

Malayan Flour Mills Berhad

(Company No. 4260-M)

(Incorporated in Malaysia)

and its subsidiaries

**Financial statements for the year
ended 31 December 2007**

Malayan Flour Mills Berhad

(Company No. 4260-M)

(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the year ended 31 December 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

Principal activities

The Company is principally engaged in the business of milling and selling wheat flour and trading in grains and other allied products, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

| | Group RM'000 | Company RM'000 |
|-----------------------------|-------------------------------|---------------------------------|
| Profit attributable to: | | |
| Shareholders of the Company | 46,591 | 17,689 |
| Minority Interest | 6,718 | - |
| | <hr/> | <hr/> |
| | 53,309 | 17,689 |
| | <hr/> <hr/> | <hr/> <hr/> |

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

Dividend

Since the end of the previous financial year, the Company paid:

- i) an interim dividend of 5 sen per ordinary share less tax at 27% totalling RM3,840,000 (3.65 sen net per share) in respect of the year ended 31 December 2006 on 18 January 2007;
- ii) a final tax exempt dividend of 5 sen per ordinary share totalling RM5,359,000 in respect of the year ended 31 December 2006 on 9 July 2007; and
- iii) an interim dividend of 5 sen per ordinary share less tax at 26% totalling RM3,983,000 (3.70 sen net per share) in respect of the year ended 31 December 2007 on 18 January 2008.

The final and special dividends recommended by the Directors in respect of the year ended 31 December 2007 is 5 sen per ordinary share and 10 sen per ordinary share respectively less tax at 26% totalling RM3,983,000 (3.70 sen net per share) and RM7,966,000 (7.40 sen net per share) respectively.

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Datuk Arshad bin Ayub
 Teh Wee Chye
 Lee Soon Lee
 Tan Sri Hamzah bin Abu Samah
 Dato' Hj Shahrudin bin Hj Haron
 Geh Cheng Hooi
 Quah Ban Lee
 Dato' Ho Ung Hun (deceased on 4 February 2008)

Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM1 each | | | |
|--|---------------------------------------|---------|-------------|------------------|
| | At 1.1.2007 | Bought | Sold | At 31.12.2007 |
| Company – Malayan Flour Mills Berhad | | | | |
| Direct interest | | | | |
| Teh Wee Chye | 456,500 | - | - | 456,500 |
| Lee Soon Lee | 6,000 | - | - | 6,000 |
| Tan Sri Datuk Arshad bin Ayub | 5,194,085 | - | (1,000,000) | 4,194,085 |
| Dato' Hj Shahrudin bin Hj Haron | 400,000 | - | - | 400,000 |
| Quah Ban Lee | 35,000 | 200,000 | - | 235,000 |
| Deemed interest | | | | |
| Teh Wee Chye | 29,858,483 | - | - | 29,858,483 |
| Tan Sri Datuk Arshad bin Ayub | 2,187,600 | 340,000 | (133,600) | 2,394,000 |
| Geh Cheng Hooi | - | 3,000 | - | 3,000 |
| Subsidiary company | | | | |
| - Dindings Soya & Multifeeds Sdn. Berhad | | | | |
| Deemed interest | | | | |
| Teh Wee Chye | 4,185,000 | - | - | 4,185,000 |
| - Muda Fibre Manufacturing Sdn. Bhd. | | | | |
| Deemed interest | | | | |
| Teh Wee Chye | 1,000,000 | - | - | 1,000,000 |

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

Directors' interests (continued)

| | Number of options over ordinary shares of RM1 each | | | |
|--------------------------------------|--|---------|-----------|------------|
| | At | Granted | Exercised | At |
| | 1.1.2007 | | | 31.12.2007 |
| Company – Malayan Flour Mills Berhad | | | | |
| Quah Ban Lee | 200,000 | - | (200,000) | - |

By virtue of his interest in the shares of the Company, Mr. Teh Wee Chye is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Malayan Flour Mills Berhad has an interest.

None of the other Directors holding office at 31 December 2007 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with 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 a Director who has significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 26 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees' Share Option Scheme ("ESOS").

Issue of shares

During the financial year, the Company issued 2,426,000 new ordinary shares of RM1 each for cash arising from the exercise of employees' share options at the option price ranging between RM1.58 and RM2.04 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the ESOS.

At an extraordinary meeting held on 13 May 2004, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company. This ESOS was implemented on 28 May 2004 and expired on 27 May 2007.

The salient features of the ESOS are, *inter alia* as follows:

- i) 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.
- ii) 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.
- iii) 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.
- iv) 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.

The persons to whom the options have been granted have no rights to participate by virtue of the options in any share issue of any other company.

Options granted over unissued shares (continued)

The options offered to take up unissued ordinary shares of RM1 each and the exercise prices are as follows:

| Date of offer | Exercise Price | Number of options over ordinary shares of RM1 each | | | | |
|---------------|----------------|--|----------------|--------------------|------------------|---------------|
| | | At 1.1.2007 | Granted | Exercised | Forfeited | At 31.12.2007 |
| 28.05.2004 | RM1.58 | 2,073,000 | - | (1,601,000) | (472,000) | - |
| 14.04.2006 | RM1.58 | 150,000 | - | (130,000) | (20,000) | - |
| 22.06.2006 | RM1.67 | 220,000 | - | (220,000) | - | - |
| 01.07.2006 | RM1.75 | 2,000 | - | (2,000) | - | - |
| 02.09.2006 | RM1.85 | 50,000 | - | - | (50,000) | - |
| 19.09.2006 | RM1.91 | 50,000 | - | (50,000) | - | - |
| 03.01.2007 | RM2.04 | - | 64,000 | (50,000) | (14,000) | - |
| 02.02.2007 | RM2.03 | - | 385,000 | (312,000) | (73,000) | - |
| 06.02.2007 | RM2.03 | - | 9,000 | - | (9,000) | - |
| 07.02.2007 | RM2.03 | - | 5,000 | - | (5,000) | - |
| 01.03.2007 | RM2.02 | - | 14,000 | (14,000) | - | - |
| 27.03.2007 | RM1.97 | - | 5,000 | - | (5,000) | - |
| 17.04.2007 | RM1.99 | - | 5,000 | - | (5,000) | - |
| 24.04.2007 | RM1.94 | - | 14,000 | (14,000) | - | - |
| 03.05.2007 | RM1.95 | - | 14,000 | (14,000) | - | - |
| 08.05.2007 | RM1.98 | - | 5,000 | (5,000) | - | - |
| 15.05.2007 | RM2.00 | - | 14,000 | (14,000) | - | - |
| | | 2,545,000 | 534,000 | (2,426,000) | (653,000) | - |

The Company has been granted 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 to take up 100,000 or more ordinary shares under the ESOS.

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

| Exercise price | Grant date | Expiry date | Number of options over ordinary shares of RM1 each | | | |
|----------------------|------------|-------------|--|---------|-----------|---------------|
| | | | At 1.1.2007 | Granted | Exercised | At 31.12.2007 |
| Lim Pang Boon RM2.03 | 2.2.2007 | 27.5.2007 | - | 110,000 | (110,000) | - |

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 4260-M

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Tan Sri Datuk Arshad Bin Ayub

.....
Teh Wee Chye

Kuala Lumpur,

Date: 2 April 2008

Malayan Flour Mills Berhad

(Company No. 4260-M)

(Incorporated in Malaysia)

and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 12 to 76 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Tan Sri Datuk Arshad Bin Ayub

.....
Teh Wee Chye

Kuala Lumpur,

Date: 2 April 2008

Malayan Flour Mills Berhad

(Company No. 4260-M)

(Incorporated in Malaysia)

and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Quah Ban Lee**, the Director primarily responsible for the financial management of Malayan Flour Mills Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 76 are, to the best of my knowledge and belief, 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 in Kuala Lumpur on 2 April 2008.

.....
Quah Ban Lee

Before me:

Report of the auditors to the members of Malayan Flour Mills Berhad

(Company No. 4260-M)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 12 to 76. The preparation of the financial statements is the responsibility of the Company's Directors. The financial statements of the Group and the Company as at 31 December 2006 were audited by another chartered firm of accountants, whose report dated 16 April 2007, expressed an unqualified opinion on those statements.

It is our responsibility to form an independent opinion, based on our audit, on the 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 contents of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and
 - ii) 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
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 7 to the financial statements and we have considered their financial statements and, where audited, the auditors' reports thereon.

Company No. 4260-M

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 audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG

Firm Number: AF 0758
Chartered Accountants

Chong Dee Shiang

Partner
Approval Number: 2782/09/08(J)

Kuala Lumpur,

Date: 2 April 2008

Malayan Flour Mills Berhad

(Company No. 4260-M)

(Incorporated in Malaysia)

and its subsidiaries

Balance sheets at 31 December 2007

| | Note | Group | | Company | |
|---|------|----------------|----------------------------|----------------|----------------------------|
| | | 2007 RM'000 | 2006 RM'000 Restated | 2007 RM'000 | 2006 RM'000 Restated |
| Assets | | | | | |
| Property, plant and equipment | 3 | 180,817 | 194,242 | 64,460 | 64,972 |
| Intangible assets | 4 | 3,953 | 2,966 | 1,902 | 2,551 |
| Prepaid lease payments | 5 | 13,928 | 15,104 | 3,570 | 3,737 |
| Investment properties | 6 | 5,733 | 5,790 | 5,462 | 5,519 |
| Investments in subsidiaries | 7 | - | - | 149,316 | 149,316 |
| Investments in associates | 8 | 870 | 972 | * | * |
| Other investments | 9 | 112 | 597 | 60 | 60 |
| Deferred tax assets | 10 | 1,828 | 2,017 | - | - |
| Total non-current assets | | <u>207,241</u> | <u>221,688</u> | <u>224,770</u> | <u>226,155</u> |
| Receivables, deposits and prepayments | 11 | 187,501 | 140,195 | 134,212 | 110,067 |
| Inventories | 12 | 284,564 | 233,962 | 80,945 | 95,230 |
| Current tax assets | | 495 | 948 | - | 389 |
| Cash and cash equivalents | 13 | 134,246 | 54,661 | 27,271 | 8,432 |
| Total current assets | | <u>606,806</u> | <u>429,766</u> | <u>242,428</u> | <u>214,118</u> |
| Total assets | | <u>814,047</u> | <u>651,454</u> | <u>467,198</u> | <u>440,273</u> |
| Equity | | | | | |
| Share capital | | 107,645 | 105,219 | 107,645 | 105,219 |
| Reserves | | 238,652 | 207,834 | 194,256 | 184,184 |
| Total equity attributable to shareholders of the Company | | <u>346,297</u> | <u>313,053</u> | <u>301,901</u> | <u>289,403</u> |
| Minority interest | | 32,851 | 29,612 | - | - |
| Total equity | 14 | <u>379,148</u> | <u>342,665</u> | <u>301,901</u> | <u>289,403</u> |

* denotes RM4

Balance sheets at 31 December 2007

(continued)

| | Note | Group | | Company | |
|--------------------------------------|------|---------|----------|---------|----------|
| | | 2007 | 2006 | 2007 | 2006 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| | | | Restated | | Restated |
| Liabilities | | | | | |
| Deferred tax liabilities | 10 | 6,638 | 7,686 | 6,638 | 7,686 |
| Total non-current liabilities | | 6,638 | 7,686 | 6,638 | 7,686 |
| Payables and accruals | 15 | 87,366 | 57,912 | 41,662 | 26,371 |
| Loans and borrowings | 16 | 335,135 | 236,903 | 112,272 | 112,973 |
| Current tax liabilities | | 1,777 | 2,448 | 742 | - |
| Dividend payable | | 3,983 | 3,840 | 3,983 | 3,840 |
| Total current liabilities | | 428,261 | 301,103 | 158,659 | 143,184 |
| Total liabilities | | 434,899 | 308,789 | 165,297 | 150,870 |
| Total equity and liabilities | | 814,047 | 651,454 | 467,198 | 440,273 |

The notes set out on pages 21 to 76 are an integral part of these financial statements.

