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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Second 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 Saturday, 30 June 2007 at 11.00 a.m.

## AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2006 together with the Directors' and Auditors' Reports thereon.
2. To approve payment of Directors' fee for the year ended 31 December 2006.
3. To re-elect the following Director who retire in accordance with the Company's Articles of Association:-  
  
Soo Chung Yee
4. To appoint Auditors and authorise the Directors to fix their remuneration.
5. To transact any other business appropriate to an Annual General Meeting.
6. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following 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 Employees' Share Option Scheme which was approved by ordinary resolution at the Extraordinary General Meeting of the Company held on 16 February 2004 and modified by ordinary resolution 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 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."

### SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"That in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad, the proposed amendments to the Articles of Association of the Company as set out in Appendix I enclosed with the Annual Report 2006, be and are hereby approved, and that consequent to the aforesaid amendments to the Company's Articles of Association, authority be and is hereby given to adjust and change the numbering of the affected Articles to reflect a continuance sequence."

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

Johor Darul Takzim, Malaysia  
1 June 2007

# Notice of Annual General Meeting (cont'd)

## 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 Employees' 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 Thirty-Second 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.

### SPECIAL RESOLUTION

The proposed Special Resolution, if passed, will render the Articles of Association of the Company to be consistent with new requirements under Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad.

# Statement Accompanying the Notice of Annual General Meeting

## 1) THIRTY-SECOND ANNUAL GENERAL MEETING

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

Date : Saturday, 30 June 2007

Time : 11.00 a.m.

## 2) NAME OF DIRECTOR STANDING FOR RE-ELECTION

The name of the Director standing for re-election at the forthcoming Thirty-Second Annual General Meeting is as follows:-

Soo Chung Yee

## 3) DETAILS OF DIRECTOR STANDING FOR RE-ELECTION

The details of the Director standing for re-election at the forthcoming Thirty-Second Annual General Meeting are set out in the Directors' Profile appearing on page 6 of this Annual Report.

## 4) DETAILS OF ATTENDANCE OF DIRECTORS AT DIRECTORS' MEETINGS

There were five (5) Directors' Meetings held during the financial year ended 31 December 2006. The details of attendance of the Directors are set out in the Directors' Profile appearing on page 7 of this Annual Report.

## BOARD OF DIRECTORS

Soo Thien Ming @ Soo Thien See (Chairman)  
Soo Chung Yee (Group Chief Executive Director)  
Col. (Rtd.) Dato' Ir. Cheng Wah  
Soo Wei Chian  
Mohamed Razif Bin Tan Sri Abdul Aziz  
Noorhamimah Binti Mohd. Baseri

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## 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.: 607-415 1688 Fax No.: 607-415 1135

## SHARE REGISTRAR

PFA Registration Services Sdn Bhd  
Level 13, Uptown 1  
No.1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel. No.: 603-7725 4888 Fax No.: 603-7722 2311

## AUDITORS

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

## PRINCIPAL BANKERS

RHB Bank Berhad  
CIMB Bank Berhad  
AmBank (M) Berhad  
Bank Islam Malaysia Berhad  
Bangkok Bank Berhad  
Bank Muamalat 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 59, 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 32 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 11,701,027 ordinary shares of RM1/- each in the Company as at 30 April 2007. 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 30 April 2007.

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

Mr. Soo does not have any conflict of interest with the Company nor any conviction for any offence.

## **MR. SOO CHUNG YEE**

### **- Non-Independent Executive Director**

Mr. Soo Chung Yee, Malaysian, aged 28, is the Group Chief Executive Director. 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 is a member of the Remuneration Committee and ESOS Committee.

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 conviction for any offence.

## **YBHG. COL. (RTD.) DATO' IR. CHENG WAH**

### **- Independent Non-Executive Director**

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah, Malaysian, aged 68, was appointed to the Board on 1 August 2005. He graduated from the University of Malaya with a Bachelor of Engineering (Civil). He is a Professional Engineer with the Board of Engineers, Malaysia. He is also a graduate of the Royal Military Academy Sandhurst, United Kingdom and the Command and General Staff College, Fort Leavenworth, United States of America. He had served about 26 years i.e. from the period of December 1957 to September 1983 in the Malaysian Armed Forces. He had held various positions in the Malaysian Armed Forces including the positions of Director of Armed Forces Works, Logistic Division, Ministry of Defence in 1978 and Director of Logistic, Ministry of Defence in 1980 before retiring in September 1983. Upon retirement in 1983, he joined Resorts World Berhad as Senior Vice President (Property Development) till June 2004. Currently, he sits on the Board of two other listed companies, PacificMas Berhad and Tamandam Bonded Warehouse Berhad. He is also a director in several other non-listed companies.

YBhg. Col. (Rtd.) Dato' Ir. Cheng Wah is the Chairman of the Audit Committee.

He has a direct shareholding of 20,000 ordinary shares of RM1/- each in the Company as at 30 April 2007. He does not have any interest in the securities of its subsidiaries.

He 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 conviction for any offence.

## **MR. SOO WEI CHIAN**

### **- Non-Independent Non-Executive Director**

Mr. Soo Wei Chian, Malaysian, aged 38, was appointed to the Board on 1 August 2005. He holds a Masters of Business Administration, University of Strathclyde, United Kingdom. He is a fellow member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. He held financial positions in UEM and Berjaya groups of companies for the period between 1991 and 1995. He joined NV Multi Corporation Berhad ("NV Multi") as the Finance Manager in 1995 and he now holds the position of Executive Director in NV Multi.

Mr. Soo sits on the Audit Committee and ESOS Committee.

He does not have any family relationship with any directors and/or major shareholders 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 conviction for any offence.

# Profile of the Board of Directors (cont'd)

## **ENCIK MOHAMED RAZIF BIN TAN SRI ABDUL AZIZ** **- Independent Non-Executive Director**

Encik Mohamed Razif Bin Tan Sri Abdul Aziz, Malaysian, aged 46, was appointed to the Board on 20 March 2006. He is a Barrister-at-law from Lincoln's Inn, United Kingdom. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1985. He specialises in corporate, financial services and conveyancing matters and has handled numerous housing projects for major developers and a variety of corporate as well as off-shore loan documentations. He is also specialised in Syariah Corporate Law and Syariah Conveyancing/Security documentation. He is an advisor for internal disciplinary inquiry committees of various organisations. He is also involved in Commercialisation of Biotechnology Products and Services and familiar with the Malaysian Intellectual Property laws. He is a committee member of the Kuala Lumpur Malay Chamber of Commerce and is the Chairman of the Professional Committee of the said Chamber. He is the Deputy President of Southampton University United Kingdom Alumni and a committee member of both the Malay College Old Boys Association (MCOBA) and Lincoln's Inn Alumni. He holds non-executive directorships in various companies.

Encik Mohamed Razif sits on the Audit Committee and Nomination Committee.

He does not have any family relationship with any directors and/or major shareholders 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 conviction for any offence.

## **CIK NOORHAMIMAH BINTI MOHD. BASERI** **- Independent Non-Executive Director**

Cik Noorhamimah Binti Mohd. Baseri, Malaysian, aged 29, was appointed to the Board on 1 August 2005. She holds an LLB (Hons), LLM and DSLP. She is a solicitor practicing at Kuala Lumpur, Malaysia.

Cik Noorhamimah is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

She does not have any family relationship with any directors and/or major shareholders of the Company. She does not have any interest in the securities of the Company or its subsidiaries. She does not have any conflict of interest with the Company nor any conviction for any offence.

## **DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

During the financial year ended 31 December 2006, a total of five (5) Directors' Meetings were held. The details of attendance of Directors at these Meetings are as follows:

<b>Name of Director</b>	<b>Number of Meetings Attended</b>
Soo Thien Ming @ Soo Thien See	5 of 5
Soo Chung Yee	5 of 5
Col. (Rtd.) Dato' Ir. Cheng Wah	5 of 5
Soo Wei Chian	5 of 5
Noorhamimah Binti Mohd. Baseri	5 of 5
Mohamed Razif Bin Tan Sri Abdul Aziz (Appointed on 20 March 2006)	4 of 4
Wong Chee Kheen (Resigned on 3 May 2007)	5 of 5
Raja Zainal Abidin bin Raja Hussin (Resigned on 13 February 2007)	3 of 5

# Audit Committee Report

## 1. COMPOSITION OF AUDIT COMMITTEE

Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	Independent Non-Executive Director
Soo Wei Chian (MIA)	Non-Independent Non-Executive Director
Mohamed Razif Bin Tan Sri Abdul Aziz	Independent Non-Executive Director
Noorhamimah Binti Mohd. Baseri	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.
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.



## 2. TERMS OF REFERENCE OF AUDIT COMMITTEE (cont'd)

### 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).
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.

# Audit Committee Report (cont'd)

## 2. TERMS OF REFERENCE OF AUDIT COMMITTEE (cont'd)

### 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 2006, five (5) Audit Committee Meetings were held. Details of the attendance of each Committee Member are as follows:-

Name of Audit Committee Member	Attendance
Col. (Rtd.) Dato' Ir. Cheng Wah (Chairman)	5 of 5
Soo Wei Chian	5 of 5
Noorhamimah Binti Mohd. Baseri	5 of 5
Mohamed Razif Bin Tan Sri Abdul Aziz (Appointed on 20 March 2006)	3 of 4
Wong Chee Kheen (Resigned on 3 May 2007)	5 of 5
Y. M. Raja Zainal Abidin Bin Raja Hussin (Resigned on 13 February 2007)	3 of 5

## 4. ACTIVITIES OF THE AUDIT COMMITTEE

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

- Reviewed and recommended for Board approval the quarterly financial results for public announcement.
- Reviewed the related party transactions that had arisen within the Company and Group.
- Reviewed and discussed the External Auditors' findings during the course of their year end audit and the management's response.
- Reviewed and recommended for Board approval the Group's audited financial year end statement.
- Reviewed the internal audit reports.
- Convened meetings with the External Auditor, excluding the attendance of the Executive Members of the Audit Committee.

## 5. INTERNAL AUDIT

The Internal Audit function involves the implementation of independent and systematic reviews of the processes and guidelines of the Group and the reporting of their application and compliance to the Audit Committee and Board of Directors. The Internal Audit function also involves the reporting of the state of internal control of the various operations within the Group and the extent of compliance with the established policies and procedures and the suggestion of any additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

During the financial year, the following Internal Audit activities were carried out:-

- Mapping of the current state of procedures and process.
- Testing, evaluating and identifying potential areas that lack internal control.
- Analysing and assessing certain key operation processes, report findings and make recommendation for improvements.
- Reviewing compliance with established policies and procedures, as well as assessing the adequacy and effectiveness of the Group's internal control.
- 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 6 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 an Executive Director, 1 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 a Management Council to assist the Board in the management of the operations of the Group. The Management Council 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, Mohamed Razif Bin Tan Sri Abdul Aziz and Cik Noorhamimah Binti Mohd. Baseri. Mr. Soo Thien Ming is the Chairman of the Nomination Committee.

# Statement of Corporate Governance (cont'd)

## BOARD OF DIRECTORS (cont'd)

### D. Appointments to the Board (cont'd)

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 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

The Directors have attended various training programmes accredited by Bursa Malaysia. The Directors will continue to attend other relevant training programmes as and when the Board deems necessary 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, Cik Noorhamimah Binti Mohd. Baseri and Mr. Soo Chung Yee. 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, whereby 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 conveys 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.

# Statement of Corporate Governance (cont'd)

## SHAREHOLDERS (cont'd)

### 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 64 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 under the Statement of Internal Control set out on page 14 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 8 to 10 of this Annual Report.

