



MALAYAN FLOUR MILLS BERHAD
(4260-M)



annual report
laporan tahunan 2004

contents

02	Notice Of Annual General Meeting
06	Notice Of Closure Of Book
07	Statement Accompanying Notice Of Annual General Meeting
08	Corporate Information
10	Directors' Profile
13	Statement On Corporate Governance
18	Additional Compliance Information
19	Audit Committee Report
22	Statement On Internal Control
24	Chairman's Statement
26	Group Financial Highlights
28	Directors' Report
38	Consolidated Income Statement
39	Consolidated Balance Sheet
40	Consolidated Statement Of Changes In Equity
41	Consolidated Cash Flow Statement
43	Income Statement
44	Balance Sheet
45	Statement Of Changes In Equity
46	Cash Flow Statement
47	Notes To The Financial Statements
96	Statement By Directors
96	Statutory Declaration
97	Report Of The Auditors To The Members
98	Analysis Of Shareholdings
100	Details Of Assets
	Form Of Proxy

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting of Malayan Flour Mills Berhad will be held at the Theatrette, 2nd Floor, Bangunan Getah Asli (Menara), 148 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 16th June, 2005 at 9.30 a.m for the following purposes :-

1. To receive the Audited Financial Statements for the financial year ended 31st December, 2004 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To sanction the payment of a first and final dividend. **(Resolution 2)**
3. To re-elect Dato' Hj Shaharuddin bin Hj Haron who retires in accordance with Article 111 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 3)**
4. To consider and if thought fit, pass the following motions: -
 - (a) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Datuk Arshad bin Ayub be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 4)**
 - (b) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Hamzah bin Abu Samah be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 5)**
 - (c) "That pursuant to Section 129 (6) of the Companies Act, 1965, Mr Lee Soon Lee be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; and **(Resolution 6)**
 - (d) "That pursuant to Section 129 (6) of the Companies Act, 1965, Mr Geh Cheng Hooi be re-appointed as a Director of the Company to hold office until the next Annual General Meeting." **(Resolution 7)**
5. To consider and if thought fit, pass the following motion: - **(Resolution 8)**

"That the sum of RM213,852 being the Directors' fees payable for the year ended 31st December, 2004, be paid to the Directors and be divided amongst them in such manner as the Directors may determine."
6. To re-appoint Messrs Folks DFK & Co., as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**
7. As Special Business:-

To consider and if thought fit, to pass with or without modifications, the following motions:-

7.1 Ordinary Resolution 1

(Resolution 10)

Authority to Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes and to such person or persons as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum (10%) of the issued share capital of the Company for the time being, subject always to the approvals of all the relevant regulatory authorities being obtained for such issue and allotment."

7.2 Ordinary Resolution 2

(Resolution 11)

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature pursuant to paragraph 10.09 of the Bursa Malaysia Securities Berhad Listing Requirements

"**THAT**, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, approval be and is hereby given to Malayan Flour Mills Berhad ("Company") to enter into recurrent transactions with Dindings Soya & Multifeeds Sdn Berhad, Dindings Poultry Processing Sdn Bhd and Fongcheng Enterprises Sdn Bhd, the nature of which is set out in Section 2 of the Circular to Shareholders dated 25th May, 2005 for the purposes of Paragraph 10.09 of the Bursa Securities Listing Requirements, subject to the following:

- (i) the transactions are carried out in the ordinary course of business, at arm's length, on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;
- (ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall continue in force, unless revoked or varied by Ordinary Resolution of the Company in a general meeting and will subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act, 1965 (excluding any extension of such period as may be allowed under the Companies Act, 1965); and
- (iii) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7.3 Ordinary Resolution 3

(Resolution 12)

Proposed Renewal of Authority for Share Buy-Back

"**THAT** subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-back") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company as at the point of purchase and that an amount not exceeding the Company's retained profits and share premium accounts at the time of the purchase(s) will be allocated by the Company for the Proposed Share Buy-back;

AND THAT the authority conferred by this resolution will be effective immediately and shall continue in force until: -

- (a) the conclusion of the first annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either conditionally or subject to conditions; or
- (b) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by shareholders in a general meeting,

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the repurchased shares) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of the Bursa Securities and all other relevant governmental and/or regulatory authorities and to do all such things as the said Directors may deem fit and expedient in the best interest of the Company."

notice of annual general meeting (cont'd)

8. To transact any other business of which due notice shall have been given.

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Secretary

Kuala Lumpur
25th May, 2005

Notes:-

1. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy, who, unless he/she is a member must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case, to attend and to vote in his/her stead. The instrument appointing a proxy must be duly deposited at the Registered Office of the Company, 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
3. Notes on Special Business

Resolution 10

The proposed Resolution 10, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Resolution 11

The proposed Resolution 11, if passed, will enable the Company to enter into recurrent related party transactions with Dindings Soya & Multifeeds Sdn Berhad, Dindings Poultry Processing Sdn Bhd and Fongcheng Enterprises Sdn Bhd for the purposes of Paragraph 10.09 of the Bursa Securities Listing Requirements. This authority, subject to renewal thereat, will expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act, 1965 (excluding any extension of such period as may be allowed under the Companies Act, 1965) (unless earlier revoked or varied by Ordinary Resolution of the Company in a general meeting), whichever is earlier.

Resolution 12

The proposed Resolution 12, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of ten per cent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained profits and share premium accounts of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

notice of closure of book

NOTICE IS HEREBY GIVEN that the Register of Members of the Company will be closed from 18th June, 2005 to 21st June, 2005, both dates inclusive, for the purpose of preparing dividend warrants. If approved by members at the Forty-Fifth Annual General Meeting on 16th June, 2005, the first and final dividend of 10 sen per Ordinary Share less tax in respect of the financial year ended 31st December, 2004 will be paid on 1st July, 2005. The entitlement date for dividend payment is on 17th June, 2005.

FURTHER NOTICE IS HEREBY GIVEN that a Depositor shall qualify for dividend entitlement only in respect of :-

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 15th June, 2005 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 17th June, 2005 in respect of ordinary transfers; and
- (c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Secretary

Kuala Lumpur
25th May, 2005

statement

accompanying notice of annual general meeting

Pursuant to Paragraph 8.28 (2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

Directors Standing for Re-election/Re-appointment

- a. The Director retiring by rotation and standing for re-election pursuant to Article 111 of the Articles of Association of the Company is :
- Dato' Hj Shaharuddin bin Hj Haron
- b. The Directors standing for re-appointment under Section 129(6) of the Companies Act, 1965 are :
- Tan Sri Datuk Arshad bin Ayub
 - Mr Lee Soon Lee
 - Tan Sri Hamzah bin Abu Samah
 - Mr Geh Cheng Hooi

The profile of the abovenamed Directors is set out in the Directors' Profile on pages 10 to 12 of this Annual Report.

Their securities holdings in the Company are disclosed in the Analysis of Shareholdings on page 99 of this Annual Report.

Details of Attendance of Directors at Board Meetings

Twelve (12) Board Meetings were held during the financial year ended 31st December, 2004. Details of the attendance of Directors at the Board Meetings are as follows:-

Name	Attendance
Tan Sri Datuk Arshad bin Ayub	12/12
Mr Teh Wee Chye	12/12
Mr Lee Soon Lee	12/12
Tan Sri Hamzah bin Abu Samah	11/12
Dato' Hj Shaharuddin bin Hj Haron	12/12
Mr Geh Cheng Hooi	7/12
Mr Teh Wee Kok (Removed on 17th June, 2004)	7/7

Details of Place, Date and Time of General Meetings

Type of Meeting	Place	Date	Time
Extraordinary General Meeting	Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur	13th May, 2004	9.30 a.m.
Annual General Meeting	Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur	17th June, 2004	9.30 a.m.
Extraordinary General Meeting	Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur	17th June, 2004	3.50 p.m.

CHAIRMAN

Tan Sri Datuk Arshad bin Ayub
P.S.M., S.P.S.K., D.P.M.P., D.P.M.J., D.S.A.P.,
D.P.M.T. P.G.D.K., J.M.N.

MANAGING DIRECTOR

Teh Wee Chye

DIRECTORS

Lee Soon Lee, J.M.K.

Tan Sri Hamzah Bin Abu Samah
P.M.N., S.S.A.P., S.I.M.P., S.M.K., S.P.D.K.,
S.P.M.S., Hon.K.C.V.O.(England)

Dato' Hj Shaharuddin Bin Hj Haron
D.P.C.M, J.S.M., P.C.M, K.M.N

Geh Cheng Hooi

AUDIT COMMITTEE

Dato' Hj Shaharuddin Bin Hj Haron
(Chairman and Independent Non-Executive Director)

Tan Sri Hamzah Bin Abu Samah
(Independent Non-Executive Director)

Lee Soon Lee
(Non-Independent Non-Executive Director)

Geh Cheng Hooi
(Independent Non-Executive Director)

Tan Sri Datuk Arshad bin Ayub
(Independent Non-Executive Director)

SECRETARY

Mah Wai Mun (MAICSA 7009729)

REGISTERED OFFICE & HEAD OFFICE

22nd Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur
Tel. No : 03-2170 0999
Fax No : 03-2170 0888

REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose, Capital Square
No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel. No : 03-2721 2222
Fax No : 03-2721 2530

FACTORIES

Jalan David Sung, Batu Undan
32200 Lumut, Dindings
Perak Darul Ridzuan

Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Johor Darul Takzim

BRANCHES

- **FEDERAL TERRITORY**
22nd Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur
- **PENANG**
4557, Jalan Heng Choon Thian
12000 Butterworth, Pulau Pinang
- **PERAK**
2 Laluan Perusahaan
10, Kawasan Perusahaan
Menglembu
31450 Ipoh, Perak Darul Ridzuan
- **MALACCA**
No. 1, Jalan PM3
Taman Perindustrian Merdeka
Batu Berendam, 75350 Melaka