Malayan Flour Mills Berhad

(Company No. 4260-M)
(Incorporated in Malaysia)

and its subsidiaries

Income statements for the year ended 31 December 2007

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Revenue | | 1,031,183 | 794,226 | 303,023 | 222,874 |
| Cost of goods sold | | (872,813) | (671,807) | (234,481) | (173,995) |
| Gross profit | | 158,370 | 122,419 | 68,542 | 48,879 |
| Other income | | 6,311 | 13,316 | 7,922 | 14,368 |
| Distribution and selling expenses | | (62,864) | (58,584) | (23,902) | (19,044) |
| Administrative expenses | | (27,990) | (25,892) | (16,432) | (15,173) |
| Other expenses | | (2,188) | (2,120) | (8,194) | (14,753) |
| Results from operating activities | | 71,639 | 49,139 | 27,936 | 14,277 |
| Interest expense | | (13,350) | (9,010) | (3,616) | (3,578) |
| Interest income | | 5,868 | 3,858 | 345 | 322 |
| Operating profit | 17 | 64,157 | 43,987 | 24,665 | 11,021 |
| Share of loss after tax of equity accounted associates | | (172) | (505) | - | - |
| Profit before tax | | 63,985 | 43,482 | 24,665 | 11,021 |
| Tax expense | 20 | (10,676) | (10,606) | (6,976) | (4,338) |
| Profit for the year | | 53,309 | 32,876 | 17,689 | 6,683 |
| Attributable to: | | | | | |
| Shareholders of the Company | | 46,591 | 28,301 | | |
| Minority interest | | 6,718 | 4,575 | | |
| Profit for the year | | 53,309 | 32,876 | | |
| Basic earnings per ordinary share (sen) | 21 | 43.54 | 28.47 | | |
| Diluted earnings per ordinary share (sen) | 21 | - | 28.21 | | |

The notes set out on pages 21 to 76 are an integral part of these financial statements.

Malayan Flour Mills Berhad

(Company No. 4260-M)

(Incorporated in Malaysia)

and its subsidiaries

Statement of changes in equity for the year ended 31 December 2007

/-----Attributable to shareholders of the Company-----/

/-----Non-distributable-----/ Distributable

| <i>Group</i> | Note | Share capital RM'000 | Share premium RM'000 | Revaluation reserve RM'000 | Other capital reserves RM'000 | Share option reserve RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Minority interest RM'000 | Total equity RM'000 |
|--|------|-------------------------|-------------------------|-------------------------------|----------------------------------|--------------------------------|-------------------------------|-----------------------------|-----------------|-----------------------------|------------------------|
| At 1 January 2006 | | 95,763 | 47,627 | 19,310 | 7,673 | - | (2,319) | 118,739 | 286,793 | 27,817 | 314,610 |
| Foreign exchange translation differences | | - | - | - | - | - | (9,368) | - | (9,368) | (1,666) | (11,034) |
| Net loss recognised directly in equity | | - | - | - | - | - | (9,368) | - | (9,368) | (1,666) | (11,034) |
| Profit for the year | | - | - | - | - | - | - | 28,301 | 28,301 | 4,575 | 32,876 |
| Total recognised income and expense for the year | | - | - | - | - | - | (9,368) | 28,301 | 18,933 | 2,909 | 21,842 |
| Issue of shares: | | | | | | | | | | | |
| - Special issue for cash | 14 | 5,000 | 3,850 | - | - | - | - | - | 8,850 | - | 8,850 |
| Share-based payments | | - | - | - | - | 170 | - | - | 170 | - | 170 |
| Share options exercised | 14 | 4,456 | 2,609 | - | - | (22) | - | - | 7,043 | - | 7,043 |
| Share issuance expenses | | - | (56) | - | - | - | - | - | (56) | - | (56) |
| Dividends to shareholders | | - | - | - | - | - | - | (8,680) | (8,680) | - | (8,680) |
| Dividend to minority interests | | - | - | - | - | - | - | - | - | (1,114) | (1,114) |
| At 31 December 2006 | | 105,219 | 54,030 | 19,310 | 7,673 | 148 | (11,687) | 138,360 | 313,053 | 29,612 | 342,665 |

Company No. 4260-M

Statement of changes in equity for the year ended 31 December 2007

(continued)

| <i>Group</i> | Note | /-----Attributable to shareholders of the Company-----/ | | | | | | /-----Non-distributable-----/ Distributable | | | |
|--|------|---|-------------------------|-------------------------------|----------------------------------|--------------------------------|-------------------------------|---|-----------------|-----------------------------|------------------------|
| | | Share capital RM'000 | Share premium RM'000 | Revaluation reserve RM'000 | Other capital reserves RM'000 | Share option reserve RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Minority interest RM'000 | Total equity RM'000 |
| At 1 January 2007 | | 105,219 | 54,030 | 19,310 | 7,673 | 148 | (11,687) | 138,360 | 313,053 | 29,612 | 342,665 |
| Foreign exchange translation differences | | - | - | - | - | - | (8,156) | - | (8,156) | (1,414) | (9,570) |
| Net loss recognised directly in equity | | - | - | - | - | - | (8,156) | - | (8,156) | (1,414) | (9,570) |
| Profit for the year | | - | - | - | - | - | - | 46,591 | 46,591 | 6,718 | 53,309 |
| Total recognised income and expense for the year | | - | - | - | - | - | (8,156) | 46,591 | 38,435 | 5,304 | 43,739 |
| Share-based payments | | - | - | - | - | 93 | - | - | 93 | - | 93 |
| Share options exercised | 14 | 2,426 | 1,832 | - | - | (200) | - | - | 4,058 | - | 4,058 |
| Reversal of share-based payments upon maturity of ESOS | | - | - | - | - | (41) | - | 41 | - | - | - |
| Subscription of shares in a subsidiary | | - | - | - | - | - | - | - | - | 10 | 10 |
| Dividends to shareholders | | - | - | - | - | - | - | (9,342) | (9,342) | - | (9,342) |
| Dividend to minority interests | | - | - | - | - | - | - | - | - | (2,075) | (2,075) |
| At 31 December 2007 | | 107,645 | 55,862 | 19,310 | 7,673 | - | (19,843) | 175,650 | 346,297 | 32,851 | 379,148 |

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

Statement of changes in equity for the year ended 31 December 2007

(continued)

| <i>Company</i> | <i>Note</i> | /----- <i>Non-distributable</i> -----/ | | | | <i>Distributable</i> | |
|---|-------------|--|---------------------------------|--|--|-------------------------------------|-------------------------|
| | | Share capital RM'000 | Share premium RM'000 | Revaluation reserves RM'000 | Share option reserve RM'000 | Retained earnings RM'000 | Total RM'000 |
| At 1 January 2006 | | 95,763 | 47,627 | 19,310 | - | 112,693 | 275,393 |
| Profit for the year | | - | - | - | - | 6,683 | 6,683 |
| Issue of shares: | | | | | | | |
| - Special issue of cash | 14 | 5,000 | 3,850 | - | - | - | 8,850 |
| Share-based payments | | - | - | - | 170 | - | 170 |
| Share options exercised | 14 | 4,456 | 2,609 | - | (22) | - | 7,043 |
| Share issuance expenses | | - | (56) | - | - | - | (56) |
| Dividends to shareholders | | - | - | - | - | (8,680) | (8,680) |
| At 31 December 2006 | | 105,219 | 54,030 | 19,310 | 148 | 110,696 | 289,403 |
| Profit for the year | | - | - | - | - | 17,689 | 17,689 |
| Share-based payments | | - | - | - | 93 | - | 93 |
| Share options exercised | 14 | 2,426 | 1,832 | - | (200) | - | 4,058 |
| Reversal of share-based payment upon maturity of ESOS | | - | - | - | (41) | 41 | - |
| Dividends to shareholders | | - | - | - | - | (9,342) | (9,342) |
| At 31 December 2007 | | 107,645 | 55,862 | 19,310 | - | 119,084 | 301,901 |

The notes set out on pages 21 to 76 are an integral part of these financial statements.

