

No. Syarikat : 4260-M

Malayan Flour Mills Berhad

(4260-M)

(Incorporated in Malaysia)

**Reports and Financial Statements
For the Year Ended 31 December 2006**

Folks DFK & Co.

Chartered Accountants

No. Syarikat : 4260-M

Malayan Flour Mills Berhad

(4260-M)
(Incorporated in Malaysia)

Reports and Financial Statements For the Year Ended 31 December 2006

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Malayan Flour Mills Berhad

(4260-M)

(Incorporated in Malaysia)

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December, 2006.

Principal Activities

The principal activities of the Company are to carry on the business of milling and selling wheat flour and trading in grains and other allied products.

The principal activities of the subsidiary companies are detailed in Note 13 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Profit before taxation	43,481,942	11,020,858
Taxation	(10,606,535)	(4,337,845)
Profit for the year	<u>32,875,407</u>	<u>6,683,013</u>
Attributable to :-		
Equity holders of the Company	28,300,815	6,683,013
Minority interests	4,574,592	-
Profit for the year	<u>32,875,407</u>	<u>6,683,013</u>

Reserves and Provisions

There were no material transfers made to or from reserves or provisions accounts during the financial 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 financial year ended 31 December, 2005, as proposed in the Directors' Report for that financial year, a final tax exempt dividend of 5 sen per ordinary share, paid on 3 July, 2006 | <u>RM4,839,830</u> |
| (b) In respect of the current financial year ended 31 December, 2006, an interim dividend of 5 sen per ordinary share, less tax at 27%, declared on 17 November, 2006 and paid on 18 January, 2007 | <u>RM3,840,479</u> |
| (c) The Directors recommend a final tax exempt dividend in respect of the current financial year ended 31 December, 2006 of 5 sen per ordinary share amounting to RM5,260,930. The financial statements for the current financial 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, 2007. | |

Share Capital

During the financial year, the issued and paid-up share capital of the Company was increased from RM95,762,606 to RM105,218,606 through the issue of 9,456,000 ordinary shares by way of :-

- (a) a Special Issue to approved Bumiputra investors ("Special Issue") of 5,000,000 new ordinary shares of RM1.00 each for cash at an issue price of RM1.77 per ordinary share to fulfil the minimum Bumiputra equity condition imposed by the Ministry of International Trade and Industry ("MITI") on approving the Rights, Bonus and Bonds Issue by the Company in 1995; and
- (b) the issue of 4,444,000 and 12,000 new ordinary shares of RM1.00 each for cash at an exercise price of RM1.58 and RM1.75 per ordinary share respectively pursuant to the Company's Employees' Share Option Scheme ("ESOS").

The Special Issue and ESOS were approved by the shareholders on 15 June, 2006 and 13 May, 2004 respectively.

All the new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

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 financial 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, 2004	RM1.58	6,812,000	-	(4,396,000)	(343,000)	2,073,000
14 April, 2006	RM1.58	-	198,000	(48,000)	-	150,000
22 June, 2006	RM1.67	-	220,000	-	-	220,000
1 July, 2006	RM1.75	-	14,000	(12,000)	-	2,000
2 September, 2006	RM1.85	-	50,000	-	-	50,000
19 September, 2006	RM1.91	-	50,000	-	-	50,000

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 one year for Malaysian employees (including executive directors) and at least three 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.
- (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.
- (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.

Employees' Share Option Scheme (Cont'd)

- (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.

The allocation of the options during the financial year to eligible employees were duly verified by the auditors in accordance with the By-Laws of the ESOS.

The Company had been granted a conditional exemption by the Companies Commission of Malaysia from the disclosure requirements pursuant to Section 169(11) of the Companies Act, 1965 to that of only disclosing options granted to employees of 100,000 or more under the ESOS.

The employee granted with 100,000 or more options under the ESOS during the financial year was as follows :-

Name of option holder	Grant date	Expiry date	Option over number of ordinary shares of RM1.00 each			Balance at end of year
			Balance at beginning of year	Granted/ (Exercised)	Ceased/ Lapsed	
Quah Ban Lee	22 June, 2006	27 May, 2007	-	200,000	-	200,000

The exercise price of the above ESOS is at RM1.67 per ordinary share.

Directors

The Directors in office since the date of the last Directors' Report on 13 April, 2006 are as follows :-

Tan Sri Datuk Arshad bin Ayub
Teh Wee Chye
Lee Soon Lee
Tan Sri Hamzah bin Abu Samah
Dato' Hj Shaharuddin bin Hj Haron
Geh Cheng Hooi
Quah Ban Lee
Dato' Ho Ung Hun (Appointed on 15 June, 2006)

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, Geh Cheng Hooi and Dato' Ho Ung Hun 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, Dato' Hj Shaharuddin bin Hj Haron retires by rotation 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 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 31.12.2006
		Balance at 1.1.2006	Acquired	Disposed	
Teh Wee Chye	Teh Wee Chye	456,500	-	-	456,500
Lee Soon Lee	Lee Soon Lee	6,000	200,000	(200,000)	6,000
Tan Sri Datuk Arshad bin Ayub	Tan Sri Datuk Arshad bin Ayub	85,285	3,017,400	-	3,102,685
Dato' Hj Shaharuddin bin Hj Haron	Dato' Hj Shaharuddin bin Hj Haron	200,000	200,000	-	400,000
Quah Ban Lee	Quah Ban Lee	35,000	-	-	35,000

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 31.12.2006
		Balance at 1.1.2006	Acquired	Disposed	
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	-	2,000,000
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

Interest in options over ordinary shares of the Company

Directors	Number of options over ordinary shares of RM1.00 each				Balance at 31.12.2006
	Balance at 1.1.2006	Granted	Exercised	Lapsed	
Lee Soon Lee	200,000	-	(200,000)	-	-
Quah Ban Lee	-	200,000	-	-	200,000

The exercise price of the options granted to Lee Soon Lee and Quah Ban Lee are RM1.58 and RM1.67 per share respectively.

Directors' Interests (Cont'd)

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 31.12.2006
		Balance at 1.1.2006	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	25,000,000	-	-	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

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 31.12.2006
		Balance at 1.1.2006	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	51,160,000	-	-	51,160,000

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 31.12.2006
		Balance at 1.1.2006	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

Directors' Interests (Cont'd)

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 31.12.2006
		Balance at 1.1.2006	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	16,001,000	-	-	16,001,000

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 31.12.2006 VND'000
		Balance at 1.1.2006 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 31.12.2006 VND'000
		Balance at 1.1.2006 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 financial year.

Other than as disclosed, no other Directors in office at the end of the financial year held any interest in shares or options over shares 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 following :-

- (a) Tan Sri Datuk Arshad bin Ayub acquired 3,000,000 new ordinary shares of RM1.00 each in the Company pursuant to the Special Issue as mentioned above.
- (b) Zalaraz Sdn Bhd, a company which is connected to Tan Sri Datuk Arshad bin Ayub, acquired 1,000,000 new ordinary shares of RM1.00 each in the Company pursuant to the Special Issue.
- (c) Dato' Hj Shaharuddin bin Hj Haron acquired 200,000 new ordinary shares of RM1.00 each in the Company pursuant to the Special Issue.
- (d) Quah Ban Lee had been granted 200,000 share options under the Company's ESOS.

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 Director 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 27 to the financial statements.

Other Statutory Information

- (a) Before the financial statements of the Group and the Company 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.

Other Statutory Information (Cont'd)

- (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 Group and the Company inadequate to any substantial extent;
 - (ii) which would render the values of current assets in the financial statements of the Group and the Company misleading;
 - (iii) which would have arisen which render adherence to the existing method of valuation of assets and liabilities of the Group and the Company misleading or inappropriate; and
 - (iv) not otherwise dealt with in this report or the financial statements of the Group and the Company 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 Group or of the Company 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 Group and the Company which has arisen since the end of the financial year.
- (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 Group and of the Company to meet their obligations when they fall due;
 - (ii) the results of the Group's and the Company'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 Group or of the Company for the financial year in which this report is made other than the matters disclosed in Note 32 to the financial statements.

No. Syarikat : 4260-M

Auditors

The auditors, Messrs. Folks DFK & Co. retires and does not seek re-appointment.

Signed in accordance with a resolution of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
Director

TEH WEE CHYE
Director

Kuala Lumpur

Date : 16 April, 2007

Malayan Flour Mills Berhad

(4260-M)
(Incorporated in Malaysia)
And Its Subsidiaries

Consolidated Income Statement For the Year Ended 31 December 2006

	Note	2006 RM	(Restated) 2005 RM
Continuing Operations			
Revenue			
Sales of Goods		794,226,083	738,461,544
Services		-	1,623,797
		<u>794,226,083</u>	<u>740,085,341</u>
Cost of sales			
Cost of inventories sold		(671,806,880)	(636,644,228)
Cost of services		-	(2,465,636)
		<u>(671,806,880)</u>	<u>(639,109,864)</u>
Gross profit		122,419,203	100,975,477
Other income		17,173,890	7,404,499
Selling and distribution expenses		(58,583,755)	(48,767,084)
Administrative expenses		(25,891,575)	(23,682,862)
Other expenses		(2,120,321)	(6,675,335)
Operating profit		52,997,442	29,254,695
Finance costs		(9,010,854)	(6,958,491)
Share of results of associated companies		(504,646)	602,026
Profit before taxation	5	43,481,942	22,898,230
Taxation	7	(10,606,535)	(6,453,469)
Profit for the year from continuing operations		32,875,407	16,444,761
Discontinued Operations			
Loss for the year from discontinued operations	28	-	(1,117,775)
Profit for the Year		<u>32,875,407</u>	<u>15,326,986</u>
Attributable to :			
Equity holders of the Company		28,300,815	10,425,005
Minority interests		4,574,592	4,901,981
Profit for the year		<u>32,875,407</u>	<u>15,326,986</u>

The notes set out on pages 25 to 106 form an integral part of the financial statements.

Malayan Flour Mills Berhad

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Consolidated Income Statement (Cont'd) For the Year Ended 31 December 2006

	Note	2006 RM	(Restated) 2005 RM
Earnings per share attributable to equity holders of the Company (sen)	8		
Basic, for profit from continuing operations		28.47	11.59
Basic, for loss from discontinued operations		-	(0.70)
Basic, for profit for the year		<u>28.47</u>	<u>10.89</u>
Diluted, for profit from continuing operations		28.16	N/A
Diluted, for loss from discontinued operations		-	N/A
Diluted, for profit for the year		<u>28.16</u>	<u>N/A</u>
Net dividend per share (sen)	9	<u>8.65</u>	<u>10.80</u>

The notes set out on pages 25 to 106 form an integral part of the financial statements.

Malayan Flour Mills Berhad

(4260-M)

(Incorporated in Malaysia)

And Its Subsidiaries

Consolidated Balance Sheet as at 31 December 2006

			(Restated)
	Note	2006 RM	2005 RM
Assets			
Non-Current Assets			
Property, plant and equipment	10	204,774,685	209,262,797
Investment properties	11	5,790,373	5,847,085
Intangible assets	12	2,965,859	3,050,874
Investments in associates	14	972,000	1,476,642
Other investments	15	597,335	606,676
Deferred tax assets	16	2,016,874	3,298,486
		217,117,126	223,542,560
Current Assets			
Inventories	17	233,962,074	131,731,510
Trade and other receivables	18	144,765,093	116,331,167
Tax recoverable		947,866	848,161
Deposits, cash and bank balances	19	54,661,666	68,466,089
		434,336,699	317,376,927
Total Assets		651,453,825	540,919,487

The notes set out on pages 25 to 106 form an integral part of the financial statements.

Malayan Flour Mills Berhad

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Consolidated Balance Sheet as at 31 December 2006 (Cont'd)

		2006 RM	(Restated) 2005 RM
	Note		
Equity and Liabilities			
Equity Attributable to Equity Holders of the Company			
Share capital	20	105,218,606	95,762,606
Reserves	21	207,834,011	191,030,559
		313,052,617	286,793,165
Minority Interests		29,612,319	27,817,281
Total Equity		342,664,936	314,610,446
Non-Current Liabilities			
Deferred tax liabilities	16	7,685,984	7,053,971
Retirement benefits	22	670,301	525,662
		8,356,285	7,579,633
Current Liabilities			
Trade and other payables	23	57,241,901	51,515,074
Bank borrowings	24	236,902,464	162,028,669
Tax payable		2,447,760	1,738,211
Dividend payable	9	3,840,479	3,447,454
		300,432,604	218,729,408
Total Liabilities		308,788,889	226,309,041
Total Equity and Liabilities		651,453,825	540,919,487

The notes set out on pages 25 to 106 form an integral part of the financial statements.

Malayan Flour Mills Berhad

(4260-M)

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And Its Subsidiaries**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2006**

	Attributable to Equity Holders of the Company				Retained Profits RM	Total RM	Minority Interests RM	Total Equity RM
	Non-Distributable		Distributable					
	Share Capital RM	Share Premium RM	Other Reserves RM	Exchange Translation Differences RM				
Balance at 1 January 2005	95,762,606	47,626,617	26,983,908	(1,014,686)	118,656,562	288,015,007	25,383,576	313,398,583
Currency translation loss recognised directly in equity	-	-	-	(1,304,485)	-	(1,304,485)	(226,928)	(1,531,413)
Profit for the year	-	-	-	-	10,425,005	10,425,005	4,901,981	15,326,986
Total recognised income and expense for the year	-	-	-	(1,304,485)	10,425,005	9,120,520	4,675,053	13,795,573
Acquisition of minority interests	-	-	-	-	-	-	(1,672,035)	(1,672,035)
Dividends to equity holders of the Company (Note 9)	-	-	-	-	(10,342,362)	(10,342,362)	-	(10,342,362)
Dividend to minority interests	-	-	-	-	-	-	(569,313)	(569,313)
Balance at 31 December 2005	95,762,606	47,626,617	26,983,908	(2,319,171)	118,739,205	286,793,165	27,817,281	314,610,446

The notes set out on pages 25 to 106 form an integral part of the financial statements.

