



## annual report 2005

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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fourth (44<sup>th</sup>) Annual General Meeting of the Company will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 30th June 2006 at 11.00 a.m. for the following purposes:-

### AGENDA

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2005 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 97 of the Articles of Association of the Company:-
  - (a) Tuan Syed Omar Bin Syed Abdullah **(Resolution 2)**
  - (b) Y.M. Tunku Mahmood Bin Tunku Mohammed **(Resolution 3)**
3. To re-elect the following Directors who shall retire in accordance with Article 102 of the Articles of Association of the Company:-
  - (c) En. Mohd Shariff Bin Salleh **(Resolution 4)**
  - (d) Mr. Khaw Teik Thye **(Resolution 5)**
4. 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 6)**
5. 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 7)**

- 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 30<sup>th</sup> June 2005 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 7 June 2006 (“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:-



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### NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- 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 2006, 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 8)

6. 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  
7 June 2006

#### 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 7 June 2006 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.



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## 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:-

Tuan Syed Omar Bin Syed Abdullah	Article 97	Resolution 2
Y.M. Tunku Mahmood Bin Tunku Mohammed	Article 97	Resolution 3
En. Mohd Shariff Bin Salleh	Article 102	Resolution 4
Mr. Khaw Teik Thye	Article 102	Resolution 5

**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 2005.

**3. Details of attendance of Directors at Board Meetings**

There were three (3) Board of Directors' Meetings held during the financial year ended 31 December 2005. 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 2005 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:-

<b>Date of Meeting</b>	<b>Time</b>
<i>23.03.2005</i>	<i>10.30 a.m.</i>
<i>02.09.2005</i>	<i>11.00 a.m.</i>
<i>28.11.2005</i>	<i>03.00 p.m.</i>



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### 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  
Mr. Venkata Chellam s/o Subramaniam  
En. Mohd Shariff Bin Salleh  
Mr. Khaw Teik Thye

#### 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  
Goldkist Breeding Farms 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

#### 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

Bumiputra-Commerce 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



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### 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, 2005.

#### SIGNIFICANT EVENTS

In September 2005, one of our breeding farms, LKPP Goldkist Sdn Bhd, received the distinction of being the 'best breeder farm' in Malaysia at the Livestock Asia 2005. It has also been credited with being the first breeder farm in the country to introduce and comply with HACCP standards.

#### FINANCIAL HIGHLIGHTS

During the financial year ending 31 December 2005, the Group registered a pre-tax profit of RM5.91 million as compared with a pre-tax profit of RM10.51 million in 2004. The profit in 2004 was mainly due to the waiver of bank borrowings and hire-purchase payables on the implementation of the Restructuring Scheme.

#### OPERATIONS

##### Feedmill

The Group's feedmilling operations achieved a turnover of RM42.13 million in the year 2005; 3.9 % lower than that of 2004. The marginal decrease in revenue is due to lower feed selling prices in 2005.

The feedmilling operations made a profit before tax of RM0.07 million during the year compared to a loss before tax of RM0.23 million in 2004. Feed sales tonnage increased marginally by 0.2 % when compared with 2004.

##### Poultry Breeding

In 2005, the poultry breeding operations had a marginal decrease in sales volume of DOC by 0.7 %.

The selling price of DOC increased by approximately 53.2 % during the year. DOC prices averaged RM1.44 per chick as compared to RM0.94 in 2004. The selling price of DOC is cyclical in nature and this is caused mainly by production fluctuation in the country and the effect on demand due to the AI scare.

Turnover increased 37.5 % from RM19.37 million in 2004 to RM26.63 million in 2005. The segment made a profit before tax of RM1.88 million in 2005 compared to a loss before tax of RM2.94 million in 2004 due mainly to the higher selling prices of DOC.

#### DIVIDENDS

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

#### LOOKING AHEAD

In February 2006, there was another outbreak of the AI, first affecting Selangor and thereby spreading north to Perak and Penang. The demand of poultry products softened and prices of DOC dropped significantly in the first five months of the year. However there are indications that the down trend will be reversed soon.

In view of the competitiveness of the poultry industry, the Group is consolidating and assessing its position in the business. It expects 2006 to be a challenging year, considering the unfavorable trend in the first five months of the year. The Group, however is in a position to identify and take on new opportunities that will broaden its income base and enhance its shareholders values.



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## CHAIRMAN'S STATEMENT (CONT'D)

### ACKNOWLEDGEMENT

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

Our gratitude also goes to our suppliers, business associates, valued customers, bankers and indeed the various government authorities and agencies for their co-operation and continued support.

I would like to thank my fellow Board member, Dato' Ghazali bin Saiboo 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.

Finally, I am also pleased to welcome Encik Mohd Shariff bin Salleh and Mr. Khaw Teik Thye to the Board of Directors and look forward to their support and contributions in the coming years.

**SYED OMAR BIN SYED ABDULLAH**

Chairman

26 May 2006



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## PROFILE OF DIRECTORS

### **DATO' CHOO KENG WENG**

Managing Director / Non Independent and Executive

Dato' Choo Keng Weng, age 56, 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 50, 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.

### **MR. VENKATA CHELLAM S/O SUBRAMANIAM**

Independent Director / Non-Executive

Mr. Venkata Chellam s/o Subramaniam, aged 36, Malaysian, was appointed to the Board on 3 May 1995. He holds a law degree from Reading University, United Kingdom. He was working as a solicitor with Messrs. Cheang & Ariff for 2 years. He also sits on the boards of various companies. Currently, he is a sole proprietor of Messrs. Chellam & Co. He is 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 61, 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 55, 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 36, 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.





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## **ATTENDANCE AT BOARD OF DIRECTORS' MEETING AND ADDITIONAL INFORMATION ON THE BOARD OF DIRECTORS AND OTHER INFORMATION REQUIRED**

### **Meetings**

In 2005, the Board held three 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:-

<b>Name of Director</b>	<b>Designation</b>	<b>Attendance</b>
Tuan Syed Omar Bin Syed Abdullah	Chairman	3/3
Dato' Choo Keng Weng	Managing Director	3/3
Mr. Venkata Chellam s/o Subramaniam	Independent Director	3/3
Y.M. Tunku Mahmood Bin Tunku Mohammed	Independent Director	3/3
En. Mohd Shariff Bin Salleh (Appointed on 14 March 2006)	Non Independent Director	0/0
Mr. Khaw Teik Thye (Appointed on 3 April 2006)	Independent Director	0/0
Dato' Ghazali Bin Saiboo (Resigned on 28 November 2005)	Non Independent Director	0/3

### **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:-

<b>Description</b>	<b>As approved (RM'000)</b>	<b>Utilised as at 31.12.2005 (RM'000)</b>
Settlement of Unsecured Scheme Creditors	14,734	14,734
Settlement to Sin Heng Chan (Singapore) Pte Ltd	4,500	4,500
Expansion expenditure	7,041	0
Repayment of inter-company advances	2,000	2,000
Working Capital	8,214	8,214
Restructuring Expenses	1,500	1,500

with the balance of RM7,041,000 remained unutilized at the end of the financial year.

#### **SHARE BUY-BACKS**

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



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## **ATTENDANCE AT BOARD OF DIRECTORS' MEETING AND ADDITIONAL INFORMATION ON THE BOARD OF DIRECTORS AND OTHER INFORMATION REQUIRED (CONT'D)**

### **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

As at 31 December 2005, 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, a total of 334,000 of the share options had been exercise.

### **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 2005.

### **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 2005 amount to RM6,300.00.

### **VARIATION IN RESULTS**

There was no variation in results made or released by the Company in the financial year ended 31 December 2005.

### **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 70 of this Annual Report.



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## STATEMENT OF CORPORATE GOVERNANCE

### 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 6 members. Three out of the six members are Independent / Non-Executive Directors. A brief profile of each Director is presented on pages 8 of this annual report.

During the 12 months ended 31 December 2005, the Board convened three 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.



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### STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

#### 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 RM'000	Bonus RM'000	Benefits in-kind RM'000	Fees RM'000	Total RM'000
Executive Directors	700	87	144	-	931
Non-Executive Directors	-	-	-	6	6
Total for the Company	700	87	144	6	937

The number of Directors of the Company whose total remuneration fall within the following bands for the financial year ended 31<sup>st</sup> December 2005 is as follows:

Range of Remuneration	No. of Directors Executive	No. Directors Non-Executive
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	2
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.



