



HWA TAI INDUSTRIES BERHAD

Company No. : 19688-V

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of the Company will be held at The Katerina Hotel, Diamond Room, Level 2, No. 8, Jalan Zabadah, 83000 Batu Pahat, Johor Darul Takzim, Malaysia on Monday, 27 June 2005 at 10.00 a.m.

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2004 together with the Directors' and Auditors' Reports thereon.
2. To approve payment of Directors' fee for the year ended 31 December 2004.
3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:-
 - a) Mohamed Harmy Bin Tan Sri Dato' Yusoff
 - b) Soo Chung Yee
 - c) Raja Zainal Abidin Bin Raja Hussin
 - d) Soo Suat Swon
 - e) Lee Thye @ Lee Chooi Yoke
4. To re-appoint Tan Sri Dato' Mohamed Yusoff Bin Mohamed who retires in accordance with Section 129(6) of the Companies Act, 1965.
5. To appoint Auditors and authorise the Directors to fix their remuneration.
6. To transact any other business appropriate to an Annual General Meeting.
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following ordinary resolutions:-

ORDINARY RESOLUTION NO. 1 - AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue such number of new ordinary shares of RM1.00 each in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Employee Share Option Scheme which was approved by ordinary resolution passed at the Extraordinary General Meeting of the Company held on 16 February 2004 and modified by ordinary resolution passed at the Extraordinary General Meeting of the Company held on 13 December 2004."

ORDINARY RESOLUTION NO. 2 - AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from the Securities Commission and the Bursa Malaysia Securities Berhad and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares 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."

By Order of the Board
JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary

Johor Darul Takzim, Malaysia
2 June 2005

NOTES:

A member entitled to attend and vote at the Meeting is entitled to appoint more than 2 proxies to attend and vote instead of him. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 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. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia, not less than 48 hours before the time appointed for holding the Meeting.

EXPLANATORY STATEMENT TO THE SPECIAL BUSINESS:

ORDINARY RESOLUTION NO. 1

On 16 February 2004, the Shareholders of the Company had approved the Employee Share Option Scheme ("ESOS") and the ESOS was subsequently modified on 13 December 2004. According to Section 132D of the Companies Act, 1965, the approval given by the Shareholders to the Directors of the Company to allot and issue shares pursuant to the ESOS expires at the forthcoming Thirtieth Annual General Meeting. As such, the Directors seek the Shareholders' renewed approval to allot and issue shares for the ESOS.

ORDINARY RESOLUTION NO. 2

The proposed Ordinary Resolution, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.



Statement Accompanying the Notice of Annual General Meeting

1) THIRTIETH ANNUAL GENERAL MEETING

Place : The Katerina Hotel
Diamond Room (Level 2)
No. 8, Jalan Zabedah,
83000 Batu Pahat
Johor Darul Takzim, Malaysia

Date : Monday, 27 June 2005

Time : 10.00 a.m.

2) NAMES OF DIRECTORS STANDING FOR RE-ELECTION/RE-APPOINTMENT

The names of the Directors standing for re-election / re-appointment at the forthcoming Thirtieth Annual General Meeting are as follows:-

- i) Mohamed Harmy Bin Tan Sri Dato' Yusoff
- ii) Soo Chung Yee
- iii) Raja Zainal Abidin Bin Raja Hussin
- iv) Soo Suat Swon
- v) Lee Thye @ Lee Chooi Yoke
- vi) Tan Sri Dato' Mohamed Yusoff Bin Mohamed

3) DETAILS OF DIRECTORS STANDING FOR RE-ELECTION/RE-APPOINTMENT

The details of the Directors standing for re-election/re-appointment at the forthcoming Thirtieth Annual General Meeting are set out in the Directors' Profile appearing on pages 6 to 9 of this Annual Report.

4) DETAILS OF ATTENDANCE OF DIRECTORS AT DIRECTORS' MEETINGS

There were four (4) Directors' Meetings held during the financial year ended 31 December 2004. The details of attendance of the Directors are set out in the Directors' Profile appearing on page 9 of this Annual Report.

Corporate Information

BOARD OF DIRECTORS

Soo Thien Ming @ Soo Thien See (*Chairman*)
Lee Thye @ Lee Chooi Yoke (*Executive Director*)
Soo Chung Yee (*Special Assistant to Chairman/Executive Director*)
Tan Sri Dato' Mohamed Yusoff Bin Mohamed
Y.M. Raja Zainal Abidin Bin Raja Hussin
Lee Kah Keng @ Lee Kah Heng
Soo Suat Swon
Loh Poh Im
Mohamed Army Bin Tan Sri Dato' Yusoff

COMPANY SECRETARY

Jessica Chin Teng Li (MAICSA 7003181)

REGISTERED OFFICE & PRINCIPAL BUSINESS ADDRESS

No. 12 Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim, Malaysia
Tel. No.: 607-4151688 Fax No.: 607-4151135

SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel. No.: 603-77843922 Fax No.: 603-77841988

AUDITORS

Monteiro & Heng
Public Accountants
22-1, Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia

PRINCIPAL BANKERS

RHB Bank Berhad
Bumiputra-Commerce Bank Berhad
AmBank Berhad
Bank Islam Malaysia Berhad
HSBC Bank Malaysia Berhad

LISTING

Bursa Malaysia Securities Berhad, Second Board



Profile of the Board of Directors

MR. SOO THIEN MING @ SOO THIEN SEE - Non-Independent Non-Executive Director

Mr. Soo Thien Ming, Malaysian, aged 57, is the Chairman on the Board of the Company. He was appointed to the Board on 26 April 1996. Mr. Soo is a Barrister-At-Law of Lincoln's Inn, London. He is an advocate and solicitor by profession and has been in practice for 30 years. He is also a Notary Public and Commissioner for Oaths. He holds several directorships in private companies in Malaysia and abroad.

He is the Chairman of the Nomination Committee, Remuneration Committee and Employee Share Option Scheme ("ESOS") Committee.

Mr. Soo has a direct shareholding of 6,909,327 ordinary shares of RM1/- each in the Company as at 29 April 2005. He is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his controlling interest in the Company. Mr. Soo also has a direct interest of 2,977,123 warrants in the Company as at 29 April 2005.

He is the father of Mr. Soo Chung Yee, an Executive Director of the Company.

Mr. Soo does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

MDM. LEE THYE @ LEE CHOOI YOKE - Non-Independent Executive Director

Mdm. Lee Thye @ Lee Chooi Yoke, Malaysian, aged 57, is the Executive Director of the Company. She was appointed to the Board on 9 August 1996. She is a director of various private companies.

She sits on the ESOS Committee.

Mdm. Lee has a direct shareholding of 310,000 ordinary shares of RM1/- each in the Company as at 29 April 2005. She does not have any equity holdings in its subsidiaries. Mdm. Lee also has a direct interest of 40,000 options under the Company's ESOS as at 29 April 2005.

She is the mother of Ms. Soo Suat Swon, a Director of the Company.

Mdm. Lee does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

MR. SOO CHUNG YEE - Non-Independent Executive Director

Mr. Soo Chung Yee, Malaysian, aged 26, is the Special Assistant to the Chairman. He was appointed to the Board on 16 August 2004. Mr. Soo holds a Bachelor of Arts from the University of Derby, United Kingdom. He also holds several directorships in private companies in Malaysia and abroad.

He does not sit on any Committee of the Board.

He is the son of Mr. Soo Thien Ming, the Chairman of the Company.

Mr. Soo does not have any interest in the securities of the Company or its subsidiaries. He also does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

YBHG. TAN SRI DATO' MOHAMED YUSOFF BIN MOHAMED

- Independent Non-Executive Director

YBhg. Tan Sri Dato' Mohamed Yusoff bin Mohamed, Malaysian, aged 77, was appointed to the Board on 25 June 2001. He is a Barrister-At-Law from Lincoln's Inn, London. He was the High Court Judge in Kota Kinabalu, Kuching, Johor Bahru and Kuala Lumpur between 1974 and 1988. He has also served as a Supreme Court Judge between 1988 and 1992 before retiring in September 1992. Prior to his judgeship, he had served the judiciary from 1963 to 1968 in the capacity of President of Sessions Court and Legal Service, from 1968 to 1973 as Deputy Parliamentary Draftsman and Senior Federal Counsel in the Attorney General's Department, Kuala Lumpur.

YBhg. Tan Sri Dato' Mohamed Yusoff sits on the Audit Committee and Nomination Committee.

He is the father of Encik Mohamed Harny bin Tan Sri Dato' Yusoff, a Director of the Company.

YBhg. Tan Sri Dato' Mohamed Yusoff does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

Y.M. RAJA ZAINAL ABIDIN BIN RAJA HUSSIN

- Independent Non-Executive Director

Y.M. Raja Zainal Abidin Bin Raja Hussin, Malaysian, aged 48, was appointed to the Board on 3 April 1992. He is an entrepreneur, starting from the development of housing projects in Johor Bahru in 1977. He is currently a director and major shareholder in a few private limited companies with business ventures in commercial building development, small and medium size housing development, trading in broadcasting equipment, forest management and replanting and investment in small and medium size manufacturing industries.

He is the Chairman of the Audit Committee and also sits on the Nomination Committee and Remuneration Committee.

Y.M. Raja Zainal Abidin has a direct shareholding of 89,000 ordinary shares of RM1/- each in the Company as at 29 April 2005. He does not have any equity holdings in its subsidiaries. Y.M. Raja Zainal Abidin also has a direct interest of 45,750 warrants in the Company as at 29 April 2005.

He does not have any family relationship with any directors and/or major shareholders of the Company. He also does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

MS. SOO SUAT SWON

- Non-Independent Non-Executive Director

Ms. Soo Suat Swon, Malaysian, aged 31, was appointed to the Board on 9 August 1996. She holds a Bachelor of Science in Economics from the London School of Economics and a Masters of Business Administration from Richmond College, London. Ms. Soo is a director of various private companies.

She sits on the Remuneration Committee.

Ms. Soo has an indirect shareholding of 120,000 ordinary shares of RM1/- each in the Company as at 29 April 2005. She does not have any equity holdings in its subsidiaries.

She is the daughter of Mdm. Lee Thye, the Executive Director of the Company.

Ms. Soo does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

MR. LEE KAH KENG @ LEE KAH HENG - Non-Independent Non-Executive Director

Mr. Lee Kah Keng, Malaysian, aged 54, was appointed to the Board on 1 February 1998 as the Chief Operating Officer of the Company. He resigned as the Chief Operating Officer on 1 July 2004 and remains on the Board as a Non-Executive Director. A graduate in Mechanical Engineering, he also holds a Master of Business Administration from the University of Hull, United Kingdom. He has extensive experience in the field of workshop management, solid waste management, ready mixed concrete and lime products, quarrying and general management. Prior to his appointment as the Chief Operating Officer of the Company, he was the Managing Director of Lime & Lime Products Sdn Bhd, a 100 % owned subsidiary of Megafirst Corporation Berhad and also the Executive Director of Rock Chemicals Industries Berhad. He is now the Group Managing Director of Minetech Resources Berhad.

He sits on the ESOS Committee.

Mr. Lee has a direct shareholding of 20,000 ordinary shares of RM1/- each in the Company as at 29 April 2005. He does not have any equity holdings in its subsidiaries.

Mr. Lee does not have any family relationship with any directors and/or major shareholders of the Company. He does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

MDM. LOH POH IM - Non-Independent Non-Executive Director

Mdm. Loh Poh Im, Malaysian, aged 39, was appointed to the Board on 1 December 2001. She was also the Group Financial Controller of the Company until 30 April 2005. She graduated from the University of Malaya with an honours degree in Accountancy and subsequently qualified as a Chartered Accountant. She is a member of the Malaysian Institute of Accountants since 1993. She has extensive accounting and financial experience especially in the manufacturing sector. She has previously worked as a Senior Accountant and Accountant in a multi national company as well as a public listed group before joining the Company as an Accounts Manager in 1996.

She sits on the Audit Committee and ESOS Committee.

Mdm. Loh has a direct shareholding of 5,000 ordinary shares of RM1/- each in the Company as at 29 April 2005. She does not have any equity holdings in its subsidiaries.

Mdm. Loh does not have any family relationship with any directors and/or major shareholders of the Company. She does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

ENCIK MOHAMED HARMY BIN TAN SRI DATO' YUSOFF - Independent Non-Executive Director

Encik Mohamed Harmy bin Tan Sri Dato' Yusoff, Malaysian, aged 40, was appointed to the Board on 16 August 2004. He is an alumnus of The Malay College Kuala Kangsar. He is a member of The Institute of Financial Services (United Kingdom) and was attached to AmMerchant Bank Berhad from 1989 to 1993. Encik Mohamed Harmy subsequently pursued a career in the law and qualified himself to be admitted to practice as a Barrister & Solicitor of the Supreme Court of Queensland, Australia. He is a practicing Advocate & Solicitor of the High Court of Malaya since 1997 and is currently practising at the chambers of Messrs. Soo Thien Ming & Nashrah at Kuala Lumpur. His area of practice includes Banking & Financial Industry Law and Corporate & Commercial Law.

Encik Mohamed Harmy Bin Tan Sri Dato' Yusoff sits on the Audit Committee, Nomination Committee and Remuneration Committee.

He is the son of Tan Sri Dato' Mohamed Yusoff Bin Mohamed, a Director of the Company.

He does not have any interest in the securities of the Company or its subsidiaries. He does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

During the financial year ended 31 December 2004, a total of four (4) Directors' Meetings were held. The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	4 of 4
Lee Thye @ Lee Chooi Yoke	4 of 4
Soo Chung Yee	2 of 2*
Tan Sri Dato' Mohamed Yusoff bin Mohamed	2 of 4
Raja Zainal Abidin bin Raja Hussin	3 of 4
Soo Suat Swon	3 of 4
Lee Kah Keng @ Lee Kah Heng	3 of 4
Loh Poh Im	4 of 4
Mohamed Harmy bin Tan Sri Dato' Yusoff	2 of 2*

* Appointed during the financial year ended 31 December 2004 on 16 August 2004.