Malayan Flour Mills Berhad

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And Its Subsidiaries**Consolidated Statement of Changes in Equity (Cont'd)
For the Year Ended 31 December 2006**

	Attributable to Equity Holders of the Company							
	Non-Distributable			Distributable		Total RM	Minority Interests RM	Total Equity RM
Share Capital RM	Share Premium RM	Other Reserves RM	Exchange Translation Differences RM	Retained Profits RM				
Balance at 1 January 2006	95,762,606	47,626,617	26,983,908	(2,319,171)	118,739,205	286,793,165	27,817,281	314,610,446
Currency translation loss recognised directly in equity	-	-	-	(9,368,295)	-	(9,368,295)	(1,664,724)	(11,033,019)
Profit for the year	-	-	-	-	28,300,815	28,300,815	4,574,592	32,875,407
Total recognised income and expense for the year	-	-	-	(9,368,295)	28,300,815	18,932,520	2,909,868	21,842,388
Issue of shares :								
- Special Issue for cash (Note 20)	5,000,000	3,850,000	-	-	-	8,850,000	-	8,850,000
- pursuant to ESOS (Note 20)	4,456,000	2,608,880	(22,360)	-	-	7,042,520	-	7,042,520
Share issue expenses	-	(55,699)	-	-	-	(55,699)	-	(55,699)
Share options granted under ESOS (Note 20)	-	-	170,420	-	-	170,420	-	170,420
Dividends to equity holders of the Company (Note 9)	-	-	-	-	(8,680,309)	(8,680,309)	-	(8,680,309)
Dividend to minority interests	-	-	-	-	-	-	(1,114,830)	(1,114,830)
Balance at 31 December 2006	105,218,606	54,029,798	27,131,968	(11,687,466)	138,359,711	313,052,617	29,612,319	342,664,936

The notes set out on pages 25 to 106 form an integral part of the financial statements.

Malayan Flour Mills Berhad

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And Its Subsidiaries**Consolidated Cash Flow Statement
For the Year Ended 31 December 2006**

	2006 RM	(Restated) 2005 RM
Cash Flows from Operating Activities		
Profit/(Loss) before taxation :		
- from continuing operations	43,481,942	22,898,230
- from discontinued operations	-	(1,117,775)
Adjustments for :-		
Share of results of associated companies	504,646	(602,026)
Defined benefit obligations	209,830	34,343
Depreciation of property, plant and equipment	20,406,245	19,756,028
Depreciation of investment properties	56,712	56,720
Amortisation of intangible assets	1,199,273	895,051
Interest expenses	9,010,854	6,958,491
Gain on disposal of property, plant and equipment	(8,674,432)	(408,427)
Property, plant and equipment written off	28,822	5,134
Allowance for impairment of property, plant and equipment	709,064	14,224
Allowance for doubtful debts	1,380,296	2,129,774
Gain on disposal of quoted investment	(1,720)	(2,172)
Net unrealised loss/(gain) on foreign currency exchange	93,508	(37,304)
Interest income	(3,857,819)	(2,616,334)
Inventories written off	292,239	8,118
Share options granted under ESOS	170,420	-
Allowance for old and slow moving inventories written back	(2,260,787)	-
Reversal of provision for settlement of legal claim	(250,000)	-
Allowance for diminution in value of quoted investment written back	(892)	-
Bad debts written off	195,252	59,757
Allowance for old and slow moving inventories	-	2,644,935
Allowance for diminution in value of quoted investments	-	1,124,872
Allowance for diminution in value of unquoted investment	-	2,086,971
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
Operating profit before working capital changes	62,693,453	56,144,075
Increase in trade and other receivables	(33,428,312)	(4,758,078)
(Increase)/Decrease in inventories	(102,225,866)	36,690,616
Increase in trade and other payables	6,737,806	9,902,267
Cash (utilised in)/generated from operations	(66,222,919)	97,978,880

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Consolidated Cash Flow Statement (Cont'd) For the Year Ended 31 December 2006

	2006 RM	(Restated) 2005 RM
Cash Flows from Operating Activities (Cont'd)		
Net taxation paid	(7,970,085)	(2,706,008)
Interest received	3,857,819	2,616,334
Interest paid	(9,010,854)	(6,958,491)
Retirement benefits paid	(19,242)	(14,337)
Net cash (used in)/from operating activities	<u>(79,365,281)</u>	<u>90,916,378</u>
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	11,683,732	525,497
Proceeds from disposal of quoted investment	7,060	9,712
Purchase of property, plant and equipment	(25,425,949)	(9,604,875)
Purchase of intangible assets	(1,153,679)	(3,065,401)
Investment in an associated company (Note 14(a))	(4)	-
Purchase of investments	-	(1,646,810)
Acquisition of shares in a subsidiary company from a minority shareholder (Note 13(c)(i))	-	(1,612,500)
Net cash used in investing activities	<u>(14,888,840)</u>	<u>(15,394,377)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of shares	15,892,520	-
Share issue expenses	(55,699)	-
Dividends paid to equity holders of the Company	(8,287,284)	(6,894,908)
Dividends paid to minority shareholders of a subsidiary company	(1,114,830)	(569,313)
Net increase/(decrease) in bank borrowings	78,077,232	(30,280,469)
Net cash from/(used in) financing activities	<u>84,511,939</u>	<u>(37,744,690)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(9,742,182)	37,777,311
Cash and cash equivalents at beginning of year	68,466,089	31,024,413
Foreign currency exchange differences on opening balances	(4,115,837)	(335,635)
Cash and Cash Equivalents at End of Year (Note 25)	<u><u>54,608,070</u></u>	<u><u>68,466,089</u></u>

The notes set out on pages 25 to 106 form an integral part of the financial statements.

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Income Statement For the Year Ended 31 December 2006

	Note	2006 RM	(Restated) 2005 RM
Revenue		222,874,255	213,094,204
Cost of sales		(173,995,481)	(176,456,514)
Gross profit		<u>48,878,774</u>	<u>36,637,690</u>
Other income		14,691,601	3,479,343
Selling and distribution expenses		(19,043,478)	(15,467,960)
Administrative expenses		(15,173,785)	(12,102,631)
Other expenses		(14,753,542)	(2,098,628)
Operating profit		<u>14,599,570</u>	<u>10,447,814</u>
Finance Costs		(3,578,712)	(2,878,123)
Profit before taxation	5	<u>11,020,858</u>	<u>7,569,691</u>
Taxation	7	(4,337,845)	(2,890,152)
Profit for the Year		<u><u>6,683,013</u></u>	<u><u>4,679,539</u></u>
Net dividend per share (sen)	9	<u><u>8.65</u></u>	<u><u>10.80</u></u>

The notes set out on pages 25 to 106 form an integral part of the financial statements.

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Balance Sheet as at 31 December 2006

			(Restated)
	Note	2006 RM	2005 RM
Assets			
Non-Current Assets			
Property, plant and equipment	10	68,708,936	69,504,578
Investment properties	11	5,519,287	5,575,999
Intangible assets	12	2,550,369	2,565,589
Investments in subsidiaries	13	149,316,363	150,616,363
Investments in associates	14	4	-
Other investments	15	60,011	64,459
		<u>226,154,970</u>	<u>228,326,988</u>
Current Assets			
Inventories	17	95,230,041	52,847,460
Trade and other receivables	18	109,729,842	95,332,476
Tax recoverable		388,913	168,176
Deposits, cash and bank balances	19	8,431,957	11,902,162
		<u>213,780,753</u>	<u>160,250,274</u>
Total Assets		<u><u>439,935,723</u></u>	<u><u>388,577,262</u></u>
Equity and Liabilities			
Equity			
Share capital	20	105,218,606	95,762,606
Reserves	21	184,183,919	179,629,974
Total Equity		<u>289,402,525</u>	<u>275,392,580</u>
Non-Current Liabilities			
Deferred tax liabilities	16	7,685,984	6,641,971
Current Liabilities			
Trade and other payables	23	26,033,764	22,286,594
Bank borrowings	24	112,972,971	80,808,663
Dividend payable	9	3,840,479	3,447,454
		<u>142,847,214</u>	<u>106,542,711</u>
Total Liabilities		<u>150,533,198</u>	<u>113,184,682</u>
Total Equity and Liabilities		<u><u>439,935,723</u></u>	<u><u>388,577,262</u></u>

The notes set out on pages 25 to 106 form an integral part of the financial statements.

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**Statement of Changes in Equity
For the Year Ended 31 December 2006**

	Share Capital RM	Share Premium RM	Other Reserves RM	Retained Profits RM	Total RM
Balance at 1 January 2005	95,762,606	47,626,617	19,310,647	118,355,533	281,055,403
Total recognised income and expense for the year - Profit for the year	-	-	-	4,679,539	4,679,539
Dividends to equity holders of the Company (Note 9)	-	-	-	(10,342,362)	(10,342,362)
Balance at 31 December 2005	95,762,606	47,626,617	19,310,647	112,692,710	275,392,580
Balance at 1 January 2006	95,762,606	47,626,617	19,310,647	112,692,710	275,392,580
Total recognised income and expense for the year - Profit for the year	-	-	-	6,683,013	6,683,013
Issue of shares :					
- special issue for cash (Note 20)	5,000,000	3,850,000	-	-	8,850,000
- pursuant to ESOS (Note 20)	4,456,000	2,608,880	(22,360)	-	7,042,520
Share issue expenses	-	(55,699)	-	-	(55,699)
Share options granted under ESOS (Note 20)	-	-	170,420	-	170,420
Dividends to equity holders of the Company (Note 9)	-	-	-	(8,680,309)	(8,680,309)
Balance at 31 December 2006	105,218,606	54,029,798	19,458,707	110,695,414	289,402,525

The notes set out on pages 25 to 106 form an integral part of the financial statements.

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**Cash Flow Statement
For the Year Ended 31 December 2006**

	2006	(Restated)
	RM	2005
		RM
Cash Flows from Operating Activities		
Profit before taxation	11,020,858	7,569,691
Adjustments for :-		
Depreciation of property, plant and equipment	5,258,153	4,588,750
Depreciation of investment properties	56,712	56,720
Amortisation of intangible assets	1,117,267	808,720
Interest expenses	3,578,712	2,878,123
Allowance for impairment of investment in a subsidiary company	1,300,000	-
Allowance for doubtful debts	2,563	604,956
Allowance for doubtful debts in respect of amount owing by a subsidiary company	13,436,191	-
Allowance for diminution in value of quoted investment	-	2,897
Allowance for diminution in value of unquoted investment	-	2,086,971
Bad debts written off	-	4,994
Property, plant and equipment written off	28,822	2,860
Share-based payment under ESOS	170,420	-
Interest income	(321,739)	(130,232)
Gain on disposal of property, plant and equipment	(8,480,060)	(159,231)
Gain on disposal of quoted investment	(1,720)	-
Dividend income	(3,801,270)	(2,049,902)
Write back of diminution in value of quoted investment	(892)	-
Operating profit before working capital changes	23,364,017	16,265,317
(Increase)/Decrease in subsidiary companies' balances	(23,089,412)	131,952
(Increase)/Decrease in inventories	(42,382,581)	8,547,875
Increase in trade and other receivables	(4,442,244)	(320,340)
Increase in trade and other payables	3,442,706	6,064,635
Cash (utilised in)/generated from operations	(43,107,514)	30,689,439
Interest received	321,739	130,232
Interest paid	(3,578,712)	(2,878,123)
Net taxation paid	(3,178,569)	(1,836,693)
Net cash (used in)/from operating activities	(49,543,056)	26,104,855

The notes set out on pages 25 to 106 form an integral part of the financial statements.

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Cash Flow Statement (Cont'd) For the Year Ended 31 December 2006

	2006	2005
	RM	RM
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	11,397,708	209,459
Proceeds from disposal of quoted investment	7,060	-
Purchase of property, plant and equipment	(7,408,981)	(4,085,956)
Purchase of intangible assets	(1,102,047)	(3,065,401)
Acquisition of additional shares in subsidiary companies (Note 13(c))	-	(1,612,501)
Investment in an associated company (Note 14(a))	(4)	-
Dividend received from subsidiary companies	3,465,270	2,193,902
Net cash from/(used in) investing activities	<u>6,359,006</u>	<u>(6,360,497)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of shares	15,892,520	-
Share issue expenses	(55,699)	-
Dividends paid to equity holders of the Company	(8,287,284)	(6,894,908)
Net increase/(decrease) in bank borrowings	32,110,712	(2,143,358)
Net cash from/(used in) financing activities	<u>39,660,249</u>	<u>(9,038,266)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(3,523,801)	10,706,092
Cash and cash equivalents at beginning of year	11,902,162	1,196,070
Cash and Cash Equivalents at End of Year (Note 25)	<u>8,378,361</u>	<u>11,902,162</u>

The notes set out on pages 25 to 106 form an integral part of the financial statements.

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Notes to the Financial Statements - 31 December 2006

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 and trading in grains and other allied products. The principal activities of the Group are the milling and selling of wheat flour, trading in grains, manufacture and sales of animal feeds and related raw materials, processing and sale of poultry products, breeding and sale of day-old chicks, sale of eggs and contract farming.

The financial statements are presented in Ringgit Malaysia (RM).

The financial statements were authorised for issue by the Board of Directors on 16 April 2007.

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.

2. Financial Instruments and Financial Risk Management (Cont'd)

- (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.

(i) Foreign Currency Risk

The Group's foreign currency risk exposure is mainly due to purchases denominated in United States Dollar (USD). The USD is currently being 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.