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## STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

### 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 designated 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.



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## STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

### **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 26 May 2006.

### **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.



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## 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

Venkata Chellam s/o Subramaniam

Independent Non-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 1<sup>st</sup> 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.



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### REPORT ON AUDIT COMMITTEE (CONT'D)

#### 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.





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## REPORT ON AUDIT COMMITTEE (CONT'D)

### 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 2005 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 2005, the Company did not allocate any options to the employees due to the unfavourable market price of the Company's shares.

**RELATED PARTY TRANSACTIONS****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")	160	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	Goldkist Breeding Farms Sdn Bhd ("GBF")	6,254	GBF is a 94% subsidiary of Sin Heng Chan (East Coast) ("SHCEC") which is a wholly owned subsidiary of Sin Heng Chan (Malaya) Berhad ("SHCM"). 6% is owned by Dato' Osman Bin Din.
Supply of parent stock for breeding purposes	Goldkist Breeding Farms Sdn Bhd ("GBF")	949	GBF is a 94% subsidiary of Sin Heng Chan (East Coast) ("SHCEC") which is a wholly owned subsidiary of Sin Heng Chan (Malaya) Berhad ("SHCM"). 6% is owned by Dato' Osman Bin Din.
Supply of poultry feed	LKPP-Goldkist Sdn Bhd ("LKPP-G")	5933	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")	1004	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.

\* Please refer to the Circular to Shareholders dated 7 June 2006 for further information.



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### SHAREHOLDING STATISTICS

AS AT 16 MAY 2006

#### ANALYSIS OF SHAREHOLDERS

Authorised Share Capital	:	RM500,000,000
Paid-up share Capital	:	RM60,876,500
Class of Share	:	Ordinary Share of RM1.00 each
Voting Right	:	1 vote per ordinary

#### DISTRIBUTION OF SHAREHOLDING AS AT 16 MAY 2006 - ORDINARY SHARES

Range	No. of Holders	%	Total Holdings	%
1-99	99	2.4041	2,784	0.0046
100-1,000	1,614	39.1938	1,493,514	2.4533
1,001-10,000	2,059	50.0000	8,080,474	13.2736
10,001-100,000	322	7.8193	9,138,585	15.0117
100,001- <5%	20	0.4857	12,026,661	19.7558
>5%	4	0.0971	30,134,482	49.5010
	4,118	100.00	60,876,500	100.00

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

	No. of Shares Held	%
1. ESA BIN MOHAMED	14,180,689	23.294
2. *OSK NOMINEES (TEMPATAN) SDN BERHAD (FOR ALOR SETAR INDUSTRY HOLDINGS SDN BHD)	6,500,000	10.677
3. *HDM NOMINEES (TEMPATAN) SDN BHD (FOR DATO CHOO KENG WENG)	6,000,000	9.856
4. DATO' CHOO KENG WENG	3,555,793	5.841

\*Declared as bare trustee

#### THIRTY LARGEST ORDINARY SHAREHOLDERS AS AT 16 MAY 2006

Shareholders	No. of Shares Held	%
1. Esa Bin Mohamed	14,180,689	23.2942
2. OSK Nominees (Tempatan) Sdn Bhd (for Alor Setar Industry Holdings Sdn Bhd)	6,500,000	10.6774
3. HDM Nominees (Tempatan) Sdn Bhd (for Dato' Choo Keng Weng)	6,000,000	9.8560
4. Dato' Choo Keng Weng	3,555,793	5.8410
5. Chin Kong Far	2,945,600	4.8386
6. Macronet Sdn Bhd	2,925,000	4.8048
7. Wong Chee Choon	1,365,200	2.2426
8. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd (Kim Eng Securities Pte Ltd For Eng Holdings Sdn Bhd)	838,553	1.3775



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### SHAREHOLDING STATISTICS (CONT'D)

AS AT 16 MAY 2006

9.	PB Securities Nominees (Tempatan) Sdn Bhd (for Diana Teo May Ling)	545,300	0.8957
10.	Ong Har Hong	505,800	0.8309
11.	Ong Huey Peng	421,000	0.6916
12.	Mayban Securities Nominees (Asing) Sdn Bhd (for Eng Bak Hern)	325,382	0.5345
13.	Choo Keng Kit	310,000	0.5092
14.	TCL Nominees (Asing) Sdn Bhd (for Tan Sock Hian)	288,414	0.4738
15.	Amsec Nominees (Asing) Sdn Bhd (for Aminuddin Yusof Lana)	278,500	0.4575
16.	Citigroup Nominees (Tempatan) Sdn Bhd (for Diana Teo May Ling)	200,000	0.3285
17.	Ho Oi Hee	175,500	0.2883
18.	Menteri Kewangan Malaysia Section 29 (SICDA)	150,357	0.2470
19.	Hii Yu Guan	141,000	0.2316
20.	Chu Siew Fei	140,000	0.2300
21.	TCL Nominees (Asing) Sdn Bhd (for Eng Hwee Cheng)	128,055	0.2104
22.	Cheng Lee Wah	124,000	0.2037
23.	Teo Ah Khiang @ Chiang Kee Foon	117,000	0.1922
24.	Siti Mariam Binti Mohd Sulong	100,000	0.1643
25.	Tan Wan Chee	100,000	0.1643
26.	Wong Song Fong @ Wong Soong Fong	100,000	0.1643
27.	Goh Phaik Lynn	93,000	0.1528
28.	Goh Leong Chuan	90,000	0.1478
29.	Low Cheng Peng	89,000	0.1462
30.	Chew Kheng Guan	87,000	0.1429
<b>Total</b>		<b>42,820,143</b>	<b>70.3394</b>

### DISTRIBUTION OF SHAREHOLDING AS AT 16 MAY 2006 - WARRANTS

Range	No. of Holders	%	Total Holdings	%
1-99	0	0.000	0	0.000
100-1,000	2	1.724	2,000	0.007
1,001-10,000	90	77.586	288,200	0.961
10,001-100,000	14	12.070	337,400	1.124
100,001- <5%	6	5.172	2,632,400	8.775
>5%	4	3.448	26,740,000	89.133
<b>Total</b>		<b>116</b>	<b>30,000,000</b>	<b>100.00</b>



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### SHAREHOLDING STATISTICS (CONT'D)

AS AT 16 MAY 2006

#### THIRTY LARGEST WARRANTS SHAREHOLDERS AS AT 16 MAY 2006

Shareholders	No. of Shares Held	%
1. Alor Setar Industry Holdings Sdn Bhd	14,990,000	49.9667
2. Esa Bin Mohamed	8,000,000	26.6667
3. Choo Keng Weng	3,750,000	12.5000
4. Goh Hock Guan	1,000,100	3.3337
5. Ong Sok Hean	982,000	3.2733
6. Sy Choon Yen	250,000	0.8333
7. Muhammad Ali Bin Jamaluddin	200,100	0.6670
8. Norliza Binti Hashim	100,100	0.3337
9. Paul Lau Chu @ Lai Chu	100,100	0.3337
10. Chan Poh Lin	50,100	0.1670
11. Chang Yoke Mui	50,100	0.1670
12. Choo Teok Yuang	50,100	0.1670
13. Rajasingam A/L S Singarajah	50,100	0.1670
14. Fong Kok Pang	20,100	0.0670
15. Ibrahim Bin Sarmani	20,100	0.0670
16. Roshidah Binti Sarmani	20,100	0.0670
17. Shaharusin Bin Ahmad Noor	16,100	0.0537
18. Choong Quek Thiam	10,100	0.0337
19. Ismail Bin Hassan	10,100	0.0337
20. Jasmeet Pal Singh A/L Dalbara Singh	10,100	0.0337
21. Mohamed Saburi Bin Azirun	10,100	0.0337
22. Ng Ying Yuen	10,100	0.0337
23. Siva Shankar A/L M S Kanagasabai	10,100	0.0337
24. Goh Phaik Lynn	5,800	0.0193
25. Ahmad Muzzlini Bin Ahmad Mustapha	5,100	0.0170
26. Ahmad Nazran Bin Yahya	5,100	0.0170
27. Ali Noor Roslan Bin Mohd Noor Sidex	5,100	0.0170
28. Annizan Binti Aris	5,100	0.0170
29. Azmi Bin Mustafa	5,100	0.0170
30. Chan Ping Wai	5,100	0.0170
<b>Total:</b>	<b>29,746,200</b>	<b>99.1540</b>