Malayan Flour Mills Berhad

(Company No. 4260-M)

(Incorporated in Malaysia)

and its subsidiaries

Cash flow statements for the year ended 31 December 2007

| | Note | Group | | Company | |
|--|------|----------------|----------------------------|----------------|----------------------------|
| | | 2007 RM'000 | 2006 RM'000 Restated | 2007 RM'000 | 2006 RM'000 Restated |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 63,985 | 43,482 | 24,665 | 11,021 |
| <i>Adjustments for:</i> | | | | | |
| Allowance for diminution in quoted investment written back | | - | (1) | - | (1) |
| Impairment loss on investment in subsidiaries | | - | - | - | 1,300 |
| Impairment loss on property, plant and equipment | | - | 709 | - | - |
| Amortisation of intangible assets | 4 | 972 | 1,199 | 853 | 1,116 |
| Amortisation of prepaid lease payments | 5 | 615 | 625 | 167 | 167 |
| Depreciation of investment properties | 6 | 57 | 57 | 57 | 57 |
| Depreciation of property, plant and equipment | 3 | 21,056 | 19,932 | 5,236 | 5,090 |
| Dividend income | | - | - | (5,801) | (3,801) |
| Interest expense | | 13,350 | 9,010 | 3,616 | 3,578 |
| Gain on disposal of property, plant and equipment | | (954) | (8,674) | (141) | (8,480) |
| Gain on disposal of quoted investment | | (484) | (2) | - | (2) |
| Interest income | | (5,868) | (3,858) | (345) | (322) |
| Inventories written off | | - | 292 | - | - |
| Property, plant and equipment written off | | 63 | 29 | - | 29 |
| Reversal of impairment loss upon disposal of property, plant and equipment | | (50) | - | - | - |
| Share-based payments | | 93 | 170 | 93 | 170 |
| Share of loss of equity accounted associates | | 172 | 505 | - | - |

Cash flow statements for the year ended 31 December 2007

(continued)

| | Group | | Company | |
|---|----------|--------------------|----------|--------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Note | RM'000 | RM'000 Restated | RM'000 | RM'000 Restated |
| Cash flows from operating activities | | | | |
| (continued) | | | | |
| Unrealised loss/(gain) on foreign exchange | (405) | 94 | - | - |
| Operating profit before changes in working capital | 92,602 | 63,569 | 28,400 | 9,922 |
| Changes in working capital: | | | | |
| Inventories | (56,035) | (104,487) | 14,285 | (42,383) |
| Payables and accruals | 30,437 | (31,893) | 15,291 | (19,703) |
| Receivables, deposit and prepayments | (49,763) | 6,567 | (24,145) | 9,054 |
| Cash generated from/(used in) operations | 17,241 | (66,244) | 33,831 | (43,110) |
| Interest paid | (13,350) | (9,010) | (3,616) | (3,578) |
| Interest received | 5,868 | 3,858 | 345 | 322 |
| Tax paid | (11,667) | (7,970) | (6,634) | (3,178) |
| Net cash (used in)/generated from operating activities | (1,908) | (79,366) | 23,926 | (49,544) |
| Cash flows from investing activities | | | | |
| Acquisition of intangible assets | (1,992) | (1,154) | (204) | (1,102) |
| Acquisition of property, plant and equipment | (11,679) | (25,426) | (4,744) | (7,409) |
| Dividend received | - | - | 5,542 | 3,465 |
| Subscription of shares in an associate | 8 | * | - | * |
| Subscription of shares in a subsidiary by minority interest | 10 | - | - | - |
| Proceeds from disposal of property, plant and equipment | 1,065 | 11,684 | 161 | 11,398 |
| Proceeds from disposal of quoted investment | 966 | 7 | - | 7 |
| Net cash (used in)/generated from investing activities | (11,630) | (14,889) | 755 | 6,359 |

* denotes RM4

Cash flow statements for the year ended 31 December 2007

(continued)

| | Note | Group | | Company | |
|---|------|----------------|----------------------------|----------------|----------------------------|
| | | 2007 RM'000 | 2006 RM'000 Restated | 2007 RM'000 | 2006 RM'000 Restated |
| Cash flows from financing activities | | | | | |
| Dividends paid to minority shareholders | | (2,075) | (1,114) | - | - |
| Dividends paid to shareholders of the Company | | (9,199) | (8,287) | (9,199) | (8,287) |
| Proceeds from issuance of shares | | 4,058 | 15,893 | 4,058 | 15,893 |
| Proceeds from/(repayment of) loans and borrowings | | 103,992 | 78,076 | (647) | 32,111 |
| Share issue expenses | | - | (56) | - | (56) |
| Net cash generated from/(used in) financing activities | | <u>96,776</u> | <u>84,512</u> | <u>(5,788)</u> | <u>39,661</u> |
| Net increase/(decrease) in cash and cash equivalent | | <u>83,238</u> | <u>(9,743)</u> | <u>18,893</u> | <u>(3,524)</u> |
| Effect of exchange rate fluctuations on cash held | | (3,599) | (4,116) | - | - |
| Cash and cash equivalent at 1 January | | <u>54,607</u> | <u>68,466</u> | <u>8,378</u> | <u>11,902</u> |
| Cash and cash equivalent at 31 December | | <u>134,246</u> | <u>54,607</u> | <u>27,271</u> | <u>8,378</u> |

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

| | Note | Group | | Company | |
|------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Cash and bank balances | 13 | 18,964 | 11,124 | 6,971 | 1,632 |
| Deposit placed with licensed banks | 13 | 115,282 | 43,537 | 20,300 | 6,800 |
| Unsecured bank overdraft | 16 | - | (54) | - | (54) |
| | | <u>134,246</u> | <u>54,607</u> | <u>27,271</u> | <u>8,378</u> |

The notes set out on pages 21 to 76 are an integral part of these financial statements.

Malayan Flour Mills Berhad

(Company No. 4260-M)

(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

Malayan Flour Mills Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office and principal place of business

22nd Floor, Wisma MCA

Jalan Ampang

50450 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries and the Group's interest in associates.

The Company is principally engaged in the business of milling and selling wheat flour and trading in grains and other allied products, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

The financial statements were approved by the Board of Directors on 2 April 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards (FRSs) issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The MASB has also issued the following FRSs and Interpretations that have not been applied in preparing these financial statements:

| FRSs / Interpretations | Effective date |
|---|-----------------------|
| FRS 107, <i>Cash Flow Statements</i> | 1 July 2007 |
| FRS 111, <i>Construction Contracts</i> | 1 July 2007 |
| FRS 112, <i>Income Taxes</i> | 1 July 2007 |
| FRS 118, <i>Revenue</i> | 1 July 2007 |
| FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> | 1 July 2007 |
| Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i> | 1 July 2007 |
| FRS 134, <i>Interim Financial Reporting</i> | 1 July 2007 |
| FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i> | 1 July 2007 |
| FRS 139, <i>Financial Instruments: Recognition and Measurement</i> | To be announced |
| IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> | 1 July 2007 |
| IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i> | 1 July 2007 |
| IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i> | 1 July 2007 |
| IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i> | 1 July 2007 |
| IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies</i> | 1 July 2007 |
| IC Interpretation 8, <i>Scope of FRS 2</i> | 1 July 2007 |

The Group and the Company plan to apply the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

In this set of financial statements, the Group has adopted FRS 117, *Leases* and FRS 124, *Related Party Disclosure* which are effective for annual periods beginning on or after 1 October 2006. There is no material impact on the financial statements of the Group and the Company except for the adoption of FRS 117, *Leases* which requires certain comparatives to be reclassified as set out in Note 27.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 10 - recognition of unutilised tax losses and capital allowances.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 27).

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associates, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) *Associates (continued)*

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) *Changes in Group composition*

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When the group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) *Minority interest*

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interest that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

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 report profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gain arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated at average exchange rates for the year which approximates the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

2. Significant accounting policies (continued)

(c) Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and accumulated impairment losses.

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain properties were revalued in 1983 and no later valuation has been recorded for these property, plant and equipment.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) *Depreciation*

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--|--|
| • buildings | 10 and 50 years or over lease period, whichever is shorter |
| • jetty | 50 years |
| • plant, machinery, fixtures and equipment | 4 and 10 years |
| • motor vehicles and boats | 5 and 10 years |

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date

(d) Leased assets

Operating lease

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. The leased assets are not recognised on the Group's balance sheet.

2. Significant accounting policies (continued)

(d) Leased assets (continued)

Operating lease (continued)

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Group had previously classified a lease of land as a finance lease and had recognised the amount of prepaid lease payments as property within property, plant and equipment. With the adoption of FRS 117, *Leases*, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

The Group had previously revalued certain leasehold land and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A. Such prepaid lease payments is amortised over the lease term.

Leasehold land are amortised over the lease term of between 30 to 99 years.

(e) Intangible assets

(i) Computer software

Computer software acquired by the Group is stated at cost less accumulated amortisation and impairment loss, if any.

The cost capitalised includes expenditures that are directly attributable to the acquisition of the software licenses and any other development costs directly attributable to the preparation of the computer software for its intended use.

(ii) Subsequent expenditure

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Amortisation of computer software is charged to the income statements on a straight-line basis over its estimated useful lives. Computer software is amortised from the date that it is available for use.

The estimated useful life of computer software is 4 years.

2. Significant accounting policies (continued)

(f) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investments in non-current equity securities other than investments in subsidiaries and associates, are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition of an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Investment properties

(i) *Investment properties carried at cost*

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(c).

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

2. Significant accounting policies (continued)

(g) Investments properties (continued)

(ii) *Determination of fair value*

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of semi-processed goods and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of broiler inventories includes original purchase price of day-old chicks plus all growing costs. Growing costs include cost of feed, 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 valued at the lower of depreciated cost and net realisable value. Cost includes 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 is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Significant accounting policies (continued)

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

2. Significant accounting policies (continued)

(k) Impairment of assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

(l) Share capital

Share issue expenses

Incremental costs directly attributable to the issue of shares classified as equity are recognised as a deduction from equity.

(m) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(n) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) *Share-based payment transactions*

The fair value of share options granted at grant date to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share options is measured using a binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Significant accounting policies (continued)

(p) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(q) Revenue recognition

(i) *Goods sold*

Revenue from sale of goods and services are measured at the fair value of the consideration receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) *Rental income*

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income from jetty is recognised at contractual rates based on the length of stay of vessel on an accrual basis.

(iii) *Dividend income*

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

(r) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

2. Significant accounting policies (continued)

(s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

3. Property, plant and equipment

| Group | Note | Freehold land RM'000 | Long term leasehold land RM'000 | Short term leasehold land RM'000 | Buildings RM'000 | Jetty RM'000 | Plant, machinery, fixtures and equipment RM'000 | Motor vehicles and boats RM'000 | Capital work-in progress RM'000 | Total RM'000 |
|--|------|-------------------------|------------------------------------|-------------------------------------|---------------------|-----------------|--|------------------------------------|------------------------------------|-----------------|
| <i>Cost/Valuation</i> | | | | | | | | | | |
| At 1 January 2006 | | | | | | | | | | |
| - At cost | | 1,346 | 8,034 | 8,776 | 178,303 | 459 | 256,026 | 36,258 | 4,460 | 493,662 |
| - At valuation | | - | 2,063 | - | 21,707 | 6,073 | - | - | - | 29,843 |
| | | 1,346 | 10,097 | 8,776 | 200,010 | 6,532 | 256,026 | 36,258 | 4,460 | 523,505 |
| Effect of adopting FRS 117 | 5 | - | (10,097) | (8,776) | - | - | - | - | - | (18,873) |
| At 1 January 2006, restated | | 1,346 | - | - | 200,010 | 6,532 | 256,026 | 36,258 | 4,460 | 504,632 |
| Additions | | - | - | - | 378 | 39 | 3,927 | 2,017 | 19,065 | 25,426 |
| Disposals | | - | - | - | (2,583) | - | (371) | (1,632) | - | (4,586) |
| Write-off | | - | - | - | - | - | - | - | (29) | (29) |
| Transfers | | - | - | - | 1,504 | 291 | 11,053 | - | (12,848) | - |
| Effect of movements in exchange rate | | - | - | - | (3,899) | - | (3,989) | (688) | (14) | (8,590) |
| At 31 December 2006/1 January 2007, restated | | 1,346 | - | - | 195,410 | 6,862 | 266,646 | 35,955 | 10,634 | 516,853 |
| Additions | | - | - | - | 407 | - | 2,514 | 675 | 8,083 | 11,679 |
| Disposals | | - | - | - | - | - | (8,642) | (3,048) | - | (11,690) |
| Write-off | | - | - | - | (13) | - | (60) | - | - | (73) |
| Transfers | | - | - | - | 6,138 | 120 | 10,316 | (899) | (15,675) | - |
| Effect of movements in exchange rate | | - | - | - | (2,785) | - | (3,098) | (472) | (221) | (6,576) |
| At 31 December 2007 | | 1,346 | - | - | 199,157 | 6,982 | 267,676 | 32,211 | 2,821 | 510,193 |