Audit Committee Report

1. COMPOSITION OF AUDIT COMMITTEE

Y. M. Raja Zainal Abidin Bin Raja Hussin (Chairman)	Independent Non-Executive Director
Tan Sri Dato' Mohamed Yusoff Bin Mohamed	Independent Non-Executive Director
Loh Poh Im	Non-Independent Non-Executive Director
Mohamed Harmy Bin Tan Sri Dato' Yusoff	Independent Non-Executive Director

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

MEMBERSHIP

1. An Audit Committee shall be appointed by the Directors from among their number (except Alternate Directors) pursuant to a resolution of the Board of Directors which fulfils the following requirements:
 - (a) The Audit Committee must be composed of no fewer than 3 Members;
 - (b) A majority of the Audit Committee must be Independent Directors; and
 - (c) At least one Member of the Audit Committee:
 - (i) Must be a member of the Malaysian Institute of Accountants; or
 - (ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (1) He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - (2) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
2. The Members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.
3. If a Member of the Audit Committee resigns, dies or for any other reason ceases to be a Member with the result that the number of Members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new Members as may be required to make up the minimum of 3 Members.
4. The terms of office and performance of the Audit Committee and each of its Members shall be reviewed by the Board of Directors no less than once every 3 years.

MEETINGS

1. Meetings shall be held not less than 4 times a year.
2. Upon the request of the External Auditor, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditor believes should be brought to the attention of the Directors or Shareholders. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee.
3. The Chairman shall convene a meeting whenever any Member of the Audit Committee requests for a meeting.
4. Written notice of the meeting together with the agenda shall be given to the Members of the Audit Committee and the External Auditor, where applicable.
5. The quorum for a meeting shall be 2 Provided Always that the majority of Members present must be Independent Directors and any decision shall be by a simple majority. The Chairman shall not have a casting vote.

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

MEETINGS (Cont'd)

6. The other Board Members, Accounts Manager, the Head of Internal Audit (if any), any employee of the Company and a representative of the External Auditors may be invited to attend meetings. If necessary, the Audit Committee shall meet with the External Auditors without any Executive Board Member present.
7. The Company Secretary shall be the secretary of the Audit Committee.

AUTHORITY

The Audit Committee is authorised by the Board of Directors to:

- a) Investigate any activity within its terms of reference.
- b) Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- c) Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee shall have direct access to the External Auditor and person(s) carrying out the internal audit procedure or activity (if any) and be able to convene meetings with the External Auditor, excluding the attendance of the Executive Members of the Audit Committee, whenever necessary.

The Audit Committee shall be empowered to appoint and remove the Internal Auditor.

DUTIES

The duties of the Audit Committee shall be:

1. To recommend the nomination of a person or persons as External Auditors.
2. To review the following and report the same to the Board of Directors:-
 - a. With the External Auditor, the audit plan;
 - b. With the External Auditor, his evaluation of the system of internal controls;
 - c. With the External Auditor, his audit report;
 - d. The assistance given by the employees of the Company to the External Auditor;
 - 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 of Directors, focusing particularly on:-
 - i) Changes in or implementation of major accounting policy changes;
 - ii) Significant and unusual events; and
 - iii) 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 group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - i. Any letter of resignation from the External Auditors of the Company; and
 - j. Whether there is reason (supported by grounds) to believe that the Company's External Auditor is not suitable for re-appointment; and
3. To discuss problems and reservations arising from the interim and final audits, and matters the External Auditor may wish to discuss (in the absence of management where necessary).

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

DUTIES (Cont'd)

4. To keep under review the effectiveness of internal control systems, and in particular review the External Auditor's management letter and management's response.
5. To consider other topics, as agreed to by the Audit Committee and the Board of Directors.

PROCEDURES

Each Audit Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

3. AUDIT COMMITTEE MEETING

During the financial year ended 31 December 2004, four (4) Audit Committee Meetings were held. Details of the attendance of each Committee Member are as follows:-

Name of Audit Committee Member	Attendance
Y. M. Raja Zainal Abidin Bin Raja Hussin (Chairman)	3 of 4
Tan Sri Dato' Mohamed Yusoff Bin Mohamed	3 of 4
Loh Poh Im	4 of 4
Mohamed Harmy Bin Tan Sri Dato' Yusoff	2 of 2*

* Appointed during the financial year ended 31 December 2004 on 16 August 2004.

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the activities of the Audit Committee included the following:

- a. Reviewed and recommended for Board approval the quarterly financial results for public announcement.
- b. Reviewed the related party transactions that had arisen within the Company and Group.
- c. Reviewed and discussed the External Auditors' findings during the course of their year end audit and the management's response.
- d. Reviewed and recommended for Board approval the Group's audited financial year end statement.
- e. Reviewed the audit reports submitted by the Internal Auditor.

5. INTERNAL AUDIT

The Internal Audit Department's main role is to undertake independent and systematic reviews of the processes and guidelines of the Group and report on their application and compliance to the Audit Committee and Board of Directors. They are responsible to report the state of internal control of the various operations within the Group and the extent of compliance with the established policies and procedures and suggest any additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

During the financial year, the Internal Audit Department carried out, inter-alia the following activities:-

- a. Mapping of the current state of procedures and process.
- b. Testing, evaluating and identifying potential areas that lack internal control.
- c. Analysing and assessing certain key operation processes, report findings and make recommendation for improvements.
- d. Reviewing compliance with established policies and procedures, as well as assessing the adequacy and effectiveness of the Group's internal control.
- e. Establishing a feedback mechanism for all operating units to provide feedback in internal controls.
- f. Performing ad-hoc task as requested by the Audit Committee.

Statement of Corporate Governance

BOARD OF DIRECTORS

A. The Board

The Board leads and controls the Group. The Board is bestowed with the duty and responsibility to ensure the interests of the shareholders are protected.

Where appropriate, formal structures and committees are in place to facilitate the Board in carrying out its duties. All Board committees report to the Board.

The Board meets on a regular and scheduled basis, at least 4 times a year.

B. Composition and Board Balance

The Board comprises 9 members to reflect the interests of the major shareholders, management, and minority shareholders.

The Chairman, who is a Non Independent Non Executive Director, heads the Board with 2 Executive Directors, 3 Non Independent Non Executive Directors and 3 Independent Non Executive Directors.

The Directors together bring a wide range of business, financial, industrial and legal experience to lead the Group in the area of business strategies, performance, utilization of resources and standards of conduct.

Generally, the Executive Directors are responsible for carrying out the day to day operational functions while the Non Executive Directors will play the supporting role by contributing their knowledge and experience in the business strategic plans.

Where areas of conflict of interest arise, the Director concerned will have to declare his/her interest and abstain from participating in the decision making process.

The Board also set up an Executive Committee (Exco) in the year 1998 to assist the Board in the management of the operations of the Group.

The Exco is responsible to review the performance of the Group operations and any other pertinent issues pertaining to the performance of the Group.

C. Supply of Information

A Board report is prepared prior to the Board meeting and sufficient notice is given to the Directors to review the papers and agenda for the meeting.

Generally, the Board papers provide information on the operating results, financial, corporate development, minutes of Board Committees, acquisitions and disposals proposals, if any.

In furtherance of the Directors' duties, all members, either as full Board or in their individual capacities, will have access to all information of the Group.

Directors are also free to seek independent advice should the need arise and have direct access to the advice and services of the Company Secretary.

D. Appointments to the Board

In compliance with the Malaysian Code of Corporate Governance on the appointment of Directors, the Board has on 27th November 2001 set up a Nomination Committee to advise the Board on the nomination of new Board members and assess Directors on an ongoing basis.

The Nomination Committee comprises Mr. Soo Thien Ming, Y Bhg Tan Sri Dato' Mohd Yusoff Bin Mohd, Y.M. Raja Zainal Abidin Bin Raja Hussin and Encik Mohamed Harmy Bin Tan Sri Dato' Yusoff. Mr. Soo Thien Ming is the Chairman of the Nomination Committee.

The Committee shall make recommendations to the Board on the appropriate appointments of new Directors and also to fill seats on committees of the Board.

In addition, the Nomination Committee assess the contribution of individual Board members, and the effectiveness of the Board and the committees of the Board.

The duties and responsibilities are spelt out in the Terms of Reference of the Nomination Committee.

E. Re-election

In accordance to the Company's Articles of Association, an election of Directors shall take place each year at an Annual General Meeting and all Directors shall retire from office once at least in every 3 years. In addition, a Director who attains the age over 70 retires at every Annual General Meeting pursuant to the Companies Act, 1965. Directors appointed by the Board are subject to retirement at the next Annual General Meeting held following their appointments in accordance with the Company's Articles of Association. All retiring Directors are eligible for re-election.

DIRECTORS' TRAINING

All Directors of the Company have attended Bursa Malaysia's Mandatory Accreditation Programme. The Directors will continue to attend the Directors' Continuing Education Programme and other relevant training programme from time to time to enhance their skills and knowledge.

DIRECTORS' REMUNERATION

The Board set up the Remuneration Committee on 27th November 2001 to review the policy and make recommendations to the Board on the remuneration package and benefits annually as accorded to the Executive Directors. The Executive Directors shall not participate in the decision makings relating to their own remunerations.

The members of the Remuneration Committee comprises Mr. Soo Thien Ming, Y.M. Raja Zainal Abidin Bin Hussin, Miss Soo Suat Swon and Encik Mohamed Harmy Bin Tan Sri Dato' Yusoff. Mr. Soo Thien Ming is the Chairman of the Committee.

Fees payable to the Directors are recommended by the Board with the approval from shareholders at the Annual General Meeting.

Generally, the remuneration package will be structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully, whereas the remuneration package for the Non Executive Directors will hinge on their contribution to the Group in terms of their knowledge and experience.

The breakdown of the Directors' remuneration including the estimated monetary value of benefit in kind for the financial year under review is disclosed in Note 22 to the financial statements.

SHAREHOLDERS

Dialogue between the Group and Investors

The Group recognizes the importance of accountability to the shareholders and as such convey information on the Group's performance, directions, other matters of interest to the shareholders by way of annual reports, relevant circulars and the issuance of press releases.

Annual General Meeting

Annual General Meeting is used as a primary mode of communication to report on the Group's performance. Notice of Annual General Meeting is issued 21 days before the date of meeting.

At the Annual General Meeting, shareholders are encouraged to raise any questions pertaining to any issues regarding the Group.

The Chairman, assisted by the Directors are available to answer any queries and discuss matters pertaining to the business activities of the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly announcements, the Directors take steps to ensure a clear, balanced and understandable assessment of the Group's positions and prospects.

The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out on page 66 of this Annual Report.

Internal controls

The Board recognizes its responsibilities to maintain a sound system of internal controls to safeguard shareholders investment and Group's assets.

The review of the system of internal control is set out in the Statement of Internal Control on page 16 of this Annual Report.

Audit Committee / Relationship with Auditors

The Audit Committee works closely with the external auditors and maintains a transparent professional relationship with them.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 10 to 12 of this Annual Report.

Employee Share Option Scheme ("ESOS") Committee

The ESOS Committee was formed in 2004 in accordance with the Bye-Laws to administer the Company's ESOS.

The ESOS Committee comprises Mr. Soo Thien Ming, Mr. Lee Kah Keng, Mdm. Lee Thye and Mdm. Loh Poh Im. Mr. Soo Thien Ming is the Chairman of the ESOS Committee.

The ESOS Committee may, at its sole and absolute discretion at any time during the duration of the ESOS, make offers to selected eligible employees based on the criteria for allotment as set forth in the Bye-Laws. The ESOS Committee must ensure that the allocation of options is verified by the Audit Committee.



Statement of Internal Control

BOARD RESPONSIBILITY

The Board of Directors recognizes its overall responsibility for maintaining the Group's system of Internal Control and risk management to safeguard shareholders' investment and the Company's assets, as well as for reviewing the adequacy and integrity of the internal control system. Due to limitations inherent in any system of internal control, it is important to note that the system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board also recognizes that risk management should be an integral part of the Group culture and is a continuous on going process of identifying, evaluating, minimizing and managing of risk. The management is responsible for creating risk awareness culture and to build the necessary environment for effective risk management. In addition, the Heads of Department are responsible for managing the risk of their department on a day to day basis. Significant issues related to internal controls and risk management are highlighted to the Board. If deemed necessary, assistance from external parties shall be consulted on issues in which the Board needs to seek an opinion.

KEY ELEMENTS OF INTERNAL CONTROLS

Key elements of the Group's internal controls that have been in place include the following:

1. The Group has a well defined organization structure with clear lines of reporting, responsibilities and level of authority.
2. There are clear definition of authorization procedure for major operating functions including purchases, capital expenditures, payment, credit control and stock control. Authority of the Directors is required for key treasury matters including loan and trade financing, cheque signatories and opening of bank accounts.
3. There is a budgeting and business planning process each year to establish plans and targets for each operating units. The performance of each operating unit is monitored through monthly reports.
4. The Group's management team meets regularly to review the monthly report, monitors the business development, discusses and resolves key operational and management issues and reviews the financial performance against the business plan and budget for each operating units within the Group.

The senior management also regularly highlights the significant issues and changes in the business, major policy matters, external environment affecting the Group and financial performance of each operating unit to the Executive Committee.

5. The Audit Committee reviews the quarterly financial results and yearly audited financial statements prior to the approval by the Board of Directors.
6. The Audit Committee also reviews the internal audit functions, internal audit reports and monitors the status of the implementation of corrective actions to address internal control weaknesses.
7. In addition to the internal controls, the Board of Directors and management have ensured that safety and health regulations have been considered and complied with.
8. The Company was accredited ISO 9002 since 1996 and upgraded to MS ISO9001 2000 quality management systems since year 2002. Documented internal procedures and standard operating procedures have been put in place and surveillance audits are conducted by the assessors of the ISO certification body to ensure that the system is adequately implemented.
9. Strong emphasis is also given to food safety. The Company was accredited the Hazard Analysis Critical Control Point (HACCP) system certification since year 2000 and upgraded to Integrated Quality Management & HACCP System certificate since 2002. Good Manufacturing Practice is documented and practiced to ensure food safety.
10. In ensuring each operating unit is functioning efficiently, much emphasis is placed on personnel employed. The professionalism and competence of the staff are maintained through a structural recruitment process, performance appraisal system and wide variety of training and development programs.

The statement is made in accordance with a resolution of the Board of Directors.

Directors' Responsibility Statement and Other Information

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.27(a) of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the financial year end and of the results and cashflows of the Company and of the Group for the financial year then ended.

The Directors consider that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2004 as set out herein on pages 28 to 65 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

OTHER INFORMATION

Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory bodies during the financial year.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders.

Revaluation Policy on Landed Properties

Landed properties at valuation are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued properties materially differ from the market values.

Non-Audit Fees

There were no non-audit fees paid to the Auditors, Messrs. Monteiro & Heng, during the financial year.

