

NO. SYARIKAT : 4260-M

MALAYAN FLOUR MILLS BERHAD

(4260-M)

(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

FOLKS DFK & CO.

Chartered Accountants

NO. SYARIKAT : 4260-M

MALAYAN FLOUR MILLS BERHAD
(4260-M)
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REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

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MALAYAN FLOUR MILLS BERHAD
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(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and of the Group for the year ended 31 December, 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business of milling and selling wheat flour together with its allied products. The principal activities of the subsidiary companies are detailed in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the year.

RESULTS

	Group RM	Company RM
Profit after taxation	15,326,986	4,679,539
Minority interests	(4,901,981)	-
Net profit for the year	<u>10,425,005</u>	<u>4,679,539</u>

RESERVES AND PROVISIONS

There were no material transfers made to or from reserves or provisions accounts during the year other than those disclosed in the financial statements.

DIVIDENDS

Dividends paid, declared or proposed since the end of the Company's previous financial year were as follows :-

- (a) In respect of the year ended 31 December, 2004, as proposed in the Directors' Report for that year, a first and final dividend of :-

10 sen per ordinary share, less tax at 28%, paid on 1 July, 2005 RM6,894,908

DIVIDENDS (CONT'D)

- (b) In respect of the year ended 31 December, 2005, an interim dividend of 5 sen per ordinary share, less tax at 28%, declared on 15 November, 2005 and paid on 18 January, 2006 RM3,447,454
- (c) The Directors recommend a final tax exempt dividend in respect of the current year ended 31 December, 2005 of 5 sen per ordinary share amounting to RM4,788,130. The financial statements for the current year do not reflect this proposed dividend. If approved by the shareholders at the forthcoming Annual General Meeting, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December, 2006.

EMPLOYEES' SHARE OPTION SCHEME

The Malayan Flour Mills Berhad's Employees' Share Option Scheme ("ESOS") is governed by the By-Laws which were approved by the shareholders on 13 May, 2004. This ESOS was implemented on 28 May, 2004 and will expire on 27 May, 2007. The movements of options over unissued ordinary shares granted to eligible Directors and employees of the Group during the year are as follows :-

Grant date	Exercise price	Option over number of ordinary shares of RM1.00 each			Balance at end of year
		Balance at beginning of year	Granted/ Exercised	Ceased/ Lapsed	
28 May 04	RM1.58	7,653,000	-	(841,000)	6,812,000

The salient features of the ESOS as contained in the By-Laws are as follows :-

- (a) The Scheme is set up for employees' participation in the ordinary share capital of the Company only.

The total number of shares to be offered under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any point of time during the duration of the Scheme. At the commencement of the Scheme, the total number of shares available for offer was 8,401,000 ordinary shares of RM1.00 each.

- (b) Eligible employees are those who have been in service with the Group for a continuous period of at least 1 year for Malaysian employees (including executive directors) and at least 3 continuous years of service with the Group for non-Malaysian employees. An executive director of the Company shall only be eligible to participate in the Scheme upon approval given in general meeting.

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

- (c) An option granted may be exercised by the grantee by notice in writing to the Option Committee from time to time during the option period in respect of all or part of the option shares from the commencement date on 28 May, 2004 to 27 May, 2007. Where part of the option shares are exercised, the number shall not be less than 100 and shall be in multiple of 100.

Options which are not exercised may be carried forward and shall be exercised within the last 120 days before the date of expiry.

- (d) The allocation of option shares to executive directors and senior management shall not in aggregate exceed 50% of the option shares available under the Scheme. In addition, not more than 10% of the option shares available under the ESOS shall be allocated to any individual eligible employee who, either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued and paid-up share capital of the Company.
- (e) The option price of the share shall be the higher of the weighted average market price of the shares as shown in the Daily Official List of the Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion or the par value of the shares.
- (f) All the new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company except that such shares so allotted shall not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared prior to the date of allotment of the shares.
- (g) The Scheme shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as conferred upon it by the Board.
- (h) An option granted under the ESOS shall cease with immediate effect where the grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of his retirement on or after attaining normal retirement age, retirement before attaining the normal retirement age with the consent of the Option Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the Option Committee in writing.

In addition, the options shall immediately become void and of no effect upon the bankruptcy of the grantee.

- (i) An option does not confer on the grantee any right to participate in any share issue of any other company.

There were no options granted under the ESOS during the financial year ended 31 December, 2005.

DIRECTORS

The Directors in office since the date of the last Directors' Report on 14 April, 2005 are as follows :-

Tan Sri Datuk Arshad bin Ayub
Teh Wee Chye
Lee Soon Lee
Tan Sri Hamzah bin Abu Samah
Dato' Hj Shahrudin bin Hj Haron
Geh Cheng Hooi
Quah Ban Lee (Appointed on 18 August, 2005)

Pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Datuk Arshad bin Ayub, Lee Soon Lee, Tan Sri Hamzah bin Abu Samah and Geh Cheng Hooi who are over the age of seventy years retire from the board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

In accordance with Article 111 of the Company's Articles of Association, Teh Wee Chye retires by rotation from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 98 of the Company's Articles of Association, Quah Ban Lee who was appointed on 18 August, 2005 retires from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

The following represents the interests of Directors in shares, warrants and options to subscribe for ordinary shares under ESOS in the Company and shares in its subsidiaries registered in the names of the Directors or in the names of companies in which the Directors have an interest :-

Shareholdings in the Company

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Teh Wee Chye	456,500	-	-	456,500
Lee Soon Lee	Lee Soon Lee	6,000	-	-	6,000
Tan Sri Datuk Arshad bin Ayub	Tan Sri Datuk Arshad bin Ayub	13,285	72,000	-	85,285

DIRECTORS' INTERESTS (CONT'D)**Shareholdings in the Company (Cont'd)**

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Dato' Hj Shaharuddin bin Hj Haron	Dato' Hj Shaharuddin bin Hj Haron	200,000	-	-	200,000
Quah Ban Lee	Quah Ban Lee	35,000	-	-	35,000
Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	26,100,754	-	-	26,100,754
Teh Wee Chye	Thye Nam Loong Sdn Bhd	417,600	-	-	417,600
Teh Wee Chye	Thye Nam Loong Shipping Sdn Bhd	574,800	-	-	574,800
Teh Wee Chye	Suai Timber Products Sdn Bhd	531,600	-	-	531,600
Teh Wee Chye	Essence Lane Sdn Bhd	2,233,729	-	-	2,233,729
Tan Sri Datuk Arshad bin Ayub	Zalaraz Sdn Bhd	1,000,000	-	-	1,000,000
Tan Sri Datuk Arshad bin Ayub	Maybank Nominees (Tempatan) Sdn Bhd	2,084,000	-	-	2,084,000
Tan Sri Datuk Arshad bin Ayub	Malaysia Nominees (Tempatan) Sdn Bhd	195,000	-	-	195,000

DIRECTORS' INTERESTS (CONT'D)**Interest in warrants of the Company**

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired/Disposed	Expired	
Lee Soon Lee	Lee Soon Lee	3,000	-	(3,000)	-
Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	13,185,377	-	(13,185,377)	-
Teh Wee Chye	Thye Nam Loong Sdn Bhd	208,800	-	(208,800)	-
Teh Wee Chye	Thye Nam Loong Shipping Sdn Bhd	287,400	-	(287,400)	-
Teh Wee Chye	Suai Timber Products Sdn Bhd	265,800	-	(265,800)	-
Teh Wee Chye	Essence Lane Sdn Bhd	1,120,114	-	(1,120,114)	-

Interest in options over ordinary shares of the Company

Director	Number of options over ordinary shares of RM1.00 each				Balance at 31.12.2005
	Balance at 1.1.2005	Granted	Exercised	Lapsed	
Lee Soon Lee	200,000	-	-	-	200,000

The exercise price of the options granted is RM1.58 per share.

Shareholdings in subsidiary company, Dindings Soya & Multifeeds Sdn Berhad

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	21,250,000	3,750,000	-	25,000,000
Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	2,500,000	-	-	2,500,000
Teh Wee Chye	Thye Nam Loong Sdn Bhd	1,685,000	-	-	1,685,000

DIRECTORS' INTERESTS (CONT'D)

Shareholdings in subsidiary company, Dindings Poultry Processing Sdn Bhd

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	38,303,000	12,857,000	-	51,160,000
Teh Wee Chye	Dindings Soya & Multifeeds Sdn Berhad	12,857,000	-	(12,857,000)	-

Shareholdings in subsidiary company, Muda Fibre Manufacturing Sdn Bhd

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	6,000,001	-	-	6,000,001
Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	1,000,000	-	-	1,000,000

Shareholdings in subsidiary company, MFM International Ltd (incorporated in British Virgin Islands)

Director	Registered in the name of	Number of ordinary shares of USD1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	16,001,000	-	-	16,001,000

DIRECTORS' INTERESTS (CONT'D)

**Interests in indirect subsidiary company,
Mekong Flour Mills Ltd (incorporated in Vietnam)**

Director	Registered in the name of	Interests in capital denominated in Vietnamese Dong (VND)			Balance at 31.12.2005 VND'000
		Balance at 1.1.2005 VND'000	Acquired VND'000	Disposed VND'000	
Teh Wee Chye	MFM International Ltd (wholly owned by Malayan Flour Mills Berhad)	244,292,633	-	-	244,292,633

Interests in subsidiary company, Vimaflour Limited (incorporated in Vietnam)

Director	Registered in the name of	Interests in capital denominated in Vietnamese Dong (VND)			Balance at 31.12.2005 VND'000
		Balance at 1.1.2005 VND'000	Acquired VND'000	Disposed VND'000	
Teh Wee Chye	Malayan Flour Mills Berhad	149,311,000	-	-	149,311,000

By virtue of his shareholdings in the Company, Teh Wee Chye is also deemed to be interested in the shares of all the other subsidiaries in Malaysia not listed above, being wholly owned subsidiaries of the Company and for which there were no movements in his interest in the shares held during the year.

Other than as disclosed, no other Directors in office at the end of the financial year held any interest in shares, options over shares and warrants in the Company and in its subsidiary companies.

DIRECTORS BENEFITS

As at the end of the financial year and during the year, there did not subsist any arrangement to which the Company was a party, whereby the Directors or their nominees might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the options granted to the Directors pursuant to the Company's ESOS as disclosed in the section on Directors' Interests in this report.

DIRECTORS BENEFITS (CONT'D)

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than those disclosed as Directors' fees and emoluments in the financial statements) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which a Director is a member or with a company in which the Director has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business and transactions as detailed in Note 23 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company and the Group were made out, the Directors took reasonable steps :-
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) As at the date of this report, the Directors are not aware of any circumstances :-
- (i) which would render the amount written off for bad debts and provision made for doubtful debts in the Company and the Group inadequate to any substantial extent;
 - (ii) which would render the values of current assets in the financial statements of the Company and the Group misleading;
 - (iii) which would have arisen which render adherence to the existing method of valuation of assets and liabilities of the Company and the Group misleading or inappropriate; and
 - (iv) not otherwise dealt with in this report or the financial statements of the Company and the Group which would render any amount stated in the financial statements misleading.
- (c) As at the date of this report, there does not exist :-
- (i) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Company and the Group which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

(d) In the opinion of the Directors :-

- (i) no contingent or other liabilities have become enforceable or are likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Company and of the Group to meet their obligations when they fall due;
- (ii) the results of the Company's and the Group's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Company or of the Group for the financial year in which this report is made other than the matters disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, Messrs. Folks DFK & Co. have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
Director

TEH WEE CHYE
Director

Kuala Lumpur

Date : 13 April, 2006

MALAYAN FLOUR MILLS BERHAD
(4260-M)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM	2004 RM
Revenue	3(r)		
Sales of goods		738,368,216	645,081,103
Services		1,623,797	4,402,396
		739,992,013	649,483,499
Cost of Sales			
Cost of inventories sold		(635,301,002)	(572,242,979)
Cost of services		(2,768,807)	(4,882,098)
		(638,069,809)	(577,125,077)
Gross Profit		101,922,204	72,358,422
Other Operating Income		7,497,827	8,302,635
Selling and Distribution Expenses		(48,749,212)	(45,772,664)
Administrative Expenses		(22,778,596)	(22,728,640)
Other Operating Expenses		(9,169,807)	(10,091,757)
Loss Arising from Discontinuing Operations	24	(1,117,775)	(1,085,740)
Operating Profit from Operations		27,604,641	982,256
Finance Costs		(6,426,212)	(5,207,426)
Share of Results of an Associated Company		602,026	(1,064,208)
Profit/(Loss) before Taxation	4	21,780,455	(5,289,378)
Taxation :			
- Company and subsidiary companies		(6,453,469)	(2,339,290)
- Associated company		-	-
	6	(6,453,469)	(2,339,290)
Profit/(Loss) after Taxation		15,326,986	(7,628,668)
Minority Interests		(4,901,981)	1,933,724
Net Profit/(Loss) for the Year		10,425,005	(5,694,944)
Basic Earnings/(Loss) per Share (Sen)	7	10.89	(6.41)
Net Dividend per Share (Sen)	8	8.60	7.20

The notes set out on pages 22 to 82 form an integral part of the financial statements.

