-	(3)
Net cash flows from investing activities	<u>1,164</u>	<u>14</u>
Bank Borrowings		
- New draw down	-	-
- Repayment	(1,061)	(4)
- Interest paid	-	4
Net cash flows from financing activity	<u>(1,061)</u>	<u>0</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	157	49
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	793	204
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note A14)	<u>950</u>	<u>253</u>

(The Condensed Cash Flow Statement should be read in conjunction with the Notes to the Interim Financial Report from pages 5 to 10)

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31st DECEMBER 2005**

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and chapter 9 part K of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 30th June 2005.

The accounting policies and methods of computation adopted by the Company in this interim financial report are consistent with those adopted in the financial statements for the year ended 30th June 2005.

The interim financial report for the quarter ended 31st December have been prepared on a company basis only, since the directors of the Company do not have any management control over any of its subsidiary Companies.

A2 Preceding annual financial statements

The audit report of the financial year ended 30th June 2005 was qualified as the auditor did not express an opinion as to whether the financial statements of the Company have been prepared in accordance with applicable and approved accounting standards in Malaysia, and matters required to be disclosed by section 169 of the Company Act, 1965.

The auditor's view was based on the following factors :-

- 1) They were unable to carry out all auditing procedures and to obtain all information and explanations they considered necessary in the audit of the financial statements of the Company including the appropriate disclosures and overall presentation of the financial statements, since there were insufficient accounting records and/or supporting documents of the Company and its subsidiary Companies.
- 2) They were unable to present the Financial Statements for the Group as the financial statements of all subsidiary companies were not available for consolidation.
- 3) There were uncertainties at the date of the financial statements were reported of the successful and timely completion of the Company's proposed restructuring scheme, including obtaining the support and approval from the creditors and source of new funds which may cast significant doubt on the Group's and Company ability to continue as a going concern and therefore, the Group and the Company may be unable to realize their assets and discharge their liabilities in the normal course of business. In the event that the Group and Company are not able to continue as going concerns, adjustments would have to be made to reduce the values of the assets to their recoverable amounts, to provide any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and liabilities respectively.

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31ST DECEMBER 2005**

A. NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D

A3 Seasonal or cyclical factors

Climate conditions and the age of the palms have an effect on the oil palm plantations' operational performance. Movement in CPO prices in line with the world demand and supply situation will also affect the results.

For the quarter under review, average CPO prices achieved of RM 1,423 /MT was higher than that of the preceding quarter of RM 1,383/MT. However the FFB yields achieved was lower for the quarter under review than that of the preceding quarter.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows of the Company that are unusual because of their nature, size or incidence other than provisions for bad debts and provision for liabilities on corporate guarantees for banking facilities granted to subsidiary companies.

A5 Material changes in estimates

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

A6 Issuances, Cancellations, Repurchases, Resale and Repayment of Debt and Equity securities

There were no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 31st December 2005.

A7 Dividend paid

No dividend has been paid in the current financial quarter.

A8 Segment information

The analysis of the Company's operations for the 6 months period ended 31st December 2005 are as follows:-

	Oil Palm & Rubber	Investment Holdings	Elimination	Total
Revenue				
External Revenue	1,562	-	-	1,562
	1,562	-	-	1,562
Results				
Segment results	1,042	(29,177)	-	(28,135)
Profit From Operations			-	(28,135)
Finance Cost	-	(2,765)	-	(2,765)
Net Loss For The Period				(30,900)

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31ST DECEMBER 2005**

A. NOTES TO THE INTERIM FINANCIAL REPORT – CONT'D

	Oil Palm & Rubber	Investment Holdings	Elimination	Total
Assets				
Segment Assets	56,338	979	-	56,317
				56,317
Liabilities				
Segment Liabilities	2,827	130,997	-	133,824
				133,824

	Oil Palm & Rubber	Investment Holdings	Elimination	Total
Other Information				
Depreciation	10	-	-	10
Capital Expenditure	-	2	-	2
Assets Written Off	-	67	-	67
Other Non-cash Expenses	-	1	-	1

A9 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment. There were no valuations made for the quarter under review.

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the current financial quarter ended 31st December 2005 up to the date of this report which, is likely to substantially affect the results of the operations of the Company.

A11 Changes in the composition of the Company

There were no changes in the composition of the Company for the quarter under review.

A12 Contingent liabilities

The Company has given corporate guarantees amounting to RM 7,186,102 (As at 30/06/2005: RM 35,433,988) to licensed banks and third party for banking and credit facility respectively granted to certain subsidiary companies and joint venture partner.

