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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth (45th) Annual General Meeting of the Company will be held at Balai Tunku Abdul Rahman, Royal Commonwealth Society, No. 4, Jalan Birah, Damansara Hrights, 50490 Kuala Lumpur on Friday, 22nd June 2007 at 3.00 p.m for the following purposes:-

AGENDA

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon. (Resolution 1)

2. To re-elect the following Directors who shall retire in accordance with Article 94 of the Articles of Association of the Company:-

(a) Dato' Choo Keng Weng (Resolution 2)

(b) En. Mohd Shariff Bin Salleh (Resolution 3)

3. To re-appoint Messrs. Deloitte KassimChan and to authorise the Directors to fix their remuneration as Auditors of the Company until the conclusion of the next Annual General Meeting. (Resolution 4)

4. AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

- Authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965

“Resolved that subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Bursa Malaysia and other relevant government/ regulatory authorities, where such approvals are necessary, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

(Resolution 5)

- Proposed Renewal and Additional Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

“THAT, the Mandate granted by the shareholders of the Company at the Annual General Meeting held on 30th June 2006 pursuant to Paragraph 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, authorising the Company and its subsidiaries (SHC Group) to enter into the recurrent transaction of a revenue or trading nature as set out in Section 2.2.1 of the Circular to Shareholders dated 1 June 2007 (“Circular”) with the related parties mentioned therein which are necessary for the SHC Group's day-to-day operations, be and is hereby renewed AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the additional recurrent related party transactions of a revenue or trading nature as set out in Section 2.2.1 of the Circular with the related parties mentioned therein.

AND THAT the scope of such renewed and additional shareholders' Mandate be and is hereby extended to apply to the recurrent transactions likewise of revenue or trading nature as set out in Section 2.2.1 of the Circular.

THAT the SHC Group be and is hereby authorised to enter into the recurrent transactions with the related parties mentioned therein provided that:-

- a) the transaction are in the ordinary course and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

- b) the disclosure of the aggregate value of the transactions concluded during a financial year will be disclosed in the Annual Report for the said financial year.

THAT authority conferred by such renewed shareholders mandate shall continue to be in force until:

- i) the conclusion of the next AGM of SHC for financial year ended 31 December 2007, at which time it will lapse, unless by a resolution(s) passed at the AGM, the authority is again renewed;
- ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act);
- or
- iii) revoked or varied by a resolution(s) passed by the shareholders in general meeting, whichever is the earlier.

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this resolution.”

(Resolution 6)

5. To transact any other business for which due notice has been given.

BY ORDER OF THE BOARD

NG SEE YEN (MAICSA 0729161)
Company Secretary

Kuala Lumpur
1 June 2007

EXPLANATORY NOTES TO SPECIAL BUSINESS

- (a) Ordinary Resolution No. 7

The proposed adoption of the resolution for the authority to Allot Shares pursuant to Section 132D of the Companies Act, 1965 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting.

- (b) Ordinary Resolution No. 8

The proposed resolutions in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature, if pass will give power to the Group to transact with the parties related to the Group. Please refer to the Circular to Shareholders dated 1 June 2007 for further information.

Notes :-

- 1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.*
- 2. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting.*
- 3. Where a member appoints more than one proxy the appointment shall be invalid unless he specifies the proportions in writing or, if the appointer is a corporation, either under the seal or under the hand of an officer or attorney duly authorised..*
- 4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
- 5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 3, Wisma E & C, No. 2 Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting and any adjournment thereof.*

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election / re-appointment

The Directors who are standing for re-election at the Annual General Meeting of the Company are:-

Dato' Choo Keng Weng	Article 94	Resolution 2
En. Mohd Shariff Bin Salleh	Article 94	Resolution 3

2. Profile of Directors who are standing for re-election

Further details pertaining to Directors standing for election and re-election are outlined on page 8 of the Annual Report 2006.

3. Details of attendance of Directors at Board Meetings

There were four (4) Board of Directors' Meetings held during the financial year ended 31 December 2006. Detail of attendance of the Directors are set out in the Profile of Board of Directors appearing on page 9 of the Annual Report.

4. Place, date and time of the Board of Directors' Meetings

All of the Board of Directors' meetings held during the financial year ended 31 December 2006 were held at Board Room, Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur. The dates and time of the Board Meetings are as follows:-

Date of Meeting	Time
<i>14.03.2006</i>	<i>11.00 a.m.</i>
<i>07.07.2006</i>	<i>10.30 a.m.</i>
<i>24.08.2006</i>	<i>11.30 a.m.</i>
<i>16.11.2006</i>	<i>2.30 p.m.</i>

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tuan Syed Omar Bin Syed Abdullah (Chairman)
Dato' Choo Keng Weng (Managing Director)
Y.M. Tunku Mahmood Bin Tunku Mohammed (Independent Director)
En. Mohd Shariff Bin Salleh (Non-Independent Director)
Mr. Khaw Teik Thye (Independent Director)

COMPANY SECRETARY

Ng See Yen (MAICSA 0729161)

REGISTERED OFFICE

Level 3, Wisma E & C
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2094 7992
Fax: 03-2094 7996

HEAD OFFICE

Level 3, Wisma E & C
No.2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur
Tel: 03-20947992
Fax: 03-20947996

SUBSIDIARY COMPANIES

Sin Heng Chan (East Coast) Sdn Bhd
Central Feedmill Sdn Bhd
Goldkist (NS) Sdn Bhd
Sin Heng Chan Feed Sdn Bhd
Goldkist (Malaysia) Sdn Bhd
Kuala Lumpur Feedmill Sdn Bhd
Ayam Segar Sdn Bhd
LKPP-Goldkist Sdn Bhd
Urun Plantations Sdn Bhd
Urun Technopalm Plantation Services Sdn Bhd

AUDITORS

Deloitte Kassim Chan

REGISTRAR

Comprehensive Corporate Services Sdn Bhd
Suite 5.02, Level 5, Wisma E & C
No. 2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2713 3277
Fax: 03-2094 9154

BANKERS

CIMB Bank Berhad
United Overseas Bank (Malaysia) Berhad
RHB Bank Berhad
Malayan Banking Berhad
Overseas-Chinese Banking Corporation Berhad
Southern Bank Berhad
Bank Kerjasama Rakyat Malaysia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Berhad

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I have great pleasure in presenting the Annual Report and Financial Statements of your Company and the Group for the financial year ended 31 December, 2006.

THE MALAYSIAN ECONOMIC OUTLOOK

A growth of 5.9 % in Gross Domestic Product (GDP) was registered in the year 2006 while in 2007 MIER has forecasted the GDP to grow by 5.6 %. Malaysia has been able to maintain a strong trade surplus due to high global demand for its crude petroleum and its commodities palm oil and rubber. The Malaysian economy in the next five years would also be further enhanced by the allocation of RM200 billion expenditure for the Ninth Malaysia Plan.

During the year under review, the poultry industry in Malaysia however has been largely affected by the high cost of imported raw materials, such as corn and soy bean meal. In tandem with the increase in cost of raw materials, production costs such as electricity tariffs and transportation cost have also increased due to escalating fuel prices. These factors, together with the ever present danger of recurring avian flu has presented greater challenges to the industry as a whole, and the group in particular.

SIGNIFICANT EVENTS

On 9 February 2007, a subsidiary company, Sin Heng Chan (East Coast) Sdn. Bhd. entered into a sale and purchase agreement to dispose of its entire equity interest of 94.2 % in Goldkist Breeding Farms Sdn. Bhd. Other than achieving profitability for one or two exceptional years, the company has been loss making for many years. The company was suffering from below break even production performance of day old chicks (DOC) and poor DOC prices. The poor performance was mainly because the breeding houses are old and without the required evaporative cooling system (it is an open system), and this resulted in poor production performance. Breeder chicken under such environment were also prone to infections, were generally weaker and become poor producers. These factors made it generally unprofitable and less than viable unless an upgrading exercise is carried out.

In order to improve production performance and avoid further losses, a large sum of capital expenditure will be required to convert the present open house system to a close house system. However, the land on which the farm is erected is due to expire on 2010 and the owner has indicated that the lease will not be renewed. Under the circumstances, the directors did not consider it prudent to spend the necessary capital expenditure to improve the farm to save it from further losses. Instead, after reviewing the present level of operating losses (RM4.93 million for 2006) and projected continued losses from below break even, the decision was made to dispose off the farm in order to stop further losses to the group. This resulted in a one off loss of RM2.69 million due to the disposal of the entire equity interest of 94.2% in Goldkist Breeding Farms Sdn Bhd.

OPERATIONS

Overall the year under review was a rather difficult year for the company. Despite the better performance of the feedmill section, the company's overall profitability was affected by the negative performance of the poultry business.

Feedmill

The feedmilling operations achieved better results. Although turnover was 7% lower than the previous year 2005, resulting in a lower sales volume and tonnage of about 6% compared to previous year. The feedmilling section made a profit before tax of RM2.49 million. The better performance was achieved despite higher raw material cost of corn and soya bean and transportation cost. The lower sales volume and revenue was the result of management's effort to reduce risks and exposure to credit sales by imposing stricter credit control guidelines.

The feedmilling operations made a profit before tax of RM2.49 million during the year compared to a profit before tax of RM0.07 million in the previous year.

Poultry Breeding

The year was a difficult one for the poultry business. The average DOC prices was approximately 40% lower than last year, averaging RM0.87 compared to RM1.44 in 2005. The selling price of DOC is cyclical in nature, and this is caused by production fluctuation in the country, which is generally in over capacity mode. In addition, overall demand was also affected by the avian flu scare in early February 2006 and has not picked up.

Turnover fell 41.4% from RM26.63 million in 2005 to RM15.60 million in 2006. Compared to the previous year which made a profit of RM1.88 million, the poultry section recorded a loss of RM7.20 million.

FINANCIAL HIGHLIGHTS

For the year under review, the group registered an overall pre-tax loss of RM9.78 million as compared with a pre-tax profit of RM5.91 million in the previous year. The poor results was caused by operating loss of poultry business and loss at the group level although the feedmilling business was profitable.

DIVIDENDS

The Board of Directors has proposed that no dividend be declared for this financial year.

LOOKING AHEAD

The high feed cost currently faced by the poultry industry and the low production of DOC in our farm indicate a challenging year for the feedmilling and poultry breeding sector in 2007.

In view of the competitiveness of the poultry industry, the Group is consolidating and assessing its position in the business. The Group has diversified its business into the oil palm industry with a 51% stake in Urun Plantation Sdn. Bhd. in March 2007. About 37% of the plantation land has been planted with oil palm and of this about 17% has started yielding. Another 20% is expected to mature and start yielding by 2008. Planting on the balance of the land is ongoing and will be conducted in phases.

Further funds will be made available for this purpose. Palm oil is seen to have an upside growth in the future and the Group intends to take advantage of the current favourable situation in palm oil business to reap its future benefits.

The Group will continue to identify and take on new opportunities that will further broaden its income base and enhance its shareholders values.

ACKNOWLEDGEMENT

On behalf of the Board, I thank the management and staff for their commitment, dedication and contribution to the Group.

The Board also wishes to express its gratitude to our suppliers, business associates, valued customers, bankers and indeed the various government authorities and agencies for their continued support and contribution.

I would like to thank my fellow Board member, Mr. Venkata Chellam s/o Subramaniam who has resigned, for his support and contributions to the Group and my other Board members and the shareholders for their confidence in the Board and Management of the Group.

SYED OMAR BIN SYED ABDULLAH

Chairman

10 May 2007

PROFILE OF DIRECTORS

DATO' CHOO KENG WENG

Managing Director / Non Independent and Executive

Dato' Choo Keng Weng, age 57, Malaysian, is the Managing Director of the Company. He was appointed to the Board of Directors on 17 June 1995. He holds a Bachelor of Science degree and a Master in Business Administration (majoring in finance) from the Louisiana State University, USA. He was the General / Director of Chocolate Products Malaysia Berhad from 1976 till 1986 and Chief Executive Officer / Director of United Brands Industries Sdn Bhd from 1986 to 1989. Prior to joining SHC, he was an Executive Director of Kelanamas Industries Berhad from 1989 to 1995. He was appointed as Director of Java Incorporated Bhd. on 1 March 2005.

TUAN SYED OMAR BIN SYED ABDULLAH

Chairman / Non Independent Executive

Tuan Syed Omar Syed Abdullah, age 51, Malaysian, is the Chairman of the Company. He was appointed to the Board of Directors on 28 April 1995. He was a Press Secretary to the Chief Minister of Johor Darul Ta'zim from 1986 to 1990 and the Political Secretary to the Minister of Law of the Prime Minister's Department from 1990 to 1994. He also sits on the boards of several private limited companies. He also a member of the Audit Committee of the Company.

Y.M. TUNKU MAHMOOD BIN TUNKU MOHAMMED

Independent Director / Non-Executive

Y.M. Tunku Mahmood Bin Tunku Mohammed, aged 62, Malaysian, is a businessman. He also sits on the board of several private companies. He served the military for many years and currently runs a holiday resort in Johore. He was appointed a Director of the Company on 11 January 1999. He is also a member of the Audit Committee of the Company. He was appointed as Director of Java Incorporated Bhd. on 6 January 2005.

EN. MOHD SHARIFF BIN SALLEH

Non Independent Director / Executive

En. Mohd Shariff Bin Salleh, aged 56, Malaysian, was appointed to the Board on 14 March 2006. He holds a Master of Science in Poultry and Master in Business Administration from Louisiana State University, U.S.A. He has 25 years of experience in poultry industry and is currently Chief Operating Officer of Sin Heng Chan (Malaya) Berhad.

MR. KHAW TEIK THYE

Independent Director / Non-Executive

Mr. Khaw Teik Thye, aged 37, Malaysian, was appointed to the Board on 3 April 2006. He is a Chartered Accountant and a member of MIA with his own accounting practice. He has 14 years corporate experience in several firms, including a Local/Japanese JV in the KLIA project, as the financial advisor to the Board of Directors. He was also appointed as the Chairman of Audit Committee of the Company.