MALAYAN FLOUR MILLS BERHAD
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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 RM	2004 RM
Share Capital	9	95,762,606	95,762,606
Reserves	10	191,030,559	192,252,401
Shareholders' Equity		286,793,165	288,015,007
Minority Interests		27,817,281	25,383,576
Long Term and Deferred Liabilities			
Deferred tax liabilities	11	7,053,971	5,996,000
Retirement benefits	12	525,662	512,723
		<u>322,190,079</u>	<u>319,907,306</u>
Represented by :-			
Property, Plant and Equipment	13	218,160,756	227,414,581
Associated Company	15	1,476,642	874,616
Investments	16	606,676	2,178,952
Deferred Tax Assets	11	3,298,486	3,425,820
Current Assets			
Inventories	17	131,731,510	171,949,641
Trade and other receivables	18	116,331,167	114,143,276
Tax recoverable		848,161	2,211,666
Deposits, cash and bank balances	19	68,466,089	31,947,661
		<u>317,376,927</u>	<u>320,252,244</u>
Current Liabilities			
Trade and other payables	20	51,515,074	39,403,901
Bank borrowings	21	162,028,669	194,287,906
Tax payable		1,738,211	547,100
Dividend payable	8	3,447,454	-
		<u>218,729,408</u>	<u>234,238,907</u>
Net Current Assets		<u>98,647,519</u>	<u>86,013,337</u>
		<u>322,190,079</u>	<u>319,907,306</u>

The notes set out on pages 22 to 82 form an integral part of the financial statements.

MALAYAN FLOUR MILLS BERHAD
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

Note	Share Capital RM	Share Premium RM	Capital Reserves RM	Exchange Translation Differences RM	Retained Profits RM	Total RM
Balance at 31 December 2003	84,014,606	41,686,650	19,310,647	(249,108)	138,073,819	282,836,614
Issuance of shares	11,748,000	6,373,840	-	-	-	18,121,840
Share issue expenses	-	(433,873)	-	-	-	(433,873)
Retained profits transferred to capital reserves on bonus issue of shares by a subsidiary company	-	-	7,673,261	-	(7,673,261)	-
Currency translation loss not recognised in the income statement	-	-	-	(765,578)	-	(765,578)
Net loss for the year	-	-	-	-	(5,694,944)	(5,694,944)
First and final dividend paid for the year ended 31 December 2003	-	-	-	-	(6,049,052)	(6,049,052)
Balance at 31 December 2004	95,762,606	47,626,617	26,983,908	(1,014,686)	118,656,562	288,015,007

The notes set out on pages 22 to 82 form an integral part of the financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Share Capital RM	Share Premium RM	Capital Reserves RM	Exchange Translation Differences RM	Retained Profits RM	Total RM
Balance at 31 December 2004		95,762,606	47,626,617	26,983,908	(1,014,686)	118,656,562	288,015,007
Currency translation loss not recognised in the income statement		-	-	-	(1,304,485)	-	(1,304,485)
Net profit for the year		-	-	-	-	10,425,005	10,425,005
Dividends :							
- Final for the year ended 31 December 2004	8	-	-	-	-	(6,894,908)	(6,894,908)
- Interim for the year ended 31 December 2005	8	-	-	-	-	(3,447,454)	(3,447,454)
Balance at 31 December 2005		<u>95,762,606</u>	<u>47,626,617</u>	<u>26,983,908</u>	<u>(2,319,171)</u>	<u>118,739,205</u>	<u>286,793,165</u>

The notes set out on pages 22 to 82 form an integral part of the financial statements.

MALAYAN FLOUR MILLS BERHAD
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**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	2005	2004
	RM	RM
Cash Flows from Operating Activities		
Profit/(Loss) before taxation	21,780,455	(5,289,378)
Adjustments for :-		
Share of associated company's results	(602,026)	1,064,208
Defined benefit obligations	34,343	243,594
Depreciation	20,707,799	19,948,144
Interest expenses	6,426,212	5,207,426
Gain on disposal of property, plant and equipment	(408,427)	(353,158)
Property, plant and equipment written off	5,134	294,826
Allowance for impairment of property, plant and equipment	14,224	1,191,900
Bad debts written off	59,757	114,627
Allowance for doubtful debts	2,129,774	3,097,347
Allowance for diminution in value of quoted investments	1,124,872	3,121
Allowance for diminution in value of unquoted investment	2,086,971	495,000
Gain on disposal of quoted investment	(2,172)	-
Net unrealised (gain)/loss on foreign currency exchange	(37,304)	455,801
Interest income	(2,616,334)	(1,698,225)
Inventories written off	8,118	24,397
Allowance for old and slow moving inventories	2,644,935	531,534
Negative goodwill	(59,535)	-
Provision for settlement of legal claims	2,000,000	-
Death gratuity payable in respect of a former Director of a subsidiary company	315,000	-
Loss arising from damaged inventories	-	450,000
Retrenchment costs	-	1,374,676
Curtailed of retirement benefits	-	(288,936)
Retirement gratuity payable to a former Director and Chairman	-	3,273,000
	<hr/>	<hr/>
	55,611,796	30,139,904
Increase in trade and other receivables	(4,758,078)	(22,678,905)
Decrease/(Increase) in inventories	36,690,616	(677,295)
Increase in trade and other payables	9,902,267	2,145,921
	<hr/>	<hr/>
Cash generated from operations	97,446,601	8,929,625

MALAYAN FLOUR MILLS BERHAD
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CONSOLIDATED CASH FLOW STATEMENT (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	RM	RM
Cash Flows from Operating Activities (Cont'd)		
Net taxation paid	(2,706,008)	(900,208)
Interest received	2,616,334	1,698,225
Interest paid	(6,426,212)	(5,207,426)
Retrenchment payouts	-	(1,374,676)
Retirement benefits paid	(14,337)	(35,335)
Net cash from operating activities	<u>90,916,378</u>	<u>3,110,205</u>
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	525,497	569,720
Proceeds from disposal of quoted investment	9,712	-
Purchase of property, plant and equipment	(12,670,276)	(11,933,273)
Purchase of investments	(1,646,810)	(17,625)
Acquisition of shares in a subsidiary company from a minority shareholder (Note 14(b))	(1,612,500)	-
Net cash used in investing activities	<u>(15,394,377)</u>	<u>(11,381,178)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of shares	-	18,121,840
Share issue expenses	-	(433,873)
Payment of hire purchase liabilities	-	(28,844)
Dividends paid to shareholders of the Company	(6,894,908)	(6,049,052)
Dividends paid to minority shareholders of a subsidiary company	(569,313)	-
Net decrease in bank borrowings	(30,280,469)	(422,129)
Net cash (used in)/from financing activities	<u>(37,744,690)</u>	<u>11,187,942</u>
Net Increase in Cash and Cash Equivalents	37,777,311	2,916,969
Cash and cash equivalents at beginning of year	31,024,413	28,301,873
Foreign currency exchange differences on opening balances	(335,635)	(194,429)
Cash and Cash Equivalents at End of Year (Note 22)	<u><u>68,466,089</u></u>	<u><u>31,024,413</u></u>

The notes set out on pages 22 to 82 form an integral part of the financial statements.

MALAYAN FLOUR MILLS BERHAD
(4260-M)
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM	2004 RM
Revenue	3(r)	213,094,204	203,950,003
Cost of Sales		(176,938,619)	(174,395,528)
Gross Profit		36,155,585	29,554,475
Other Operating Income		3,479,343	4,738,929
Selling and Distribution Expenses		(15,467,960)	(14,761,282)
Administrative Expenses		(12,102,631)	(10,752,090)
Other Operating Expenses		(2,098,628)	(44,152,148)
Operating Profit/(Loss) from Operations		9,965,709	(35,372,116)
Finance Costs		(2,396,018)	(2,278,177)
Profit/(Loss) Before Taxation	4	7,569,691	(37,650,293)
Taxation	6	(2,890,152)	(1,434,027)
Net Profit/(Loss) for the Year		4,679,539	(39,084,320)
Net Dividend per Share (Sen)	8	8.60	7.20

The notes set out on pages 22 to 82 form an integral part of the financial statements.

MALAYAN FLOUR MILLS BERHAD
(4260-M)
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 RM	2004 RM
Share Capital	9	95,762,606	95,762,606
Reserves	10	179,629,974	185,292,797
Shareholders' Equity		275,392,580	281,055,403
Deferred Tax Liabilities	11	6,641,971	5,683,000
		<u>282,034,551</u>	<u>286,738,403</u>
Represented by :-			
Property, Plant and Equipment	13	77,646,166	76,002,087
Subsidiary Companies	14	150,616,363	149,003,866
Investments	16	64,459	2,154,327
Current Assets			
Inventories	17	52,847,460	61,395,335
Trade and other receivables	18	95,332,476	96,193,082
Tax recoverable		168,176	61,064
Deposits, cash and bank balances	19	11,902,162	2,034,511
		<u>160,250,274</u>	<u>159,683,992</u>
Current Liabilities			
Trade and other payables	20	22,286,594	16,315,407
Bank borrowings	21	80,808,663	83,790,462
Dividend payable	8	3,447,454	-
		<u>106,542,711</u>	<u>100,105,869</u>
Net Current Assets		<u>53,707,563</u>	<u>59,578,123</u>
		<u>282,034,551</u>	<u>286,738,403</u>

The notes set out on pages 22 to 82 form an integral part of the financial statements.

MALAYAN FLOUR MILLS BERHAD

(4260-M)

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	Share Capital RM	Share Premium RM	Capital Reserves RM	Retained Profits RM	Total RM
Balance at 31 December 2003		84,014,606	41,686,650	19,310,647	163,488,905	308,500,808
Issuance of shares		11,748,000	6,373,840	-	-	18,121,840
Share issue expenses		-	(433,873)	-	-	(433,873)
Net loss for the year		-	-	-	(39,084,320)	(39,084,320)
First and final dividend paid for the year ended 31 December 2003		-	-	-	(6,049,052)	(6,049,052)
Balance at 31 December 2004		95,762,606	47,626,617	19,310,647	118,355,533	281,055,403
Net profit for the year		-	-	-	4,679,539	4,679,539
Dividends :						
- Final for the year ended 31 December 2004	8	-	-	-	(6,894,908)	(6,894,908)
- Interim for the year ended 31 December 2005	8	-	-	-	(3,447,454)	(3,447,454)
Balance at 31 December 2005		95,762,606	47,626,617	19,310,647	112,692,710	275,392,580

The notes set out on pages 22 to 82 form an integral part of the financial statements.

MALAYAN FLOUR MILLS BERHAD
(4260-M)
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	RM	RM
Cash Flows from Operating Activities		
Profit/(Loss) before taxation	7,569,691	(37,650,293)
Adjustments for :-		
Depreciation	5,454,190	4,446,815
Interest expenses	2,396,018	2,278,177
Allowance for diminution in value of quoted investment	2,897	3,121
Allowance for diminution in value of unquoted investment	2,086,971	495,000
Allowance for doubtful debts	604,956	519,059
Bad debts written off	4,994	328,782
Interest income	(130,232)	(527,082)
Gain on disposal of property, plant and equipment	(159,231)	(283,220)
Dividend income	(2,049,902)	(1,200,000)
Property, plant and equipment written off	2,860	-
Allowance for impairment of investment in subsidiary companies	-	40,067,000
Retirement gratuity payable to a former Director and Chairman	-	3,273,000
	<hr/>	<hr/>
	15,783,212	11,750,359
Decrease/(Increase) in subsidiary companies' balances	131,952	(16,775,447)
Decrease in inventories	8,547,875	14,632,830
Increase in trade and other receivables	(320,340)	(12,558,844)
Increase in trade and other payables	6,064,635	132,739
	<hr/>	<hr/>
Cash generated from/(utilised in) operations	30,207,334	(2,818,363)
Interest received	130,232	527,082
Interest paid	(2,396,018)	(2,278,177)
Net taxation (paid)/refunded	(1,836,693)	1,475,394
	<hr/>	<hr/>
Net cash from/(used in) operating activities	26,104,855	(3,094,064)

MALAYAN FLOUR MILLS BERHAD
(4260-M)
(Incorporated in Malaysia)

CASH FLOW STATEMENT (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	RM	RM
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	209,459	298,797
Purchase of property, plant and equipment	(7,151,357)	(5,736,696)
Acquisition of additional shares in subsidiary companies (Note 14(b))	(1,612,501)	-
Dividend received from subsidiary companies	2,193,902	-
Net cash used in investing activities	<u>(6,360,497)</u>	<u>(5,437,899)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of shares	-	18,121,840
Share issue expenses	-	(433,873)
Dividends paid to shareholders of the Company	(6,894,908)	(6,049,052)
Net decrease in bank borrowings	<u>(2,143,358)</u>	<u>(2,471,598)</u>
Net cash (used in)/from financing activities	<u>(9,038,266)</u>	<u>9,167,317</u>
Net Increase in Cash and Cash Equivalents	10,706,092	635,354
Cash and cash equivalents at beginning of year	<u>1,196,070</u>	<u>560,716</u>
Cash and Cash Equivalents at End of Year (Note 22)	<u><u>11,902,162</u></u>	<u><u>1,196,070</u></u>

The notes set out on pages 22 to 82 form an integral part of the financial statements.