Company No. 4260-M

3. Property, plant and equipment (continued)

| Group | Note | Freehold land RM'000 | Long term leasehold land RM'000 | Short term leasehold land RM'000 | Buildings RM'000 | Jetty RM'000 | Plant, machinery, fixtures and equipment RM'000 | Motor vehicles and boats RM'000 | Capital work-in progress RM'000 | Total RM'000 |
|---|------|----------------------------|--|---|---------------------|-----------------|---|--|--|-----------------|
| <i>Representing items at:</i> | | | | | | | | | | |
| - At cost | | 1,346 | - | - | 177,771 | 909 | 267,676 | 32,211 | 2,821 | 482,734 |
| - At valuation | | - | - | - | 21,386 | 6,073 | - | - | - | 27,459 |
| | | 1,346 | - | - | 199,157 | 6,982 | 267,676 | 32,211 | 2,821 | 510,193 |
| <i>Accumulated depreciation and impairment loss</i> | | | | | | | | | | |
| At 1 January 2006 | | | | | | | | | | |
| Accumulated depreciation | | - | 3,051 | 3,321 | 78,126 | 2,773 | 183,847 | 28,438 | - | 299,556 |
| Accumulated impairment loss | | - | - | - | 311 | - | 14,377 | - | - | 14,688 |
| Effect of adopting FRS 117 | 5 | - | 3,051 | 3,321 | 78,437 | 2,773 | 198,224 | 28,438 | - | 314,244 |
| | | - | (3,051) | (3,321) | - | - | - | - | - | (6,372) |
| At 1 January 2006, restated | | - | - | - | 78,437 | 2,773 | 198,224 | 28,438 | - | 307,872 |
| Charge for the year | | - | - | - | 5,919 | 132 | 11,091 | 2,790 | - | 19,932 |
| Impairment loss | | - | - | - | - | - | 709 | - | - | 709 |
| Disposals | | - | - | - | (730) | - | (290) | (1,546) | - | (2,566) |
| Effect of movements in exchange rate | | - | - | - | (767) | - | (2,072) | (497) | - | (3,336) |
| At 31 December 2006, restated | | - | - | - | 82,548 | 2,905 | 192,576 | 29,185 | - | 307,214 |
| Accumulated depreciation | | - | - | - | 82,548 | 2,905 | 192,576 | 29,185 | - | 307,214 |
| Accumulated impairment loss | | - | - | - | 311 | - | 15,086 | - | - | 15,397 |
| | | - | - | - | 82,859 | 2,905 | 207,662 | 29,185 | - | 322,611 |

Company No. 4260-M

3. Property, plant and equipment (continued)

| Group | Note | Freehold land RM'000 | Long term leasehold land RM'000 | Short term leasehold land RM'000 | Buildings RM'000 | Jetty RM'000 | Plant machinery, fixtures and equipment RM'000 | Motor vehicles and boats RM'000 | Capital work-in progress RM'000 | Total RM'000 |
|---|------|----------------------------|--|---|---------------------|-----------------|--|--|--|-----------------|
| Accumulated depreciation and impairment loss | | | | | | | | | | |
| <i>(continued)</i> | | | | | | | | | | |
| At 1 January 2007, restated | | | | | | | | | | |
| Accumulated depreciation | | - | - | - | 82,548 | 2,905 | 192,576 | 29,185 | - | 307,214 |
| Accumulated impairment loss | | - | - | - | 311 | - | 15,086 | - | - | 15,397 |
| Charge for the year | | - | - | - | 82,859 | 2,905 | 207,662 | 29,185 | - | 322,611 |
| Reversal of impairment loss upon disposal | | - | - | - | 6,466 | 137 | 11,923 | 2,530 | - | 21,056 |
| Disposals | | - | - | - | - | - | (50) | - | - | (50) |
| Write off | | - | - | - | - | - | (8,536) | (3,044) | - | (11,580) |
| Transfers | | - | - | - | - | - | (10) | - | - | (10) |
| Effect of movements in exchange rate | | - | - | - | - | - | 349 | (349) | - | - |
| At 31 December 2007 | | - | - | - | (624) | - | (1,644) | (383) | - | (2,651) |
| Accumulated depreciation | | - | - | - | 88,390 | 3,042 | 194,658 | 27,939 | - | 314,029 |
| Accumulated impairment loss | | - | - | - | 311 | - | 15,036 | - | - | 15,347 |
| | | - | - | - | 88,701 | 3,042 | 209,694 | 27,939 | - | 329,376 |
| Carrying amounts | | | | | | | | | | |
| At 1 January 2006, restated | | 1,346 | - | - | 121,573 | 3,759 | 57,802 | 7,820 | 4,460 | 196,760 |
| At 31 December 2006/1 January 2007, restated | | 1,346 | - | - | 112,551 | 3,957 | 58,984 | 6,770 | 10,634 | 194,242 |
| At 31 December 2007 | | 1,346 | - | - | 110,456 | 3,940 | 57,982 | 4,272 | 2,821 | 180,817 |

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

3. Property, plant and equipment (continued)

| Company | Note | Long term leasehold land RM'000 | Buildings RM'000 | Jetty RM'000 | Plant, machinery, fixtures and equipment RM'000 | Motor vehicles and boats RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|------|--|---------------------|-----------------|---|--|---|--------------------|
| <i>Cost/Valuation</i> | | | | | | | | |
| At 1 January 2006 | | | | | | | | |
| - At cost | | 5,245 | 49,494 | 459 | 72,505 | 13,398 | 2,649 | 143,750 |
| - At valuation | | 2,063 | 21,707 | 6,073 | - | - | - | 29,843 |
| <hr/> | | | | | | | | |
| Effect of adopting FRS 117 | 5 | 7,308 (7,308) | 71,201 - | 6,532 - | 72,505 - | 13,398 - | 2,649 - | 173,593 (7,308) |
| <hr/> | | | | | | | | |
| At 1 January 2006, restated | | - | 71,201 | 6,532 | 72,505 | 13,398 | 2,649 | 166,285 |
| Additions | | - | 74 | 39 | 2,461 | 2,005 | 2,830 | 7,409 |
| Disposals | | - | (2,583) | - | (2) | (463) | - | (3,048) |
| Write-off | | - | - | - | - | - | (29) | (29) |
| Transfers | | - | (301) | 290 | 4,646 | - | (4,635) | - |
| <hr/> | | | | | | | | |
| At 31 December 2006/ 1 January 2007, restated | | - | 68,391 | 6,861 | 79,610 | 14,940 | 815 | 170,617 |
| Additions | | - | 32 | - | 429 | 499 | 3,784 | 4,744 |
| Disposals | | - | - | - | (42) | (1,727) | - | (1,769) |
| Transfers | | - | 2,237 | 121 | 1,034 | - | (3,392) | - |
| <hr/> | | | | | | | | |
| At 31 December 2007 | | - | 70,660 | 6,982 | 81,031 | 13,712 | 1,207 | 173,592 |
| <hr/> <hr/> | | | | | | | | |

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

3. Property, plant and equipment (continued)

| Company (continued) | Note | Long term leasehold land RM'000 | Buildings RM'000 | Jetty RM'000 | Plant, machinery, fixtures and equipment RM'000 | Motor vehicles and boats RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|------|--|---------------------|-----------------|---|--|---|-----------------|
| Representing items at: | | | | | | | | |
| - At cost | | - | 49,274 | 909 | 81,031 | 13,712 | 1,207 | 146,133 |
| - At valuation | | - | 21,386 | 6,073 | - | - | - | 27,459 |
| At 31 December 2007 | | - | 70,660 | 6,982 | 81,031 | 13,712 | 1,207 | 173,592 |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2006 | | 2,347 | 26,136 | 2,773 | 62,215 | 10,618 | - | 104,089 |
| Effect of adopting FRS 117 | 5 | (2,347) | - | - | - | - | - | (2,347) |
| At 1 January 2006, restated | | - | 26,136 | 2,773 | 62,215 | 10,618 | - | 101,742 |
| Charge for the year | | - | 1,387 | 132 | 2,214 | 1,357 | - | 5,090 |
| Disposals | | - | (730) | - | - | (457) | - | (1,187) |
| At 31 December 2006/ 1 January 2007, restated | | - | 26,793 | 2,905 | 64,429 | 11,518 | - | 105,645 |
| Charge for the year | | - | 1,389 | 138 | 2,412 | 1,297 | - | 5,236 |
| Disposals | | - | - | - | (23) | (1,726) | - | (1,749) |
| At 31 December 2007 | | - | 28,182 | 3,043 | 66,818 | 11,089 | - | 109,132 |

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

3. Property, plant and equipment (continued)

| Company (continued) | Note | Long term leasehold land RM'000 | Buildings RM'000 | Jetty RM'000 | Plant, machinery, fixtures and equipment RM'000 | Motor vehicles and boats RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|------|--|---------------------|-----------------|---|--|---|-----------------|
| <i>Carrying amounts</i> | | | | | | | | |
| At 1 January 2006, restated | | - | 45,065 | 3,759 | 10,290 | 2,780 | 2,649 | 64,543 |
| At 31 December 2006/ 1 January 2007, restated | | - | 41,598 | 3,956 | 15,181 | 3,422 | 815 | 64,972 |
| At 31 December 2007 | | - | 42,478 | 3,939 | 14,213 | 2,623 | 1,207 | 64,460 |

3.1 Impairment loss

In the previous year, the Group assessed the recoverable amount of all the plant and machineries of certain subsidiaries and wrote down the carrying amount of certain plants and machineries by RM709,000 based on their recoverable scrap values.

3.2 Property, plant and equipment under the revaluation model

The Company's buildings and jetty were revalued on 1 January 1983 by independent professional qualified valuers using an open market value method.

The Company has availed itself to the transitional provision when the MASB first issued FRS 116₂₀₀₄, Property, Plant and Equipment in 2000. Due to the absence of historical records, the Group is not able to provide the carrying amounts of the revalued freehold land and buildings had they been carried under the cost model.