ATTENDANCE AT BOARD OF DIRECTORS' MEETINGS

Meetings

In 2006, the Board held Four regular meetings; where it discussed or deliberated upon and considered a variety of matters including the Group's financial and operating results, major investments, strategic decisions, the business plan and direction of the Group.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. This is issued in sufficient time to enable the directors to obtain further information or clarification, where necessary before the meeting. All proceedings from the Board Meetings are minuted and signed by the Chairman of the meeting.

The details of each director's attendance are as follows:-

Name of Director	Designation	Attendance
Tuan Syed Omar Bin Syed Abdullah	Chairman	3/4
Dato' Choo Keng Weng	Managing Director	4/4
Mr. Venkata Chellam s/o Subramaniam (resigned w.e.f. 12 June 2006)	Independent Director	1/4
Y.M. Tunku Mahmood Bin Tunku Mohammed	Independent Director	3/4
En. Mohd Shariff Bin Salleh (Appointed on 14 March 2006)	Non Independent Director	3/4
Mr. Khaw Teik Thye (Appointed on 3 April 2006)	Independent Director	3/4

ADDITIONAL INFORMATION ON THE BOARD OF DIRECTORS

FAMILY RELATIONSHIPS WITH ANY DIRECTOR AND / OR MAJOR SHAREHOLDER

None of the directors have family relationship with any other directors or major shareholders of the Company.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

UTILISATION OF PROCEEDS

The proceeds raised from the issuance of 37,988,750 new Ordinary Shares of RM 1.00 each (Rights Shares) has been utilized in the following manner:-

Description	Balance as at 31.12.2005 (RM'000)	Utilised as at 31.12.2006 (RM'000)
Settlement of Unsecured Scheme Creditors	0	0
Settlement to Sin Heng Chan (Singapore) Pte Ltd	0	0
Expansion expenditure	7,041	7,041
Repayment of inter-company advances	0	0
Working Capital	0	0
Restructuring Expenses	0	0

The balance of RM7,041,000 remained unutilized at the end of the last financial year has been fully utilized.

SHARE BUY-BACKS

The Company did not enter into any share buy-back transactions during the financial year.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

As at 31 December 2006, the Company has RM19,192,125 nominal value of Irredeemable Convertible Unsecured Loan Stocks 2004/2007 (ICULS) at 100% of its nominal value with 30,000,000 free detachable warrants. As at the end of financial year, no ICULS has been converted to ordinary shares of the Company.

The 30,000,000 warrants 2004/2009 are in registered form and constituted by a deed poll and which entitle the registered holders to subscribe for 1 ordinary share of RM1.00 each in the Company at a price of RM1 per ordinary share for every warrant held subject to adjustments in accordance with the deed poll. The warrants are exercisable at any time from the date of issue to its expiry date on 24 July 2009. At the end of the year, the entire warrant remains unexercised.

Under the Company's Employees' Share Option Scheme ("ESOS"), options to subscribe for unissued new ordinary shares in the Company were granted to eligible directors and employees of the Company and its subsidiary companies. During the financial year, no ESOS options have been exercised.

AMERICAN DEPOSITORY RECEIPT (“ADR”) OR GLOBAL DEPOSITORY RECEIPT (“GDR”)

The Company did not sponsor any ADR or GDR during the financial year ended 31 December 2006.

IMPOSITION OF SANCTIONS AND PENALTIES

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year ended 31 December 2006 amount to RM ____

PROFIT GUARANTEE

During the financial year, there were no profit guarantees given by the Company.

MATERIAL CONTRACTS OR LOANS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There is no material contract or loan entered into between the Company and a Director or a substantial shareholder during the financial year except for the rental of office premises whereby a tenancy agreement dated 31 January 2005 had been entered between the Company and Desa Samudra Sdn Bhd of which a Director, Dato’ Choo Keng Weng has financial interest.

REVALUATION POLICY

The Company has not adopted a regular revaluation policy on its landed policy. Details of the property are disclosed in page 84 of this Annual Report.

VARIATION IN RESULTS

There was a deviation of 10% or more between the loss after tax and minority interest of the Audited Accounts and the announced un-audited results for the financial year ended 31 December 2006. The explanations on the deviation was announced on 30 April 2007.

The deviation stated above was mainly due to the following reasons:

	RM	RM
4th Quarter Announced Results made on 28 February 2007		(6,216,603)
Adjustments:		
Deferred Taxation	(544,000)	
Impairment loss of fixed assets and stocks due to disposal of subsidiary	(2,690,169)	
MI adjustment	22,969	
Other adjustment	5,551	
	<hr/>	(3,205,649)
Audited loss for the year ended 31 December 2006		<hr/> (9,422,252)
Less: MI		1,237,526
Loss attributable to the equity holder of the Company		<hr/> <hr/> (8,184,726)

The adjustments were made due to the disposal of a subsidiary (Goldkist Breeding Farms Sdn Bhd) in the 1st Quarter of 2007. The Share Sale Agreement was signed on 9 February 2007 and the completion of the transaction was on 8 March 2007.

STATEMENT ON CORPORATE GOVERNANCE

The Board fully appreciates and commit to ensuring the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging their responsibility to protect and enhance shareholders' value.

To this end, the Board fully supports the recommendation of the Code. The Bursa Malaysia Berhad listing requirements have also been amended to require the Board to make statements in the Annual Report in relation to a listed issuer's compliance with the Code.

Set out below is a description of how the Group has applied the principles set out in the Code.

In preparing this report, the Board has considered the manner in which it has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

SECTION 1: DIRECTORS

The Board

The Board consists of 5 members. Two out of the five members are Independent / Non-Executive Directors. A brief profile of each Director is presented on page 8 of this annual report.

During the 12 months ended 31 December 2006, the Board convened four Board of Directors' Meetings. The details of the meetings are presented on page 4 of this Annual Report.

Board Balance

The Board is led by Tuan Syed Omar Bin Syed Abdullah as the Chairman and the executive management of the Company is led by Dato' Choo Keng Weng, the Group Managing Director. There is a clear division of responsibility between these two roles to ensure a balance of authority and power.

The presence of the three independent directors, with their different backgrounds and expertise, complements the Board with a mix of industry-specific knowledge and broad business and commercial experience. They provide unbiased and independent views, advice and judgement to take account of the interests not only of the Group, but also the public shareholders. The Board complies with paragraph 15.02 of the Listing Requirements, which requires that at least two directors or one-third of the Board of the Company, whichever is higher, are independent directors.

Supply of Information

All Directors have access to monthly Management Accounts of the Group and are briefed by the Group Accountant on a regular basis, in sufficient time, before Audit Committee and Board Meetings.

In addition, there is a schedule of matters reserved specifically for the Board's decision. The Board has approved a procedure for Directors, whether as a full Board or in their individually capacity to take independent advice, where necessary, in the furtherance of their duties and at the Group's expense.

All Directors have access to the services of the Company Secretary.

Appointments of the Board

As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education program for new Board Members.

Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one-third of the remaining Directors be subjected to re-election by rotation at each Annual General Meeting.

SECTION 2: DIRECTORS' REMUNERATION

Nomination and Remuneration Committee

The Board intends to set up a Nomination and a Remuneration Committee, each comprising Non-Executive Directors; the majority of whom would be independent.

The Nomination Committee will be responsible for making recommendations for any appointments to the Board.

The Remuneration Committee will be responsible for making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors. Remuneration packages of Executive Directors will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his/her individual remuneration.

Fees payable to Executive and Non-Executive Directors would be determined by the Board with approval of shareholders at the Annual General Meeting.

DIRECTORS' REMUNERATION

The details of the remuneration of Directors during the year are as follows:-

Aggregate remuneration of Directors categorized into appropriate components:

	Salaries		Bonus	Benefits	Fees	Total
	RM'000	RM'000	RM'000	in-kind RM'000	RM'000	
Executive Directors	612	87	144	-	843	
Non-Executive Directors	-	-	-	7	7	
Total for the Company	612		87	144	7	850

The number of Directors of the Company whose total remuneration fall within the following bands for the financial year ended 31st December 2006 is as follows:

Range of Remuneration	No. of Directors Executive	No. Directors Non-Executive
RM50,001 to RM100,000	1	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
> RM300,000	1	-

Directors' Training

All the Directors with the exception of En. Mohd Shariff Bin Salleh and Mr. Khaw Teik Thye, appointed on 14 March 2006 and 3 April 2006 respectively, have attended the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Malaysia Securities Berhad and have completed the CEP programmes. The Directors will continue to undergo other training programmes to enhance their skills and knowledge, where relevant. In respect of En. Mohd Shariff Bin Salleh and Mr. Khaw Teik Thye, they will attend and complete the MAP within the time frame stipulated by Bursa Malaysia Listing Requirements.

SECTION 3: SHAREHOLDERS

Dialogue Between the Company and Investors

The shareholders and investors are well informed of major developments of the Company made to the Bursa Malaysia Berhad which includes the quarterly financial results as well as through Annual Reports and where appropriate, circulars and press release.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and annual reports are sent out to shareholders at least 21 days before the date of the meeting.

Besides the usual agenda for the Annual General Meeting, the Board presents the progress and performance of the business as contained in the annual report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All directors are available to provide responses to questions from the shareholders during these meetings.

For re-election of directors, the Board ensures that full information is disclosed through the notice of meetings regarding directors who are retiring and who are willing to serve if re-elected.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved.

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising for disclosure to ensure accuracy, adequacy and completeness. The statement of Directors pursuant to Section 169 of the Companies Act 1965 is set out on the accompanying financial statements

Relationship with Auditors

The role of the Audit Committee in relation to the external auditors may be found in the Report on Audit Committee.

The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the provisions of the Companies Act 1965 and accounting standards in Malaysia.

Statement of Compliance with the Best Practices of the Code

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board has to its best ability complied throughout the financial year with the Best Practices as set out in the Code.

INTERNAL CONTROL STATEMENT

The Board acknowledges the importance of maintaining a good internal control system covering risk management and the financial, operational and compliance controls, as set out under Part 1D II of the Code, to safeguard shareholders' investments and the Group's assets.

Responsibility

The Board affirms its overall responsibility for the Group's system of internal control, which includes the review of its effectiveness, to ensure compliance to policies and procedures and operating standards so as to enable the Group to achieve its business objectives. The process of identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives is an ongoing process. The Board, however, reiterates that such a system is designed to manage risk rather than eliminate risk of failure to achieve business objectives and provide only reasonable assurance, but not absolute assurance against material misstatement or loss.

Risk Management

The Board recognizes that an important element for a sound system of internal control is to have in place a risk management framework in order to identify principal risks and implement appropriate controls to manage such risk. The present process of identifying and addressing risk is conducted informally.

System of Internal Control

The Salient features of the Group's system of internal control are as follows:-

- The Company and its subsidiary companies have clear management structure, with lines of responsibility and delegation of authority.
- Senior management, i.e. the Executive Directors and Heads of Departments, have many years of accumulated hands-on experience in the operational and financial affairs of the Group.

Monitoring Activities

The Board confirms that there is a continues process for identifying, evaluating and managing the significant risks faced by the Group.

The key activities that the directors have established in reviewing the adequacy and intergrity of the system of internal control, are as follows:

- Monthly review of the management accounts of the Group by the Senior Management team.
- Quarterly review of the unaudited financial results of the Group by the Board of Directors.
- The Audit Committee will review, on a quarterly basis, the quarterly unaudited financial results so as to monitor the Group's progress in achieving its business objectives.

This statement was made in accordance with the resolution of the Board dated 21 May 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required under the Companies Act, 1965 to prepare financial statements, which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements,

- The Group and the Company have used appropriate accounting policies and are consistently applied;
- Reasonable and prudent judgements and estimates were made; and
- All applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

REPORT ON AUDIT COMMITTEE

COMPOSITION

Chairman

Khaw Teik Thye

Independent Non- Executive Director

Members

Y.M. Tunku Mahmood Bin Tunku Mohammed

Independent Non- Executive Director

Tuan Syed Omar Bin Syed Abdullah

Non-Independent Executive Director

All members of the Committee have a working familiarity with basic finance and accounting practices.

The Committee shall be appointed by the Board from amongst its Directors excluding alternate Directors which fulfill the following requirements:

- a) The audit committee must compose of no fewer than three (3) members;
- b) A majority of the audit committee must be Independent Directors (as defined in the Listing Requirements); and
- c) At least one (1) member of the audit committee
 1. Must be a member of the Malaysian Institute of Accountants; or
 2. If he is not a member of the Malaysian Institute of Accountants, he must have at least (3) years' working experience, and;
 - I. He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967.

The member of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director. In this respect, the Board adopts the definitions of "Independent Director" as defined under the Bursa Securities Malaysia Berhad Listing Requirements.

If a member of the Committee resigns, dies, or for any reason ceases to be a member with the result the number of members is reduced to below three (3), or if the majority of the members become non-Independent Directors, the Board of Directors shall within three (3) months of such vacancy, appoint such number of new members as may be required to make up the minimum number of three (3) members or the majority being Independent Directors.

RIGHTS

The Committee shall:

- a) Have explicit authority to investigate any matter within its terms of reference;
- b) Have the resources which are required to perform its duties;
- c) Have full and unrestricted access to any information pertaining to the Company;
- d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) Be able to obtain independent professional or other advice; and
- f) Be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

FUNCTIONS

The functions of the Committee shall include the following:

1. Review the following and report the same to the Board:-
 - a) With the external auditors, the audit plans;
 - b) With the external auditors, his evaluation of the system of internal control;
 - c) With the external auditors, his audit report;
 - d) The assistance given by the employees of the Company to the external auditors;
 - e) The adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - f) The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - g) The quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - i. Changes in or implementation of major accounting policy changes;
 - ii. Significant and unusual events;
 - iii. Going concern assumptions; and
 - iv. Compliance with accounting standards and other legal requirements.
 - h) Any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - i) Any letter of resignation from the external auditor of the Company; and

- j) Whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment;
- k) Report any breaches of the Bursa Malaysia Listing Requirements to the Bursa Malaysia; and
- l) Prepare an audit committee report at the end of the financial year.