- **JOHOR**

Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Pasir Gudang, Johor Darul Takzim

- **KELANTAN**

Lot 1763, Kampong Dusun Raja
Jalan Cherang Chempaka, Panji
16100 Kota Bharu, Kelantan Darul Naim

- **PAHANG**

B-3 Lorong Padang Lalang 14
Jalan Tanjung Api, 25050 Kuantan
Pahang Darul Makmur

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Main Board (Consumer Products Sector)
Stock Code: 3662

SOLICITORS

Isharidah, Ho, Chong & Menon
Skrine

AUDITORS

Folks DFK & Co

SUBSIDIARIES

- Dindings Soya & Multifeeds Sdn Berhad (34884-U)
- Syarikat Pengangkutan Lumut Sdn Bhd (51336-M)
- Dindings Poultry Processing Sdn Bhd (144808-P)
- Dindings Broiler Breeder Farm Sdn Bhd (172600-T)
- MFM Feedmill Sdn Bhd (172615-X)
- MFM Broiler Breeder Farm Sdn Bhd (172596-X)
- Dindings Poultry Development Centre Sdn Bhd (180044-A)
- Semakin Dinamik Sdn Bhd (185533-V)
- Muda Fibre Manufacturing Sdn Bhd (48785-V)
- Vimaflour Ltd
- Accord Hotel Sdn Bhd (133043-U)
- MFM Property Sdn Bhd (176691-P)
- MFM International Ltd
- Mekong Flour Mills Ltd
- Dindings Grand Parent Farm Sdn Bhd (144962-W)

PRINCIPAL BANKERS

- Malayan Banking Berhad (3813-K)
- HSBC Bank Malaysia Berhad (127776-V)
- Citibank Berhad (297089-M)
- Alliance Bank Malaysia Berhad (88103-W)
- Hong Leong Bank Berhad (97141-X)
- Standard Chartered Bank Malaysia Berhad (115793-P)
- Bank Islam Malaysia Berhad (98127-X)



Tan Sri Datuk Arshad bin Ayub (Independent Non-Executive Director)

Tan Sri Datuk Arshad bin Ayub, aged 76, a Malaysian, was appointed to the Board of the Company on 30th August, 2002 and is presently the Chairman of the Company. He is also a member of the Audit, Nomination, Remuneration and Bumi-Issue cum ESOS Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies include Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad, LBI Capital Berhad, Audrey International (M) Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad, Bistari Johor Berhad and SEG International Bhd. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 12 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Mr Teh Wee Chye (Non-Independent Executive Director)

Mr Teh Wee Chye, aged 52, a Malaysian, was appointed to the Board as an Executive Director of the Company on 19th June 1989 and is presently the Managing Director of the Company. He is also the Chairman of the Bumi-Issue cum ESOS Committee and a member of the Remuneration Committee of the Company. He holds a Bachelor of Science Degree in Naval Architect and Marine Engineering and a Masters Degree in Ship Building and Shipping Management from the Massachusetts Institute of Technology, USA. In the summer of 1974, he received his training at the American Bureau of Shipping Research & Development Department, New York. Upon graduation in 1975 he was employed as an Engineer with Eastern Steamship (S) Pte Ltd, Singapore. He joined Malayan Flour Mills Berhad in 1976 as the Deputy Mill Manager and was promoted to the position of Plant Manager in 1978. He was appointed as the Project Manager in 1979 in charge of the Company's entire expansion plans. He is not a director of any other public company. He is the son of Mr Teh Liang Teik and brother of Mr Teh Wee Kok who are substantial shareholders of the Company.

He has attended all the 12 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

directors' profile (cont'd)



Mr Lee Soon Lee (Non-Independent Non-Executive Director)

Mr Lee Soon Lee, aged 77, a Malaysian, was appointed to the Board of the Company on 14th May, 1976 and is presently the Chairman of the Remuneration Committee, a member of the Audit, Nomination and Bumi-Issue cum ESOS Committees of the Company. He is a qualified accountant and was appointed as the Secretary of Malaysian Industrial Development Finance Berhad in 1960 and was promoted to the position of Acting General Manager before leaving the company in 1967 to start his own consultancy business. He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 12 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Tan Sri Hamzah bin Abu Samah (Independent Non-Executive Director)

Tan Sri Hamzah bin Abu Samah, aged 81, a Malaysian, was appointed to the Board of the Company on 24th December, 1987 and is presently a member of the Audit, Nomination and Remuneration Committees of the Company. He is a qualified advocate and solicitor [Barristor-at-law (Gray's Inn)] and has an outstanding civil service and political record. He has held the position of Magistrate, Deputy Public Prosecutor, State Legal Adviser and the Chief Registrar of the Federal Court in his legal career before entering politics in 1967 whereby he became the Deputy Minister of Home Affairs (1967-1969). Since then, he has been the Minister of Information and Broadcasting (1969-1971), the Minister of Culture, Youth and Sports (1971-1973), the Minister of Defence (1973-1974), the Minister of Commerce and Industry (1974-1978), the Minister of Law and the Attorney General (1978-1980). He was the Senior Partner of Messrs Hamzah Abu Samah & Partners and remains as the consultant after his retirement. His current directorships in public companies include Kumpulan Hamzah-Kwong Hing Realty Berhad and BBW Gold Consortium Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 11 out of the 12 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

directors' profile (cont'd)



Dato' Hj Shaharuddin bin Hj Haron (Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron, aged 66, a Malaysian, was appointed to the Board of the Company on 23rd September, 1993 and is presently the Chairman of the Audit and Nomination Committees and a member of the Remuneration and Bumi-Issue cum ESOS Committees of the Company. He holds a Bachelor (Hons) Degree in Economics from the University of Malaya and a Masters Degree in Economics from the University of Pittsburg, USA. He has a long and outstanding civil service record which began in 1963 when he joined the Economic Planning Unit of the Prime Minister's Department where he was promoted to the position of Director. Since then, he has held various senior positions in the Government. He was the first Secretary of the Foreign Investment Committee (1974-1979), the Director General of Insurance in the Ministry of Finance (1983), the Director General of the National Padi and Rice Board (1985) and Secretary General of the Ministry of Public Enterprise (1986), Ministry of International Trade and Industry (1990) and Ministry of Domestic Trade and Consumer Affairs (1992). Presently, he sits on the Board of Gopeng Berhad, Latitude Tree Holdings Berhad and Ajinomoto (Malaysia) Bhd. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 12 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Geh Cheng Hooi (Independent Non-Executive Director)

Mr Geh Cheng Hooi, aged 70, a Malaysian, was appointed to the Board of the Company on 11th March, 2003 and is presently a member of the Audit and Bumi-Issue cum ESOS Committees of the Company. After qualifying as a Chartered Accountant in the United Kingdom in 1959, he worked for Price Waterhouse, London as a qualified assistant in 1960/1961 before returning to Malaysia to join KPMG Peat Marwick ("KPMG") in 1961. He was admitted as a partner in KPMG in 1964 and retired as senior partner in 1989. Presently, he is an adviser/consultant in KPMG, a position which he was appointed since 1989. He is also a Fellow of the Institute of Certified Accountants of England and Wales and a member of the Malaysian Institute of Certified Public Accounts ("MICPA"). His current directorships in public companies include Star Publications (Malaysia) Berhad, Lingui Developments Berhad, LPI Capital Bhd, NCB Holdings Bhd, Tien Wah Press Holdings Bhd, Paramount Corporation Bhd and PLUS Expressway Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 7 out of the 12 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

statement

on corporate governance

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

The Board of Directors is committed towards ensuring that the highest standards on Corporate Governance are observed throughout the Group. The Board collectively views good Corporate Governance as synonymous with four key principles; namely transparency, accountability, integrity and financial performance.

The Board views the maintenance of high standards of corporate governance as a continuous process incorporating current developments from both within and outside the Country. The Board makes adjustments as may be appropriate and the overriding principle is to adopt the substance rather than the form, with the ultimate objective of enhancing the business processes and shareholder value.

This statement describes the approach that the Company has taken with respect to each of the key principles and the extent of its compliance with the best practices during the financial year.

BOARD OF DIRECTORS

Composition of the Board and Balance

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The roles and functions of the Board including the executive and non-executive Directors are clearly defined in the Board Charter.

The Board has six (6) members comprising of one (1) Executive Director and five (5) Non-Executive Directors of whom four (4) are Independent. The Board composition complies with the Listing Requirements of Bursa Securities that requires a minimum of 2 or 1/3 of the Board to be independent directors. A brief profile of each director is presented on pages 10 to 12 of this Annual Report.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The presence of the Independent Non-Executive Directors fulfills a pivotal role in corporate accountability and provides unbiased, objective and independent view, advice and judgment to the decision making process of the Board.

Appointment and Re-election of Directors

The Nomination Committee is responsible for making recommendations for any appointments to the Board by considering the mix of skills and experience which the Director(s) brings to the Board. Any new nomination received is forwarded to the Board for assessment and endorsement.

The Company's Articles of Association provide that all Directors are subject to election by the shareholders at the next Annual General Meeting subsequent to their appointment.

In respect of the re-election of Directors, the Article provides that at least one third or the nearest to one-third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and that all Directors are subject to re-election by rotation at least once in every three years.

Directors over seventy years old are required to submit themselves for re-appointment annually in accordance to Section 129(6) of the Companies Act, 1965.

statement

on corporate governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

Board Meetings

The Board meets at least five (5) times annually, with additional meetings being convened as and when necessary. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting.