Utilisation of Proceeds

The total gross proceeds of RM23.8 million arising from the Rights Issue with warrants implemented by the Company during the financial year has been utilized for the following:

	Intended RM'000	Actual RM'000
Repayment of Bank Borrowing	20,000	20,000
Expenses for the Rights Issues with warrants	1,150	1,114
Working Capital	2,664	2,700
	23,814	23,814

The Employee Share Option Scheme (ESOS) was implemented on 6 May 2004 and the proceeds raised was utilised as working capital.

OTHER INFORMATION (Cont'd)

Share Buy-Backs

The Company did not make any share buy-back during the financial year.

Options and Warrants

During the financial year, the Company issued 19,845,000 free detachable warrants ("Warrants") at an exercise price of RM1.74 arising from the implementation of the abovementioned Rights Issue with warrants. None of the Warrants was exercised during the financial year.

A total of 352,400 new ordinary shares of RM1/- each were issued pursuant to the exercise of the abovementioned ESOS at an issue price of RM1.3138 per share during the financial year.

American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year.

Variation in Results

A significant variation in the results arose mainly from the adjustment made subsequent to the announcement of the unaudited results for the fourth financial quarter ended 31 December 2004, for impairment loss provided on properties amounting to RM1,807,000/-. The said sum which was taken as a prior year adjustment in the quarterly announcement has subsequently been taken in the audited financial statements year ended 31 December 2004. The reconciliation of the variation is as follows:-

	31 December 2004 RM'000	31 December 2003 RM'000
Loss after tax and minority interest as per the fourth quarter financial announcement (Unaudited)	(9,057)	(3,733)
Adjustment made subsequent to the fourth quarter financial announcement:		
Re-instatement of impairment loss provided on properties now taken in the current year instead of prior year	(1,807)	1,807
Loss after tax and minority interest as per the Audited financial statements	(10,864)	(1,926)

The above variation in results was announced through Bursa Malaysia on 29 April 2005.

Profit Guarantee

The Company did not make any arrangement during the financial year which requires profit guarantee.

Recurrent Related Party Transaction of a Revenue Nature

There was no recurrent related party transaction of a revenue nature which requires Shareholders' mandate during the financial year.

Dear Shareholders,

On behalf of the Board of Directors of Hwa Tai Industries Berhad, I am pleased to present the Thirtieth Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2004.

BUSINESS ENVIRONMENT

The growing competition and escalating commodity prices continued to create a challenging environment for the Fast Moving Consumer Goods industry. Changing consumers' needs has been evolving rapidly towards a more sophisticated and demanding market which requires constant attention on all aspect of products development.

However, with the sustainable economy both local and global in 2004, consumers' spending had been encouraging and had helped the Group to maintain its overall performance for the financial year ended 31 December 2004.

FINANCIAL REVIEW

In the year ended 2004, the Group has managed to maintain its revenue at RM92.0 million which is comparable to 2003.

However, the Group's loss before tax increased from RM3.8 million recorded in previous year to RM10.9 million mainly due to one-off provisions in respect of the impairment loss on properties together with goodwill on consolidation totalling RM4.7 million. Escalating raw materials and fuel costs further impact negatively on the Group's results.

At Company level, revenue for the year 2004 increased to RM54.2 million as compared to RM52.9 million in 2003. However, the higher costs of operation eroded the operating profit of the Company in 2004 to RM0.2 million as compared to RM0.8 million in 2003.

The Group's net loss per share in 2004 was higher at 27 sen in comparison to 15 sen in 2003 while the Group's net tangible asset per share in 2004 was RM0.82 compared to RM1.31 in 2003.

CORPORATE DEVELOPMENTS AND ACHIEVEMENTS

The Company successfully implemented and completed a Rights Issue with Warrants in June 2004 where 26,460,000 new ordinary shares of RM1.00 each and 19,845,000 free detachable warrants were issued. In addition, the Company also implemented an Employee Share Option Scheme ("ESOS") in May 2004 and since then, a total of 352,400 new ordinary shares of RM1.00 each were issued pursuant to the exercise of the ESOS. The issuance of these new shares has raised the issued and paid-up share capital of the Company to RM40,042,400/-. With the increase in capital, the Company had complied with the Securities Commission's ("SC") regulation for a minimum issued and paid-up share capital of RM40.0 million for second board companies. Funds raised from these corporate exercises helped in lowering the Group's high financial gearing.

The Company obtained the approval from the Shareholders at an Extraordinary General Meeting held in December 2004 to expand the eligibility criteria of the ESOS to include non-executive directors and to increase the maximum number of new shares that may be allotted pursuant to the ESOS to be not more than 15% of the issued and paid-up share capital (Previously: 10%).

In February 2005, the Company announced its proposal to undertake a private placement of new shares of up to 10% of the issued and paid-up share capital of the Company. An application had been submitted to the SC in April 2005 and pending approval. The Proposed Private Placement will enable the Company to lower its borrowing cost and to finance its working capital requirement in an expeditious manner.

Due to Hwa Tai Industries Berhad's endless effort and determination in using innovation and creativity to promote and develop its brand in both domestic and global market, the Company had been honoured with the National Creativity & Innovation Award 2004 by the Malaysia Design Technology Centre.

OUTLOOK AND FUTURE PROSPECTS

As reported in the Malaysian Economic Report 2004/2005 that Malaysian economy in 2005 shall remain to be influenced by external elements, however with strong fundamentals the economy shall have a stable positive growth. External elements have continuously exert pressure indirectly resulting to higher costs for basic raw materials, packaging materials and fuel thus creating a challenging environment for the food industry. Globalisation has opened up Malaysian market to foreign competition leading towards stiffer price competition in the industry.

However, I believe that the Group, despite under such circumstances, is in good position to improve in its performance in the financial year 2005, through a strong and committed Management, strategic and innovative branding and customers focus marketing and sales activities.

ACKNOWLEDGEMENT

On behalf of the Board and Management of Hwa Tai Industries Berhad, I wish to extend our gratitude to our valued customers for their continued patronage; our suppliers, distributors, bankers, business associates and regulatory authorities for their invaluable support; and our Shareholders for the confidence placed in the Company.

I also wish to extend a warm welcome to Mr. Wong Chee Kheen, who has recently joined the Group in May 2005 as Chief Operating Officer. I am confident that with his leadership and expertise, he will steer the Group to the road of recovery.

Lastly, the Board would like to put on record its appreciation to the Management and staff of the Group for their continued commitment and contributions.

SOO THIEN MING @ SOO THIEN SEE

Chairman

2 June 2005

Directors' Report

For the Year Ended 31st December 2004

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Loss after taxation	(10,889,419)	(4,567,278)
Minority interest	25,248	–
Net loss for the year	(10,864,171)	(4,567,278)

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividend in respect of the financial year ended 31st December 2004.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than as disclosed in Note 29 to the financial statements.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM13,230,000/- to RM40,042,400/- by the following issues:

- (i) Renounceable two-call rights issue of 26,460,000 new ordinary shares of RM1/- each ("Rights Shares") together with 19,845,000 free detachable warrants ("Warrants") at an issue price of RM1/- per Rights Share (of which the first call of RM0.90 was paid in cash on application and the second call of RM0.10 was wholly capitalised from the Company's unappropriated profit account) on the basis of four (4) Rights Shares together with three (3) Warrants for every two (2) existing shares held.
- (ii) 352,400 new ordinary shares of RM1/- each pursuant to the exercise of the Employees' Share Option Scheme ("ESOS") at an issue price of RM1.3138 per share.

The purposes of the issues are for the repayment of bank borrowings and additional working capital.

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

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 16th February 2004 and subsequently amended at an Extraordinary General Meeting held on 13th December 2004 and shall be in force for a period of five (5) years from the date of implementation on 6th May 2004, with an option to renew for a further period of up to five (5) years.

The main features of the ESOS are as follows:-

- (a) The maximum number of new ordinary shares in the Company which may be made available under the share options ("Options") granted pursuant to the ESOS shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time during the duration of the ESOS, or such percentage of the issued and paid-up share capital of the Company as may be permitted by the authorities from time to time during the duration of the ESOS. The Company will for the duration of the ESOS make available sufficient number of unissued shares in the authorised share capital of the Company to satisfy all outstanding Options which may be exercisable from time to time throughout the duration of the ESOS.
- (b) An Eligible Employee is any Director or employee of the Company or its subsidiaries ("the Group") who at the date of offer:-
 - (i) has attained at least eighteen (18) years of age;
 - (ii) is not an employee on probation nor an employee on a fixed term contract of less than two (2) years' duration, whether renewable or not;
 - (iii) in the case of the Director or employee of a corporation which is acquired by the Group during the duration of the ESOS and such corporation becomes a subsidiary of the Company upon completion of such acquisition, the Director or employee must not be an employee on probation nor an employee on a fixed term contract of less than two (2) years' duration, whether renewable or not, following the date that such corporation becomes or is deemed to be a subsidiary of the Company;
 - (iv) is not a participant of any other employees share option scheme implemented by any other corporation within the Group and which is in force for the time being;
 - (v) the Executive Director or employee has attained the mandatory retirement age of fifty five (55) years old and has served for a continuous period of at least one (1) year in any corporation in the Group prior to attaining the said mandatory retirement age, and has been subsequently offered continued employment with such corporation for a minimum period of one (1) year and at the time of consideration for the offer, he continues to be so employed.

No Eligible Employee of the Group shall participate at any time in more than one (1) employees share option scheme implemented by any corporation within the Group.

- (c) Basis of allotment and maximum allowable allotment to eligible employees:-
 - (i) The aggregate number of Options to be offered to any Eligible Employee in accordance with the ESOS shall be determined at the discretion of the ESOS Committee, subject to the maximum allowable limits for the category corresponding to his/her position.
 - (ii) Subject always to the directive, policies, instructions and guidelines of the relevant authorities and all applicable laws, not more than fifty percent (50%) of the Options available under the ESOS shall be allocated in aggregate to Directors and senior management of the Group but not more than ten percent (10%) of the Options available under the ESOS shall be allocated to any individual Eligible Employee of the Group who either singly or collectively through persons connected with the Eligible Employee holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.
 - (iii) In the event that an Eligible Employee is promoted, the maximum allowable limit applicable to such Eligible Employee shall, upon such promotion, be the maximum allowable limit for the category corresponding to his/her new grade.
 - (iv) Notwithstanding the above, the number of Options to be offered to each Eligible Employee shall be at the sole and absolute discretion of the ESOS Committee, subject to each Eligible Employee's maximum allowable limit. In exercising its discretion in considering the number of Options to be offered, the ESOS Committee shall take into consideration (inter alia) the seniority, position, performance and length of service of each Eligible Employee. The decision of the ESOS Committee shall be final and binding.

EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

- (d) The price at which a grantee is entitled to subscribe for each new share shall be based on the weighted average market price of the ordinary shares of the Company as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the offer date, subject to a discount of not more than ten percent (10%) or at the par value of the shares, whichever is higher.
- (e) The Options granted to a grantee under the ESOS is, subject to the provisions of Bye-Law 17 (Termination and/or Suspension of Exercise of Options), exercisable only by that grantee during his/her lifetime and whilst he/she is in the employment of the Group and within the option period.

Upon acceptance of an offer, the grantee may during the option period exercise the Options, during normal business hours on a market day in such manner and subject to such conditions as are stipulated in the offer letter, provided always that the exercise of the Options shall be subject to the following limits, save as otherwise expressly provided:-

Number of Option Shares Granted	Maximum Percentage of Option Shares Exercisable by the Selected Eligible Employee within each particular year of the Option Period*		
	Year 1	Year 2	Year 3 onwards
Below 20,000	100%	–	–
20,000 and above	60%**	80%	100%

* Cumulative

** 60% or 20,000 Option Shares, whichever is the higher

Options exercisable in a particular year but not exercised may be carried forward to the subsequent years provided that no Options shall be exercised beyond the last day of the option period. Any Options that remain unexercised at the expiry of the option period shall automatically lapse and be null and void and be of no further force and effect.

- (f) The new shares to be allotted and issued upon any exercise of an Option shall upon such allotment and issuance rank pari passu in all respects with the then existing issued and fully paid-up share capital of the Company, save and except that they will not be entitled to any dividend rights, allotments and/or other distributions, declared, made or paid to shareholders the entitlement date of which precedes the relevant date of allotment of the new shares and will be subject to all the provisions of the Articles of Association of the Company relating to voting, transfer, transmission and otherwise of the shares.