2. Recommend the nomination of a person or persons as external auditors and auditors' remuneration.

MEETINGS

- a) Meetings of the Committee shall be held not less than four (4) times a year;
- b) The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting;
- c) The external auditor may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee;
- d) Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable;
- e) Other Directors and employees shall attend any particular Audit Committee meeting only at the Committee's invitation, specific to the relevant;
- f) At least once a year, the Committee shall meet with the external auditor without the Executive Board members present;
- g) The quorum for the meeting of the Committee shall be two(2) provided always that the majority of members present must be Independent Directors;
- h) Any decision of the Committee shall be by simple majority;
- i) The Committee shall record its conclusion in discharging its duties and responsibilities;
- j) The Company Secretary shall be the Secretary of the Committee; and
- k) The Secretary is responsible for sending out notifications of the meeting and preparing and keeping minutes of the meetings.

REPORTING PROCEDURES

The Minutes of the Committee meeting shall be extended to all the members of the Board of Directors.

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The Audit Committee, held a total of one meeting during the year to perform the following duties:

- Reviewed the audited financial statements for the financial statements for the financial year ended 31 December 2006 with the external auditors. Any significant audit issues were accordingly noted and addressed prior to recommendation to the Board.
- Reviewed the Company's compliance with regards to the revamped Listing Requirements of the Bursa Malaysia and compliance with updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board.
- Reviewed the suitability of the Company's external auditor for reappointment.

During the financial year, the Audit Committee has reviewed the interim/quarterly results of the Company and the Group prepared by the management.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an independent and adequately resourced audit function. The Committee is aware of the fact that an independent and adequately resourced audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

The activities of the internal audit have been minimal during the year. The Board of Directors will ensure that there is full control and direction over financial, operational and compliance issues through regular meetings and consultations with the external auditors.

STATEMENT BY AUDIT COMMITTEE

IN RELATION TO THE EMPLOYEES' SHARE OPTION SCHEME (ESOS) OF THE COMPANY

The Company's ESOS was established on 29 March 2004. The salient features of the ESOS are stated in the Financial Statement on page 25 of this Annual Report. The criteria for allocation of options is set out in the By-Laws of the ESOS and a copy of the By-Laws was distributed to the respective subsidiary and posted on the Notice Board for the information of all employees. The Company's existing ESOS By-Laws does not provide allocation of options to non-executive directors.

During the financial year ended 31 December 2006, the Company did not allocate any options to the employees due to the unfavourable market price of the Company's shares.

RECURRENT RELATED PARTY TRANSACTION

The breakdown of the aggregate value of the recurrent related party transactions of a revenue or trading nature conducted pursuant to Shareholders' Mandate are as follows:-

Transactions with companies in which Dato' Choo Keng Weng is the common director of the companies:-

Nature of Transaction	Party Transacting	Transacted Value* RM ('000)	Relationship of Interested Party
Rental of Office Premises	Desa Samudra Sdn Bhd ("DSSB")	183	Dato' Choo Keng Weng is a Director of DSSB and he holds 50% equity in DSSB.
Rental of Accommodation	Seng Hoe & Choong Corporation Sdn Bhd ("SHCCSB")	144	Dato' Choo Keng Weng is a Director of SHCCSB and he holds 60% equity in SHCCSB.

Transactions between companies in the Group in which certain directors of the Company are also the common directors of the companies:-

Nature of Transaction	Party Transacting	Transacted Value* RM ('000)	Relationship of Interested Party
Supply of poultry feed	LKPP-Goldkist Sdn Bhd ("LKPP-G")	3,640	LKPP-G is a 60% subsidiary of SHCEC. 40% is owned by Lembaga Kemajuan Perindustrian Pertanian Negeri Pahang.
Supply of parent stock for breeding purposes	LKPP-Goldkist Sdn Bhd ("LKPP-G")	528	LKPP-G is a 60% subsidiary of SHCEC. 40% is owned by Lembaga Kemajuan Perindustrian Pertanian Negeri Pahang.
Tribute for the use of the land belonging to LKPP	LKPP-Goldkist Sdn Bhd ("LKPP-G")	30	LKPP-G is a 60% subsidiary of SHCEC. 40% is owned by Lembaga Kemajuan Perindustrian Pertanian Negeri Pahang.

* Value of transactions from 1 June 2006 to 31 May 2007
(Please refer to the Circular to Shareholders dated 1 June 2007 for further information.)

SHAREHOLDING STATISTICS
AS AT 15 MAY 2007

ANALYSIS OF SHAREHOLDERS

Authorised Share Capital	:	RM500,000,000
Paid-up share Capital	:	RM80,709,500
Class of Share	:	Ordinary Share of RM1.00 each
Voting Right	:	1 vote per ordinary

DISTRIBUTION OF SHAREHOLDING AS AT 15 MAY 2007
- ORDINARY SHARES

Range	No. of Holders	%	Total Holdings	%
1-99	107	2.1877	3,314	0.0040
100-1,000	1,516	30.9957	1,401,967	1.6950
1,001-10,000	2,603	53.2202	11,393,398	13.7752
10,001-100,000	617	12.6150	18,305,499	22.1323
100,001- <5%	44	0.8996	16,970,840	20.5186
>5%	4	0.0818	34,634,482	41.8749
	4,891	100.00	82,709,500	100.00

SUBSTANTIAL SHAREHOLDERS (5% & above) AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	%	No. of Shares Held
1. DATO' HAJI ESA BIN MOHAMED		15,580,689
2. DATO' CHOO KENG WENG		11,815,793
14.286		
2. SAMUDERA SENTOSA SDN BHD		8,000,000
		9.672

THIRTY LARGEST ORDINARY SHAREHOLDERS
AS AT 15 MAY 2007

Shareholders	No. of Shares Held	%
1. Dato' Haji Esa Bin Mohamed	15,580,689	18.838
2. Dato' Choo Keng Weng	11,815,793	14.286
3. Samudera Sentosa Sdn Bhd	8,000,000	9.672
4. Macronet Sdn Bhd	2,925,000	3.536
5. ECM Libra Avenue Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohd Salleh Bin Yeop Abd Rahman	2,500,000	3.023
6. Asraman Sdn Bhd	1,283,900	1.552
7. HSBC Nominees (Asing) Sdn Bhd Exempt An for HSBC Private Bank (Suisse) S.A. (Spore TST Ac CL)	1,000,000	1.209
8. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Kim Eng Securities Pte Ltd for Eng Holdings Sdn Bhd	838,553	1.014
9. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Teck Loong	570,300	0.690
10. Thoon Soon Ling	420,000	0.508
11. TA Nominees (Asing) Sdn Bhd Pledged Securities Account for Tsang Yip, Shuk-Ying	402,000	0.486
12. OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account for Chong Lee Fong	402,000	0.486
13. Mayban Securities Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Eng Bak Hern	325,382	0.393

14.	Choo Keng Kit	310,000	0.375
15.	Tan Wan Chee	291,400	0.352
16.	TCL Nominees (Asing) Sdn Bhd OCBC Securities Private Limited for Tan Sock Hian	288,414	0.349
17.	Chan Hee Kwang	277,200	0.335
18.	Chua Siok Kim	250,000	0.302
19.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Chong Yoon Huat	250,000	0.302
20.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Kah Huat	237,100	0.287
21.	TA Nominees (Tempatan) Sdn Bhd Pldged Securities Account for Chew Ah Ean	230,000	0.278
22.	Tan Hui Ming	210,000	0.254
23.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chen Teck Peng	185,500	0.224
24.	Cimsec Nominees (Asing) Sdn Bhd Except An for CIMB-GK Securities Pte Ltd (Retail Clients)	184,936	0.224
25.	Ong Yit Cheng	183,000	0.221
26.	Chu Siew Fei	170,000	0.206
27.	Lim Chee Khang	166,000	0.201
28.	AIBB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tai Di	153,000	0.185
29.	Lim Siong Eng	150,000	0.181
30.	Sy Ban Lee	150,000	0.181
Total		49,750,167	60.15

**DISTRIBUTION OF SHAREHOLDING AS AT 15 MAY 2007
- WARRANTS**

Range	No. of Holders	%	Total Holdings	%
1-99	0	0.000	0	0.000
100-1,000	10	6.8493	7,100	0.0710
1,001-10,000	99	67.8082	453,600	4.5360
10,001-100,000	28	19.1781	707,200	7.0720
100,001- <5%	4	2.7397	639,900	6.3990
>5%	5	3.4247	8,192,200	81.9220
		146	10,000,000	100.00

**THIRTY LARGEST WARRANTS SHAREHOLDERS
AS AT 15 MAY 2007**

Shareholders	No. of Shares Held	%
1. Dato' Haji Esa Bin Mohamed	3,594,000	35.940
2. Dato' Choo Keng Weng	2,646,000	26.460
3. Goh Hock Guan	942,100	9.421
4. Datin Ong Sok Hean	760,100	7.601
5. Asraman Sdn Bhd	500,000	5.000
6. Muhammad Ali Bin Jamaluddin	150,100	1.501
7. Yii Leh Kiew	139,700	1.397
8. Norliza Binti Hashim	100,100	1.001
9. Usanee Reinu	61,000	0.610
10. Chang Yoke Mui	50,100	0.501
11. Rajasingam A/L S Singarajah	50,100	0.501
12. Chow Yin Meng	50,000	0.500
13. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Woo Wai Keong (100491)	50,000	0.500
14. Ngu Shang Shang	40,100	0.401
15. Choo Teok Yuang	34,900	0.349
16. Chung Li Yen	30,900	0.309
17. Chan Poh Lin	30,100	0.301
18. Tan Gek Peng	30,000	0.300
19. Tan Say Cheng	28,000	0.280
20. Ibrahim Bin Sarmani	20,100	0.201

21.	Ong Woon Pang	20,000	0.200
22.	Cheok Pei Koon	20,000	0.200
23.	Loh Hai Boey	20,000	0.200
24.	Wong Yean Khion	20,000	0.200
25.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Sieh Ming (STA 2)	20,000	0.200
26.	Ong Chin Khoon	17,100	0.171
27.	Shaharudin Bin Ahmad Noor	16,100	0.161
28.	JF Apex Securities Account for Lim Chee Leong (STA 2)	15,000	0.150
29.	Tan Sai Hoon	12,100	0.121
30.	Siew Kam Chun @ Siew Kam Hoong	11,000	0.110
Total:		9,478,700	94.787

DISTRIBUTION OF SHAREHOLDING AS AT 15 MAY 2007

- LOAN STOCK

Range	No. of Holders	%	Total Holdings	%	
1-99	3	8.8235	100	0.0005	
100-1,000	29	85.2941	3,900	0.0203	
1,001-10,000	1	2.9412	2,000	0.0104	
10,001-100,000	0	0.000	0	0.000	
100,001- <5%	0	0.000	0	0.000	
>5%	1	2.9412	19,182,125	99.9688	
		34	100.00	19,188,125	100.00

LIST OF LOAN STOCK SHAREHOLDERS

AS AT 15 MAY 2007

Shareholders	No. of Shares Held	%
1. Sabah Development Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wan Jin Resources Sdn Bhd	19,182,125	99.9478
2. Am Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Kok Hoon	2,000	0.0104
3. Teoh Boon Han @ Teong Boon Hong	600	0.0031
4. Loh Sai Eng	300	0.0016
5. Chong KokSoon	300	0.0016
6. Poh Siew Kuan	200	0.0010
7. Cheah See Han	100	0.0005
8. Wong Cho Kiong	100	0.0005
9. Loong Yue Kuan	100	0.0005
10. Ng Ying Yuen	100	0.0005
11. The Beng Siang	100	0.0005
12. Paul Lau Chu @ Lai Chu	100	0.0005
13. Ngan Kim Eng	100	0.0005
14. Hon Saw Khing @ Hon Hoi Moi	100	0.0005
15. Chang Yoke Mui	100	0.0005
16. Lim Boon Hooi	100	0.0005
17. Ismail Bin Hassan	100	0.0005
18. Jasmeet Pal Singh A/L Dalbara Singh	100	0.0005
19. Shaharudin Bin Ahmad Noor	100	0.0005
20. Fauziah Hanim Binti Anuwar	100	0.0005
21. Ng Sek Wai	100	0.0005
22. Norliza Binti Hashim	100	0.0005
23. Kritheran A/L Kanagalingam	100	0.0005
24. Chan Ping Wai	100	0.0005
25. Tan Hoong Wai	100	0.0005
26. Mohamed Saburi Bin Azirun	100	0.0005
27. Choong Quek Thiam	100	0.0005
28. Lim Choon Keat	100	0.0005
29. Lim Choun Kee	100	0.0005
30. Faricin Bin Anting	100	0.0005
Total	19,187,925	99.9989

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors of **SIN HENG CHAN (MALAYA) BERHAD** hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended December 31, 2006.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are as disclosed in Note 14 to the Financial Statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and the Company for the financial year are as follows:

	The Group RM	The Company RM
Loss before tax	(9,783,296)	(1,514,455)
Tax income	<u>361,044</u>	<u>44,551</u>
	<u>(9,422,252)</u>	<u>(1,469,904)</u>

In the opinion of the directors, the results of operations of the Group and the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid, proposed or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial year as the Company does not have any distributable reserves.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

WARRANTS

As of December 31, 2006, the Company has 30,000,000 warrants 2004/2009 which are in registered form and constituted by a deed poll and which entitle the registered holders to subscribe for 1 ordinary share of RM1 each in the Company at a price of RM1 per ordinary share for every warrant held subject to adjustments in accordance with the deed poll. The warrants are exercisable at any time from the date of issue to its expiry date on July 24, 2009.

At the end of the year, the entire warrants remain unexercised.

SHARE OPTIONS

Under the Company's Employees' Share Option Scheme ("ESOS"), options to subscribe for unissued new ordinary shares in the Company were granted to eligible directors and employees of the Company and its subsidiary companies.