Twelve (12) Board Meetings were held during the year ended 31st December, 2004. Details on the attendance of the Directors at the Board meetings are presented on page 7 of this Annual Report.

Access to Advice and Information

In order for the Board to effectively discharge its duties and responsibilities, the Directors are provided with full, complete and unrestricted access to timely and accurate information. All Board and Committee members are provided with the agenda and reports relevant to the business of the meeting in advance so that the Directors have sufficient time to prepare and deliberate on the issues prior to the meeting.

Senior Management members may be invited to attend Board Meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board, and to furnish their clarification on issues that may be raised by Directors.

In furtherance of their duties, the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors may take independent advice if necessary at the Company's expense.

Directors' Training

All the Directors have attended and completed the Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analysis Malaysia ("RIAM"). In addition, most of the Directors have also attended the Continuing Education Programme ("CEP") prescribed by the Bursa Malaysia Securities Berhad and continuously undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

BOARD COMMITTEES

The Board delegates certain responsibilities to Executive Committee, Audit Committee, Nomination Committee, Remuneration Committee and Bumi-Issue cum ESOS Committee. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Board retains full responsibility for the direction and control of the Company and the Group.

The functions and terms of reference of the Board Committees are clearly defined. The Chairman of the various committees will report to the Board the outcome of the respective Committee meetings and such reports are incorporated in the minutes of the full Board meeting.

Audit Committee

The term of office and performance of each of the Audit Committee member was reviewed by the Board during the financial year. The composition and terms of reference of the Audit Committee together with its report are presented on pages 19 to 21 of this Annual Report.

statement

on corporate governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

Nomination Committee

The Nomination Committee consists of one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors as follows:

Dato' Hj Shaharuddin bin Hj Haron (Chairman)	(Independent Non-Executive Director)
Mr Lee Soon Lee	(Non-Independent Non-Executive Director)
Tan Sri Hamzah bin Abu Samah	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Independent Non-Executive Director)

The Committee is responsible for making recommendations for any appointments to the Board, Board Committees as well as positions of the General Manager(s) and Financial Controller. It also assesses the effectiveness of the Board as a whole, the various Committees and each individual director's contribution to the effectiveness of the decision-making process of the Board.

The Committee met four (4) times during the financial year.

Remuneration Committee

The Remuneration Committee comprises of one (1) Non-Independent Non-Executive Director, three (3) Independent Non-Executive Directors and one (1) Non-Independent Executive Director as follows:

Mr Lee Soon Lee (Chairman)	(Non-Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non-Executive Director)
Tan Sri Hamzah bin Abu Samah	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Independent Non-Executive Director)
Mr Teh Wee Chye	(Non-Independent Executive Director)

The primary function of the Remuneration Committee is to develop and recommend the remuneration policy on Executives and Directors to the Board. The Committee also reviews and recommends for the Board's approval the Directors' fees/attendance fees. In addition, the Company reimburses reasonable expenses incurred by the Directors in the course of discharging their duties.

Executive Director will abstain from deliberations and voting decisions in respect of his remuneration. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his individual remuneration. The Directors' fees are approved at the Annual General Meeting by the shareholders.

The Committee met four (4) times during the financial year.

Bumi-Issue cum ESOS Committee

The Bumi-Issue cum ESOS Committee consists of one (1) Non-Independent Executive Director, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors as follows:-

Mr Teh Wee Chye (Chairman)	(Non-Independent Executive Director)
Mr Lee Soon Lee	(Non-Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Independent Non-Executive Director)
Mr Geh Cheng Hooi	(Independent Non-Executive Director)

The Committee is to oversee the completion of the Special Issue of 16,000,000 ordinary shares to Approved Bumiputra Investors as well as administer the Employees' Share Option Scheme of the Company.

The Committee met five (5) times during the financial year.

statement

on corporate governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

DIRECTORS' REMUNERATION

The aggregate Directors' remuneration paid or payable or otherwise made to all Directors of the Company who served during the financial year are as follows:

(a) Aggregate remuneration of Directors categorized into appropriate components:

Category	Fees (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Benefits- In-Kind (RM'000)	Other Emoluments (RM'000)
2 Executive Directors	44	650	175	34	28
5 Non-Executive Directors	170	67	-	5	162

(b) The number of Directors of the Company whose total remuneration falls within the following bands:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	1
RM50,001 to RM100,000	-	3
RM100,001 to RM150,000	1	1
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	1	-

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining an effective communication with the shareholders and the general public. All shareholders are encouraged to attend the Company's Annual General Meeting ("AGM") and to participate in the proceedings. Shareholders' suggestions received during Annual General Meetings are reviewed and considered for implementation wherever possible. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Company. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written reply after the AGM.

The timely release of quarterly financial results and the issue of the Company's Annual Reports provide regular information on the state of affairs of the Group. These, together with the announcements to the Bursa Malaysia Securities Berhad on material information and corporate proposals are the principal channels for dissemination of information to its investors, stakeholders and the public generally.

statement

on corporate governance (cont'd)

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors take responsibility for presenting a balanced and objective assessment of the Group's financial performance and prospects primarily through the quarterly and annual financial announcements of results. In addition, the Chairman's statement and review of operations and corporate developments are also contained in this Annual Report to the shareholders.

The Group's financial statements are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. Efforts are made to ensure that in presenting the financial statements, the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates are being used.

Internal Control

The Directors acknowledge that they are responsible for maintaining a sound system of internal control which covers not only financial controls but also operational, compliance and risk management. The system of internal control provides reasonable but not absolute assurance against material misstatements, losses and fraud.

The Statement on Internal Control as set out on pages 22 and 23 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The Company through the Audit Committee, has an appropriate and transparent relationship with the external auditors. The Audit Committee reviews issues of accounting policies and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee has full access to both the Internal and External Auditors who, in turn, have access at all times to the Chairman of the Audit Committee.

DIRECTORS' RESPONSIBILITY STATEMENT

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and their results, and cash flows for that year. In preparing the financial statements for the financial year ended 31st December 2004, the Directors have:

- Use appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965. They have a general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

The following information is provided in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad.

1. Utilisation of Proceeds

During the financial year, the Company had made a Special Issue of 11,000,000 new ordinary shares at the issue price of RM1.54 to approved Bumiputra investors. As at 31st December, 2004, the gross proceeds from the Special Issue had been utilised for working capital requirements.

2. Share Buy-back

The Company had on 17th June, 2004 obtained its shareholders' approval to buy back the shares of the Company. However, the Company has not conducted any share buy-back during the financial year.

3. Options, Warrants or Convertible Securities

The Company had on 13th May, 2004 obtained its shareholders' approval to establish an Employees' Share Option Scheme and a total of 8,401,000 options were granted to eligible employees of the Group at the option price of RM1.58. As at 31st December, 2004, a total of 748,000 options had been exercised.

4. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

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

5. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities during the financial year.

6. Non-Audit Fees

Non-Audit Fees amounting to RM130,780 were paid to the External Auditors for the financial year.

7. Variation in Results

There were no material variations between the audited results for the financial year ended 31st December, 2004 and the unaudited results for the quarter ended 31st December, 2004 of the Group.

8. Profit Guarantee

The Company did not give any profit guarantee during the financial year.

9. Material Contracts Involving Directors' and Substantial Shareholders' Interests

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and substantial shareholders' interests either subsisting as at 31st December, 2004 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 26 to the financial statements on pages 84 and 85 of this Annual Report.

10. Revaluation Policy on Landed Properties

The Group's revaluation policy is stated in Note 3(f) to the financial statements on page 50 of this Annual Report.

11. Recurrent Related Party Transactions of a Revenue or Trading Nature

The Recurrent Related Party Transactions of a Revenue or Trading Nature are disclosed in Note 26 to the financial statements on pages 84 and 85 of this Annual Report.

audit committee report

The Board of Malayan Flour Mills Berhad is pleased to present the Audit Committee Report for the year ended 31st December, 2004.

Members

Chairman:	Dato' Hj Shaharuddin bin Hj Haron (Independent Non-Executive Director)
Members:	Tan Sri Hamzah bin Abu Samah (Independent Non-Executive Director)
	Lee Soon Lee (Non-Independent Non-Executive Director)
	Geh Cheng Hooi (Independent Non-Executive Director)
	Tan Sri Datuk Arshad bin Ayub (Independent Non-Executive Director)

Meetings of the Audit Committee

During the year, the Audit Committee met five (5) times and the details of the attendance of each member of the Audit Committee are as follows:

Audit Committee Members	Attendance
Dato' Hj Shaharuddin bin Hj Haron	5 of 5 meetings
Tan Sri Hamzah bin Abu Samah	5 of 5 meetings
Lee Soon Lee	5 of 5 meetings
Geh Cheng Hooi	4 of 5 meetings
Tan Sri Datuk Arshad bin Ayub	5 of 5 meetings

At each Audit Committee Meeting, Internal Audit Department tabled its audit report to the Audit Committee for deliberation. Weaknesses of procedures were identified and actions were identified to rectify those weaknesses.

The Chairman of the Audit Committee reported on each meeting to the Board at the Board Meeting.

Terms Of Reference

1.0 Members

The Committee shall be appointed by the Board of Directors and shall consist of not less than three members, of whom the majority shall be independent directors.

The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an independent director.

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or must have other accounting qualifications (Refer Paragraph 15.10(1)(c) of the Bursa Malaysia Securities Berhad Listing Requirements) with at least three years' working experience.

audit committee report (cont'd)

Where the members of the Audit Committee for any reason be reduced to below three, the Board of Directors shall within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

The secretary of the Committee shall be the Company Secretary / Head of Internal Audit.

2.0 Meetings

Meetings shall be held no less than four times a year although additional meetings may be called at any time at the discretion of the Chairman.