#### DISTRIBUTION OF SHAREHOLDING AS AT 16 MAY 2006 - LOAN STOCK

Range	No. of Holders	%	Total Holdings	%
1-99	0	0.000	0	0.000
100-1,000	100	99.000	10,000	0.052
1,001-10,000	0	0.000	0	0.000
10,001-100,000	0	0.000	0	0.000
100,001- <5%	0	0.000	0	0.000
>5%	1	1.000	19,182,125	99.948
	<b>101</b>	<b>100.00</b>	<b>19,192,125</b>	<b>100.00</b>



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### SHAREHOLDING STATISTICS (CONT'D)

AS AT 16 MAY 2006

#### LIST OF LOAN STOCK SHAREHOLDERS AS AT 16 MAY 2006

Shareholders	No. of Shares Held	%
1. OSK Nominees (Tempatan) Sdn Berhad (Alor Setar Industry Holdings Sdn Bhd)	19,182,125	99.9478
2. Abdul Malik Bin Abdul Manaf	100	0.0005
3. Ahmad @ Kepol Bin Abu Bakar	100	0.0005
4. Ahmad Fitri Bin Idris	100	0.0005
5. Ahmad Muzzlini Bin Ahmad Mustapha	100	0.0005
6. Ahmad Nazran Bin Yahya	100	0.0005
7. Ali Noor Roslan Bin Mohd Noor Sidex	100	0.0005
8. Annizan Binti Aris	100	0.0005
9. Asmeat Binti Seikh Ahmad	100	0.0005
10. Asnita Binti Mohd Sani	100	0.0005
11. Aziz Bin Mahmud	100	0.0005
12. Azlan Bin Omar	100	0.0005
13. Azmi Bin Mustafa	100	0.0005
14. Chan Ping Wai	100	0.0005
15. Chan Poh Lin	100	0.0005
16. Chang Yoke Mui	100	0.0005
17. Chee Bon Beng	100	0.0005
18. Chin Foo Ming	100	0.0005
19. Choo Teok Yuang	100	0.0005
20. Choong Quek Thiam	100	0.0005
21. Eswady Zaswan Bin Mohamed Nor	100	0.0005
22. Faricin Bin Anting	100	0.0005
23. Fatimah Binti Yahya	100	0.0005
24. Fauziah Hanim Binti Anuwar	100	0.0005
25. Fong Kok Pang	100	0.0005
26. Fong Lai Sim	100	0.0005
27. Goh Hock Guan	100	0.0005
28. Hashimah Binti Abdullah	100	0.0005
29. Hishamuddin Bin Abu Kassim	100	0.0005
30. Hon Saw Khing @ Hon Hoi Moi	100	0.0005
<b>Total</b>	<b>19,185,025</b>	<b>99.9483</b>



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# 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, 2005.

#### 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 of 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
Profit before tax	5,912,060	1,756,883
Tax expense	(735,282)	(80,000)
Profit after tax	5,176,778	1,676,883
Minority interests	(526,696)	-
Net profit for the year	4,650,082	1,676,883

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 other than the exceptional items relating to liabilities waived as mentioned in Notes 6 and 30 to the Financial Statements.

#### 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.

#### ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM60,542,500 to RM60,876,500 by the issuance of 334,000 new ordinary shares of RM 1 each for cash pursuant to the Employees' Share Option Scheme of the Company at an exercise price of RM1 per ordinary share.

These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company and were listed and quoted on Bursa Malaysia Securities Berhad.

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

#### WARRANTS

As of December 31, 2005, 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.





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## DIRECTORS' REPORT (CONT'D)

### 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.



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### DIRECTORS' REPORT (CONT'D)

The share options granted and exercised during the financial year are as follows:

Exercisable from	No. of Options Over Ordinary Shares of RM1 Each			Balance as of 31.12.2005
	Balance as of 1.1.2005	Granted	Exercised	
13.7.2004	5,449,500	-	(334,000)	5,115,500

  

Exercise Date	Exercise Price RM	Considerations Received RM	Number of shares option	Fair values of share issued
				RM
25.1.2005	1.00	312,000	312,000	0.41
8.2.2005	1.00	22,000	22,000	0.42
		334,000	334,000	

#### 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:

- 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
- 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:

- 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
- which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- 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
- 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:

- 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
- 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.



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### DIRECTORS' REPORT (CONT'D)

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.

#### 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  
Venkata Chellam s/o Subramaniam  
Y.M. Tunku Mahmood bin Tunku Mohammed  
Mohd Shariff bin Salleh (appointed on March 14, 2006)  
Khaw Teik Thye (appointed on April 3, 2006)  
Dato' Ghazali bin Saiboo (resigned on November 28, 2005)

In accordance with Article 97 of the Company's Articles of Association, Tuan Syed Omar bin Syed Abdullah and Y.M. Tunku Mahmood bin Tunku Mohammed retire by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for re-election.

Encik Mohd Shariff bin Salleh and Mr. Khaw Teik Thye who were appointed to the Board since the last Annual General Meeting, retire under Article 102 of the Company's Articles of Association 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 1.1.2005	No. of Shares of RM1 Each		Balance at 31.12.2005
		Bought	Sold	
<b>Shares in the Company Registered in name of director</b>				
Dato' Choo Keng Weng	162,000	-	-	162,000

#### 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	-	-	33,059,482
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	Balance at 1.1.2005	No. of Options Over Ordinary Shares of RM1 Each		Balance at 31.12.2005
		Granted	Exercised	
<b>Share Options in the Company Registered in name of director</b>				
Dato' Choo Keng Weng	600,000	-	-	600,000
Tuan Syed Omar bin Syed Abdullah	600,000	-	-	600,000



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### DIRECTORS' REPORT (CONT'D)

Warrants in the Company	Warrants Issued Pursuant to a Deed Poll exercisable at any time from July 25, 2004 to July 24, 2009			Balance at 31.12.2005
	Balance at 1.1.2005	Bought	Sold	
<b>Deemed Interest</b> (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 his interest in the shares of the Company, Dato' Choo Keng Weng is deemed to have beneficial interest in the shares of the subsidiary companies during the financial year to the extent that the Company has interest.

#### **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 RM432,393 to companies in which Dato' Choo Keng Weng has substantial financial interest as disclosed in Note 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

\_\_\_\_\_  
TUAN SYED OMAR BIN SYED ABDULLAH

Kuala Lumpur  
April 25, 2006



annual report 2005

## REPORT OF THE AUDITORS

TO THE MEMBERS OF SIN HENG CHAN (MALAYA) BERHAD

We have audited the accompanying balance sheets as of December 31, 2005 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 MASB 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, 2005 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, 2006



## annual report 2005

### INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	4	47,470,278	41,520,799	-	-
Other operating income	6	5,079,104	16,806,251	4,359,006	16,189,640
Changes in inventories of finished goods and hatching eggs		(180,376)	(224,214)	-	-
Raw materials and consumables used		(28,686,284)	(29,654,246)	-	-
Directors' remuneration	7	(940,560)	(896,880)	(885,460)	(844,880)
Staff costs	8	(5,201,689)	(4,800,222)	(657,654)	(750,688)
Depreciation of property, plant and equipment	13	(2,625,822)	(2,592,991)	(339,291)	(189,398)
Other operating expenses	6	(9,166,557)	(9,414,916)	(1,433,091)	(4,724,216)
Profit from operations		5,748,094	10,743,581	1,043,510	9,680,458
Finance costs	9	(579,725)	(699,143)	(14,116)	(17,066)
Income from other investments	10	743,691	463,738	727,489	450,723
<b>Profit before tax</b>		5,912,060	10,508,176	1,756,883	10,114,115
Tax income/(expense)	11	(735,282)	296,071	(80,000)	(59,000)
<b>Profit after tax</b>		5,176,778	10,804,247	1,676,883	10,055,115
Minority interest		(526,696)	457,413	-	-
<b>Net profit for the year</b>		4,650,082	11,261,660	1,676,883	10,055,115
Earnings per ordinary share					
Basic	12	7.6 sen	30.8 sen		
Diluted	12	N/A	N/A		