The salient features of the ESOS are as follows:

- (a) the total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- (b) any employee (including the executive directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee:
 - (i) is employed by and on the payroll of a company within the Group;
 - (ii) must have attained the age of eighteen (18) years;
 - (iii) is not an executive director who represents the government or a government institution/agency; and
 - (iv) is not a government employee serving in the public service scheme as defined under Article 132 of the Federal Constitution.
- (c) no option shall be granted for less than 100 shares.
- (d) option shall be granted in the discretion of the ESOS committee based on job ranking, length of services, contribution and performance of the selected employee provided that:
 - (i) not more than ten percent (10%) of the shares available under the ESOS shall be allocated to any individual executive director or selected employee who, either singly or collectively through his/her associates, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company; and
 - (ii) not more than fifty percent (50%) of the shares available under the ESOS shall be allocated, in aggregate, to the executive directors and senior management.
- (e) the option price shall be determined based on a discount of not more than 10% from the average of the mean market quotation of the ordinary shares of the Company as quoted and shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five (5) preceding market days prior to the date of offer or at par value of the ordinary shares of the Company, whichever is higher.
- (f) the options granted may be exercised at anytime within a period of five (5) years from the date of offer of the option or extended to not more than another five (5) years commencing from the day after the expiry of the original five (5) year period.
- (g) the persons to whom the options are granted have no right to participate by virtue of the options in any other share options of any other company within the Group.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, the Company has 5,115,000 unissued shares under option, expiring on July 13, 2009.

OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

- (a) which would necessitate the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) 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

- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

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

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability 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 or the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and the Company for the succeeding financial year other than the acquisition and disposal of subsidiary companies subsequent to the financial year as mentioned in Note 35 to the Financial Statements.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Dato' Choo Keng Weng
 Tuan Syed Omar bin Syed Abdullah
 Y.M. Tunku Mahmood bin Tunku Mohammed
 Mohd Shariff bin Salleh
 Khaw Teik Thye
 Venkata Chellam s/o Subramaniam (resigned on June 12, 2006)

In accordance with Article 94 of the Company's Articles of Association, Dato' Choo Keng Weng and En. Mohd Shariff bin Salleh retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The interest in shares in the Company and in related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134, of the Companies Act, 1965, are as follows:

	Balance at 1.1.2006	No. of Shares of RM1 Each		Balance at 31.12.2006
		Bought	Sold	
Shares in the Company				
Registered in the name of directors				
Dato' Choo Keng Weng	162,000	9,453,793	-	9,615,793
Mohd Shariff bin Salleh	10,000	-	(10,000)	-

Deemed Interest

(by virtue of his interest in
 Alor Setar Industry Holdings
 Sdn. Bhd. and Macronet Sdn. Bhd.)

Dato' Choo Keng Weng	33,059,482	-	(23,634,482)	9,425,000
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	Balance at 1.1.2006	No. of Options Over Ordinary Shares of RM1 Each		Balance at 31.12.2006
		Granted	Exercised	
Share Options in the Company				
Registered in the name of directors				
Dato' Choo Keng Weng	600,000	-	-	600,000
Tuan Syed Omar bin Syed Abdullah	600,000	-	-	600,000

**Warrants Issued Pursuant to a Deed Poll exercisable at any time
from**

July 25, 2004 to July 24, 2009

Warrants in the Company	Balance at 1.1.2006	Bought	Sold	Balance at 31.12.2006
Deemed Interest (by virtue of their interest in Alor Setar Industry Holdings Sdn. Bhd.)				
Dato' Choo Keng Weng	29,990,000	-	-	29,990,000

By virtue of their interests in the shares, share options and warrants of the Company, the abovementioned directors are have beneficial interest in the shares of the subsidiary companies during the financial year to the extent that the Company has interest.

None of the directors has interest in the shares of the Company and the related company during the financial year. Under the Articles of Association of the Company, the directors are not required to hold any share in the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of rental of premises paid and payable amounting to RM325,328 to companies in which Dato' Choo Keng Weng has substantial financial interest as disclosed in Notes 17 and 18 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

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

DATO' CHOO KENG WENG

MOHD SHARIFF BIN SALLEH

Kuala Lumpur
April 25, 2007

REPORT OF THE AUDITORS TO THE MEMBERS OF

SIN HENG CHAN (MALAYA) BERHAD

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2006 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these 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 towards any other person for the contents of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain 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 that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standard Board approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as of December 31, 2006 and of the results and the cash flows of the Group and the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company 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 as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN

AF 0080

Chartered Accountants

HIEW KIM TIAM

1717/08/07 (J)

Partner

April 25, 2007

**INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	5	35,586,612	47,470,278	-	-
Other operating income	7	2,574,020	5,822,795	1,457,367	5,086,495
Changes in inventories of finished goods and hatching eggs		167,759	(180,376)	-	-
Raw materials and consumables used		(28,888,358)	(28,686,284)	-	-
Directors' remuneration	8	(836,800)	(940,560)	(787,800)	(885,460)
Staff costs	9	(4,548,023)	(5,201,689)	(477,688)	(657,654)
Depreciation of property, plant and equipment	13	(2,234,186)	(2,625,822)	(198,218)	(339,291)
Other operating expenses	7	(11,083,473)	(9,166,557)	(1,478,980)	(1,433,091)
Profit/(Loss) from operations		(9,262,449)	6,491,785	(1,485,319)	1,770,999
Finance costs	10	(520,847)	(579,725)	(29,136)	(14,116)
Profit/(Loss) before tax		(9,783,296)	5,912,060	(1,514,455)	1,756,883
Tax income/(expense)	11	361,044	(735,282)	44,551	(80,000)
Profit/(Loss) for the year		<u>(9,422,252)</u>	<u>5,176,778</u>	<u>(1,469,904)</u>	<u>1,676,883</u>
Attributable to:					
Equity holders of the Company		(8,184,726)	4,650,082		
Minority interest		<u>(1,237,526)</u>	<u>526,696</u>		
		<u>(9,422,252)</u>	<u>5,176,778</u>		
Earnings/(Loss) per ordinary share					
Basic	12	<u>(13.4 sen)</u>	<u>7.6 sen</u>		
Diluted	12	<u>N/A</u>	<u>N/A</u>		

The accompanying Notes form an integral part of the Financial Statements.

BALANCE SHEETS
AS OF DECEMBER 31, 2006

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	15,179,555	17,606,577	1,576,673	1,698,037
Investment in subsidiary companies	14	-	-	10,075,756	10,075,756
Other investments	15	5,250	5,250	5,250	5,250
		<u>15,184,805</u>	<u>17,611,827</u>	<u>11,657,679</u>	<u>11,779,043</u>
Current Assets					
Inventories	16	8,686,885	8,214,916	-	-
Trade receivables	17	6,001,517	6,779,385	-	-
Other receivables, deposits and prepaid expenses	17	6,027,879	2,335,600	5,703,693	2,023,594
Tax recoverable		1,450,598	1,627,665	1,764,201	2,050,846
Amount owing by subsidiary companies	18	-	-	6,219,478	4,500,153
Marketable securities	19	57	27	57	27
Fixed deposits, cash and bank balances	20	9,843,791	17,699,137	7,696,805	15,198,105
		<u>32,010,727</u>	<u>36,656,730</u>	<u>21,384,234</u>	<u>23,772,725</u>
Total assets		<u><u>47,195,532</u></u>	<u><u>54,268,557</u></u>	<u><u>33,041,913</u></u>	<u><u>35,551,768</u></u>

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	21	60,876,500	60,876,500	60,876,500	60,876,500
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	22	19,192,125	19,192,125	19,192,125	19,192,125
Reserves	23	-	13,806	-	-
Accumulated loss		<u>(53,381,961)</u>	<u>(45,222,001)</u>	<u>(50,456,250)</u>	<u>(48,986,346)</u>
Shareholders equity		26,686,664	34,860,430	29,612,375	31,082,279
Minority interest		<u>1,996,965</u>	<u>3,319,131</u>	<u>-</u>	<u>-</u>
Total equity		<u>28,683,629</u>	<u>38,179,561</u>	<u>29,612,375</u>	<u>31,082,279</u>
Non-current liabilities					
Finance lease payables	24	1,792	147,129	-	-
Hire-purchase payables	25	617,322	527,619	432,794	527,619
Long-term loans	26	305,531	1,297,995	-	-
Deferred tax liability	27	<u>1,004,298</u>	<u>1,377,500</u>	<u>301,000</u>	<u>301,000</u>
		<u>1,928,943</u>	<u>3,350,243</u>	<u>733,794</u>	<u>828,619</u>
Current liabilities					
Trade payables	28	3,979,123	4,251,812	-	-
Other payables and accrued expenses	28	3,764,386	3,803,088	669,930	620,340
Amount owing to subsidiary companies	18	-	-	1,930,988	2,930,988
Bank borrowings	29	8,511,394	4,095,771	-	-
Finance lease payables	24	178,081	347,389	-	-
Hire-purchase payables	25	149,976	95,792	94,826	89,542
Tax liabilities		<u>-</u>	<u>144,901</u>	<u>-</u>	<u>-</u>
		<u>16,582,960</u>	<u>12,738,753</u>	<u>2,695,744</u>	<u>3,640,870</u>
Total liabilities		<u>18,511,903</u>	<u>16,088,996</u>	<u>3,429,538</u>	<u>4,469,489</u>
Total equity and liabilities		<u><u>47,195,532</u></u>	<u><u>54,268,557</u></u>	<u><u>33,041,913</u></u>	<u><u>35,551,768</u></u>

The accompanying Notes form an integral part of the Financial Statements.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006**

The Group	Note	Attributable to Equity Holders of The Company						
		Issued Capital RM	ICULS RM	Non-Distributable Reserves Reserve On Consolidation RM	Accumulated Loss RM	Total RM	Minority Interest RM	Total Equity RM
Balance as of January 1, 2005		60,542,500	19,192,125	13,806	(49,872,083)	29,876,348	2,792,435	32,668,783
Issue of shares	21	334,000	-	-	-	334,000	-	334,000
Profit for the year		-	-	-	4,650,082	4,650,082	526,696	5,176,778
Balance as of December 31, 2005		60,876,500	19,192,125	13,806	(45,222,001)	34,860,430	3,319,131	38,179,561
Balance as of January 1, 2006		60,876,500	19,192,125	13,806	(45,222,001)	34,860,430	3,319,131	38,179,561
Effect of changes in accounting policy	33	-	-	(13,806)	13,806	-	-	-
Loss for the year		-	-	-	(8,184,726)	(8,184,726)	(1,237,526)	(9,422,252)
Dividends paid		-	-	-	-	-	(73,680)	(73,680)
Accretion in share of net assets of a subsidiary company		-	-	-	10,960	10,960	(10,960)	-
Balance as of December 31, 2006		60,876,500	19,192,125	-	(53,381,961)	26,686,664	1,996,965	28,683,629

The accompanying Notes form an integral part of the Financial Statements.

The Company	Note	Issued Capital RM	ICULS RM	Accumulated Loss RM	Total RM
Balance as of January 1, 2005					
Issue of shares	21	60,542,500	19,192,125	(50,663,229)	29,071,396
Profit for the year		334,000	-	-	334,000
		-	-	1,676,883	1,676,883
Balance as of December 31, 2005		<u>60,876,500</u>	<u>19,192,125</u>	<u>(48,986,346)</u>	<u>31,082,279</u>
Balance as of January 1, 2006					
Loss for the year		60,876,500	19,192,125	(48,986,346)	31,082,279
		-	-	(1,469,904)	(1,469,904)
Balance as of December 31, 2006		<u>60,876,500</u>	<u>19,192,125</u>	<u>(50,456,250)</u>	<u>29,612,375</u>

The accompanying Notes form an integral part of the Financial Statements.

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Note	The Group		The Company	
		2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES					
Profit/(Loss) before tax		(9,783,296)	5,912,060	(1,514,455)	1,756,883
Adjustments for:					
Depreciation of property, plant and equipment		2,234,186	2,625,822	198,218	339,291
Finance costs		520,847	579,725	29,136	14,116
Write-down of inventories		1,476,311	-	-	-
Impairment loss of property, plant and equipment		1,213,858	-	-	-
Property, plant and equipment written off		4,706	10	-	-
Allowance for doubtful debts/(Allowance no longer required) - net		(1,539,837)	211,289	(118,500)	(38,827)
Interest income		(322,083)	(511,691)	(295,718)	(495,489)
Gain on disposal of property, plant and equipment		(33,750)	(126,453)	(8,000)	(59,200)
Allowance for diminution in value of marketable securities/ (Allowance no longer required)		(30)	40	(30)	40
Liabilities waived		-	(4,671,342)	-	(3,541,846)
Operating Profit/(Loss) Before Working Capital Changes		(6,229,088)	4,019,460	(1,709,349)	(2,025,032)
(Increase)/Decrease in:					
Inventories		(1,948,280)	(314,896)	-	-
Trade receivables		2,317,705	391,515	-	-
Other receivables, deposits and prepaid expenses		(3,819,375)	745,231	(3,561,600)	758,125
Fixed deposit pledged to banks		(4,905)	(24,727)	-	(20,000)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are as disclosed under Note 14. There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

The registered office and principal place of business is located at Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on April 25, 2007.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the provision of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

Changes in Accounting Policies

In the current year, the Group and the Company adopted all the new and revised Financial Reporting Standards ("FRS") and IC Interpretations issued by MASB that are relevant to its operations and mandatory for financial periods beginning on or after January 1, 2006 as follows:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 133	Earnings Per Share
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 136	Impairment of Assets
IC Interpretation 115	Operating Leases - Incentives

The application of the revised FRS 3 and 101 has resulted in certain changes in the presentation of the consolidated financial statements and the principal changes in accounting policies and their financial effects in the current and prior years are set out in Note 34.