The summary movement in the options exercisable by the Eligible Employees during the financial year to take up unissued ordinary shares of RM1/- each at the option price of RM1.3138 per share were as follows:-

Total Option Granted	Options Exercisable (including Directors) Over Ordinary Shares of RM1/- each			
	Exercisable At 2.6.2004	Exercised	Lapsed	Exercisable At 31.12.2004
3,222,000	2,514,000	352,400	427,000	1,734,600

EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

On 18th April 2005, the Company had been granted an exemption by the Companies Commission of Malaysia from having to disclose the details of options holders who have been granted options in aggregate of less than 80,000 options. The details of the option holders in aggregate of 80,000 and above are set out below:-

Options Exercisable (including Directors) Over Ordinary Shares of RM1/- each					
	Total Option Granted	Exercisable At 2.6.2004	Exercised	Lapsed	Exercisable At 31.12.2004
Lee Thye @ Lee Chooi Yoke	350,000	310,000	310,000	–	–
Lee Kah Keng @ Lee Kah Heng	350,000	210,000	20,000	190,000	–
Loh Poh Im	350,000	210,000	5,000	–	205,000
Tai Chee Moi	100,000	60,000	–	–	60,000
Yap Ket Loong	80,000	48,000	–	–	48,000
Chia Seor Boay	80,000	48,000	1,000	–	47,000
Foong Chee Kwong	80,000	48,000	–	–	48,000
Tan Boon Kok	80,000	48,000	–	–	48,000

DIRECTORS

The directors in office since the date of the last report are:-

Soo Thien Ming @ Soo Thien See	
Lee Thye @ Lee Chooi Yoke	
Loh Poh Im	
Y.M. Raja Zainal Abidin Bin Raja Hussin	
Soo Suat Swon	
Lee Kah Keng @ Lee Kah Heng	
Tan Sri Dato' Mohamed Yusoff Bin Mohamed	
Soo Chung Yee	appointed on 16.8.2004
Mohamed Harmy Bin Tan Sri Dato' Yusoff	appointed on 16.8.2004

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of those directors who held office at the end of the financial year in shares, warrants and options in the Company during the financial year are as follows:-

Number of ordinary shares of RM1/- each				
	At 1.1.2004 or date of appointment	Bought	Sold/ Ceased	At 31.12.2004
Soo Thien Ming @ Soo Thien See				
- direct	849,730	5,074,197	–	5,923,927
- indirect	421,000	–	421,000	–
Lee Thye @ Lee Chooi Yoke				
- direct	–	310,000	–	310,000
- indirect	1,133,000	–	1,133,000	–

DIRECTORS' INTERESTS (Cont'd)

According to the Register of Directors' Shareholdings, the interests of those directors who held office at the end of the financial year in shares, warrants and options in the Company during the financial year are as follows:- (Cont'd)

	Number of ordinary shares of RM1/- each			
	At 1.1.2004 or date of appointment	Bought	Sold/ Ceased	At 31.12.2004
Soo Suat Swon - indirect	40,000	80,000	–	120,000
Y.M. Raja Zainal Abidin Bin Raja Hussin - direct	28,000	61,000	–	89,000
Lee Kah Keng @ Lee Kah Heng - direct	–	20,000	–	20,000
Loh Poh Im - direct	–	5,000	–	5,000

	Number of warrants for shares of RM1/- each, exercisable at RM1.74 per share			
	At 1.1.2004	Offered/ Bought	Exercised/ Sold	At 31.12.2004
Soo Thien Ming @ Soo Thien See - direct	–	2,977,123	–	2,977,123
Y.M. Raja Zainal Abidin Bin Raja Hussin - direct	–	45,750	–	45,750
Soo Suat Swon - indirect	–	60,000	–	60,000

	Options Exercisable Over Ordinary Shares of RM1/- each				
	Total Option Granted	Exercisable At 2.6.2004	Exercised	Exercisable At 31.12.2004	
Lee Thye @ Lee Chooi Yoke	350,000	310,000	310,000	–	–
Lee Kah Keng @ Lee Kah Heng	350,000	210,000	20,000	190,000	–
Loh Poh Im	350,000	210,000	5,000	–	205,000

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed 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 the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate apart from the Directors' entitlements to subscribe for new ordinary shares in the Company under the ESOS of the Company.

AUDITORS

The auditors, Messrs Monteiro & Heng, have expressed their willingness to continue in office.

On behalf of the Board,

SOO THIEN MING @ SOO THIEN SEE

Director

LEE THYE @ LEE CHOOI YOKE

Director

Kuala Lumpur

28 April 2005

Balance Sheets

As at 31st December 2004

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
PROPERTY, PLANT AND EQUIPMENT	3	40,860,195	45,898,316	30,399,960	33,986,588
INVESTMENT IN SUBSIDIARY COMPANIES	4	–	–	6,587,074	8,864,226
AMOUNT OWING BY A SUBSIDIARY COMPANY	5	–	–	872,127	1,056,182
CURRENT ASSETS					
Inventories	6	11,380,252	10,657,139	4,208,217	3,549,384
Amount due from customers for construction contracts	7	1,297,726	1,297,726	–	–
Trade and sundry receivables	8	28,297,619	27,624,762	8,304,989	7,228,091
Tax recoverable		463,911	487,443	429,267	445,836
Amounts owing by subsidiary companies	5	–	–	24,553,791	17,563,809
Fixed deposits placed with a licensed bank		103,710	222,712	–	122,712
Cash and bank balances		916,697	1,780,876	104,197	265,817
		42,459,915	42,070,658	37,600,461	29,175,649
Less:					
CURRENT LIABILITIES					
Provisions	9	360,337	829,122	125,000	135,794
Trade and sundry payables	10	19,689,250	23,770,768	12,937,490	15,464,121
Amounts owing to subsidiary companies	11	–	–	399,763	1,263,660
Hire purchase liabilities	12	1,027,077	1,341,977	738,434	1,029,071
Short term borrowings	13	21,930,171	25,688,890	17,018,171	20,020,890
Term loans due within one year	19	987,868	1,978,742	–	990,874
Provision for taxation		1,232,546	1,232,546	–	–
Bank overdrafts	14	2,100,821	5,671,098	2,100,821	5,215,304
		47,328,070	60,513,143	33,319,679	44,119,714
NET CURRENT (LIABILITIES)/ASSETS		(4,868,155)	(18,442,485)	4,280,782	(14,944,065)
GOODWILL ON CONSOLIDATION	15	23,542	2,300,694	–	–
		36,015,582	29,756,525	42,139,943	28,962,931
Financed by:					
SHARE CAPITAL	16	40,042,400	13,230,000	40,042,400	13,230,000
CAPITAL RESERVE	17	7,664	7,664	7,664	7,664
UNAPPROPRIATED (LOSS)/PROFIT	18	(7,070,098)	6,440,073	1,674,590	8,887,868
SHAREHOLDERS' FUNDS		32,979,966	19,677,737	41,724,654	22,125,532
MINORITY INTEREST		–	25,248	–	–
LONG TERM LIABILITIES	19	2,142,429	8,718,397	–	5,845,433
HIRE PURCHASE LIABILITIES	12	875,937	1,313,496	415,289	991,966
DEFERRED TAXATION	20	17,250	21,647	–	–
		36,015,582	29,756,525	42,139,943	28,962,931

The accompanying notes form an integral part of these financial statements.

Income Statements

For the Year Ended 31st December 2004

	Note	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
REVENUE	21	92,077,119	92,649,087	54,226,408	52,900,460
Cost of sales		(76,256,577)	(76,697,056)	(46,515,595)	(44,905,796)
GROSS PROFIT		15,820,542	15,952,031	7,710,813	7,994,664
Other operating income		895,205	815,772	1,250,773	652,969
Selling and distribution expenses		(6,208,789)	(6,692,087)	(4,169,572)	(4,590,576)
Administrative expenses		(13,615,422)	(10,337,414)	(4,607,076)	(3,282,587)
OPERATING (LOSS)/PROFIT	22	(3,108,464)	(261,698)	184,938	774,470
Finance costs	23	(2,110,955)	(2,898,253)	(1,475,102)	(2,090,469)
Loss from investing activities	24	(4,674,435)	(654,839)	(2,277,152)	(654,839)
Corporate exercise expenses	25	(999,962)	–	(999,962)	–
LOSS BEFORE TAXATION		(10,893,816)	(3,814,790)	(4,567,278)	(1,970,838)
Taxation	26	4,397	1,764,896	–	1,654,520
LOSS AFTER TAXATION		(10,889,419)	(2,049,894)	(4,567,278)	(316,318)
Minority interest		25,248	123,680	–	–
NET LOSS FOR THE YEAR		(10,864,171)	(1,926,214)	(4,567,278)	(316,318)
Earnings per ordinary shares (sen)					
Basic	27	(27)	(15)		
Fully diluted	27	–	–		

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

For the Year Ended 31st December 2004

	Share Capital RM	Capital Reserve RM	Share Premium RM	Unappropriated (Loss)/Profit RM	Total RM
GROUP					
Balance at 1st January 2003	13,230,000	7,664	–	8,366,287	21,603,951
Net loss for the year	–	–	–	(1,926,214)	(1,926,214)
Balance at 31st December 2003	13,230,000	7,664	–	6,440,073	19,677,737
Issuance of shares					
- Two-call rights issue	26,460,000	–	–	(2,646,000)	23,814,000
- pursuant to ESOS	352,400	–	110,583	–	462,983
Shares issue expenses	–	–	(110,583)	–	(110,583)
Net loss for the year	–	–	–	(10,864,171)	(10,864,171)
Balance at 31st December 2004	26,812,400	–	–	(13,510,171)	13,302,229
COMPANY					
Balance at 1st January 2003	13,230,000	7,664	–	9,204,186	22,441,850
Net loss for the year	–	–	–	(316,318)	(316,318)
Balance at 31st December 2003	13,230,000	7,664	–	8,887,868	22,125,532
Issuance of shares					
- Two-call rights issue	26,460,000	–	–	(2,646,000)	23,814,000
- pursuant to ESOS	352,400	–	110,583	–	462,983
Shares issue expenses	–	–	(110,583)	–	(110,583)
Net loss for the year	–	–	–	(4,567,278)	(4,567,278)
Balance at 31st December 2004	40,042,400	7,664	–	1,674,590	41,724,654

The accompanying notes form an integral part of these financial statements.

Cash Flow Statements

For the Year Ended 31st December 2004

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOW FROM OPERATING ACTIVITIES:				
Loss before taxation	(10,893,816)	(3,814,790)	(4,567,278)	(1,970,838)
Adjustments for:				
Depreciation	3,546,467	3,622,809	2,815,664	2,698,440
Property, plant and equipment written off	950	4,750	269	4,750
Impairment loss on properties	2,397,283	–	–	–
Interest income	(63,817)	(4,307)	(63,817)	(3,071)
Interest expenses	2,110,955	2,898,253	1,475,102	2,090,469
(Gain)/loss on disposal of property, plant and equipment	(487,725)	(558,206)	(426,924)	6,160
Loss on disposal of quoted investment	–	654,839	–	654,839
Loss on inventories	179,398	–	179,398	–
Allowance for doubtful debts	1,423,405	324,000	55,104	–
Allowance for doubtful debts no longer required	–	(151,330)	(313,996)	(151,330)
Allowance for impairment loss for investment in subsidiary company	–	–	2,277,152	–
Allowance for impairment loss for goodwill on consolidation	2,277,152	–	–	–
Provision for expenses	902,189	1,324,642	155,007	91,586
Allowance for inventories obsolescence	400,000	335,910	–	335,910
Share issues expenses	999,962	–	999,962	–
Operating Profit Before Working Capital Changes	2,792,403	4,636,570	2,585,643	3,756,915
(Increase)/decrease in inventories	(1,302,511)	45,789	(838,231)	(565,188)
Increase in receivables	(2,083,996)	(2,003,205)	(1,132,002)	(39,301)
(Decrease)/increase in payables	(4,081,518)	2,966,333	(2,526,631)	3,260,022
Decrease/(increase) in amount owing by/to subsidiary companies	–	–	(6,222,305)	(5,688,398)
Utilisation of provision of expenses	(1,370,974)	(1,710,146)	(165,801)	(487,460)
Cash (Used In)/Generated From Operations	(6,046,596)	3,935,341	(8,299,327)	236,590
Interest paid	(948,652)	(1,377,271)	(328,544)	(615,468)
Tax paid	(267,804)	(1,088,855)	(262,500)	(208,337)
Tax refund	279,069	762,965	279,069	762,965
Net Cash (Used In)/From Operating Activities	(6,983,983)	2,232,180	(8,611,302)	175,750
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchases of property, plant and equipment *	(534,921)	(446,725)	(487,353)	(341,570)
Proceeds from disposal of quoted investments	–	294,601	–	294,601
Proceeds from sale of property, plant and equipment	664,900	1,346,002	601,851	482,937
Interest received	63,817	4,307	63,817	3,071
Net Cash From Investing Activities	193,796	1,198,185	178,315	439,039

Cash Flow Statements (Cont'd)

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOW FROM FINANCING ACTIVITIES:				
(Decrease)/increase in short term borrowings	(3,758,719)	1,562,336	(3,002,719)	2,935,935
Proceeds from issues of shares	24,276,983	–	24,276,983	–
Payment of shares issue expenses	(1,110,545)	–	(1,110,545)	–
Repayments of term loans	(7,566,842)	(1,835,802)	(6,836,307)	(1,185,777)
Repayment of hire purchase creditors	(1,301,291)	(1,553,134)	(917,716)	(1,019,562)
Interest paid	(1,162,303)	(1,520,982)	(1,146,558)	(1,475,001)
Net Cash From/(Used In) Financing Activities	9,377,283	(3,347,582)	11,263,138	(744,405)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,587,096	82,783	2,830,151	(129,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(3,667,510)	(3,750,293)	(4,826,775)	(4,697,159)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(1,080,414)	(3,667,510)	(1,996,624)	(4,826,775)
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	916,697	1,780,876	104,197	265,817
Fixed deposits	103,710	222,712	–	122,712
Bank overdrafts	(2,100,821)	(5,671,098)	(2,100,821)	(5,215,304)
	(1,080,414)	(3,667,510)	(1,996,624)	(4,826,775)

GROUP

- During the financial year, the Group acquired property, plant and equipment amounting to RM1,083,754/- (2003 : RM1,182,695/-) of which RM582,672/- (2003 : RM824,290/-) were acquired under hire purchase instalment plans. Cash payments amounting to RM33,839/- (2003 : RM88,320/-) were made towards the hire purchase.

COMPANY

- During the financial year, the Company acquired property, plant and equipment amounting to RM537,755/- (2003 : RM1,063,360/-) of which RM55,579/- (2003 : RM804,790/-) were acquired under hire purchase instalment plans. Cash payments amounting to RM5,177/- (2003 : RM83,000/-) were made towards the hire purchase.

Notes to the Financial Statements

1. GENERAL INFORMATION

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

The registered office and principal place of business of the Company are both located at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim.

The number of employees of the Group and of the Company at the end of the financial year were 958 (2003 : 920) and 543 (2003 : 536) respectively.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28th April 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain assets and comply with the provisions of the Companies Act, 1965 and the application accounting standards in Malaysia, unless otherwise indicated in the accounting policies set out below.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year.

The financial statements of the subsidiary companies are consolidated using the acquisition method of accounting, commencing from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

At the date where control is transferred to the Group, the fair values of the subsidiary company's net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation.

The financial statements of the parent and its subsidiary companies are all drawn up to the same reporting date.

Intra group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interest represents the interest of outside members in the operating results and net assets of subsidiary companies.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its assets together with any unamortised balance of goodwill or reserve on consolidation which was not previously recognised in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Goodwill on Consolidation

Goodwill represents the excess of the fair value of purchase consideration of subsidiary and associated companies acquired over the Group's share of the fair values of their identifiable assets and liabilities at the date of acquisition.

The carrying amount of goodwill is reviewed annually and is written down for impairment where it is considered necessary.

(d) Subsidiary Companies

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

Investments in subsidiary companies are stated at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(u).

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(u).