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



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### BALANCE SHEETS

AS OF DECEMBER 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>Property, plant and equipment</b>	13	17,606,577	18,844,240	1,698,037	1,251,501
<b>Investment in subsidiary companies</b>	14	-	-	10,075,756	10,075,756
<b>Other investments</b>	15	5,250	5,250	5,250	5,250
<b>Current Assets</b>					
Inventories	16	8,214,916	7,900,020	-	-
Trade receivables	17	6,779,385	7,382,189	-	-
Other receivables, deposits and prepaid expenses	17	3,963,265	5,528,515	4,074,440	5,613,757
Amount owing by subsidiary companies	18	-	-	4,500,153	3,633,508
Marketable securities	19	27	67	27	67
Fixed deposits, cash and bank balances	20	17,699,137	18,405,496	15,198,105	16,154,733
<b>Total Current Assets</b>		<b>36,656,730</b>	<b>39,216,287</b>	<b>23,772,725</b>	<b>25,402,065</b>
<b>Current Liabilities</b>					
Trade payables	21	4,251,812	5,366,193	-	-
Other payables and accrued expenses	21	3,803,088	7,479,729	620,340	4,386,939
Amount owing to subsidiary companies	18	-	-	2,930,988	2,930,988
Bank borrowings	22	4,095,771	7,792,206	-	-
Finance lease payables	23	347,389	480,660	-	-
Hire-purchase payables	24	95,792	47,856	89,542	8,032
Tax liabilities		144,901	401	-	-
<b>Total Current Liabilities</b>		<b>12,738,753</b>	<b>21,167,045</b>	<b>3,640,870</b>	<b>7,325,959</b>

(Forward)



## annual report 2005

### BALANCE SHEETS (CONT'D)

AS OF DECEMBER 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>Net Current Assets</b>		23,917,977	18,049,242	20,131,855	18,076,106
<b>Long-Term and Deferred Liabilities</b>					
Finance lease payables					
- non-current portion	23	(147,129)	(487,879)	-	-
Hire-purchase payables					
- non-current portion	24	(527,619)	(42,467)	(527,619)	(36,217)
Long-term loans					
- non-current portion	25	(1,297,995)	(2,771,603)	-	-
Deferred tax liability	26	(1,377,500)	(928,000)	(301,000)	(301,000)
		(3,350,243)	(4,229,949)	(828,619)	(337,217)
<b>Net Assets</b>		<u>38,179,561</u>	<u>32,668,783</u>	<u>31,082,279</u>	<u>29,071,396</u>
<b>Represented by:</b>					
Issued capital	27	60,876,500	60,542,500	60,876,500	60,542,500
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	28	19,192,125	19,192,125	19,192,125	19,192,125
Reserves	29	13,806	13,806	-	-
Accumulated loss		(45,222,001)	(49,872,083)	(48,986,346)	(50,663,229)
<b>Shareholders' Equity</b>		<u>34,860,430</u>	<u>29,876,348</u>	<u>31,082,279</u>	<u>29,071,396</u>
Minority interest		3,319,131	2,792,435	-	-
		<u>38,179,561</u>	<u>32,668,783</u>	<u>31,082,279</u>	<u>29,071,396</u>

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





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## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2005

The Group	Note	Issued Capital RM	ICULS RM	← Non-Distributable Reserve →			Accumulated Loss RM	Total RM
				Share Premium RM	Reserve On Consolidation RM	Share Reserve RM		
<b>Balance as of January 1, 2004</b>		18,994,375	-	896,380	13,806	(61,133,743)	(41,229,182)	
Issue of shares	27	41,548,125	-	-	-	-	41,548,125	
Issue of ICULS		-	19,192,125	-	-	-	19,192,125	
Restructuring expenses		-	-	(896,380)	-	-	(896,380)	
Net profit for the year		-	-	-	-	11,261,660	11,261,660	
<b>Balance as of December 31, 2004</b>		60,542,500	19,192,125	-	13,806	(49,872,083)	29,876,348	
Issue of shares	27	334,000	-	-	-	-	334,000	
Net profit for the year		-	-	-	-	4,650,082	4,650,082	
<b>Balance as of December 31, 2005</b>		60,876,500	19,192,125	-	13,806	(45,222,001)	34,860,430	

(Forward)

The Company	Note	Issued Capital RM	ICULS RM	← Non-Distributable Reserve →			Accumulated Loss RM	Total RM
				Share Premium RM	Reserve RM	Share Reserve RM		
<b>Balance as of January 1, 2004</b>		18,994,375	-	896,380	(60,718,344)	(40,827,589)		
Issue of shares	27	41,548,125	-	-	-	41,548,125		
Issue of ICULS		-	19,192,125	-	-	19,192,125		
Restructuring expenses		-	-	(896,380)	-	(896,380)		
Net profit for the year		-	-	-	10,055,115	10,055,115		
<b>Balance as of December 31, 2004</b>		60,542,500	19,192,125	-	(50,663,229)	29,071,396		
Issue of shares	27	334,000	-	-	-	334,000		
Net profit for the year		-	-	-	1,676,883	1,676,883		
<b>Balance as of December 31, 2005</b>		60,876,500	19,192,125	-	(48,986,346)	31,082,279		

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



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### CASH FLOW STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Note	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>				
Profit before tax	5,912,060	10,508,176	1,756,883	10,114,115
Adjustments for:				
Depreciation of property, plant and equipment	2,625,822	2,592,991	339,291	189,398
Finance costs	579,725	699,143	14,116	17,066
Allowance for doubtful debts/ (written back) - net	211,289	1,564,787	(38,827)	3,326,945
Allowance for diminution in value of investment	40	-	40	-
Property, plant and equipment written off	10	596	-	-
Liabilities waived	(4,671,342)	(11,833,296)	(3,541,846)	(10,917,449)
Interest income	(511,691)	(223,738)	(495,489)	(210,723)
Gain on disposal of property, plant and equipment - net	(126,453)	(785,047)	(59,200)	(730,000)
Gain on disposal of subsidiary companies	-	(2,864,224)	-	(3,461,518)
Dividend income	-	(795,419)	-	-
Allowance for diminution in value of marketable securities no longer required	-	(4)	-	(4)
Operating Profit/(Loss) Before Working Capital Changes	4,019,460	(1,136,035)	(2,025,032)	(1,672,170)
(Increase)/Decrease in:				
Inventories	(314,896)	1,102,291	-	-
Trade receivables	391,515	(218,979)	-	-
Other receivables, deposits and prepaid expenses	745,231	(1,411,598)	758,125	(2,106,656)
Fixed deposit pledged	(24,727)	(4,901)	(20,000)	-
Amount owing by/to subsidiary companies	-	-	(866,645)	(6,867,462)

(Forward)



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### CASH FLOW STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Increase/(Decrease) in:					
Trade payables		(1,114,381)	(2,457,148)	-	-
Other payables and accrued expenses		993,704	2,513,164	(224,753)	3,583,812
Cash From/(Used In) Operations		4,695,906	(1,613,206)	(2,378,305)	(7,062,476)
Interest paid		(578,728)	(796,509)	(14,116)	(17,066)
Income tax (paid)/refunded		822,064	(56,816)	883,346	(32,887)
Net Cash From/(Used In) Operating Activities		4,939,242	(2,466,531)	(1,509,075)	(7,112,429)
<b>CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES</b>					
Interest received		368,364	162,320	352,162	160,959
Proceeds from disposal of property, plant and equipment		129,300	875,050	59,200	820,000
Purchase of property, plant and equipment		(780,516)	(486,288)	(175,327)	(17,966)
Disposal of subsidiary company, net of proceeds	14	-	3,677,298	-	4,250,000
Dividends received		-	572,702	-	-
Net Cash From/(Used In) Investing Activities		(282,852)	4,801,082	236,035	5,212,993
<b>CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES</b>					
Proceeds from short-term bank borrowings		14,681,000	16,439,000	-	-
Issuance of shares		334,000	41,548,125	334,000	41,548,125
Short-term bank borrowings paid		(18,320,000)	(24,171,000)	-	(8,184,000)
Repayment of long-term loans		(1,387,553)	(1,061,868)	-	-
Repayment of hire-purchase and finance lease creditors		(551,433)	(1,368,004)	(37,588)	(164,962)
Issuance of ICULS		-	19,192,125	-	19,192,125
Net Cash From/(Used In) Financing Activities		(5,243,986)	50,578,378	296,412	52,391,288

(Forward)



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### CASH FLOW STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(587,596)	52,912,929	(976,628)	50,491,852
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,450,981	(35,461,948)	16,154,733	(34,337,119)
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	16,863,385	17,450,981	15,178,105	16,154,733

During the financial year, the Group's and the Company's additions to property, plant and equipment amounted to RM1,391,016 (2004: RM531,288) and RM785,827 (2004: RM62,966) respectively of which RM610,500 (2004: RM45,000) was financed through hire-purchase arrangements and RM780,516 (2004: RM486,288) and RM175,327 (2004: RM17,966) was paid in cash respectively.