The adoption of the other revised FRSS does not result in significant changes in accounting policies of the Group and the Company and has no significant effect on the financial statements of the Group and the Company in the current and prior years.

(a) FRS 3: Business Combinations

FRS 3 requires goodwill acquired in a business combination to be measured at cost and subject to impairment. In accordance with the transitional provisions of FRS 3, the reserve on consolidation as of January 1, 2006 has been adjusted to opening accumulated loss as at that date.

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest. In the consolidated balance sheet, minority interest is now presented within total equity. In the consolidated income statement, the profit or loss is allocated between equity holders of the Company and minority interest. FRS 101 also requires disclosure on the face of the statement of changes in equity, the total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interest.

Accounting Standards and IC Interpretations Issued but Not Effective

As of date of issuance of the financial statements, the following new and revised FRSs and IC Interpretations have been issued but not yet effective until future periods:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
FRS 119	Amendment to Financial Reporting Standard FRS 119 ₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 121	Amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-Operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities Arising from Participating in a Specific Market -Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 119 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies February
IC Interpretation 8	Scope of International Financial Reporting Standard No. 2 Share-based Payment

FRS 6 is effective for accounting periods beginning on or after January 1, 2007. This standard is not relevant to the Group's operations as the Group does not carry out exploration for and evaluation of mineral resources.

FRS 117 is effective for accounting periods beginning on or after October 1, 2006. It will affect the reclassification of leasehold land to prepaid lease payments. Such leasehold land will no longer be revalued. The Group will apply this standard from financial period beginning January 1, 2007.

FRS 119 is effective for accounting periods beginning on or after January 1, 2007. The amendment to this standard is not relevant to the Group as the Group does not have post-employment defined benefit plan for its employees.

FRS 121 is effective for accounting periods beginning on or after February 15, 2007. The amendment to this standard is not relevant to the Group as the Group does not have any foreign operations.

FRS 124 is effective for accounting periods beginning on or after October 1, 2006. It will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial period beginning January 1, 2007.

The effective date of FRS 139 is yet to be determined by MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company will apply this standard when it becomes effective.

IC Interpretations 1, 2, 5, 6, 7 and 8 are effective for accounting periods beginning on or after July 1, 2007. These IC Interpretations are not relevant to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below.

Revenue Recognition

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers. Revenue represents gross invoiced value of goods sold, net of sales tax and trade discounts.

Foreign Currency Conversion

The financial statements of the Group and the Company are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Group and the Company operates (its functional currency).

In preparing the financial statements of the Group and the Company, transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statements for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, unutilised tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statements, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and subsidiary companies intend to settle their current tax assets and liabilities on a net basis.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment, except for freehold land which are not depreciated, is computed on the straight-line method at the following rates based on the estimated useful lives of the various assets or their lease periods. The annual depreciation rates are as follows:

Land under long leases	Over period of lease of 60 - 99 years
Land under short leases	Over period of lease of 25 years
Buildings	4 - 5%
Plant and machinery	7 1/2 - 33 1/3%
Renovations, furniture, fixtures and equipment	5 - 20%
Motor vehicles	20%

Plantation development expenditure which is not amortised, consists of expenditure on land preparation and upkeep of trees prior to their maturity and is accounted for under the "capital maintenance method" which involves the capitalisation of only new planting costs.

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets, the amounts in revaluation reserve account relating to the assets disposed are transferred to accumulated loss account.

Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statements, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised as property, plant and equipment and the corresponding obligations treated as liabilities in the financial statements. These assets are depreciated according to the basis set out above. Finance costs are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Lease Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the lease assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiary companies controlled by the Company made up to December 31, 2006. Control is achieved where the Company has the power to govern.

The subsidiary companies are consolidated using the acquisition method of accounting whereby, on acquisition, the assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Minority interest represents that portion of profit or loss and net assets of a subsidiary company attributable to equity interests that are not owned, directly or indirectly through subsidiary company, by the parent. It is measured at the minority's share of the fair value of the subsidiary company's identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiary company's equity since that date.

Losses applicable to the minority in excess of the minority's interest in the subsidiary company's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statements, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

Investments in unquoted shares of subsidiary companies, which are eliminated on consolidation, are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Other investments are stated at cost less impairment losses.

Inventories

Inventories are valued at the lower of cost (determined generally on the first-in, first-out method) and net realisable value. The costs of raw materials and spare parts comprise the original cost of purchase plus the cost of bringing the stocks to their present location and condition. The costs of finished goods and hatching eggs include the cost of raw materials, direct labour and certain allocation of manufacturing overheads. The cost of parent stocks consists of the original purchase price of breeder birds plus assigned growing costs and adjusted for amortisation (calculated based on their economic egg-laying lives). Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Trade and other receivables are reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses that may arise from non-collection of certain receivable accounts.

Marketable Securities

Marketable securities held for short-term are stated at the lower of cost (determined using the first-in first-out method) and market value based on an aggregate portfolio basis. All increases or decreases in the carrying amount of marketable securities are taken up in the income statements.

Employee Benefits

(a) Short-Term Employee Benefits

Salaries, wages, annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

(b) Defined Contribution Plan

The Group and the Company are required by law to make monthly contributions to Employees Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees. Both the Group and the Company and their employees are required to make monthly contributions to EPF calculated at certain prescribed rates of the employees' salaries. The Group's and the Company's contributions to EPF are disclosed separately while the employees' contributions to EPF are included in salaries and wages and shown under staff costs.

(c) Equity Compensation Benefits

The Group's Employees Share Options Scheme ("ESOS") allows the employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

Financial Instruments

(a) Description

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

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise. The Group's and the Company's principal financial assets are trade and other receivables, intercompany indebtedness, fixed and short-term deposits, cash and bank balances.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. The Group's and the Company's significant financial liabilities include trade and other payables, bank borrowings and intercompany indebtedness, which are stated at their nominal values.

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

(b) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

(c) Fair value estimation for disclosure purpose

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

The face value, less any estimated credit adjustments, for financial assets and liabilities with tenure to maturity of less than one financial year are assumed to approximate their fair values.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. REVENUE

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Poultry breeding	14,193,799	25,375,370	-	-
Sales of formulated animal feeds	<u>21,392,813</u>	<u>22,094,908</u>	<u>-</u>	<u>-</u>
	<u><u>35,586,612</u></u>	<u><u>47,470,278</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

6. SEGMENT REPORTING

Business Segments

For management purposes, the Group is organised into the following operating divisions:

- Feedmilling
- Poultry breeding
- Investment holding
- Others (consist of subsidiary companies which are dormant and pre-operating)

Inter-segment sales are charged at cost plus a percentage profit mark-up.

SEGMENT ANALYSIS

The Group

	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
2006						
Revenue						
External sales	21,392,813	14,193,799	-	-	-	35,586,612
Inter-segment sales	17,777,748	1,401,542	-	-	(19,179,290)	-
Total revenue	39,170,561	15,595,341	-	-	(19,179,290)	35,586,612
Results						
Segment results	(4,311,815)	(10,523,331)	(1,485,319)	(10,081)	7,068,097	(9,262,449)
Loss from operations						(9,262,449)
Finance costs						(520,847)
Loss before tax						(9,783,296)
Tax income						361,044
Loss for the year						(9,422,252)
(Forward)						
	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Reclassification RM	Consolidated RM
Other information						
Capital additions	552,923	399,101	76,854	-	-	1,028,878
Depreciation of property, plant and equipment	(603,968)	(1,432,001)	(198,217)	-	-	(2,234,186)
Consolidated Balance Sheet Assets						
Segment assets	12,780,656	20,643,880	13,692,751	78,245	-	47,195,532
Consolidated total assets						47,195,532
Liabilities						
Segment liabilities	11,855,611	4,322,407	1,344,253	989,632	-	18,511,903
Consolidated total liabilities						18,511,903

The Group

2005	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	22,094,908	25,375,370	-	-	-	47,470,278
Inter-segment sales	20,035,994	1,250,246	-	-	(21,286,240)	-
Total revenue	<u>42,130,902</u>	<u>26,625,616</u>	<u>-</u>	<u>-</u>	<u>(21,286,240)</u>	<u>47,470,278</u>
Results						
Segment results	<u>511,827</u>	<u>3,183,532</u>	<u>1,770,999</u>	<u>1,025,427</u>	<u>-</u>	<u>6,491,785</u>
Profit from operations						6,491,785
Finance costs						(579,725)
Profit before tax						5,912,060
Tax income						(735,282)
Profit for the year						<u>5,176,778</u>
(Forward)						
	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Other information						
Capital additions	170,799	434,390	785,827	-	-	1,391,016
Depreciation of property, plant and equipment	(671,144)	(1,615,387)	(339,291)	-	-	(2,625,822)
Consolidated Balance Sheet						
Assets						
Segment assets	11,369,830	22,153,421	20,658,346	86,960	-	54,268,557
Consolidated total assets						<u>54,268,557</u>
Liabilities						
Segment liabilities	8,421,864	5,291,120	1,385,720	990,292	-	16,088,996
Consolidated total liabilities						<u>16,088,996</u>

Other segment activities comprise mainly expenses incurred by certain subsidiary companies which are not directly attributable to any significant segment.

Segmental information by geographical location has not been disclosed as the Group operates predominantly in Malaysia.

7. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Allowance for doubtful debts no longer required/ (Allowance for doubtful debts) - net	1,539,837	(211,289)	118,50	38,827
Interest income from fixed deposits with licensed banks	322,083	511,691	295,71	495,489
Rental income from letting of premises	154,000	232,000	154,00	232,000
Gain on disposal of property, plant and equipment	33,750	126,453	8,00	59,200
Realised gain/(loss) on foreign exchange	1,079	(426)		-
(Allowance)/Allowance no longer required for diminution in value of marketable securities	30	(40)	3	(40)
Write-down of inventories	(1,476,311)	-		-
Impairment loss of property, plant and equipment	(1,213,858)	-		-
Rental of premises:				
- Subsidiary company (Note 18)	-	-	(120,00)	(180,000)
- Related parties (Note 18)	(325,328)	(432,393)	(325,32)	(432,393)
- Others	(37,010)	38,400		-
Audit fee:				
- current	(69,300)	(62,800)	(25,00)	(20,000)
- (under)/overprovision in prior year	(1,500)	500		-
Property, plant and equipment written-off	(4,706)	(10)		-
Liabilities waived	-	4,671,342		3,541,846
Management fees from subsidiary companies	-	-	720,00	720,000

8. DIRECTORS' REMUNERATION

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Executive directors:				
Other emoluments	681,000	680,100	680,000	680,100
Non-executive directors:				
Fees	48,000	54,600	-	-
Other emoluments	107,800	205,860	107,800	205,360
	<u>836,800</u>	<u>940,560</u>	<u>787,800</u>	<u>885,460</u>

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group and the Company amounted to RM152,800 (2005: RM152,800) during the financial year.

Included in directors' remuneration are contributions to EPF made by the Group and the Company for the current year amounting to RM81,800 (2005: RM92,460) respectively.

The number of directors of the Company whose total remuneration falls within the following bands is as follows:

	2006	2005
Number of Executive Directors:		
RM500,001 to RM800,000	1	1
Number of Non-Executive Directors:		
RM50,001 to RM100,000	<u>1</u>	<u>2</u>

9. STAFF COSTS

Staff costs include salaries, contributions to EPF, bonuses and all other staff related expenses. Included in staff costs are contributions to EPF made by the Group and the Company for the current year amounting to RM439,078 and RM52,800 (2005: RM516,476 and RM76,514) respectively.

10. FINANCE COSTS

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Interest expense on:				
Bankers' acceptances	190,416	163,384	-	-
Term loans	146,371	222,309	-	-
Finance lease	68,496	80,103	-	-
Bank overdrafts	42,769	50,219	-	-
Hire-purchase	38,008	26,366	29,065	13,872
Revolving credit	34,716	37,100		
Others	71	244	71	244
	<u>520,847</u>	<u>579,725</u>	<u>29,136</u>	<u>14,116</u>

11. TAX (INCOME)/EXPENSE

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Estimated tax payable:				
Current	45,045	353,624	-	139,000
Overprovision in prior years	(76,887)	(67,842)	(44,551)	(59,000)
	(31,842)	285,782	(44,551)	80,000
Deferred tax (Note 27)				
Current	(311,741)	449,500	-	-
Overprovision in prior years	(17,461)	-	-	-
	<u>(329,202)</u>	<u>449,500</u>	<u>-</u>	<u>-</u>
Total	<u>(361,044)</u>	<u>735,282</u>	<u>(44,551)</u>	<u>80,000</u>

A numerical reconciliation of income tax expense at the applicable statutory income tax rate to tax expense/(income) at the effective income tax rate is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit/(Loss) before tax	<u>(9,783,296)</u>	<u>5,912,060</u>	<u>(1,514,455)</u>	<u>1,756,883</u>
Tax/(Tax loss) at income tax rate of 28%	(2,739,323)	1,655,377	(424,047)	491,927
Tax effect of expenses not deductible in determining tax	600,516	176,709	53,047	61,073
Tax effect of income not taxable in determining tax	(900,889)	(223,962)	-	-
Utilisation of deferred tax asset not previously recognised	(47,000)	(896,000)	-	(414,000)
Deferred tax asset not recognised	2,820,000	91,000	371,000	-
Overprovision in prior years	<u>(94,348)</u>	<u>(67,842)</u>	<u>(44,551)</u>	<u>(59,000)</u>
Tax (income)/expense	<u>(361,044)</u>	<u>735,282</u>	<u>(44,551)</u>	<u>80,000</u>

As of December 31, 2006, two subsidiary companies have tax-exempt income arising from reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act 1967 and chargeable income on which income tax has been waived under Income Tax (Amended) Act 1999 totalling to approximately RM2,872,000 (2005: RM2,872,000) which, subject to the agreement of the tax authorities, is available for payment of tax-exempt dividends to the shareholders of the said subsidiary companies.