2. Financial Instruments and Financial Risk Management (Cont'd)

(b) (Cont'd)

(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.

(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 financial year other than the adoption of the new and revised Financial Reporting Standards (FRSs) which are mandatory for the financial period beginning on or after 1 January 2006 as described hereunder :-

Adoption of New and Revised FRSs

(a) FRSs That Are Effective

During the financial year, the Group has adopted the following new and revised FRSs that are relevant to its operations and which are mandatory for the financial period beginning on or after 1 January 2006 :-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

All the changes in accounting policies have been made in accordance with the transition provisions in the respective standards, where applicable.

A summary of the effects of the new accounting standards and amendments to existing standards on the financial statements of the Group and of the Company is set out in Note 26.

(b) FRSs That Are Not Yet Effective and Have Not Been Early Adopted

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective :-

FRS 117	Leases
FRS 119	Amendment to FRS 119 ₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 121	Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments : Recognition and Measurement

3. Significant Accounting Policies (Cont'd)

Adoption of New and Revised FRSs (Cont'd)

(b) FRSs That Are Not Yet Effective and Have Not Been Early Adopted (Cont'd)

FRS 117 : Leases

FRS 117 shall be effective for accounting period beginning on or after 1 October 2006. FRS 117 requires the classification of leasehold land as prepaid lease payments. The adoption shall not have any significant financial impact on the financial statements of the Group.

FRS 119 : Amendment to FRS 119₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

This standard will be effective for accounting period beginning on or after 1 January 2007. The amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements as well as additional recognition requirements for multi-employer plans. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.

FRS 121 : Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

FRS 121 is effective for accounting period beginning on or after 1 July 2007. It requires that all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in a separate component of the equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. The adoption of this amendment shall not have any financial impact on the financial statements of the Group.

FRS 124 : Related Party Disclosures

FRS 124 is effective for accounting period beginning on or after 1 October 2006. This standard will affect the identification of related parties and some other related party disclosures. The adoption will only affect disclosures and will have no financial impact on the financial statements.

FRS 139 : Financial Instruments - Recognition and Measurement

The effective date of this standard is yet to be determined by the Malaysian Accounting Standards Board (MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective. The impact of applying FRS 139 on these financial statements upon first adoption of this standard is not disclosed by virtue of the exemption provided under paragraph 103AB of FRS 139.

3. Significant Accounting Policies (Cont'd)

3.1 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 the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards for Entities Other Than Private Entities requires management to exercise their judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period. Although these judgement and estimates are based on the management's best knowledge of current events and actions, actual results may differ. The areas involving a high degree of judgement or complexity or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 4 to the financial statements.

3.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are those entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Acquisition of subsidiaries are accounted for using the purchase method of accounting. Under the purchase method, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for non-current assets that are classified as held for sale which shall be recognised at fair value less costs to sell. The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

3. Significant Accounting Policies (Cont'd)

3.2 Basis of Consolidation (Cont'd)

Minority interest represents that portion of profit or loss and net assets of a subsidiary attributable to equity interest that are not held by the Group. Minority interest is measured at the minority's share of the post-acquisition fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minority's share of changes in the subsidiary's equity since then.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profit until the minority's share of losses previously absorbed by the Group has been recovered.

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.

3.3 Goodwill on Consolidation

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is recognised as an asset and is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of assets.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

3. Significant Accounting Policies (Cont'd)

3.4 Intangible Assets - Computer Software

The costs of computer software licences acquired are capitalised as an intangible asset. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on the straight line basis over period the assets are expected to generate economic benefits.

Costs associated with developing computer software programs that will generate probable future economic benefits from their use thereof are recognised as intangible assets. Costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

3.5 Investments in Associates

An associate is an entity, including an unincorporated entity, in which the Group has significant influence but not control or joint control over the financial and operating policies of such an entity.

Investments in associates are accounted for in the consolidated financial statements by using the equity method of accounting. Under the equity method of accounting, the Group's share of profit or loss of the associate is included in the consolidated income statement and the Group's share of post-acquisition reserves 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 associate is reached unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

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

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

In applying the equity method of accounting, the latest audited financial statements of the associate are used. Where the reporting dates of the Group and the associate are not coterminous, equity accounting is applied on the management accounts made to the financial year end of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

3. Significant Accounting Policies (Cont'd)

3.6 Investments

(a) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates 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.

(b) Other Non-Current 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.

3.7 Property, Plant and Equipment and Depreciation

Items of 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. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The Group 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.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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 to their residual values 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)

3.7 Property, Plant and Equipment and Depreciation

The principal annual rates used are :-

Buildings	2 - 10%
Jetty	2%
Plant, machinery, fixtures and equipment	5 - 25%
Motor vehicles and boats	10 - 20%

The residual values and useful lives of assets are reviewed at each financial year end and adjusted if appropriate where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

3.8 Investment Properties

Investment properties are land and buildings which are held for rental yields or for capital appreciation or for both or land held for a currently undetermined future use. The investment properties are stated at cost less accumulated depreciation and impairment losses. The depreciation policy adopted for investment properties is similar to property assets under property, plant and equipment as disclosed under Note 3.7. Investment properties are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period of the retirement or disposal.

3.9 Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured at the lower of the carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

3. Significant Accounting Policies (Cont'd)

3.10 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.

3.11 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.

3.12 Trade and Other Payables

Trade and other payables are stated at cost.

3.13 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. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

3. Significant Accounting Policies (Cont'd)

3.14 Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

3.15 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 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.

3.16 Income Tax

Tax expense/(income) is the aggregate amount of current and deferred tax included in the determination of 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 reviewed at each balance sheet date and 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.

3.17 Employee Benefits

(a) 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)

3.17 Employee Benefits (Cont'd)

(b) Post-Employment Benefits

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.

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 employees' earnings 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)

3.17 Employee Benefits (Cont'd)

(b) Post-Employment Benefits (Cont'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. Termination benefits falling over more than twelve months after the balance sheet date are discounted to present value.

(c) Share-based Compensation

The Group operates an equity-settled, share-based compensation plan for eligible employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to the original estimates, if any, in the profit or loss, and a corresponding adjustment to equity. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

3. Significant Accounting Policies (Cont'd)

3.18 Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in equity. Exchange differences arising from such non-monetary items are recognised directly to equity.

(c) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows :-

- (i) Assets and liabilities for each balance sheet date presented are translated at the closing rate prevailing at the balance sheet date;
- (ii) Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

3. Significant Accounting Policies (Cont'd)

3.18 Foreign Currencies (Cont'd)

(c) Foreign Operations (Cont'd)

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in the income statement of the Company or of the foreign operation, as appropriate. In the Group financial statements, such exchange differences are recognised initially in equity and will be recognised in the income statement only upon disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

3.19 Impairment of Assets

The carrying amounts of non-financial assets (other than inventories, deferred tax assets and non-current assets or disposal groups held for sale) are reviewed for impairment at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to the income statement in the period in which it arises, 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.

3. Significant Accounting Policies (Cont'd)

3.19 Impairment of Assets

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised to the income statement unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3.20 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.

(a) 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 3.7 above.

(b) 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)

3.21 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.

3.22 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services in the ordinary course of the Group's activities. Revenue is recognised when it can be measured reliably and to the extent that it is probable that the economic benefits associated to the transactions will flow to the Group. The following specific recognition criteria must also be met before revenue is recognised :-

(a) Sales of Goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership to the buyer of the goods, net of discounts and returns. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Revenue from Services

Revenue from services is recognised upon rendering of services.

(c) Rental Income

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

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

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(e) Dividend Income

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

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

3. Significant Accounting Policies (Cont'd)

3.23 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.

3.24 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. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Deferred tax assets

Deferred tax assets are recognised for unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses, capital allowances and other deductible temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment on the probability of the availability of future taxable profits. The total carrying amount of deferred tax assets recognised on unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences of the Group as at balance sheet date is RM8,317,013 (2005 : RM10,504,310).

The unrecognised unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences are disclosed under Note 16(b) and the unrecognised deferred tax assets in connection thereto at balance sheet date is estimated at RM23,586,507 (2005 : RM22,466,619).

(b) Retirement Benefits

The Group's retirement benefits for eligible employees was measured by an actuarial valuation using the Projected Unit Credit Method. According to this method, several statistical information and assumptions are used to determine the expense and liability. Statistical information is principally related to demographic assumptions such as mortality, employee turnover and early retirement. The assumptions are mainly discount rate and future salary increase rate. These assumptions are disclosed in Note 22(d) to the financial statements.

(c) Share-Based Payment

The fair value of the share options granted was measured by using the Binomial Option Pricing Model. The valuation model requires certain assumptions to be made and the details of the assumptions used are disclosed in Note 20(b)(iii) to the financial statements.

5. Profit Before Taxation

	Group (Restated)		Company (Restated)	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before taxation is stated after charging :-				
Auditors' remuneration :				
- Statutory audit :				
- current year	191,405	192,417	40,000	34,000
- net underprovision in prior year	2,101	1,385	6,000	-
- Other services	7,500	10,500	7,500	10,500
Depreciation of :				
- property, plant and equipment	20,406,245	19,756,028	5,258,153	4,588,750
- investment properties	56,712	56,720	56,712	56,720
Amortisation of intangible assets	1,199,273	895,051	1,117,267	808,720
Directors' emoluments	3,043,541	2,572,914	2,011,185	1,231,961
Directors' fees	457,690	246,681	427,397	211,178
Interest expenses	9,010,854	6,958,491	3,578,712	2,878,123
Rental of land and buildings	3,821,186	2,502,911	568,890	641,081
Defined benefit obligations	209,830	34,343	-	-
Bad debts written off :				
- amount due from subsidiary companies	-	-	-	944
- others	195,252	59,757	-	4,050
Allowance for doubtful debts :				
- amount due from a subsidiary company	-	-	13,436,191	-
- others	1,380,296	2,129,774	2,563	604,956
Allowance for diminution in value of :				
- quoted investments	-	1,124,872	-	2,897
- unquoted investment	-	2,086,971	-	2,086,971
Allowance for old and slow moving inventories	-	2,644,935	-	-
Inventories written off	292,239	8,118	-	-
Property, plant and equipment written off	28,822	5,134	28,822	2,860

5. Profit Before Taxation (Cont'd)

	Group (Restated)		Company (Restated)	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before taxation is stated after charging (cont'd) :-				
Loss on foreign currency exchange :				
- realised	809,139	755,306	-	1,875
- unrealised	93,508	-	-	-
Provision for settlement of legal claims	-	2,000,000	-	-
Allowance for impairment of :				
- property, plant and equipment	709,064	14,224	-	-
- a subsidiary company	-	-	1,300,000	-
Direct operating expenses of investment properties during the financial year :				
- revenue generating	53,447	43,805	53,447	43,805
- non-revenue generating	292	5,856	-	-
Death gratuity paid/ payable in respect of a former Director of a subsidiary company	35,000	315,000	-	-
Estimated value of benefits-in-kind of Directors	105,013	69,983	71,100	41,933

and crediting :-

Dividends from :				
- subsidiary companies :				
- non tax exempt	-	-	1,200,000	720,000
- tax exempt	-	-	2,601,270	1,329,902
Gain on disposal of property, plant and equipment	8,674,432	408,427	8,480,060	159,231
Gain on disposal of quoted investment	1,720	2,172	1,720	-
Interest income	3,857,819	2,616,334	321,739	130,232
Jetty income	557,599	383,872	557,599	383,872
Rental income from :				
- investment properties	204,600	213,290	240,120	248,810
- others	95,237	327,014	568,044	425,611
Negative goodwill on consolidation recognised as income	-	59,535	-	-

5. Profit Before Taxation (Cont'd)

	Group (Restated)		Company (Restated)	
	2006 RM	2005 RM	2006 RM	2005 RM
and crediting (cont'd) :-				
Gain on foreign currency exchange :				
- realised	-	-	681	-
- unrealised	-	37,304	-	-
Allowance for diminution in value of quoted investment written back	892	-	892	-
Allowance for old and slow moving inventories written back	2,260,787	-	-	-
Reversal of provision for settlement of legal claim	250,000	-	-	-

6. Employee Benefits Expenses

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Staff costs comprised :-				
Salaries, wages, bonuses, allowances and leave pay	53,569,802	45,283,201	20,680,701	14,005,355
Amount contributed under defined contribution plan :				
- Employees Provident Fund (EPF)	5,864,657	4,938,337	2,861,437	2,131,623
Share options granted under ESOS	170,420	-	170,420	-
Defined benefit obligations	209,830	34,343	-	-
Death gratuity paid/ payable in respect of a former Director	35,000	315,000	-	-
Others	2,527,383	2,824,660	1,032,930	1,154,980
	<u>62,377,092</u>	<u>53,395,541</u>	<u>24,745,488</u>	<u>17,291,958</u>

The number of employees of the Group and the Company at end of the financial year were 2,246 (2005 : 2,320) and 563 (2005 : 451) respectively.