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



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## 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 of its subsidiary companies.

The total number of employees of the Group and the Company at year end were 305 (2004: 291) and 13 (2004: 13) respectively.

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, 2006.

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

### 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**

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.

Dividend income represents gross dividends from unquoted shares in Malaysia and is recognised when the shareholder's right to receive payment is established.

Rental income is accrued on a time basis, by reference to the agreements entered.

#### **Foreign Currency Conversion**

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates or, where settlement has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

#### **Income Tax**

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

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

#### **Property, Plant and Equipment and Depreciation**

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

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.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Depreciation of property, plant and equipment, except for freehold land and machinery under installation 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%
Renovation, 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.

#### Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of assets (other than inventories, deferred tax assets, assets from employee benefits and financial assets, which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal is recognised in the income statements, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

#### 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, 2005.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.



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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 inter-company transactions and balances are eliminated on consolidation.

### Reverse on Consolidation

Reserve on consolidation represents the excess of the fair values of net assets over the consideration paid for investment in two subsidiary companies.

### 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 allowance for diminution in value. Allowance for diminution in value is made when in the opinion of the directors, the diminution in the value of the investments is considered permanent.

### 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.



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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 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. REVENUE

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Poultry breeding	25,375,370	16,416,106	-	-
Sales of formulated animal feeds	22,094,908	24,309,274	-	-
Dividend income (gross) from unquoted shares in Malaysia	-	795,419	-	-
	<u>47,470,278</u>	<u>41,520,799</u>	<u>-</u>	<u>-</u>

### 5. 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.





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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### SEGMENT ANALYSIS

The Group 2005	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Other RM	Eliminations RM	Consolidated RM
<b>Revenue</b>						
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	42,130,902	26,625,616	-	-	(21,286,240)	47,470,278
<b>Results</b>						
Segment results	511,827	3,167,330	1,043,510	1,025,427	-	5,748,094
Profit from operations						5,748,094
Finance costs						(579,725)
Income from other investments						743,691
Profit before tax						5,912,060
Tax expense						(735,282)
Profit after tax						5,176,778
<b>Other information</b>						
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)
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segment assets	11,369,830	22,153,421	20,658,346	86,960	-	54,268,557
Consolidated total assets						54,268,557
<b>Liabilities</b>						
Segment liabilities	8,421,864	5,291,120	1,385,720	990,292	-	16,088,996
Consolidated total liabilities						16,088,996



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The Group 2004	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Other RM	Eliminations RM	Consolidated RM
<b>Revenue</b>						
External sales	24,309,274	17,211,525	-	-	-	41,520,799
Inter-segment sales	19,517,740	2,154,033	-	-	(21,671,773)	-
Total revenue	43,827,014	19,365,558	-	-	(21,671,773)	41,520,799
<b>Results</b>						
Segment results	(189,938)	(3,285,230)	12,452,609	1,766,140	-	10,743,581
Profit from operations						10,743,581
Finance costs						(699,143)
Income from other investments						463,738
Profit before tax						10,508,176
Tax income						296,071
Profit after tax						10,804,247
<b>Other information</b>						
Capital additions	268,204	200,118	62,966	-	-	531,288
Depreciation of property, plant and equipment	(682,446)	(1,720,247)	(189,398)	(900)	-	(2,592,991)
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segment assets	13,023,693	22,419,362	22,528,567	94,155	-	58,065,777
Consolidated total assets						58,065,777
<b>Liabilities</b>						
Segment liabilities	11,722,370	7,000,637	4,579,967	2,094,020	-	25,396,994
Consolidated total liabilities						25,396,994

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.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 6. OTHER OPERATING INCOME/(EXPENSES)

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

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Exceptional items :				
Liabilities waived	4,671,342	11,833,296	3,541,846	10,917,449
Gain on disposal of property, plant and equipment - net	126,453	785,047	59,200	730,000
Rental of premises:				
- Related parties (Note 18)	432,393	448,206	432,393	448,206
- Others	38,400	113,400	-	-
Allowance for doubtful debts written back /(doubtful debts) - net	(211,289)	(1,564,787)	38,827	(3,326,945)
Audit fee:				
- current	(62,800)	(61,300)	(20,000)	(20,000)
- (under)/over provision in prior year	500	(1,500)	-	-
Realised loss on foreign exchange	(426)	(520)	-	-
Allowance for diminution in value of investment	(40)	-	(40)	-
Property, plant and equipment written-off	(10)	(596)	-	-
Gain on disposal of subsidiary company	-	2,864,224	-	3,461,518
Bad debt recovered	-	12,000	-	-
Allowance for diminution in value of investment no longer required	-	4	-	4
Management fees from subsidiary companies	-	-	720,000	720,000
Restructuring expenses	-	(49,106)	-	(49,106)



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Executive directors:				
Fees	-	1,000	-	-
Other emoluments	680,100	637,280	680,100	637,280
Non-executive directors:				
Fees	54,600	51,000	-	-
Other emoluments	205,860	207,600	205,360	207,600
	<u>940,560</u>	<u>896,880</u>	<u>885,460</u>	<u>844,880</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 (2004: RM152,800) during the financial year.

Included in directors' remuneration are contributions to the Employees' Provident Fund made by the Group and the Company for the current year amounting to RM92,460 (2004: RM89,580) respectively.

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

	2005	2004
Number of Executive Directors:		
RM500,001 to RM800,000	1	1
Number of Non-Executive Directors:		
RM50,001 to RM100,000	<u>2</u>	<u>2</u>

#### 8. STAFF COSTS

Staff costs include salaries, contributions to Employees' Provident Fund, bonuses and all other staff related expenses.

Included in staff costs are contributions to the Employees' Provident Fund made by the Group and the Company for the current year amounting to RM516,476 and RM76,514 (2004: RM470,877 and RM70,202) respectively.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 9. FINANCE COSTS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest on:				
Term loans	259,409	336,405	-	-
Bankers' acceptances	163,384	151,141	-	-
Finance lease	80,103	125,960	-	-
Bank overdrafts	50,219	55,433	-	5,172
Hire-purchase	26,366	18,426	13,872	116
Others	244	11,778	244	11,778
	<u>579,725</u>	<u>699,143</u>	<u>14,116</u>	<u>17,066</u>

#### 10. INCOME FROM OTHER INVESTMENTS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest income from fixed deposits	511,691	223,738	495,489	210,723
Rental income from letting of premises	232,000	240,000	232,000	240,000
	<u>743,691</u>	<u>463,738</u>	<u>727,489</u>	<u>450,723</u>

#### 11. TAX (INCOME)/EXPENSE

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Estimated tax payable:				
Current	353,624	114,929	139,000	59,000
Overprovision in prior years	(67,842)	-	(59,000)	-
	<u>285,782</u>	<u>114,929</u>	<u>80,000</u>	<u>59,000</u>
Deferred tax (Note 26)				
Current	449,500	(346,000)	-	-
Overprovision in prior years	-	(65,000)	-	-
	<u>449,500</u>	<u>(411,000)</u>	<u>-</u>	<u>-</u>
Total	<u>735,282</u>	<u>(296,071)</u>	<u>80,000</u>	<u>59,000</u>