As of December 31, 2006, one of the subsidiary companies has unutilised reinvestment allowances carried forward amounting to approximately RM1,445,000 (2005: RM 1,436,000) which, if agreed by the tax authorities, are available for distribution of tax-exempt dividends to the shareholders of the said subsidiary company.

12. **EARNINGS/(LOSS) PER ORDINARY SHARE**

	The Group	
	2006	2005
	RM	RM
Basic		
Profit/(Loss) attributable to equity holders of the Company	<u>(8,184,726)</u>	<u>4,650,082</u>

	The Group	
	2006	2005
	Units	Units
Number of shares in issue as of January 1	60,876,500	60,542,500
Exercise of ESOS	<u>-</u>	<u>311,195</u>
Weighted average number of shares in issue	<u>60,876,500</u>	<u>60,853,695</u>

	The Group	
	2006	2005
Basic earnings/(loss) per share (sen)	<u>(13.4)</u>	<u>7.6</u>

	The Group	
	2006	2005
	Units	Units
Diluted		
Weighted average number of shares in issue	60,876,500	60,853,695
Conversion of Irredeemable Convertible Unsecured Loan Stocks (ICULS)	19,192,125	19,192,125
Exercise of warrants	30,000,000	30,000,000
Exercise of ESOS	<u>5,115,500</u>	<u>5,115,500</u>
Adjusted weighted average number of shares for calculating diluted earnings per share	<u>115,184,125</u>	<u>115,161,320</u>
Diluted earnings/(loss) per share (sen)	<u>N/A</u>	<u>N/A</u>

The diluted earnings per share of the Company in 2006 and 2005 has not been presented as the average fair value of the shares of the Company is lower than the exercise price for the conversion of the ICULS, warrants and ESOS to ordinary shares. The effect of this would be anti-dilutive to the earnings per ordinary share.

13. **PROPERTY, PLANT AND EQUIPMENT**

The Group	Cost/Valuation					
	Beginning of Year RM	Additions RM	Disposals RM	Write-offs RM	Reclassification RM	End of Year of Year RM
Year ended December 31, 2006						
Freehold land						
At 1978 valuation	293,000	-	-	-	-	293,000
At cost	94,170	-	-	-	-	94,170
Land under long leases						
At 1978 valuation	782,000	-	-	-	-	782,000
At cost	502,357	-	-	-	-	502,357
Land under short leases						
At cost	530,997	-	-	-	-	530,997
Buildings						
At 1978 valuation	3,320,000	-	-	-	-	3,320,000
At cost	21,887,132	-	-	-	211,786	22,098,918
Building under finance lease	284,586	-	-	-	(211,786)	72,800
Plant and machinery	20,082,937	406,419	-	-	(44,509)	20,444,847
Plant and machinery under finance lease	1,050,460	-	-	-	-	1,050,460
Renovations, furniture, fixtures and equipment	5,679,787	183,600	(9,545)	(5,138)	-	5,848,704
Renovations, furniture, fixtures and equipment under finance lease	532,692	-	-	-	-	532,692
Motor vehicles	4,142,395	-	(391,358)	(21,200)	134,901	3,864,738
Motor vehicles under hire-purchase	890,688	425,326	-	-	(90,392)	1,225,622
Motor vehicles under finance lease	778,775	-	-	-	-	778,775
Plantation development expenditure	322,005	13,533	-	-	-	335,538
	<u>61,173,981</u>	<u>1,028,878</u>	<u>(400,903)</u>	<u>(26,338)</u>	<u>-</u>	<u>61,775,618</u>

Year ended December 31, 2006

	Beginning of Year RM	Charge for the year RM	Accumulated Depreciation			End of Year RM
			Disposals RM	Write-offs RM	Reclassification RM	
Land under long leases						
At 1978 valuation	291,435	10,794	-	-	-	302,229
At cost	179,332	5,799	-	-	-	185,131
Land under short leases						
At cost	161,070	21,240	-	-	-	182,310
Buildings						
At 1978 valuation	3,152,734	-	-	-	-	3,152,734
At cost	10,301,879	785,927	-	-	120,012	11,207,818
Building under finance lease	108,056	24,091	-	-	(120,012)	12,135
Plant and machinery	18,128,604	583,657	-	-	(44,508)	18,667,753
Plant and machinery under finance lease	725,435	105,046	-	-	-	830,481
Renovations, furniture, fixtures and equipment	5,030,456	191,505	(6,398)	(433)	-	5,215,130
Renovations, furniture, fixtures and equipment under finance lease	243,284	76,838	-	-	-	320,122
Motor vehicles	4,061,724	45,752	(391,355)	(21,199)	108,889	3,803,811
Motor vehicles under hire-purchase	238,261	227,782	-	-	(64,381)	401,662
Motor vehicles under finance lease	536,217	155,755	-	-	-	691,972
	<u>43,158,487</u>	<u>2,234,186</u>	<u>(397,753)</u>	<u>(21,632)</u>	<u>-</u>	<u>44,973,288</u>

Year ended December 31, 2006

	Accumulated Impairment Loss			Net Book Value RM
	Beginning of Year RM	Charge for the year RM	End of Year RM	
Freehold land				
At 1978 valuation	-	-	-	293,000
At cost	-	-	-	94,170
Land under long leases				
At 1978 valuation	-	-	-	479,771
At cost	-	-	-	317,226
Land under short leases				
At cost	-	-	-	348,687
Buildings				
At 1978 valuation	167,266	-	167,266	-
At cost	241,630	969,309	1,210,939	9,680,161
Building under finance lease	-	-	-	60,665
Plant and machinery	21	158,624	158,645	1,618,449
Plant and machinery under finance lease	-	-	-	219,979
Renovations, furniture, fixtures and equipment	-	34,932	34,932	598,642
Renovations, furniture, fixtures and equipment under finance lease	-	-	-	212,570
Motor vehicles	-	3,149	3,149	57,778
Motor vehicles under hire-purchase	-	47,844	47,844	776,116
Motor vehicles under finance lease	-	-	-	86,803
Plantation development expenditure	-	-	-	335,538
Total	<u>408,917</u>	<u>1,213,858</u>	<u>1,622,775</u>	<u>15,179,555</u>

The Group	Cost/Valuation					
	Beginning of Year RM	Additions RM	Disposals RM	Write-offs RM	Reclassification RM	End of Year RM
Freehold land						
At 1978 valuation	293,000	-	-	-	-	293,000
At cost	94,170	-	-	-	-	94,170
Land under long leases						
At 1978 valuation	782,000	-	-	-	-	782,000
At cost	502,357	-	-	-	-	502,357
Land under short leases						
At cost	530,997	-	-	-	-	530,997
Buildings						
At 1978 valuation	3,320,000	-	-	-	-	3,320,000
At cost	21,827,275	59,857	-	-	-	21,887,132
Building under finance lease	284,586	-	-	-	-	284,586
Plant and machinery	22,401,617	348,807	-	(2,667,487)	-	20,082,937
Plant and machinery under finance lease	1,050,460	-	-	-	-	1,050,460
Renovations, furniture, fixtures and equipment	6,218,610	185,037	-	(723,860)	-	5,679,787
Renovations, furniture, fixtures and equipment under finance lease	532,692	-	-	-	-	532,692
Motor vehicles	4,683,498	20,733	(820,293)	-	258,457	4,142,395
Motor vehicles under hire-purchase	411,815	737,330	-	-	(258,457)	890,688
Motor vehicles under finance lease	778,775	-	-	-	-	778,775
Plantation development expenditure	282,753	39,252	-	-	-	322,005
	63,994,605	1,391,016	(820,293)	(3,391,347)	-	61,173,981

Year ended December 31, 2005	Beginning of Year		Charge for the year			Accumulated Depreciation			End of Year	
	RM	RM	RM	RM	Disposals RM	Write-offs RM	Reclassification RM	RM	RM	
Land under long leases										
At 1978 valuation	280,641	10,794	-	-	-	-	-	-	291,435	
At cost	171,039	8,293	-	-	-	-	-	-	179,332	
Land under short leases										
At cost	139,830	21,240	-	-	-	-	-	-	161,070	
Buildings										
At 1978 valuation	3,152,734	-	-	-	-	-	-	-	3,152,734	
At cost	9,364,823	937,056	-	-	-	-	-	-	10,301,879	
Building under finance lease	83,965	24,091	-	-	-	-	-	-	108,056	
Plant and machinery	19,755,863	678,891	-	(2,306,150)	-	-	-	-	18,128,604	
Plant and machinery under finance lease	620,389	105,046	-	-	-	-	-	-	725,435	
Renovations, furniture, fixtures and equipment	5,223,131	331,620	-	(524,295)	-	-	-	-	5,030,456	
Renovations, furniture, fixtures and equipment under finance lease	166,446	76,838	-	-	-	-	-	-	243,284	
Motor vehicles	4,568,286	58,123	(817,446)	-	252,761	-	-	4,061,724		
Motor vehicles under hire-purchase	272,947	218,075	-	-	-	-	(252,761)	238,261		
Motor vehicles under finance lease	380,462	155,755	-	-	-	-	-	536,217		
	<u>44,180,556</u>	<u>2,625,822</u>	<u>(817,446)</u>	<u>(2,830,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,158,487</u>		

Year ended December 31, 2005

	← Beginning of Year RM	Accumulated Impairment Loss Write-offs RM	End of Year RM	Net Book Value RM
Freehold land				
At 1978 valuation	-	-	-	293,000
At cost	-	-	-	94,170
Land under long leases				
At 1978 valuation	-	-	-	490,565
At cost	-	-	-	323,025
Land under short leases				
At cost	-	-	-	369,927
Buildings				
At 1978 valuation	167,266	-	167,266	-
At cost	241,630	-	241,630	11,343,623
Building under finance lease				
Plant and machinery	361,351	(361,330)	21	176,530
Plant and machinery under finance lease				
Renovations, furniture, fixtures and equipment	199,562	(199,562)	-	1,954,312
Renovations, furniture, fixtures and equipment under finance lease				
Motor vehicles	-	-	-	325,025
Motor vehicles under hire-purchase	-	-	-	649,331
Motor vehicles under finance lease	-	-	-	289,408
Motor vehicles under finance lease	-	-	-	80,671
Plantation development expenditure	-	-	-	652,427
	-	-	-	242,558
	-	-	-	322,005
Total	969,809	(560,892)	408,917	17,606,577

The Company

Year ended December 31, 2006

	Cost/Valuation			
	Beginning of Year RM	Additions RM	Disposals RM	End of Year RM
Freehold land				
At 1978 valuation	293,000	-	-	293,000
At cost	94,170	-	-	94,170
Land under long leases				
At 1978 valuation	782,000	-	-	782,000
At cost	144,501	-	-	144,501
Buildings				
At 1978 valuation	3,320,000	-	-	3,320,000
At cost	2,274,846	-	-	2,274,846
Plant and machinery	80	-	-	80
Renovations, furniture, fixtures and equipment	568,389	76,854	-	645,243
Motor vehicles	1,286,541	-	(176,543)	1,109,998
Motor vehicles under hire-purchase	800,296	-	-	800,296
	<u>9,563,823</u>	<u>76,854</u>	<u>(176,543)</u>	<u>9,464,134</u>

(Forward)

Year ended December 31, 2006

	Accumulated Depreciation			
	Beginning of Year RM	Charge For The Year RM	Disposals RM	End of Year RM
Freehold land				
At 1978 valuation	-	-	-	-
At cost	-	-	-	-
Land under long leases				
At 1978 valuation	291,435	10,794	-	302,229
At cost	54,274	1,880	-	56,154
Buildings				
At 1978 valuation	3,152,734	-	-	3,152,734
At cost	1,982,816	-	-	1,982,816
Plant and machinery	59	-	-	59
Renovations, furniture, fixtures and equipment	521,264	24,260	-	545,524
Motor vehicles	1,280,408	1,226	(176,543)	1,105,091
Motor vehicles under hire-purchase	173,879	160,058	-	333,937
	<u>7,456,869</u>	<u>198,218</u>	<u>(176,543)</u>	<u>7,478,544</u>

Year ended December 31, 2006

	← Beginning of Year RM	Accumulated Impairment Loss Charge for the Year RM	End of Year RM	Net Book Value RM
Freehold land				
At 1978 valuation	-	-	-	293,000
At cost	-	-	-	94,170
Land under long leases				
At 1978 valuation	-	-	-	479,771
At cost	-	-	-	88,347
Buildings				
At 1978 valuation	167,266	-	167,266	-
At cost	241,630	-	241,630	50,400
Plant and machinery	21	-	21	-
Renovations, furniture, fixtures and equipment	-	-	-	99,719
Motor vehicles	-	-	-	4,907
Motor vehicles under hire-purchase	-	-	-	466,359
Total	<u>408,917</u>	<u>-</u>	<u>408,917</u>	<u>1,576,673</u>

The Company

Year ended December 31, 2005

	← Beginning of Year RM	Additions RM	Disposals RM	End of Year RM
Freehold land				
At 1978 valuation	293,000	-	-	293,000
At cost	94,170	-	-	94,170
Land under long leases				
At 1978 valuation	782,000	-	-	782,000
At cost	144,501	-	-	144,501
Buildings				
At 1978 valuation	3,320,000	-	-	3,320,000
At cost	2,274,846	-	-	2,274,846
Plant and machinery	80	-	-	80
Renovations, furniture, fixtures and equipment	526,025	42,364	-	568,389
Motor vehicles	1,476,012	6,133	(195,604)	1,286,541
Motor vehicles under hire-purchase	62,966	737,330	-	800,296
	<u>8,973,600</u>	<u>785,827</u>	<u>(195,604)</u>	<u>9,563,823</u>

Year ended December 31, 2005

	Beginning of Year RM	Accumulated Depreciation Charge For The Year RM	Disposals RM	End of Year RM
Freehold land	-	-	-	-
At 1978 valuation	-	-	-	-
At cost	-	-	-	-
Land under long leases				
At 1978 valuation	280,641	10,794	-	291,435
At cost	52,395	1,879	-	54,274
Buildings				
At 1978 valuation	3,152,734	-	-	3,152,734
At cost	1,828,793	154,023	-	1,982,816
Plant and machinery	59	-	-	59
Renovations, furniture, fixtures and equipment	509,955	11,309	-	521,264
Motor vehicles	1,476,012	-	(195,604)	1,280,408
Motor vehicles under hire-purchase	12,593	161,286	-	173,879
	<u>7,313,182</u>	<u>339,291</u>	<u>(195,604)</u>	<u>7,456,869</u>

Year ended December 31, 2005

	Beginning of Year RM	Accumulated Impairment Loss Charge for the Year RM	End of Year RM	Net Book Value RM
Freehold land	-	-	-	293,000
At 1978 valuation	-	-	-	94,170
At cost	-	-	-	-
Land under long leases				
At 1978 valuation	-	-	-	490,565
At cost	-	-	-	90,227
Buildings				
At 1978 valuation	167,266	-	167,266	-
At cost	241,630	-	241,630	50,400
Plant and machinery	21	-	21	-
Renovations, furniture, fixtures and equipment	-	-	-	47,125
Motor vehicles	-	-	-	6,133
Motor vehicles under hire-purchase	-	-	-	626,417
Total	<u>408,917</u>	<u>-</u>	<u>408,917</u>	<u>1,698,037</u>

Land and buildings of the Company were last revalued by directors in 1978 based on valuation made by independent firms of professional valuers using as bases, the fair market value and highest present utility of the Company's land and buildings. These land and buildings are stated at 1978 valuation as allowed under the transitional provisions for the application of International Accounting Standards No 16: Property, Plant and Equipment (Revised) adopted by the MASB. The directors are of the opinion that the fair values of the land and buildings at the end of the financial year are not less than their book carrying value.