7. Taxation

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current year tax expense :				
- Malaysian income tax	(4,518,941)	(3,348,278)	(3,104,153)	(2,911,600)
- foreign tax	(4,033,637)	(2,869,588)	-	-
	<u>(8,552,578)</u>	<u>(6,217,866)</u>	<u>(3,104,153)</u>	<u>(2,911,600)</u>
Deferred tax (expense)/ income resulting from the origination and reversal of temporary differences				
- Malaysian income tax	(912,913)	(482,526)	(1,265,777)	(22,777)
- foreign tax	95,864	-	-	-
Write down of deferred tax assets	(1,177,967)	-	-	-
Effects of change in tax rate	145,065	-	235,171	-
	<u>(10,402,529)</u>	<u>(6,700,392)</u>	<u>(4,134,759)</u>	<u>(2,934,377)</u>
Current taxation over/ (under) provided in prior years :				
- Malaysian income tax	202,685	1,013,176	181,554	980,419
- foreign tax	-	(63,474)	-	-
Deferred tax (under)/over provided in prior years :				
- Malaysian income tax	(35,458)	(1,049,599)	(13,407)	(936,194)
- foreign tax	-	346,820	-	-
Real Property Gains Tax	(371,233)	-	(371,233)	-
Total tax expense	<u>(10,606,535)</u>	<u>(6,453,469)</u>	<u>(4,337,845)</u>	<u>(2,890,152)</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 (2005 : RM500,000) of taxable income is 20% and the rate for taxable income in excess of RM500,000 (2005 : RM500,000) remained at 28%. Effective from the year of assessment 2007, the statutory income tax rate will be reduced to 27% and to 26% for the year of assessment 2008 as announced in the 2007 Budget. The computation of deferred taxation as at 31 December 2006 has reflected these changes.

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

7. Taxation (Cont'd)

- (b) A reconciliation of tax expense applicable to the profit 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	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit/(Loss) before taxation :				
- from continuing operations	43,481,942	22,898,230	11,020,858	7,569,691
- from discontinued operations	-	(1,117,775)	-	-
	<u>43,481,942</u>	<u>21,780,455</u>	<u>11,020,858</u>	<u>7,569,691</u>
Taxation at the rate of 28% (2005 : 28%)	12,174,944	6,098,527	3,085,840	2,119,513
Tax savings attributable to profit taxed at the rate of 20% (2005 : 20%)	-	(40,000)	-	-
Net taxation at applicable tax rates	12,174,944	6,058,527	3,085,840	2,119,513
Tax effect in respect of :-				
Different tax rates in foreign jurisdictions	(3,112,539)	(1,961,764)	-	-
Income not subject to tax	(4,185,340)	(1,115,881)	(3,085,989)	(407,542)
Expenses not deductible for taxation purposes	3,413,374	2,515,738	5,427,593	1,280,714
Double deduction of expenses	(87,544)	(80,227)	(57,514)	(58,308)
Tax savings arising from utilisation of group relief	(1,000,000)	-	(1,000,000)	-
Tax savings arising from utilisation of previously unrecognised unabsorbed tax losses and deductible temporary differences	-	(211,312)	-	-
Deferred tax assets not recognised	2,166,732	1,495,311	-	-
Real Property Gains Tax	371,233	-	371,233	-
Effects of change in tax rate	(145,065)	-	(235,171)	-
Write down of deferred tax assets	1,177,967	-	-	-
Taxation (over)/under provided in prior years :				
- current tax expense	(202,685)	(949,702)	(181,554)	(980,419)
- deferred taxation	35,458	702,779	13,407	936,194
Total tax expense	<u>10,606,535</u>	<u>6,453,469</u>	<u>4,337,845</u>	<u>2,890,152</u>

7. 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	
	2006 RM	2005 RM	2006 RM	2005 RM
Unabsorbed tax losses	51,810,293	53,876,875	-	-
Unutilised capital allowances	56,577,755	52,062,200	-	-
	<u>108,388,048</u>	<u>105,939,075</u>	<u>-</u>	<u>-</u>
Estimated tax effect thereon	<u>29,264,773</u>	<u>29,662,941</u>	<u>-</u>	<u>-</u>

8. Earnings Per Share**(a) Basic**

The basic earnings per share is calculated on the profit for the year attributable to equity holders of the Company and is based on the weighted average number of ordinary shares in issue during the year.

	2006 RM	2005 RM
Profit from continuing operations attributable to equity holders of the Company	28,300,815	11,095,670
Loss from discontinued operations attributable to equity holders of the Company	-	(670,665)
Profit attributable to equity holders of the Company	<u>28,300,815</u>	<u>10,425,005</u>
	2006 No.	2005 No.
Weighted average number of ordinary share in issue	<u>99,414,847</u>	<u>95,762,606</u>
	2006 RM	2005 RM
Basic earnings per share for (sen) :		
- Profit from continuing operations	28.47	11.59
- Loss from discontinued operations	-	(0.70)
Profit for the year	<u>28.47</u>	<u>10.89</u>

8. Earnings Per Share (Cont'd)

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares arising from the Special Issue to approved Bumiputra investors ("Special Issue") and assumed exercise of the share options under the Employees' Share Option Scheme.

	2006 RM	2005 RM
Profit attributable to equity holders of the Company (profit used to determine diluted earnings per share)	28,300,815	N/A
	2006 No.	2005 No.
Weighted average number of ordinary share in issue	99,414,847	N/A
Effect of dilution from :		
- Share options	891,174	N/A
- Special Issue	199,190	N/A
	<u>100,505,211</u>	<u>N/A</u>
	2006 RM	2005 RM
Diluted earnings per share (sen)	<u>28.16</u>	<u>N/A</u>

The effect on the basic earnings per share for the previous financial year arising from the assumed exercise of the share options under the Employees' Share Option Scheme is anti-dilutive. Accordingly, the diluted earnings per share for the previous financial year had not been presented.

9. Dividends

	Group and Company (Restated)	
	2006 RM	2005 RM
Declared during the financial year :-		
Interim		
5 sen per ordinary share, less tax at 27% (2005 : 5 sen per ordinary share, less tax at 28%)	3,840,479	3,447,454
Final		
Final dividend for 2005 : 5 sen per ordinary share, tax exempt	4,839,830	-
Final dividend for 2004 : 10 sen per ordinary share, less tax at 28%	-	6,894,908
	<u>8,680,309</u>	<u>10,342,362</u>

A final tax exempt dividend in respect of the current year ended 31 December 2006 of 5 sen per ordinary share amounting to RM5,260,930 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 2007.

The comparative amount has been previously reported as RM8,235,584 and has been restated to conform with the current year's presentation. Correspondingly, the dividend per share previously reported at 8.60 sen per share has been restated to 10.80 sen per share.

10. Property, Plant and Equipment

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

Group						Plant, machinery, fixtures and equipment	Motor vehicles and boat	Capital work-in- progress	Total
2006	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	RM	RM	RM	RM
Cost/Valuation									
Balance at 1 January 2006									
- At cost	1,346,338	8,033,657	8,776,274	178,303,059	459,288	256,026,281	36,258,118	4,460,020	493,663,035
- At valuation	-	2,063,492	-	21,707,356	6,072,795	-	-	-	29,843,643
	<u>1,346,338</u>	<u>10,097,149</u>	<u>8,776,274</u>	<u>200,010,415</u>	<u>6,532,083</u>	<u>256,026,281</u>	<u>36,258,118</u>	<u>4,460,020</u>	<u>523,506,678</u>
Additions	-	-	-	377,475	39,160	3,927,361	2,017,364	19,064,589	25,425,949
Disposals	-	(1,250,305)	-	(2,583,249)	-	(371,081)	(1,632,141)	-	(5,836,776)
Write-offs	-	-	-	-	-	-	-	(28,822)	(28,822)
Transfers	-	-	-	1,503,949	290,861	11,052,908	-	(12,847,718)	-
Net exchange differences	-	-	(696,625)	(3,899,582)	-	(3,989,257)	(688,320)	(14,273)	(9,288,057)
Balance at 31 December 2006	<u>1,346,338</u>	<u>8,846,844</u>	<u>8,079,649</u>	<u>195,409,008</u>	<u>6,862,104</u>	<u>266,646,212</u>	<u>35,955,021</u>	<u>10,633,796</u>	<u>533,778,972</u>

Comprising :									
- At cost	1,346,338	6,783,352	8,079,649	174,022,875	789,309	266,646,212	35,955,021	10,633,796	504,256,552
- At valuation	-	2,063,492	-	21,386,133	6,072,795	-	-	-	29,522,420
	<u>1,346,338</u>	<u>8,846,844</u>	<u>8,079,649</u>	<u>195,409,008</u>	<u>6,862,104</u>	<u>266,646,212</u>	<u>35,955,021</u>	<u>10,633,796</u>	<u>533,778,972</u>

10. Property, Plant and Equipment (Cont'd)

Group (Cont'd)	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Accumulated depreciation and impairment									
Balance at 1 January 2006									
- Accumulated depreciation	-	3,051,404	3,320,573	78,126,213	2,772,925	183,846,951	28,437,931	-	299,555,997
- Accumulated impairment losses	-	-	-	311,173	-	14,376,591	120	-	14,687,884
	-	3,051,404	3,320,573	78,437,386	2,772,925	198,223,542	28,438,051	-	314,243,881
Charge for the year	-	209,892	265,203	5,918,518	131,907	11,090,727	2,789,998	-	20,406,245
Impairment loss	-	-	-	-	-	709,064	-	-	709,064
Disposals/Write- offs	-	(193,348)	-	(729,752)	-	(289,808)	(1,545,663)	-	(2,758,571)
Net exchange differences	-	-	(260,093)	(767,201)	-	(2,072,298)	(496,740)	-	(3,596,332)
Balance at 31 December 2006	-	3,067,948	3,325,683	82,858,951	2,904,832	207,661,227	29,185,646	-	329,004,287
Comprising :									
- Accumulated depreciation	-	3,067,948	3,325,683	82,547,778	2,904,832	192,818,063	29,185,526	-	313,849,830
- Accumulated impairment losses	-	-	-	311,173	-	14,843,164	120	-	15,154,457
	-	3,067,948	3,325,683	82,858,951	2,904,832	207,661,227	29,185,646	-	329,004,287

10. Property, Plant and Equipment (Cont'd)**Group (Cont'd)**

	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Net book value as at 31 December 2006									
- At cost	1,346,338	4,410,158	4,753,966	101,724,197	717,648	58,984,985	6,769,375	10,633,796	189,340,463
- At valuation	-	1,368,738	-	10,825,860	3,239,624	-	-	-	15,434,222
	<u>1,346,338</u>	<u>5,778,896</u>	<u>4,753,966</u>	<u>112,550,057</u>	<u>3,957,272</u>	<u>58,984,985</u>	<u>6,769,375</u>	<u>10,633,796</u>	<u>204,774,685</u>

10. Property, Plant and Equipment (Cont'd)

Group (Cont'd)									
2005	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Cost/Valuation									
Balance at 1 January 2005									
As previously reported									
- At cost	1,715,424	8,033,657	8,896,116	180,024,012	459,288	248,278,166	37,146,578	7,196,355	491,749,596
- At valuation	3,574,151	2,063,492	-	23,447,856	6,072,795	-	-	-	35,158,294
Effects on adoption of :									
- FRS 138	-	-	-	-	-	(2,164,659)	-	-	(2,164,659)
- FRS 140	(3,943,237)	-	-	(2,836,020)	-	-	-	-	(6,779,257)
As restated									
- At cost	1,346,338	8,033,657	8,896,116	178,928,492	459,288	246,113,507	37,146,578	7,196,355	488,120,331
- At valuation	-	2,063,492	-	21,707,356	6,072,795	-	-	-	29,843,643
	1,346,338	10,097,149	8,896,116	200,635,848	6,532,083	246,113,507	37,146,578	7,196,355	517,963,974
Additions	-	-	-	45,344	-	2,153,047	1,578,412	5,828,072	9,604,875
Disposals	-	-	-	-	-	(111,593)	(2,067,695)	-	(2,179,288)
Write-offs	-	-	-	-	-	(8,625)	(281,005)	-	(289,630)
Transfers	-	-	-	-	-	8,563,239	-	(8,563,239)	-
Net exchange differences	-	-	(119,842)	(670,777)	-	(683,294)	(118,172)	(1,168)	(1,593,253)
Balance at 31 December 2005	1,346,338	10,097,149	8,776,274	200,010,415	6,532,083	256,026,281	36,258,118	4,460,020	523,506,678
Comprising :									
- At cost	1,346,338	8,033,657	8,776,274	178,303,059	459,288	256,026,281	36,258,118	4,460,020	493,663,035
- At valuation	-	2,063,492	-	21,707,356	6,072,795	-	-	-	29,843,643
	1,346,338	10,097,149	8,776,274	200,010,415	6,532,083	256,026,281	36,258,118	4,460,020	523,506,678

10. Property, Plant and Equipment (Cont'd)**Group (Cont'd)**

	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Accumulated depreciation and impairment									
Balance at 1 January 2005									
As previously reported									
- Accumulated depreciation	-	2,826,687	3,068,619	73,455,298	2,642,284	174,667,503	28,117,541	-	284,777,932
- Accumulated impairment losses	-	-	-	311,173	-	14,404,084	120	-	14,715,377
Effects on adoption of :									
- FRS 138	-	-	-	-	-	(1,276,148)	-	-	(1,276,148)
- FRS 140	-	-	-	(875,452)	-	-	-	-	(875,452)
As restated									
- Accumulated depreciation	-	2,826,687	3,068,619	72,579,846	2,642,284	173,391,355	28,117,541	-	282,626,332
- Accumulated impairment losses	-	-	-	311,173	-	14,404,084	120	-	14,715,377
	-	2,826,687	3,068,619	72,891,019	2,642,284	187,795,439	28,117,661	-	297,341,709

10. Property, Plant and Equipment (Cont'd)

Group (Cont'd)	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Accumulated depreciation and impairment (Cont'd)									
Charge for the year	-	224,717	292,705	5,654,214	130,641	10,818,007	2,635,744	-	19,756,028
Impairment loss	-	-	-	-	-	14,224	-	-	14,224
Disposals/Write- offs	-	-	-	-	-	(106,077)	(2,240,637)	-	(2,346,714)
Net exchange differences	-	-	(40,751)	(107,847)	-	(298,051)	(74,717)	-	(521,366)
Balance at 31 December 2005	-	3,051,404	3,320,573	78,437,386	2,772,925	198,223,542	28,438,051	-	314,243,881