Leasehold properties are amortised over the remaining lease periods ranging from 41 to 99 years. No depreciation is provided on the freehold land as it has infinite useful life. Capital work in progress will be depreciated when the property, plant and equipment are ready for their intended use. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost or valuation of each asset to its residual value over their estimated useful life at the following rates:-

Freehold building	2%
Office equipment, furniture and fittings and vehicles	10% - 20%
Plant and machinery	5% - 10%
Renovation	10%

(f) Revaluation of Assets

Surpluses arising on revaluation are credited to the Revaluation Reserve Account. Any deficit arising from revaluation is charged against the Revaluation Reserve Account to the extent of a previous surplus held in the Revaluation Reserve Account for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

(g) Borrowing Costs

Borrowing costs directly attributable to the acquisition and the construction of plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in first-out basis.

Cost of manufactured finished goods and work-in-progress include direct materials, direct labour and an allocation of manufacturing overheads. Raw materials, packing materials and consumable stores comprise purchase price and carriage costs.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(i) Receivables**

Receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(j) Payables

Payables are stated at cost which is the fair values of the consideration to be paid in the future, whether or not billed to the Group.

(k) Amount Due From/To Customers For Construction Contracts

Amount due from customers for construction contracts is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

Amount due to customers for construction contracts is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(l) Employee benefits***(i) Short term employee benefits***

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees.

(ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Equity compensation benefits

The Company's ESOS allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised when the options are exercised, equity is increased by the amount of the proceeds received.

(m) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(n) Hire Purchase

Assets financed by hire purchase arrangements which transfer substantially all the risks and ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment. Finance charges are charged to the income statements over the period of the respective agreements.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(o) Foreign Currency Translation**

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

The exchange rates ruling at the balance sheet date used are as follows:-

Foreign currencies	2004 RM	2003 RM
1 United States Dollar	3.800	3.800
1 Singapore Dollar	2.050	2.050

(p) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(q) Revenue Recognition

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Interest income and rental income are recognised on an accrual basis.

(r) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segment on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(s) Intersegment Transfers**

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

(t) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provision of the instruments. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(u) Impairment of Assets

At each balance sheet date, the carrying values of assets, other than inventories, deferred tax assets and financial assets, are reviewed for impairment to determine whether there is an indication that the assets might be impaired. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(v) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP 2004	Long Leasehold						Total RM
	Properties RM	Plant and Machinery RM	Office Equipments RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in Progress RM	
Cost (except as stated otherwise)							
At 1st January 2004	19,922,271	35,756,897	4,034,015	804,704	3,480,852	7,220,604	71,219,343
Additions	796	390,543	112,681	13,280	525,311	41,143	1,083,754
Reclassification	-	423,680	700,877	-	-	(1,124,557)	-
Impairment loss	(2,567,283)	-	-	-	-	-	(2,567,283)
Disposals/write-offs	(155,091)	(13,056)	(132,029)	-	(315,654)	-	(615,830)
At 31st December 2004	17,200,693	36,558,064	4,715,544	817,984	3,690,509	6,137,190	69,119,984
Accumulated Depreciation							
At 1st January 2004	3,031,620	17,062,378	2,599,800	495,999	2,060,794	70,436	25,321,027
Charge for the year	288,952	2,271,172	436,316	51,694	427,897	70,436	3,546,467
Reclassification	-	-	-	-	-	-	-
Impairment loss	(170,000)	-	-	-	-	-	(170,000)
Disposals/write-offs	(124,444)	(12,349)	(118,012)	-	(182,900)	-	(437,705)
At 31st December 2004	3,026,128	19,321,201	2,918,104	547,693	2,305,791	140,872	28,259,789
Net Book Value at 31st December 2004	14,174,565	17,236,863	1,797,440	270,291	1,384,718	5,996,318	40,860,195

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

GROUP 2003	Properties RM	Plant and Machinery RM	Office Equipments RM	Furniture and Fittings RM	Motor Vehicles RM	Long Leasehold		Total RM
						Land and Capital Work-in Progress RM		
Cost (except as stated otherwise)								
At 1st January 2003	20,231,521	24,899,178	3,908,452	583,796	5,370,679	17,412,791		72,406,417
Additions	-	64,400	241,670	2,393	-	874,232		1,182,695
Reclassification	-	10,793,319	40,350	232,750	-	(11,066,419)		-
Disposals/write-offs	(309,250)	-	(156,457)	(14,235)	(1,889,827)	-		(2,369,769)
At 31st December 2003	19,922,271	35,756,897	4,034,015	804,704	3,480,852	7,220,604		71,219,343
Accumulated Depreciation								
At 1st January 2003	2,724,766	14,852,598	2,298,459	450,639	2,948,978	-		23,275,440
Charge for the year	321,437	2,209,780	397,065	56,195	567,896	70,436		3,622,809
Reclassification	-	-	-	-	-	-		-
Disposals/write-offs	(14,583)	-	(95,724)	(10,835)	(1,456,080)	-		(1,577,222)
At 31st December 2003	3,031,620	17,062,378	2,599,800	495,999	2,060,794	70,436		25,321,027
Net Book Value at 31st December 2003	16,890,651	18,694,519	1,434,215	308,705	1,420,058	7,150,168		45,898,316

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Properties consists of:-

GROUP 2004	Freehold Land and Buildings RM	Long Leasehold Land and Buildings RM	Short Leasehold Land and Buildings RM	Short Leasehold Land and Buildings (At Valuation) RM	Renovation RM	Total RM
Cost (except as stated otherwise)						
At 1st January 2004	11,111,696	453,897	5,320,607	2,483,176	552,895	19,922,271
Additions	-	-	-	-	796	796
Impairment loss	(2,567,283)	-	-	-	-	(2,567,283)
Disposals	-	-	(155,091)	-	-	(155,091)
At 31st December 2004	8,544,413	453,897	5,165,516	2,483,176	553,691	17,200,693
Accumulated Depreciation						
At 1st January 2004	384,335	34,327	1,274,398	932,902	405,658	3,031,620
Charge for the year	100,594	4,670	103,196	45,394	35,098	288,952
Impairment loss	(170,000)	-	-	-	-	(170,000)
Disposals	-	-	(124,444)	-	-	(124,444)
At 31st December 2004	314,929	38,997	1,253,150	978,296	440,756	3,026,128
Net Book Value at 31st December 2004	8,229,484	414,900	3,912,366	1,504,880	112,935	14,174,565

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Properties consists of:-

GROUP 2003	Freehold Land and Buildings RM	Long Leasehold Land and Buildings RM	Short Leasehold Land and Buildings RM	Short Leasehold Land and Buildings (At Valuation) RM	Renovation RM	Total RM
Cost (except as stated otherwise)						
At 1st January 2003	11,420,946	453,897	5,320,607	2,483,176	552,895	20,231,521
Additions	-	-	-	-	-	-
Disposals	(309,250)	-	-	-	-	(309,250)
At 31st December 2003	11,111,696	453,897	5,320,607	2,483,176	552,895	19,922,271
Accumulated Depreciation						
At 1st January 2003	282,016	29,657	1,168,256	887,349	357,488	2,724,766
Charge for the year	116,902	4,670	106,142	45,553	48,170	321,437
Disposals	(14,583)	-	-	-	-	(14,583)
At 31st December 2003	384,335	34,327	1,274,398	932,902	405,658	3,031,620
Net Book Value at 31st December 2003	10,727,361	419,570	4,046,209	1,550,274	147,237	16,890,651

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY 2004	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in Progress RM	Total RM
Cost (except as stated otherwise)							
At 1st January 2004	14,883,507	33,556,738	2,128,995	483,374	1,347,995	1,092,676	53,493,285
Additions	-	387,255	71,447	11,030	26,880	41,143	537,755
Reclassification	-	423,680	700,877	-	-	(1,124,557)	-
Transfer (to)/from subsidiary companies	665,000	12,400	(42,664)	1,514	-	-	636,250
Adjustments	(1,930,000)	-	-	-	-	-	(1,930,000)
Disposals/write-offs	(155,091)	(11,176)	(87,037)	-	(315,654)	-	(568,958)
At 31st December 2004	13,463,416	34,368,897	2,771,618	495,918	1,059,221	9,262	52,168,332
Accumulated Depreciation							
At 1st January 2004	2,026,355	15,246,543	1,424,444	252,465	556,890	-	19,506,697
Charge for the year	200,105	2,195,921	271,624	29,936	118,078	-	2,815,664
Reclassification	-	-	-	-	-	-	-
Transfer (to)/from subsidiary companies	-	4,636	(42,504)	843	-	-	(37,025)
Adjustments	(123,000)	-	-	-	-	-	(123,000)
Disposals/write-offs	(124,444)	(10,469)	(76,147)	-	(182,904)	-	(393,964)
At 31st December 2004	1,979,016	17,436,631	1,577,417	283,244	492,064	-	21,768,372
Net Book Value at 31st December 2004	11,484,400	16,932,266	1,194,201	212,674	567,157	9,262	30,399,960

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY 2003	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in Progress RM	Total RM
Cost (except as stated otherwise)							
At 1st January 2003	11,242,757	22,711,169	1,996,163	254,887	1,761,498	11,284,863	49,251,337
Additions	-	48,400	140,728	-	-	874,232	1,063,360
Reclassification	-	10,793,319	40,350	232,750	-	(11,066,419)	-
Transfer (to)/from subsidiary companies	3,950,000	3,850	(16,341)	5,572	-	-	3,943,081
Disposals/write-offs	(309,250)	-	(31,905)	(9,835)	(413,503)	-	(764,493)
At 31st December 2003	14,883,507	33,556,738	2,128,995	483,374	1,347,995	1,092,676	53,493,285
Accumulated Depreciation							
At 1st January 2003	1,739,398	13,115,192	1,253,521	233,344	617,656	-	16,959,111
Charge for the year	178,540	2,128,628	204,514	24,630	162,128	-	2,698,440
Reclassification	-	-	-	-	-	-	-
Transfer (to)/from subsidiary companies	123,000	2,723	(10,109)	4,177	-	-	119,791
Disposals/write-offs	(14,583)	-	(23,482)	(9,686)	(222,894)	-	(270,645)
At 31st December 2003	2,026,355	15,246,543	1,424,444	252,465	556,890	-	19,506,697
Net Book Value at 31st December 2003	12,857,152	18,310,195	704,551	230,909	791,105	1,092,676	33,986,588

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY 2004	Freehold Land and Buildings RM	Short Leasehold Land and Buildings RM	Short Leasehold Land and Buildings (At Valuation) RM	Renovation RM	Total RM
Cost (except as stated otherwise)					
At 1st January 2004	8,879,620	3,649,715	2,183,176	170,996	14,883,507
Additions	–	–	–	–	–
Transfer from a subsidiary company	665,000	–	–	–	665,000
Adjustments	(1,930,000)	–	–	–	(1,930,000)
Disposals/write-offs	–	(155,091)	–	–	(155,091)
At 31st December 2004	7,614,620	3,494,624	2,183,176	170,996	13,463,416
Accumulated Depreciation					
At 1st January 2004	276,319	815,124	831,019	103,893	2,026,355
Charge for the year	81,594	69,820	39,734	8,957	200,105
Transfer from a subsidiary company	–	–	–	–	–
Adjustments	(123,000)	–	–	–	(123,000)
Disposals/write-offs	–	(124,444)	–	–	(124,444)
At 31st December 2004	234,913	760,500	870,753	112,850	1,979,016
Net Book Value at 31st December 2004	7,379,707	2,734,124	1,312,423	58,146	11,484,400
2003					
Cost (except as stated otherwise)					
At 1st January 2003	5,238,870	3,649,715	2,183,176	170,996	11,242,757
Additions	–	–	–	–	–
Transfer from a subsidiary company	3,950,000	–	–	–	3,950,000
Disposals/write-offs	(309,250)	–	–	–	(309,250)
At 31st December 2003	8,879,620	3,649,715	2,183,176	170,996	14,883,507
Accumulated Depreciation					
At 1st January 2003	112,000	742,359	791,126	93,913	1,739,398
Charge for the year	55,902	72,765	39,893	9,980	178,540
Transfer from a subsidiary company	123,000	–	–	–	123,000
Disposals/write-offs	(14,583)	–	–	–	(14,583)
At 31st December 2003	276,319	815,124	831,019	103,893	2,026,355
Net Book Value at 31st December 2003	8,603,301	2,834,591	1,352,157	67,103	12,857,152

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- a) The following assets of the Group and of the Company, stated at net book value, have been charged to licensed banks to secure the bank borrowings as stated in Notes 13 and 19 to the financial statements:-

At Net Book Value	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Plant and machinery	3,645,375	8,632,742	3,645,375	8,632,742
Freehold land and buildings	849,777	857,777	–	–
Leasehold land and buildings	378,288	382,538	–	–
Long leasehold land and capital work in-progress	5,987,056	6,057,492	–	–
	10,860,496	15,930,549	3,645,375	8,632,742

- (b) The net book value of property, plant and equipment of the Group and of the Company includes the following property, plant and equipment acquired under hire purchase instalment plans:-

At Net Book Value	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Motor vehicles	1,257,340	1,375,926	535,050	769,090
Plant and machinery	2,308,186	2,302,399	2,203,748	2,181,411
Office equipment	970,950	360,632	906,577	287,932
	4,536,476	4,038,957	3,645,375	3,238,433

- (c) Details of independent professional valuations of property, plant and equipment owned by the Group are as follows:-

	Year of Valuation	Description of Property	Revalued Amount RM	
The Company	1983	Short leasehold land	408,000)
The Company	1983	Short leasehold buildings	1,775,176)
Subsidiary	1985	Short leasehold land	300,000)
			<u>2,483,176</u>	

In April 2002, the above short leasehold land and buildings of the Group were revalued by a firm of professional valuers using the open market value basis. On prudence basis, the directors do not recommend that the revalued amount of RM3,316,463/- which is above the book value of these leasehold properties be incorporated in the financial statements.

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (d) Had the short leasehold properties* been carried at historical cost less accumulated depreciation, the net book values of the short leasehold properties* that would have been included in the financial statements at the end of the year are as follows:-

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Short leasehold land and buildings*	255,306	263,043	255,306	263,043

* Excluding a short leasehold property belonging to a subsidiary company which was revalued at RM300,000/- in 1985. Details of the original cost of the revalued assets are not available due to the lack of historical records.

GROUP

As at balance sheet date, certificates of title to the freehold land and buildings with net book values of RM2,943,337/- (2003 : RM9,737,068-) are in the process of being registered in the name of the Company.

Capital work-in-progress of the Group includes interest expenses incurred during the year of RM Nil (2003 : RM14,457/-).

COMPANY

As at balance sheet date, certificates of title to the freehold land and buildings with net book values of RM2,943,337/- (2003 : RM8,470,785/-) are in the process of being registered in the name of the Company.