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before tax	5,912,060	10,508,176	1,756,883	10,114,115
Tax at income tax rate of 28%	1,655,377	2,942,289	491,927	2,831,952
Tax effect of expenses not deductible in determining tax	176,709	109,493	61,073	1,010,638
Tax effect of income not taxable in determining tax	(223,962)	(2,431,227)	-	(2,399,590)
Utilisation of deferred tax asset not previously recognised	(896,000)	(1,630,683)	(414,000)	(1,384,000)
Deferred tax asset not recognised	91,000	779,057	-	-
Overprovision in prior years	(67,842)	(65,000)	(59,000)	-
Tax (income)/expense	735,282	(296,071)	80,000	59,000

As of December 31, 2005, 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 (2004: RM2,872,000) which, subject to the agreement of the tax authorities, is available for payment of tax exempt dividends to the Company.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 12. EARNINGS PER ORDINARY SHARE

	2005	The Group
	RM	2004
		RM

##### Basic

Net profit attributable to ordinary shareholders	4,650,082	11,261,660
--	-----------	------------

	2005	The Group
	Units	2004
		Units

Number of shares in issue as of January 1	60,542,500	18,994,375
Exercise of ESOS	311,195	212,716
Rights issue	-	16,088,132
New issue	-	1,269,395

Weighted average number of ordinary shares in issue	60,853,695	36,564,618
---	------------	------------

	2005	The Group
		2004
Basic earnings per share (sen)	7.6	30.8

	2005	The Group
	Units	2004
		Units

##### Diluted

Weighted average number of ordinary shares in issue	60,853,695	36,564,618
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	5,115,500	5,449,500

Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	115,161,320	91,206,243
--	-------------	------------

Diluted earnings per ordinary share (sen)	N/A	N/A
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The diluted earnings per ordinary share of the Company in 2005 and 2004 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. PROPERTY, PLANT AND EQUIPMENT

The Group	Cost/Valuation					End of Year RM
	Beginning of Year RM	Additions RM	Disposals RM	Write-off RM	Reclassification 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
Renovation, furniture, fixtures and equipment	6,218,610	185,037	-	(723,860)	-	5,679,787
Renovation, 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





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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The Group	Accumulated Depreciation					End of Year RM
	Beginning of Year RM	Charge for the year RM	Disposals RM	Write-off RM	Reclassification 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
Renovation, furniture, fixtures and equipment	5,223,131	331,620	-	(524,295)	-	5,030,456
Renovation, 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
<b>Consolidated Total</b>	<b>44,180,556</b>	<b>2,625,822</b>	<b>(817,446)</b>	<b>(2,830,445)</b>	<b>-</b>	<b>43,158,487</b>

(Forward)



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The Group	← Accumulated Impairment Loss →		← Net Book Value →		Depreciation for 2004 RM
	Beginning of Year RM	Write-off RM	End of Year RM	2005 RM	
Freehold land	-	-	-	293,000	-
At 1978 valuation	-	-	-	94,170	-
At cost	-	-	-	-	-
Land under long leases	-	-	-	490,565	10,794
At 1978 valuation	-	-	-	323,025	8,294
At cost	-	-	-	-	-
Land under short leases	-	-	-	369,927	21,240
At cost	-	-	-	-	-
Buildings	167,266	-	167,266	-	-
At 1978 valuation	241,630	-	241,630	11,343,623	935,068
At cost	-	-	-	176,530	24,091
Building under finance lease	361,351	(361,330)	21	1,954,312	661,285
Plant and machinery	-	-	-	325,025	105,046
Plant and machinery under finance lease	199,562	(199,562)	-	649,331	447,212
Renovation, furniture, fixtures and equipment	-	-	-	289,408	76,802
Renovation, furniture, fixtures and equipment under finance lease	-	-	-	80,671	65,041
Motor vehicles	-	-	-	652,427	82,363
Motor vehicles under hire-purchase	-	-	-	242,558	155,755
Motor vehicles under finance lease	-	-	-	322,005	-
Plantation development expenditure	-	-	-	-	-
<b>Total</b>	<b>969,809</b>	<b>(560,892)</b>	<b>408,917</b>	<b>17,606,577</b>	<b>2,592,991</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The Company	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				
Renovation, 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
<b>Total</b>	<b>8,973,600</b>	<b>785,827</b>	<b>(195,604)</b>	<b>9,563,823</b>
The Company	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	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				
Renovation, 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
<b>Total</b>	<b>7,313,182</b>	<b>339,291</b>	<b>(195,604)</b>	<b>7,456,869</b>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The Company	← Accumulated Impairment Loss →		← Net Book Value →		Depreciation for 2004 RM
	Beginning of Year RM	Charge for the Year RM	End of Year RM	2005 RM	
Freehold land					
At 1978 valuation	-	-	-	293,000	-
At cost	-	-	-	94,170	-
Land under long leases					
At 1978 valuation	-	-	-	490,565	10,794
At cost	-	-	-	90,227	1,880
Buildings					
At 1978 valuation	167,266	-	167,266	-	-
At cost	241,630	-	241,630	50,400	154,023
Plant and machinery	21	-	21	-	-
Renovation, furniture, fixtures and equipment	-	-	-	47,125	10,108
Motor vehicles	-	-	-	6,133	-
Motor vehicles under hire-purchase	-	-	-	626,417	12,593
<b>Total</b>	<b>408,917</b>	<b>-</b>	<b>408,917</b>	<b>1,698,037</b>	<b>189,398</b>



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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 (Revised), Property, Plant and Equipment 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	206,628	-	342,007
Buildings	2,482,489	2,379,740	102,749	-

Land and buildings of the Group with carrying amounts of RM8,842,224 (2004: RM9,286,725) are pledged to certain licensed banks in respect of credit facilities granted to the Group as disclosed in Note 25.

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 RM11,859,000 (2004: RM14,089,000) and RM5,567,000 (2004: RM5,590,000) respectively.

#### 14. INVESTMENT IN SUBSIDIARY COMPANIES

Investment in subsidiary companies consists of:

	The Company	
	2005 RM	2004 RM
Unquoted shares in subsidiary companies - at cost	10,161,952	10,161,952
Impairment loss	(86,196)	(86,196)
Net	10,075,756	10,075,756



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Direct subsidiary companies	Effective Equity Interest		Principal Activities
	2005	2004	
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.
<b>Sub-subsidiary companies</b>			
Sin Heng Chan Feed Sdn. Bhd.	100%	100%	Trading of formulated animal feeds.
Goldkist Breeding Farms Sdn. Bhd.	94%	94%	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.

On June 1, 2004, the Company disposed of a subsidiary company, Southern Farms Sdn. Bhd for a sales consideration of RM4,250,000.

The effects of the disposal of the subsidiary company on the financial results of the Group in prior year up to the date of disposal were as follows:

	Unaudited 1.1.2004 to 31.5.2004 RM
Revenue	-
Operating expenses	(105)
Loss from operations	(105)
Other income	800,536
Profit before tax	800,431
Income tax expense	-
Net profit	800,431



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The effects of the disposal on the financial position of the Group in prior year at date of disposal were as follows:

	Unaudited May 31, 2004 RM
Net assets disposed of as at date of disposal:	
Other receivables and prepaid expenses	227,834
Cash and bank balances	572,702
Investment in unquoted shares	591,070
Other payables and accrued expenses	(5,830)
Net assets disposed	1,385,776
Gain realised on disposal (Note 6)	2,864,224
Net value of disposal	4,250,000
Less: Cash and bank balances	(572,702)
Net cash inflow on disposal, net of cash disposed	<u>3,677,298</u>

#### 15. OTHER INVESTMENTS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Gold bullion	5,250	5,250	5,250	5,250

#### 16. INVENTORIES

	The Group	
	2005 RM	2004 RM
At cost:		
Parent stocks	3,993,540	3,663,739
Raw materials	1,769,667	2,283,791
Hatching eggs	1,185,896	1,063,134
Consumables	879,592	560,749
Finished goods	386,221	328,607
	<u>8,214,916</u>	<u>7,900,020</u>



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	The Group	
	2005 RM	2004 RM
Trade receivables	19,350,491	19,711,368
Less: Allowance for doubtful debts	(12,571,106)	(12,329,179)
Net	<u>6,779,385</u>	<u>7,382,189</u>

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	11,199,805	11,529,980	8,826,415	9,201,387
Less: Allowance for doubtful debts	(9,806,195)	(9,845,022)	(7,134,146)	(7,172,972)
Tax recoverable	1,393,610	1,684,958	1,692,269	2,028,415
Deposits	2,050,846	3,025,214	2,050,846	3,014,192
Prepaid expenses	378,075	385,265	258,129	258,098
	140,734	433,078	73,196	313,052
	<u>3,963,265</u>	<u>5,528,515</u>	<u>4,074,440</u>	<u>5,613,757</u>

Trade receivables of the Group comprise amounts receivable for the sales of goods. Other receivables of the Group and the Company comprise mainly proceeds receivable from the disposal of subsidiary company amounting to RM1,944,655 (2004: RM1,944,655).