### Employees' 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. Soo Chung Yee and Mr. Soo Wei Chian. 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 Scheme, make offers to selected eligible employees based on the criteria for allotment as set forth in 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 and monitor the business development, discuss and resolve key operational and management issues and review 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 Management Council.
5. Adequate financial and operational information systems are in place to capture and present timely and pertinent business information.
6. The Audit Committee reviews the quarterly financial results and yearly audited financial statements prior to the approval by the Board of Directors.
7. The Audit Committee also reviews the internal audit functions and monitors the status of the implementation of corrective actions to address internal control weaknesses.
8. 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.
9. 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.
10. 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.
11. 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.

# 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 2006 as set out herein on pages 23 to 63 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

During the financial year, the Securities Commission ("SC") issued a public reprimand on the Company for non-compliance of paragraph 6.02 of the SC guidelines on Abridged Prospectus in relation to the Company's Rights Issue Exercise implemented in 2004.

### Material Contracts

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

### Non-Audit Fees

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

## Utilisation of Proceeds

The Company did not implement any fund raising exercise during the financial year.

## Share Buy-Backs

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

## Options and Warrants

During the financial year 2004, the Company issued 19,845,000 free detachable warrants ("Warrants") at an exercise price of RM1.74 and the period of the Warrants is five years from the date of issuance of the Warrants. None of the Warrants was exercised during the financial year.

The Company also implemented an Employees' Share Option Scheme ("ESOS") during the financial year 2004 which shall be in force for a period of five years from the date of the implementation of the ESOS with an option to renew for a further period of up to five years. No ESOS was exercised 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

There was no material variation between the audited results for the financial year ended 31 December 2006 and the unaudited results previously released for the financial quarter ended 31 December 2006.

## 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.

# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Hwa Tai Industries Berhad, I am pleased to present the Thirty-Second Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2006.

The year 2006 represents a significant milestone for the Group, as we managed to return to the black after several years suffering losses.

## BUSINESS ENVIRONMENT

The Group successfully managed to withstand pressures from an environment of heightened competition, growing inflation, increased commodity prices and currency fluctuations in year 2006, as these challenges were offset by the commitment of everyone in the Group and also the positive economic and political environment in Malaysia which supported consumer spending.

## FINANCIAL REVIEW

The Group recorded a lower revenue of RM69.1 million for the year ended 31 December 2006, a drop of 16.24% from previous year. This was due primarily to the discontinuation of certain non-profit making agency products in the trading division.

Despite the decrease in revenue, the Group achieved a pre-tax profit of RM2.4 million for the year ended 31 December 2006, which is a significant turn-around from its loss position in the previous year. This achievement was mainly, inter alia, contributed by costs saving, the profit from the disposal of a piece of vacant land, discontinuation of certain non-profit making agency products in the trading division and writing-back of provisions made in respect of certain allowances for doubtful debts and for inventories obsolescence in the preceding year.

## CORPORATE DEVELOPMENTS

In view of the overall soft share market sentiment at the material time, the Company did not implement its approved proposed private placement of new shares in the Company representing up to 10% of the issued and paid-up share capital of the Company, which deadline expired in June 2006. The Company will revisit the Proposal at a more appropriate time.

The Company had recently participated in 48% equity interest in Yantai Baby-joy Group (Qingyun) Co., Ltd., China, a company involved in the manufacturing of confectionery and other food products. The investment is synergistic to Hwa Tai's business activities of biscuits manufacturing and it will be a platform for Hwa Tai to further venture into and expand its business in China.

## CORPORATE SOCIAL RESPONSIBILITY

The Group has consistently carried out its corporate social responsibility through various social welfare activities and sponsoring

of community programmes as we believe it is vital that we continue contributing in a meaningful manner to improve the well-being of others to our best ability. Amongst such various activities is the sponsorship of the National Women's Games 2007 organised by the Women's Sports & Fitness Foundation Malaysia in collaboration with the National Sports Council and the Ministry of Youth & Sports.

## OUTLOOK AND FUTURE PROSPECTS

Hwa Tai believes that it is well placed to remain a major competitor in the confectionery industry. To remain a major player in an increasingly competitive environment, the Group will continue to upgrade its operations to enhance efficiency and cost competitiveness and be fully committed to addressing those areas that require improvements.

With the Malaysian Government's pledge to increase spending as it seeks to expand the economy in year 2007, the Group will ride on this booster to achieve better performance.

## ACKNOWLEDGEMENT

Many different groups of people collectively played a part in turning around the Group. I would like to pay tribute to all of them; our suppliers, distributors, bankers, business associates, regulatory authorities and also all employees of the Group.

To my fellow Board members, I thank them for their guidance and commitment to the Company. I also wish to place on record our appreciation to Y.M. Raja Zainal Abidin Bin Raja Hussin and Mr. Wong Chee Kheen, who have departed from the Board this year, for their contributions during their tenure in the Board.

As always, on behalf of the Board and Group, I would like to convey our sincere thanks to our esteemed Shareholders for your confidence and support to the Company.

**SOO THIEN MING @ SOO THIEN SEE**

Chairman

22 May 2007



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

## 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 6 to the financial statements.

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

## RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	2,125,138	559,062
Attributable to:		
Equity holders of the Company	2,125,138	559,062
Minority interests	—	—
	2,125,138	559,062

## 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 2006.

## 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 proper 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 which would render the amount written off for bad debts or making of allowance for doubtful debts 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.

# Directors' Report (cont'd)

## 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

The Company has not issued any shares or 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.

## EMPLOYEES' SHARE OPTION SCHEME (cont'd)

- (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.
- (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.

# Directors' Report (cont'd)

## EMPLOYEES' SHARE OPTION SCHEME (cont'd)

- (e) The Options granted to a grantee under the ESOS is, subject to the provisions of By-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 31.12.2006
	Exercisable At 1.1.2006	Additional Exercisable	Exercised	Lapsed	
3,222,000	1,015,700	74,000	—	197,000	892,700

On 23rd January 2007, the Company was 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 granted options in aggregate of 80,000 and above during the financial year are set out below:-

	Options Exercisable (including Directors) Over Ordinary Shares of RM1/- Each					Exercisable At 31.12.2006
	Total Options Granted	Exercisable at 1.1.2006	Additional Exercisable	Exercised	Lapsed	
Tai Chee Moi	100,000	80,000	20,000	—	—	100,000
Yap Ket Loong	80,000	64,000	—	—	64,000	—
Chia Seor Boay	80,000	63,000	16,000	—	—	79,000

## WARRANTS 2004/2009

In the financial year 2004, the Company issued 19,845,000 free detachable warrants. The detachable warrants carry the rights to subscribe for 1 new ordinary share of RM1/- each at the exercise price of RM1.74 within the exercisable period of five (5) years from the date of the issuance of the warrants.

Upon the expiry of the exercise period, any unexercised warrants will lapse and cease to be valid for any purpose.

As at the end of the financial year, no exercise of warrants had taken place.

## DIRECTORS

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

Soo Thien Ming @ Soo Thien See  
 Soo Chung Yee  
 Wong Chee Kheen  
 Col. (Rtd.) Dato' IR. Cheng Wah  
 Soo Wei Chian  
 Noorhamimah Binti Mohd Baseri  
 Mohamed Razif Bin Tan Sri Abdul Aziz  
 Y.M. Raja Zainal Abidin Bin Raja Hussin - resigned on 13.2.2007

## 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:-

	<b>Number of ordinary shares of RM1/- each</b>			
	<b>At 1.1.2006</b>	<b>Bought</b>	<b>Sold</b>	<b>At 31.12.2006</b>
Soo Thien Ming @ Soo Thien See - direct	9,156,927	1,879,900	—	11,036,827
Y.M. Raja Zainal Abidin Bin Raja Hussin - direct	126,300	—	106,300	20,000
Soo Chung Yee - direct	10,200	214,000	188,200	36,000
Col. (Rtd.) Dato' IR. Cheng Wah - direct	—	20,000	—	20,000
	<b>Number of Warrants for Shares of RM1/- Each, Exercisable at RM1.74 Per Share</b>			
	<b>At 1.1.2006</b>	<b>Offered/ Bought</b>	<b>Exercised/ Sold</b>	<b>At 31.12.2006</b>
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

# Directors' Report (cont'd)

## DIRECTORS' INTERESTS (cont'd)

Soo Thien Ming @ Soo Thien See is deemed to have an interest in the shares held by the Company in its related corporations by virtue of his controlling interest in the Company.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares, warrants or options 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.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 33 to the financial statements.

## 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

### WONG CHEE KHEEN

Director

Kuala Lumpur  
26 February 2007

# Balance Sheets

As at 31 December 2006

		GROUP		COMPANY	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-currents assets					
Property, plant and equipment	4	22,947,784	30,161,673	17,834,149	18,620,725
Investment properties	5	5,853,261	5,721,055	7,445,918	7,363,945
Investment in subsidiary companies	6	—	—	5,837,072	5,587,074
Amount owing by subsidiary companies	7	—	—	416,498	875,303
Goodwill on consolidation	8	—	23,542	—	—
		28,801,045	35,906,270	31,533,637	32,447,047
Current assets					
Inventories	9	4,408,063	4,913,411	3,687,474	4,166,740
Trade and sundry receivables	10	22,091,630	19,339,229	14,977,492	11,979,490
Tax recoverable		587,212	537,934	525,710	496,130
Amounts owing by subsidiary companies	7	—	—	16,360,286	22,590,399
Cash and bank balances		517,565	1,129,106	108,507	254,118
		27,604,470	25,919,680	35,659,469	39,486,877
TOTAL ASSETS		56,405,515	61,825,950	67,193,106	71,933,924
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	11	40,042,400	40,042,400	40,042,400	40,042,400
Capital reserve	12	7,664	7,664	7,664	7,664
Accumulated losses		(24,333,502)	(26,458,640)	(4,048,451)	(4,607,513)
Shareholders' funds		15,716,562	13,591,424	36,001,613	35,442,551
Minority interest		—	—	—	—
Total Equity		15,716,562	13,591,424	36,001,613	35,442,551

# Balance Sheets (cont'd)

		GROUP		COMPANY	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Non-current liabilities					
Hire purchase liabilities	13	533,073	556,632	413,418	309,776
Term loans	14	185,897	1,362,114	—	—
Deferred taxation	15	664,566	404,296	593,573	326,870
		1,383,536	2,323,042	1,006,991	636,646
Current liabilities					
Trade and sundry payables	16	20,215,187	21,387,268	13,221,316	16,340,372
Amount owing to a subsidiary company	17	—	—	399,003	399,786
Hire purchase liabilities	13	409,513	668,655	312,377	454,863
Provisions	18	821,070	1,240,328	533,172	956,519
Short term borrowings	19	15,552,350	20,175,000	13,718,833	16,459,000
Term loans	14	149,832	987,868	—	—
Tax payable		157,664	156,064	—	—
Bank overdrafts	20	1,999,801	1,296,301	1,999,801	1,244,187
		39,305,417	45,911,484	30,184,502	35,854,727
Total liabilities		40,688,953	48,234,526	31,191,493	36,491,373
TOTAL EQUITY AND LIABILITIES		56,405,515	61,825,950	67,193,106	71,933,924