Capital work-in-progress of the Company includes interest expenses incurred during the year of RM Nil (2003 : RM14,457/-).

4. INVESTMENT INSUBSIDIARY COMPANIES

	COMPANY	
	2004	2003
	RM	RM
Unquoted shares at cost	9,014,675	9,014,675
Less: Allowance for impairment loss	(2,427,601)	(150,449)
	6,587,074	8,864,226

The following information relates to the subsidiaries which are all incorporated in Malaysia:-

Name of Company	Equity Held		Principal Activities
	2004	2003	
Direct Subsidiaries	%	%	
Epro Industries Sdn. Bhd. ("EISB")	100	100	Property holding
Suria Merah Manufactory (Segamat) Sdn. Bhd. ("SMMS")	100	100	Property holding
Hwa Tai Food Industries (Sabah) Sdn. Bhd. ("HTFIS")	100	100	Biscuit manufacturer
Pan Tai Trading Sdn. Bhd. ("PTT")	100	100	Trading

4. INVESTMENT INSUBSIDIARY COMPANIES (Cont'd)

Name of Company	Equity Held		Principal Activities
	2004 %	2003 %	
Direct Subsidiaries			
Satria Potensi Sdn. Bhd. ("SPSB")	100	100	Contractor
Hwa Tai Manufacturing Sdn. Bhd. ("HTM")	100	100	Dormant
* Acetai Corporation Sdn. Bhd. ("Acetai")	90	90	Trading
* Keris Intan Sdn. Bhd. ("KISB")	100	100	Insurance agency
* Hwa Tai (Sarawak) Sdn. Bhd. ("HTSB")	100	100	Dormant
* Hwa Tai Distribution Sdn. Bhd. ("HTDSB")	100	100	Dormant
* Hwa Tai Services Sdn. Bhd. ("HTSSB")	100	100	Dormant
* Absolute Focus Sdn. Bhd. ("AFSB")	100	100	Dormant
Indirect subsidiaries			
* Anika Bebas Sdn. Bhd. ("ABSB")	100	100	Trading
* Esprit Classic Sdn. Bhd. ("ECSB")	100	100	Trading

* Subsidiaries not audited by Monteiro & Heng

5. AMOUNTS OWING BY SUBSIDIARY COMPANIES

	COMPANY	
	2004 RM	2003 RM
Amounts owing by subsidiary companies	25,625,918	19,133,987
Less: Allowance for doubtful debts	(200,000)	(513,996)
	25,425,918	18,619,991
Portion due within one year	24,553,791	17,563,809
Portion due after one year	872,127	1,056,182
	25,425,918	18,619,991

The amounts owing by subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

6. INVENTORIES

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
At Cost				
Raw materials	903,021	555,264	722,854	417,631
Work-in-progress	244,744	410,093	211,459	378,512
Finished goods	1,139,107	1,157,088	1,228,879	980,063
Packing materials	2,107,612	1,744,317	1,910,400	1,589,330
Consumable stores	134,625	183,844	134,625	183,844
Trading inventories	6,851,143	6,600,567	–	–
Goods in transit	–	5,962	–	–
	11,380,252	10,657,135	4,208,217	3,549,380
At Net Realisable Value				
Raw materials	–	1	–	1
Finished goods	–	1	–	1
Packing materials	–	1	–	1
Consumable stores	–	1	–	1
	11,380,252	10,657,139	4,208,217	3,549,384

In 2003, inventories of the Group and of the Company at net realisable value of RM4/- and RM 4/- respectively were stated after netting of the allowance for inventories obsolescence of RM335,910/- and RM335,910/- respectively.

7. AMOUNT DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

	GROUP	
	2004	2003
	RM	RM
Aggregate costs incurred to date	48,942,554	48,942,554
Recognised profits less recognised losses	21,180,705	21,180,705
	70,123,259	70,123,259
Less: Progress billings	(68,825,533)	(68,825,533)
Amount due from customers for construction contracts	1,297,726	1,297,726
Construction contract costs recognised as contract expenses during the year	–	–

8. TRADE AND SUNDRY RECEIVABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	28,609,249	27,395,769	6,894,349	6,689,756
Less: Allowance for doubtful debts	(4,311,146)	(3,025,510)	(1,396,420)	(1,341,317)
	24,298,103	24,370,259	5,497,929	5,348,439
Sundry receivables	3,195,913	2,407,003	2,349,518	1,324,437
Deposits	203,678	191,346	56,535	52,105
Prepayments	599,925	656,154	401,007	503,110
	28,297,619	27,624,762	8,304,989	7,228,091

The Group and the Company's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-to-case basis.

GROUP AND COMPANY

Included in sundry receivables in 2003 was an amount of RM225,000/- representing balance of the sale consideration in respect of the disposal of a freehold land and building.

9. PROVISIONS

	2004 RM	2003 RM
GROUP		
As at 1st January 2004	829,122	1,214,626
Charged to income statement	902,189	1,324,642
Utilised during the year	(1,370,974)	(1,710,146)
As at 31st December 2004	360,337	829,122
Current	360,337	829,122
COMPANY		
As at 1st January 2004	135,794	531,668
Charged to income statement	155,007	91,586
Utilised during the year	(165,801)	(487,460)
As at 31st December 2004	125,000	135,794
Current	125,000	135,794

A provision has been recognised for based on past experience of the level to be incurred.

10. TRADE AND SUNDRY PAYABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	16,863,316	20,075,696	11,002,176	12,338,846
Sundry payables	1,150,753	1,020,235	678,922	685,533
Accruals	1,659,560	2,659,116	1,256,392	2,439,742
Deposits	15,621	15,721	–	–
	19,689,250	23,770,768	12,937,490	15,464,121

The normal credit term granted to the Group and the Company ranges from 30 to 120 days.

11. AMOUNTS OWING TO SUBSIDIARY COMPANIES

The amounts owing to subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

12. HIRE PURCHASE LIABILITIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Minimum hire purchase payments				
- not later than one year	1,147,765	1,621,068	806,300	1,262,629
- later than one year and not later than five years	949,661	1,249,734	437,754	901,758
	2,097,426	2,870,802	1,244,054	2,164,387
Future interest charges	(194,412)	(215,329)	(90,331)	(143,350)
Present value of hire purchase liabilities	1,903,014	2,655,473	1,153,723	2,021,037
Current				
- not later than one year	1,027,077	1,341,977	738,434	1,029,071
Non-current				
- later than one year and not later than five years	875,937	1,313,496	415,289	991,966
	875,937	1,313,496	415,289	991,966
	1,903,014	2,655,473	1,153,723	2,021,037

13. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2004	2003	2004	2003
	RM	RM	RM	RM
Trade financing facilities	19,930,171	21,688,890	15,018,171	16,020,890
Revolving credits	2,000,000	4,000,000	2,000,000	4,000,000
	21,930,171	25,688,890	17,018,171	20,020,890

GROUP

The trade financing facilities of a subsidiary company are secured over a first legal charge over a piece of long leasehold land of the subsidiary company and corporate guarantees of the Company.

COMPANY

The trade financing facilities and revolving credits of the Company are granted on the undertaking that the Company will not pledge or execute any charges on its assets, other than those assets under hire purchase.

These borrowings bear interest at rates ranging from 3.11% to 4.25 % (2003 : 3.11% to 6.05%) per annum.

14. BANK OVERDRAFTS**GROUP**

The bank overdraft of a subsidiary company is secured over a piece of long leasehold land of the subsidiary company and corporate guarantees of the Company.

COMPANY

The bank overdrafts of the Company are granted on the undertaking that the Company will not pledge or execute any charges on its assets, other than those assets under hire purchase.

The bank overdrafts bear interest at rates ranging from 7.00% to 8.50% (2003 : 7.00% to 8.50%) per annum.

15. GOODWILL ON CONSOLIDATION

	GROUP	
	2004	2003
	RM	RM
Balance as at 1st January	2,300,694	2,300,694
Additions during the year	–	–
Allowance for impairment loss	(2,277,152)	–
Balance as at 31st December	23,542	2,300,694

16. SHARE CAPITAL

	GROUP	
	2004	2003
	RM	RM
Ordinary shares of RM1/- each Authorised	1,000,000,000	1,000,000,000
Issued and fully paid:		
At beginning of the year	13,230,000	13,230,000
Issued during the year pursuant to:		
- ESOS	352,400	-
- two-call rights issue	26,460,000	-
At end of the year	40,042,400	13,230,000

17. CAPITAL RESERVE

	GROUP AND COMPANY	
	2004	2003
	RM	RM
At beginning of the year and end of the year	7,664	7,664
The capital reserve comprises:		
Surplus arising from revaluation of leasehold land and building	1,757,664	1,757,664
Bonus issue in 1983	(1,750,000)	(1,750,000)
	7,664	7,664

The balance of the capital reserve is not distributable by way of dividends.

18. UNAPPROPRIATED PROFIT - DISTRIBUTABLE**COMPANY**

Based on the estimated tax credits available and prevailing tax rate applicable to dividends, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 available for the distribution of its entire unappropriated profit as at 31st December 2004 by way of dividends, subject to the approval of the tax authorities.

19. LONG TERM LIABILITIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Long term loans	3,130,297	10,697,139	–	6,836,307
Portion due within one year	(987,868)	(1,978,742)	–	(990,874)
Portion due after one year	2,142,429	8,718,397	–	5,845,433

GROUP

The term loans of a subsidiary company are secured by the creation of a first legal charge over the subsidiary company's freehold and leasehold land and buildings as stated in Note 3(a) to the financial statements, and are also jointly and severally guaranteed by certain former directors of the subsidiary company. The term loans bear interest at rates ranging from 1.25% to 1.75% (2003 : 1.25% to 1.75%) per annum above the base lending rate of the commercial banks.

COMPANY

The term loans of the Company in 2003 were secured by the following:-

- (a) Negative pledge over all present and future assets of the Company (but excluding those machinery and equipment financed under hire purchase).
- (b) Specific debenture over assets financed by the commercial bank.

The term loans bear interest at rates ranging from 1.25% to 2.5% (2003 : 1.25% to 2.5%) per annum above base lending rate of the commercial banks.

The terms of repayment of the loans are as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Within the next twelve months (included under current liabilities)	987,868	1,978,742	–	990,874
After the next twelve months (included under long term liabilities)				
- not later than two years	987,868	2,067,921	–	1,080,053
- later than two years but not later than five years	1,154,561	5,732,623	–	3,859,168
- later than five years	–	917,853	–	906,212
	2,142,429	8,718,397	–	5,845,433
	3,130,297	10,697,139	–	6,836,307

20. DEFERRED TAXATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Balance at the beginning	21,647	1,615,649	–	1,491,000
Transfer to income statements (Note 26)	(4,397)	(1,594,002)	–	(1,491,000)
Balance at the end	17,250	21,647	–	–
Temporary differences between depreciation and corresponding capital allowances	17,250	21,467	–	–

The tax effect on the surplus arising from the revaluation of certain properties is not provided for in the financial statements as these properties are held for long term purposes and there is no foreseeable intention to dispose of these properties.

Deferred tax assets and liabilities have not been recognised for the following items:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Deferred tax liabilities				
Taxable temporary differences	(43,078)	–	–	–
Deferred tax assets				
Deductible temporary differences	–	582,582	–	–
Unabsorbed capital allowances	3,800,326	–	857,292	–
Unutilised tax losses	5,611,631	8,154,861	–	–
Reinvestment allowance	2,368,456	1,332,780	2,235,966	1,332,780
	11,737,335	10,070,223	3,093,258	1,332,780
	11,694,257	10,070,223	3,093,258	1,332,780

The taxable temporary differences, deductible temporary differences, unabsorbed capital allowances, unutilised tax losses and reinvestment allowance which would give rise to net deferred tax assets do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits.

21. REVENUE

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of trading goods	31,656,707	33,748,001	–	–
Sales of manufactured goods	60,420,412	58,901,086	54,226,408	52,900,460
	92,077,119	92,649,087	54,226,408	52,900,460

22. OPERATING (LOSS)/PROFIT

Operating (loss)/profit has been arrived at:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
After charging:-				
Audit fee				
- current year	101,250	89,650	60,000	48,000
- (over)/underprovision in prior year	(2,510)	(6,400)	2,000	-
Directors' remuneration				
• Directors of the Company				
- fees	70,000	-	70,000	-
- other emoluments	1,344,561	1,198,208	1,344,561	1,198,208
• Directors of subsidiary companies				
- other emoluments				
• current directors	72,600	72,600	-	-
Depreciation	3,546,467	3,622,809	2,815,664	2,698,440
Plant and equipment written off	950	4,750	269	4,750
Hire of vehicles	700,045	547,733	158,784	144,055
Loss on disposal of property, plant and equipment	-	6,160	-	6,160
Loss on inventories	179,398	-	179,398	-
Realised loss on foreign exchange	-	512	-	-
Allowance for doubtful debts	858,001	324,000	-	-
Provision for expenses	902,189	1,324,642	155,007	91,586
Allowance for inventory obsolescence	-	335,910	-	335,910
Rental of premises	332,981	321,997	90,800	84,000
Staff costs:				
- bonus				
• current year	413,084	10	239,122	-
• overprovision in prior year	-	(288,067)	-	(288,067)
- Employees' Providend Fund	993,918	922,010	408,676	371,538
- SOCSO	118,908	115,582	50,660	47,466
- salaries, wages and allowances	8,414,899	7,741,033	3,730,776	3,228,791
- other staff related expenses	429,137	441,303	145,924	149,916
And crediting:-				
Gain on disposal of property, plant and equipment	487,725	564,366	426,924	-
Interest income	63,817	4,307	63,817	3,071
Allowance for doubtful debts no longer required	-	151,330	258,892	151,330
Realised gain on foreign exchange	89,267	97,899	88,823	97,899
Rental income	-	-	64,200	62,450

22. OPERATING (LOSS)/PROFIT (Cont'd)

Details of Directors' remuneration including the estimated monetary value of benefits-in-kind are as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Executive Directors				
Directors' fees	30,000	–	30,000	–
Other emoluments	1,078,737	888,518	1,078,737	888,518
Benefits-in-kind	96,442	20,100	96,442	20,100
	1,205,179	908,618	1,205,179	908,618
Non-Executive Directors				
Directors' fees	40,000	–	40,000	–
Other emoluments	265,824	309,690	265,824	309,690
Benefits-in-kind	600	–	600	–
	306,424	309,690	306,424	309,690
Grand Total				
Directors' fees	70,000	–	70,000	–
Other emoluments	1,344,561	1,198,208	1,344,561	1,198,208
Benefits-in-kind	97,042	20,100	97,042	20,100
	1,511,603	1,218,308	1,511,603	1,218,308