4. Intangible assets

| | Computer softwares | |
|---------------------------------------|---------------------------|----------------|
| | Group | Company |
| | RM'000 | RM'000 |
| Cost | | |
| At 1 January 2006 | 5,211 | 3,877 |
| Additions | 1,154 | 1,102 |
| Effect of movements in exchange rates | (108) | - |
| | <hr/> | <hr/> |
| At 31 December 2006/1 January 2007 | 6,257 | 4,979 |
| Additions | 1,992 | 204 |
| Effect of movements in exchange rates | (77) | - |
| | <hr/> | <hr/> |
| At 31 December 2007 | 8,172 | 5,183 |
| | ===== | ===== |
| Amortisation | | |
| At 1 January 2006 | 2,161 | 1,312 |
| Amortisation for the year | 1,199 | 1,116 |
| Effect of movements in exchange rates | (69) | - |
| | <hr/> | <hr/> |
| At 31 December 2006/1 January 2007 | 3,291 | 2,428 |
| Amortisation for the year | 972 | 853 |
| Effect of movements in exchange rates | (44) | - |
| | <hr/> | <hr/> |
| At 31 December 2007 | 4,219 | 3,281 |
| | ===== | ===== |
| Carrying amounts | | |
| At 1 January 2006 | 3,050 | 2,565 |
| | ===== | ===== |
| At 31 December 2006/1 January 2007 | 2,966 | 2,551 |
| | ===== | ===== |
| At 31 December 2007 | 3,953 | 1,902 |
| | ===== | ===== |

4.1 Intangible assets

Intangible assets principally comprise expenditure that are directly attributable to the acquisition of the software licences and any other development costs directly attributable to the preparation of the computer software for its intended used.

4.2 Amortisation and impairment charge

The amortisation is allocated to the income statement on a straight-line basis over its estimated useful lives.

5. Prepaid lease payments

| Group | Note | Leasehold land | | Total RM'000 |
|--|------|---|---|-----------------|
| | | Unexpired period less than 50 years RM'000 | Unexpired period more than 50 years RM'000 | |
| Cost | | | | |
| At 1 January 2006 | | - | - | - |
| Effect of adopting FRS 117 | 3 | 10,330 | 8,543 | 18,873 |
| Reclassification from receivables, deposits and prepayments | 27 | 1,996 | - | 1,996 |
| At 1 January 2006, restated | | 12,326 | 8,543 | 20,869 |
| Additions | | 2,888 | - | 2,888 |
| Disposal | | - | (1,250) | (1,250) |
| Effect of movements in exchange rates | | (895) | - | (895) |
| At 31 December 2006/1 January 2007, restated | | 14,319 | 7,293 | 21,612 |
| Effect of movements in exchange rates | | (789) | - | (789) |
| At 31 December 2007 | | 13,530 | 7,293 | 20,823 |
| Amortisation | | | | |
| At 1 January 2006 | | - | - | - |
| Effect of adopting FRS 117 | 3 | 3,697 | 2,675 | 6,372 |
| At 1 January 2006, restated | | 3,697 | 2,675 | 6,372 |
| Amortisation for the year | | 442 | 183 | 625 |
| Disposal | | - | (193) | (193) |
| Effect of movements in exchange rates | | (296) | - | (296) |
| At 31 December 2006/1 January 2007, restated | | 3,843 | 2,665 | 6,508 |
| Amortisation for the year | | 429 | 186 | 615 |
| Effect of movements in exchange rates | | (228) | - | (228) |
| At 31 December 2007 | | 4,044 | 2,851 | 6,895 |
| Carrying amounts | | | | |
| At 1 January 2006, restated | | 8,629 | 5,868 | 14,497 |
| At 31 December 2006/1 January 2007, restated | | 10,476 | 4,628 | 15,104 |
| At 31 December 2007 | | 9,486 | 4,442 | 13,928 |

5. Prepaid lease payments (continued)

| Company | Note | Unexpired period more than 50 years RM'000 |
|---|------|---|
| Cost | | |
| At 1 January 2006 | | - |
| Effect of adopting FRS 117 | 3 | 7,308 |
| | | ----- |
| At 1 January 2006, restated | | 7,308 |
| Disposals | | (1,250) |
| | | ----- |
| At 31 December 2006/1 January 2007, restated/31 December 2007 | | 6,058 |
| | | ===== |
| Amortisation | | |
| At 1 January 2006 | | - |
| Effect of adopting FRS 117 | 3 | 2,347 |
| | | ----- |
| At 1 January 2006, restated | | 2,347 |
| Amortisation for the year | | 167 |
| Disposals | | (193) |
| | | ----- |
| At 31 December 2006/1 January 2007, restated | | 2,321 |
| Amortisation for the year | | 167 |
| | | ----- |
| At 31 December 2007 | | 2,488 |
| | | ===== |
| Carrying amounts | | |
| At 1 January 2006, restated | | 4,961 |
| | | ===== |
| At 31 December 2006/1 January 2007, restated | | 3,737 |
| | | ===== |
| At 31 December 2007 | | 3,570 |
| | | ===== |

5.1 Legal titles

Included in prepaid lease payments is leasehold land with a carrying amount of RM1,847,000 (2006 - RM1,897,000) of the Group of which legal titles of these land have not been transferred to the respective subsidiaries.

6. Investment properties

| Group | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|-------------------------------------|-----------------------------|-------------------------|
| Cost/Valuation | | | |
| At 1 January 2006/31 December 2006/ 31 December 2007 | 3,943 ===== | 2,836 ===== | 6,779 ===== |
| Representing item at: | | | |
| - At cost | 369 | 1,096 | 1,465 |
| - At valuation | 3,574 | 1,740 | 5,314 |
| | ----- 3,943 ===== | ----- 2,836 ===== | ----- 6,779 ===== |
| Accumulated depreciation | | | |
| At 1 January 2006 | - | 932 | 932 |
| Depreciation for the year | - | 57 | 57 |
| | ----- - | ----- 989 | ----- 989 |
| At 31 December 2006/1 January 2007 | - | 989 | 989 |
| Depreciation for the year | - | 57 | 57 |
| | ----- - | ----- 1,046 | ----- 1,046 |
| At 31 December 2007 | - ===== | 1,046 ===== | 1,046 ===== |
| Carrying amounts | | | |
| At 1 January 2006 | 3,943 ===== | 1,904 ===== | 5,847 ===== |
| At 31 December 2006/1 January 2007 | 3,943 ===== | 1,847 ===== | 5,790 ===== |
| At 31 December 2007 | 3,943 ===== | 1,790 ===== | 5,733 ===== |

6. Investment properties (continued)

| Company | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|----------------------------|-------------------------|-------------------------|
| Cost/Valuation | | | |
| At 1 January 2006/31 December 2006/ 31 December 2007 | 3,672 ===== | 2,836 ===== | 6,508 ===== |
| Representing item at: | | | |
| - At cost | 98 | 1,096 | 1,194 |
| - At valuation | 3,574 | 1,740 | 5,314 |
| | ----- 3,672 ===== | ----- 2,836 ===== | ----- 6,508 ===== |
| Accumulated depreciation | | | |
| At 1 January 2006 | - | 932 | 932 |
| Depreciation for the year | - | 57 | 57 |
| | ----- | ----- | ----- |
| At 31 December 2006/1 January 2007 | - | 989 | 989 |
| Depreciation for the year | - | 57 | 57 |
| | ----- | ----- | ----- |
| At 31 December 2007 | - | 1,046 | 1,046 |
| | ===== | ===== | ===== |
| Carrying amounts | | | |
| At 1 January 2006 | 3,672 ===== | 1,904 ===== | 5,576 ===== |
| At 31 December 2006/1 January 2007 | 3,672 ===== | 1,847 ===== | 5,519 ===== |
| At 31 December 2007 | 3,672 ===== | 1,790 ===== | 5,462 ===== |

The fair value of the investment properties for the Group and the Company as at 31 December 2007 approximate RM29,400,000 and RM28,800,000 respectively.

6. Investment properties (continued)

The following are recognised in the income statement in respect of investment properties:

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Rental income | 208 | 205 | 243 | 240 |
| Direct operating expenses of investment properties: | | | | |
| - revenue generating investment properties | 44 | 53 | 44 | 53 |
| | ===== | ===== | ===== | ===== |

Certain investment properties were revalued on 1 January 1983 by independent professional qualified valuers using open market value method.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116₂₀₀₄, Property, Plant and Equipment in 2000. Due to the absence of historical records, the Group is not able to provide the carrying amounts of the revalued freehold land and buildings had they been carried under the cost model.

7. Investments in subsidiaries

| | Company | |
|-------------------------------------|----------------|---------------|
| | 2007 | 2006 |
| | RM'000 | RM'000 |
| Unquoted shares at cost | 203,383 | 203,383 |
| Less: Accumulated impairment losses | (54,067) | (54,067) |
| | ----- | ----- |
| | 149,316 | 149,316 |
| | ===== | ===== |

7. Investments in subsidiaries (continued)

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

| Name of subsidiary | Principal activities | Effective ownership interest | |
|---|--|------------------------------|-----------|
| | | 2007 % | 2006 % |
| 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. The Company ceased its operations in 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 |
| Muda Fibre Manufacturing Sdn. Bhd. | Manufacture and sale of polypropylene and polyethylene woven bags and its allied products. The Company ceased its operations in 2004 | 60 | 60 |
| MFM Property Sdn. Bhd. | Dormant | 100 | 100 |

7. Investments in subsidiaries (continued)

| Name of subsidiary | Principal activities | Effective ownership interest | |
|---|---|------------------------------|-----------|
| | | 2007 % | 2006 % |
| Dindings Grand Parent Farm Sdn. Bhd. | Dormant | 100 | 100 |
| MFM International Ltd (incorporated in British Virgin Islands) # | Investment holding | 100 | 100 |
| Subsidiary of Dindings Poultry Processing Sdn. Bhd. | | | |
| Dindings Trading Sdn. Bhd. | Dormant | 48 | 47 |
| Subsidiary of MFM International Ltd. | | | |
| Mekong Flour Mills Ltd* (incorporated in Vietnam) | Milling and selling wheat flour together with its allied products | 100 | 100 |

* Audited by other member firms of KPMG International

Not audited by KPMG

During the year, Dindings Poultry Processing Sdn. Bhd. (“DPP”) has further subscribed for 10,199 ordinary shares of RM1.00 each in Dindings Trading Sdn. Bhd. (“DTSB”) at an issue price of RM1.00 per share. This has increased DPP’s direct interest in DTSB from 50% to 51%. In the previous year, although the Group owned less than half of the voting power, DTSB was deemed to be a subsidiary by virtue of the ability of the Group to govern its financial and operating policies.

The impairment losses recognised represents the allowance made to adjust the carrying amount of certain subsidiaries to their estimated recoverable amount.