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



# Income Statements

For the year ended 31 December 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM (restated)	2006 RM	2005 RM (restated)
REVENUE	21	<b>69,111,910</b>	82,515,063	<b>50,184,594</b>	57,086,419
Cost of sales		<b>(57,966,978)</b>	(70,848,257)	<b>(41,222,191)</b>	(49,258,619)
GROSS PROFIT		<b>11,144,932</b>	11,666,806	<b>8,962,403</b>	7,827,800
Other operating income		<b>5,064,354</b>	248,631	<b>670,158</b>	649,217
Selling and distribution expenses		<b>(6,041,091)</b>	(7,173,711)	<b>(3,679,600)</b>	(4,253,197)
Administrative expenses		<b>(6,490,810)</b>	(20,645,356)	<b>(4,189,232)</b>	(6,320,202)
OPERATING PROFIT/(LOSS)	22	<b>3,677,385</b>	(15,903,630)	<b>1,763,729</b>	(2,096,382)
Finance costs	23	<b>(1,290,377)</b>	(1,366,636)	<b>(937,964)</b>	(924,662)
Loss from investing activities	24	<b>–</b>	(1,714,761)	<b>–</b>	(2,917,720)
PROFIT/(LOSS) BEFORE TAXATION		<b>2,387,008</b>	(18,985,027)	<b>825,765</b>	(5,938,764)
Taxation	25	<b>(261,870)</b>	(170,653)	<b>(266,703)</b>	(166,477)
NET PROFIT/(LOSS) FOR THE YEAR		<b>2,125,138</b>	(19,155,680)	<b>559,062</b>	(6,105,241)
Attributable to:					
Equity holders of the Company		<b>2,125,138</b>	(19,155,680)	<b>559,062</b>	(6,105,241)
Minority interest		<b>–</b>	–	<b>–</b>	–
		<b>2,125,138</b>	(19,155,680)	<b>559,062</b>	(6,105,241)
Earnings/(loss) per ordinary share (sen)					
Basic	26	<b>5</b>	(48)		

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

# Statements of Changes in Equity

For the year ended 31 December 2006

## GROUP

	Attributable to Equity Holders of the Company			Minority Interest RM	Total RM
	Share Capital RM	Capital Reserve RM	Accumulated Losses RM		
At 1st January 2005	40,042,400	7,664	(7,070,098)	–	32,979,966
Prior year adjustments (Note 27)	–	–	(232,862)	–	(232,862)
At 1st January 2005 (as restated)	40,042,400	7,664	(7,302,960)	–	32,747,104
Net loss for the year	–	–	(19,155,680)	–	(19,155,680)
At 31st December 2005 (as restated)	40,042,400	7,664	(26,458,640)	–	13,591,424
Net profit for the year	–	–	2,125,138	–	2,125,138
At 31st December 2006	<b>40,042,400</b>	<b>7,664</b>	<b>(24,333,502)</b>	<b>–</b>	<b>15,716,562</b>

## COMPANY

	Share Capital RM	Capital Reserve RM	Accumulated Losses RM	Total RM
At 1st January 2005	40,042,400	7,664	1,674,590	41,724,654
Prior year adjustments (Note 27)	–	–	(176,862)	(176,862)
At 1st January 2005 (as restated)	40,042,400	7,664	1,497,728	41,547,792
Net loss for the year	–	–	(6,105,241)	(6,105,241)
At 31st December 2005 (as restated)	40,042,400	7,664	(4,607,513)	35,442,551
Net profit for the year	–	–	559,062	559,062
At 31st December 2006	<b>40,042,400</b>	<b>7,664</b>	<b>(4,048,451)</b>	<b>36,001,613</b>

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

# Cash Flow Statements

For the year ended 31 December 2006

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit/(loss) before taxation	<b>2,387,008</b>	(18,985,027)	<b>825,765</b>	(5,938,764)
Adjustments for:				
Allowance for doubtful debts	<b>69,724</b>	8,016,639	–	1,313,584
Allowance for doubtful debts no longer required	<b>(2,004,276)</b>	–	<b>(71,683)</b>	–
Allowance for inventories obsolescence	<b>66,184</b>	2,458,548	<b>66,184</b>	749,434
Allowance for inventories obsolescence no longer required	<b>(1,031,844)</b>	–	<b>(749,434)</b>	–
Bad debts written off	<b>2,165</b>	–	–	–
Depreciation				
- property, plant and equipment	<b>2,507,710</b>	3,373,625	<b>1,975,299</b>	2,715,325
- investment properties	<b>69,136</b>	75,570	<b>119,369</b>	125,803
Impairment on goodwill	<b>23,542</b>	–	–	–
Gain on disposal of property, plant and equipment	<b>(1,538,942)</b>	(50,551)	–	(33,251)
Inventories written off	<b>5,111</b>	–	–	–
Loss on disposal of investment properties	<b>16,636</b>	–	<b>16,636</b>	–
(Gain)/loss on disposal of a subsidiary company	–	(202,960)	–	999,999
Impairment loss on investment properties	–	1,917,721	–	1,917,721
Interest income	<b>(1,408)</b>	(339)	<b>(1,408)</b>	(339)
Interest expenses	<b>1,290,377</b>	1,366,636	<b>937,964</b>	924,662
Property, plant and equipment written off	<b>6,198</b>	109,060	<b>6,198</b>	–
Provision for expenses	<b>3,830,573</b>	2,979,952	<b>3,562,539</b>	1,710,562
Unrealised loss on foreign exchange	–	31,000	–	31,000
	<b>5,697,894</b>	1,089,874	<b>6,687,429</b>	4,515,736
Changes In Working Capital:				
Inventories	<b>1,465,897</b>	4,008,293	<b>1,162,516</b>	(707,957)
Receivables	<b>(820,014)</b>	910,751	<b>(2,926,319)</b>	(5,019,085)
Payables	<b>(1,172,081)</b>	2,497,730	<b>(3,119,056)</b>	3,771,830
Balances with subsidiary companies	–	–	<b>6,795,073</b>	2,067,666
Utilisation of provision for expenses	<b>(4,249,831)</b>	(2,468,909)	<b>(3,985,886)</b>	(1,247,991)
	<b>921,865</b>	6,037,739	<b>4,613,757</b>	3,380,199
Interest paid	<b>(93,655)</b>	(715,460)	<b>(78,933)</b>	(281,537)
Tax paid	<b>(49,278)</b>	(90,492)	<b>(29,580)</b>	(83,332)
Net Operating Cash Flow	<b>778,932</b>	5,231,787	<b>4,505,244</b>	3,015,330

# Cash Flow Statements (cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchases of property, plant and equipment*	(734,980)	(288,334)	(693,321)	(239,160)
Purchase of investment properties	(482,090)	(88,866)	(482,090)	(88,866)
Investment in subsidiary	–	–	(249,998)	–
Disposal of a subsidiary company net of cash	–	(6,560)	–	1
Proceeds from disposal of property, plant and equipment	7,475,503	79,242	–	60,291
Proceeds from disposal of investment properties	264,112	–	264,112	–
Interest received	1,408	339	1,408	339
Net Investing Cash Flow	6,523,953	(304,179)	(1,159,889)	(267,395)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Repayments of short term borrowings	(4,622,650)	(1,755,171)	(2,740,167)	(559,171)
Net repayment to subsidiary companies	–	–	(106,938)	–
Repayments of term loans	(2,014,253)	(780,315)	–	–
Repayment of hire purchase liabilities	(784,301)	(827,727)	(540,444)	(539,084)
Interest paid	(1,196,722)	(651,176)	(859,031)	(643,125)
Net Financing Cash Flow	(8,617,926)	(4,014,389)	(4,246,580)	(1,741,380)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,315,041)	913,219	(901,225)	1,006,555
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(167,195)	(1,080,414)	(990,069)	(1,996,624)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(1,482,236)	(167,195)	(1,891,294)	(990,069)
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>				
Cash and bank balances	517,565	1,129,106	108,507	254,118
Bank overdrafts	(1,999,801)	(1,296,301)	(1,999,801)	(1,244,187)
	(1,482,236)	(167,195)	(1,891,294)	(990,069)

## Group

- During the financial year, the Group acquired property, plant and equipment amounting to RM1,236,580/- (2005 : RM438,334/-) of which RM501,600/- (2005 : RM178,000/-) were acquired under hire purchase instalment plans. Cash payments amounting to nil /- (2005 : RM28,000/-) were made towards the hire purchase.

## Company

- During the financial year, the Company acquired property, plant and equipment amounting to RM1,194,921/- (2005 : RM389,160/-) of which RM501,600/- (2005 : RM178,000/-) were acquired under hire purchase instalment plans. Cash payments amounting to nil /- (2005 : RM28,000/-) were made towards the hire purchase.

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

# 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 6 to the financial statements. There have been no significant changes to the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of the Bursa Malaysia Securities 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 669 (2005 : 765) and 500 (2005 : 593) 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 26th February 2007.

## 2. SUMMARY OF ACCOUNTING POLICIES

### 2.1 Basis of Preparation

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 applicable Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. In the current financial year, the Group and the Company have adopted the new and revised Financial Reporting Standards ("FRSs") issued by the MASB that are relevant to their operations. The adoption of the new and revised FRSs does not have significant financial impact on the Group and the Company except as disclosed in Note 2.3.

### 2.2 Significant Accounting Policies

#### (a) 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 from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill on consolidation.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in Income Statement.

# Notes to the Financial Statements (cont'd)

## 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

### 2.2 Significant Accounting Policies (cont'd)

#### (a) Basis of Consolidation (cont'd)

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. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Minority interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

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.

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

#### (b) Goodwill on Consolidation

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less any impairment losses.

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

#### (c) 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.

#### (d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment loss, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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 the 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%
Renovation	10%
Plant and machinery	5% - 10%
Office equipment, furniture and fittings and vehicles	10% - 20%

## 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

### 2.2 Significant Accounting Policies (cont'd)

#### (d) Property, Plant and Equipment and Depreciation (cont'd)

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

#### (e) Revaluation of Assets

The directors have applied the transitional provision of Financial Reporting Standards 116 Property, Plant and Equipment which allows the assets to be stated at their last revaluation amounts less depreciation.

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.

#### (f) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties. The estimated useful lives of the investment properties are as follows:-

Leasehold land	38 to 62 years
Building	2%

No depreciation is provided on the freehold land as it has indefinite useful life.

Investment properties are derecognised when either they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. Any gains or losses on the retirement or disposal of investment properties are recognised in income statements in the year in which they arise.

#### (g) Inventories

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

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

# Notes to the Financial Statements (cont'd)

## 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

### 2.2 Significant Accounting Policies (cont'd)

#### (h) 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.

#### (i) Payables

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

#### (j) Borrowing Costs

Borrowing costs directly attributable to the acquisition and the construction of property, 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.

#### (k) 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, 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.

#### (l) 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.

#### (m) 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. SUMMARY OF ACCOUNTING POLICIES (cont'd)

### 2.2 Significant Accounting Policies (cont'd)

#### (n) Foreign Currency Translation

Translation in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at exchange rate approximately those ruling at the transaction dates.

Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates ruling at the balance sheet date. All exchange differences are taken to the income statement.

Non monetary items are measured in term of historical cost in a foreign currency or translated using the exchange rates as at the date of the initial transaction. Non monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### (o) Income Tax

The tax expense in the income statement represents the aggregate amount of 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 arising 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 credit can be utilised.

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.

#### (p) 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, rental income and commission income are recognised on an accrual basis.

#### (q) Segmental Information

Segment revenue 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.

Segment revenue, 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.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

# Notes to the Financial Statements (cont'd)

## 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

### 2.2 Significant Accounting Policies (cont'd)

#### (r) Financial Instruments

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument. 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 a 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.

#### (s) Impairment of Assets

The carrying amounts of assets other than inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

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

#### (t) Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise 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. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

## 2. SUMMARY OF ACCOUNTING POLICIES (cont'd)

### 2.3 Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs for financial periods beginning on or after 1 January 2006:-

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

The principal effects from the adoption of the new and revised FRSs are as below:-

#### (a) FRS 2: Share-based Payment

This FRS 2 requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company has implemented share-based payment via Employee Share Option Scheme ("ESOS") which is governed by the by-laws 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 Group has applied FRS 2 in accordance with its transitional provisions which exempted the recognising of employee cost relating to ESOS in income statement for ESOS granted before 1st January 2005.