Comprising :									
- Accumulated depreciation	-	3,051,404	3,320,573	78,126,213	2,772,925	183,846,951	28,437,931	-	299,555,997
- Accumulated impairment losses	-	-	-	311,173	-	14,376,591	120	-	14,687,884
	-	3,051,404	3,320,573	78,437,386	2,772,925	198,223,542	28,438,051	-	314,243,881

**Net book value as
at 31 December
2005**

- At cost	1,346,338	5,652,132	5,455,701	110,173,344	398,048	57,802,739	7,820,067	4,460,020	193,108,389
- At valuation	-	1,393,613	-	11,399,685	3,361,110	-	-	-	16,154,408
	1,346,338	7,045,745	5,455,701	121,573,029	3,759,158	57,802,739	7,820,067	4,460,020	209,262,797

10. Property, Plant and Equipment (Cont'd)**Company****2006**

	Long leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Cost/Valuation							
Balance at 1 January 2006							
- At cost	5,244,933	49,493,687	459,288	72,503,753	13,398,357	2,649,468	143,749,486
- At valuation	2,063,492	21,707,356	6,072,795	-	-	-	29,843,643
	7,308,425	71,201,043	6,532,083	72,503,753	13,398,357	2,649,468	173,593,129
Additions	-	73,742	39,160	2,461,178	2,005,304	2,829,597	7,408,981
Disposals	(1,250,305)	(2,583,249)	-	(1,623)	(463,124)	-	(4,298,301)
Write-offs	-	-	-	-	-	(28,822)	(28,822)
Transfers	-	(301,011)	290,861	4,645,264	-	(4,635,114)	-
Balance at 31 December 2006	6,058,120	68,390,525	6,862,104	79,608,572	14,940,537	815,129	176,674,987

Comprising :

- At cost	3,994,628	47,004,392	789,309	79,608,572	14,940,537	815,129	147,152,567
- At valuation	2,063,492	21,386,133	6,072,795	-	-	-	29,522,420
	6,058,120	68,390,525	6,862,104	79,608,572	14,940,537	815,129	176,674,987

10. Property, Plant and Equipment (Cont'd)**Company (Cont'd)**

	Long leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Accumulated depreciation							
Balance at 1 January 2006	2,346,659	26,136,412	2,772,925	62,214,986	10,617,569	-	104,088,551
Charge for the year	167,821	1,387,415	131,907	2,213,827	1,357,183	-	5,258,153
Disposals	(193,348)	(729,752)	-	(303)	(457,250)	-	(1,380,653)
Balance at 31 December 2006	<u>2,321,132</u>	<u>26,794,075</u>	<u>2,904,832</u>	<u>64,428,510</u>	<u>11,517,502</u>	<u>-</u>	<u>107,966,051</u>
Net book value as at 31 December 2006							
- At cost	2,368,250	30,770,590	717,648	15,180,062	3,423,035	815,129	53,274,714
- At valuation	1,368,738	10,825,860	3,239,624	-	-	-	15,434,222
	<u>3,736,988</u>	<u>41,596,450</u>	<u>3,957,272</u>	<u>15,180,062</u>	<u>3,423,035</u>	<u>815,129</u>	<u>68,708,936</u>

10. Property, Plant and Equipment (Cont'd)**Company (Cont'd)****2005**

	Freehold land RM	Long leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Cost/Valuation								
Balance at 1 January 2005								
As previously reported								
- At cost	98,000	5,244,933	50,589,207	459,288	68,721,956	13,900,025	3,769,040	142,782,449
- At valuation	3,574,151	2,063,492	23,447,856	6,072,795	-	-	-	35,158,294
Effects on adoption of :								
- FRS 138	-	-	-	-	(812,235)	-	-	(812,235)
- FRS 140	(3,672,151)	-	(2,836,020)	-	-	-	-	(6,508,171)
As restated								
- At cost	-	5,244,933	49,493,687	459,288	67,909,721	13,900,025	3,769,040	140,776,694
- At valuation	-	2,063,492	21,707,356	6,072,795	-	-	-	29,843,643
	-	7,308,425	71,201,043	6,532,083	67,909,721	13,900,025	3,769,040	170,620,337
Additions	-	-	-	-	469,190	570,837	3,045,929	4,085,956
Disposals	-	-	-	-	(34,534)	(791,500)	-	(826,034)
Write-offs	-	-	-	-	(6,125)	(281,005)	-	(287,130)
Transfers	-	-	-	-	4,165,501	-	(4,165,501)	-
Balance at 31 December 2005	-	7,308,425	71,201,043	6,532,083	72,503,753	13,398,357	2,649,468	173,593,129

Comprising :

- At cost	-	5,244,933	49,493,687	459,288	72,503,753	13,398,357	2,649,468	143,749,486
- At valuation	-	2,063,492	21,707,356	6,072,795	-	-	-	29,843,643
	-	7,308,425	71,201,043	6,532,083	72,503,753	13,398,357	2,649,468	173,593,129

10. Property, Plant and Equipment (Cont'd)**Company (Cont'd)**

	Freehold land RM	Long leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in- progress RM	Total RM
Accumulated depreciation								
Balance at 1 January 2005								
As previously reported	-	2,165,934	25,546,112	2,642,283	61,025,278	10,559,049	-	101,938,656
Effects on adoption of :								
- FRS 138	-	-	-	-	(503,327)	-	-	(503,327)
- FRS 140	-	-	(875,452)	-	-	-	-	(875,452)
As restated	-	2,165,934	24,670,660	2,642,283	60,521,951	10,559,049	-	100,559,877
Charge for the year	-	180,725	1,465,752	130,642	1,725,252	1,086,379	-	4,588,750
Disposals	-	-	-	-	(28,951)	(746,855)	-	(775,806)
Write-offs	-	-	-	-	(3,266)	(281,004)	-	(284,270)
Balance at 31 December 2005	-	2,346,659	26,136,412	2,772,925	62,214,986	10,617,569	-	104,088,551
Net book value as at 31 December 2005								
- At cost	-	3,568,153	33,664,946	398,048	10,288,767	2,780,788	2,649,468	53,350,170
- At valuation	-	1,393,613	11,399,685	3,361,110	-	-	-	16,154,408
	-	4,961,766	45,064,631	3,759,158	10,288,767	2,780,788	2,649,468	69,504,578

10. Property, Plant and Equipment (Cont'd)

- (b) 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 in 1998, 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.

- (c) 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.
- (d) 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 2006 are as follows :-

	2006	2005
	RM	RM
Long leasehold land	223,997	226,979
Buildings	2,026,954	2,109,018
Plant, machinery, fixtures and equipment	5,556	93,255
	<u>2,256,507</u>	<u>2,429,252</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.

- (e) Included in the Group's property, plant and equipment is leasehold land belonging to certain subsidiary companies of which legal titles of the land have not been transferred to the respective subsidiaries. The net book values of these leasehold land as at 31 December 2006 are as follows :-

	2006	2005
	RM	RM
Long leasehold land	1,817,913	1,860,020
Short leasehold land	78,872	86,760
	<u>1,896,785</u>	<u>1,946,780</u>

11. Investment Properties

	Group		Company	
	(Restated)		(Restated)	
	2006	2005	2006	2005
	RM	RM	RM	RM
Cost/Valuation				
Balance at 1 January				
- As previously reported	6,779,257	-	6,508,171	-
- Effect on adoption of FRS 140	-	6,779,257	-	6,508,171
- As restated	6,779,257	6,779,257	6,508,171	6,508,171
Addition during the financial year	-	-	-	-
Balance at 31 December	<u>6,779,257</u>	<u>6,779,257</u>	<u>6,508,171</u>	<u>6,508,171</u>
Comprising :				
- At cost	1,464,606	1,464,606	1,193,520	1,193,520
- At valuation	5,314,651	5,314,651	5,314,651	5,314,651
	<u>6,779,257</u>	<u>6,779,257</u>	<u>6,508,171</u>	<u>6,508,171</u>
Accumulated depreciation				
Balance at 1 January				
- As previously reported	(932,172)	-	(932,172)	-
- Effect on adoption of FRS 140	-	(875,452)	-	(875,452)
- As restated	(932,172)	(875,452)	(932,172)	(875,452)
Depreciation for the financial year	(56,712)	(56,720)	(56,712)	(56,720)
Balance at 31 December	<u>(988,884)</u>	<u>(932,172)</u>	<u>(988,884)</u>	<u>(932,172)</u>
Comprising :				
- At cost	(153,444)	(131,542)	(153,444)	(131,542)
- At valuation	(835,440)	(800,630)	(835,440)	(800,630)
	<u>(988,884)</u>	<u>(932,172)</u>	<u>(988,884)</u>	<u>(932,172)</u>
Net book value				
- At cost	1,311,162	1,333,064	1,040,076	1,061,978
- At valuation	4,479,211	4,514,021	4,479,211	4,514,021
	<u>5,790,373</u>	<u>5,847,085</u>	<u>5,519,287</u>	<u>5,575,999</u>

The investment properties of the Group and of the Company consist of freehold land and buildings. The previous revaluation of certain properties in 1983 less accumulated depreciation has been retained as the carrying amount with continuity in the depreciation policy in line with the transitional provisions issued by the Malaysian Accounting Standards Board.

The fair value of the investment properties approximate the net book value of the investment properties.

12. Intangible Assets

	Group		Company	
	2006	(Restated)	2006	(Restated)
Computer software	RM	RM	RM	RM
Cost				
Balance at 1 January				
- As previously reported	5,211,422	-	3,877,636	-
- Effect on adoption of FRS 138	-	2,164,659	-	812,235
- As restated	5,211,422	2,164,659	3,877,636	812,235
Additions during the financial year	1,153,679	3,065,401	1,102,047	3,065,401
Net exchange differences	(108,346)	(18,638)	-	-
Balance at 31 December	<u>6,256,755</u>	<u>5,211,422</u>	<u>4,979,683</u>	<u>3,877,636</u>
Accumulated amortisation				
Balance at 1 January				
- As previously reported	(2,160,548)	-	(1,312,047)	-
- Effect of adoption of FRS 138	-	(1,276,148)	-	(503,327)
- As restated	(2,160,548)	(1,276,148)	(1,312,047)	(503,327)
Amortisation for the financial year	(1,199,273)	(895,051)	(1,117,267)	(808,720)
Net exchange differences	68,925	10,651	-	-
Balance at 31 December	<u>(3,290,896)</u>	<u>(2,160,548)</u>	<u>(2,429,314)</u>	<u>(1,312,047)</u>
Net carrying amount	<u>2,965,859</u>	<u>3,050,874</u>	<u>2,550,369</u>	<u>2,565,589</u>

The computer software represents the costs of software acquired. The costs of software acquired, including all directly attributable costs of preparing the assets for their intended use, are amortised on the straight line basis to administrative expenses over the estimated useful life of 4 years.

13. Investments in Subsidiaries

	Company	
	2006 RM	2005 RM
Unquoted shares at cost	203,383,363	203,383,363
Less : Accumulated impairment losses	(54,067,000)	(52,767,000)
	149,316,363	150,616,363

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

Direct subsidiaries	Principal activities	Effective interest in equity	
		2006 %	2005 %
Dindings Soya & Multifeeds Sdn Berhad	Manufacture and sale of animal feeds and related raw materials, purchase and contract farming of poultry for resale	70	70
Syarikat Pengangkutan Lumut Sdn Bhd	Transport management (ceased operations during the year 2006)	100	100
Dindings Poultry Processing Sdn Bhd *	Processing and sale of poultry products	95	95
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
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

13. Investments in Subsidiaries (Cont'd)

Direct subsidiaries	Principal activities	Effective interest in equity	
		2006 %	2005 %
Muda Fibre Manufacturing Sdn Bhd (Note 13(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
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			
Mekong Flour Mills Ltd * (incorporated in Vietnam)	Flour and feed milling	100	100
Dindings Trading Sdn Bhd *	Trading of poultry products (dormant)	47	-

* Subsidiary companies not audited by Folks DFK & Co.

- (a) The impairment losses recognised represent the allowance made to adjust the carrying amounts of certain subsidiaries to their estimated recoverable amounts. The recoverable amounts are arrived at based on the Company's share of net tangible assets of the subsidiaries.
- (b) On 22 November 2006, Dindings Poultry Processing Sdn Bhd ("DPP"), a subsidiary in which the Company has 95% equity interest, subscribed for 1 new ordinary share of RM1 each for a cash total consideration of RM1 in Dindings Trading Sdn Bhd ("DTSB"). As at 31 December 2006, the Group and DPP have 47% and 50% equity interest in DTSB respectively. The acquisition of DTSB has no material effect on the financial results for the year and financial position of the Group as at 31 December 2006 as DTSB is dormant.

Subsequently, on 23 January 2007, DPP subscribed for an additional 10,199 new ordinary shares of RM1 each in DTSB for a total cash consideration of RM10,199. The subscription resulted in an increase in the Group's and DPP's effective interest in DTSB to 48% and 51% respectively.

13. Investments in Subsidiaries (Cont'd)

(c) During the previous financial year, the Company acquired additional shares in the following subsidiaries :-

(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 was 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 was 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.

(ii) An additional 12,857,000 ordinary shares of RM1.00 each in Dindings Poultry Processing Sdn Bhd ("DPP") from a subsidiary, 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 in 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 prior to the acquisition.

(d) In 2004, Muda Fibre Manufacturing Sdn Bhd ceased its business activities. The closure exercise was completed in 2005 and the effects of the discontinued operations are disclosed in Note 28 to the financial statements.