8. Investments in associates

| | Group | | Company | |
|------------------------------------|------------|------------|----------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unquoted shares at cost | 2,800 | 2,800 | * | * |
| Share of post-acquisition reserves | (1,930) | (1,828) | - | - |
| | <u>870</u> | <u>972</u> | <u>*</u> | <u>*</u> |
| | ===== | ===== | ===== | ===== |

In 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.

* denotes RM4

Summary financial information on associates:

| Group | Country incorporation | Effective ownership interest | | Revenues (100%) RM'000 | Profit / (Loss) (100%) RM'000 | Total assets (100%) RM'000 | Total liabilities (100%) RM'000 |
|---|--------------------------|------------------------------------|-----------|------------------------------|--|-------------------------------------|--|
| | | 2007 % | 2006 % | | | | |
| 2007 | | | | | | | |
| Fongcheng Enterprises Sendirian Berhad + | Malaysia | 28 | 28 | 61,858 | (368) | 10,042 | (7,981) |
| Innosolutions Sdn. Bhd. ++ | Malaysia | 40 | 40 | 300 | 112 | 122 | (10) |
| | | | | <u>62,158</u> | <u>(256)</u> | <u>10,164</u> | <u>(7,991)</u> |
| | | | | ===== | ===== | ===== | ===== |
| 2006 | | | | | | | |
| Fongcheng Enterprises Sendirian Berhad + | Malaysia | 28 | 28 | 66,303 | (1,262) | 9,755 | (7,325) |
| Innosolutions Sdn. Bhd. ++ | Malaysia | 40 | 40 | - | - | * | * |
| | | | | <u>66,303</u> | <u>(1,262)</u> | <u>9,755</u> | <u>(7,325)</u> |
| | | | | ===== | ===== | ===== | ===== |

* denotes RM10

+ Held through Dindings Soya & Multifeeds Sdn. Berhad

++ Held through Malayan Flour Mills Berhad

9. Other investments

| | Group | | Company | |
|--|------------|------------|-----------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current | | | | |
| At cost: | | | | |
| Quoted shares in Malaysia | - | 1,604 | - | - |
| Less: Allowance for diminution in value | - | (1,122) | - | - |
| | <u>-</u> | <u>482</u> | <u>-</u> | <u>-</u> |
| Unquoted shares in Malaysia | 60 | 60 | 60 | 60 |
| Unquoted shares outside Malaysia | 5,134 | 5,137 | 5,082 | 5,082 |
| Less: Allowance for diminution in value | (5,082) | (5,082) | (5,082) | (5,082) |
| | <u>112</u> | <u>597</u> | <u>60</u> | <u>60</u> |
| | ===== | ===== | ===== | ===== |
| Market value: | | | | |
| Quoted shares in Malaysia | - | 706 | - | - |
| | ===== | ===== | ===== | ===== |

Included in unquoted shares outside Malaysia of RM5,082,000 (2006 – RM5,082,000) 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.

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| Group | Assets | | Liabilities | | Net | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Property, plant and equipment | (262) | (262) | 6,140 | 6,551 | 5,878 | 6,289 |
| Revaluation on property, plant and equipment | - | - | 3,566 | 3,705 | 3,566 | 3,705 |
| Provisions | (3,359) | (3,050) | - | - | (3,359) | (3,050) |
| Tax loss carry-forwards | (1,275) | (1,275) | - | - | (1,275) | (1,275) |
| | <hr/> | | <hr/> | | <hr/> | |
| Tax (assets)/liabilities | (4,896) | (4,587) | 9,706 | 10,256 | 4,810 | 5,669 |
| Set off | 3,068 | 2,570 | (3,068) | (2,570) | - | - |
| | <hr/> | | <hr/> | | <hr/> | |
| Net tax (assets)/liabilities | (1,828) | (2,017) | 6,638 | 7,686 | 4,810 | 5,669 |
| | ===== | | ===== | | ===== | |
| Company | | | | | | |
| Property, plant and equipment | - | - | 4,382 | 4,794 | 4,382 | 4,794 |
| Revaluation on property, plant and equipment | - | - | 3,566 | 3,705 | 3,566 | 3,705 |
| Provisions | (1,310) | (813) | - | - | (1,310) | (813) |
| | <hr/> | | <hr/> | | <hr/> | |
| Tax (assets)/liabilities | (1,310) | (813) | 7,948 | 8,499 | 6,638 | 7,686 |
| Set off | 1,310 | 813 | (1,310) | (813) | - | - |
| | <hr/> | | <hr/> | | <hr/> | |
| Net tax (assets)/liabilities | - | - | 6,638 | 7,686 | 6,638 | 7,686 |
| | ===== | | ===== | | ===== | |

10. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Deductible/(Taxable) temporary differences | 3,603 | (7,591) |
| Unutilised capital allowance | 56,555 | 54,002 |
| Tax loss carry-forwards | 58,990 | 52,200 |
| | 119,148 | 98,611 |
| | 30,978 | 26,625 |
| Tax at 26% (2006: 27%) | | |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

11. Receivables, deposits and prepayments

| | Note | Group | | Company | |
|------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Current | | | | | |
| Trade receivables | | 193,744 | 148,147 | 68,044 | 46,797 |
| Less: Allowance for doubtful debts | | (14,284) | (14,218) | (3,011) | (3,011) |
| | | 179,460 | 133,929 | 65,033 | 43,786 |
| | | - | - | 87,531 | 76,595 |
| Amount due from subsidiaries | 11.1 | - | - | (21,630) | (13,436) |
| Less: Allowance for doubtful debts | | - | - | 65,901 | 63,159 |
| | | - | - | - | - |
| Other receivables | | 4,793 | 5,515 | 1,827 | 2,047 |
| Less: Allowance for doubtful debts | | - | (2,321) | - | (153) |
| | | 4,793 | 3,194 | 1,827 | 1,894 |
| | | - | - | - | - |

11. Receivables, deposits and prepayments (continued)

| | Note | Group | | Company | |
|-------------|------|----------------|----------------|----------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Deposits | | 799 | 900 | 438 | 407 |
| Prepayments | | 2,449 | 2,172 | 1,013 | 821 |
| | | <u>3,248</u> | <u>3,072</u> | <u>1,451</u> | <u>1,228</u> |
| | | ----- | ----- | ----- | ----- |
| | | 187,501 | 140,195 | 134,212 | 110,067 |
| | | ===== | ===== | ===== | ===== |

11.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

12. Inventories

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Raw materials | 251,276 | 196,405 | 73,694 | 87,048 |
| Work-in-progress | 90 | 420 | 10 | - |
| Finished goods | 13,899 | 17,532 | 2,727 | 3,883 |
| Poultry livestocks and hatching eggs | 7,411 | 8,193 | - | - |
| Consumables | 11,888 | 11,412 | 4,514 | 4,299 |
| | <u>284,564</u> | <u>233,962</u> | <u>80,945</u> | <u>95,230</u> |
| | ===== | ===== | ===== | ===== |

13. Cash and cash equivalents

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Deposits placed with licensed banks | 115,282 | 43,537 | 20,300 | 6,800 |
| Cash and bank balances | 18,964 | 11,124 | 6,971 | 1,632 |
| | <u>134,246</u> | <u>54,661</u> | <u>27,271</u> | <u>8,432</u> |
| | ===== | ===== | ===== | ===== |

14. Share capital and reserves

14.1 Share capital

| | Group | | Company | |
|--|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | Amount 2007 RM'000 | Number of shares 2007 '000 | Amount 2006 RM'000 | Number of shares 2006 '000 |
| Authorised: | | | | |
| Ordinary shares of RM1 each | 200,000 | 200,000 | 200,000 | 200,000 |
| | ===== | ===== | ===== | ===== |
| Issued and fully paid: | | | | |
| Ordinary shares at RM1 each | | | | |
| At 1 January | 105,219 | 105,219 | 95,763 | 95,763 |
| Issued during the year for cash pursuant to: | | | | |
| - Special issue to approved Bumiputra investors | - | - | 5,000 | 5,000 |
| - Employees' Share Option Scheme ("ESOS") | 2,426 | 2,426 | 4,456 | 4,456 |
| | 2,426 | 2,426 | 9,456 | 9,456 |
| | ----- | ----- | ----- | ----- |
| At 31 December | 107,645 | 107,645 | 105,219 | 105,219 |
| | ===== | ===== | ===== | ===== |

14.2 Revaluation reserve

The revaluation reserve relates to surplus on revaluation of property, plant and equipment in 1983.

14.3 Other capital reserve

The other capital reserve comprises an amount transferred from retained earnings arising from the issuance of bonus shares by a subsidiary.

14.4 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

14. Share capital and reserves (continued)

14.5 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14.6 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2007 if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

15. Payables and accruals

| | Note | Group | | Company | |
|-----------------------------|------|----------------|----------------|----------------|----------------|
| | | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Trade payables | | 29,448 | 20,140 | 3,731 | 3,810 |
| Amount due to subsidiaries | 15.1 | - | - | 6,193 | 5,702 |
| Other payables and accruals | 15.2 | 57,918 | 37,772 | 31,738 | 16,859 |
| | | <u>87,366</u> | <u>57,912</u> | <u>41,662</u> | <u>26,371</u> |
| | | ===== | ===== | ===== | ===== |

15.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, interest free and repayable on demand.

15.2 Other payables and accruals

Included in other payables of the Group and of the Company is an amount of RM3,241,000 (2006 – RM3,248,000) payable to Mr Teh Liang Teik, a former Director and Chairman of the Company as retirement gratuity and an amount of RM73,000 (2006 – RM80,000) payable to a related party, Indah Enterprise Sdn. Bhd. as rental for permit to use its trucks.