The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit shall normally attend meetings. Representatives of the external auditors shall attend meetings no less than two times a year where matters relating to the audit of the statutory accounts are to be discussed.

The Committee papers will be circulated to all members 10 days prior to the date of the meeting.

The draft minutes of each meeting shall be finalised within two weeks of each meeting and circulated to all Audit Committee members.

A quorum shall consist of a majority of independent directors.

3.0 Authority

The Committee shall have the authority to investigate matters within its authority and request for any information it seeks as relevant to its employees are directed to co-operate with any request made by the Committee.

The Committee is authorised to obtain such independent professional advice as it considers necessary. The Audit Committee shall have no executive powers as regards to its findings and recommendations.

4.0 Duties and Responsibilities

- a) The Chairman of the Audit Committee shall report to the Board after each Committee meeting, including any findings and recommendations of the Committee.
- b) To review and evaluate financial and accounting policies and adequacy of management controls instituted.
- c) To review the financial statements and annual report prior to approval by the Board of Directors.
- d) To be satisfied that the accounting policies of the Group are in accordance with the law and appropriate Accounting Standards.
- e) Internal Audit:
 - To ensure the maintenance of an Internal Audit Department with appropriate resources to carry out its duties. The Head of Internal Audit reports directly to the Audit Committee.
 - To review the Internal Audit reports to management and to ensure follow up by Management on agreed recommendations.
 - To evaluate and appraise the effectiveness of the Internal Audit Function.
 - To recommend the appointment, transfer or dismissal of the Internal Audit Personnel.
 - To approve remuneration of the Head of Internal Audit.
 - To approve the budget for the Internal Audit Department.
 - To approve the Audit Plan and review performance in relation to the Plan.
 - To undertake the Quality Assurance Review of the Internal Audit function to ensure that its core competencies are adequate.

audit committee report (cont'd)

- f) External Auditors:
 - To oversee all matters relating to external audit including the review of the audit plan and audit report.
 - To evaluate the quality of external auditors and make recommendations concerning their appointment and dismissal.
 - To review the audited annual financial statements and external auditors' opinion rendered in respect to such financial statements including the nature and extent of any significant changes in accounting principles or the application therein.
- g) To review the nature of any related party transactions that may arise within the Company or Group.
- h) To review and verify the allocation of options to ensure compliance with the criteria for allocation pursuant to the Employees' Share Option Scheme of the Group, at the end of each financial year.
- i) To review compliance with government regulations.
- j) To consider and examine such other matters as the Committee considers appropriate.
- k) The term of office and performance of the Audit Committee and each of its members must be reviewed by the Board at least once every 3 years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

Summary Of Activities Of The Audit Committee

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 31st December, 2004 was as follows:

- a) Reviewed the quarterly financial statements, interim financial announcements and year end financial statements of the Group and press releases relating to financial matters prior to the approval by the Board.
- b) Reviewed the related party transactions that had arisen within the Company or the Group.
- c) Reviewed with the external auditors their audit plans prior to commencement of audit.
- d) Discussed and reviewed the Group's financial year-end statements with the external auditors including issues and findings noted in the course of the audit of the Group's Financial Statements.
- e) Reviewed and verified that the allocation of options to the eligible employees of the Group in compliance with the criteria for the allocation as guided by the By-Laws of the Company's ESOS.
- f) Reviewed and appraised the audit reports submitted by the Internal Auditors.
- g) The Committee also appraised the adequacy of actions and remedial measures taken by the Management in resolving audit issues reported and recommended further improvement measures.

Internal Audit Function

The Internal Audit Department undertakes internal audit functions based on the audit plan that is reviewed by the Audit Committee and approved by the Board. The audit plan covers review of adequacy of risks management, operational controls, compliance with law and regulations, quality of assets, management efficiency and level of customer services amongst others. The internal audit report is deliberated by the Audit Committee and recommendations are duly acted by Management.

statement on internal control

The Board of Malayan Flour Mills Berhad is pleased to include the Statement on Internal Control in accordance with paragraph 15.27(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and as guided by the Bursa Securities's Statement on Internal Control Guidance for Directors of Public Listed Companies.

The Board of Directors recognises the importance of maintaining a sound system of internal control over all financial, operational and compliance controls to safeguard shareholders' investment and the Group's assets. The Board acknowledges its responsibility for the Group's system of internal control, risk management, and for reviewing the adequacy and integrity of those systems. The internal control systems are designed to manage rather than to eliminate the risk of failure and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Group has in place ongoing process to review the effectiveness, adequacy and integrity of the system of internal control.

Risk Management

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. Risk Management is an integral part of our business operations and this process goes through a review by the Board. During the year, discussions were conducted at different levels of management to identify and address risks identified in the Group. The operational activities of the Group include the assessment of significant risks and the execution of relevant mitigating action plans.

Other key elements of internal control

- The Board meets regularly to monitor and review the overall performance of the Group, to consider the findings and recommendations of committees and senior management and to consider and approve measures to be taken and changes in policies and procedures necessary to address risks and to enhance the system of internal control.
- An independent internal audit department reports directly to the Audit Committee. Internal audit plans are reviewed and approved by the Audit Committee and the plans are to monitor compliance with and adequacy of the Group's system of internal control and to provide assurance on the effectiveness of the Group's system of internal control including policies and procedures. Follow-up reviews on the previous audit reports were carried out to ensure that appropriate actions have been implemented to address control weaknesses highlighted.
- The Group has in place an organisation structure with proper segregation of duties and reporting procedures and authorisation limits and all heads of business units and departments are accountable for ensuring the effective implementation of established policies and procedures.
- The Group has in place a management reporting mechanism whereby financial information is generated and reviewed by management and the Board on a timely basis. Performance and results are monitored on a monthly basis against the results of corresponding period of prior year, with major variances explained and appropriate action taken or plans put in place.

statement on internal control (cont'd)

- The Group Managing Director meets with the senior management regularly to review and resolve key operational, financial, personnel and other key management issues including issues of risks and internal controls. Significant issues are highlighted and discussed at Board meetings.
- The Credit Committee meets regularly to conduct credit reviews, monitor receivables, progress of legal cases and formulates credit procedures and policies.
- The training and development programs are established to enhance and improve employee competencies and proficiencies. This is implemented through a combination of on-the-job training and classroom training courses.

The Board and Management are committed towards operating a sound system of internal control and the internal control systems will continue to be reviewed, added or updated in line with the changes in the operating environment.

Statement made in accordance with the resolution of the Directors dated 23rd February, 2005.



“On behalf of the Board of Directors, I am pleased to present our Company's Annual Report and Accounts for the year ended 31st December, 2004.”

REVIEW OF PERFORMANCE

For the year under review, the Group's revenue increased by 7.3% to RM649.5 million as compared to RM605.3 million recorded in the previous year. In spite of the higher revenue, a loss before taxation of RM5.3 million was registered against a profit before tax of RM8.6 million in 2003.

At the Company level, higher revenue of RM203.9 million was achieved. This represented an increase of 10.9%, when compared to the previous year's revenue of RM183.9 million. However, a loss before taxation of RM37.6 million was recorded in 2004 due mainly to the inclusion of a provision for impairment in value of investment in subsidiaries of RM40.1 million. The provision was a non-cash item and was made in accordance with the requirements of the accounting standards. In 2003 a profit before taxation of RM1.3 million was registered.

In 2004 the Group was adversely affected by the very high commodity costs. The huge grain demand in China had partly contributed to this increase. Similarly ocean freight costs escalated fueled by high demand and high crude oil prices. As a result, the profit margins for our products had been considerably reduced.

The performance of our flour milling operations in Vietnam was commendable in spite of the highly competitive market environment.

Vimaflour Ltd., our plant in North Vietnam, has been running at full capacity. Its planned capacity expansion will be completed in the second quarter of 2006.

For the year ended 31st December, 2004, Vimaflour Ltd. had declared a dividend of USD500,000.

Mekong Flour Mills Ltd., our second plant in Vietnam, is expected to be profitable in 2005. This is commendable considering that the plant has only been in commercial production for about two years.

In Malaysia, the flour operations had achieved an increase in its revenue mainly due to its consistent flour quality backed by a strong sales and service team. Its operations were however severely impacted by the high raw material costs.

chairman's statement (cont'd)

The Poultry Integration business experienced both high raw material costs and the adverse effects of the avian flu outbreak in Malaysia and more seriously in the region. As a result, the total sales declined from RM167.2 million in the previous year to RM134.7 million in 2004. Similarly the Feed milling business which dealt mainly with poultry feeds had recorded a lower sales of RM185.8 million as compared to RM203.5 million in the previous year.

One of the Company's subsidiaries, Muda Fibre Manufacturing Sdn Bhd, had ceased its business activities in the manufacturing and the sale of polypropylene and polyethylene woven bags and its allied products during the year. The decision to cease its business activities was due to a change in market conditions which made the business no longer viable. Retrenchment benefits amounting to RM1.4 million were incurred as a result of the closure of the business.

The Group had focused on restructuring its organization and improving its efficiency and productivity in order to further enhance its competitive position. With the assistance of a management consultant the Group had developed key performance measures for its businesses. The utilization of information technology as an enabler to achieve higher efficiency and productivity in our business processes was considered and a suitable vendor is in the process of being identified.

CORPORATE DEVELOPMENT

During the year, the issued and paid-up share capital of the Company was increased from RM84.0 million to RM95.8 million through the issue of 11.748 million new ordinary shares.