The credit period granted on sales of goods ranges from 7 to 60 days (2004: 7 to 90 days). An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM12,571,106 (2004: RM12,329,179) based on past default experience of the Group.

Included in other receivables, deposits and prepaid expenses of the Group and the Company are rental deposits and advance rental of RM196,368 (2004: RM449,873) 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.





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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 18. RELATED PARTY TRANSACTIONS

	The Company	
	2005 RM	2004 RM
Amount owing by subsidiary companies		
- net of allowance for doubtful debts of RM12,676,550 (2004: RM12,676,550)	4,500,153	3,633,508
Amount owing to subsidiary companies	2,930,988	2,930,988

The 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:

Subsidiary company	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Management fees receivable from	-	-	720,000	720,000
Rental of premises receivable from	-	-	180,000	180,000
<b>Other related parties</b>				
<b>Rental of premises paid and payable to</b>				
Desa Samudra Sdn. Bhd.	288,393	304,206	288,393	304,206
Seng Hoe & Choong Corporation Sdn. Bhd.	144,000	144,000	144,000	144,000
	432,393	448,206	432,393	448,206

The directors of the Group and the Company are of the opinion that the above transaction has been entered into in the normal course of business and has been established under terms that are no less favourable than those arranged with independent third parties.



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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

19. MARKETABLE SECURITIES

	The Group and The Company	
	2005 RM	2004 RM
Quoted shares in Malaysia - at cost	3,387	3,387
Allowance for diminution in value	(3,360)	(3,320)
Net	27	67
Market value	27	67

20. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	15,602,565	15,127,838	15,020,000	16,000,000
Short term deposits with licensed banks	600,000	1,000,000	100,000	-
Cash and bank balances	1,496,572	2,277,658	78,105	154,733
	17,699,137	18,405,496	15,198,105	16,154,733

Fixed deposits with licensed banks of the Group and the Company of RM152,565 (2004: RM127,838) and RM20,000 (2004: RM Nil) respectively are charged to banks for overdraft facilities granted and guarantees issued by the said banks.

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

	The Group		The Company	
	2005	2004	2005	2004
Fixed deposits with licensed banks	30 to 365 days	30 to 365 days	30 to 90 days	30 to 90 days
Short term deposit with licensed banks	2 to 14 days	2 to 21 days	2 to 14 days	-

The interest rates per annum are as follows:

	The Group		The Company	
	2005	2004	2005	2004
Fixed deposits with licensed banks	2.7% to 3.7%	3% to 3.7%	2.7% to 3%	3% to 3.2%
Short term deposits with licensed banks	2.25% to 2.4%	2% to 2.55%	2.25% to 2.4%	-

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****21. 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 cash to 90 days (2004: 30 to 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	2,358,517	6,038,924	244,200	3,822,216
Accrued expenses	1,444,571	1,440,805	376,140	564,723
	<u>3,803,088</u>	<u>7,479,729</u>	<u>620,340</u>	<u>4,386,939</u>

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

- an amount of RM43,620 (2004: RM63,550) 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 RM40,071 (2004: RM34,601) during the financial year.
- an amount of RM Nil (2004: RM4,868,685) and RM Nil (2004: RM3,541,846) respectively in 2004 which represents disputed debts owing to Sin Heng Chan (Singapore) Pte. Ltd., a company of which certain of its directors were former directors and shareholders of the Company as more fully explained in Note 30; and
- a deposit of RM1,000,000 (2004: RM Nil) received from a debtor of a subsidiary company which represents partial settlement of long overdue balance to the said subsidiary company of RM1,530,683, which has been fully provided as doubtful debts in prior years. The doubtful debts recovered will be credited to the income statements upon receipt of full and final settlement.

**22. BANK BORROWINGS**

	The Group	
	2005 RM	2004 RM
Bankers' acceptances	1,640,000	5,079,000
Long-term loans - current portion	1,472,584	1,386,529
Bank overdrafts	683,187	826,677
Revolving credit	300,000	500,000
	<u>4,095,771</u>	<u>7,792,206</u>

As of December 31, 2005, the Group has bank overdrafts and other credit facilities amounting to RM24.4 million (2004: RM28.5 million) respectively. The credit facilities of the Group bear interest at rates ranging from 4% to 9% (2004: 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.



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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 23. FINANCE LEASE PAYABLES

	← The Group →			
	Minimum lease payments		Present value of minimum lease payments	
	2005 RM	2004 RM	2005 RM	2004 RM
Amount payable under finance lease:				
Within one year	383,142	554,124	347,389	480,660
In the second to fifth years inclusive	213,233	596,375	147,129	487,879
	596,375	1,150,499	494,518	968,539
Less: Future finance charges	(101,857)	(181,960)	-	-
Present value of lease payables	<u>494,518</u>	<u>968,539</u>	494,518	968,539
Less: Portion due within one year			(347,389)	(480,660)
Non-current portion			<u>147,129</u>	<u>487,879</u>

The non-current portion is repayable as follows:

	The Group	
	2005 RM	2004 RM
Due within:		
2 years	145,338	351,977
3 years	1,791	134,110
4 years	-	1,792
	<u>147,129</u>	<u>487,879</u>

The average effective borrowing rate is 10.96% (2004: 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.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 24. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Total outstanding	724,469	111,709	716,184	51,108
Less: Interest-in-suspense	(101,058)	(21,386)	(99,023)	(6,859)
Principal outstanding	623,411	90,323	617,161	44,249
Less: Portion due within one year	(95,792)	(47,856)	(89,542)	(8,032)
Non-current portion	527,619	42,467	527,619	36,217

The non-current portion is repayable as follows:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Due within: 2 years	94,826	14,763	94,826	8,513
3 years	100,109	9,022	100,109	9,022
4 years	104,480	9,562	104,480	9,562
Greater than 4 years	228,204	9,120	228,204	9,120
	527,619	42,467	527,619	36,217

The interest rates implicit in the hire-purchase payables of the Group and the Company range from 4.44% to 12.10% (2004: 9.22% 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.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 25. LONG-TERM LOANS

	The Group	
	2005 RM	2004 RM
Outstanding loan principal	2,770,579	4,158,132
Less: Portion due within one year (included under bank borrowings) (Note 22)	(1,472,584)	(1,386,529)
Non-current portion	<u>1,297,995</u>	<u>2,771,603</u>

The non-current portion is repayable as follows:

	2005 RM	2004 RM
Due within:		
2 years	1,079,524	1,471,319
3 years	218,471	1,082,586
4 years	-	217,698
	<u>1,297,995</u>	<u>2,771,603</u>

A subsidiary company has term loans obtained from certain local banks amounting to RM9.2 million (2004: RM9.2 million) which bear interest at rates ranging from 3.8% to 8.0% (2004: 3.8% to 8.0%) per annum.