MALAYAN FLOUR MILLS BERHAD
(4260-M)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

1. GENERAL INFORMATION

Malayan Flour Mills Berhad is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Board of the Bursa Malaysia Securities Berhad.

Its registered office and principal place of business is located at 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur.

The principal activities of the Company are to carry on the business of milling and selling wheat flour together with its allied products. The principal activities of the subsidiary companies are detailed in Note 14.

The financial statements are denominated in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors on 13 April 2006.

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

- (a) A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include cash and bank balances, trade and other receivables, deposits with licensed banks and investments.

Financial liabilities of the Group include trade and other payables and bank borrowings.

In respect of the Company, financial assets and liabilities also included amount owing by and owing to subsidiary companies respectively.

- (b) The Group's financial instruments are subject to a variety of financial risks including currency risk, interest rate risk, credit risk, market risk, liquidity and cash flow risks.

The Group's overall financial risk management objective is to seek to address and control the risks to which the Group is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Foreign Currency Risk

The Group's foreign currency risk exposure is mainly due to purchases denominated in United States Dollar (USD). Prior to 21 July 2005, the USD was pegged at a fixed exchange rate and with effect from 21 July 2005 it was allowed to operate in a managed float in relation to Ringgit Malaysia.

Based on the foregoing situation of relative stability in exchange rates, the Malaysian operations of the Group did not enter into foreign currency contracts as a means of managing currency risk. The Vietnamese operations of the Group do not hedge their USD transactions as the present money market situation in Vietnam is not conducive for hedging.

Notwithstanding, the Group continues to monitor the Group's exposure to and movement in the rates of foreign currencies to limit the exposure to an acceptable level and to implement other appropriate measures to mitigate this risk where required.

(ii) Interest Rate Risk

The Group has interest rate risk in respect of its borrowings and deposits with licensed banks.

The Group's bank borrowings are subject to interest based on floating rates while hire purchase financing and interest bearing deposits are based on fixed rates.

Market interest rates movements are monitored with the view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing deposits are restructured or reduced.

(iii) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade receivables.

Credit risk is addressed by a Credit Committee that sets policies, carries out evaluation and institutes mitigating actions.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) Market Risk

Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market prices.

The Group's exposure to market risk is minimal in view of its low investment in such instruments.

(v) Liquidity and Cash Flow Risks

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities are maintained. The proper management of currency, interest rate and credit risks have the effect of further minimising the incidence and effects of liquidity and cash flow risks.

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year.

(a) Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the balance sheet date.

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method, the results of subsidiary companies acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or to the date of disposal. At the date of acquisition, the fair values of the net assets of the subsidiary companies are determined and the fair values are reflected in the consolidated financial statements.

Minority interest is measured at the minorities' share of the post-acquisition fair value of the identifiable assets and liabilities of the acquiree.

Intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. The consolidated financial statements reflect external transactions and balances only.

(c) Goodwill on Consolidation

The excess of the cost of acquisition of subsidiary companies over the fair values of the net assets acquired is taken up as goodwill on consolidation.

Where the fair values of net assets acquired exceeds the cost of acquisition, the surplus arising is taken up as negative goodwill on consolidation.

Goodwill or negative goodwill on consolidation is amortised or written off based on reviews by the Directors.

(d) Associated Companies

Associated companies are those companies in which the Group has long term equity interest and where the Group exercises significant influence but not control over the financial and operating policies of those companies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method of accounting, the Group's share of profit less losses of the associated companies is included in the consolidated income statement based on the latest audited financial statements of the associated companies and the Group's share of post-acquisition retained profit and reserves less losses is added to the cost of investment in the consolidated balance sheet. Equity accounting is discontinued when a nil carrying value of the investment in an associated company is reached unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Associated Companies (Cont'd)

Unrealised gain on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless the cost cannot be recovered.

The difference between the cost of acquisition and the fair value of net assets acquired is reflected as goodwill or discount on acquisition. Goodwill or discount on acquisition of associated companies is amortised or written off based on reviews by the Directors.

(e) Investments

(i) Investments in Subsidiary Companies and Associated Companies

Investments in subsidiary companies and associated companies are stated at cost less impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

(ii) Other Investments

Other investments held for long term are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for certain properties which are carried at their 1983 valuation less accumulated depreciation.

The Company does not adopt a policy of revaluation and has applied the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of the International Accounting Standard No. 16 (Revised) whereby the previous revaluation of certain properties in 1983 less accumulated depreciation may be retained as the carrying amount with continuity in the depreciation policy.

Freehold land is not amortised. Leasehold land is amortised over the period of the respective leases ranging from 30 to 99 years. All other property, plant and equipment are depreciated on the straight line basis so as to write off the cost or valuation of the assets over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment and Depreciation (Cont'd)

The principal annual rates used are :-

Buildings	2 - 12.5%
Jetty	2%
Plant, machinery, fixtures and equipment	5 - 25%
Motor vehicles and boats	5 - 20%

Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of manufacturing and trading inventories is determined on the weighted average cost basis. For finished goods and semi-processed goods, cost consists of materials, direct labour and an appropriate proportion of production overheads.

Cost of broiler inventories consists of the original purchase price of day-old chicks plus all growing costs. Growing costs include cost of feeds, direct labour and an appropriate portion of farm overheads.

Cost of hatching eggs includes costs of direct materials, direct labour and a proportion of overhead cost.

Poultry parent inventories are stated at cost less depreciation which is calculated to write down the cost over the estimated economic egg-laying lives of the parent stocks. Costs consist of the original purchase price of breeder birds plus a proportion of assigned growing costs. Assigned growing costs include cost of feeds, direct labour and an appropriate portion of farm overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

(h) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off as and when ascertained and allowance is made for any debts considered to be doubtful of collection.

(i) Trade and Other Payables

Trade and other payables are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(k) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production and preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(l) Taxation

Tax expense/(income) is the aggregate amount of current and deferred tax included in the determination of net profit or loss for the year.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differences at balance sheet date between the carrying amounts of assets and liabilities and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

(m) Employee Benefits

(i) Short-Term Employee Benefits

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee Benefits (Cont'd)

(ii) Post-Employment Benefits

(a) Defined Contribution Plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in the income statement in the period to which the contributions relate or included in the costs of assets, where applicable.

(b) Defined Benefit Plans

Defined benefit plans are post-employment benefits plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

Certain subsidiary companies of the Group operate unfunded defined benefit final salary plans for eligible employees.

The liability recognised is the net total of the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised actuarial gains or losses and unrecognised past service cost. The present value of the defined benefit obligations is determined on a triennial basis by actuarial valuations using the Projected Unit Credit Method, whereby the amount of benefit that employees have earned in return for their services in the current and prior periods are estimated.

Actuarial gains or losses arise from experience adjustments or changes in actuarial assumptions. When the net cumulative unrecognised actuarial gains or losses exceed 10% of the present value of the defined benefit obligation, such excess amount of gains or losses are recognised as income or expense over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognised on a straight line basis over the average period until the benefits become vested or to the extent that the benefits are already vested following the introduction of, or changes to, the defined benefit plan, the past service cost is recognised immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee Benefits (Cont'd)

(ii) Post-Employment Benefits (Cont'd)

(c) Equity Compensation Benefits

Equity compensation benefits for the Group's employees are provided through the Group's Employees' Share Option Scheme as set out in Note 9(c) to the financial statements.

The proceeds of share options exercised are credited to share capital and share premium account where applicable. The Group does not account for the cost of equity compensation benefits.

(d) Termination Benefits

Termination benefits are recognised as a liability and expense when the Group is committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

(n) Foreign Currencies

(i) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the income statement.

(ii) Foreign Subsidiary Companies

Income statements of foreign subsidiary companies are translated into Ringgit Malaysia at average rates for the financial period and their balance sheets are translated at the exchange rates ruling at the balance sheet date. All translation differences arising therefrom are taken to reserves.

The closing rates as at balance sheet date used for principal foreign currency translations are as follows :-

	2005	2004
	RM	RM
1 Singapore Dollar (SGD)	2.27	2.32
1 United States Dollar (USD)	3.78	3.80
1000 Vietnamese Dong (VND)	0.24	0.24

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment of Assets

The carrying amounts of non current assets (other than deferred tax assets and other investments) are reviewed for impairment at each balance sheet date. Impairment losses are provided when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised directly against the revaluation surplus account for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

An impairment loss is only reversed to the extent of previously recognised impairment losses on an asset. All reversals of an impairment loss is credited to the income statement unless the asset is carried at revalued amount where the reversal is recognised directly to the revaluation surplus account of the same asset.

(p) Hire Purchase and Finance Lease Arrangements and Operating Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

(i) Assets Acquired under Hire Purchase and Finance Lease Arrangements

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are charged to income statement over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 3(f) above.

(ii) Operating Lease

Operating lease payments are recognised as expenses in the income statement on a straight line basis over the period of the relevant leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the balance sheet date are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

(r) Revenue

Revenue from sale of goods is recognised upon the transfer of risks and rewards of ownership to the buyer of the goods, based on invoiced value, net of discounts and returns.

Revenue from services is recognised upon rendering of services.

Rental income is recognised on an accrual basis over the period of tenancy.

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive payment has been established.

Jetty income is determined at contractual rates based on the length of stay of vessel and is recognised on an accrual basis.

Group revenue is stated net of all intra-group transactions.

(s) Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statements of cash flows are prepared using the indirect method.

(t) Financial Instruments

Financial instruments are recognised when a contractual relationship has been established.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income and distributions in respect of financial instruments classified as equity are charged to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group's accounting policies and methods adopted in respect of each class of financial instruments and further information thereof are disclosed in the individual accounting policy statements or notes to the financial statements associated with those financial instruments.

4. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Profit/(Loss) before taxation is stated after charging :-				
Auditors' remuneration :				
- Statutory audit :				
- current year	192,417	188,993	34,000	34,000
- underprovision in prior year	1,385	9,698	-	-
- Other services	10,500	130,780	10,500	48,500
Depreciation	20,707,799	19,948,144	5,454,190	4,446,815
Directors' emoluments	2,572,914	2,015,117	1,231,961	1,081,705
Directors' fees	246,681	267,181	211,178	213,852
Interest expenses	6,426,212	5,202,961	2,396,018	2,278,177
Rental of land and buildings	2,502,911	3,862,143	641,081	656,198
Defined benefit obligations	34,343	243,594	-	-
Bad debts written off :				
- amount due from subsidiary companies	-	-	944	255,329
- others	59,757	114,627	4,050	73,453
Allowance for doubtful debts	2,129,774	3,097,347	604,956	519,059
Allowance for diminution in value of :				
- quoted investments	1,124,872	3,121	2,897	3,121
- unquoted investment	2,086,971	495,000	2,086,971	495,000
Allowance for old and slow moving inventories	2,644,935	531,534	-	-
Inventories written off	8,118	24,397	-	-
Property, plant and equipment written off	5,134	294,826	2,860	-
Hire purchase interest	-	4,465	-	-
Loss on foreign currency exchange :				
- realised	755,306	362,633	1,875	-
- unrealised	-	455,801	-	-
Provision for settlement of legal claims	2,000,000	-	-	-

4. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Allowance for impairment of :				
- property, plant and equipment	14,224	1,191,900	-	-
- subsidiary companies	-	-	-	40,067,000
Death gratuity payable in respect of a former Director of a subsidiary company	315,000	-	-	-
Retirement gratuity payable to a former Director and Chairman of the Company	-	3,273,000	-	3,273,000
Loss arising from damaged inventories	-	450,000	-	-
Estimated value of benefits-in-kind of Directors	69,983	64,500	41,933	39,300
and crediting :-				
Dividends from :				
- subsidiary companies :				
- non tax exempt	-	-	720,000	1,200,000
- tax exempt	-	-	1,329,902	-
- others	-	72	-	-
Gain on disposal of property, plant and equipment	408,427	353,158	159,231	283,220
Gain on disposal of quoted investment	2,172	-	-	-
Interest income	2,616,334	1,698,225	130,232	527,082
Jetty income	383,872	945,942	383,872	945,942
Rental income	540,302	1,624,174	580,577	1,611,890
Negative goodwill on consolidation recognised as income	59,535	-	-	-
Gain on foreign currency exchange :				
- realised	-	-	-	13,501
- unrealised	37,304	-	-	-

5. EMPLOYEES INFORMATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Staff costs comprised :-				
Salaries, wages, bonuses, allowances and leave pay	45,283,201	44,478,137	14,005,355	12,647,908
Amount contributed under defined contribution plan :				
- Employees Provident Fund (EPF)	4,938,337	4,755,423	2,131,623	1,925,185
Defined benefit obligations	34,343	243,594	-	-
Death gratuity payable to a former Director	315,000	-	-	-
Retrenchment payouts	-	1,374,676	-	-
Retirement gratuity payable to a former Director and Chairman	-	3,273,000	-	3,273,000
Others	2,824,660	2,898,780	1,154,980	1,034,695
	<u>53,395,541</u>	<u>57,023,610</u>	<u>17,291,958</u>	<u>18,880,788</u>

The number of employees of the Group and the Company at end of the financial year were 2,320 (2004 : 2,258) and 451 (2004 : 455) respectively.

6. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current year tax expense :				
- Malaysian income tax	(3,348,278)	(2,353,300)	(2,911,600)	(1,992,000)
- foreign tax	(2,869,588)	(1,363,282)	-	-
	<u>(6,217,866)</u>	<u>(3,716,582)</u>	<u>(2,911,600)</u>	<u>(1,992,000)</u>
Deferred tax (expense)/ income resulting from the origination and reversal of temporary differences	(482,526)	1,517,317	(22,777)	697,666
	<u>(6,700,392)</u>	<u>(2,199,265)</u>	<u>(2,934,377)</u>	<u>(1,294,334)</u>
Current taxation over/ (under) provided in prior years :				
- Malaysian income tax	1,013,176	15,240	980,419	14,948
- foreign tax	(63,474)	-	-	-
Deferred tax (under)/over provided in prior years :				
- Malaysian income tax	(1,049,599)	(155,265)	(936,194)	(154,641)
- foreign tax	346,820	-	-	-
	<u>(6,453,469)</u>	<u>(2,339,290)</u>	<u>(2,890,152)</u>	<u>(1,434,027)</u>
Share of taxation of associated company	-	-	-	-
Total tax expense	<u><u>(6,453,469)</u></u>	<u><u>(2,339,290)</u></u>	<u><u>(2,890,152)</u></u>	<u><u>(1,434,027)</u></u>

- (a) The general income tax rate in Malaysia is 28% of taxable income. In respect of companies with issued capital of not exceeding RM2,500,000 the income tax rate for the first RM500,000 (2004 : RM500,000) of taxable income is 20% and the rate for taxable income in excess of RM500,000 (2004 : RM500,000) remained at 28%.

Taxation for foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. TAXATION (CONT'D)

(b) A reconciliation of tax expense applicable to the profit/(loss) before taxation at the applicable statutory tax rate to the tax expense at the effective tax rate of the Group and of the Company is as follows :-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit/(Loss) before taxation	21,780,455	(5,289,378)	7,569,691	(37,650,293)
Taxation at the rate of 28% (2004 : 28%)	6,098,527	(1,481,026)	2,119,513	(10,542,082)
Tax savings attributable to profit taxed at the rate of 20% (2004 : 20%)	(40,000)	(1,342)	-	-
Net taxation at applicable tax rates	6,058,527	(1,482,368)	2,119,513	(10,542,082)
Tax effect in respect of :-				
Different tax rates in foreign jurisdictions	(1,961,764)	(748,833)	-	-
Income not subject to tax	(1,115,881)	(50,069)	(407,542)	(41,087)
Expenses not deductible for taxation purposes	2,515,738	1,539,650	1,280,714	11,947,168
Double deduction of expenses	(80,227)	(107,014)	(58,308)	(69,665)
Tax savings arising from utilisation of unabsorbed reinvestment allowances	-	(18,540)	-	-
Tax savings arising from utilisation of previously unrecognised unabsorbed tax losses and deductible temporary differences	(211,312)	(625,166)	-	-
Deferred tax assets not recognised	1,495,311	3,691,605	-	-
Taxation (over)/under provided in prior years :				
- current tax expense	(949,702)	(15,240)	(980,419)	(14,948)
- deferred taxation	702,779	155,265	936,194	154,641
Total tax expense	6,453,469	2,339,290	2,890,152	1,434,027

6. TAXATION (CONT'D)

- (c) The following are estimated unabsorbed tax losses and unutilised capital allowances which are available for set-off against future taxable income :-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unabsorbed tax losses	53,876,875	50,798,263	-	-
Unutilised capital allowances	52,062,200	54,562,424	-	-
	<u>105,939,075</u>	<u>105,360,687</u>	<u>-</u>	<u>-</u>
Estimated tax effect at 28% thereon	<u>29,662,941</u>	<u>29,500,992</u>	<u>-</u>	<u>-</u>

7. EARNINGS/(LOSS) PER SHARE**(a) Basic**

The basic earnings/(loss) per share is calculated on the Group's profit after taxation and minority interests of RM10,425,005 (2004 : Group's loss after taxation and minority interests of RM5,694,944) and is based on the weighted average number of ordinary shares in issue during the year of 95,762,606 (2004 : 88,857,672).

(b) Diluted

The effect on the basic earnings per share for the current year arising from the assumed exercise of the share options under the Employees' Share Option Scheme is anti-dilutive. The effect on the basic loss per share for the previous year arising from the assumed conversion of warrants and exercise of the share options under the Employees' Share Option Scheme is also anti-dilutive. Accordingly, the diluted earnings/(loss) per share for the current and previous year respectively have not been presented.

8. DIVIDENDS

	Group and Company	
	2005	2004
	RM	RM
Interim		
5 sen per ordinary share, less tax at 28% (2004 : Nil)	3,447,454	-
Final		
5 sen per ordinary share, tax exempt (2004 : 10 sen per ordinary share, less tax at 28%)	4,788,130	6,894,908
	<u>8,235,584</u>	<u>6,894,908</u>

A final tax exempt dividend in respect of the current year ended 31 December 2005 of 5 sen per ordinary share amounting to RM4,788,130 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current year do not reflect this proposed dividend. If approved by the shareholders, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2006.

9. SHARE CAPITAL

	Group and Company	
	2005	2004
	RM	RM
(a) Share capital		
Authorised :-		
200,000,000 ordinary shares of RM1.00 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid ordinary shares of RM1.00 each :-		
At beginning of year	95,762,606	84,014,606
Issued during the year for cash pursuant to :		
- Special Issue to approved Bumiputra investors	-	11,000,000
- Employees' Share Option Scheme ("ESOS")	-	748,000
	<u>-</u>	<u>11,748,000</u>
At end of year	<u>95,762,606</u>	<u>95,762,606</u>

In the previous year, the Company issued 11,000,000 new ordinary shares of RM1.00 each for cash at an issue price of RM1.54 per ordinary share pursuant to the Company's Special Issue to approved Bumiputra investors and 748,000 new ordinary shares of RM1.00 each for cash at an exercise price of RM1.58 per ordinary share pursuant to the Company's ESOS. The share premium arising, after deducting the share issue costs of RM433,873, amounted to RM5,939,967 had been credited to the share premium account.

9. SHARE CAPITAL (CONT'D)

(b) Warrants

	Group and Company	
	2005	2004
	No.	No.
At beginning of year	41,985,394	41,985,394
Expired during the year	(41,985,394)	-
At end of year	<u>-</u>	<u>41,985,394</u>

A total of 42,000,000 warrants were issued by the Company on 31 July 1995 in connection with the issue of RM100,000,000 nominal amount of 5% Redeemable Bank Guaranteed Bonds 1995/2000.

The warrants were listed on the Main Board of the Bursa Malaysia Securities Berhad and conferred the right to holders thereof at any time, not later than the maturity date, to subscribe for one new ordinary share of RM1.00 each in the Company for every warrant held at an exercise price, to be paid in cash, of RM3.39 per share or as adjusted in certain circumstances as set out in the Deeds constituting the warrants.

On 1 March 1999, the Company obtained approval from the Securities Commission to extend the original maturity date of 30 January 2000 by another 5 years to 30 January 2005.

None of the remaining warrants were exercised by the warrant holders by the expiry date which was determined as on 28 January 2005. Accordingly, all the warrants became null and void since the expiry date.

9. SHARE CAPITAL (CONT'D)**(c) Employees' Share Option Scheme ("ESOS")**

The ESOS is governed by the By-Laws which were approved by the shareholders on 13 May 2004. The ESOS was implemented on 28 May 2004 and will expire on 27 May 2007. The movements of options over unissued ordinary shares granted to eligible Directors and employees of the Group during the year are as follows :-

Grant date	Exercise price	Option over number of ordinary shares of RM1.00 each				Balance at	
		Balance at beginning of year	Granted	Exercised	Ceased/ Lapsed	Balance at end of year	
2005							
28 May 04	RM1.58	7,653,000	-	-	(841,000)	6,812,000	
2004							
28 May 04	RM1.58	-	8,401,000	(748,000)	-	7,653,000	
						Group and Company	
						2005	2004
						No.	No.
Number of share options vested at balance sheet date						<u>6,812,000</u>	<u>7,653,000</u>

No options were exercised during the current financial year. Details relating to options exercised in the previous financial year are as follows :-

Exercise date/ Share issue date	Exercise price RM/Share	Fair value of shares at share issue date RM/Share	Number of shares issued Year ended 31.12.2004	Consideration received RM
15 June 04	1.58	1.87	703,000	1,110,740
10 Aug 04	1.58	1.80	11,000	17,380
24 Aug 04	1.58	1.68	31,000	48,980
7 Sept 04	1.58	1.62	3,000	4,740
			<u>748,000</u>	1,181,840
Less : Par value of ordinary shares				<u>(748,000)</u>
Share premium				<u>433,840</u>
				RM
Fair value at exercise date of shares issued				<u>1,391,350</u>

The fair value of shares issued is the mean market price of shares at which the Company's shares were traded on the Bursa Malaysia Securities Berhad on the day prior to the share issue.

9. SHARE CAPITAL (CONT'D)

(c) Employees' Share Option Scheme ("ESOS") (Cont'd)

The salient features of the ESOS as contained in the By-Laws are as follows :-

- (i) The Scheme is set up for employees' participation in the ordinary share capital of the Company only.

The total number of shares to be offered under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any point of time during the duration of the Scheme. At the commencement of the Scheme, the total number of shares available for offer was 8,401,000 ordinary shares of RM1.00 each.

- (ii) Eligible employees are those who have been in service with the Group for a continuous period of at least 1 year for Malaysian employees (including executive directors) and at least 3 continuous years of service with the Group for non-Malaysian employees. An executive director of the Company shall only be eligible to participate in the Scheme upon approval given in general meeting.

- (iii) An option granted may be exercised by the grantee by notice in writing to the Option Committee from time to time during the option period in respect of all or part of the option shares from the commencement date on 28 May 2004 to 27 May 2007. Where part of the option shares are exercised, the number shall not be less than 100 and shall be in multiple of 100.

Options which are not exercised may be carried forward and shall be exercised within the last 120 days before the date of expiry.

- (iv) The allocation of option shares to executive directors and senior management shall not in aggregate exceed 50% of the option shares available under the Scheme. In addition, not more than 10% of the option shares available under the ESOS shall be allocated to any individual eligible employee who, either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued and paid-up share capital of the Company.

- (v) The option price of the share shall be the higher of the weighted average market price of the shares as shown in the Daily Official List of the Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion or the par value of the shares.

9. SHARE CAPITAL (CONT'D)

(c) Employees' Share Option Scheme ("ESOS") (Cont'd)

- (vi) All the new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company except that such shares so allotted shall not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared prior to the date of allotment of the shares.
- (vii) The Scheme shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as conferred upon it by the Board.
- (viii) An option granted under the ESOS shall cease with immediate effect where the grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of his retirement on or after attaining normal retirement age, retirement before attaining the normal retirement age with the consent of the Option Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the Option Committee in writing.

In addition, the options shall immediately become void and of no effect upon the bankruptcy of the grantee.