(e) The financial statements of a foreign subsidiary, 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 1996 and has not recorded any depreciation with respect thereto. In 2006, certain parts of this asset with historical cost of VND1,492 million (RM368,922) has been used for the company's Phase II project and other parts with historical cost of VND338 million (RM83,576) have been transferred to spare parts account for future use. No provision for impairment has been recorded with respect to the remaining unused asset.

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.

14. Investments in Associates

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares at cost	2,800,004	2,800,000	4	-
Share of post-acquisition reserves	(1,828,004)	(1,323,358)	-	-
	<u>972,000</u>	<u>1,476,642</u>	<u>4</u>	<u>-</u>

The summarised financial information of the associates are as follows :-

	Group	
	2006 RM	2005 RM
Results		
Revenue	66,303,314	84,557,671
(Loss)/Profit for the year	<u>(1,261,616)</u>	<u>1,505,065</u>
Assets and liabilities		
Total assets	9,754,873	10,154,900
Total liabilities	<u>(7,324,874)</u>	<u>(6,463,295)</u>
	<u>2,429,999</u>	<u>3,691,605</u>

The details of the associates are as follows :-

Name of company	Principal activities	Effective interest in equity	
		2006 %	2005 %
Fongcheng Enterprises Sendirian Berhad	Poultry merchant	28	28
Innosolutions Sdn Bhd (Note 14(a))	Provision of information technology services	40	-

- (a) On 4 October 2006, the Company acquired 40% equity interest in Innosolutions Sdn Bhd through the subscription of 4 new ordinary shares of RM1.00 each for a total cash consideration of RM4.

15. Other Investments

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Quoted in Malaysia				
- shares at cost	1,604,150	1,710,950	200	107,000
Unquoted shares at cost				
- in Malaysia	60,000	60,000	60,000	60,000
- foreign	5,137,320	5,142,213	5,081,971	5,081,971
	<u>6,801,470</u>	<u>6,913,163</u>	<u>5,142,171</u>	<u>5,248,971</u>
Allowance for diminution in value of :				
- quoted investment	(1,122,164)	(1,224,516)	(189)	(102,541)
- unquoted investment	(5,081,971)	(5,081,971)	(5,081,971)	(5,081,971)
	<u>597,335</u>	<u>606,676</u>	<u>60,011</u>	<u>64,459</u>
Market value of quoted shares	<u>705,751</u>	<u>501,684</u>	<u>13</u>	<u>4,459</u>

Included under 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. SMFF is currently being liquidated.

16. Deferred Taxation

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At beginning of year	3,755,485	2,570,180	6,641,971	5,683,000
Recognised in income statement (Note 7)	852,507	1,185,305	1,279,184	958,971
Write down of deferred tax assets	1,177,967	-	-	-
Effects of change in tax rate	(145,065)	-	(235,171)	-
Net exchange differences	28,216	-	-	-
At end of year	<u>5,669,110</u>	<u>3,755,485</u>	<u>7,685,984</u>	<u>6,641,971</u>
Presented after appropriate offsetting as follows :-				
Deferred tax assets	(2,016,874)	(3,298,486)	-	-
Deferred tax liabilities	7,685,984	7,053,971	7,685,984	6,641,971
	<u>5,669,110</u>	<u>3,755,485</u>	<u>7,685,984</u>	<u>6,641,971</u>

16. Deferred Taxation (Cont'd)

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

2006

Group		Excess of capital allowances over depreciation RM	Revaluation of properties RM	Total RM
Deferred tax liabilities				
Balance at 1 January 2006		10,415,643	3,844,152	14,259,795
Recognised in income statement		365,307	(139,761)	225,546
Effects of change in tax rate		(499,218)	-	(499,218)
Balance at 31 December 2006		<u>10,281,732</u>	<u>3,704,391</u>	<u>13,986,123</u>
	Unabsorbed tax losses RM	Unutilised capital allowances RM	Other deductible temporary differences RM	Total RM
Deferred tax assets				
Balance at 1 January 2006	(1,854,616)	(5,682,730)	(2,966,964)	(10,504,310)
Recognised in income statement	(151,198)	653,183	124,976	626,961
Write down	56,230	1,117,687	4,050	1,177,967
Effects of change in tax rate	49,282	198,290	106,581	354,153
Net exchange differences	28,173	-	43	28,216
Balance at 31 December 2006	<u>(1,872,129)</u>	<u>(3,713,570)</u>	<u>(2,731,314)</u>	<u>(8,317,013)</u>
Company				
		Excess of capital allowances over depreciation RM	Revaluation of properties RM	Total RM
Deferred tax liabilities				
Balance at 1 January 2006		3,805,819	3,844,152	7,649,971
Recognised in income statement		1,259,908	(139,761)	1,120,147
Effects of change in tax rate		(271,171)	-	(271,171)
Balance at 31 December 2006		<u>4,794,556</u>	<u>3,704,391</u>	<u>8,498,947</u>

16. Deferred Taxation (Cont'd)

(a) (Cont'd)

2006 (Cont'd)**Company (Cont'd)****Deductible
temporary
differences
RM****Deferred tax assets**

Balance at 1 January 2006	(1,008,000)
Recognised in income statement	159,037
Effects of change in tax rate	36,000
Balance at 31 December 2006	<u><u>(812,963)</u></u>

2005**Group**

Excess of capital allowances over depreciation RM	Revaluation of properties RM	Total RM
--	---	---------------------

Deferred tax liabilities

Balance at 1 January 2005	9,833,759	3,983,913	13,817,672
Recognised income statement	581,884	(139,761)	442,123
Balance at 31 December 2005	<u><u>10,415,643</u></u>	<u><u>3,844,152</u></u>	<u><u>14,259,795</u></u>

Unabsorbed tax losses RM	Unutilised capital allowances RM	Other deductible temporary differences RM	Total RM
---	---	--	---------------------

Deferred tax assets

Balance at 1 January 2005	(1,644,792)	(7,015,975)	(2,586,725)	(11,247,492)
Recognised in income statement	(209,824)	1,333,245	(380,239)	743,182
Balance at 31 December 2005	<u><u>(1,854,616)</u></u>	<u><u>(5,682,730)</u></u>	<u><u>(2,966,964)</u></u>	<u><u>(10,504,310)</u></u>

16. Deferred Taxation (Cont'd)

(a) (Cont'd)

2005 (Cont'd)

Company	Excess of capital allowances over depreciation RM	Revaluation of properties RM	Total RM
Deferred tax liabilities			
Balance at 1 January 2005	3,455,527	3,983,913	7,439,440
Recognised in income statement	350,292	(139,761)	210,531
Balance at 31 December 2005	<u>3,805,819</u>	<u>3,844,152</u>	<u>7,649,971</u>
			Deductible temporary differences RM
Deferred tax assets			
Balance at 1 January 2005			(1,756,440)
Recognised in income statement			748,440
Balance at 31 December 2005			<u>(1,008,000)</u>

(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	
	2006 RM	2005 RM
Unabsorbed tax losses	43,932,694	46,178,475
Unutilised capital allowances	42,824,739	31,652,404
Other deductible temporary differences	600,000	2,407,045
	<u>87,357,433</u>	<u>80,237,924</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.

17. Inventories

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At cost :-				
Raw materials	196,405,128	90,751,891	87,047,588	46,330,226
Semi-processed goods	420,072	439,312	-	-
Finished goods	17,532,072	20,679,437	3,883,116	3,127,390
Broilers, day-old chicks and hatching eggs	3,350,981	3,735,484	-	-
Consumables	11,411,895	11,178,002	4,299,337	3,389,844
	229,120,148	126,784,126	95,230,041	52,847,460
At cost less depreciation :-				
Poultry parent inventories	4,841,926	4,947,384	-	-
At net realisable value :-				
Raw materials	24,897	576,153	-	-
Semi-processed goods	414,198	725,923	-	-
Finished goods	71,843	1,469,649	-	-
Consumables	873,944	873,944	-	-
	1,384,882	3,645,669	-	-
Allowance for old and slow moving inventories	(1,384,882)	(3,645,669)	-	-
	-	-	-	-
	<u>233,962,074</u>	<u>131,731,510</u>	<u>95,230,041</u>	<u>52,847,460</u>

During the financial year, the Group has made a reversal of the allowance for old and slow moving inventories of RM2,260,787 (2005 : RMNil). The reversal was made as the estimated net realisable value of the inventories has increased based on current estimates.

Inventories of the Group written off against the allowance for old and slow moving inventories during the financial year amounted to RMNil (2005 : RM3,341).

18. Trade and Other Receivables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	148,147,385	121,176,255	46,700,879	43,162,207
Allowance for doubtful debts	(14,218,334)	(14,436,272)	(3,010,973)	(3,600,000)
	133,929,051	106,739,983	43,689,906	39,562,207
Amount owing by subsidiary companies	-	-	76,593,981	53,200,105
Allowance for doubtful debts	-	-	(13,436,191)	-
	-	-	63,157,790	53,200,105
Other receivables, deposits and prepayments	13,156,971	11,914,505	3,035,430	2,725,840
Allowance for doubtful debts	(2,320,929)	(2,323,321)	(153,284)	(155,676)
	10,836,042	9,591,184	2,882,146	2,570,164
	<u>144,765,093</u>	<u>116,331,167</u>	<u>109,729,842</u>	<u>95,332,476</u>

The currency exposure profile of trade receivables is as follows :-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	97,028,263	78,683,435	43,689,906	39,562,207
Vietnamese Dong	36,900,788	28,056,548	-	-
	<u>133,929,051</u>	<u>106,739,983</u>	<u>43,689,906</u>	<u>39,562,207</u>

- The normal credit terms of trade receivables range from 30 to 60 days.
- The Group has no significant concentration of credit risk.
- The amount owing by subsidiary companies is unsecured, interest free and has no fixed terms of repayment.
- Included under trade receivables of the Group as at 31 December 2006 is an amount owing by an associated company, Fongcheng Enterprises Sendirian Berhad of RM4,184,492 (2005 : RM3,815,498).

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 RM1,600,626 (2005 : RM150,400) and RM593,982 (2005 : RMNil) has been written off against the allowance for doubtful debts during the financial year.

19. Deposits, Cash and Bank Balances

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits with licensed banks	43,537,264	54,614,879	6,800,000	7,850,000
Cash and bank balances	11,124,402	13,851,210	1,631,957	4,052,162
	<u>54,661,666</u>	<u>68,466,089</u>	<u>8,431,957</u>	<u>11,902,162</u>

The currency exposure profile of deposits, cash and bank balances is as follows :-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	15,620,251	16,996,134	8,392,434	11,853,819
United States Dollar	578,641	801,805	39,523	48,343
Vietnamese Dong	38,462,774	50,668,150	-	-
	<u>54,661,666</u>	<u>68,466,089</u>	<u>8,431,957</u>	<u>11,902,162</u>

20. Share Capital

	Group and Company	
	2006	2005
	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	95,762,606
Issued during the financial year for cash pursuant to :		
- Special Issue to approved Bumiputra investors	5,000,000	-
- Employees' Share Option Scheme ("ESOS") (Note 20(b))	4,456,000	-
	9,456,000	-
At end of year	<u>105,218,606</u>	<u>95,762,606</u>

During the financial year, the Company issued 9,456,000 new ordinary shares of RM1.00 each for cash consideration through the following :-

- (i) 5,000,000 new ordinary shares at an issue price of RM1.77 per ordinary share pursuant to the Company's Special Issue to approved Bumiputra investors.
- (ii) 4,444,000 new ordinary shares at an issue price of RM1.58 per ordinary share pursuant to the Company's ESOS.
- (iii) 12,000 new ordinary shares at an issue price of RM1.75 per ordinary share pursuant to the Company's ESOS.

The share premium arising, after deducting the share issue costs of RM55,699, amounting to RM6,380,821 had been credited to the share premium account.

20. Share Capital (Cont'd)

(b) 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 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.
- (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.

20. Share Capital (Cont'd)

(b) 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.

20. Share Capital (Cont'd)**(b) Employees' Share Option Scheme ("ESOS") (Cont'd)**

The movements in the number of options over unissued ordinary shares granted to eligible Directors and employees of the Group during the financial year and the weighted average exercise prices are as follows :-

Grant date	Option over number of ordinary shares of RM1.00 each					Exercisable at end of year
	Oustanding at beginning of year	Granted	Exercised	Ceased/ Lapsed	Oustanding at end of year	
2006						
28 May 2004	6,812,000	-	(4,396,000)	(343,000)	2,073,000	2,073,000
14 April 2006	-	198,000	(48,000)	-	150,000	150,000
22 June 2006	-	220,000	-	-	220,000	220,000
1 July 2006	-	14,000	(12,000)	-	2,000	2,000
2 September 2006	-	50,000	-	-	50,000	50,000
19 September 2006	-	50,000	-	-	50,000	50,000
	<u>6,812,000</u>	<u>532,000</u>	<u>(4,456,000)</u>	<u>(343,000)</u>	<u>2,545,000</u>	<u>2,545,000</u>
Weighted average exercise prices	<u>RM1.58</u>	<u>RM1.67</u>	<u>RM1.58</u>	<u>RM1.58</u>	<u>RM1.60</u>	<u>RM1.60</u>
2005						
28 May 2004	<u>7,653,000</u>	<u>-</u>	<u>-</u>	<u>(841,000)</u>	<u>6,812,000</u>	<u>6,812,000</u>
Weighted average exercise prices	<u>RM1.58</u>	<u>N/A</u>	<u>N/A</u>	<u>RM1.58</u>	<u>RM1.58</u>	<u>RM1.58</u>

20. Share Capital (Cont'd)

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

(i) Details of share options outstanding at the end of the financial year

Grant date	Exercise period	Exercise price	Number of share options outstanding
2006			
28 May 2004	28 May 2004 to 27 May 2007	RM1.58	2,073,000
14 April 2006	14 April 2006 to 27 May 2007	RM1.58	150,000
22 June 2006	22 June 2006 to 27 May 2007	RM1.67	220,000
1 July 2006	1 July 2006 to 27 May 2007	RM1.75	2,000
2 September 2006	2 September 2006 to 27 May 2007	RM1.85	50,000
19 September 2006	19 September 2006 to 27 May 2007	RM1.91	50,000
2005			
28 May 2004	28 May 2004 to 27 May 2007	RM1.58	6,812,000

The weighted average remaining contractual life of the option outstanding as at the end of the financial year was 0.40 year (2005 : 1.40 years).