16. Loans and borrowings

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Current | | | | |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 164,360 | 149,436 | 112,272 | 112,919 |
| Unsecured bank overdraft | - | 54 | - | 54 |
| Unsecured short term loans | 170,775 | 87,413 | - | - |
| | <u>335,135</u> | <u>236,903</u> | <u>112,272</u> | <u>112,973</u> |
| | ===== | ===== | ===== | ===== |

16.1 Terms and debts repayment schedule

| Group | <-----2007-----> | | <-----2006-----> | |
|--|------------------|--|------------------|--|
| | Year of maturity | Carrying amount due within 1 year RM'000 | Year of maturity | Carrying amount due within 1 year RM'000 |
| Unsecured bankers' acceptance/ Unsecured revolving credits denominated in RM | 2008 | 164,360 | 2007 | 149,436 |
| Unsecured bank overdraft denominated in RM | - | - | 2007 | 54 |
| Unsecured short term loans denominated in USD | 2008 | 170,775 | 2007 | 87,413 |
| | | <u>335,135</u> | | <u>236,903</u> |
| | | ===== | | ===== |

| Company | <-----2007-----> | | <-----2006-----> | |
|---|------------------|--|------------------|--|
| | Year of maturity | Carrying amount due within 1 year RM'000 | Year of maturity | Carrying amount due within 1 year RM'000 |
| Unsecured bankers' acceptances/ Unsecured revolving credits denominated in RM | 2008 | 112,272 | 2007 | 112,919 |
| Unsecured bank overdraft denominated in RM | - | - | 2007 | 54 |
| | | <u>112,272</u> | | <u>112,973</u> |
| | | ===== | | ===== |

17. Operating profit

| | Group | | Company | |
|---|----------------|----------------------------|----------------|----------------------------|
| | 2007 RM'000 | 2006 RM'000 Restated | 2007 RM'000 | 2006 RM'000 Restated |
| Operating profit is arrived at after charging: | | | | |
| Allowance for doubtful debts | | | | |
| - amount due from subsidiaries | - | - | 8,194 | 13,436 |
| - others | 185 | 1,380 | - | 3 |
| Amortisation of intangible assets | 972 | 1,199 | 853 | 1,116 |
| Amortisation of prepaid lease payments | 615 | 625 | 167 | 167 |
| Auditors' remuneration: | | | | |
| - Audit services | | | | |
| Auditors of the Company | 201 | 22 | 40 | - |
| Other auditors | 4 | 183 | - | 40 |
| - Other services by auditors of the Company | 25 | - | - | - |
| Bad debts written off | 168 | 195 | 166 | - |
| Depreciation of investment properties | 57 | 57 | 57 | 57 |
| Depreciation of property, plant and equipment | 21,056 | 19,932 | 5,236 | 5,090 |
| Impairment loss: | | | | |
| - property, plant and equipment | - | 709 | - | - |
| - subsidiary | - | - | - | 1,300 |
| Inventories written off | - | 292 | - | - |
| Personnel expenses(including key management personnel): | | | | |
| - Contribution to Employees Provident Fund | 5,620 | 5,865 | 2,731 | 2,861 |
| - Wages, salaries and others | 57,961 | 56,342 | 26,198 | 21,714 |
| - Share-based payments | 93 | 170 | 93 | 170 |
| Property, plant and equipment written off | 63 | 29 | - | 29 |
| Realised loss on foreign exchange | 319 | 809 | - | - |
| Rental expenses on property leases | 1,772 | 3,821 | 499 | 569 |
| Unrealised loss on foreign exchange | - | 94 | - | - |
| | ===== | ===== | ===== | ===== |

17. Operating profit (continued)

| | Group | | Company | |
|--|--------|----------|---------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | | Restated | | Restated |
| and after crediting: | | | | |
| Allowance for diminution in quoted investment written back | - | 1 | - | 1 |
| Allowance for slow moving inventories written back | - | 2,261 | - | - |
| Bad debts recovered | 69 | - | - | - |
| Dividends from subsidiaries (unquoted): | | | | |
| - non tax exempt | - | - | 960 | 1,200 |
| - tax exempt | - | - | 4,841 | 2,601 |
| Gain on disposal of property, plant and equipment | 954 | 8,674 | 141 | 8,480 |
| Gain on disposal of quoted investments | 484 | 2 | - | 2 |
| Realised gain on foreign exchange | 233 | - | - | 1 |
| Rental income from: | | | | |
| - investment properties | 208 | 205 | 243 | 240 |
| - others | 137 | 95 | 570 | 568 |
| Reversal of impairment loss on property, plant and equipment | 50 | - | - | - |
| Unrealised gain on foreign exchange | 405 | - | - | - |
| | ===== | ===== | ===== | ===== |

18. Share-based payments

On 28 May 2004, the Group established a share option programme that entitles eligible employees to purchase shares in the Company. In accordance with this programme, options are exercisable at the market price of the shares at the date of grant.

The share option arrangement was granted on 28 May 2004. As allowed by the transitional provisions in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to these grants.

The share option is vested when it is granted to eligible employees according to the By-Laws of the ESOS. 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. The ESOS has expired on 27 May 2007.

18. Share-based payments (continued)

The number and weighted average exercise prices of share options are as follows:

| | Weighted average exercise price (RM) 2007 | Number of options (‘000) 2007 | Weighted average exercise price (RM) 2006 | Number of options (‘000) 2006 |
|----------------------------|--|--|--|--|
| Outstanding at 1 January | 1.60 | 2,545 | 1.58 | 6,812 |
| Granted during the year | 2.02 | 534 | 1.67 | 532 |
| Forfeited during the year | 1.68 | (653) | 1.58 | (343) |
| Exercised during the year | 1.67 | (2,426) | 1.58 | (4,456) |
| | ----- | ----- | ----- | ----- |
| Outstanding at 31 December | - | - | 1.60 | 2,545 |
| | ===== | ===== | ===== | ===== |
| Exercisable at 31 December | - | - | 1.60 | 2,545 |
| | ===== | ===== | ===== | ===== |

During the year, 2,426,000 share options were exercised (2006 – 4,456,000). The weighted average share price for the year was RM1.67 (2006 – RM1.58).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial option pricing model, with the following inputs:

| | 2007 | 2006 |
|---|-----------|-----------|
| Fair value of share options and assumptions | | |
| Fair value at grant date (RM) | 0.17 | 0.32 |
| | ----- | ----- |
| Weighted average share price (RM) | 2.13 | 1.95 |
| Weighted average exercise price (RM) | 2.02 | 1.68 |
| Expected volatility (weighted average volatility) | 27.75% | 22.84% |
| Option life (expected weighted average life) | 0.15 year | 0.82 year |
| Expected dividends | 3.88% | 3.49% |
| Risk-free interest rate (based on Malaysian government bonds) | 3.38% | 3.85% |
| | ===== | ===== |

Employee expense

| | Group and Company RM'000 |
|--|--------------------------------|
| Share options granted in 2006 | 170 |
| Share options granted in 2007 | 93 |
| | ----- |
| Total expense recognised as share-based payments | 263 |
| | ===== |

19. Key management personnel compensation

The key management personnel compensations are as follows:

| | Group | | Company | |
|---|--------|--------|---------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors | | | | |
| - Fees | 491 | 443 | 476 | 428 |
| - Remuneration | 3,260 | 2,130 | 3,138 | 2,011 |
| Other short term employee benefits (including estimated monetary value of benefits-in-kind) | 136 | 71 | 136 | 71 |
| Total short-term employee benefits | 3,887 | 2,644 | 3,750 | 2,510 |
| Share-based payments | - | 66 | - | 66 |
| | 3,887 | 2,710 | 3,750 | 2,576 |
| | ===== | ===== | ===== | ===== |

20. Tax expense

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax expense | | | | |
| Malaysian - current year | 8,267 | 4,687 | 8,024 | 3,475 |
| - prior year | - | - | - | (181) |
| Overseas - current year | 3,276 | 4,034 | - | - |
| - prior year | 15 | - | - | - |
| Total current tax | 11,558 | 8,721 | 8,024 | 3,294 |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | (882) | 1,885 | (1,048) | 1,044 |
| Total deferred tax | (882) | 1,885 | (1,048) | 1,044 |
| Total tax expense | 10,676 | 10,606 | 6,976 | 4,338 |
| | ===== | ===== | ===== | ===== |

20. Tax expense (continued)

Recognised in the income statements

| | Group | | Company | |
|--|----------|----------|---------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the year | 63,985 | 43,482 | 24,665 | 11,021 |
| Total tax expense | (10,676) | (10,606) | (6,976) | (4,338) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Profit excluding tax | 53,309 | 32,876 | 17,689 | 6,683 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Tax at Malaysian tax rate of 27% (2006 – 28%) | 15,691 | 12,175 | 6,659 | 3,086 |
| Effect of tax rates in foreign jurisdictions | (7,349) | (3,113) | - | - |
| Effect of change in tax rate* | (145) | (145) | (145) | (235) |
| Non-deductible expenses | 2,987 | 3,413 | 2,688 | 5,428 |
| Tax exempt income | (1,769) | (4,185) | (1,307) | (3,086) |
| Tax incentives | (2,254) | (88) | - | (58) |
| Unrecognised deferred tax asset | 4,353 | 3,345 | - | - |
| Tax savings from group relief | (997) | (1,000) | (997) | (1,000) |
| Others | 144 | 204 | 78 | 203 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 10,661 | 10,606 | 6,976 | 4,338 |
| Underprovision in prior years | 15 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 10,676 | 10,606 | 6,976 | 4,338 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

* With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 26% with effect from year of assessment 2008. Consequently deferred tax assets and liabilities as at 31 December 2007 are measured using 26%.

A subsidiary of the Group which is outside Malaysia has been granted tax exemption for three years from the first profit making year in 2005 and entitled to a 50% reduction in income tax for the seven succeeding years from 2008 to 2014.

21. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2007 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

| | Group | |
|--|---------------|---------------|
| | 2007 | 2006 |
| | RM'000 | RM'000 |
| Profit attributable to ordinary shareholders of the Company | 46,591 | 28,301 |
| | ===== | ===== |
| Weighted average number of ordinary shares ('000) | | |
| | Group | |
| | 2007 | 2006 |
| Issued ordinary shares at 1 January | 105,219 | 95,763 |
| Effect of ordinary shares issued in pursuant to ESOS | 1,798 | 3,453 |
| Effect of special issue | - | 199 |
| | ----- | ----- |
| Weighted average number of ordinary shares at 31 December | 107,017 | 99,415 |
| | ===== | ===== |
| Basic earnings per ordinary share (sen) | 43.54 | 28.47 |
| | ===== | ===== |

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2007 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

| | Group | |
|--|---------------|---------------|
| | 2007 | 2006 |
| | RM'000 | RM'000 |
| Profit attributable to ordinary shareholders (diluted) | 46,591 | 28,301 |
| | ===== | ===== |

21. Earnings per share (continued)

Weighted average number of ordinary shares diluted ('000)

| | Group | |
|--|--------------|-------------|
| | 2007 | 2006 |
| Weighted average number of ordinary shares at 31 December | - | 99,415 |
| Effect of share options on issue | - | 891 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares (diluted) at 31 December | - | 100,306 |
| | ===== | ===== |

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

| | Group | |
|---|--------------|-------------|
| | 2007 | 2006 |
| Diluted earnings per ordinary share (sen) | - | 28.21 |
| | ===== | ===== |

There is no dilution of earning per ordinary share as at year end as the ESOS had expired on 27 May 2007.