A Special Issue to Bumiputra investors ("Special Issue") of 11 million new ordinary shares of RM1.00 each for cash was made at an issue price of RM1.54 per ordinary share to fulfill the minimum Bumiputra equity conditions imposed by the Ministry of International Trade and Industry on approving the Rights, Bonus and Bonds Issue by the Company in 1995. The issue of the remaining 5 million ordinary shares under the Special Issue is required to be completed by 5th June, 2005. Additionally, 748,000 new ordinary shares of RM1.00 each were issued for cash at an exercise price of RM1.58 per ordinary share pursuant to the Company's Employees' Share Option Scheme.

PROSPECTS

Although the prices for grain commodities are softening, ocean freight costs remain high. In order to alleviate the adverse impact of the high costs the Group is striving to achieve greater efficiency and economies of scale in its operations. The Board is optimistic that the performance of the Group will improve in 2005.

DIVIDENDS

The Board has recommended a first and final dividend of 10 sen per Ordinary Share less tax payable on 1st July, 2005 to Shareholders appearing on the Register of Members as at 5.00 p.m. on 17th June, 2005 subject to the approval of shareholders at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our appreciation to the management and staff at all levels for their commitment, hard work and support given to the Group. Further, I would like to sincerely thank all our customers, shareholders, suppliers, bankers, regulatory authorities and agencies for their continued support.

Tan Sri Datuk Arshad bin Ayub
Chairman

Kuala Lumpur
25th May, 2005

group financial highlights

Year ended 31st December	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Turnover	583,939	558,215	565,228	605,254	649,483
Operating profit before tax	36,010	27,456	21,831	15,581	2,559
Share of profit/(loss) in associated companies	-	152	(647)	40	(1,064)
Exceptional items	(1,500)	(1,500)	(2,531)	(6,987)	(6,785)
Profit/(loss) before taxation	34,510	26,108	18,653	8,634	(5,290)
Taxation	(10,093)	(11,080)	(6,565)	(3,934)	(2,339)
Profit/(loss) after taxation	24,417	15,028	12,088	4,700	(7,629)
Minority Interests	(1,905)	(290)	(1,356)	(331)	1,934
Profit/(loss) attributable to shareholders	22,512	14,738	10,732	4,369	(5,695)
Issued Share Capital (RM'000)	84,015	84,015	84,015	84,015	95,763
Shareholders' Fund (RM'000)	274,913	289,067	288,235	282,837	288,015
Net tangible assets per share (sen)	327	344	343	337	301
Earnings/(loss) per share (sen)	26.80	17.54	12.77	5.20	(6.41)
Gross dividends (%) - tax exempt	10	10	10	-	-
Gross dividends (%) - taxable	-	-	-	10	10

financial statements



directors' report

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and of the Group for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business of milling and selling wheat flour together with its allied products. The principal activities of the subsidiary companies are detailed in Note 15 to the financial statements. There have been no significant changes in the nature of these activities during the year other than as disclosed under Note 27 to the financial statements.

RESULTS

	Group RM	Company RM
Loss after taxation	(7,628,668)	(39,084,320)
Minority interests	1,933,724	-
Net loss for the year	<u>(5,694,944)</u>	<u>(39,084,320)</u>

RESERVES AND PROVISIONS

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

DIVIDENDS

Dividends paid, declared or proposed since the end of the Company's previous financial year were as follows :-

- (a) In respect of the year ended 31st December, 2003, as proposed in the Directors' Report for that year, a first and final dividend of :-

10 sen per ordinary share, less tax at 28%, paid on 1st July, 2004 RM6,049,052

- (b) The Directors recommend a first and final dividend in respect of the current year ended 31st December, 2004 of 10 sen per ordinary share less tax at 28% amounting to RM6,894,908. The financial statements for the current year do not reflect this proposed dividend. If approved by the shareholders at the forthcoming Annual General Meeting, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profit in the next financial year ending 31st December, 2005.

SHARE CAPITAL

During the year, the issued and paid-up share capital of the Company was increased from RM84,014,606 to RM95,762,606 through the issue of 11,748,000 ordinary shares by way of :-

- (a) a Special Issue to approved Bumiputra investors ("Special Issue") of 11,000,000 new ordinary shares of RM1.00 each for cash at an issue price of RM1.54 per ordinary share to fulfil the minimum Bumiputra equity condition imposed by the Ministry of International Trade and Industry on approving the Rights, Bonus and Bonds Issue by the Company in 1995; and

directors' report (cont'd)

SHARE CAPITAL (CONT'D)

(b) the issue of 748,000 new ordinary shares of RM1.00 each for cash at an exercise price of RM1.58 per ordinary share pursuant to the Company's Employees' Share Option Scheme ("ESOS").

The Special Issue and ESOS were approved by the shareholders at an Extraordinary General Meeting held on 13th May, 2004.

All the new ordinary shares issued during the year rank pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME

The Malayan Flour Mills Berhad's Employees' Share Option Scheme ("ESOS") is governed by the By-Laws which were approved by the shareholders on 13th May, 2004. This ESOS was implemented on 28th May, 2004 and will expire on 27th May, 2007. The movements of options over unissued ordinary shares granted to eligible Directors and employees of the Group during the year are as follows :-

Grant date	Exercise price	Option over number of ordinary shares of RM1.00 each			
		Balance at beginning of year	Granted	Exercised	Balance at end of year
28th May 2004	RM1.58	-	8,401,000	(748,000)	7,653,000

The salient features of the ESOS as contained in the By-Laws are as follows :-

(a) The Scheme is set up for employees' participation in the ordinary share capital of the Company only.

The total number of shares to be offered under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any point of time during the duration of the Scheme. At the commencement of the Scheme, the total number of shares available for offer is 8,401,000 ordinary shares of RM1.00 each.

(b) Eligible employees are those who have been in service with the Group for a continuous period of at least 1 year for Malaysian employees (including executive directors) and at least 3 continuous years of service with the Group for non-Malaysian employees. An executive director of the Company shall only be eligible to participate in the Scheme upon approval given in general meeting.

(c) An option granted may be exercised by the grantee by notice in writing to the Option Committee from time to time during the option period in respect of all or part of the option shares from the commencement date on 28th May, 2004 to 27th May, 2007. Where part of the option shares are exercised, the number shall not be less than 100 and shall be in multiple of 100.

Options which are not exercised may be carried forward and shall be exercised within the last 120 days before the date of expiry.

(d) The allocation of option shares to executive directors and senior management shall not in aggregate exceed 50% of the option shares available under the Scheme. In addition, not more than 10% of the option shares available under the ESOS shall be allocated to any individual eligible employee who, either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued and paid-up share capital of the Company.

directors' report (cont'd)

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

- (e) The option price of the share shall be the higher of the weighted average market price of the shares as shown in the Daily Official List of the Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion or the par value of the shares.
- (f) All the new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company except that such shares so allotted shall not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared prior to the date of allotment of the shares.
- (g) The Scheme shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as conferred upon it by the Board.
- (h) An option granted under the ESOS shall cease with immediate effect where the grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of his retirement on or after attaining normal retirement age, retirement before attaining the normal retirement age with the consent of the Option Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the Option Committee in writing.

In addition, the options shall immediately become void and of no effect upon the bankruptcy of the grantee.

- (i) An option does not confer on the grantee any right to participate in any share issue of any other company.

The allocation of the options during the year to eligible employees were duly verified by the auditors in accordance with the By-Laws of the ESOS.

The Company had been granted a conditional exemption by the Companies Commission of Malaysia from the disclosure requirements pursuant to Section 169(11) of the Companies Act, 1965 to that of only disclosing options granted to employees of 100,000 or more under the ESOS.

Employees granted with 100,000 or more options under the ESOS as at 31st December, 2004 were as follows :-

Name of option holders	Grant date	Expiry date	Option over number of ordinary shares of RM1.00 each			Balance at 31.12.2004
			Balance at 1.1.2004	Granted	Exercised	
Teh Wee Chye	28th May 04	27th May 07	-	450,000	(450,000)	-
Teh Wee Heng	28th May 04	27th May 07	-	220,000	-	220,000
Lee Soon Lee	28th May 04	27th May 07	-	200,000	-	200,000
Dr. Yap Teow Chong	28th May 04	27th May 07	-	200,000	(180,000)	20,000
Thong Kok Mun	28th May 04	27th May 07	-	150,000	-	150,000
Wong Chee Wing	28th May 04	27th May 07	-	100,000	-	100,000

The exercise price of the above ESOS is at RM1.58 per ordinary share.

directors' report (cont'd)

DIRECTORS

The Directors in office since the date of the last Directors' Report on 16th April, 2004 are as follows :-

Tan Sri Datuk Arshad bin Ayub
 Teh Wee Chye
 Lee Soon Lee
 Tan Sri Hamzah bin Abu Samah
 Dato' Hj Shaharuddin bin Hj Haron
 Geh Cheng Hooi
 Teh Wee Kok (Removed on 17th June, 2004)

Pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Datuk Arshad bin Ayub, Lee Soon Lee, Tan Sri Hamzah bin Abu Samah and Geh Cheng Hooi retire from the board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

In accordance with Article 111 of the Company's Articles of Association, Dato' Hj Shaharuddin bin Hj Haron retires from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The following represents the interests of Directors in shares, warrants and options to subscribe for ordinary shares under ESOS in the Company and shares in its subsidiaries registered in the names of the Directors or in the names of companies in which the Directors have an interest :-

Shareholdings in the Company

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2004
		Balance at 1.1.2004	Acquired	Disposed	
Teh Wee Kok	Teh Wee Kok	1,591,600	-	-	1,591,600
Lee Soon Lee	Lee Soon Lee	6,000	-	-	6,000
Teh Wee Chye	Teh Wee Chye	6,500	450,000	-	456,500
Tan Sri Datuk Arshad bin Ayub	Tan Sri Datuk Arshad bin Ayub	13,285	-	-	13,285
Dato' Hj Shaharuddin bin Hj Haron	Dato' Hj Shaharuddin bin Hj Haron	-	200,000	-	200,000
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	26,100,754	-	-	26,100,754
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Sdn Bhd	417,600	-	-	417,600
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Shipping Sdn Bhd	574,800	-	-	574,800

directors' report (cont'd)