A13 Significant related party transactions

There were no significant related party transactions for the quarter under review.

A14 Cash and cash equivalents

	31-12-05	31-12-04
	RM'000	RM'000
Deposits, cash and bank balances	950	253
	950	253

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31st DECEMBER 2005**

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**B1 Review of performance**

The Company recorded a higher turnover of RM 0.720 million for the current quarter ended 31st December 2005 as compared to turnover of RM 0.709 million recorded in the preceding year corresponding quarter due to an increase in latex output and higher prices.

B2 Variation of results against preceding quarter

The Company's pre-tax loss of RM 29,922 million for the current quarter ended 31st December 2005 is higher than the pre-tax loss of RM 1,113 million registered in the preceding year corresponding quarter due to provision for liabilities amounting to RM 28.50 million.

B3 Prospects

In view of the uncertainties in global economic conditions and the company's current financial position, the directors expect the Company to operate under a very challenging environment for the subsequent financial year.

B4 Profit forecast and profit guarantee

The Company did not issue any profit forecast nor profit guarantee during the current financial quarter.

B5 Taxation

	6 months ended	
	31-12-05 RM'000	31-12-04 RM'000
Current Taxation	0	0
	<u>0</u>	<u>0</u>

There was no provision for taxation charge for the quarter under review as the Group is in a tax loss position.

B6 Unquoted investment and properties

Disposals of Unquoted securities for the current quarter and financial period ended 31st December 2005 are as follows:-

	Sale Value RM	Book Value RM	Profit / (Loss) RM
Atlas Ice Company	100,000 =====	35,000 =====	65,000 =====

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**B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS - CONT'D**

B7 Quoted securities

Disposals of Quoted securities for the current quarter and financial period ended 31st December 2005 are as follows:-

	Sale Value RM	Book Value RM	Profit / (Loss) RM
United Malacca Rubber Estates Bhd	1,060,823 =====	1,018,956 =====	41,867 =====

Investments in quoted securities as at 31st December 2005 are as follows:

	RM
At Cost	73.57
Book Value	<u>73.57</u>
Market Value	<u><u>863.60</u></u>

B8 Status of corporate proposals

The applications to regularize the financial condition of Bukit Katil Resources Berhad which were submitted to the Securities Commission on 16th December 2005 are currently pending its approval.

B9 Borrowings and debt securities

Details of the Group's borrowings as at 31st December 2005 are as follows :

	Short-term RM'000	Long-term RM'000	Total RM'000
Secured	44,880	-	44,880
Unsecured	2,500	-	2,500
Total Group borrowings	<u><u>47380</u></u>	<u><u>-</u></u>	<u><u>47,380</u></u>

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31ST DECEMBER 2005**

**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD
LISTING REQUIREMENTS - CONT'D**

B10 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

B11 Material litigation

A financial institution has initiated legal proceedings against the Company due to default in the payment of principal and interest

1. A financial institution has initiated legal proceedings against the company and its subsidiary due to default in the payment of principal and interest. The financial institution had obtained a winding-up petition under Section 218(2) of the Companies Act, 1965 on 6 October 2003 and was served on the company on 14th November 2003. The court allowed the financial institution's application for the winding-up petition on 8th September 2004. The Company however has filed a Notice of Appeal to the Court of Appeal against the decision of the High Court. The High Court on 16th October 2005 granted a stay of the winding-up order for a period until 18th August 2006 pursuant to powers of the High Court provided for in section 243 of the Companies Act, 1965.
2. A financial institution has initiated legal proceedings against the company due to default in the payment of principal and interest. The application by the financial institution to enter summary judgement against the Company was allowed by the Learned Senior Registrar on 16th July 2004.
3. A financial institution has initiated legal proceedings against the company and its subsidiary due to default in the payment of principal and interest.
4. A third party has initiated legal proceedings against the company in breach of a "Call Option" contract. On 19th April 2004, a final judgement was granted by the High Court for RM14.0 million against the company, inclusive of interest until the date of full settlement.

The Company has recognized the above liabilities as part of the debt restructuring scheme submitted to the Securities Commission on 16th December 2005.

B12 Dividends

No dividends have been proposed for the current financial quarter.

B13 Earnings per share

The basic earnings per share and diluted earnings per share of the Company was the same for the reporting period because there were no effects of dilutive potential ordinary shares.

The basic earning per share is calculated by dividing the Company's net profit for the quarter/period by the number of ordinary shares in issue during the quarter/period.

BY ORDER OF THE BOARD

COMPANY SECRETARY

BUKIT KATIL RESOURCES BERHAD

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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Date : 28 February 2006