#### (b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss of the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest. The current year presentation of the Group's financial statements is based on the revised requirements of FRS 101.

#### (c) FRS 140: Investment Property

The adoption of this FRS has resulted in certain properties of the Group and the Company previously classified under property, plant and equipment being reclassified to investment properties. Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The comparative figures have been reclassified as disclosed in Note 35.

# Notes to the Financial Statements (cont'd)

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

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

### Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 5 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31st December 2006 were RM22,947,784/- (2005: RM30,161,673) and RM17,834,149/- (2005 : RM18,620,725) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment. Therefore the future depreciation charge could be revised.

## 4. PROPERTY, PLANT AND EQUIPMENT

GROUP 2006	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Long Leasehold Land and Capital Work-in Progress RM	Total RM
<b>Cost</b> (except as stated otherwise)							
At 1st January 2006	11,873,635	36,649,214	4,730,556	826,339	3,670,823	6,127,928	63,878,495
Additions	558,242	612,878	55,698	6,978	2,784	–	1,236,580
Disposals/write-off	–	(15,250)	(3,360)	(2,178)	(1,518,911)	(6,127,928)	(7,667,627)
At 31st December 2006	12,431,877	37,246,842	4,782,894	831,139	2,154,696	–	57,447,448
<b>Accumulated Depreciation</b>							
At 1st January 2006	3,100,712	21,616,527	3,318,978	587,464	2,484,550	211,308	31,319,539
Charge for the year	232,283	1,519,227	390,710	38,833	279,700	46,957	2,507,710
Disposals/write-off	–	(9,983)	(2,428)	(2,179)	(1,452,013)	(258,265)	(1,724,868)
At 31st December 2006	3,332,995	23,125,771	3,707,260	624,118	1,312,237	–	32,102,381
<b>Impairment Loss</b>							
At 1st January 2006	2,397,283	–	–	–	–	–	2,397,283
Charge for the year	–	–	–	–	–	–	–
At 31st December 2006	2,397,283	–	–	–	–	–	2,397,283
<b>Net Book Value at 31st December 2006</b>	<b>6,701,599</b>	<b>14,121,071</b>	<b>1,075,634</b>	<b>207,021</b>	<b>842,459</b>	<b>–</b>	<b>22,947,784</b>

# Notes to the Financial Statements (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP 2005	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Long Leasehold Land and Capital Work-in Progress RM	Total RM
<b>Cost</b> (except as stated otherwise)							
At 1st January 2005	19,767,976	36,558,064	4,715,544	817,984	3,690,509	6,137,190	71,687,267
Transfer (Note 5)	(7,894,341)	—	—	—	—	—	(7,894,341)
Additions	—	92,750	58,279	8,355	180,785	98,165	438,334
Disposals/write-off	—	(1,600)	(43,267)	—	(200,471)	(107,427)	(352,765)
At 31st December 2005	11,873,635	36,649,214	4,730,556	826,339	3,670,823	6,127,928	63,878,495
<b>Accumulated Depreciation</b>							
At 1st January 2005	3,196,128	19,321,201	2,918,104	547,693	2,305,791	140,872	28,429,789
Transfer (Note 5)	(268,861)	—	—	—	—	—	(268,861)
Charge for the year	173,445	2,296,926	438,500	39,771	354,547	70,436	3,373,625
Disposals/write-off	—	(1,600)	(37,626)	—	(175,788)	—	(215,014)
At 31st December 2005	3,100,712	21,616,527	3,318,978	587,464	2,484,550	211,308	31,319,539
<b>Impairment Loss</b>							
At 1st January 2005	2,397,283	—	—	—	—	—	2,397,283
Charge for the year	—	—	—	—	—	—	—
At 31st December 2005	2,397,283	—	—	—	—	—	2,397,283
<b>Net Book Value at 31st December 2005</b>							
	6,375,640	15,032,687	1,411,578	238,875	1,186,273	5,916,620	30,161,673

# Notes to the Financial Statements (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Properties consist of:

<b>GROUP 2006</b>	<b>Freehold Land and Buildings RM</b>	<b>Long Leasehold Land and Buildings RM</b>	<b>Short Leasehold Land and Buildings RM</b>	<b>Short Leasehold Land and Buildings (At Valuation) RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>Cost</b> (except as stated otherwise)						
At 1st January 2006	3,629,591	41,661	5,165,516	2,483,176	553,691	11,873,635
Additions	–	–	558,242	–	–	558,242
Disposals	–	–	–	–	–	–
At 31st December 2006	3,629,591	41,661	5,723,758	2,483,176	553,691	12,431,877
<b>Accumulated Depreciation</b>						
At 1st January 2006	258,016	5,469	1,351,821	1,023,690	461,716	3,100,712
Charge for the year	8,000	420	159,377	45,394	19,092	232,283
Disposals	–	–	–	–	–	–
At 31st December 2006	266,016	5,889	1,511,198	1,069,084	480,808	3,332,995
<b>Impairment Loss</b>						
At 1st January 2006	2,397,283	–	–	–	–	2,397,283
Charge for the year	–	–	–	–	–	–
At 31st December 2006	2,397,283	–	–	–	–	2,397,283
<b>Net Book Value at 31st December 2006</b>	<b>966,292</b>	<b>35,772</b>	<b>4,212,560</b>	<b>1,414,092</b>	<b>72,883</b>	<b>6,701,599</b>

# Notes to the Financial Statements (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Properties consist of: (cont'd)

<b>GROUP 2005</b>	<b>Freehold Land and Buildings RM</b>	<b>Long Leasehold Land and Buildings RM</b>	<b>Short Leasehold Land and Buildings RM</b>	<b>Short Leasehold Land and Buildings (At Valuation) RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>Cost</b> (except as stated otherwise)						
At 1st January 2005	11,111,696	453,897	5,165,516	2,483,176	553,691	19,767,976
Transfer (Note 5)	(7,482,105)	(412,236)	–	–	–	(7,894,341)
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
At 31st December 2005	3,629,591	41,661	5,165,516	2,483,176	553,691	11,873,635
<b>Accumulated Depreciation</b>						
At 1st January 2005	484,929	38,997	1,253,150	978,296	440,756	3,196,128
Transfer (Note 5)	(234,913)	(33,948)	–	–	–	(268,861)
Charge for the year	8,000	420	98,671	45,394	20,960	173,445
Disposals	–	–	–	–	–	–
At 31st December 2005	258,016	5,469	1,351,821	1,023,690	461,716	3,100,712
<b>Impairment Loss</b>						
At 1st January 2005	2,397,283	–	–	–	–	2,397,283
Charge for the year	–	–	–	–	–	–
At 31st December 2005	2,397,283	–	–	–	–	2,397,283
<b>Net Book Value at 31st December 2005</b>						
	974,292	36,192	3,813,695	1,459,486	91,975	6,375,640

# Notes to the Financial Statements (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

<b>COMPANY 2006</b>	<b>Properties RM</b>	<b>Plant and Machinery RM</b>	<b>Office Equipment RM</b>	<b>Furniture and Fittings RM</b>	<b>Motor Vehicles RM</b>	<b>Total RM</b>
<b>Cost</b> (except as stated otherwise)						
At 1st January 2006	3,257,163	34,461,647	2,758,811	499,488	1,108,439	42,085,548
Additions	558,242	611,298	25,381	–	–	1,194,921
Transfer (to)/from subsidiary companies	–	–	2,330	(2,000)	–	330
Disposals/write-offs	–	(15,250)	(3,360)	(2,178)	–	(20,788)
At 31st December 2006	3,815,405	35,057,695	2,783,162	495,310	1,108,439	43,260,011
<b>Accumulated Depreciation</b>						
At 1st January 2006	1,149,919	19,658,904	1,849,908	311,227	494,865	23,464,823
Charge for the year	117,391	1,445,760	273,621	27,683	110,844	1,975,299
Transfer to subsidiary companies	–	–	2,330	(2,000)	–	330
Disposals/write-offs	–	(9,983)	(2,428)	(2,179)	–	(14,590)
At 31st December 2006	1,267,310	21,094,681	2,123,431	334,731	605,709	25,425,862
<b>Net Book Value at 31st December 2006</b>	<b>2,548,095</b>	<b>13,963,014</b>	<b>659,731</b>	<b>160,579</b>	<b>502,730</b>	<b>17,834,149</b>

<b>COMPANY 2005</b>	<b>Properties RM</b>	<b>Plant and Machinery RM</b>	<b>Office Equipment RM</b>	<b>Furniture and Fittings RM</b>	<b>Motor Vehicles RM</b>	<b>Capital Work-in Progress RM</b>	<b>Total RM</b>
<b>Cost</b> (except as stated otherwise)							
At 1st January 2005	13,463,416	34,368,897	2,771,618	495,918	1,059,221	9,262	52,168,332
Transfer (Note 5)	(10,206,253)	–	–	–	–	–	(10,206,253)
Additions	–	92,750	16,675	3,570	178,000	98,165	389,160
Disposals/write-offs	–	–	(29,482)	–	(128,782)	(107,427)	(265,691)
At 31st December 2005	3,257,163	34,461,647	2,758,811	499,488	1,108,439	–	42,085,548
<b>Accumulated Depreciation</b>							
At 1st January 2005	1,979,016	17,436,631	1,577,417	283,244	492,064	–	21,768,372
Transfer (Note 5)	(887,650)	–	–	–	–	–	(887,650)
Charge for the year	58,553	2,222,273	299,616	27,983	106,900	–	2,715,325
Disposals/write-offs	–	–	(27,125)	–	(104,099)	–	(131,224)
At 31st December 2005	1,149,919	19,658,904	1,849,908	311,227	494,865	–	23,464,823
<b>Net Book Value at 31st December 2005</b>	<b>2,107,244</b>	<b>14,802,743</b>	<b>908,903</b>	<b>188,261</b>	<b>613,574</b>	<b>–</b>	<b>18,620,725</b>



# Notes to the Financial Statements (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Properties consist of:

<b>COMPANY 2006</b>	<b>Freehold Land RM</b>	<b>Short Leasehold Land and Buildings RM</b>	<b>Short Leasehold Land and Buildings (At Valuation) RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>Cost</b> (except as stated otherwise)					
At 1st January 2006	132,515	770,476	2,183,176	170,996	3,257,163
Additions	–	558,242	–	–	558,242
At 31st December 2006	132,515	1,328,718	2,183,176	170,996	3,815,405
<b>Accumulated Depreciation</b>					
At 1st January 2006	–	118,574	910,487	120,858	1,149,919
Charge for the year	–	71,517	39,734	6,140	117,391
Disposals/write-off	–	–	–	–	–
At 31st December 2006	–	190,091	950,221	126,998	1,267,310
<b>Net Book Value at 31st December 2006</b>	<b>132,515</b>	<b>1,138,627</b>	<b>1,232,955</b>	<b>43,998</b>	<b>2,548,095</b>
<b>2005</b>					
<b>Cost</b> (except as stated otherwise)					
At 1st January 2005	7,614,620	3,494,624	2,183,176	170,996	13,463,416
Transfer (Note 5)	(7,482,105)	(2,724,148)	–	–	(10,206,253)
Additions	–	–	–	–	–
At 31st December 2005	132,515	770,476	2,183,176	170,996	3,257,163
<b>Accumulated Depreciation</b>					
At 1st January 2005	234,913	760,500	870,753	112,850	1,979,016
Transfer (Note 5)	(234,913)	(652,737)	–	–	(887,650)
Charge for the year	–	10,811	39,734	8,008	58,553
At 31st December 2005	–	118,574	910,487	120,858	1,149,919
<b>Net Book Value at 31st December 2005</b>	<b>132,515</b>	<b>651,902</b>	<b>1,272,689</b>	<b>50,138</b>	<b>2,107,244</b>

# Notes to the Financial Statements (cont'd)

## 4. 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:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>At Net Book Value</b>				
Freehold land and buildings	833,777	841,777	—	—
Leasehold land and buildings	—	374,038	—	—
Long leasehold land and capital work in-progress	—	5,916,620	—	—
	<b>833,777</b>	<b>7,132,435</b>	<b>—</b>	<b>—</b>

- (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 installment plans:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>At Net Book Value</b>				
Motor vehicles	253,930	1,046,015	253,930	534,207
Plant and machinery	1,028,478	2,021,214	692,300	2,021,214
Office equipment	363,444	724,746	363,444	676,621
	<b>1,645,852</b>	<b>3,791,975</b>	<b>1,309,674</b>	<b>3,232,042</b>

- (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 )	Based on professional valuation on open market value basis
The Company	1983	Short leasehold buildings	1,775,176 )	
Subsidiary	1985	Short leasehold land	300,000 )	
			<u>2,483,176</u>	

# Notes to the Financial Statements (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Short term leasehold land and buildings *	239,832	247,569	239,832	247,569

\* Excluding a short term leasehold land and building 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.