(ii) Share options exercised during the financial year

During the financial year, the exercise of share options has resulted in the issuance of 4,456,000 (2005 : Nil) new ordinary shares of RM1 each at an average exercise price per share of RM1.58 (2005 : Nil). The weighted average share price at the date of exercise was RM2.04 (2005 : Nil).

(iii) Fair value of share options granted during the financial year

The fair value of the share options granted during the financial year was measured using the Binomial Option Pricing model. The weighted average fair value of share options granted measured at the grant dates and the inputs to that model used to measure the fair value are as follows :-

	2006
Weighted average fair value of share options granted during the financial year	RM0.32
Weighted average share price	RM1.95
Weighted average exercise price	RM1.68
Expected volatility	22.84%
Expected life of option	0.82 year
Expected dividend	3.49%
Risk-free interest rate	3.85%

20. Share Capital (Cont'd)

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

(iii) Fair value of share options granted during the financial year (Cont'd)

The expected volatility is a historical volatility calculated using a one-year weekly closing market prices. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the options granted were incorporated in the measurement of the fair value.

No comparatives are provided as there were no share options granted in the previous financial year.

21. Reserves

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable				
Share premium (Note 21(a))	54,029,798	47,626,617	54,029,798	47,626,617
Other reserves (Note 21(b))	27,131,968	26,983,908	19,458,707	19,310,647
Exchange translation differences	(11,687,466)	(2,319,171)	-	-
Distributable				
Retained profits	138,359,711	118,739,205	110,695,414	112,692,710
	<u>207,834,011</u>	<u>191,030,559</u>	<u>184,183,919</u>	<u>179,629,974</u>

(a) Share Premium

	Group and Company	
	2006 RM	2005 RM
At beginning of year	47,626,617	47,626,617
Arising from issuance of shares	6,436,520	-
Transferred from share option reserve upon the exercise of share options (Note 21(b)(ii))	22,360	-
Share issue expenses	(55,699)	-
	6,403,181	-
At end of year	<u>54,029,798</u>	<u>47,626,617</u>

21. Reserves (Cont'd)**(b) Other Reserves**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Capital reserves (Note 21(b)(i))	26,983,908	26,983,908	19,310,647	19,310,647
Share option reserve (Note 21(b)(ii))	148,060	-	148,060	-
	<u>27,131,968</u>	<u>26,983,908</u>	<u>19,458,707</u>	<u>19,310,647</u>

(i) Capital Reserves

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
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	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>

(ii) Share Option Reserve

	Group and Company	
	2006 RM	2005 RM
Balance at beginning of year	-	-
Addition arising from share options granted during the financial year	170,420	-
Transferred to share premium upon the exercise of share options (Note 21(a))	(22,360)	-
Balance at end of year	<u>148,060</u>	<u>-</u>

- (c) The Company has an estimated Section 108 tax credit under the Malaysian Income Tax Act, 1967 of RM70,666,670 (2005 : RM69,279,814) 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.

21. Reserves (Cont'd)

- (d) The Company has tax exempt income of approximately RM26,384,701 (2005 : RM23,783,431) which, subject to agreement with the Malaysian tax authorities and the availability of profits, is distributable by way of tax exempt dividend.

22. 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 :-

	Group	
	2006	2005
	RM	RM
Balance at beginning of year	525,662	512,723
Charged to income statement	209,830	34,343
Benefits paid	(19,242)	(14,337)
Currency translation difference	(45,949)	(7,067)
Balance at end of year	670,301	525,662

- (b) The amount recognised in the Group's balance sheet represents the present value of the unfunded defined benefit obligations.
- (c) The amount recognised as an expense in the Group's income statement can be analysed as follows :-

	Group	
	2006	2005
	RM	RM
Current service cost	170,628	27,671
Interest cost	39,202	6,672
	209,830	34,343

22. Retirement Benefits (Cont'd)

(c) (Cont'd)

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

	Group	
	2006 RM	2005 RM
Cost of inventories sold	64,277	1,432
Selling and distribution expenses	20,436	2,864
Administration expenses	125,117	30,047
	<u>209,830</u>	<u>34,343</u>

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

	Group	
	2006 %	2005 %
Discount rate	6	6
Future average salary increases	<u>4</u>	<u>4</u>

23. Trade and Other Payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	20,140,190	18,959,652	4,498,987	4,675,025
Amount owing to subsidiary companies	-	-	5,702,210	5,397,746
Other payables and accruals	37,101,711	32,555,422	15,832,567	12,213,823
	<u>57,241,901</u>	<u>51,515,074</u>	<u>26,033,764</u>	<u>22,286,594</u>

The currency exposure profile of trade payables is as follows :-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	13,440,950	13,621,727	4,498,987	4,675,025
Vietnamese Dong	6,699,240	5,337,925	-	-
	<u>20,140,190</u>	<u>18,959,652</u>	<u>4,498,987</u>	<u>4,675,025</u>

23. Trade and Other Payables (Cont'd)

- (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 RM3,247,965 (2005 : 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 was an amount of RM2,260,000 which represents the deposits received from the sale of the Company's leasehold land and building. The sale was completed in March 2006.

24. Borrowings

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Bankers' acceptances/ Revolving credits	149,435,375	120,781,737	112,919,375	80,808,663
Bank overdrafts	53,596	-	53,596	-
Other short term loans	87,413,493	41,246,932	-	-
	<u>236,902,464</u>	<u>162,028,669</u>	<u>112,972,971</u>	<u>80,808,663</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 3.79% to 4.35% (2005 : 2.82% to 4.50%) per annum.

Interest on bank overdrafts is calculated at rates ranging from 6.50% to 7.50% (2005 : 6.50% to 7.00%) per annum.

Other short term loans relate to that of foreign subsidiaries and interests are payable at rates ranging from 5.12% to 6.40% (2005 : 3.08% to 5.12%) per annum.

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	149,488,971	120,781,737	112,972,971	80,808,663
United States Dollar	87,413,493	41,246,932	-	-
	<u>236,902,464</u>	<u>162,028,669</u>	<u>112,972,971</u>	<u>80,808,663</u>

25. Cash and Cash Equivalents

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits, cash and bank balances (Note 19)	54,661,666	68,466,089	8,431,957	11,902,162
Bank overdrafts (Note 24)	(53,596)	-	(53,596)	-
	<u>54,608,070</u>	<u>68,466,089</u>	<u>8,378,361</u>	<u>11,902,162</u>

26. Changes in Accounting Policies

The new and revised accounting standards which became effective during the financial year and are relevant to the Group's operations are listed in Note 3 to the financial statements.

The following represents the effects of adopting the new and revised accounting standards on the financial statements of the Group and of the Company :-

(a) Adoption of new accounting standards with immaterial effects on the financial statements

The adoption of FRS 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 136 did not result in significant changes to the Group's accounting policies and have no significant impact on the amounts reported in the financial statements.

(b) Impact on adoption of FRS 101 : Presentation of Financial Statements

The adoption of FRS 101 has impact only on the presentation of the financial statements of the Group and the Company but did not affect the recognition and measurement of the Group's and Company's net assets.

In summary :-

- (i) In the consolidated balance sheet, minority interests are now presented within total equity, separately from equity holders of the Company.
- (ii) In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year.
- (iii) On the face of the consolidated statement of changes in equity, total recognised income and expenses for the year are now shown separately by allocating the amount attributable to equity holders of the Company and to minority interests.
- (iv) The Group's share of results of the associate are now shown net of tax in the consolidated income statement before arriving at the Group's profit or loss before taxation.

The above changes in presentation have been applied retrospectively.

26. Changes in Accounting Policies (Cont'd)

(c) Adoption of other new accounting standards resulting in changes in accounting policies

(i) FRS 2 : Share-based Payment

The revised accounting policy for share-based compensation on the adoption of FRS 2 Share-based Payment is described in Note 3.17(c). Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. Upon the adoption of FRS 2, the Group and Company recognise the fair value of such share options as an expense in the income statement over the vesting period of the grant with a corresponding increase in equity.

The Group has applied FRS 2 retrospectively and has applied the transitional provisions of FRS 2 which allow this standard to be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. There were no share options granted by the Company during the financial year ended 31 December 2005. Accordingly, there is no impact on the results reported for prior financial year of the Group and of the Company on application of this standard. The effects on the financial statements of the Group and of the Company for the current financial year in respect of share options granted during the financial year are set out in Note 26(d).

(ii) FRS 138 : Intangible Assets

The accounting policy for intangible assets is described in Note 3.4. Prior to the adoption of FRS 138, the costs of computer software licences were capitalised as part of property, plant and equipment. Upon the adoption of FRS 138, the costs of computer software licences that are not an integral part of computer hardware are now reclassified from property, plant and equipment to intangible assets. The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of FRS 138. No adjustments resulted from the assessment.

The effects of the recategorisation of assets on application of this standard on the Group's and the Company's financial statements for the current and prior financial years are set out in Note 26(d) and (e) respectively.

26. Changes in Accounting Policies (Cont'd)

(c) Adoption of other new accounting standards resulting in changes in accounting policies (Cont'd)

(iii) FRS 140 : Investment Property

The accounting policy for investment properties is described in Note 3.8. The definition of investment properties under FRS 140 has resulted in the identification of the Group's and Company's existing assets that meet the definition of investment properties. The properties are now reclassified into a separate asset category on the face of balance sheet and are measured using the cost model. Certain properties reclassified to investment properties are stated at revalued amounts based on an independent valuation carried out in 1983 as disclosed in Note 10(b). Even though the Group does not adopt a policy of revaluation, the Group continues to carry these assets on the basis of their previous revaluations subject to continuity in the depreciation policy pursuant to the transitional provisions issued by the Malaysian Accounting Standards Board (MASB) upon the implementation in 1998 of the MASB Approved Accounting Standard IAS 16 for the first time.

As the measurement basis on such assets of the Group and the Company have not changed, there is no impact on the results reported by the Group and Company for the current and previous financial years. Previously, investment properties were included in property, plant and equipment. The effects of the recategorisation of assets on application of this standard on the Group's and the Company's financial statements for the current and prior financial years are set out in Note 26(d) and (e) respectively.

(d) Effects of adoption of new and revised FRSs on the current year's financial statements

The following summarises the effects of adopting the new and revised FRSs on the financial statements for the year ended 31 December 2006 :-

Effects on balance sheets as at 31 December 2006

	Effects (increase/(decrease)) on adoption of		
	FRS 2	FRS 138	FRS 140
	RM	RM	RM
Group			
Property, plant and equipment	-	(2,965,859)	(5,790,373)
Investment properties	-	-	5,790,373
Intangible assets	-	2,965,859	-
Share premium	22,360	-	-
Retained profits	(170,420)	-	-
Other reserves	148,060	-	-

26. Changes in Accounting Policies (Cont'd)

(d) Effects of adoption of new and revised FRSs on the current year's financial statements (Cont'd)

Effects on balance sheets as at 31 December 2006 (Cont'd)

	Effects (increase/(decrease)) on adoption of		
	FRS 2 RM	FRS 138 RM	FRS 140 RM
Company			
Property, plant and equipment	-	(2,550,369)	(5,519,287)
Investment properties	-	-	5,519,287
Intangible assets	-	2,550,369	-
Share premium	22,360	-	-
Retained profits	(170,420)	-	-
Other reserves	148,060	-	-

Effects on income statements for the year ended 31 December 2006

	Effects on adoption of FRS 2 (Increase/ (Decrease)) RM
Group	
Administrative expenses	170,420
Operating profit	(170,420)
Profit before taxation	(170,420)
Profit for the year	(170,420)
Earnings per share :	
- Basic	(0.17)
- Diluted	(0.17)
Company	
Administrative expenses	170,420
Operating profit	(170,420)
Profit before taxation	(170,420)
Profit for the year	(170,420)

26. Changes in Accounting Policies (Cont'd)**(e) Effects of adoption of new and revised FRSs on the comparative financial statements**

The adoption of the new and revised FRSs as disclosed in Note 26(b) and (c) above has resulted in the restatement of comparative figures as summarised below :-

Effects on balance sheets

Group	As previously reported RM	Effects on adoption of		As restated RM
		FRS 138 RM	FRS 140 RM	
As at 1 January 2005				
Property, plant and equipment :				
- Cost/Valuation	526,907,890	(2,164,659)	(6,779,257)	517,963,974
- Accumulated depreciation/impairment	(299,493,309)	1,276,148	875,452	(297,341,709)
Investment properties :				
- Cost/Valuation	-	-	6,779,257	6,779,257
- Accumulated depreciation	-	-	(875,452)	(875,452)
Intangible assets :				
- Cost	-	2,164,659	-	2,164,659
- Accumulated amortisation	-	(1,276,148)	-	(1,276,148)
As at 31 December 2005				
Property, plant and equipment :				
- Cost/Valuation	535,497,357	(5,211,422)	(6,779,257)	523,506,678
- Accumulated depreciation/impairment	(317,336,601)	2,160,548	932,172	(314,243,881)
Investment properties :				
- Cost/Valuation	-	-	6,779,257	6,779,257
- Accumulated depreciation	-	-	(932,172)	(932,172)
Intangible assets :				
- Cost	-	5,211,422	-	5,211,422
- Accumulated amortisation	-	(2,160,548)	-	(2,160,548)