- (ix) An option does not confer on the grantee any right to participate in any share issue of any other company.

10. RESERVES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable				
Capital reserves (Note 10(a))	26,983,908	26,983,908	19,310,647	19,310,647
Share premium (Note 10(b))	47,626,617	47,626,617	47,626,617	47,626,617
Exchange translation differences	(2,319,171)	(1,014,686)	-	-
Distributable				
Retained profits	118,739,205	118,656,562	112,692,710	118,355,533
	<u>191,030,559</u>	<u>192,252,401</u>	<u>179,629,974</u>	<u>185,292,797</u>

10. RESERVES (CONT'D)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
(a) Capital reserves				
Surplus on revaluation of property, plant and equipment in 1983	19,310,647	19,310,647	19,310,647	19,310,647
Amount transferred from retained profits arising from bonus issue of shares by a subsidiary company	7,673,261	7,673,261	-	-
	<u>26,983,908</u>	<u>26,983,908</u>	<u>19,310,647</u>	<u>19,310,647</u>

	Group and Company	
	2005	2004
	RM	RM
(b) Share Premium		
At beginning of year	47,626,617	41,686,650
Arising from issuance of shares	-	6,373,840
Share issue expenses	-	(433,873)
At end of year	<u>47,626,617</u>	<u>47,626,617</u>

(c) The Company has an estimated Section 108 tax credit under the Malaysian Income Tax Act, 1967 of RM67,737,540 (2004 : RM66,200,000) which, subject to agreement with the Malaysian tax authorities, is available to frank the payment of dividends out of its retained profits as at year end, in full.

(d) The Company has tax exempt income of approximately RM23,638,000 (2004 : RM22,308,400) which, subject to agreement with the Malaysian tax authorities and the availability of profits, is distributable by way of tax exempt dividend.

11. DEFERRED TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At beginning of year	2,570,180	3,932,232	5,683,000	6,226,025
Recognised in the income statement (Note 6)	1,185,305	(1,362,052)	958,971	(543,025)
At end of year	<u>3,755,485</u>	<u>2,570,180</u>	<u>6,641,971</u>	<u>5,683,000</u>
Presented after appropriate offsetting as follows :-				
Deferred tax assets	(3,298,486)	(3,425,820)	-	-
Deferred tax liabilities	7,053,971	5,996,000	6,641,971	5,683,000
	<u>3,755,485</u>	<u>2,570,180</u>	<u>6,641,971</u>	<u>5,683,000</u>

- (a) The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows :-

2005

Deferred Tax Liabilities of the Group	Balance at 1.1.2005 RM	Recognised in the income statement RM	Balance at 31.12.2005 RM
Excess of capital allowances over depreciation	9,833,759	581,884	10,415,643
Revaluation of property, plant and equipment	3,983,913	(139,761)	3,844,152
	<u>13,817,672</u>	<u>442,123</u>	<u>14,259,795</u>

Deferred Tax Assets of the Group	Balance at 1.1.2005 RM	Recognised in the income statement RM	Balance at 31.12.2005 RM
Unabsorbed tax losses	(1,644,792)	(209,824)	(1,854,616)
Unutilised capital allowances	(7,015,975)	1,333,245	(5,682,730)
Other deductible temporary differences	(2,586,725)	(380,239)	(2,966,964)
	<u>(11,247,492)</u>	<u>743,182</u>	<u>(10,504,310)</u>

11. DEFERRED TAXATION (CONT'D)

Deferred Tax Liabilities of the Company	Balance at 1.1.2005 RM	Recognised in the income statement RM	Balance at 31.12.2005 RM
Excess of capital allowances over depreciation	3,455,527	350,292	3,805,819
Revaluation of property, plant and equipment	3,983,913	(139,761)	3,844,152
	<u>7,439,440</u>	<u>210,531</u>	<u>7,649,971</u>

Deferred Tax Assets of the Company	Balance at 1.1.2005 RM	Recognised in the income statement RM	Balance at 31.12.2005 RM
Deductible temporary differences	(1,756,440)	748,440	(1,008,000)

2004

Deferred Tax Liabilities of the Group	Balance at 1.1.2004 RM	Recognised in the income statement RM	Balance at 31.12.2004 RM
Excess of capital allowances over depreciation	10,637,219	(803,460)	9,833,759
Revaluation of property, plant and equipment	4,123,674	(139,761)	3,983,913
	<u>14,760,893</u>	<u>(943,221)</u>	<u>13,817,672</u>

Deferred Tax Assets of the Group	Balance at 1.1.2004 RM	Recognised in the income statement RM	Balance at 31.12.2004 RM
Unabsorbed tax losses	(180,642)	(1,464,150)	(1,644,792)
Unutilised capital allowances	(7,831,754)	815,779	(7,015,975)
Other deductible temporary differences	(2,816,265)	229,540	(2,586,725)
	<u>(10,828,661)</u>	<u>(418,831)</u>	<u>(11,247,492)</u>

11. DEFERRED TAXATION (CONT'D)**Deferred Tax Liabilities of the Company**

	Balance at 1.1.2004 RM	Recognised in the income statement RM	Balance at 31.12.2004 RM
Excess of capital allowances over depreciation	2,830,396	625,131	3,455,527
Revaluation of property, plant and equipment	4,123,674	(139,761)	3,983,913
	<u>6,954,070</u>	<u>485,370</u>	<u>7,439,440</u>

Deferred Tax Assets of the Company

	Balance at 1.1.2004 RM	Recognised in the income statement RM	Balance at 31.12.2004 RM
Deductible temporary differences	(728,045)	(1,028,395)	(1,756,440)

- (b) The amount of deductible temporary differences and unabsorbed tax losses for which deferred tax assets have not been recognised in the financial statements are as follows :-

	Group	
	2005 RM	2004 RM
Unabsorbed tax losses	46,178,475	45,049,898
Unutilised capital allowances	31,652,404	29,352,510
Other deductible temporary differences	2,407,045	654,562
	<u>80,237,924</u>	<u>75,056,970</u>

The deductible temporary differences and unabsorbed tax losses are available for set off against future taxable profits of respective subsidiaries for an indefinite period except for an amount of unabsorbed tax losses of RMNil (2004 : RM2,319,900 of a foreign subsidiary company expiring in 2009).

12. RETIREMENT BENEFITS

- (a) The Group operates an unfunded defined benefit final salary plan for eligible employees in two subsidiary companies in Vietnam namely, Vimaflour Limited and Mekong Flour Mills Ltd in accordance with legislations established in Vietnam.

Under this defined benefit plan, benefits are payable upon attaining the normal retirement age or upon resignation in respect of employees who have completed 12 months of service. The amount payable is calculated based on a scale of benefits that increases with the length of service.

The movements in the amount recognised in the Group's balance sheet during the year are as follows :-

	Malaysia RM	Vietnam RM	Total RM
Balance at 1 January 2004	288,936	307,019	595,955
Charged to income statement	-	243,594	243,594
Benefits paid	-	(35,335)	(35,335)
Curtailment arising from discontinuance of operations	(288,936)	-	(288,936)
Currency translation difference	-	(2,555)	(2,555)
Balance at 31 December 2004	-	512,723	512,723
Charged to income statement	-	34,343	34,343
Benefits paid	-	(14,337)	(14,337)
Currency translation difference	-	(7,067)	(7,067)
Balance at 31 December 2005	-	525,662	525,662

The curtailment on the defined benefit plan operated by a subsidiary company, namely Muda Fibre Manufacturing Sdn Bhd ("Muda") in 2004 arose from the discontinuance of operations by Muda in that year.

- (b) The amount recognised in the Group's balance sheet represents the present value of the unfunded defined benefit obligations.

12. RETIREMENT BENEFITS (CONT'D)

- (c) The amount recognised as an expense in the Group's income statement can be analysed as follows :-

	Malaysia RM	Vietnam RM	Total RM
2005			
Current service cost	-	27,671	27,671
Interest cost	-	6,672	6,672
	-	34,343	34,343
2004			
Current service cost	-	191,349	191,349
Interest cost	-	52,245	52,245
	-	243,594	243,594

The amount charged to income statement has been included under the following line items :-

	Group	
	2005 RM	2004 RM
Cost of inventories sold	1,432	159,643
Selling and distribution expenses	2,864	54,565
Administration expenses	30,047	29,386
	34,343	243,594

- (d) The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows :-

	Malaysia %	Vietnam %
2005		
Discount rate	-	6
Future average salary increases	-	4
2004		
Discount rate	-	6
Future average salary increases	-	4

13. PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment of the Group and Company comprised :-

2005				
Group	Cost RM	Accumulated depreciation/ Accumulated impairment losses RM	Net book value RM	Depreciation charge/ Impairment losses RM
At cost				
Freehold land	1,715,424	-	1,715,424	-
Leasehold land :				
- Long lease	8,033,657	2,381,525	5,652,132	199,829
- Short lease	8,776,274	3,320,573	5,455,701	292,705
Buildings	179,398,579	68,261,257	111,137,322	5,254,092
Jetty	459,288	61,240	398,048	9,185
Plant, machinery, fixtures and equipment	259,173,296	200,384,090	58,789,206	11,727,282
Motor vehicles and boat	36,258,118	28,438,051	7,820,067	2,635,744
Capital work-in-progress	6,524,427	-	6,524,427	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	669,879	1,393,613	24,888
Buildings	23,447,856	11,108,301	12,339,555	456,842
Jetty	6,072,795	2,711,685	3,361,110	121,456
	<u>535,497,357</u>	<u>317,336,601</u>	<u>218,160,756</u>	<u>20,722,023</u>
Company				
Company	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
At cost				
Freehold land	98,000	-	98,000	-
Long leasehold land	5,244,933	1,676,780	3,568,153	155,837
Buildings	50,589,207	15,960,283	34,628,924	1,065,630
Jetty	459,288	61,240	398,048	9,186
Plant, machinery, fixtures and equipment	74,316,982	63,527,033	10,789,949	2,533,972
Motor vehicles and boat	13,398,357	10,617,569	2,780,788	1,086,379
Capital work-in-progress	4,713,875	-	4,713,875	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	669,879	1,393,613	24,888
Buildings	23,447,856	11,108,301	12,339,555	456,842
Jetty	6,072,795	2,711,685	3,361,110	121,456
	<u>183,978,936</u>	<u>106,332,770</u>	<u>77,646,166</u>	<u>5,454,190</u>

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**2004**

Group	Cost RM	Accumulated depreciation/ Accumulated impairment losses RM	Net book value RM	Depreciation charge/ Impairment losses RM
At cost				
Freehold land	1,715,424	-	1,715,424	-
Leasehold land :				
- Long lease	8,033,657	2,181,696	5,851,961	199,830
- Short lease	8,896,116	3,068,619	5,827,497	296,698
Buildings	180,024,012	63,115,012	116,909,000	5,350,628
Jetty	459,288	52,055	407,233	9,187
Plant, machinery, fixtures and equipment	248,278,166	189,071,587	59,206,579	11,952,812
Motor vehicles and boat	37,146,578	28,117,661	9,028,917	2,727,703
Capital work-in-progress	7,196,355	-	7,196,355	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	644,991	1,418,501	24,888
Buildings	23,447,856	10,651,459	12,796,397	456,842
Jetty	6,072,795	2,590,229	3,482,566	121,456
	<u>526,907,890</u>	<u>299,493,309</u>	<u>227,414,581</u>	<u>21,140,044</u>
Company				
	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
At cost				
Freehold land	98,000	-	98,000	-
Long leasehold land	5,244,933	1,520,943	3,723,990	155,837
Buildings	50,589,207	14,894,653	35,694,554	1,116,897
Jetty	459,288	52,054	407,234	9,186
Plant, machinery, fixtures and equipment	68,721,956	61,025,278	7,696,678	1,481,314
Motor vehicles and boat	13,900,025	10,559,049	3,340,976	1,080,395
Capital work-in-progress	3,769,040	-	3,769,040	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	644,991	1,418,501	24,888
Buildings	23,447,856	10,651,459	12,796,397	456,842
Jetty	6,072,795	2,590,229	3,482,566	121,456
	<u>177,940,743</u>	<u>101,938,656</u>	<u>76,002,087</u>	<u>4,446,815</u>

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) The movements of property, plant and equipment during the year are as follows :-