## 5. INVESTMENT PROPERTIES

GROUP	2006			2005		
	Freehold Land and Buildings RM	Leasehold Land and Buildings RM	Total RM	Freehold Land and Buildings RM	Leasehold Land and Buildings RM	Total RM
<b>Cost</b>						
At 1st January	7,570,971	412,236	7,983,207	—	—	—
Transfer (Note 4)	—	—	—	7,482,105	412,236	7,894,341
Additions	7,981	474,109	482,090	88,866	—	88,866
Disposals	(316,896)	—	(316,896)	—	—	—
At 31st December	7,262,056	886,345	8,148,401	7,570,971	412,236	7,983,207
<b>Accumulated Depreciation</b>						
At 1st January	306,233	38,198	344,431	—	—	—
Transfer (Note 4)	—	—	—	234,913	33,948	268,861
Charge for the year	59,981	9,155	69,136	71,320	4,250	75,570
Disposals	(28,503)	—	(28,503)	—	—	—
At 31st December	337,711	47,353	385,064	306,233	38,198	344,431
<b>Impairment Loss</b>						
At 1st January	1,917,721	—	1,917,721	—	—	—
Charge for the year	—	—	—	1,917,721	—	1,917,721
Disposals	(7,645)	—	(7,645)	—	—	—
At 31st December	1,910,076	—	1,910,076	1,917,721	—	1,917,721
<b>Net Book Value at 31st December</b>	<b>5,014,269</b>	<b>838,992</b>	<b>5,853,261</b>	<b>5,347,017</b>	<b>374,038</b>	<b>5,721,055</b>

# Notes to the Financial Statements (cont'd)

## 5. INVESTMENT PROPERTIES (cont'd)

COMPANY	2006			2005		
	Freehold Land and Buildings RM	Leasehold Land and Buildings RM	Total RM	Freehold Land and Buildings RM	Leasehold Land and Buildings RM	Total RM
<b>Cost</b>						
At 1st January	7,570,971	2,724,148	10,295,119	–	–	–
Transfer (Note 4)	–	–	–	7,482,105	2,724,148	10,206,253
Additions	7,981	474,109	482,090	88,866	–	88,866
Disposals	(316,896)	–	(316,896)	–	–	–
At 31st December	7,262,056	3,198,257	10,460,313	7,570,971	2,724,148	10,295,119
<b>Accumulated Depreciation</b>						
At 1st January	306,233	707,220	1,013,453	–	–	–
Transfer (Note 4)	–	–	–	234,913	652,737	887,650
Charge for the year	59,981	59,388	119,369	71,320	54,483	125,803
Disposals	(28,503)	–	(28,503)	–	–	–
At 31st December	337,711	766,608	1,104,319	306,233	707,220	1,013,453
<b>Impairment Loss</b>						
At 1st January	1,917,721	–	1,917,721	–	–	–
Charge for the year	–	–	–	1,917,721	–	1,917,721
Disposals	(7,645)	–	(7,645)	–	–	–
At 31st December	1,910,076	–	1,910,076	1,917,721	–	1,917,721
<b>Net Book Value at 31st December</b>	<b>5,014,269</b>	<b>2,431,649</b>	<b>7,445,918</b>	<b>5,347,017</b>	<b>2,016,928</b>	<b>7,363,945</b>

### Group and Company

The fair values for the investment properties of the Group and the Company on 31st December 2006 are RM6,273,723/- and RM14,986,823/- respectively. The fair values of the investment properties are estimated by the directors of the Company based on the open market value basis.

The leasehold land and buildings for a subsidiary company have been pledged to a bank for credit facilities granted to the said subsidiary company.

# Notes to the Financial Statements (cont'd)

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2006 RM	2005 RM
Unquoted shares at cost	8,264,673	9,014,675
Less: Impairment loss	(2,427,601)	(2,427,601)
Disposal of a subsidiary company	–	(1,000,000)
	5,837,072	5,587,074

The details of the subsidiaries which are all incorporated in Malaysia are as follows:-

Name of Company	Equity Held		Principal Activities
	2006 %	2005 %	
Direct subsidiary companies			
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
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	Trading
* Hwa Tai Services Sdn. Bhd. ("HTSSB")	100	100	Dormant
* Absolute Focus Sdn. Bhd. ("AFSB")	100	100	Dormant
Indirect subsidiary companies			
* Anika Bebas Sdn. Bhd. ("ABSB")	100	100	Trading
* Esprit Classic Sdn. Bhd. ("ECSB")	100	100	Trading

\* Subsidiary companies not audited by Monteiro & Heng.

\*\* During the financial year, the issued and paid-up share capital of Hwa Tai Distribution Sdn. Bhd. was increased from RM2/- to RM250,000/- by the issuance of RM249,998/- ordinary shares of RM1/- each to the Company.

# Notes to the Financial Statements (cont'd)

## 7. AMOUNTS OWING BY SUBSIDIARY COMPANIES

	COMPANY	
	2006 RM	2005 RM
Amounts owing by subsidiary companies	16,976,784	23,665,702
Less: Allowance for doubtful debts	(200,000)	(200,000)
	16,776,784	23,465,702
Portion due within one year	16,360,286	22,590,399
Portion due after one year	416,498	875,303
	16,776,784	23,465,702
Trade	16,005,202	22,800,275
Non-trade	771,582	665,427
	16,776,784	23,465,702

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

## 8. GOODWILL ON CONSOLIDATION

	GROUP	
	2006 RM	2005 RM
Balance as at 1st January	23,542	23,542
Impairment loss	(23,542)	–
Balance as at 31st December	–	23,542

## 9. INVENTORIES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>At Cost</b>				
Raw materials	869,369	816,146	715,808	659,640
Work-in-progress	194,894	229,172	173,220	194,542
Finished goods	2,861,252	2,132,547	551,752	2,003,932
Packing materials	2,255,228	2,075,384	2,123,556	1,875,450
Consumable stores	189,322	182,610	189,322	182,610
Trading inventories	–	2,336,100	–	–
	6,370,065	7,771,959	3,753,658	4,916,174
Less: Allowance for obsolete inventories	(1,962,002)	(2,858,548)	(66,184)	(749,434)
	4,408,063	4,913,411	3,687,474	4,166,740

# Notes to the Financial Statements (cont'd)

## 10. TRADE AND SUNDRY RECEIVABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	29,232,823	27,860,749	15,888,720	12,171,084
Allowance for doubtful debts	(8,746,740)	(10,839,671)	(1,885,431)	(2,044,733)
	20,486,083	17,021,078	14,003,289	10,126,351
Sundry receivables	2,094,906	1,773,946	1,559,708	1,549,252
Allowance for doubtful debts	(810,614)	(665,271)	(752,890)	(665,271)
	1,284,292	1,108,675	806,818	883,981
Deposits	208,225	183,015	90,392	54,542
Prepayments	113,030	1,026,461	76,993	914,616
	22,091,630	19,339,229	14,977,492	11,979,490

Included in deposits is an amount of RM26,000/- (2005: Nil) representing deposit paid for the purchase of a three storey shop office. The balance of the purchase consideration is disclosed as capital commitment in Note 30 to the financial statement.

The Group and the Company's normal trade credit terms range from 14 to 90 days.

## 11. SHARE CAPITAL

	GROUP AND COMPANY		GROUP AND COMPANY	
	2006	2005	2006	2005
	Number of ordinary shares		RM	RM
Ordinary shares of RM1/- each				
Authorised	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid:				
At beginning/ end of the financial year	40,042,400	40,042,400	40,042,400	40,042,400

## 12. CAPITAL RESERVE

	GROUP AND COMPANY	
	2006 RM	2005 RM
<b>Non-distributable</b>		
At beginning/end of the financial year	7,664	7,664
The capital reserve comprises surplus arising from the revaluation of leasehold land and building	7,664	7,664

# Notes to the Financial Statements (cont'd)

## 13. HIRE PURCHASE LIABILITIES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Minimum hire purchase payments				
- not later than one year	<b>475,487</b>	741,138	<b>365,673</b>	498,566
- later than one year and not later than five years	<b>569,014</b>	601,737	<b>443,526</b>	332,403
	<b>1,044,501</b>	1,342,875	<b>809,199</b>	830,969
Future interest charges	<b>(101,915)</b>	(117,588)	<b>(83,404)</b>	(66,330)
Present value of hire purchase liabilities	<b>942,586</b>	1,225,287	<b>725,795</b>	764,639
Current	<b>409,513</b>	668,655	<b>312,377</b>	454,863
Non-current	<b>533,073</b>	556,632	<b>413,418</b>	309,776
	<b>942,586</b>	1,225,287	<b>725,795</b>	764,639

The effective interest rate ranges from 5.41% to 13.10% (2005: 8.30% to 13.10%) per annum. Interest rates are fixed at the inception of the hire purchase arrangements.

The hire purchase liabilities are effectively secured on the rights of the assets under hire purchase.

## 14. TERM LOANS

	GROUP	
	2006 RM	2005 RM
Term loans	<b>335,729</b>	2,349,982
Portion due within one year	<b>(149,832)</b>	(987,868)
Portion due after one year	<b>185,897</b>	1,362,114

### Group

The term loans of a subsidiary company are secured by the creation of a first legal charge over the subsidiary company's freehold land, leasehold land and buildings and are also jointly and severally guaranteed by certain former directors of the subsidiary company.



# Notes to the Financial Statements (cont'd)

## 14. TERM LOANS (cont'd)

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

	GROUP	
	2006 RM	2005 RM
Within the next twelve months (included under current liabilities)	149,832	987,868
After the next twelve months (included under long term liabilities)		
- not later than two years	149,832	987,868
- later than two years but not later than five years	36,065	374,246
	185,897	1,362,114
	335,729	2,349,982

The effective interest rate as at the balance sheet date ranges from 8.00% to 8.50% (2005: 7.25% to 7.50%) per annum.