The number of Directors of the Company whose total remuneration fall within the respective ranges, were as follows:-

	Number of Directors			
	2004		2003	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of Remuneration (RM)				
RM0 - RM50,000	–	3	–	2
RM50,001 - RM100,000	1	–	–	1
RM100,001 - RM150,000	–	2	–	–
RM150,001 - RM200,000	–	–	1	1
RM200,001 - RM250,000	1	–	–	–
RM250,001 - RM300,000	–	–	–	–
RM300,001 - RM350,000	1	–	–	–
RM350,001 - RM400,000	–	–	2	–
RM400,001 - RM450,000	–	–	–	–
RM450,001 - RM500,000	1	–	–	–

23. FINANCE COSTS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Interest expenses				
- trade financing facilities	863,994	767,034	579,578	512,745
- bank overdrafts	336,831	619,611	328,544	615,468
- hire purchase	215,161	585,615	139,258	363,500
- term loans	694,969	925,896	427,722	598,756
- others	-	97	-	-
	2,110,955	2,898,253	1,475,102	2,090,469

24. LOSS FROM INVESTING ACTIVITIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Impairment loss on properties	2,397,283	-	-	-
Loss on disposal of quoted investments	-	654,839	-	654,839
Allowance for impairment loss				
- investment in subsidiary company	-	-	2,277,152	-
- goodwill on consolidation	2,277,152	-	-	-
	4,674,435	654,839	2,277,152	654,839

25. CORPORATE EXERCISE EXPENSES

	GROUP AND COMPANY	
	2004 RM	2003 RM
Expenses for capital raising	999,962	-

26. TAXATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Income tax				
- overprovision in previous year	-	170,894	-	163,520
Deferred taxation (Note 20)				
- current year	4,427	1,416,819	-	1,269,617
- (under)/overprovision in previous year	(30)	177,183	-	221,383
	4,397	1,764,896	-	1,654,520

26. TAXATION (Cont'd)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and Company is as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Loss before taxation	(10,893,816)	(3,814,790)	(4,567,278)	(1,970,838)
Tax at the applicable tax rate of 28%	3,050,268	1,068,142	1,278,838	551,835
Tax effects arising from				
- double deduction expenses	8,328	8,392	8,189	8,217
- impairment loss on properties	(671,239)	–	–	–
- non-taxable income	25,557	155,256	25,557	–
- loss on investing activities	(637,603)	(183,355)	(637,603)	(183,355)
- non-deductible expenses	(1,102,620)	(867,412)	(674,981)	(375,228)
- originated/reversal of deferred tax assets not recognised in the financial statements	(678,627)	(32,371)	–	–
- utilisation of unabsorbed losses and capital allowances previously not recognised in the financial statements	10,363	–	–	–
- utilisation of current year's reinvestment allowance	–	1,268,148	–	1,268,148
- (under)/over provision in previous year	(30)	348,077	–	384,903
- other items	–	19	–	–
Tax expense for the year	4,397	1,764,896	–	1,654,520

27. EARNINGS PER ORDINARY SHARE**Basic Earnings Per Share**

The basic earnings per ordinary share for the year has been calculated based on the Group's loss after taxation and minority interest of RM9,057,872/- (2003 : loss of RM1,926,214/-) and on the number of 40,042,400 (2003 : 13,230,000) ordinary shares in issue during the year.

Fully Diluted Earnings Per Share

Fully diluted earnings per share is not shown as it is not applicable to the Group.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
<i>Transactions with subsidiary companies</i>				
Sales to subsidiary companies				
- Acetai	-	-	23,829,604	22,186,561
- HTFIS	-	-	309,632	470,493
- PTT	-	-	927,193	857,308
Purchases from subsidiary company				
- Acetai	-	-	-	-
Rental income from a subsidiary company				
- HTFIS	-	-	64,200	62,450
Rental of premises paid to subsidiary companies				
- Acetai	-	-	36,000	36,000
- EISB	-	-	24,000	24,000
- SMMS	-	-	24,000	24,000
Management fees, administration fee and rental received/receivable from subsidiary companies				
- Acetai	-	-	335,400	335,400
- PTT	-	-	24,000	24,000
- EISB	-	-	12,000	12,000
- SMMS	-	-	12,000	12,000
Sales commission paid to subsidiary companies				
- Acetai	-	-	-	-
- HTFIS	-	-	-	39,023
- PTT	-	-	89,124	-
Transfer of property, plant and equipment from subsidiary companies				
- at net book value, SPSB	-	-	665,000	3,827,000
- at net book value, PTT	-	-	-	3,442
Transfer of property, plant and equipment to subsidiary companies at net book value				
- HTFIS	-	-	-	6,410
- PTT	-	-	145	-
- Acetai	-	-	-	742
<i>Transaction with a firm in which a director is a partner</i>				
Rental of premises paid to Soo Thien Ming & Nasrah, a firm in which a director is a partner	36,000	36,000	21,600	21,600
Legal and professional fees paid to Soo Thien Ming & Nasrah, a firm in which a director is a partner	63,065	46,100	32,800	2,600

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on negotiated basis.

29. CONTINGENT LIABILITIES

As at 31st December 2004, the Group and the Company are contingently liable for the following:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Unsecured				
Bank guarantees issued in favour of third parties	202,250	174,500	202,250	174,500
Corporate guarantees issued in favour of third parties for facilities granted to a subsidiary company to the extent of RM4,027,000/- (2003 : RM4,000,000/-)	–	–	2,663,691	1,814,167
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company to the extent of RM13,752,583/- (2003 : RM13,130,368/-)	–	–	5,577,500	6,267,311
	202,250	174,500	8,443,441	8,255,978

Subsequent to the balance sheet date, the Company issued corporate guarantees RM Nil (2003 : RM220,971/-) in favour of a financial institution for credit facilities granted to a subsidiary company.

30. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Authorised capital expenditure contracted but not provided for in the financial statements - property, plant and equipment	246,240	31,400	246,240	31,400
Proposed capital expenditure not contracted for and not provided for in the financial statements - development of Seri Kembangan land	6,700,000	–	6,700,000	–

31. SEGMENTAL INFORMATION

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

Manufacturing : Manufacture of biscuit products
 Trading : Trading of confectioneries
 Others : Investment holding, construction and insurance agency

Primary Reporting - Business Segments

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM
REVENUE												
External sales	35,353,983	35,386,724	56,723,136	57,262,363	-	-	92,077,119	92,649,087	-	-	92,077,119	92,649,087
Inter-segment sales	25,066,429	23,514,362	675,416	901,733	48,000	48,000	25,789,845	24,464,095	25,789,845	24,464,095	-	-
	60,420,412	58,901,086	57,398,552	58,164,096	48,000	48,000	117,866,964	117,113,182	25,789,845	24,464,095	92,077,119	92,649,087
RESULTS												
Segment results	(936,264)	(229,224)	(3,246,192)	(1,421,515)	(45,686)	(102,604)	(4,228,142)	(1,753,343)	(224,473)	(675,873)	(4,003,669)	(1,077,470)
Other operating income	1,253,825	717,087	256,363	750,611	-	-	1,510,188	1,467,698	614,983	651,926	895,205	815,772
Finance cost (net)	(1,490,847)	(2,130,988)	(620,108)	(767,265)	-	-	(2,110,955)	(2,898,253)	-	-	(2,110,955)	(2,898,253)
Corporate exercise expenses	-	-	-	-	(999,962)	-	(999,962)	-	-	-	(999,962)	-
Loss on disposal of quoted investment	-	-	-	-	-	(654,839)	-	(654,839)	-	-	-	(654,839)
Impairment loss on properties	-	-	-	-	(2,397,283)	-	(2,397,283)	-	-	-	(2,397,283)	-
Impairment loss in goodwill on consolidation	-	-	-	-	(2,277,152)	-	(2,277,152)	-	-	-	(2,277,152)	-
(Loss)/Profit before taxation	(1,173,286)	(1,643,125)	(3,609,937)	(1,438,169)	(5,720,083)	(757,443)	(10,503,306)	(3,838,737)	390,510	(23,947)	(10,893,816)	(3,814,790)

31. SEGMENTAL INFORMATION (Cont'd)

OTHER INFORMATION	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM
Segment assets	46,142,069	48,164,180	34,123,166	35,347,890	2,741,839	4,043,816	83,007,074	87,555,886	(150,875)	(74,355)	82,856,199	87,481,531
Total assets	46,142,069	48,164,180	34,123,166	35,347,890	2,741,839	4,043,816	83,007,074	87,555,886	(150,875)	(74,355)	82,856,199	87,481,531
Segment liabilities	34,229,687	51,123,409	14,791,865	18,087,603	99,338	108,478	49,120,890	69,319,490	(7,000)	(7,000)	49,113,890	69,312,490
Total liabilities	34,229,687	51,123,409	14,791,865	18,087,603	99,338	108,478	49,120,890	69,319,490	(7,000)	(7,000)	49,113,890	69,312,490
Capital expenditure	555,861	1,079,580	527,893	103,115	-	-	1,083,754	1,182,695	-	-	1,083,754	1,182,695
Depreciation and amortisation	2,938,013	2,827,079	567,898	713,173	40,556	82,557	3,546,467	3,622,809	-	-	3,546,467	3,622,809

32. FINANCIAL INSTRUMENTS

(a) Financial Risk Management and Objectives

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, foreign currency, liquidity and interest rate risks.

(i) Credit Risk

The management has a credit policy in place to monitor and minimise the exposure of default. Trade receivables are monitored on an ongoing basis.

As at balance sheet date, there were no significant concentrations of credit risk in the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

(ii) Foreign Currency Risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposures to foreign currency risks are monitored on an ongoing basis.

(iii) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(iv) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt as at 31st December 2004. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group actively reviews its debt portfolio, taking into account the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

Effective Interest rates

As at 31st December 2004	Effective Interest Rate %	Within 1 Year RM	1 - 5 Years RM	More Than 5 Years RM	Total RM
GROUP					
Financial Asset					
Fixed deposits placed with licensed banks	2.45 - 2.72	103,710	–	–	103,710
Financial Liabilities					
Bank overdrafts	7.00 - 8.50	2,100,821	–	–	2,100,821
Hire purchase liabilities	3.50 - 13.10	1,027,077	875,937	–	1,903,014
Term loans	7.00 - 8.40	987,868	2,142,429	–	3,130,297
Trade financing facilities	3.11 - 4.90	19,930,171	–	–	19,930,171
Revolving credits	4.96 - 6.05	2,000,000	–	–	2,000,000

32. FINANCIAL INSTRUMENTS (Cont'd)**(a) Financial Risk Management and Objectives (Cont'd)****(iv) Interest Rate Risk (Cont'd)****Effective Interest rates (Cont'd)**

As at 31st December 2004	Effective Interest Rate %	Within 1 Year RM	1 - 5 Years RM	More Than 5 Years RM	Total RM
COMPANY					
Financial Liabilities					
Bank overdrafts	7.00 - 8.50	2,100,821	–	–	2,100,821
Hire purchase liabilities	8.30 - 13.10	738,434	415,289	–	1,153,723
Trade financing facilities	3.11 - 4.25	15,018,171	–	–	15,018,171
Revolving credits	4.96 - 6.05	2,000,000	–	–	2,000,000

As at 31st December 2003**GROUP****Financial Assets**

Fixed deposits placed with licensed banks	2.45 - 2.72	222,712	–	–	222,712
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Financial Liabilities

Bank overdrafts	7.00 - 8.50	5,671,098	–	–	5,671,098
Hire purchase liabilities	8.30 - 13.10	1,341,977	1,313,496	–	2,655,473
Term loans	8.40 - 9.50	1,978,742	7,800,544	917,853	10,697,139
Trade financing facilities	3.11 - 4.25	21,688,890	–	–	21,688,890
Revolving credits	4.96 - 6.05	4,000,000	–	–	4,000,000

COMPANY**Financial Assets**

Fixed deposits placed with licensed banks	2.45 - 2.72	122,712	–	–	122,712
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Financial Liabilities

Bank overdrafts	7.00 - 8.50	5,215,304	–	–	5,215,304
Hire purchase liabilities	8.30 - 13.10	1,029,071	991,966	–	2,021,037
Term loans	8.40 - 9.50	990,874	4,939,221	906,212	6,836,307
Trade financing facilities	3.11 - 4.25	16,020,890	–	–	16,020,890
Revolving credits	4.96 - 6.05	4,000,000	–	–	4,000,000

32. FINANCIAL INSTRUMENTS (Cont'd)**(b) Fair Values**

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group and of the Company, except for amounts owing by/to subsidiary companies, and long term borrowings.

It is not practical to estimate the fair values of the amounts owing by/to subsidiary companies due principally to either lack of fixed repayment terms entered by the parties involved or incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually received or settled.

There are no fair values for financial instruments not recognised in the balance sheet as at 31st December 2004 that are required to be disclosed.

The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 29 to the financial statements) are not recognised in the balance sheets as at 31st December 2004 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 3rd June 2004, the Company, through a two-call rights issue, issued a total of 26,460,000 new ordinary shares of RM1.00 each ("Rights Shares") in the Company together with 19,845,000 free detachable warrants ("Warrants") at an issue price of RM1.00 per Rights Share (of which the first call of RM0.90 was paid in cash on application and the second call of RM0.10 was wholly capitalised from the Company's unappropriated profit account) on the basis of four (4) Rights Shares together with three (3) Warrants for every two (2) existing ordinary shares of RM1.00 each held. The exercise price of the Warrants was fixed at RM1.74.

The Company implemented an Employees' Share Option Scheme ("ESOS") on 6th May 2004 which shall be in force for a period of five (5) years with an option to renew for a further period of up to five (5) years. The ESOS is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 16th February 2004 and subsequently amended at an Extraordinary General Meeting held on 13th December 2004. Since the implementation of the ESOS, a total of 352,400 new ordinary shares of RM1.00 each had been issued at an issue price of RM1.3138 per share arising from the exercise of the ESOS.

34. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to the balance sheet date and on 28th February 2005, AmMerchant announced on behalf of the Board of Directors that the Company proposes to undertake a private placement of new shares in the Company, representing up to 10% of the issued and paid-up share capital of the Company.