The carrying values of the revalued property, plant and equipment of the Group and the Company based on historical costs are as follows:

The Group and The Company

	Cost RM	Accumulated Depreciation RM	Accumulated Impairment Loss RM	Net Book Value RM
Freehold land	114,644	-	-	114,644
Land under long leases	548,635	209,054	-	339,581
Buildings	<u>2,482,489</u>	<u>2,379,740</u>	<u>102,749</u>	<u>-</u>

Land and buildings of the Group with carrying amounts of RM9,790,458 (2005: RM8,842,224) are pledged to certain licensed banks in respect of credit facilities granted to the Group as disclosed in Note 26.

Included in property, plant and equipment of the Group and the Company are fully depreciated property, plant and equipment which are still in use, with a cost of approximately RM15,758,000 (2005: RM11,859,000) and RM6,960,000 (2005: RM5,567,000) respectively.

14. INVESTMENT IN SUBSIDIARY COMPANIES

Investment in subsidiary companies consists of:

	The Company	
	2006 RM	2005 RM
Unquoted shares in subsidiary companies - at cost	10,161,952	10,161,952
Impairment loss	<u>(86,196)</u>	<u>(86,196)</u>
Net	<u>10,075,756</u>	<u>10,075,756</u>

The subsidiary companies (all incorporated in Malaysia) are as follows:

Direct subsidiary companies	Effective Equity Interest		Principal Activities
	2006	2005	
Sin Heng Chan (East Coast) Sdn. Bhd.	100%	100%	Manufacturing and trading of formulated animal feeds.
Goldkist (Malaysia) Sdn. Bhd.	100%	100%	Trading of formulated mineral poultry products.
Ayam Segar Sdn. Bhd.	100%	100%	Pre-operating.
Sub-subsidiary companies			
Sin Heng Chan Feed Sdn. Bhd.	100%	100%	Trading of formulated animal feeds.
Goldkist Breeding Farms Sdn. Bhd.	94.2%	93.7%	Broiler breeding.
LKPP - Goldkist Sdn. Bhd.	60%	60%	Broiler breeding and the planting of fragrant coconut trees.
Central Feedmill Sdn. Bhd.	100%	100%	Dormant.
Goldkist (NS) Sdn. Bhd.	100%	100%	Dormant.
Kuala Lumpur Feedmill Sdn. Bhd.	100%	100%	Pre-operating.

15. **OTHER INVESTMENTS**

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Gold bullion	<u>5,250</u>	<u>5,250</u>	<u>5,250</u>	<u>5,250</u>

16. **INVENTORIES**

	The Group	
	2006	2005
	RM	RM
At cost:		
Parent stocks	3,926,126	3,993,540
Raw materials	3,728,472	1,769,667
Hatching eggs	1,353,655	1,185,896
Consumables	714,782	879,592
Finished goods	<u>440,161</u>	<u>386,221</u>
	10,163,196	8,214,916
Less: Write-down of inventories	<u>(1,476,311)</u>	<u>-</u>
	<u>8,686,885</u>	<u>8,214,916</u>

17. **TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

	The Group	
	2006	2005
	RM	RM
Trade receivables	16,629,574	19,350,491
Less: Allowance for doubtful debts	<u>(10,628,057)</u>	<u>(12,571,106)</u>
Net	<u>6,001,517</u>	<u>6,779,385</u>

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Other receivables	10,209,359	11,622,986	7,444,027	8,826,415
Less: Allowance for doubtful debts	<u>(9,687,694)</u>	<u>(9,806,195)</u>	<u>(7,015,645)</u>	<u>(7,134,146)</u>
	521,665	1,816,791	428,382	1,692,269
Deposits	5,391,390	378,075	5,258,399	258,129
Prepaid expenses	<u>114,824</u>	<u>140,734</u>	<u>16,912</u>	<u>73,196</u>
	<u>6,027,879</u>	<u>2,335,600</u>	<u>5,703,693</u>	<u>2,023,594</u>

Trade receivables of the Group comprise amounts receivable for the sales of goods. The credit period granted on sales of goods ranges from 7 to 60 days (2005: 7 to 60 days). An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM10,628,057 (2005: RM12,571,106) based on past default experience of the Group.

Included in other receivables, deposits and prepaid expenses of the Group and the Company are:

- proceeds receivable from the disposal of a subsidiary company amounting to Nil (2005: RM 1,400,000).
- deposits paid of RM5,000,000 (2005: Nil) for the acquisition of Urun Plantation Sdn. Bhd. as mentioned in Note 35 (b).
- rental deposits and advanced rental of RM196,368 (2005: RM196,368) paid to Desa Samudra Sdn. Bhd., a company of which Dato' Choo Keng Weng is also a director. The transactions with the related party are disclosed in Note 18.

18. **RELATED PARTY TRANSACTIONS**

	The Company	
	2006	2005
	RM	RM
Amount owing by subsidiary companies - net of allowance for doubtful debts of RM12,676,550 (2005: RM12,676,550)	<u>6,219,478</u>	<u>4,500,153</u>
Amount owing to subsidiary companies	<u>1,930,988</u>	<u>2,930,988</u>

Amount owing by/to subsidiary companies arose mainly from trade transactions and unsecured interest-free advances with no fixed terms of repayment.

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its subsidiary companies are as follows:

Name of related parties	Relationship
Seng Hoe & Choong Corporation Sdn. Bhd.	A company in which Dato' Choo Keng Weng has substantial financial interest.
Desa Samudra Sdn. Bhd.	A company in which Dato' Choo Keng Weng is also a director.

During the financial year, significant related party transactions are as follows:

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Subsidiary company				
Management fees receivable from	-	-	720,000	720,000
Rental of premises receivable from	-	-	<u>120,000</u>	<u>180,000</u>
Other related parties				
Rental of premises paid and payable to				
Desa Samudra Sdn. Bhd.	181,328	288,393	181,328	288,393
Seng Hoe & Choong Corporation Sdn. Bhd.	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>
	<u>325,328</u>	<u>432,393</u>	<u>325,328</u>	<u>432,393</u>

19. **MARKETABLE SECURITIES**

	The Group and The Company	
	2006	2005
	RM	RM
Quoted shares in Malaysia - at cost	3,387	3,387
Allowance for diminution in value	<u>(3,330)</u>	<u>(3,360)</u>
Net	<u>57</u>	<u>27</u>
Market value	<u>57</u>	<u>27</u>

20. **FIXED DEPOSITS, CASH AND BANK BALANCES**

	The Group		The Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Fixed deposits with licensed banks	7,157,470	15,602,565	7,020,000	15,020,000
Short-term deposits with licensed banks	100,000	600,000	100,000	100,000
Cash and bank balances	<u>2,586,321</u>	<u>1,496,572</u>	<u>576,805</u>	<u>78,105</u>
	<u>9,843,791</u>	<u>17,699,137</u>	<u>7,696,805</u>	<u>15,198,105</u>

Fixed deposits with licensed banks of the Group and the Company of RM157,470 (2005: RM152,565) and RM20,000 (2005: RM20,000) respectively are charged to banks for overdraft facilities granted and guarantees issued by the said banks.

The maturity periods of the deposits as at the end of the financial year are as follows:

	The Group		The Company	
	2006	2005	2006	2005
Fixed deposits with licensed banks	30 to 365 days	30 to 365 days	30 to 90 days	30 to 90 days
Short-term deposits with licensed banks	<u>2 to 14 days</u>	<u>2 to 14 days</u>	<u>2 to 14 days</u>	<u>2 to 14 days</u>

The interest rates per annum are as follows:

	The Group		The Company	
	2006	2005	2006	2005
Fixed deposits with licensed banks	3% to 3.7%	2.7% to 3.7%	3% to 3.5%	2.7% to 3%
Short-term deposits with licensed banks	<u>2% to 2.4%</u>	<u>2.25% to 2.4%</u>	<u>2% to 2.4%</u>	<u>2.25% to 2.4%</u>

21. **SHARE CAPITAL**

	2006	2005
	RM	RM
Authorised:		
Ordinary shares of RM1 each		
Beginning and end of year	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of RM1 each		
Beginning of year	60,876,500	60,542,500
Exercise of ESOS during the year	<u>-</u>	<u>334,000</u>
End of year	<u>60,876,500</u>	<u>60,876,500</u>

22. **IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS**

As of December 31, 2006, the Company has RM19,192,125 nominal value of Irredeemable Convertible Unsecured Loan Stocks (ICULS) at 100% of its nominal value with 30,000,000 free detachable warrants. The salient features of the ICULS are as follows:

- the ICULS bear a zero coupon rate and matures on July 25, 2007;
- the ICULS are convertible at any time between the date of issue and the maturity date on the basis of one new ordinary share of RM1 each in exchange for RM1 nominal amount of the ICULS and are not redeemable for cash. On maturity date, any outstanding ICULS will be mandatorily converted by the Company;

- (c) all new ordinary shares issued upon conversion of the ICULS will rank pari passu with the then existing ordinary shares of the Company except that the new ordinary shares will not rank for any dividend declared in respect of any particular financial year ending before the conversion date irrespective of the date when such dividends are declared, made paid nor will the new shares rank for any rights, allotment or other distributions if the conversion date is after the entitlement date for such rights, allotment or other distribution; and
- (d) the ICULS are unsecured obligations of the Company and are subordinated to all other present and future unsecured obligations of the Company.

23. **RESERVES**

	The Group	
	2006 RM	2005 RM
Non-distributable reserve:		
Reserve on consolidation		
Beginning of year	13,806	13,806
Transfer to accumulated loss	<u>(13,806)</u>	<u>-</u>
End of year	<u>-</u>	<u>13,806</u>

24. **FINANCE LEASE PAYABLES**

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2006 RM	2005 RM	2006 RM	2005 RM
Amount payable under finance lease:				
Within one year	213,235	383,142	178,081	347,389
In the second to fifth years inclusive	<u>-</u>	<u>213,233</u>	<u>1,792</u>	<u>147,129</u>
	213,235	596,375	179,873	494,518
Less: Future finance charges	<u>(33,362)</u>	<u>(101,857)</u>	<u>-</u>	<u>-</u>
Present value of lease payables	<u>179,873</u>	<u>494,518</u>	179,873	494,518
Less: Portion due within one year			<u>(178,081)</u>	<u>(347,389)</u>
Non-current portion			<u>1,792</u>	<u>147,129</u>

The non-current portion is repayable as follows:

	The Group	
	2006 RM	2005 RM
Due within:		
2 years	1,792	145,338
3 years	-	1,791
4 years	<u>-</u>	<u>-</u>
	<u>1,792</u>	<u>147,129</u>

The average effective borrowing rate is 10.96% (2005: 10.96%) per annum. Interest rates are fixed at the inception of the lease. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment.

25. **HIRE-PURCHASE PAYABLES**

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Total instalments outstanding	876,398	724,469	597,578	716,184
Less: Interest-in-suspense	<u>(109,100)</u>	<u>(101,058)</u>	<u>(69,958)</u>	<u>(99,023)</u>
Principal outstanding	767,298	623,411	527,620	617,161
Less: Portion due within one year	<u>(149,976)</u>	<u>(95,792)</u>	<u>(94,826)</u>	<u>(89,542)</u>
Non-current portion	<u><u>617,322</u></u>	<u><u>527,619</u></u>	<u><u>432,794</u></u>	<u><u>527,619</u></u>

The non-current portion is repayable as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Due within:				
2 years	156,222	94,826	100,109	94,826
3 years	161,622	100,109	104,480	100,109
4 years	286,445	104,480	228,205	104,480
Greater than 4 years	<u>13,033</u>	<u>228,204</u>	<u>-</u>	<u>228,204</u>
	<u><u>617,322</u></u>	<u><u>527,619</u></u>	<u><u>432,794</u></u>	<u><u>527,619</u></u>

The interest rates implicit in the hire-purchase payables of the Group and the Company range from 4.44% to 12.10% (2005: 4.44% to 12.10%) per annum. The Group's and the Company's hire-purchase payables are secured by the financial institutions charge over the assets under hire-purchase.