## 15. DEFERRED TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Balance at 1st January	21,426	17,250	—	—
Prior year adjustments (Note 27)	382,870	232,862	326,870	176,862
	404,296	250,112	326,870	176,862
Transfer from income statement				
- current year (Note 25)	260,270	154,184	266,703	150,008
Balance at 31st December	664,566	404,296	593,573	326,870

The components of deferred tax liabilities during the financial year prior to offsetting are as follows:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Temporary differences between net book values and corresponding tax written down values	1,568,324	1,285,955	1,549,331	1,264,530
Provisions	(903,758)	(881,659)	(955,758)	(937,660)
	664,566	404,296	593,573	326,870

# Notes to the Financial Statements (cont'd)

## 16. TRADE AND SUNDRY PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	16,396,063	17,007,997	11,080,467	14,284,937
Sundry payables	2,017,938	1,796,534	833,994	614,965
Accruals	1,539,098	1,822,296	1,051,767	1,421,670
Deposits	262,088	760,441	255,088	18,800
	20,215,187	21,387,268	13,221,316	16,340,372

The normal credit terms granted to the Group and the Company range from 30 to 120 days.

In 2005, deposits of the Group included an amount of RM750,000/- which represents deposit received in relation to the disposal of property detailed in Note 33(a).

## 17. AMOUNT OWING TO A SUBSIDIARY COMPANY

The amount owing to a subsidiary company is non-trade in nature, unsecured, interest free and has no fixed term of repayment.

## 18. PROVISIONS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Balance at 1st January	1,240,328	729,285	956,519	493,948
Charged to income statement	3,830,573	2,979,952	3,562,539	1,710,562
Utilised during the year	(4,249,831)	(2,468,909)	(3,985,886)	(1,247,991)
Balance at 31st December	821,070	1,240,328	533,172	956,519

Provisions are in respect of travelling, advertisement, promotion and freight charges. The provision is recognised for expected expenses based on the quotation received and the Company's past experience as to the level of travelling, advertisement, promotion and freight charges.

## 19. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Banker's acceptance	14,052,350	18,175,000	12,218,833	14,459,000
Revolving credits	1,500,000	2,000,000	1,500,000	2,000,000
	15,552,350	20,175,000	13,718,833	16,459,000

# Notes to the Financial Statements (cont'd)

## 19. SHORT TERM BORROWINGS (cont'd)

### Group

The short term borrowings of certain subsidiary companies are secured by corporate guarantees given by the Company.

### Company

The short term borrowings 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.

Effective interest rates as at balance sheet date range from 3.80% to 7.36% (2005: 3.92%).

## 20. BANK OVERDRAFTS

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 effective interest rates as at the balance sheet date range from 8.30% to 9.25% (2005: 7.00% to 8.50%) per annum.

## 21. REVENUE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of trading goods	13,788,750	19,795,485	—	—
Sales of manufactured goods	55,323,160	62,719,578	50,184,594	57,086,419
	69,111,910	82,515,063	50,184,594	57,086,419

## 22. OPERATING PROFIT/(LOSS)

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
After charging:-				
Allowance for doubtful debts	69,724	8,016,639	—	1,313,584
Allowance for inventories obsolescence	66,184	2,458,548	66,184	749,434
Audit fee				
- current year	97,000	96,450	60,000	60,000
- overaccrual in prior year	—	(3,247)	—	—
Bad debt written off	2,165	—	—	—
Directors' remunerations				
• Directors of the Company				
- salaries and allowances	574,200	—	574,200	—
- fees				
- current year	80,000	47,501	80,000	47,501
- underaccrual in prior year	—	57,500	—	57,500
- other emoluments	128,166	1,036,581	128,166	1,036,581

# Notes to the Financial Statements (cont'd)

## 22. OPERATING PROFIT/(LOSS) (cont'd)

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
• Directors of subsidiary companies				
- other emoluments	72,600	72,600	—	—
Depreciation				
- property, plant and equipment	2,507,710	3,373,625	1,975,299	2,715,325
- investment properties	69,136	75,570	119,369	125,803
Impairment on goodwill	23,542	—	—	—
Inventories written off	5,111	—	—	—
Hire of vehicles	139,184	423,183	134,961	123,666
Loss on disposal of investment properties	16,636	—	16,636	—
Loss on foreign exchange				
- realised	23,601	72,947	23,601	72,325
- unrealised	—	31,000	—	31,000
Provision for expenses	3,830,573	2,979,952	3,562,539	1,710,562
Property, plant and equipment written off	6,198	109,060	6,198	—
Rental of premises	159,150	315,310	109,150	104,400
Research and development	3,730	21,086	3,730	21,086
Staff costs:				
- bonus	141,300	659,951	134,300	292,951
- Employees' Provident Fund	778,172	826,345	604,011	708,338
- SOCSO	103,252	102,802	81,162	94,115
- salaries, wages and allowances	8,111,149	7,543,867	6,445,519	7,155,319
- other staff related expenses	284,536	404,900	222,174	183,506
And crediting:-				
Allowance for doubtful debts no longer required	2,004,276	—	71,683	—
Allowance for inventories obsolescence no longer required	1,031,844	—	749,434	—
Gain on disposal of property, plant and equipment	1,538,942	50,551	—	33,251
Interest income	1,408	339	1,408	339
Insurance commission received	24,749	—	24,749	—
Rental income	462,964	—	64,200	64,200

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

	GROUP AND COMPANY	
	2006 RM	2005 RM
<b>Executive Directors</b>		
Directors' fees	20,000	28,750
Salaries	460,580	529,677
Bonuses	25,200	32,895
Compensation for loss of office	—	250,000
Benefits-in-kind	33,756	73,510
	<b>539,536</b>	<b>914,832</b>

# Notes to the Financial Statements (cont'd)

## 22. OPERATING PROFIT/(LOSS) (cont'd)

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

	<b>GROUP AND COMPANY</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
<b>Non-Executive Directors</b>		
Directors' fees	60,000	76,251
Allowances	138,000	199,920
Bonuses	—	—
Benefits-in-kind	44,830	23,179
	<b>242,830</b>	<b>299,350</b>
<b>Grand Total</b>		
Directors' fees	80,000	105,001
Salaries	460,580	529,677
Allowances	138,000	199,920
Bonuses	25,200	32,895
Compensation for loss of office	—	250,000
Benefits-in-kind	78,586	96,689
	<b>782,366</b>	<b>1,214,182</b>

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

	<b>Number of Directors</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Executive Director</b>	<b>Non-Executive Director</b>	<b>Executive Director</b>	<b>Non-Executive Director</b>
Ranges of Remuneration (RM)				
RM0 - RM50,000	—	6	—	9
RM50,001 - RM100,000	—	—	1	—
RM100,001 - RM150,000	—	—	1	—
RM150,001 - RM200,000	—	1	—	1
RM200,001 - RM250,000	—	—	—	—
RM250,001 - RM300,000	2	—	1	—
RM300,001 - RM350,000	—	—	—	—
RM350,001 - RM400,000	—	—	—	—
RM400,001 - RM450,000	—	—	—	—
RM450,001 - RM500,000	—	—	1	—
RM500,001 - RM550,000	—	—	—	—
	<b>2</b>	<b>7</b>	<b>4</b>	<b>10</b>

# Notes to the Financial Statements (cont'd)

## 23. FINANCE COSTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest expenses				
- short term loans	978,484	725,618	794,217	554,848
- bank overdrafts	93,655	291,458	78,933	281,537
- hire purchase	88,060	141,101	64,814	88,277
- term loans	127,743	208,426	—	—
- others	2,435	33	—	—
	1,290,377	1,366,636	937,964	924,662

## 24. LOSS FROM INVESTING ACTIVITIES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Impairment loss on investment properties	—	1,917,721	—	1,917,721
(Gain)/loss on disposal of a subsidiary company	—	(202,960)	—	999,999
	—	1,714,761	—	2,917,720

## 25. TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Income tax				
- underaccrual in prior year	(1,600)	(16,469)	—	(16,469)
Deferred taxation (Note 15)				
- current year	(254,174)	(167,717)	(266,703)	(150,008)
- overaccrual in prior year	(6,096)	13,533	—	—
	(261,870)	(170,653)	(266,703)	(166,477)

The income tax is calculated at the Malaysian statutory rate of 28% (2005: 28%) of the estimated assessable profit for the year. The income tax rate applicable to small and medium scale enterprises ("SME") incorporated in Malaysia with paid-up capital of RM2.5 million and below is subject to the statutory tax rate of 20% on chargeable income of up to RM500,000/-. For chargeable income in excess of RM500,000/-, statutory tax rate of 28% is still applicable.

The statutory rate will be reduced to 27% and 26% from the current year's rate of 28% for the Years of Assessment 2007 and 2008 respectively. The computation of deferred tax as at 31st December 2006 has been reflected with these changes accordingly.

# Notes to the Financial Statements (cont'd)

## 25. TAXATION (cont'd)

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit/(loss) before taxation	<b>2,387,008</b>	(18,985,027)	<b>825,765</b>	(5,938,764)
Tax at applicable tax rate of 28%	<b>(668,362)</b>	5,315,808	<b>(231,214)</b>	1,662,854
Tax effects arising from				
- double deduction expenses	<b>(231)</b>	—	—	—
- non-taxable income	<b>534,517</b>	66,139	—	9,310
- non-deductible expenses	<b>(189,658)</b>	(4,448,741)	<b>(81,619)</b>	(1,822,172)
- reversal of deferred tax assets not recognised in the financial statements	<b>105,360</b>	(1,100,923)	—	—
- deferred tax (assets)/liabilities recognised at different tax rates	<b>(37,516)</b>	—	<b>46,130</b>	—
- SME tax savings	<b>1,716</b>	—	—	—
- underaccrual in prior year	<b>(7,696)</b>	(2,936)	—	(16,469)
Tax expense for the year	<b>(261,870)</b>	(170,653)	<b>(266,703)</b>	(166,477)

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

	GROUP	
	2006 RM	2005 RM
Unabsorbed capital allowances	<b>165,551</b>	355,755
Unutilised tax losses	<b>4,016,668</b>	3,904,020
	<b>4,182,219</b>	4,259,775
Potential deferred tax assets not recognised at 26% (2005: 28%)	<b>1,087,377</b>	1,192,737

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

# Notes to the Financial Statements (cont'd)

## 26. EARNINGS/(LOSS) PER ORDINARY SHARE

### (a) Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share for the financial year has been calculated based on the Group's loss after taxation and minority interest divided by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2006 RM	2005 RM
Profit/(loss) attributable to shareholders	2,125,138	(19,005,672)
Prior year adjustments (Note 27)	–	(150,008)
	2,125,138	(19,155,680)
Weighted average number of ordinary shares in issue	40,042,400	40,042,400
Basic earnings/(loss) per ordinary share (sen)	5	(48)

### (b) Diluted earnings/(loss) per ordinary share

The diluted earnings/(loss) per ordinary share for the financial year are not disclosed as their effects on the basic earnings per share are anti-dilutive.

## 27. PRIOR YEAR ADJUSTMENTS

In prior years, the Group and the Company recognised deferred tax asset on unabsorbed reinvestment allowances and this was offset with other temporary differences. Pursuant to the public clarification of the MASB on the recognition of reinvestment allowance in accordance with FRS 112<sup>2004</sup> Income Taxes, the Group and the Company changed its accounting policy during the current year and accordingly, deferred tax assets on unabsorbed reinvestment allowances are no longer recognised.