26. Changes in Accounting Policies (Cont'd)**(e) Effects of adoption of new and revised FRSs on the comparative financial statements (Cont'd)****Effects on balance sheets (Cont'd)**

	As previously reported RM	Effects on adoption of		As restated RM
		FRS 138 RM	FRS 140 RM	
Company				
As at 1 January 2005				
Property, plant and equipment :				
- Cost/Valuation	177,940,743	(812,235)	(6,508,171)	170,620,337
- Accumulated depreciation	(101,938,656)	503,327	875,452	(100,559,877)
Investment properties :				
- Cost/Valuation	-	-	6,508,171	6,508,171
- Accumulated depreciation	-	-	(875,452)	(875,452)
Intangible assets :				
- Cost	-	812,235	-	812,235
- Accumulated amortisation	-	(503,327)	-	(503,327)
As at 31 December 2005				
Property, plant and equipment :				
- Cost/Valuation	183,978,936	(3,877,636)	(6,508,171)	173,593,129
- Accumulated depreciation	(106,332,770)	1,312,047	932,172	(104,088,551)
Investment properties :				
- Cost/Valuation	-	-	6,508,171	6,508,171
- Accumulated depreciation	-	-	(932,172)	(932,172)
Intangible assets :				
- Cost	-	3,877,636	-	3,877,636
- Accumulated amortisation	-	(1,312,047)	-	(1,312,047)

27. Significant Related Party Transactions and Balances

(a) Transactions with related companies :-

	2006 RM	2005 RM
Freight and workshop services provided by a subsidiary :		
- to the Company	-	2,897,006
- to other subsidiaries	-	1,275,152
Hire of machinery and motor vehicles charged to subsidiaries	223,465	218,011
Hire of machinery and motor vehicles between subsidiaries	10,207	106,397
Property, plant and equipment and related consumables acquired from a subsidiary	1,576,584	-
Rental of premises :		
- charged to subsidiaries	233,520	242,520
- charged between subsidiaries	32,080	-
Rental of furniture and fittings charged to subsidiaries	146,580	-
Supervision fee charged by a subsidiary	-	111,192
Sales to subsidiaries	5,751,489	5,347,248
Purchases from subsidiaries	3,251	213,775
Sales between subsidiaries	<u>175,321,610</u>	<u>194,758,960</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	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of feeds and day-old chicks	<u>9,697,064</u>	<u>13,767,355</u>	<u>-</u>	<u>-</u>

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

27. 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	
	2006	2005
	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>

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

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Amount included in receivables :				
- Pembena Transport Sdn Bhd	207,672	288,143	207,672	288,143
- Indah Enterprise Sdn Bhd	122,643	129,169	122,643	129,169
Amount included in payables :				
- Indah Enterprise Sdn Bhd	79,845	85,826	79,845	-
- Pembena Transport Sdn Bhd	-	13,273	-	-
	<u>-</u>	<u>13,273</u>	<u>-</u>	<u>-</u>

28. Discontinued 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.

28. Discontinued Operations (Cont'd)

The closure exercise have been completed in 2005. Property, plant and equipment relating to the discontinued operations have remained with the Group and are classified under Property, Plant and Equipment as disclosed in Note 10(d). It is the management's plan to dispose of these assets as part of the closure exercise and is actively sourcing for buyers to conclude such arrangements. As at the balance sheet date, no disposal arrangements have been concluded and as such, these assets have not been classified as non-current assets held for sale.

The loss attributable to the discontinued operations relating to the comparative period and which have been recognised in the Group's income statement was as follows :-

	2005 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)
	<hr/>
Loss arising from discontinued operations	<u><u>(1,117,775)</u></u>

No revenue was derived during the relevant year. The carrying amounts of assets and liabilities of Muda as at year end and the cash flows for the financial year ended on that date were as follows :-

(a) Carrying amounts of assets and liabilities

	2005 RM
Property, plant and equipment	2,429,252
Current assets	7,373,294
Current liabilities	(14,676)
	<hr/>
Net assets	<u><u>9,787,870</u></u>

(b) Cash flows

	2005 RM
Net cash flows from operating activities	(35,814)
Net cash flows from investing activities	16,680
	<hr/>
Net decrease in cash and cash equivalents	(19,134)
Cash and cash equivalents at beginning of year	43,404
	<hr/>
Cash and cash equivalents at end of year	<u><u>24,270</u></u>

29. Segment Reporting

(a) Primary Reporting Format - Business Segments

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

- (i) Flour and trading in grains and other allied products - Milling and selling wheat flour and trading in grains and other 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)

Polypropylene goods

In 2004, the Group discontinued with the manufacturing and sale of polypropylene and polyethylene woven bags and its allied products as highlighted in Note 28. Property, plant and equipment under this segment as disclosed under Note 10(e) are classified under unallocated assets for segment reporting purposes.

Transport

Activities under this segment were previously undertaken by Syarikat Pengangkutan Lumut Sdn Bhd ("SPL"), a wholly owned subsidiary of the Company. Effective from 1 January 2006, the Company assumed all activities (plus all relevant property, plant and equipment) under this segment as part of the Group's overall exercise to streamline and manage the transportation of the Group's products. Any transport and delivery of goods on behalf of third parties will be regarded as incidental to the Company providing such services and is not intended to be significant to warrant identification as a reportable segment. Accordingly, the categorisation as Transport Management, for segment reporting purposes ceases to be relevant for the current year.

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

29. Segment Reporting (Cont'd)**(a) Primary Reporting Format - Business Segments (Cont'd)****2006**

	Flour and trading in grains and other allied products RM	Feeds RM	Poultry integration RM	Group RM
Sales				
Total sales	490,820,583	190,759,205	185,964,443	867,544,231
Intersegment sales	(5,751,489)	(62,055,681)	(5,510,978)	(73,318,148)
External sales	<u>485,069,094</u>	<u>128,703,524</u>	<u>180,453,465</u>	<u>794,226,083</u>
Results				
Segment results (External)	57,954,101	7,256,569	(15,765,558)	49,445,112
Interest income				3,857,819
Gain on disposal of quoted investment				1,720
Allowance for diminution in value of quoted investment written back				892
Unallocated expenses				<u>(308,101)</u>
Profit from operations				52,997,442
Finance costs				(9,010,854)
Share of results of associated companies	-	-	(504,646)	<u>(504,646)</u>
Profit before taxation				43,481,942
Taxation				<u>(10,606,535)</u>
Profit after taxation				32,875,407
Minority interests				<u>(4,574,592)</u>
Profit for the year				<u><u>28,300,815</u></u>

29. Segment Reporting (Cont'd)**(a) Primary Reporting Format - Business Segments (Cont'd)**

2006 (Cont'd)

Other information	Flour and trading in grains and other allied products RM	Feeds RM	Poultry integration RM	Group RM
Segment assets				
Segment assets	468,039,523	82,956,177	93,049,604	644,045,304
Investments in associates	-	-	972,000	972,000
Unallocated assets				6,436,521
Consolidated total assets				<u>651,453,825</u>
Segment liabilities				
Segment liabilities	37,651,269	12,776,774	11,073,669	61,501,712
Bank borrowings				236,902,464
Unallocated liabilities				10,384,713
Consolidated total liabilities				<u>308,788,889</u>
Capital expenditure	19,105,335	929,712	6,544,581	<u>26,579,628</u>
Depreciation and amortisation				
Allocated	13,008,291	1,792,872	6,776,023	21,577,186
Unallocated				85,044
				<u>21,662,230</u>
Allowance for impairment of property, plant and equipment				
Allocated	-	-	631,514	631,514
Unallocated				77,550
				<u>709,064</u>
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	274,950	866,963	1,082,436	<u>2,224,349</u>

29. Segment Reporting (Cont'd)**(a) Primary Reporting Format - Business Segments (Cont'd)**

2005	Flour and trading in grains and other allied products	Feeds	Transport	Poultry integration	(Discontinued operations) Polypropylene goods	Group
	RM	RM	RM	RM	RM	RM
Sales						
Total sales	453,660,157	165,130,945	5,907,147	201,669,573	-	826,367,822
Intersegment sales	(5,347,248)	(66,249,217)	(4,283,350)	(10,402,666)	-	(86,282,481)
External sales	<u>448,312,909</u>	<u>98,881,728</u>	<u>1,623,797</u>	<u>191,266,907</u>	<u>-</u>	<u>740,085,341</u>
Results						
Segment results (External)	32,213,295	857,153	(1,259,010)	(1,767,635)	-	30,043,803
Loss arising from discontinued operations	-	-	-	-	(1,117,775)	(1,117,775)
	32,213,295	857,153	(1,259,010)	(1,767,635)	(1,117,775)	28,926,028
Interest income						2,616,334
Negative goodwill on consolidation						59,535
Unallocated expenses :						
- Allowance for diminution in value of investments						(3,211,843)
- Others						(253,134)
Profit from operations						28,136,920
Finance costs						(6,958,491)
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)
Profit for the year						<u>10,425,005</u>

29. Segment Reporting (Cont'd)**(a) Primary Reporting Format - Business Segments (Cont'd)**

2005 (Cont'd)	Flour and trading in grains and other allied products	Feeds	Transport	Poultry integration	(Discontinued operations) Polypropylene goods	Group
Other information	RM	RM	RM	RM	RM	RM
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>

29. 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	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Malaysia	526,279,755	499,519,387	404,691,277	358,577,677	14,963,605	12,327,550
Vietnam	267,946,328	240,565,954	240,326,027	177,563,110	11,616,023	342,726
	<u>794,226,083</u>	<u>740,085,341</u>	645,017,304	536,140,787	<u>26,579,628</u>	<u>12,670,276</u>
Unallocated assets			6,436,521	4,778,700		
			<u>651,453,825</u>	<u>540,919,487</u>		

30. Capital and Other Commitments

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Authorised and contracted for :				
- Acquisition of plant and equipment	6,586,627	11,026,000	3,158,566	330,000
Authorised but not contracted for :				
- Acquisition of property, plant and equipment for Vietnam projects	2,421,292	6,196,300	-	-
- Acquisition of property, plant and equipment	199,684	5,530,000	199,684	3,030,000
Lease commitments :				
- within 1 year	849,714	4,192,349	-	-
- 2 to 5 years	608,081	499,443	-	-
	1,457,795	4,691,792	-	-
	<u>10,665,398</u>	<u>27,444,092</u>	<u>3,358,250</u>	<u>3,360,000</u>

31. 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		
2006					
Financial assets					
Deposits with licensed banks	43,537,264	-	-	43,537,264	3.3% - 9.0%
Financial liabilities					
Bankers' acceptances/ Revolving credits	149,435,375	-	-	149,435,375	3.8% - 4.4%
Bank overdraft	53,596	-	-	53,596	6.5% - 7.5%
Other short term loans	87,413,493	-	-	87,413,493	5.1% - 6.4%
2005					
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%

31. Financial Instruments (Cont'd)

(a) Maturity Profile and Effective Interest Rates (Cont'd)

Company	Maturity profile			Total RM	Effective interest rates
	Within 1 year RM	1 to 5 years RM	More than 5 years RM		
2006					
Financial assets					
Deposits with licensed banks	6,800,000	-	-	6,800,000	3.25 - 3.27%
Financial liabilities					
Bankers' acceptances/ Revolving credits	112,919,375	-	-	112,919,375	3.8% - 4.1%
Bank overdraft	53,596	-	-	53,596	6.5% - 7.5%
2005					
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%

(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 15 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.

32. Significant/Subsequent Events

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.

The Statement of Claim filed by the first plaintiff was struck out with cost on 31 August 2006. Upon the High Court in Kuala Lumpur setting aside the writ filed by the second plaintiff, the latter filed the Notice of Appeal. The mention date is fixed as 4 May 2007.

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.

33. Comparative Figures

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

Group	As previously reported RM	Reclassification RM	As restated RM
Income statement			
Revenue			
- Sales of goods	738,368,216	93,328	738,461,544
- Services	1,623,797	-	1,623,797
	<u>739,992,013</u>	<u>93,328</u>	<u>740,085,341</u>
Cost of sales :			
- Cost of inventories sold	(635,301,002)	(1,343,226)	(636,644,228)
- Cost of services	(2,768,807)	303,171	(2,465,636)
	<u>(638,069,809)</u>	<u>(1,040,055)</u>	<u>(639,109,864)</u>
Other operating income	7,497,827	(93,328)	7,404,499
Selling and distribution expenses	(48,749,212)	(17,872)	(48,767,084)
Administrative expenses	(22,778,596)	(904,266)	(23,682,862)
Other operating expenses	(9,169,807)	2,494,472	(6,675,335)
Finance costs	(6,426,212)	(532,279)	(6,958,491)
Cash flow statement			
Interest expenses	6,426,212	532,279	6,958,491
Interest paid	(6,426,212)	(532,279)	(6,958,491)

33. Comparative Figures (Cont'd)

Company	As previously reported RM	Reclassification RM	As restated RM
Income statement			
Cost of sales	(176,938,619)	482,105	(176,456,514)
Finance costs	(2,396,018)	(482,105)	(2,878,123)
Cash flow statement			
Interest expenses	2,396,018	482,105	2,878,123
Interest paid	(2,396,018)	(482,105)	(2,878,123)

No. Syarikat : 4260-M

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 12 to 106 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and of the results and cash flows of the Group and of the Company for the year ended on that date.

Signed at Kuala Lumpur this 16 April 2007

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 12 to 106 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 16 April 2007)

Before me,

No. Syarikat : 4260-M

**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 12 to 106 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities 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 2006 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 13 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 13 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

OUI CHEE KUN

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

PARTNER

Kuala Lumpur

Date : 16 April 2007