2005**Group**

	Balance at 1.1.2005 RM	Additions RM	Disposals RM	Write-offs RM	Transfers RM	Net exchange differences RM	Balance at 31.12.2005 RM
<u>Cost/Valuation</u>							
Assets at cost							
Freehold land	1,715,424	-	-	-	-	-	1,715,424
Leasehold land :							
- Long lease	8,033,657	-	-	-	-	-	8,033,657
- Short lease	8,896,116	-	-	-	-	(119,842)	8,776,274
Buildings	180,024,012	45,344	-	-	-	(670,777)	179,398,579
Jetty	459,288	-	-	-	-	-	459,288
Plant, machinery, fixtures and equipment	248,278,166	3,154,041	(111,593)	(8,625)	8,563,239	(701,932)	259,173,296
Motor vehicles and boat	37,146,578	1,578,412	(2,067,695)	(281,005)	-	(118,172)	36,258,118
Capital work-in-progress	7,196,355	7,892,479	-	-	(8,563,239)	(1,168)	6,524,427
Assets at valuation							
Freehold land	3,574,151	-	-	-	-	-	3,574,151
Long leasehold land	2,063,492	-	-	-	-	-	2,063,492
Buildings	23,447,856	-	-	-	-	-	23,447,856
Jetty	6,072,795	-	-	-	-	-	6,072,795
	526,907,890	12,670,276	(2,179,288)	(289,630)	-	(1,611,891)	535,497,357

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**Accumulated depreciation and impairment losses**

	Accumulated depreciation RM	Accumulated impairment losses RM	Balance at 1.1.2005 RM	Depreciation charge for the year RM	Write-offs / Disposals RM	Net exchange differences RM	Impairment losses for the year RM	Accumulated depreciation RM	Accumulated impairment losses RM	Balance at 31.12.2005 RM
Assets at cost										
Leasehold land :										
- Long lease	2,181,696	-	2,181,696	199,829	-	-	-	2,381,525	-	2,381,525
- Short lease	3,068,619	-	3,068,619	292,705	-	(40,751)	-	3,320,573	-	3,320,573
Buildings	62,803,839	311,173	63,115,012	5,254,092	-	(107,847)	-	67,950,084	311,173	68,261,257
Jetty	52,055	-	52,055	9,185	-	-	-	61,240	-	61,240
Plant, machinery, fixtures and equipment	174,667,503	14,404,084	189,071,587	11,713,058	(106,077)	(308,702)	14,224	186,007,499	14,376,591	200,384,090
Motor vehicles and boat	28,117,541	120	28,117,661	2,635,744	(2,240,637)	(74,717)	-	28,437,931	120	28,438,051
Assets at valuation										
Long leasehold land	644,991	-	644,991	24,888	-	-	-	669,879	-	669,879
Buildings	10,651,459	-	10,651,459	456,842	-	-	-	11,108,301	-	11,108,301
Jetty	2,590,229	-	2,590,229	121,456	-	-	-	2,711,685	-	2,711,685
	284,777,932	14,715,377	299,493,309	20,707,799	(2,346,714)	(532,017)	14,224	302,648,717	14,687,884	317,336,601

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**2005****Company**

<u>Cost/Valuation</u>	Balance at 1.1.2005 RM	Additions RM	Disposals RM	Write-offs RM	Transfers RM	Balance at 31.12.2005 RM
Assets at cost						
Freehold land	98,000	-	-	-	-	98,000
Long leasehold land	5,244,933	-	-	-	-	5,244,933
Buildings	50,589,207	-	-	-	-	50,589,207
Jetty	459,288	-	-	-	-	459,288
Plant, machinery, fixtures and equipment	68,721,956	1,470,184	(34,534)	(6,125)	4,165,501	74,316,982
Motor vehicles and boat	13,900,025	570,837	(791,500)	(281,005)	-	13,398,357
Capital work-in-progress	3,769,040	5,110,336	-	-	(4,165,501)	4,713,875
Assets at valuation						
Freehold land	3,574,151	-	-	-	-	3,574,151
Long leasehold land	2,063,492	-	-	-	-	2,063,492
Buildings	23,447,856	-	-	-	-	23,447,856
Jetty	6,072,795	-	-	-	-	6,072,795
	177,940,743	7,151,357	(826,034)	(287,130)	-	183,978,936

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Balance at 1.1.2005 RM	Charge for the year RM	Disposals RM	Write-offs RM	Balance at 31.12.2005 RM
<u>Accumulated depreciation</u>					
Assets at cost					
Long leasehold land	1,520,943	155,837	-	-	1,676,780
Buildings	14,894,653	1,065,630	-	-	15,960,283
Jetty	52,054	9,186	-	-	61,240
Plant, machinery, fixtures and equipment	61,025,278	2,533,972	(28,951)	(3,266)	63,527,033
Motor vehicles and boat	10,559,049	1,086,379	(746,855)	(281,004)	10,617,569
Assets at valuation					
Long leasehold land	644,991	24,888	-	-	669,879
Buildings	10,651,459	456,842	-	-	11,108,301
Jetty	2,590,229	121,456	-	-	2,711,685
	101,938,656	5,454,190	(775,806)	(284,270)	106,332,770

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (c) The Company's land, buildings and jetty were revalued by the Directors on 1 January, 1983 based on valuation by independent professional valuers using the fair market value method.

In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board in the adoption of International Accounting Standard No. 16 (Revised) - Property, Plant and Equipment, these assets are stated at their previously revalued amounts. The net carrying amounts of these assets as at balance sheet date had they been stated at their historical costs less depreciation are not disclosed as historical records are not available.

- (d) The Group's property, plant and equipment as at balance sheet date include an unused machinery of RM3,099,987 (VND12,537 million) at cost, owned by a foreign subsidiary which had been fully written down in the Group's financial statements for the year ended 2002.
- (e) Muda Fibre Manufacturing Sdn Bhd ("Muda"), a subsidiary of the Company ceased its business activities in 2004. The net carrying value of Muda's idle assets that have been included in the Group's property, plant and equipment as at 31 December 2005 are as follows :-

	2005	2004
	RM	RM
Long leasehold land	226,979	229,961
Buildings	2,109,018	2,191,078
Plant, machinery, fixtures and equipment	93,255	131,912
	<u>2,429,252</u>	<u>2,552,951</u>

The Directors are of the opinion that the expected recoverable amounts of the assets are higher than the carrying amounts as at the balance sheet date.

14. SUBSIDIARY COMPANIES

	Company	
	2005	2004
	RM	RM
Unquoted shares at cost	203,383,363	201,770,866
Less : Accumulated impairment losses	(52,767,000)	(52,767,000)
	<u>150,616,363</u>	<u>149,003,866</u>

The subsidiary companies, all of which are incorporated in Malaysia except as disclosed otherwise, comprise :-

Direct subsidiary companies	Principal activities	Effective interest in equity	
		2005	2004
		%	%
Dindings Soya & Multifeeds Sdn Berhad	Manufacture and sale of animal feeds and related raw materials, purchase and contract farming of poultry for resale	70	60
Syarikat Pengangkutan Lumut Sdn Bhd	Transport management	100	100
Dindings Poultry Processing Sdn Bhd *	Processing and sale of poultry products	95	85
Dindings Broiler Breeder Farm Sdn Bhd	Breeding and sale of day-old chicks	100	100
MFM Feedmill Sdn Bhd	Manufacture and sale of animal feeds and sale of related raw materials	100	100
MFM Broiler Breeder Farm Sdn Bhd (Note 14(c))	Breeding of day-old chicks (dormant)	-	100
Dindings Poultry Development Centre Sdn Bhd	Poultry grow-out farm and training and research centre and letting of property	100	100
Semakin Dinamik Sdn Bhd	Breeding and sale of day-old-chicks and eggs	100	100
Vimaflour Limited * (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	70	70

14. SUBSIDIARY COMPANIES (CONT'D)

Direct subsidiary companies	Principal activities	Effective interest in equity	
		2005 %	2004 %
Muda Fibre Manufacturing Sdn Bhd (Note 14(d))	Manufacture and sale of polypropylene and polyethylene woven bags and its allied products (ceased operations since 2004)	60	60
MFM Property Sdn Bhd	Property investment (dormant)	100	100
Accord Hotel Sdn Bhd (Note 14(c))	Hotel operation and management (dormant)	-	100
Dindings Grand Parent Farm Sdn Bhd	Grandparent stock farm (dormant)	100	100
MFM International Ltd * (incorporated in British Virgin Islands)	Investment holding	100	100
Indirect subsidiary company			
Mekong Flour Mills Ltd * (incorporated in Vietnam)	Flour and feed milling	100	100

* Subsidiary companies not audited by Folks DFK & Co.

- (a) The impairment losses recognised represent the allowance made to adjust the carrying amounts of certain subsidiary companies to their estimated recoverable amounts. The recoverable amounts are arrived at based on the Company's share of net tangible assets of the subsidiary companies.
- (b) During the year, the Company acquired additional shares in the following subsidiary companies :-
- (i) An additional 3,750,000 ordinary shares of RM1.00 each in Dindings Soya & Multifeeds Sdn Berhad ("DSM") from a minority shareholder, Diggins Limited, a company in which a Director of the Company, Teh Wee Chye is also a Director, for a total cash consideration of RM1,612,500. The acquisition resulted in an increase in the Group's and Company's interest in DSM from 60% to 70%. The negative goodwill of RM59,535 arising from the acquisition is recognised in the income statement.

The additional 10% interest acquired in DSM contributed a net loss of RM18,584 to the consolidated results for the year.

14. SUBSIDIARY COMPANIES (CONT'D)

(b) (Cont'd)

- (ii) An additional 12,857,000 ordinary shares of RM1.00 each in Dindings Poultry Processing Sdn Bhd ("DPP") from a subsidiary company, Dindings Soya & Multifeeds Sdn Berhad ("DSM") for a total cash consideration of RM1. The acquisition has the effect of increasing the Group's and Company's effective interest in DPP from 85% to 95%.

As at the date of the acquisition, the net tangible assets of DPP was negative and the minority shareholders' share of the fair value of DPP's assets was Nil. The acquisition had no significant impact on the Group's financial results and position as the results (losses) of DPP had been fully consolidated with the Group's since the previous period.

- (c) MFM Broiler Breeder Farm Sdn Bhd and Accord Hotel Sdn Bhd were struck off from the register of Companies Commission of Malaysia during the year and accordingly, ceased to be subsidiary companies.

The deregistration had no significant impact on the Group's financial results and position as the subsidiary companies were dormant since incorporation.

- (d) In 2004, Muda Fibre Manufacturing Sdn Bhd ceased its business activities and the effects of the discontinuance of operations are disclosed in Note 24 to the financial statements.
- (e) The financial statements of a foreign subsidiary company, Vimaflour Limited ("Vimaflour") were qualified on an except for basis and the summarised details of the qualification are as follows :-

Included in property, plant and equipment is a Miag flour milling machine carried at the value of VND12,537 million (RM3,099,987). The company has not used the asset since acquiring it in a prior year (1996) and has not recorded any depreciation with respect thereto. No provision for impairment has been recorded with respect to this asset. The company has plan to use certain parts of this asset with historical cost of VND6,493 million (RM1,605,505) estimated by the company's management for the Phase II project in the year 2006.

In consolidating Vimaflour's financial statements, adjustments have been made to the Group's financial statements to recognise the impairment in value in full in the year 2002. Consequently this qualification does not apply to the Group.

15. ASSOCIATED COMPANY

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares at cost	2,800,000	2,800,000	-	-
Share of post-acquisition reserves less goodwill written off	(1,323,358)	(1,925,384)	-	-
	<u>1,476,642</u>	<u>874,616</u>	<u>-</u>	<u>-</u>

Associated company can be analysed as follows :-

	Group	
	2005 RM	2004 RM
Group's share of net assets	<u>1,476,642</u>	<u>874,616</u>

The details of the associated company are as follows :-

Name of company	Principal activities	Effective interest in equity	
		2005 %	2004 %
Fongcheng Enterprises Sendirian Berhad (incorporated in Malaysia)	Poultry merchant	28	24

16. INVESTMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Quoted in Malaysia				
- shares at cost	1,710,950	114,000	107,000	107,000
Unquoted shares at cost				
- in Malaysia	60,000	60,000	60,000	60,000
- foreign	5,142,213	5,099,596	5,081,971	5,081,971
	<u>6,913,163</u>	<u>5,273,596</u>	<u>5,248,971</u>	<u>5,248,971</u>
Allowance for diminution in value of :				
- quoted investment	(1,224,516)	(99,644)	(102,541)	(99,644)
- unquoted investment	(5,081,971)	(2,995,000)	(5,081,971)	(2,995,000)
	<u>606,676</u>	<u>2,178,952</u>	<u>64,459</u>	<u>2,154,327</u>
Market value of quoted shares	<u>501,684</u>	<u>11,856</u>	<u>4,459</u>	<u>7,356</u>

Included under the foreign unquoted investment is an investment which represents a 12% interest in the registered capital of Shanghai Malayan Flour & Foods Co. Ltd (SMFF), a foreign corporation registered in the People's Republic of China. The investment is held in United States Dollar.