These term loans consists of:

- a five (5) year term loan of RM1,200,000, repayable in sixty (60) monthly instalments commencing on October 1, 2003;
- a six (6) year term loan of RM5,000,000, repayable in eighty four (84) monthly instalments commencing on January, 2000; and
- a six (6) 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 fixed charge on the leasehold land and buildings of the said subsidiary company with carrying values totalling about RM8,842,224 (2004: RM9,286,725) as of December 31, 2005;
- a first fixed and floating charge on all the assets of the said subsidiary company; and
- a corporate guarantee by the Company.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 26. DEFERRED TAX LIABILITY

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Beginning of year	928,000	1,339,000	301,000	301,000
Transfer to/(from) income statements (Note 11)	449,500	(411,000)	-	-
End of year	<u>1,377,500</u>	<u>928,000</u>	<u>301,000</u>	<u>301,000</u>
The net deferred tax liability is in respect of temporary differences arising from:				
Property, plant and equipment	1,178,500	729,000	-	-
Unutilised tax losses	(102,000)	(102,000)	-	-
Tax effect on revaluation of land and buildings	301,000	301,000	301,000	301,000
	<u>1,377,500</u>	<u>928,000</u>	<u>301,000</u>	<u>301,000</u>

As mentioned in Note 3, the deductible temporary differences which would give rise to deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. As of December 31, 2005, the estimated amount of deferred tax asset calculated at current tax rate pertaining to the Company and certain subsidiary companies not recognised in the financial statements, is as follows:

	Deferred Tax Asset			
	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Tax effects of temporary differences arising from:				
Property, plant and equipment	366,000	291,000	773,000	740,000
Unutilised tax losses	17,009,000	17,891,000	10,620,000	11,067,000
Others	304,000	302,000	-	-
Net Deferred Tax Asset	<u>17,679,000</u>	<u>18,484,000</u>	<u>11,393,000</u>	<u>11,807,000</u>

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



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 27. SHARE CAPITAL

	2005 RM	2004 RM
<b>Authorised:</b>		
Ordinary shares of RM1 each		
Beginning of year	500,000,000	25,000,000
Created during the year	-	475,000,000
End of year	500,000,000	500,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of RM1 each		
Beginning of year	60,542,500	18,994,375
Issued during the year:		
Exercise of ESOS	334,000	542,500
Rights issue	-	37,988,750
New issue	-	3,016,875
End of year	60,876,500	60,542,500

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM60,542,500 to RM60,876,500 by way of an issue of 334,000 new ordinary shares of RM 1 each for cash pursuant to the Employees' Share Option Scheme of the Company at an exercise price of RM1 per ordinary share.

These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company and were listed and quoted on Bursa Malaysia Securities Berhad.

#### 28. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

As of December 31, 2005, 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;
- 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
- the ICULS are unsecured obligation of the Company and are subordinated to all other present and future unsecured obligations of the Company.





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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### 29. RESERVES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable reserve:				
Reserve on consolidation	13,806	13,806	-	-

#### *Reserve On Consolidation*

Reserve on consolidation represents the excess of the fair values of net assets over the consideration paid for investment in two subsidiary companies.

#### *Share Premium*

Share premium arose from the exercise of share options under ESOS by eligible directors and employees of Sin Heng Chan Group in prior years.

	The Group and The Company	
	2005 RM	2004 RM
Beginning of year	-	896,380
Restructuring expenses	-	(896,380)
End of year	-	-

#### 30. WAIVER OF LIABILITIES

There was a contingent disputed claim against the Group and the Company to the extent of RM15.5 million and RM9.3 million respectively in respect of interest claimed on disputed trade debts owing to a company which at all material time together with certain other parties have common directors and controlling shareholdings of the Company. In the opinion of management, the interest charges are without any merit whatsoever and accordingly no provision for the amount claimed is deemed necessary.

The Company defended and counter-claimed against the said company and all other parties, and sought, inter alia, substantive exemplary damages which management is of the opinion are meritorious.

In 2004, Sin Heng Chan (Malaya) Berhad together with certain of its subsidiary companies entered into a settlement agreement and paid a sum of RM4,500,000 (including RM3,456,035 paid on behalf of the subsidiary companies) to the said creditor as full and final settlement of the Group's disputed debts. During the financial year, the court set aside the above suits and the resultant waiver of liabilities amounting to RM4,671,342 and RM3,541,846 for the Group and the Company have been credited to the income statements as an exceptional item.



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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 31. FINANCIAL INSTRUMENTS

#### *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 deposits. The interest rates of bank borrowings, long-term loans and interest bearing fixed deposits are disclosed in Notes 20, 22 and 25.

#### *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.

#### *Financial Assets*

The Group's principal financial assets are fixed deposits, cash and bank balances, trade and other receivables and investments.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

#### *Financial Liabilities and Equity Instruments*

The Group's significant financial liabilities include trade and other payables, bank borrowings, long-term loans, hire-purchase payables and finance lease payables.

Debts 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 net of direct issue costs.



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### NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

#### *Fair Values*

The carrying amounts and the estimated fair values of the Group's and the Company's financial instruments as of December 31, 2005 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	25	2,770,579	2,770,579	-	-
Hire-purchase payables	24	623,411	623,411	617,161	617,161
Finance lease payables	23	494,518	494,518	-	-

#### *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.

#### *Cash and Bank Balances, 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.

### 32. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	16,202,565	16,127,838	15,120,000	16,000,000
Cash and bank balances	1,496,572	2,277,658	78,105	154,733
Bank overdrafts (Note 22)	(683,187)	(826,677)	-	-
Total	17,015,950	17,578,819	15,198,105	16,154,733
Less: Fixed deposits pledged to banks	(152,565)	(127,838)	(20,000)	-
	16,863,385	17,450,981	15,178,105	16,154,733



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CAPITAL COMMITMENTS

As of December 31, 2005, the Group has the following capital expenditure in respect of purchase of property, plant and equipment:

	The Group	
	2005 RM	2004 RM
Approved but not contracted for	483,500	-



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## 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 MASB 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, 2005 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

-----  
TUAN SYED OMAR BIN SYED ABDULLAH

Kuala Lumpur  
April 25, 2006

## 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 25th day of April, 2006.

Before me

-----  
COMMISSIONER FOR OATHS



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## PARTICULARS OF GROUP PROPERTIES

Landed properties in the Group consist of:

Location	Description	Area (sq.ft.)	Expiry Year	Age of Building	NBV (RM)
<b>A. Freehold</b>					
1. Holding 2058, 2060 & 2062 Mukim Tanjong Kling 76400 Melaka	Vacant Land	127,576	-	-	387,170
<b>B. Leasehold</b>					
1. Lot 100 Gebeng Industrial Estate 26080 Kuantan	Factory with office	206,910	2078	23 years	775,651
2. 82 Jalan Tun Ali 75300 Melaka	Factory with office	113,133	2050 to 2056	34 years	507,332
3. 647 Jalan Tun Tasek	Double Storey	1,540	2079	34 years	68,521
4. Lot 222 & 223 Jalan Tun Tan Cheng Lock 75200 Melaka	Warehouse	13,750	2028	39 years	30,531
5. 129A Jalan Mutahir 75300 Melaka	Vacant Land	10,693	2061	44 years	42,926
6. Tanjung Bruas Jetty 76400 Melaka	Warehouse	130,680	2006	32 years	-
7. Sisik 16km Jalan Kota Tinggi Kluang 81900 Johor	Livestock Farm	8,712,000	2081	20 years	-
8. Lot 1983 Mukim Lepar Pekan Pahang	Farm Building	12,927,436	2023	6 years	9,018,755

# PROXY FORM



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

CDS Account No.	
No. of Shares Held	

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 44<sup>th</sup> Annual General Meeting of the Company to be held on the 30<sup>th</sup> June 2006 at 11.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the notice of the 44<sup>th</sup> 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 2005 together with the Reports of the Directors and the Auditors	1		
2. To re-elect the Directors who retire in accordance with Article 97 of the Articles of Association of the Company:- (a) Tuan Syed Omar Bin Syed Abdullah (b) Y.M. Tunku Mahmood Bin Tunku Mohammed	2 3		
3. To re-elect the following Directors who shall retire in accordance with Article 102 of the Articles of Association of the Company:- (c) En. Mohd Shariff Bin Salleh (d) Mr. Khaw Teik Thye	4 5		
4. To re-appoint Messrs. Deloitte Kassim Chan as Auditors and to authorise the Directors to fix their remuneration.	6		
5. Authorisation for Directors to allot and issue shares.	7		
6. To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	8		

Dated this \_\_\_\_\_

\_\_\_\_\_  
Signature or Common Seal of Shareholder(s)

## 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.  
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.
2. 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.
3. 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.
4. 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.