26. **LONG-TERM LOANS**

	The Group	
	2006 RM	2005 RM
Outstanding loan principal	1,911,202	2,770,579
Less: Portion due within one year (included under bank borrowings) (Note 29)	<u>(1,605,671)</u>	<u>(1,472,584)</u>
Non-current portion	<u><u>305,531</u></u>	<u><u>1,297,995</u></u>

The non-current portion is repayable as follows:

	2006 RM	2005 RM
	Due within:	
2 years	305,531	1,079,524
3 years	<u>-</u>	<u>218,471</u>
	<u><u>305,531</u></u>	<u><u>1,297,995</u></u>

A subsidiary company has term loans obtained from certain local banks amounting to RM9.2 million (2005: RM9.2 million) which bear interest at rates ranging from 3.8% to 8.0% (2005: 3.8% to 8.0%) per annum.

These term loans consist of:

- (a) a five-year term loan of RM1,200,000, repayable in sixty (60) monthly instalments commencing on October 1, 2003;
- (b) a six-year term loan of RM5,000,000, repayable in eighty four (84) monthly instalments commencing on January, 2000; and
- (c) a six-year term loan of RM3,000,000, repayable in eighty four (84) monthly instalments commencing on January, 2000.

The term loans are secured by:

- (a) a fixed charge on the leasehold land and buildings of the said subsidiary company with carrying amounts of about RM9,790,458 (2005: RM8,842,224) as of December 31, 2006; and
- (b) a first fixed and floating charge on all the assets of the said subsidiary company.

27. DEFERRED TAX LIABILITY

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Beginning of year	1,333,500	928,000	301,000	301,000
Transfer (to)/from income statements (Note 11)	(329,202)	449,500	-	-
End of year	<u>1,004,298</u>	<u>1,377,500</u>	<u>301,000</u>	<u>301,000</u>

The deferred tax liability is in respect of temporary differences arising from:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Property, plant and equipment	1,441,518	1,178,500	-	-
Unutilised tax losses	(738,220)	(102,000)	-	-
Tax effect on revaluation of land and buildings	<u>301,000</u>	<u>301,000</u>	<u>301,000</u>	<u>301,000</u>
	<u>1,004,298</u>	<u>1,377,500</u>	<u>301,000</u>	<u>301,000</u>

As mentioned in Note 3, deferred tax asset is generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unutilised tax losses and unused tax credits can be utilised. As of December 31, 2006, the estimated amount of deferred tax asset calculated at the current tax rate which have not been recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax effects of temporary differences arising from:				
Property, plant and equipment	691,000	118,000	360,000	529,000
Unutilised tax losses	<u>15,053,000</u>	<u>12,853,000</u>	<u>11,303,000</u>	<u>10,763,000</u>
	<u>15,744,000</u>	<u>12,971,000</u>	<u>11,663,000</u>	<u>11,292,000</u>

The unutilised tax losses are subject to the agreement by the tax authorities.

28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. The credit period granted to the Group for trade purchases ranges from 30 to 90 days (2005: 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	2,397,911	2,358,517	248,200	244,200
Accrued expenses	<u>1,366,475</u>	<u>1,444,571</u>	<u>421,730</u>	<u>376,140</u>
	<u>3,764,386</u>	<u>3,803,088</u>	<u>669,930</u>	<u>620,340</u>

Included in other payables of the Group and of the Company are:

- (a) an amount of RM73,620 (2005: RM43,620) owing to Lembaga Kemajuan Perindustrian Pertanian Negeri Pahang, a statutory body which is a substantial shareholder of a subsidiary company. The amount arose mainly from annual tribute paid and payable by a subsidiary company of RM30,000 (2005: RM40,071) during the financial year.
- (b) a deposit of RM Nil (2005: RM1,000,000) received from a debtor of a subsidiary company which represents partial settlement of long overdue balance to the said subsidiary company.

29. BANK BORROWINGS

	The Group	
	2006 RM	2005 RM
Bankers' acceptances	5,461,000	1,640,000
Long-term loans - current portion	1,605,671	1,472,584
Bank overdrafts	950,525	683,187
Revolving credit	494,198	300,000
	<u>8,511,394</u>	<u>4,095,771</u>

As of December 31, 2006, the Group has bank overdrafts and other credit facilities amounting to RM19.9 million (2005: RM24.4 million) respectively. The credit facilities of the Group bear interest at rates ranging from 4.10% to 8.5% (2005: 4% to 9%) per annum and are obtained by a negative charge over all its assets. The credit facilities of the subsidiary companies from certain banks are guaranteed by the Company.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Foreign Currency Risk

Foreign exchange risk arises from currency exposure primarily in respect of trade purchase transactions denominated in foreign currencies.

The Group monitors its foreign exchange exposure closely.

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of the rate changes on bank borrowings, long-term loans and interest bearing fixed and short-term deposits. The interest rates of bank borrowings, long-term loans and interest bearing fixed and short-term deposits are disclosed in Notes 20, 26 and 29.

Market Risk

The Group is exposed to fluctuations in the prices of the key raw materials used in its operations. The Group does not enter into any fixed-priced contracts to establish determinable prices for raw materials used but monitors the prices of key raw materials closely.

Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair Values

The carrying amounts and estimated fair values of the Group's and the Company's financial instruments as of December 31, 2006 are as follows:

	Note	The Group		The Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<i>Financial Liabilities</i>					
Long-term loans	26	1,911,202	1,940,240	-	-
Hire-purchase payables	25	767,298	763,174	527,620	517,851
Finance lease payables	24	179,873	202,975	-	-
		<u>2,858,373</u>	<u>2,906,389</u>	<u>527,620</u>	<u>517,851</u>

Long-Term Loans

The carrying amount of long-term loans at balance sheet date approximates the fair value based on the current borrowing rates to the Group for similar type of borrowing arrangements.

Hire-Purchase and Finance Lease Payables

The fair values of hire-purchase and finance lease payables are estimated using discounted cash flow analysis based on the effective borrowing rates for similar borrowing arrangements.

Fixed Deposits, Cash and Bank Balances, Bank Borrowings, Trade and Other Receivables, Inter-Company Indebtedness and Trade and Other Payables

The carrying amounts approximate their fair value because of the short-term maturity of these instruments. 31. **CASH AND CASH EQUIVALENTS**

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

	The Group		The Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed and short-term deposits with licensed banks	7,257,470	16,202,565	7,120,000	15,120,000
Cash and bank balances	2,586,321	1,496,572	576,805	78,105
Bank overdrafts (Note 29)	<u>(950,525)</u>	<u>(683,187)</u>	<u>-</u>	<u>-</u>
Total	8,893,266	17,015,950	7,696,805	15,198,105
Less: Fixed deposits pledged to banks	<u>(157,470)</u>	<u>(152,565)</u>	<u>(20,000)</u>	<u>(20,000)</u>
	<u>8,735,796</u>	<u>16,863,385</u>	<u>7,676,805</u>	<u>15,178,105</u>

32. **CAPITAL COMMITMENTS**

As of December 31, 2006, the Group has the following capital expenditure in respect of purchase of property, plant and equipment:

	The Group	
	2006 RM	2005 RM
Approved but not contracted for	<u>-</u>	<u>483,500</u>

33. **CONTINGENT LIABILITIES**

As of December 31, 2006, the Company has issued corporate guarantees totalling RM8,600,000 (2005: RM 13,700,000) in respect of credit facilities granted by a local licensed bank to its subsidiary company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary company as of December 31, 2006.

34. **EFFECTS ARISING FROM ADOPTION OF FRS 3: BUSINESS COMBINATIONS**

As mentioned in Note 2, the effects of the change in accounting policy arising from the adoption of FRS 3: Business Combinations on the financial statements of the Group are as follows:

Effects on Consolidated Balance Sheet as of December 31, 2006

	Before Adoption	FRS 3 Note 2(a)	After Adoption
	RM	RM	RM
Accumulated loss	53,395,767	13,806	53,381,961
Reserve on consolidation	13,806	(13,806)	-

35. **SUBSEQUENT EVENTS**

Subsequent to the year end:

- (a) On February 9, 2007, a subsidiary company, Sin Heng Chan (East Coast) Sdn. Bhd., entered into a sale and purchase agreement to dispose of its entire equity interest of 94.2% in Goldkist Breeding Farms Sdn. Bhd. to a third party for a consideration of RM2,826,007.
- (b) On March 1, 2007, the Company completed the acquisition of 4,659,370 ordinary shares of RM1 each representing approximately 51% of the issued and paid up share capital in Urun Plantation Sdn. Bhd. from a third party. As a result, Urun Plantation Sdn. Bhd. became a subsidiary company of the Company. The said acquisition was approved by the shareholders at the Extraordinary General Meeting the Company held on January 18, 2007.

The effect of this acquisition on the financial position of the Group as of March 1, 2007 is as follows:

	RM
Purchase consideration paid in cash	30,600,000
Less: Fair value of net assets acquired	<u>(18,499,154)</u>
Goodwill	<u>12,100,846</u>

Based on the unaudited financial statements of Urun Plantation Sdn. Bhd. as of March 1, 2007, the assets and liabilities acquired are as follows:

	Acquiree's carrying amount RM	Fair value recognised on acquisition RM
Plantation land and development expenditure	49,843,147	95,000,000
Property, plant and equipment	1,559,767	1,559,767
Inventories	216,513	216,513
Trade receivables	314,304	314,304
Other receivables	102,748	102,748
Fixed deposits, cash and bank balances	416,949	416,949
Trade payables	(5,283,139)	(5,283,139)
Other payables	(2,931,862)	(2,931,862)
Borrowings	(33,810,622)	(33,810,622)
Amount owing to shareholders	(7,571,025)	(7,571,025)
Deferred tax on revaluation of plantation land	-	<u>(11,740,782)</u>
Net assets	<u>2,856,780</u>	36,272,851
Less: Minority interest		<u>(17,773,697)</u>
Group's share of net assets		<u>18,499,154</u>

- (c) On March 27, 2007, the Board of Directors announced the Company is in preliminary stage of discussion with an interested party in respect of the proposed disposal of the Company's interest in the feedmill and poultry breeding business ("Assets"). As part of the process, the interested party has commenced initial due diligence studies on the Assets. However, the terms of the Disposal have not been finalised. As and when the terms of Disposal are firm up, the Company will make the relevant announcements. As of the date of this report, no further announcement had been made.

STATEMENT BY DIRECTORS

The directors of **SIN HENG CHAN (MALAYA) BERHAD**, state that in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standard Board approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as of December 31, 2006 and of their businesses and cash flows for the year ended on that date.

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

DATO' CHOO KENG WENG

MOHD SHARIFF BIN SALLEH

Kuala Lumpur
April 25, 2007

**DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR
THE FINANCIAL MANAGEMENT OF THE COMPANY**

I, **FREDDIE YONG**, the Officer primarily responsible for the financial management of **SIN HENG CHAN (MALAYA) BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, cash flows and changes in equity are, in my opinion, 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.

FREDDIE YONG

Subscribed and solemnly declared by the abovenamed **FREDDIE YONG**
at **KUALA LUMPUR** this 25 day of April, 2007.

Before me

COMMISSIONER FOR OATHS

PARTICULARS OF GROUP PROPERTIES

Landed properties in the Group consist of:

Location	Description	Area	Expiry Year	Age of Building	Market Value (RM)
A. Freehold					
1. Holding 2058, 2060 & 2062 Mukim Tanjong Kling 76400 Melaka	Vacant Land	127,576 sq. ft.	-	-	387,170
B. Leasehold					
1. Lot 100 Gebeng Industrial Estate 26080 Kuantan	Factory with office	206,910 sq. ft.	2048	24 years	637,748
2. 82 Jalan Tun Ali 75300 Melaka	Factory with office	113,133 sq. ft.	2050 to 2056	35 years	408,479
3. 647 Jalan Tun Tasek	Double Storey	1,540 sq. ft.	2079	35 years	61,812
4. Lot 222 & 223 Jalan Tun Tan Cheng Lock 75200 Melaka	Warehouse	13,750 sq. ft.	2028	40 years	29,144
5. 129A Jalan Mutahir 75300 Melaka	Vacant Land	10,693 sq. ft.	2061	45 years	42,146
6. Tanjung Bruas Jetty 76400 Melaka	Warehouse	130,680 sq. ft.	2006	33 years	-
7. Lot 1983 Mukim Lepar Pekan Pahang	Farm Building	12,927,436 sq. ft.	2081	7 years	8,550,182
8. (a) Provisional Lease Lot 4, Punan Land District, Sarawak.	Oil Palm Plantation	10,730 hectares	2057	N/A	} *95,000,000
(b) Provisional Lease Lot 7, Dulit Land District, Sarawak.	Oil Palm Plantation	267 hectares	2057	N/A	

CDS Account No.	
No. of Shares Held	

PROXY FORM

SIN HENG CHAN (MALAYA) BERHAD
(Company No. 4690-V) (Incorporated in Malaysia)

I/We, _____
of _____
being a member/members of SIN HENG CHAN (MALAYA) BERHAD, hereby appoint _____
of _____

or failing him/her, the CHAIRMAN OF MEETING, as my/our proxy to vote for me/us and on my/our behalf at the 45th Annual General Meeting of the Company to be held on the 22nd June 2007 at 3.30 p.m and at any adjournment thereof, on the following resolutions referred to in the notice of the 45th Annual General Meeting by indicating an "X" in the spaces provided below:-

AGENDA	RESOLUTION	FOR	AGAINST
1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2006 together with the Reports of the Directors and the Auditors	1		
2. To re-elect the Directors who retire in accordance with Article 94 of the Articles of Association of the Company:- (a) Dato' Choo Keng Weng (b) En. Mohd Shariff Bin Salleh	2 3		
3. To re-appoint Messrs. Deloitte Kassim Chan as Auditors and to authorise the Directors to fix their remuneration.	4		
4. SPECIAL BUSINESS • Authorisation for Directors to allot and issue shares. • To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	5 6		

Dated this _____

Signature or Common Seal of Shareholder(s)

Notes:-

- A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
Shareholders' attention is hereby drawn to the Listing Requirements of the Bursa Malaysia Berhad which came into force on 1 June 2001, which allows a member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
- Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- The instrument appointing a proxy must be deposited at the registered office of the Company situated at Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.