The effect arising from the above mentioned changes on the comparative figures are as follows:-

### GROUP

	As previously stated RM	Adjustments RM	As restated RM
<b>As at 31st December 2005</b>			
<b>Income Statement</b>			
Taxation	(20,645)	(150,008)	(170,653)
Net loss for the year	(19,005,672)	(150,008)	(19,155,680)
Loss per share (sen)	(47)	–	(48)
<b>Balance Sheet</b>			
Accumulated losses	(26,075,770)	(382,870)	(26,458,640)
Deferred tax liabilities	21,426	382,870	404,296



# Notes to the Financial Statements (cont'd)

## 27. PRIOR YEAR ADJUSTMENTS (cont'd)

The effect arising from the above mentioned changes on the comparative figures are as follows:- (cont'd)

### COMPANY

	As previously stated RM	Adjustments RM	As restated RM
<b>As at 31st December 2005</b>			
<b>Income Statement</b>			
Taxation	(16,469)	(150,008)	(166,477)
Net loss for the year	(5,955,233)	(150,008)	(6,105,241)
<b>Balance Sheet</b>			
Accumulated losses	(4,280,643)	(326,870)	(4,607,513)
Deferred tax liabilities	—	326,870	326,870

## 28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<i>Transactions with subsidiary companies</i>				
Sales to subsidiary companies				
- Acetai	—	—	—	15,594,591
- HTFIS	—	—	2,074	—
- PTT	—	—	—	884,252
- ABSB	—	—	180,383	—
Sales return from a subsidiary company				
- Acetai	—	—	28,284	—
Rental income from a subsidiary company				
- HTFIS	—	—	64,200	64,200
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	—	—	363,600	347,700
- PTT	—	—	17,200	24,000
- EISB	—	—	13,200	12,000
- HTFIS	—	—	1,200	—
- SMMS	—	—	13,200	12,000
Sales commission paid to a subsidiary company				
- PTT	—	—	—	74,784
Transfer of property, plant and equipment to subsidiary companies				
- at net book value, Acetai	—	—	—	107,427

# Notes to the Financial Statements (cont'd)

## 28. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<i>Transaction with a firm in which a director is a partner</i>				
Sales to Soo Thien Ming & Nasrah, a firm in which a director is a partner	26,701	—	14,605	—
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 consultancy fees paid to Soo Thien Ming & Nasrah, a firm in which a director is a partner	74,227	116,473	7,089	30,260

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 2006, the Group and the Company are contingently liable for the following:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Unsecured</b>				
Bank guarantees issued in favour of third parties	234,750	212,250	234,750	212,250
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company to the extent of RM5,542,172/- (2005 : RM13,316,313/-)	—	—	2,062,528	4,146,352
	234,750	212,250	2,297,278	4,358,602

## 30. CAPITAL COMMITMENT

	GROUP AND COMPANY	
	2006 RM	2005 RM
Authorised capital expenditure contracted but not provided for in the financial statements - property, plant and equipment	260,000	246,240
Approved capital expenditure not contracted for and not provided for in the financial statements - development of Seri Kembangan land	—	6,700,000

## 31. SEGMENTAL INFORMATION

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

- Manufacturing : Manufacture of biscuits
- Trading : Trading in confectioneries
- Others : Investment holding, construction and insurance agency

### Primary Reporting - Business Segments

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
<b>REVENUE</b>												
External sales	55,323,160	45,211,084	13,788,750	37,303,979	-	-	69,111,910	82,515,063	-	-	69,111,910	82,515,063
Inter - segment sales	154,173	17,508,494	29,059	403,009	48,000	48,000	231,232	17,959,503	231,232	17,959,503	-	-
	<b>55,477,333</b>	<b>62,719,578</b>	<b>13,817,809</b>	<b>37,706,988</b>	<b>48,000</b>	<b>48,000</b>	<b>69,343,142</b>	<b>100,474,566</b>	<b>231,232</b>	<b>17,959,503</b>	<b>69,111,910</b>	<b>82,515,063</b>
<b>RESULTS</b>												
Segmental results	1,047,241	(2,706,988)	(2,820,071)	(13,740,072)	(35,409)	(35,634)	(1,808,239)	(16,482,694)	(492,952)	(330,433)	(1,315,287)	(16,152,261)
Other operating income	632,776	659,311	4,876,496	186,166	-	-	5,509,272	845,477	(516,600)	(596,846)	4,992,672	248,631
Finance cost (net)	(940,967)	(932,713)	(349,410)	(433,923)	-	-	(1,290,377)	(1,366,636)	-	-	(1,290,377)	(1,366,636)
(Loss)/gain on disposal of a subsidiary	-	(999,999)	-	-	-	-	-	(999,999)	-	1,202,959	-	202,960
Impairment loss on properties	-	(1,917,721)	-	-	-	-	-	(1,917,721)	-	-	-	(1,917,721)
Profit/(loss) before taxation	<b>739,050</b>	<b>(5,898,110)</b>	<b>1,707,015</b>	<b>(13,987,829)</b>	<b>(35,409)</b>	<b>(35,634)</b>	<b>2,410,656</b>	<b>(19,921,573)</b>	<b>(1,009,552)</b>	<b>275,680</b>	<b>2,387,008</b>	<b>(18,985,027)</b>

# Notes to the Financial Statements (cont'd)

## 31. SEGMENTAL INFORMATION (cont'd)

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
<b>OTHER INFORMATION</b>												
Segmental assets	46,771,699	45,078,104	8,024,390	15,157,535	1,029,214	1,058,560	55,825,303	61,294,199	(7,000)	(6,183)	55,818,303	61,288,016
Total assets	47,339,236	45,608,861	8,038,644	15,159,522	1,034,635	1,063,750	56,412,515	61,832,133	(7,000)	(6,183)	56,405,515	61,825,950
Segmental liabilities	31,242,113	36,530,285	8,571,785	11,133,965	21,293	16,916	39,835,191	47,681,166	31,532	(7,000)	39,866,723	47,674,166
Total liabilities	31,903,905	36,932,788	8,576,159	11,133,965	177,357	174,773	40,657,421	48,241,526	31,532	(7,000)	40,688,953	48,234,526
Capital expenditure	1,197,691	390,105	38,889	155,656	–	–	1,236,580	545,761	–	(107,427)	1,236,580	438,334
Depreciation and amortisation	2,212,828	2,961,706	334,461	457,932	29,557	29,557	2,576,846	3,449,195	–	–	2,576,846	3,449,195

(a) The activities of the Group are carried out in Malaysia and as such segmental reporting by geographical locations is not presented.

(b) Inter-segmental pricing is determined on an arm's length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

# Notes to the Financial Statements (cont'd)

## 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.

The net unhedged financial assets of the Group and Company that are not denominated in their functional currencies are as follows:

	<b>GROUP AND COMPANY</b>	
	<b>Singapore Dollar RM</b>	<b>United States Dollar RM</b>
<b>As at 31st December 2006</b>		
<b>Financial Assets</b>		
Trade and sundry receivables	<b>390,982</b>	<b>1,219,594</b>
Cash and bank balances	<b>589</b>	<b>36,847</b>
	<b>391,571</b>	<b>1,256,441</b>
<b>As at 31st December 2005</b>		
<b>Financial Assets</b>		
Trade and sundry receivables	534,783	2,002,226
Cash and bank balances	589	31,601
	535,372	2,033,827

#### (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.

# Notes to the Financial Statements (cont'd)

## 32. FINANCIAL INSTRUMENTS (cont'd)

### (a) Financial Risk Management and Objectives (cont'd)

#### (iv) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt as at 31st December 2006. 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.

The information on maturity dates and effective interest rate of financial assets and liabilities are disclosed in their respective notes.

### (b) Fair Values

#### (i) Recognised financial instruments

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.

It is not practical to estimate the fair values of the amounts owing by/to subsidiary companies due principally to either the 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.

The carrying amounts of financial assets and liabilities maturing within 12 months are approximate to their fair values due to the relatively short term of maturity of these financial instruments.

#### (ii) Unrecognised financial instruments

There are no unrecognised financial instruments in the balance sheet as at 31st December 2006.

## 33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 12th December 2005, a 90% owned subsidiary company of the Company, namely Acetai Corporation Sdn. Bhd. had entered into a Sale and Purchase agreement with UPA Machinery Sdn. Bhd. for the sale of leasehold land held under H.S. (M) 13714, No. P.T. 3476, Mukim Petaling, Tempat Seri Kembangan, Negeri Selangor Darul Ehsan for a total cash consideration of RM7,489,605/-.

The shareholders had approved the disposal of the said leasehold land at an Extra Ordinary Meeting on 26th June 2006. The said disposal was completed on 7th September 2006.

- (b) On 7th June 2006, the Company submitted to the Securities Commission for its application for extension of time to 22nd December 2006 for the implementation of the 10% Private Placement.

However, the Securities Commission via its letter dated 16 June 2006 rejected the said application.

# Notes to the Financial Statements (cont'd)

## 34. MATERIAL LITIGATION

On 26th April 2001, Danone Biscuits Manufacturing (M) Sdn. Bhd. ("Danone") filed an action against the Company claiming, inter alia, for a permanent injunction restraining the Company from allegedly infringing Danone's registered "ChipsMore" trademark as against the Company's "ChipsPlus", the passing-off, misappropriating/misleading the general public to suppose the existence of a trade connection or association between the Company and Danone, an order for delivery up and destruction of all the Company's allegedly offending chocolate chip cookies and an inquiry as to damages due to Danone.

The case is still pending in the court.

## 35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the presentation in the current year:-

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>As previously stated 2005 RM</b>	<b>As reclassified 2005 RM</b>	<b>As previously stated 2005 RM</b>	<b>As reclassified 2005 RM</b>
<b>Balance sheets</b>				
Property, plant and equipment	35,882,728	30,161,673	25,984,670	18,620,725
Investment properties	—	5,721,055	—	7,363,945
Trade and sundry payables	21,952,286	21,387,268	16,905,390	16,340,372
Provisions	675,310	1,240,328	391,501	956,519

# Statement by Directors

We, **SOO THIEN MING @ SOO THIEN SEE** and **WONG CHEE KHEEN**, 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 23 to 63 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 2006 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities.

On behalf of the Board,

**SOO THIEN MING @ SOO THIEN SEE**

Director

**WONG CHEE KHEEN**

Director

Kuala Lumpur

26 February 2007

## Statutory Declaration

I, **WONG CHEE KHEEN**, 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 23 to 63 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.

**WONG CHEE KHEEN**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 26 February 2007.

Before me,

**MOHD RADZI BIN YASIN (W327)**

Commissioner for Oaths



# Report of the Auditors

## To the Members of Hwa Tai Industries Berhad (Incorporated in Malaysia) (19688-V)

We have audited the financial statements set out on pages 23 to 63.