17. INVENTORIES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
At cost :-				
Raw materials	90,751,891	132,406,602	46,330,226	54,901,317
Semi-processed goods	439,312	1,681,001	-	-
Finished goods	20,679,437	19,170,903	3,127,390	2,933,857
Broilers, day-old chicks and hatching eggs	3,735,484	1,671,580	-	-
Consumables	11,178,002	11,692,056	3,389,844	3,560,161
	126,784,126	166,622,142	52,847,460	61,395,335
At cost less depreciation :-				
Poultry parent inventories	4,947,384	5,327,499	-	-
At net realisable value :-				
Raw materials	576,153	284,498	-	-
Semi-processed goods	725,923	188,910	-	-
Finished goods	1,469,649	510,327	-	-
Consumables	873,944	20,340	-	-
	3,645,669	1,004,075	-	-
Allowance for old and slow moving inventories	(3,645,669)	(1,004,075)	-	-
	-	-	-	-
	<u>131,731,510</u>	<u>171,949,641</u>	<u>52,847,460</u>	<u>61,395,335</u>

Inventories of the Group written off against the allowance for old and slow moving inventories during the year amounted to RM3,341 (2004 : RMNil).

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	121,176,255	117,237,439	43,162,207	43,529,900
Allowance for doubtful debts	(14,436,272)	(12,515,408)	(3,600,000)	(3,000,000)
	106,739,983	104,722,031	39,562,207	40,529,900
Amount owing by subsidiary companies	-	-	53,200,105	53,771,101
Other receivables, deposits and prepayments	11,914,505	11,686,845	2,725,840	2,042,801
Allowance for doubtful debts	(2,323,321)	(2,265,600)	(155,676)	(150,720)
	9,591,184	9,421,245	2,570,164	1,892,081
	116,331,167	114,143,276	95,332,476	96,193,082

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
The currency exposure profile of trade receivables is as follows :				
- Ringgit Malaysia	78,683,435	81,283,025	39,562,207	40,529,900
- VND	28,056,548	23,439,006	-	-
	106,739,983	104,722,031	39,562,207	40,529,900

- (a) The normal credit terms of trade receivables range from 30 to 60 days.
- (b) The Group has no significant concentration of credit risk.
- (c) The amount owing by subsidiary companies is unsecured and has no fixed terms of repayment. The amount owing by subsidiary companies as at 31 December 2005 is interest free (2004 : an amount of RM22,574,650 of which interest was charged at a rate of 3% per annum).
- (d) Included under trade receivables of the Group as at 31 December 2005 is an amount owing by an associated company, Fongcheng Enterprises Sendirian Berhad of RM3,815,498 (2004 : RM5,469,482).

18. TRADE AND OTHER RECEIVABLES (CONT'D)

- (e) In respect of the trade and other receivables of the Group and of the Company, an amount of RM150,400 (2004 : RM2,793,019) and RMNil (2004 : RM79,850) respectively has been written off against the allowance for doubtful debts during the year.

19. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Deposits with licensed banks	54,614,879	19,960,028	7,850,000	192,243
Cash and bank balances	13,851,210	11,987,633	4,052,162	1,842,268
	<u>68,466,089</u>	<u>31,947,661</u>	<u>11,902,162</u>	<u>2,034,511</u>

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
The currency exposure profile of deposits, cash and bank balances is as follows :				
- Ringgit Malaysia	16,996,134	6,354,776	11,853,819	1,308,973
- USD	801,805	1,174,417	48,343	660,437
- SGD	-	65,101	-	65,101
- VND	50,668,150	24,353,367	-	-
	<u>68,466,089</u>	<u>31,947,661</u>	<u>11,902,162</u>	<u>2,034,511</u>

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Trade payables	18,959,652	17,169,903	4,675,025	2,619,318
Amount owing to subsidiary companies	-	-	5,397,746	5,491,194
Other payables and accruals	32,555,422	22,233,998	12,213,823	8,204,895
	<u>51,515,074</u>	<u>39,403,901</u>	<u>22,286,594</u>	<u>16,315,407</u>

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
The currency exposure profile of trade payables is as follows :				
- Ringgit Malaysia	13,621,727	12,732,498	4,675,025	2,619,318
- USD	-	155,614	-	-
- VND	5,337,925	4,281,791	-	-
	<u>18,959,652</u>	<u>17,169,903</u>	<u>4,675,025</u>	<u>2,619,318</u>

- (a) The normal credit terms of trade payables range from 7 to 90 days.
- (b) Included in other payables and accruals of the Group and of the Company is an amount of RM3,273,000 (2004 : RM3,273,000) payable to Mr. Teh Liang Teik, a former Director and Chairman of the Company, as retirement gratuity.
- (c) Included in other payables and accruals of the Group and of the Company as at 31 December 2005 is an amount of RM2,260,000 which represents the deposits received from the sale of the Company's leasehold land and building. As disclosed in Note 30(a), the sale was completed in March 2006.

21. BANK BORROWINGS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Bankers' acceptances/ Revolving credits	120,781,737	119,046,942	80,808,663	82,952,021
Bank overdrafts	-	923,248	-	838,441
Other short term loans	41,246,932	74,317,716	-	-
	<u>162,028,669</u>	<u>194,287,906</u>	<u>80,808,663</u>	<u>83,790,462</u>

- (a) Bankers' acceptances, revolving credits, bank overdrafts and other short term loans are unsecured.

Interest on bankers' acceptances and revolving credits is calculated at rates ranging between 2.82% to 4.50% (2004 : 1.60% to 3.10%) per annum.

Interest on bank overdrafts is calculated at rates ranging from 6.50% to 7.00% (2004 : 3.70% to 8.50%) per annum.

Other short term loans relate to that of foreign subsidiaries and interests are payable at rates ranging from 3.08% to 5.12% (2004 : 2.10% to 6.40%) per annum.

- (b) The currency exposure profile of the bank borrowings is as follows :-

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Ringgit Malaysia	120,781,737	25,118,860	80,808,663	7,038,441
USD	41,246,932	168,324,011	-	76,752,021
VND	-	845,035	-	-
	<u>162,028,669</u>	<u>194,287,906</u>	<u>80,808,663</u>	<u>83,790,462</u>

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Deposits, cash and bank balances (Note 19)	68,466,089	31,947,661	11,902,162	2,034,511
Bank overdrafts (Note 21)	-	(923,248)	-	(838,441)
	<u>68,466,089</u>	<u>31,024,413</u>	<u>11,902,162</u>	<u>1,196,070</u>

23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related companies :-

	2005	2004
	RM	RM
Freight and workshop services provided by a subsidiary :		
- to the Company	2,897,006	3,169,184
- to other subsidiaries	1,275,152	1,068,816
Hire of machinery and motor vehicles charged to subsidiaries	218,011	410,603
Hire of machinery and motor vehicles between subsidiaries	106,397	55,385
Interest charged to a subsidiary	-	415,846
Interest charged by a subsidiary	-	107,744
Rental of premises :		
- charged to subsidiaries	242,520	322,623
- charged by a subsidiary	156,000	156,000
Supervision fee charged by a subsidiary	111,192	534,436
Sales to subsidiaries	5,347,248	11,778,588
Purchases from subsidiaries	213,775	1,477,905
Sales between subsidiaries	<u>194,758,960</u>	<u>136,299,287</u>

The above transactions are carried out in the normal course of business and are established under negotiated terms and conditions.

(b) Transactions with an associated company, Fongcheng Enterprises Sendirian Berhad are carried out in the ordinary course of business and are established under negotiated terms and conditions.

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Sales of feeds and day-old chicks	<u>13,767,355</u>	<u>12,732,234</u>	<u>-</u>	<u>-</u>

The balance due from Fongcheng Enterprises Sendirian Berhad is disclosed under Note 18(d).

23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

(c) Transactions with other related parties :-

- (i) The following transactions were entered into in the ordinary course of business and are established under negotiated terms with companies in which a Director, Teh Wee Chye, has a substantial equity interest :-

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Services rendered/ hiring of lorries to :				
- Pembena Transport Sdn Bhd	77,400	77,400	-	-
- Indah Enterprise Sdn Bhd	50,400	50,400	-	-
	<u>127,800</u>	<u>127,800</u>	<u>-</u>	<u>-</u>

The balances due to or from the above related parties included in the financial statements are as follows :-

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Amount included in receivables :				
- Pembena Transport Sdn Bhd	288,143	288,143	288,143	288,143
- Indah Enterprise Sdn Bhd	129,169	163,709	129,169	129,169
Amount included in payables :				
- Indah Enterprise Sdn Bhd	85,826	32,787	-	-
- Pembena Transport Sdn Bhd	13,273	-	-	-

- (ii) During the year, the Company acquired an additional equity interest in Dindings Soya & Multifeeds Sdn Berhad from a minority shareholder, Diggins Limited as disclosed in Note 14(b)(i) to the financial statements. Teh Wee Chye, who is a Director of the Company, is also a Director of Diggins Limited and is deemed to be interested in these transactions.

24. DISCONTINUING OPERATIONS

A subsidiary company namely, Muda Fibre Manufacturing Sdn Bhd ("Muda"), in which the Company has 60% effective equity interest, ceased its business activities in the manufacturing and sale of polypropylene and polyethylene woven bags and its allied products on 25 June 2004 due to the non-viability of the business arising from the change in the market condition.

The activities were previously reported under the business segment of polypropylene goods. The Board expects that the entire closure exercise will be completed by 2006.

The loss attributable to the discontinuing operations recognised in the Group's income statement is as follows :-

	2005	2004
	RM	RM
Gain on disposal of property, plant and equipment	15,589	-
Insurance recoveries	24,398	-
Bad debts recovered	42,599	-
Loss on disposal of inventories	(11,633)	-
Property, plant and equipment impaired	(14,224)	-
Inventories written down	(1,174,504)	-
Termination/Retrenchment payouts	-	(1,374,676)
Effects on the curtailment of retirement benefits	-	288,936
Loss arising from discontinuing operations	<u>(1,117,775)</u>	<u>(1,085,740)</u>

The carrying amounts of assets and liabilities of Muda as at 31 December 2005 and its revenue, results and cash flows for the year ended on that date are as follows :-

(a) Carrying amounts of assets and liabilities

	2005	2004
	RM	RM
Property, plant and equipment	2,429,252	2,552,951
Current assets	7,373,294	8,636,846
Current liabilities	(14,676)	(30,657)
Net assets	<u>9,787,870</u>	<u>11,159,140</u>

24. DISCONTINUING OPERATIONS (CONT'D)**(b) Revenue and results**

	2005	2004
	RM	RM
Revenue	-	5,068,627
Cost of sales	-	(4,019,253)
Gross profit	-	1,049,374
Other income	-	99,917
Distribution costs	-	(218,416)
Administration expenses	(36,140)	(972,463)
Other operating expenses	(215,834)	-
Loss arising from discontinuing operations	(1,117,775)	(1,085,740)
Loss before taxation	(1,369,749)	(1,127,328)
Taxation	(1,522)	-
Net loss for the year	(1,371,271)	(1,127,328)

(c) Cash flows

	2005	2004
	RM	RM
Net cash flows from operating activities	(35,814)	(289,394)
Net cash flows from investing activities	16,680	46,214
Net decrease in cash and cash equivalents	(19,134)	(243,180)
Cash and cash equivalents at beginning of year	43,404	286,584
Cash and cash equivalents at end of year	24,270	43,404

25. SEGMENT REPORTING

(a) Primary Reporting Format - Business Segments

The Group's operations comprise the following business segments :-

- (i) Flour - Milling and selling wheat flour together with its allied products
- (ii) Feeds - Manufacture and sale of animal feeds and related raw materials
- (iii) Transport - Transport management
- (iv) Poultry integration - Processing and sale of poultry products, breeding and sale of day-old-chicks, sale of eggs and contract farming activities
- (v) Polypropylene goods - Discontinuing operations (Manufacture and sale of polypropylene and polyethylene woven bags and its allied products)

In 2004, the Group discontinued with the manufacturing and sale of polypropylene and polyethylene woven bags and its allied products as highlighted in Note 24.

All intersegment transactions have been entered into in the ordinary course of business and have been established under negotiated terms and conditions.