DIRECTORS (CONT'D)

Shareholdings in the Company (Cont'd)

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2004
		Balance at 1.1.2004	Acquired	Disposed	
Teh Wee Kok & Teh Wee Chye	Suai Timber Products Sdn Bhd	531,600	-	-	531,600
Teh Wee Chye	Essence Lane Sdn Bhd	2,233,729	-	-	2,233,729
Tan Sri Datuk Arshad bin Ayub	Zalaraz Sdn Bhd	-	1,000,000	-	1,000,000
Tan Sri Datuk Arshad bin Ayub	Maybank Nominees (Tempatan) Sdn Bhd	84,000	2,000,000	-	2,084,000
Tan Sri Datuk Arshad bin Ayub	Malaysia Nominees (Tempatan) Sdn Bhd	195,000	-	-	195,000

Interest in warrants of the Company

Directors	Registered in the name of	Number of warrants of the Company			Balance at 31.12.2004
		Balance at 1.1.2004	Acquired	Disposed	
Teh Wee Kok	Teh Wee Kok	47,400	-	-	47,400
Lee Soon Lee	Lee Soon Lee	3,000	-	-	3,000
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	13,185,377	-	-	13,185,377
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Sdn Bhd	208,800	-	-	208,800
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Shipping Sdn Bhd	287,400	-	-	287,400
Teh Wee Kok & Teh Wee Chye	Suai Timber Products Sdn Bhd	265,800	-	-	265,800
Teh Wee Chye	Essence Lane Sdn Bhd	1,120,114	-	-	1,120,114

directors' report (cont'd)

DIRECTORS (CONT'D)

Interest in options over ordinary shares of the Company

Directors	Number of options over ordinary shares of RM1.00 each				Balance at 31.12.2004
	Balance at 1.1.2004	Granted	Exercised	Lapsed	
Teh Wee Chye	-	450,000	(450,000)	-	-
Lee Soon Lee	-	200,000	-	-	200,000

Shareholdings in subsidiary company, Dindings Soya & Multifeeds Sdn Berhad

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2004
		Balance at 1.1.2004	Acquired	Disposed	
Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	21,250,000	-	-	21,250,000
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	2,500,000	-	-	2,500,000
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Sdn Bhd	1,685,000	-	-	1,685,000

Shareholdings in subsidiary company, Dindings Poultry Processing Sdn Bhd

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2004
		Balance at 1.1.2004	Acquired	Disposed	
Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	38,303,000	-	-	38,303,000
Teh Wee Kok & Teh Wee Chye	Dindings Soya & Multifeeds Sdn Berhad	12,857,000	-	-	12,857,000

Shareholdings in subsidiary company, Muda Fibre Manufacturing Sdn Bhd

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2004
		Balance at 1.1.2004	Acquired	Disposed	
Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	6,000,001	-	-	6,000,001
Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	1,000,000	-	-	1,000,000

directors' report (cont'd)

DIRECTORS (CONT'D)

Shareholdings in subsidiary company, MFM International Ltd (incorporated in British Virgin Islands)

Directors	Registered in the name of	Number of ordinary shares of USD1.00 each			Balance at 31.12.2004
		Balance at 1.1.2004	Acquired	Disposed	
Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	16,001,000	-	-	16,001,000

Interests in indirect subsidiary company, Mekong Flour Mills Ltd (incorporated in Vietnam)

Directors	Registered in the name of	Interests in capital denominated in Vietnamese Dong (VND)			Balance at 31.12.2004 VND'000
		Balance at 1.1.2004 VND'000	Acquired VND'000	Disposed VND'000	
Teh Wee Kok & Teh Wee Chye	MFM International Ltd (wholly owned by Malayan Flour Mills Berhad)	244,292,633	-	-	244,292,633

Interests in subsidiary company, Vimaflour Ltd (incorporated in Vietnam)

Directors	Registered in the name of	Interests in capital denominated in Vietnamese Dong (VND)			Balance at 31.12.2004 VND'000
		Balance at 1.1.2004 VND'000	Acquired VND'000	Disposed VND'000	
Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	114,095,104	35,215,896 *	-	149,311,000

* Bonus issue of shares

By virtue of their shareholdings in the Company, Teh Wee Kok and Teh Wee Chye are also deemed to be interested in the shares of all the other subsidiaries in Malaysia not listed above, being wholly owned subsidiaries of the Company and for which there were no movements in their interests in the shares held during the year.

Other than as disclosed, no other Directors in office at the end of the financial year held any interest in shares and warrants of the Company and shares in its subsidiary companies.

directors' report (cont'd)

DIRECTORS (CONT'D)

As at the end of the financial year and during the year, there did not subsist any arrangement to which the Company was a party, whereby the Directors or their nominees might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the following :-

- (a) Tan Sri Datuk Arshad bin Ayub acquired 2,000,000 new ordinary shares of RM1.00 each in the Company by virtue of the Special Issue mentioned above.
- (b) Zalaraz Sdn Bhd, a company which is connected to Tan Sri Datuk Arshad bin Ayub, acquired 1,000,000 new ordinary shares of RM1.00 each in the Company by virtue of the Special Issue.
- (c) Dato' Hj Shaharuddin bin Hj Haron acquired 200,000 new ordinary shares of RM1.00 each in the Company by virtue of the Special Issue.
- (d) The Directors and their maximum entitlement of options granted pursuant to the Company's ESOS shown as follows :-

Directors	Maximum entitlement of the number of ordinary shares
Teh Wee Chye	450,000
Lee Soon Lee	200,000

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than those disclosed as Directors' fees and emoluments in the financial statements) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which a Director is a member or with a company in which the Director has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business and transactions as detailed in Note 26 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company and the Group were made out, the Directors took reasonable steps :-
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

directors' report (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

(b) As at the date of this report, the Directors are not aware of any circumstances :-

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

(c) As at the date of this report, there does not exist :-

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

(d) In the opinion of the Directors :-

- (i) no contingent or other liabilities have become enforceable or are likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Company and of the Group to meet their obligations when they fall due;
- (ii) the results of the Company's and the Group's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the effects of exceptional items as stated in Note 4 to the financial statements; and
- (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Company or of the Group for the financial year in which this report is made.

SIGNIFICANT EVENT DURING THE YEAR

On 26th May, 2004, the Company announced that its subsidiary company namely, Muda Fibre Manufacturing Sdn Bhd ("Muda"), in which the Company has 60% equity interest, has resolved to cease its business activities in manufacturing and sale of polypropylene and polyethylene woven bags and its allied products. Muda effectively ceased its manufacturing operations on 25th June, 2004. The decision to cease its business activities is due to the non-viability of the business arising from the change in the market condition.

In connection with the cessation of its business operations, Muda undertook a retrenchment exercise. The net termination/retrenchment costs of RM1,085,740, after adjusting for the effects on the curtailment of retirement benefits of RM288,936, have been recognised in the Group's income statement as a loss from discontinuing operations.

directors' report (cont'd)

AUDITORS

The auditors, Messrs. Folks DFK & Co. have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
Director

TEH WEE CHYE
Director

Kuala Lumpur
14th April, 2005

consolidated income statement

for the year ended 31st December, 2004

	Note	2004 RM	2003 RM
Revenue	3(r)		
Sales of goods		645,081,103	598,552,296
Services		4,402,396	6,702,483
		649,483,499	605,254,779
Cost of Sales			
Cost of inventories sold		(581,260,749)	(521,960,732)
Cost of services		(4,882,098)	(5,368,688)
		(586,142,847)	(527,329,420)
Gross Profit		63,340,652	77,925,359
Other Operating Income		8,302,635	4,528,985
Selling and Distribution Expenses		(38,681,180)	(36,620,098)
Administration Expenses		(23,331,086)	(24,487,771)
Other Operating Expenses		(10,092,726)	(10,976,389)
Loss Arising from Discontinuing Operations (Refer to Note 27)		(1,085,740)	-
Operating (Loss)/Profit from Operations		(1,547,445)	10,370,086
Finance Costs		(2,677,725)	(1,776,053)
Share of Results of an Associated Company		(1,064,208)	40,173
(Loss)/Profit before Taxation	4	(5,289,378)	8,634,206
Taxation	6	(2,339,290)	(3,934,218)
(Loss)/Profit after Taxation		(7,628,668)	4,699,988
Minority Interests		1,933,724	(331,246)
Net (Loss)/Profit for the Year		(5,694,944)	4,368,742
Basic (Loss)/Earnings per Share (Sen)	7	(6.41)	5.20
Net Dividend per Share (Sen)	8	7.20	7.20

The annexed notes form an integral part of, and should read in conjunction with, this statement.

consolidated balance sheet

as at 31st December, 2004

	Note	2004 RM	2003 RM
Share Capital	9	95,762,606	84,014,606
Reserves	10	192,252,401	198,822,008
Shareholders' Equity		288,015,007	282,836,614
Minority Interests		25,383,576	27,445,148
Long Term and Deferred Liabilities			
Deferred tax liabilities	11	5,996,000	6,627,525
Retirement benefits	12	512,723	595,955
Hire purchase creditors	13	-	-
		319,907,306	317,505,242
Represented by :-			
Property, Plant and Equipment	14	227,414,581	237,815,784
Associated Company	16	874,616	1,938,824
Investments	17	2,178,952	2,659,448
Deferred Tax Assets	11	3,425,820	2,695,293
Current Assets			
Inventories	18	171,949,641	172,697,713
Trade and other receivables	19	121,685,317	99,366,079
Tax recoverable		2,211,666	5,846,004
Deposits, cash and bank balances	20	31,947,661	29,244,546
		327,794,285	307,154,342
Current Liabilities			
Trade and other payables	21	46,945,942	38,590,605
Bank borrowings	22	194,287,906	194,775,956
Tax payable		547,100	1,391,888
		241,780,948	234,758,449
Net Current Assets		86,013,337	72,395,893
		319,907,306	317,505,242