22. Dividends

Dividends recognised in the current year by the Company are:

| | Sen per share (net of tax) | Total amount RM'000 | Date of payment |
|----------------------------------|---|------------------------------------|----------------------------|
| 2007 | | | |
| Interim 2007 ordinary | 3.70 | 3,983 | 18 January 2008 |
| Final 2006 ordinary (tax exempt) | 5.00 | 5,359 | 9 July 2007 |
| | | <hr/> | |
| Total amount | | 9,342 | |
| | | ===== | |
| 2006 | | | |
| Interim 2006 ordinary | 3.65 | 3,840 | 18 January 2007 |
| Final 2005 ordinary (tax exempt) | 5.00 | 4,840 | 3 July 2006 |
| | | <hr/> | |
| Total amount | | 8,680 | |
| | | ===== | |

22. Dividends (continued)

After the balance sheet date, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

| | Sen per share (net of tax) | Total amount RM'000 |
|------------------|---|------------------------------------|
| Final ordinary | 3.70 | 3,983 |
| Special ordinary | 7.40 | 7,966 |
| Total amount | | <hr/> 11,949 <hr/> ===== |

23. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of deferred tax assets, investments in associates and related revenue and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Inter-segment pricing is determined on an arm's length basis.

Business segments

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

- Flour and trading in grains and other allied products Milling and selling wheat flour and trading in grains and other allied products
- Feeds Manufacture and sale of animal feeds and related raw materials
- Poultry integration Processing and sale of poultry products, breeding and sale of day-old-chicks, sale of eggs and contract farming activities

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

23. Segment reporting (continued)

| 2007 | Flour and trading in grains and other allied products RM'000 | Feeds RM'000 | Poultry integration RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|---|-----------------|----------------------------------|------------------------|------------------------|
| <i>Business segments</i> | | | | | |
| Total external revenue | 633,003 | 200,094 | 198,086 | - | 1,031,183 |
| Inter-segment revenue | 7,377 | 88,275 | 1,475 | (97,127) | - |
| Total segment revenue | 640,380 | 288,369 | 199,561 | (97,127) | 1,031,183 |
| Segment result | 80,820 | 955 | (10,037) | - | 71,738 |
| Unallocated expenses | | | | | (99) |
| Results from operating activities | | | | | 71,639 |
| Interest income | | | | | 5,868 |
| Interest expense | | | | | (13,350) |
| Share of loss after tax of equity accounted associates | | | | | (172) |
| Tax expense | | | | | (10,676) |
| Profit for the year | | | | | 53,309 |

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

23. Segment reporting (continued)

| 2006 | Flour and trading in grains and other allied products RM'000 | Feeds RM'000 | Poultry integration RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|---|-----------------|----------------------------------|------------------------|------------------------|
| <i>Business segments</i> | | | | | |
| Total external revenue | 485,069 | 128,704 | 180,453 | - | 794,226 |
| Inter-segment revenue | 5,751 | 62,056 | 5,511 | (73,318) | - |
| Total segment revenue | 490,820 | 190,760 | 185,964 | (73,318) | 794,226 |
| Segment result | 57,954 | 7,257 | (15,766) | - | 49,445 |
| Unallocated expenses | | | | | (306) |
| Results from operating activities | | | | | 49,139 |
| Interest income | | | | | 3,858 |
| Interest expense | | | | | (9,010) |
| Share of loss after tax of equity accounted associates | | | | | (505) |
| Tax expense | | | | | (10,606) |
| Profit for the year | | | | | 32,876 |

| |
|--------------------|
| Company No. 4260-M |
|--------------------|

23. Segment reporting (continued)

| | Flour and trading in grains and other allied products | | Feeds | | Poultry integration | | Consolidated | |
|--|---|----------------|----------------|----------------|------------------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Segment assets | 602,406 | 468,040 | 114,751 | 82,956 | 91,237 | 93,050 | 808,394 | 644,046 |
| Investment in associates | | | | | | | 870 | 972 |
| Unallocated assets | | | | | | | 4,783 | 6,436 |
| Total assets | | | | | | | 814,047 | 651,454 |
| Segment liabilities | 334,765 | 238,038 | 70,561 | 49,292 | 20,901 | 11,074 | 426,227 | 298,404 |
| Unallocated liabilities | | | | | | | 8,672 | 10,385 |
| Total liabilities | | | | | | | 434,899 | 308,789 |
| Capital expenditure | 8,971 | 19,105 | 2,019 | 930 | 2,681 | 6,545 | 13,671 | 26,580 |
| Depreciation of property, plant and equipment | 11,843 | 11,322 | 1,839 | 1,793 | 7,374 | 6,817 | 21,056 | 19,932 |
| Amortisation of intangible assets | 957 | 1,199 | - | - | 15 | - | 972 | 1,199 |
| Amortisation of prepaid lease payments | 562 | 580 | - | - | 53 | 45 | 615 | 625 |

24. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of the Group's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is addressed by the Credit Committee that sets policies, approves credit evaluations and institutes mitigating actions. New customers are subject to 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.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents and facilities deemed adequate by management to finance the Group and the Company's operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

The Group and the Company's exposure to interest rate risk relates primarily to their borrowings and deposits with licensed banks.

The Group and the Company's bank borrowings are subject to interest based on floating rates 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 are restructured or reduced. The Group and the Company's interest bearing assets are mainly placed in short term deposits with reputable financial institutions.

24. Financial instruments (continued)

Effective interest rates and repricing analysis

In respect of financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature, or may reprice.

| Group | Average effective interest rate % | Total RM'000 | Less than 1 year RM'000 |
|--|--|-------------------------|--|
| 2007 | | | |
| Fixed rate instruments | | | |
| Deposits with licensed banks | 2.8 - 8.5 | 115,282 | 115,282 |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 3.6 - 4.4 | 164,360 | 164,360 |
| Unsecured short term loans | 5.7 - 6.8 | 170,775 | 170,775 |
| | | ===== | ===== |
| 2006 | | | |
| Fixed rate instruments | | | |
| Deposits with licensed banks | 3.3 - 9.0 | 43,537 | 43,537 |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 3.2 - 4.8 | 149,436 | 149,436 |
| Unsecured short term loans | 5.1 - 6.7 | 87,413 | 87,413 |
| | | ===== | ===== |
| Floating rate instruments | | | |
| Unsecured bank overdraft | 6.5 - 7.5 | 54 | 54 |
| | | ===== | ===== |
| Company | | | |
| 2007 | | | |
| Fixed rate instruments | | | |
| Deposits with licensed banks | 2.8 - 3.5 | 20,300 | 20,300 |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 3.6 - 4.3 | 112,272 | 112,272 |
| | | ===== | ===== |

24. Financial instruments (continued)

| Company 2006 | Average effective interest rate % | Total RM'000 | Less than 1 year RM'000 |
|--|---|-----------------|-------------------------------|
| Fixed rate instruments | | | |
| Deposits with licensed banks | 3.2 - 3.3 | 6,800 | 6,800 |
| Unsecured bankers' acceptances/ Unsecured revolving credits | 3.3 - 4.8 | 112,919 | 112,919 |
| | | ===== | ===== |
| Floating rate instruments | | | |
| Unsecured bank overdraft | 6.5 - 7.5 | 54 | 54 |
| | | ===== | ===== |

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar (USD).

The Group monitors its exposure to foreign currency movements closely and where appropriate, the Group have used forward exchange contracts to hedge some of its foreign currency risk.

Fair values

The carrying amounts of cash and cash equivalents, receivables, other payables and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

24. Financial instruments (continued)

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows.

| Group and Company | 2007 Carrying amount RM'000 | 2007 Fair value RM'000 |
|-----------------------------|--|---|
| Commodity forward contracts | - | 7,732 |
| | ===== | ===== |

| Group and Company | 2007 RM'000 |
|--|------------------------|
| The nominal value of derivatives are as follows: | |
| Commodity forward contracts: | 52,901 |
| | ===== |

Estimation of fair values

Commodity forward contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

25. Capital and other commitments

| | Group | | Company | |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Plant and equipment | | | | |
| Authorised but not contracted for | 843 | 2,621 | 6 | 200 |
| Contracted but not provided for | 2,541 | 6,587 | 495 | 3,159 |
| | ----- | ----- | ----- | ----- |
| | 3,384 | 9,208 | 501 | 3,359 |
| | ===== | ===== | ===== | ===== |

26. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel, are as follow:

| Group | 2007 | 2006 |
|---|---------------|---------------|
| | RM'000 | RM'000 |
| Sales of goods to an associated company | 3,136 | 9,697 |
| Purchase of computer software from an associated company | (300) | - |
| Services rendered and hiring of motor vehicles from companies in which a Director, Teh Wee Chye, has financial interest | | |
| - Pembena Transport Sdn. Bhd. | - | 77 |
| - Indah Enterprise Sdn. Bhd. | - | 50 |
| | ===== | ===== |
| Company | | |
| Subsidiaries | | |
| - Sales of goods | 7,376 | 5,751 |
| - Purchase of goods | (6) | (3) |
| - Rental of premises | 234 | 234 |
| - Rental of furniture and fittings | 147 | 147 |
| - Hire of machinery and motor vehicles | 224 | 224 |
| - Purchase of property, plant and equipment | - | (1,577) |
| Services rendered and hiring of motor vehicles from companies in which a Director, Teh Wee Chye, has financial interest | | |
| - Pembena Transport Sdn. Bhd. | - | 77 |
| - Indah Enterprise Sdn. Bhd. | - | 50 |
| | ===== | ===== |

Balances with subsidiaries, associate and related parties are disclosed in Note 11 and 15. All transactions have been entered in the ordinary course of business and have been established based on negotiated terms.

27. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

| | Group | | Company | |
|--|--------------------------|--------------------------------------|--------------------------|--------------------------------------|
| | As restated RM'000 | As previously stated RM'000 | As restated RM'000 | As previously stated RM'000 |
| Balance sheets | | | | |
| Property, plant and equipment | 194,242 | 204,775 | 64,972 | 68,709 |
| Prepaid lease payments | 15,104 | - | 3,737 | - |
| Receivables, deposits and prepayments | 140,195 | 144,766 | 110,067 | 109,730 |
| Payables and accruals | 57,912 | 57,242 | 26,371 | 26,034 |
| Retirement benefits | - | 670 | - | - |
| | ===== | ===== | ===== | ===== |
| Income statements | | | | |
| Depreciation | 19,932 | 20,406 | 5,090 | 5,257 |
| Amortisation of prepaid lease payments | 625 | - | 167 | - |
| | ===== | ===== | ===== | ===== |
| Cash flow statements | | | | |
| Depreciation | 19,932 | 20,406 | 5,090 | 5,257 |
| Amortisation of prepaid lease payments | 625 | - | 167 | - |
| | ===== | ===== | ===== | ===== |

Leasehold land of the Group and the Company in 2006 was reclassified from property, plant and equipment and receivables, deposits and prepayments to prepaid lease payments to comply with the requirements of FRS 117, *Leases*. Accordingly, the depreciation is also classified as amortisation or prepaid lease payments as disclosed above.