25. SEGMENT REPORTING (CONT'D)**(a) Primary Reporting Format - Business Segments (Cont'd)**

2005	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Sales						
Total sales	453,660,157	165,130,945	5,907,147	201,576,245	-	826,274,494
Intersegment sales	(5,347,248)	(66,249,217)	(4,283,350)	(10,402,666)	-	(86,282,481)
External sales	448,312,909	98,881,728	1,623,797	191,173,579	-	739,992,013
Results						
Segment results (External)	31,731,189	806,980	(1,259,010)	(1,767,635)	(251,974)	29,259,550
Loss arising from discontinuing operations	-	-	-	-	(1,117,775)	(1,117,775)
	31,731,189	806,980	(1,259,010)	(1,767,635)	(1,369,749)	28,141,775
Interest income						2,616,334
Negative goodwill on consolidation						59,535
Unallocated expenses :						
- Allowance for diminution in value of investments						(3,211,843)
- Others						(1,160)
Profit from operations						27,604,641
Finance costs						(6,426,212)
Share of results of an associated company	-	-	-	602,026	-	602,026
Profit before taxation						21,780,455
Taxation						(6,453,469)
Profit after taxation						15,326,986
Minority interests						(4,901,981)
Net profit for the year						10,425,005

25. SEGMENT REPORTING (CONT'D)**(a) Primary Reporting Format - Business Segments (Cont'd)**

2005	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Other information						
Segment assets						
Segment assets	362,863,511	77,364,933	2,255,043	89,196,999	2,983,659	534,664,145
Investment in an associate	-	-	-	1,476,642	-	1,476,642
Unallocated assets						4,778,700
Consolidated total assets						<u>540,919,487</u>
Segment liabilities						
Segment liabilities	30,670,735	11,094,798	1,098,200	12,608,731	14,676	55,487,140
Bank borrowings						162,028,669
Unallocated liabilities						8,793,232
Consolidated total liabilities						<u>226,309,041</u>
Capital expenditure	7,494,083	1,162,925	11,510	4,001,758	-	<u>12,670,276</u>
Depreciation and amortisation	12,516,562	1,760,427	113,586	6,208,840	108,384	<u>20,707,799</u>
Allowance for impairment of property, plant and equipment	-	-	-	-	14,224	<u>14,224</u>
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	2,807,414	1,389,293	352,564	4,727,728	1,131,905	<u>10,408,904</u>

25. SEGMENT REPORTING (CONT'D)**(a) Primary Reporting Format - Business Segments (Cont'd)**

2004	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Sales						
Total sales	400,422,670	167,765,514	9,174,833	152,764,281	5,068,626	735,195,924
Intersegment sales	(7,519,937)	(64,505,222)	(4,772,437)	(6,745,303)	(2,169,526)	(85,712,425)
External sales	392,902,733	103,260,292	4,402,396	146,018,978	2,899,100	649,483,499
Results						
Segment results (External)	13,170,080	1,017,161	(426,374)	(11,649,901)	(46,670)	2,064,296
Allowance for impairment of property, plant and equipment	-	(1,191,900)	-	-	-	(1,191,900)
Loss arising from discontinuing operations	-	-	-	-	(1,085,740)	(1,085,740)
	13,170,080	(174,739)	(426,374)	(11,649,901)	(1,132,410)	(213,344)
Interest income						1,698,225
Unallocated expenses :						
- Allowance for diminution in value of investments						(498,121)
- Others						(4,504)
Profit before taxation						982,256
Finance costs						(5,207,426)
Share of results of an associated company	-	-	-	(1,064,208)	-	(1,064,208)
Loss before taxation						(5,289,378)
Taxation						(2,339,290)
Loss after taxation						(7,628,668)
Minority interests						1,933,724
Net loss for the year						(5,694,944)

25. SEGMENT REPORTING (CONT'D)

(a) Primary Reporting Format - Business Segments (Cont'd)

2004	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Other information						
Segment assets						
Segment assets	376,163,822	70,792,310	2,894,837	91,060,574	4,518,235	545,429,778
Investment in an associate	-	-	-	874,616	-	874,616
Unallocated assets						7,841,819
Consolidated total assets						<u>554,146,213</u>
Segment liabilities						
Segment liabilities	19,725,712	10,355,607	2,439,614	7,363,444	30,657	39,915,034
Bank borrowings						194,287,906
Unallocated liabilities						6,544,690
Consolidated total liabilities						<u>240,747,630</u>
Capital expenditure	6,043,060	2,405,900	49,074	3,435,239	-	<u>11,933,273</u>
Depreciation and amortisation	11,508,031	1,747,590	111,911	6,376,934	203,678	<u>19,948,144</u>
Allowance for impairment of property, plant and equipment	-	1,191,900	-	-	-	<u>1,191,900</u>
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	4,344,574	1,535,454	6,674	1,737,461	14,928	<u>7,639,091</u>

25. SEGMENT REPORTING (CONT'D)**(b) Secondary Reporting Format - Geographical Segments**

In determining the geographical segments of the Group, sales is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets.

	Sales		Total assets		Capital expenditure	
	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM
Malaysia	499,426,059	448,752,180	358,577,677	352,526,102	12,327,550	11,626,909
Vietnam	240,565,954	200,731,319	177,563,110	193,778,292	342,726	306,364
	<u>739,992,013</u>	<u>649,483,499</u>	536,140,787	546,304,394	<u>12,670,276</u>	<u>11,933,273</u>
Unallocated assets			4,778,700	7,841,819		
			<u>540,919,487</u>	<u>554,146,213</u>		

26. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Authorised and contracted for :				
- Acquisition of plant and equipment	11,026,000	2,054,184	330,000	1,750,401
Authorised but not contracted for :				
- Acquisition of property, plant and equipment for Vietnam projects	6,196,300	12,053,071	-	-
- Acquisition of property, plant and equipment	5,530,000	-	3,030,000	-
Lease commitments :				
- within 1 year	4,192,349	816,161	-	-
- 2 to 5 years	499,443	3,666,574	-	-
	4,691,792	4,482,735	-	-
	<u>27,444,092</u>	<u>18,589,990</u>	<u>3,360,000</u>	<u>1,750,401</u>

27. CONTINGENCIES

(i) Contingent Liabilities (Unsecured)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Legal claim made by third party in respect of building works for a subsidiary under appeal	-	2,580,000	-	2,580,000

An amount of RM2,000,000 has been provided for in the current year's financial statements as the final settlement in respect of the above legal claim.

(ii) Contingent Assets

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Insurance claims, pending agreement	-	757,000	-	-

The insurance claims were in respect of losses and other related expenses incurred arising from damages to inventories. These claims have been fully received and recognised in the current year's financial statements.

28. FINANCIAL INSTRUMENTS**(a) Maturity Profile and Effective Interest Rates**

The maturity profile and effective interest rates of financial instruments exposed to interest rate risk are as follows :-

Group	← Maturity profile →			Total RM	Effective interest rates
	Within 1 year RM	1 to 5 years RM	More than 5 years RM		
<u>2005</u>					
Financial assets					
Deposits with licensed banks	54,614,879	-	-	54,614,879	2.8% - 6.6%
Financial liabilities					
Bankers' acceptances/ Revolving credits	120,781,737	-	-	120,781,737	2.8% - 4.5%
Other short term loans	41,246,932	-	-	41,246,932	3.1% - 5.1%
<u>2004</u>					
Financial assets					
Deposits with licensed banks	19,960,028	-	-	19,960,028	3.0% - 6.6%
Financial liabilities					
Bankers' acceptances/ Revolving credits	119,046,942	-	-	119,046,942	1.6% - 3.1%
Bank overdrafts	923,248	-	-	923,248	3.7% - 8.5%
Other short term loans	74,317,716	-	-	74,317,716	2.1% - 6.4%

28. FINANCIAL INSTRUMENTS (CONT'D)**(a) Maturity Profile and Effective Interest Rates (Cont'd)**

<u>Company</u>	← Maturity profile →			Total RM	Effective interest rates
	Within 1 year RM	1 to 5 years RM	More than 5 years RM		
<u>2005</u>					
Financial assets					
Deposits with licensed banks	7,850,000	-	-	7,850,000	2.8% - 3.0%
Financial liabilities					
Bankers' acceptances/ Revolving credits	80,808,663	-	-	80,808,663	2.8% - 4.5%
<u>2004</u>					
Financial assets					
Deposits with licensed banks	192,243	-	-	192,243	3.0%
Amount owing by a subsidiary company	22,574,650	-	-	22,574,650	3.0%
Financial liabilities					
Bankers' acceptances/ Revolving credits	82,952,021	-	-	82,952,021	3.6% - 4.9%
Bank overdrafts	838,441	-	-	838,441	3.7% - 7.4%

(b) Fair values

- (i) The carrying amount of the current financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values due to the relatively short term nature of these financial instruments.
- (ii) The fair value of the quoted investment is based on the quoted market price as at balance sheet date as disclosed under Note 16 to the financial statements. The fair value of non-current unquoted investment is not provided as it is not practicable to estimate the fair value reliably.
- (iii) The fair value of amounts owing by and owing to subsidiary companies are not provided as it is not practicable to estimate fair values reliably due to the lack of fixed repayment terms.

29. SPECIAL SHARE ISSUE TO APPROVED BUMIPUTRA INVESTORS

The outstanding issue of 5,000,000 new ordinary shares of RM1.00 each to approved Bumiputra investors under the Special Issue is extended to 5 June 2006 as approved by the Ministry of International Trade and Industry on 17 October 2005.

30. SIGNIFICANT/SUBSEQUENT EVENTS

- (a) On 1 December 2005, the Company entered into a conditional Sale and Purchase agreement ("S&P") with Duta Viana Sdn Bhd ("DVSB") to dispose of its ten (10) units of three-storey shop-office in Kajang for a total consideration of RM11.3 million. The gain on the disposal is estimated to be RM8.0 million net of tax. The transaction was completed in March 2006.
- (b) On 7 February 2006, a subsidiary company, namely Dindings Poultry Processing Sdn Bhd ("DPP") was served with a writ of summons filed in the High Court in Kuala Lumpur by a third party ("first plaintiff") and a non-governmental organisation ("second plaintiff") for damages in the sum of RM101 million arising from the alleged breach of the Halal logo.

On 23 and 24 February 2006, DPP's solicitor has filed affidavits in the High Court in Kuala Lumpur with applications to set aside the writ of summons issued by the second plaintiff and the first plaintiff respectively. DPP has sought and obtained the opinion of its solicitor who is of the opinion that the plaintiffs have no legal basis to maintain the claims.

DPP's application against the second plaintiff was heard on 27 March 2006 and it is now fixed for Decision on 19 April 2006 whilst the hearing date for the application against the first plaintiff has yet to be fixed.

The Directors do not expect any material losses to arise and therefore no provision has been made in the financial statements of the subsidiary company and of the Group.

31. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current year's presentation :-

<u>Group</u>	As previously reported RM	Reclassification RM	As restated RM
Income statement			
Cost of sales	(586,142,847)	9,017,770	(577,125,077)
Selling and distribution expenses	(38,681,180)	(7,091,484)	(45,772,664)
Administration expenses	(23,331,086)	602,446	(22,728,640)
Other operating expenses	(10,092,726)	969	(10,091,757)
Finance costs	(2,677,725)	(2,529,701)	(5,207,426)
Balance sheet			
Trade receivables	112,264,072	(7,542,041)	104,722,031
Trade payables	23,855,768	(6,685,865)	17,169,903
Other payables	23,090,174	(856,176)	22,233,998
Cash flow statement			
Increase in trade and other receivables	(25,683,686)	3,004,781	(22,678,905)
Increase in trade and other payables	5,150,702	(3,004,781)	2,145,921
<u>Company</u>			
Balance sheet			
Trade payables	2,601,116	18,202	2,619,318
Other payables	8,223,097	(18,202)	8,204,895
Income statement			
Cost of sales	(175,862,686)	1,467,158	(174,395,528)
Selling and distribution expenses	(14,761,463)	181	(14,761,282)
Finance costs	(810,838)	(1,467,339)	(2,278,177)

MALAYAN FLOUR MILLS BERHAD
(4260-M)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 11 to 82 are drawn up in accordance with applicable approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the results and cash flows of the Company and of the Group for the year ended on that date.

Signed at Kuala Lumpur this 13 April 2006

On behalf of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
Director

TEH WEE CHYE
Director

STATUTORY DECLARATION

I, QUAH BAN LEE, being the Director primarily responsible for the financial management of MALAYAN FLOUR MILLS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 11 to 82 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed Quah Ban Lee at)
Kuala Lumpur this 13 April 2006)

Before me,

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MALAYAN FLOUR MILLS BERHAD**
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 11 to 82 of Malayan Flour Mills Berhad. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2005 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

NO. SYARIKAT : 4260-M

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 14 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification except as disclosed in Note 14 and did not include any adverse comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

FOLKS DFK & CO.

NO. : AF 0502

CHARTERED ACCOUNTANTS

OOI CHEE KUN

NO. : 996/03/08(J/PH)

PARTNER

Kuala Lumpur

Date : 13 April 2006