The annexed notes form an integral part of, and should read in conjunction with, this statement.

consolidated statement of changes in equity

for the year ended 31st December, 2004

	Note	Share Capital RM	Share Premium RM	Capital Reserves RM	Exchange Translation Differences RM	Retained Profit RM	Total RM
Balance at 31st December 2002							
- as previously reported	23	84,014,606	41,686,650	26,369,308	1,116,392	136,465,859	289,652,815
- prior year adjustments		-	-	(7,058,661)	-	5,640,679	(1,417,982)
- as restated		84,014,606	41,686,650	19,310,647	1,116,392	142,106,538	288,234,833
Currency translation loss not recognised in the income statement		-	-	-	(1,365,500)	-	(1,365,500)
Net profit for the year		-	-	-	-	4,368,742	4,368,742
Dividend paid for the year ended 31st December 2002		-	-	-	-	(8,401,461)	(8,401,461)
Balance at 31st December 2003		84,014,606	41,686,650	19,310,647	(249,108)	138,073,819	282,836,614
Issuance of shares		11,748,000	6,373,840	-	-	-	18,121,840
Share issue expenses		-	(433,873)	-	-	-	(433,873)
Retained profit transferred to capital reserves on bonus issue of shares by a subsidiary company		-	-	7,673,261	-	(7,673,261)	-
Currency translation loss not recognised in the income statement		-	-	-	(765,578)	-	(765,578)
Net loss for the year		-	-	-	-	(5,694,944)	(5,694,944)
Dividend paid for the year ended 31st December 2003	8	-	-	-	-	(6,049,052)	(6,049,052)
Balance at 31st December 2004		95,762,606	47,626,617	26,983,908	(1,014,686)	118,656,562	288,015,007

The annexed notes form an integral part of, and should read in conjunction with, this statement.

consolidated cash flow statement

for the year ended 31st December, 2004

	2004 RM	2003 RM
Cash Flows from Operating Activities		
(Loss)/Profit before taxation	(5,289,378)	8,634,206
Adjustments for :-		
Share of associated company's results	1,064,208	(40,173)
Defined benefit obligations	243,594	43,114
Depreciation	19,948,144	21,324,456
Interest expenses	5,210,628	5,050,619
Gain on disposal of property, plant and equipment	(353,158)	(88,287)
Property, plant and equipment written off	294,826	19,139
Allowance for impairment of property, plant and equipment	1,191,900	1,947,261
Allowance for doubtful debts	3,097,347	1,012,643
Allowance for/(Write back of) diminution in value of quoted investment	3,121	(2,006)
Allowance for diminution in value of unquoted investment	495,000	2,500,000
Bad debts written off	114,627	187,959
Net unrealised loss on foreign currency exchange	455,801	75,597
Interest income	(1,698,225)	(792,424)
Allowance for old and slow moving inventories	531,534	232,541
Inventories written off	24,397	152,249
Loss arising from damaged inventories	450,000	2,540,004
Retrenchment costs	1,374,676	-
Curtailment of retirement benefits	(288,936)	-
Retirement gratuity payable to a former Director and Chairman	3,273,000	-
Goodwill written off	-	21,257
Pre-operating expenses written off	-	130,585
Project expenses written off	-	318,865
Operating profit before working capital changes	30,143,106	43,267,605
(Increase)/Decrease in trade and other receivables	(25,683,686)	3,388,603
Increase in inventories	(677,295)	(11,188,383)
Increase in trade and other payables	5,150,702	3,132,376
Cash generated from operations	8,932,827	38,600,201
Net taxation paid	(900,208)	(9,105,094)
Interest received	1,698,225	792,424
Interest paid	(5,210,628)	(5,050,619)
Retrenchment payouts	(1,374,676)	-
Retirement benefits paid	(35,335)	(15,701)
Net cash from operating activities	3,110,205	25,221,211

The annexed notes form an integral part of, and should read in conjunction with, this statements.

consolidated cash flow statement

for the year ended 31st December, 2004 (cont'd)

	2004 RM	2003 RM
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	569,720	422,641
Purchase of property, plant and equipment	(11,933,273)	(23,735,247)
Purchase of an unquoted investment	(17,625)	-
Pre-operating expenses incurred	-	(130,585)
Net cash used in investing activities	(11,381,178)	(23,443,191)
Cash Flows from Financing Activities		
Proceeds from issuance of shares	18,121,840	-
Share issue expenses	(433,873)	-
Payment of hire purchase liabilities	(28,844)	(69,227)
Dividends paid to shareholders of the Company	(6,049,052)	(8,401,461)
Dividends paid to minority shareholders of subsidiary companies	-	(570,000)
Net (decrease)/increase in other bank borrowings	(422,129)	6,429,478
Net cash from/(used in) financing activities	11,187,942	(2,611,210)
Net Increase/(Decrease) in Cash and Cash Equivalents	2,916,969	(833,190)
Cash and cash equivalents at beginning of year	28,301,873	29,347,254
Foreign currency exchange differences on opening balances	(194,429)	(212,191)
Cash and Cash Equivalents at End of Year (Note 25)	31,024,413	28,301,873

The annexed notes form an integral part of, and should read in conjunction with, this statements.

income statement

for the year ended 31st December, 2004

	Note	2004 RM	2003 RM
Revenue	3(r)	203,950,003	183,924,656
Cost of Sales		(175,862,686)	(155,632,784)
Gross Profit		28,087,317	28,291,872
Other Operating Income		4,738,929	4,323,593
Selling and Distribution Expenses		(14,761,463)	(11,915,843)
Administrative Expenses		(10,752,090)	(9,698,334)
Other Operating Expenses		(44,152,148)	(8,497,994)
Operating (Loss)/Profit from Operations		(36,839,455)	2,503,294
Finance Costs		(810,838)	(1,174,871)
(Loss)/Profit Before Taxation	4	(37,650,293)	1,328,423
Taxation	6	(1,434,027)	(2,041,680)
Net Loss for the Year		(39,084,320)	(713,257)
Basic Loss per Share (Sen)	7	(43.99)	(0.85)
Net Dividend per Share (Sen)	8	7.20	7.20

The annexed notes form an integral part of, and should read in conjunction with, this statements.

balance sheet

as at 31st December, 2004

	Note	2004 RM	2003 RM
Share Capital	9	95,762,606	84,014,606
Reserves	10	185,292,797	224,486,202
Shareholders' Equity		281,055,403	308,500,808
Deferred Tax Liabilities	11	5,683,000	6,226,025
		286,738,403	314,726,833
Represented by :-			
Property, Plant and Equipment	14	76,002,087	74,727,783
Subsidiary Companies	15	149,003,866	189,070,866
Investments	17	2,154,327	2,652,448
Current Assets			
Inventories	18	61,395,335	76,028,165
Trade and other receivables	19	96,193,082	90,909,048
Tax recoverable		61,064	3,177,510
Deposits, cash and bank balances	20	2,034,511	955,947
		159,683,992	171,070,670
Current Liabilities			
Trade and other payables	21	16,315,407	36,976,084
Bank borrowings	22	83,790,462	85,818,850
		100,105,869	122,794,934
Net Current Assets		59,578,123	48,275,736
		286,738,403	314,726,833

The annexed notes form an integral part of, and should read in conjunction with, this statements.

statement of changes in equity

for the year ended 31st December, 2004

	Note	Share Capital RM	Share Premium RM	Capital Reserves RM	Retained Profit RM	Total RM
Balance at 31st December 2002						
- as previously reported		84,014,606	41,686,650	26,369,308	169,808,397	321,878,961
- effect of adoption of MASB 25	23	-	-	(7,058,661)	2,795,226	(4,263,435)
- as restated		84,014,606	41,686,650	19,310,647	172,603,623	317,615,526
Net loss for the year		-	-	-	(713,257)	(713,257)
Dividend paid for the year ended 31st December 2002		-	-	-	(8,401,461)	(8,401,461)
Balance at 31st December 2003		84,014,606	41,686,650	19,310,647	163,488,905	308,500,808
Issuance of shares		11,748,000	6,373,840	-	-	18,121,840
Share issue expenses		-	(433,873)	-	-	(433,873)
Net loss for the year		-	-	-	(39,084,320)	(39,084,320)
Dividend paid for the year ended 31st December 2003	8	-	-	-	(6,049,052)	(6,049,052)
Balance at 31st December 2004		95,762,606	47,626,617	19,310,647	118,355,533	281,055,403

The annexed notes form an integral part of, and should read in conjunction with, this statements.