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 statement 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 MASB approved accounting standards in Malaysia for Entities Other Than Private Entities 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 2006 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 6 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

### **M. J. MONTEIRO**

No. 828/05/08 (J/PH)

Partner

Kuala Lumpur

26 February 2007

# Analysis of Securities Holdings

As at 30 April 2007

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 issued	: 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 30 April 2007

### SIZE OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	157	3.92	3,306	0.01
100 - 1,000	1,028	25.67	948,962	2.37
1,001 - 10,000	2,437	60.85	9,967,705	24.89
10,001 - 100,000	362	9.04	8,594,000	21.46
100,001 - less than 5% of issued shares	19	0.47	9,371,800	23.41
5% and above of issued shares	2	0.05	11,156,627	27.86
Total	4,005	100.00	40,042,400	100.00

### THIRTY LARGEST SHAREHOLDERS

Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
1. Soo Thien See @ Soo Thien Ming	7,302,237	18.24
2. Public Nominees (Tempatan) Sdn Bhd (A/C Soo Thien See @ Soo Thien Ming)	3,854,390	9.63
3. HDM Nominees (Tempatan) Sdn Bhd (A/C Wah Keng Sen)	1,994,800	4.98
4. Alliancegroup Nominees (Tempatan) Sdn Bhd (A/C Liew Kuek Hin)	1,846,400	4.61
5. PM Nominess (Tempatan) Sdn Bhd (A/C Gelombang Sinar Sdn Bhd)	988,000	2.47
6. DB (Malaysia) Nominee (Asing) Sdn Bhd	837,700	2.09
7. HSBC Nominees (Asing) Sdn Bhd	627,400	1.57
8. Soo Thien See @ Soo Thien Ming	513,600	1.28
9. Mayban Nominees (Tempatan) Sdn Bhd (A/C Siaw Kit Leong)	435,000	1.09
10. HDM Nominees (Tempatan) Sdn Bhd (A/C Bay Ali Bin Othman)	336,000	0.84
11. Zaleha Binti Idris	317,200	0.79
12. Teh Leong Kok	240,100	0.60
13. Tan Tiong Cheng	179,000	0.45
14. Lee Thye @ Lee Chooi Yoke	171,900	0.43

# Analysis of Securities Holdings (cont'd)

## THIRTY LARGEST SHAREHOLDERS (cont'd)

Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
15. Saw Ah Kee	165,000	0.41
16. Tan Ah Hoon	144,000	0.36
17. Alliancegroup Nominees (Tempatan) Sdn Bhd (A/C Liew Yew Chung)	130,400	0.33
18. Che Wan Mohd Zuhaimi Bin Che Wan Hussain	123,000	0.31
19. Ang Chee Kean	115,300	0.29
20. Phang Kai Hoe	104,000	0.26
21. Fong Cheng Ban	103,000	0.26
22. Loke Chong	100,000	0.25
23. Halim Securities Sdn Bhd	98,000	0.24
24. Cheng Yean Yun @ Tay Yan Hoon	95,000	0.24
25. Lim Soh Bee	90,000	0.22
26. Siaw Kit Leong	90,000	0.22
27. Soh Kok Heng	89,900	0.22
28. Zainal Mokhtar Bin Abdul Hamid	86,100	0.22
29. Tan Hua Teck @ Tang Wah Teck	84,000	0.21
30. Olive Lim Swee Lian	81,000	0.20
Total	21,342,427	53.31

## 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 of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	11,701,027	29.22	—	—	11,701,027	29.22

# Analysis of Securities Holdings (cont'd)

## ANALYSIS OF WARRANT-HOLDINGS as at 30 April 2007

### SIZE OF WARRANT-HOLDINGS

Range of Warrant-holdings	No. of Warrant-holders	% of Warrant-holders	No. of Warrant	% of Warrant-holdings
Less than 100	244	9.84	6,672	0.03
100 - 1,000	194	7.83	89,255	0.45
1,001 - 10,000	1,738	70.11	5,628,400	28.36
10,001 - 100,000	282	11.37	7,823,050	39.42
100,001 - less than 5% of issued Warrants	20	0.81	3,916,628	19.74
5% and above of issued Warrants	1	0.04	2,380,995	12.00
Total	2,479	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. Soo Thien See @ Soo Thien Ming	596,128	3.00
3. Yong Chee Foong	562,000	2.83
4. Doris Law Chiew Jen	297,500	1.50
5. Teh Kong Siew	281,500	1.42
6. Mayban Nominees (Tempatan) Sdn Bhd (A/C Siaw Kit Leong)	217,500	1.10
7. Ho Thean Hock	212,000	1.07
8. Mayban Securities Nominees (Tempatan) Sdn Bhd (A/C Lee Ai Lin)	155,000	0.78
9. Ngu Shang Shang	150,000	0.76
10. Wong Sien Ngik	144,800	0.73
11. Mayban Securities Nominees (Tempatan) Sdn Bhd (A/C Yuthaya Surian A/L Muthu)	144,200	0.73
12. Mayban Securities Nominees (Asing) Sdn Bhd (A/C Huang, Ming Li)	130,000	0.66
13. Tan Ah Hoon	122,000	0.61
14. Berhanuddin Bin Abdul Rahman	120,000	0.60
15. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd (A/C Teng Hock Heng)	117,000	0.59
16. Manami Kawasaki	115,000	0.58
17. Siow Shou Kiat	113,000	0.57
18. Saw Guat Ngoh	112,000	0.56
19. TA Nominees (Tempatan) Sdn Bhd (A/C Chang Ming Soon)	112,000	0.56
20. Khoh Swee Hoe	110,000	0.55
21. Teoh Chin Chor	105,000	0.53
22. Amsec Nominees (Tempatan) Sdn Bhd (A/C Tan Teng Huat)	100,000	0.50
23. Dea Chee Thai	100,000	0.50
24. Teoh Chin Chor	100,000	0.50

# Analysis of Securities Holdings (cont'd)

## THIRTY LARGEST WARRANT-HOLDERS (cont'd)

Name of Warrant-holders as per Register of Warrant-holders	No. of Warrants	% of Warrant-holdings
25. Amsec Nominees (Tempatan) Sdn Bhd (A/C Tang Kwai Leng)	99,500	0.50
26. Tey Say Ek	98,100	0.50
27. Chong Yak Hiong @ Chong Yik Shong	95,800	0.48
28. JF Apex Nominees (Tempatan) Sdn Bhd (A/C Wong Sieh Ming)	95,000	0.48
29. Wang Mei Tyug	93,000	0.47
30. AHN Sdn Bhd	91,000	0.46
Total	7,170,023	36.12

## DIRECTORS' INTEREST IN SECURITIES as at 30 April 2007

According to the registers required to be kept under Section 134 of the Companies Act, 1965, the directors' interest in the ordinary shares and warrants 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	11,701,027 (29.22)	—	11,701,027 (29.22)
Col.(Rtd.)Dato' Ir. Cheng Wah	20,000 (0.05)	—	20,000 (0.05)

### 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)

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 2006

	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	29	1,578
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	24	416
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	27	536
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	27	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	—	14	133
6	Lot No. PTD 80369 1 Jalan Impian Ria 6, Taman Impian Ria, Skudai Johor Darul Takzim	7,476	1,592	Leasehold	1 unit 2 storey corner house (Own Occupation)	2006	2097	9	843
7	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	15	2,339

# 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)
8	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	—	13	417
9	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	—	13	417
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	11	370
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	—	8	550
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	—	8	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	—	8	320
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	—	8	310
15	Lot No. PT 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	14 units 3 storey shop office (Vacant)	1999	—	8	3,539

# Appendix 1

## - Proposed Amendments to the Articles of Association

The Articles of Association of HWA TAI INDUSTRIES BERHAD are proposed to be amended in the following manner, to be in compliance with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad:-

- (1) That the following existing Article 4(B)(ii), be deleted in its entirety:-

### **Issue of preference shares**

"4(B)(ii) The total nominal value of issued Preference Shares shall not exceed the total nominal value of the issued ordinary shares at any time."

- (2) That the following last paragraph of the existing Article 6(B), be deleted in its entirety:-

"Provided That the holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up."

And that the new Article 6(B) shall read as follows:-

### **Rights of preference shareholders**

"6(B) Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the Company. The holder of a preference share must be entitled to a right to vote in each of the following circumstances:-

- (i) when the dividend or part of the dividend on the preference share is in arrears for more than six (6) months;
- (ii) on a proposal to reduce the Company's share capital;
- (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- (iv) on a proposal that affects rights attached to the preference shares;
- (v) on a proposal to wind up the Company; and
- (vi) during the winding up of the Company."

- (3) That the existing Article 49(B) which reads:-

"49(B) The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors as at a date not less than three (3) Market Days before the Annual General Meeting and/or Extraordinary General Meeting (hereinafter referred to as "the General Meeting Record of Depositors")."

be amended, and that the new Article 49(B) shall read as follows:-

### **Record of Depositors**

"49(B) The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors as at **the latest date which is reasonably practicable which shall in any event be** not less than three (3) Market Days before the Annual General Meeting and/or Extraordinary General Meeting (hereinafter referred to as "the General Meeting Record of Depositors")."

- (4) That the existing Article 59 which reads:-

"59 Subject to any special terms as to voting upon which any share may be issued or may for the time being be held, every member of the Company shall be entitled to be present and to vote at any Annual General Meeting and/or Extraordinary General Meeting in respect any share or shares upon which all calls due to the Company have been paid Provided that every member present in person or by proxy shall have one (1) vote and upon a poll every member present in person or by proxy shall have one (1) vote for every share held by him."



- (4) That the existing Article 59 which reads:- (cont'd)

be amended, and that the new Article 59 shall read as follows:-

"59 Subject to any special terms as to voting upon which any share may be issued or may for the time being be held, every member (holding ordinary shares or preference shares) of the Company shall be entitled to be present and to vote at any Annual General Meeting and/or Extraordinary General Meeting in respect any share or shares upon which all calls due to the Company have been paid Provided that on a resolution to be decided on a show of hands every member (holding ordinary shares or preference shares) present in person or by proxy shall have one (1) vote and upon a poll every member (holding ordinary shares or preference shares) present in person or by proxy shall have one (1) vote for every share held by him."

- (5) That the existing Article 66(B) which reads:-

"66(B) A member may appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, the member shall specify the proportion of the member's shareholdings to be represented by each proxy."

be amended, and that the new Article 66(B) shall read as follows:-

## Form of proxy

"66(B) A member may appoint at least one (1) proxy to attend at the same meeting. Where a member appoints two (2) or more proxies, the member shall specify the proportion of the member's shareholdings to be represented by each proxy."

- (6) That the existing Article 66(C) which reads:-

"66(C) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account."

be amended, and that the new Article 66(C) shall read as follows:-

## Form of proxy

"66(C) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares or preference shares of the Company standing to the credit of the said securities account."

- (7) That the following last sentence of the existing Article 68, be deleted in its entirety:-

"All the Directors of the Company shall be natural persons."

And that the new Article 68 shall read as follows:-

## Number of Directors

"68 Unless and until otherwise determined by the Company in General Meeting the number of the Directors shall be not more than fifteen (15) and not less than two (2)."

# Appendix 1 (cont'd)

(8) That the following existing Articles 73(b) and 73(c) which reads:-

"73(b) If he becomes bankrupt or makes any arrangement or composition with his creditors."

"73(c) If he be or is found to be a lunatic or becomes of unsound mind."

be amended, and that the following existing Article 73(e), be deleted in its entirety:-

"73(e) If he be absent from more than fifty per cent (50%) of the total board of directors' meeting held during a financial year."

And that the new Article 73 shall read as follows:-

## Office of directors how vacated

"73 The office of a Director shall be vacated in any of the following events namely:-

- (a) If he resigns his office by writing under his hand left at the office.
- (b) If he becomes bankrupt or makes any arrangement or composition with his creditors **during his term of office.**"
- (c) If he be or is found to be a lunatic or becomes of unsound mind **during his term of office.**"
- (d) If he be absent from meetings of the Directors for six (6) months without leave and the Directors resolve that his office be vacated.
- (e) If he is removed by the Company in Extraordinary General Meeting pursuant to these Articles.
- (f) If he becomes prohibited from being a Director by reason of any order made under the Act.
- (g) If he ceases to be a Director by virtue of any provisions of the Act."

This is the Appendix 1 referred to in the Special Resolution of the Notice of the 32nd Annual General Meeting of Hwa Tai Industries Berhad



**HWA TAI INDUSTRIES BERHAD**  
(Company No:19688-V)

# Form of Proxy

I / We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member of HWA TAI INDUSTRIES BERHAD, here 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 Thirty-Second Annual General Meeting of the Company to be held on 30 June 2007 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 Director:- Soo Chung Yee		
4. Appointment of Auditors and their remuneration		
5. Ordinary Resolution No. 1 - Authority to Allot and Issue Shares Pursuant to the Employees' Share Option Scheme		
6. Ordinary Resolution No. 2 - Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965		
7. Special Resolution - Proposed Amendments to the Articles of Association of the Company		

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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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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