Statement by Directors

We, **SOO THIEN MING @ SOO THIEN SEE** and **LEE THYE @ LEE CHOOI YOKE**, being two of the directors of Hwa Tai Industries Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 28 to 65 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2004 and of the results and cash flows of the Group and of the Company for the year ended on that date in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

On behalf of the Board,

SOO THIEN MING @ SOO THIEN SEE

Director

LEE THYE @ LEE CHOOI YOKE

Director

Kuala Lumpur

28 April 2005

Statutory Declaration

I, **LOH POH IM**, being the director primarily responsible for the financial management of Hwa Tai Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 28 to 65 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LOH POH IM

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 28 April 2005.

Before me,

S. MASOHOOD OMAR (W354)

Commissioner for Oaths

Report of the Auditors

To the Members of Hwa Tai Industries Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 28 to 65.

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

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 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 financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company as at 31st December 2004 and of the results and cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

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

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 4 to the financial statements.

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 those 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 subsection (3) of Section 174 of the Companies Act, 1965.

MONTEIRO & HENG

No. AF 0117

Chartered Accountants

HENG JI KENG

No. 578/05/06 (J/PH)

Partner

Kuala Lumpur

28 April 2005

Analysis of Securities Holdings

As at 29 April 2005

Class of securities	:	Ordinary shares of RM1/- each fully paid.
	:	Warrants 2004/2009.
Authorised share capital	:	RM1,000,000,000/-
Issued and fully paid-up share capital	:	RM40,042,400/-
Number of warrants issues	:	19,845,000 exercisable into 19,845,000 new ordinary shares of RM1/- each at an exercise price of RM1.74 each.
Voting rights	:	Registered shareholders are entitled to one vote per ordinary share held at all general meetings.
	:	Registered warrant-holders are not entitled to any voting rights in any general meeting.

ANALYSIS OF SHAREHOLDINGS

As at 29 April 2005

SIZE OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	159	2.96	3,306	0.00
100 - 1,000	1,358	25.28	1,237,830	3.09
1,001 - 10,000	3,296	61.37	13,589,200	33.94
10,001 - 100,000	535	9.96	12,508,105	31.24
100,001 - less than 5% of issued shares	22	0.41	5,794,632	14.47
5% and above of issued shares	1	0.02	6,909,327	17.26
Total	5,371	100.00	40,042,400	100.00

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
1. Public Nominees (Tempatan) Sdn Bhd (A/C Soo Thien See @ Soo Thien Ming)	3,854,390	9.63
2. Soo Thien See @ Soo Thien Ming	3,053,137	7.62
3. PM Securities Sdn Bhd (A/C IVT [DRAM])	1,122,532	2.80
4. Citicorp Nominees (Tempatan) Sdn Bhd (A/C So Tiam Heng)	980,000	2.45
5. Citicorp Nominees (Tempatan) Sdn Bhd (A/C Ea Chaw Giap)	798,000	1.99
6. ECM Libra Securities Nominees (Tempatan) Sdn Bhd (A/C So Tiam Heng)	457,300	1.14
7. Siaw Kit Leong	380,000	0.95
8. Lee Thye @ Lee Chooi Yoke	310,000	0.77
9. Tan Tiong Cheng	179,000	0.45
10. Mayban Securities Nominees (Tempatan) Sdn Bhd (A/C Ea Chaw Giap)	165,000	0.41
11. Kenanga Nominees (Tempatan) Sdn Bhd (A/C Kong Tiong Kian)	150,000	0.37
12. Mayban Nominees (Tempatan) Sdn Bhd (A/C Siaw Kit Leong)	145,000	0.36
13. Tan Ah Hoon	144,000	0.36
14. Yeo Huat Hing	128,400	0.32
15. Gan Boon Guat	125,900	0.31

ANALYSIS OF SHAREHOLDINGS (Cont'd)

THIRTY LARGEST SHAREHOLDERS (Cont'd)

Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
16. Che Wan Mohd Zuhaimi Bin Che Wan Hussain	123,000	0.31
17. Affin-ACF Nominees (Tempatan) Sdn Bhd (A/C Wong Choong Leong)	121,000	0.30
18. Purnama Pelangi Sdn Bhd	120,000	0.30
19. Teo Shu Min	119,300	0.30
20. Yap Shing @ Yap Sue Kim	110,000	0.27
21. Lim Boon Liat	105,000	0.26
22. Fong Cheng Ban	103,000	0.26
23. Halim Securities Sdn Bhd (In Creditors' Voluntary Liquidation)	98,000	0.24
24. Lim Soh Bee	90,000	0.22
25. Tong Fong Realty Sdn Bhd	90,000	0.22
26. Mayban Securities Nominees (Tempatan) Sdn Bhd (A/C Raja Zainal Abidin Bin Raja Hussin)	89,000	0.22
27. Saw Ah Kee	88,000	0.22
28. Mayban Securities Nominees (Tempatan) Sdn Bhd (A/C Ea Sew Kiat)	87,000	0.22
29. Olive Lim Swee Lian	81,000	0.20
30. Chan Yoke Lai	77,500	0.19
Total	13,494,459	33.66

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders (excluding bare trustees) of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	6,909,327	17.26	–	–	6,909,327	17.26

ANALYSIS OF WARRANT-HOLDINGS

As at 29 April 2005

SIZE OF WARRANT-HOLDINGS

Range of Warrant-holdings	No. of Warrant-holders	% of Warrant-holders	No. of Warrant	% of Warrant-holdings
Less than 100	216	7.26	5,216	0.02
100 - 1,000	248	8.34	116,805	0.59
1,001 - 10,000	2,233	75.06	6,848,265	34.51
10,001 - 100,000	262	8.81	6,568,375	33.10
100,001 - less than 5% of issued shares	15	0.50	3,925,344	19.78
5% and above of issued shares	1	0.03	2,380,995	12.00
Total	2,975	100.00	19,845,000	100.00

THIRTY LARGEST WARRANT-HOLDERS

Name of Warrant-holders as per Register of Warrant-holders	No. of Warrants	% of Warrant-holdings
1. Public Nominees (Tempatan) Sdn Bhd (A/C Soo Thien See @ Soo Thien Ming)	2,380,995	12.00
2. PM Securities Sdn Bhd (A/C IVT [DRAM])	786,866	3.97
3. Soo Thien See @ Soo Thien Ming	596,128	3.00
4. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd (A/C Yong Chee Fong)	400,000	2.02
5. Kuala Lumpur City Nominees (Tempatan) Sdn Bhd (A/C Tiong Har Hua)	366,000	1.84
6. Doris Law Chiew Jen	297,500	1.50
7. Siaw Kit Leong	262,500	1.32
8. Ngu Shang Shang	219,500	1.11
9. Mayban Securities Nominees (Tempatan) Sdn Bhd (A/C Khaw Chin Hong)	155,000	0.78
10. Leong Hon Wah	151,000	0.76
11. Yeo Huat Hing	148,800	0.75
12. Affin Nominees (Tempatan) Sdn Bhd (A/C Tung Kian Tiam)	140,000	0.71
13. Oon Lay Tin	119,050	0.60
14. Khoh Swee Hoe	110,000	0.55
15. Saw Guat Ngoh	110,000	0.55
16. Chew Kim Soi	108,000	0.54
17. Dea Chee Thai	100,000	0.50
18. Ahn Sdn Bhd	91,000	0.46
19. Ling Chin Ming	90,000	0.45
20. Khor Peng Seng	86,900	0.44
21. Tan Lee Koon	75,000	0.38
22. Tan Ee Hung	73,000	0.37
23. Tan Ah Hoon	72,000	0.36
24. Khaw Chin Hong	71,500	0.36
25. Lee Teng Tian	70,000	0.35
26. Tan Ngok Lan	70,000	0.35
27. Jee Tai Lan	64,000	0.32
28. Che Wan Mohd Zuhaimi Bin Che Wan Hussain	61,500	0.31
29. Faisal Bin Abdul Halim	59,000	0.30
30. Teo Get Gelang	58,000	0.29
Total	7,393,239	37.24

DIRECTORS' INTEREST IN SECURITIES

As at 29 April 2005

According to the registers required to be kept under Section 134 of the Companies Act, 1965, the directors' interest in the ordinary shares, warrants and options [from the Employee Share Option Scheme ("ESOS")] of the Company are as follows:-

ORDINARY SHARES OF RM1/- EACH

Name of Director	Number of shares held Direct (%)	Number of shares held Indirect (%)	Total Interest (%)
Soo Thien Ming @ Soo Thien See	6,909,327 (17.26)	–	6,909,327 (17.26)
Lee Thye @ Lee Chooi Yoke	310,000 (0.77)	–	310,000 (0.77)
Raja Zainal Abidin Bin Raja Hussin	89,000 (0.22)	–	89,000 (0.22)
Lee Kah Keng @ Lee Kah Heng	20,000 (0.05)	–	20,000 (0.05)
Loh Poh Im	5,000 (0.01)	–	5,000 (0.01)
Soo Suat Swon	–	120,000 (0.30)*	120,000 (0.30)*

* Indirect interest held through Purnama Pelangi Sdn Bhd.

WARRANTS 2004/2009

Name of Director	Number of warrants held Direct (%)	Number of warrants held Indirect (%)	Total Interest (%)
Soo Thien Ming @ Soo Thien See	2,977,123 (15.00)	–	2,977,123 (15.00)
Raja Zainal Abidin Bin Raja Hussin	45,750 (0.23)	–	45,750 (0.23)

OPTIONS UNDER ESOS

Name of Director	Total number of options held under the ESOS
Lee Thye @ Lee Chooi Yoke	40,000

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the equity holdings held by the Company in its subsidiaries by virtue of his controlling interest in the Company.

Other than as disclosed above, none of the other directors hold any share, warrant or option in the Company or its related companies.

List of Group Properties

Held as at 31 December 2004

	Location	Land Area (Sq. ft)	Built Up Area (Sq. ft)	Tenure	Description	Date of Acquisition/ Revaluation (R) (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
1	Lot No. PTD 1098 & 1099 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	87,120	56,150	Leasehold	Factory land & Industrial buildings (Own Occupation)	1983 (R)	2037	27	1,675
2	Lot No. PT 1731 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	23,745	Leasehold	Factory land & Industrial buildings (Own Occupation)	1985 (R)	2039	22	441
3	Lot No. PTD 1171 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	43,560	19,670	Leasehold	Factory land & Industrial buildings (Own Occupation)	1978	2038	25	570
4	Lot No. PTD 881 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,780	6,600	Leasehold	Factory land & Industrial buildings (Own Occupation)	1991	2035	25	300
5	Lot No. PTD 7028 & 7029 at Mukim Linau, District of Batu Pahat, Johor Darul Takzim	1,540 (per unit)	1,540 (per unit)	Freehold	2 units single storey terrace houses (Own Occupation)	1991	—	12	133
6	Lot No. PTD 40 & 41 Lot Kawi Light Industrial Estate, District of Kota Kinabalu, Sabah	121,908	49,237	Leasehold	Factory land & Industrial buildings (Own Occupation)	1989	2042	13	2,468

List of Group Properties (Cont'd)

	Location	Land Area (Sq. ft)	Built Up Area (Sq. ft)	Tenure	Description	Date of Acquisition/ Revaluation (R) (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
7	Lot No. PT 25809 at Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan	4,000	6,680	Freehold	2 1/2 storey terrace factory (Own Occupation)	1992	–	11	425
8	Lot No. PT 25810 at Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan	4,000	5,880	Freehold	2 1/2 storey terrace factory (Own Occupation)	1992	–	11	425
9	Lot No. PT 3476 at Mukim Petaling, Tempat Seri Kembangan, Selangor Darul Ehsan	176,226	N/A	Leasehold	Vacant industrial land	2001	2089	N/A	5,987
10	Lot No. PT. 133946 at Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan	7,276	5,220	Leasehold	1 1/2 storey detached factory (Own Occupation)	1996	2094	9	378
11	Lot No. PT 1137 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	3,176	9,540	Freehold	1 unit 3 storey shop office (Vacant)	1999	–	6	992
12	Lot No. PT 1561 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	2,545	7,645	Freehold	1 unit 3 storey shop office (Vacant)	2000	–	6	414
13	Lot No. PT 1135 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,990	5,977	Freehold	1 unit 3 storey shop office (Vacant)	1999	–	6	616

List of Group Properties (Cont'd)

Location	Land Area (Sq. ft)	Built Up Area (Sq. ft)	Tenure	Description	Date of Acquisition/ Revaluation (R) (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
14 Lot No. PT 1136 Bandar Dataran Segar at Village of Lukut District of Port Dickson, Negeri Sembilan Darul Khusus	1,908	5,737	Freehold	1 unit 3 storey shop office (Vacant)	1999	–	6	591
15 Lot No. PT 1126, 1130 - 1134, 1562, 1564 - 1571 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,540 (per unit)	4,613 (per unit)	Freehold	15 units 3 storey shop office (Vacant)	1999	–	6	4,634



HWA TAI INDUSTRIES BERHAD
Company No. : 19688-V

Form of Proxy

I / We, _____
of _____
being a member of HWA TAI INDUSTRIES BERHAD, hereby appoint _____
of _____
or failing him _____
of _____ or failing him,
the Chairman of the Meeting, as my / our proxy, to vote for me / us and on my / our behalf at the Thirtieth Annual General Meeting of the Company to be held on 27 June 2005 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:-

Resolutions relating to:	For	Against
1. The adoption of Financial Statements and Reports		
2. The payment of Directors' fees		
3. The re-election of Directors:- Mohamed Harmy Bin Tan Sri Dato' Yusoff		
Soo Chung Yee		
Y.M. Raja Zainal Abidin Bin Raja Hussin		
Soo Suat Swon		
Lee Thye @ Lee Chooi Yoke		
4. The re-appointment of Tan Sri Dato' Mohamed Yusoff Bin Mohamed		
5. Appointment of Auditors and their remuneration		
6. Ordinary Resolution No. 1		
7. Ordinary Resolution No. 2		

Please indicate with (X) how you wish your vote to be cast.

No. of Shares Held

Date: _____

Signature: _____

NOTES:

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than 2 proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) Where a member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (3) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of such securities account.
- (4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
- (5) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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Postage

THE SECRETARY
HWA TAI INDUSTRIES BERHAD
NO. 12, JALAN JORAK
KAWASAN PERINDUSTRIAN TONGKANG PECAH
83010 BATU PAHAT
JOHOR DARUL TAKZIM
MALAYSIA

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