cash flow statement

for the year ended 31st December, 2004

	2004 RM	2003 RM
Cash Flows from Operating Activities		
(Loss)/Profit before taxation	(37,650,293)	1,328,423
Adjustments for :-		
Depreciation	4,446,815	6,297,751
Interest expenses	2,278,177	2,609,601
Allowance for impairment of investment in subsidiary companies	40,067,000	6,000,000
Allowance for/(Write back of) diminution in value of quoted investment	3,121	(2,006)
Allowance for diminution in value of unquoted investment	495,000	2,500,000
Allowance for doubtful debts	519,059	102,643
Bad debts written off	328,782	44,567
Interest income	(527,082)	(87,531)
Gain on disposal of property, plant and equipment	(283,220)	(30,371)
Dividend income	(1,200,000)	(1,330,000)
Retirement gratuity payable to a former Director and Chairman	3,273,000	-
Operating profit before working capital changes	11,750,359	17,433,077
(Increase)/Decrease in subsidiary companies' balances	(16,775,447)	10,628,955
Decrease/(Increase) in inventories	14,632,830	(18,714,683)
(Increase)/Decrease in trade and other receivables	(12,558,844)	930,774
Increase in trade and other payables	132,739	1,455,638
Cash (utilised in)/generated from operations	(2,818,363)	11,733,761
Interest received	527,082	87,531
Interest paid	(2,278,177)	(2,609,601)
Net taxation refunded/(paid)	1,475,394	(5,734,828)
Net cash (used in)/from operating activities	(3,094,064)	3,476,863
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	298,797	33,000
Purchase of property, plant and equipment	(5,736,696)	(8,927,371)
Acquisition of shares in a subsidiary company (Note 24)	-	(2)
Net cash used in investing activities	(5,437,899)	(8,894,373)
Cash Flows from Financing Activities		
Proceeds from issuance of shares	18,121,840	-
Share issue expenses	(433,873)	-
Dividends paid to shareholders of the Company	(6,049,052)	(8,401,461)
Net (decrease)/increase in other bank borrowings	(2,471,598)	12,676,553
Net cash from financing activities	9,167,317	4,275,092
Net Increase/(Decrease) in Cash and Cash Equivalents	635,354	(1,142,418)
Cash and cash equivalents at beginning of year	560,716	1,703,134
Cash and Cash Equivalents at End of Year (Note 25)	1,196,070	560,716

The annexed notes form an integral part of, and should read in conjunction with, this statements.

notes to the financial statements

as at 31st December, 2004

1. GENERAL INFORMATION

Malayan Flour Mills Berhad is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Board of the Bursa Malaysia Securities Berhad.

Its registered office and principal place of business is located at 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur.

The principal activities of the Company are to carry on the business of milling and selling wheat flour together with its allied products. The principal activities of the subsidiary companies are detailed in Note 15 below.

The financial statements are denominated in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Director on 14th April, 2005.

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Financial assets of the Group include cash and bank balances, trade and other receivables, deposits with licensed banks and investments.

Financial liabilities of the Group include trade and other payables and bank borrowings.

In respect of the Company, financial assets and liabilities also included amount owing by and owing to subsidiary companies respectively.

- (b) The Group's financial instruments are subject to a variety of financial risks including currency risk, interest rate risk, credit risk, market risk, liquidity and cash flow risks.

The Group's overall financial risk management objective is to seek to address and control the risks to which the Group is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk mainly due to its substantial purchases of raw materials from overseas suppliers that are denominated primarily in United States Dollar (USD).

Since 1st September 1998, the USD is pegged by the Malaysian authorities to Ringgit Malaysia at USD1.00 to RM3.80 to provide a stable rate of exchange.

With the peg, the exposure of the Malaysian operations of the Group to the risk of fluctuation in RM/USD exchange rates is minimised. In view of the minimal risk, the Group does not enter into foreign currency forward contracts as a means of hedging against such risk. The Vietnamese operations of the Group do not hedge their USD transactions as the present money market situation in Vietnam is not conducive for hedging.

notes to the financial statements

as at 31st December, 2004 (cont'd)

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Interest Rate Risk

The Group has interest rate risk in respect of its borrowings and deposits with licensed banks.

The Group's bank borrowings are subject to interest based on floating rates while hire purchase financing and interest bearing deposits are based on fixed rates.

Market interest rates movements are monitored with the view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing deposits are restructured or reduced.

(iii) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade receivables.

Credit risk is addressed by a Credit Committee that sets policies, carries out evaluation and institutes mitigating actions.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

(iv) Market Risk

Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market prices.

The Group's exposure to market risk is minimal in view of its low investment in such instruments.

(v) Liquidity and Cash Flow Risks

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities are maintained. The proper management of currency, interest rate and credit risks have the effect of further minimising the incidence and effects of liquidity and cash flow risks.

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year.

(a) Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

notes to the financial statements

as at 31st December, 2004 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the balance sheet date.

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

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method, the results of subsidiary companies acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or to the date of disposal. At the date of acquisition, the fair values of the net assets of the subsidiary companies are determined and the fair values are reflected in the consolidated financial statements.

Minority interest is measured at the minorities' share of the post-acquisition fair value of the identifiable assets and liabilities of the acquiree.

Intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. The consolidated financial statements reflect external transactions and balances only.

(c) Goodwill on Consolidation

The excess of the cost of acquisition of subsidiary companies over the fair values of the net assets acquired is taken up as goodwill on consolidation.

Where the fair values of net assets acquired exceeds the cost of acquisition, the surplus arising is taken up as negative goodwill on consolidation.

Goodwill or negative goodwill on consolidation is amortised or written off based on reviews by the Directors.

(d) Associated Companies

Associated companies are those companies in which the Group has long term equity interest and where the Group exercises significant influence but not control over the financial and operating policies of those companies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method of accounting, the Group's share of profit less losses of the associated companies is included in the consolidated income statement based on the latest audited financial statements of the associated companies and the Group's share of post-acquisition retained profit and reserves less losses is added to the cost of investment in the consolidated balance sheet. Equity accounting is discontinued when a nil carrying value of the investment in an associated company is reached unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gain on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless the cost cannot be recovered.

The difference between the cost of acquisition and the fair value of net assets acquired is reflected as goodwill or discount on acquisition. Goodwill or discount on acquisition of associated companies is amortised or written off based on reviews by the Directors.

notes to the financial statements

as at 31st December, 2004 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments

(i) Investments in Subsidiary Companies and Associated Companies

Investments in subsidiary companies and associated companies are stated at cost less impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

(ii) Other Investments

Other investments held for long term are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for certain properties which are carried at their 1983 valuation less accumulated depreciation.

The Company does not adopt a policy of revaluation and has applied the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of the International Accounting Standard No. 16 (Revised) whereby the previous revaluation of certain properties in 1983 less accumulated depreciation may be retained as the carrying amount with continuity in the depreciation policy.

Freehold land is not amortised. Leasehold land is amortised over the period of the respective leases ranging from 30 to 99 years. All other property, plant and equipment are depreciated on the straight line basis so as to write off the cost or valuation of the assets over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The principal annual rates used are :-

Buildings	2 - 10%
Jetty	2%
Plant, machinery, fixtures and equipment	5 - 25%
Motor vehicles and boats	5 - 20%

Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

notes to the financial statements

as at 31st December, 2004 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of manufacturing and trading inventories is determined on the weighted average cost basis. For finished goods and semi-processed goods, cost consists of materials, direct labour and an appropriate proportion of production overheads.

Cost of broiler inventories consists of the original purchase price of day-old chicks plus all growing costs. Growing costs include cost of feeds, direct labour and an appropriate portion of farm overheads.

Cost of hatching eggs includes costs of direct materials, direct labour and a proportion of overhead cost.

Poultry parent inventories are stated at cost less depreciation which is calculated to write down the cost over the estimated economic egg-laying lives of the parent stocks. Costs consists of the original purchase prices of breeder birds plus a proportion of assigned growing costs. Assigned growing costs include cost of feeds, direct labour and an appropriate portion of farm overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

(h) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off as and when ascertained and allowance is made for any debts considered to be doubtful of collection.

(i) Trade and Other Payables

Trade and other payables are stated at cost.

(j) Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(k) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production and preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

notes to the financial statements

as at 31st December, 2004 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Taxation

Tax expense/(income) is the aggregate amount of current and deferred tax included in the determination of net profit or loss for the year.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differences at balance sheet date between the carrying amounts of assets and liabilities and the amounts used for taxation purposes.

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

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

(m) Employee Benefits

(i) Short-Term Employee Benefits

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

(ii) Post-Employment Benefits

(a) Defined Contribution Plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in the income statement in the period to which the contributions relate or included in the costs of assets, where applicable.

notes to the financial statements

as at 31st December, 2004 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee Benefits (Cont'd)

(b) Defined Benefit Plans

Defined benefit plans are post-employment benefits plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

Certain subsidiary companies of the Group operate an unfunded defined benefit final salary plans for eligible employees.

The liability recognised is the net total of the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised actuarial gains or losses and unrecognised past service cost. The present value of the defined benefit obligations is determined on a triennial basis by actuarial valuations using the Projected Unit Credit Method, whereby the amount of benefit that employees have earned in return for their services in the current and prior periods are estimated.

Actuarial gains or losses arise from experience adjustments or changes in actuarial assumptions. When the net cumulative unrecognised actuarial gains or losses exceed 10% of the present value of the defined benefit obligation, such excess amount of gains or losses are recognised as income or expense over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognised on a straight line basis over the average period until the benefits become vested or to the extent that the benefits are already vested following the introduction of, or changes to, the defined benefit plan, the past service cost is recognised immediately.

(c) Equity Compensation Benefits

Equity compensation benefits for the Group's employees are provided through the Group's Employees' Share Option Scheme as set out in Note 9(c) to the financial statements.

The proceeds of share options exercised are credited to share capital and share premium account where applicable. The Group does not account for the cost of equity compensation benefits.

(d) Termination Benefits

Termination benefits are recognised as a liability and expense when the Group is committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

notes to the financial statements

as at 31st December, 2004 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Foreign Currencies

(i) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the income statement.

(ii) Foreign Subsidiary Companies

Income statements of foreign subsidiary companies are translated into Ringgit Malaysia at average rates for the financial period and their balance sheets are translated at the exchange rates ruling at the balance sheet date. All translation differences arising therefrom are taken to reserves.

The closing rates as at balance sheet date used for principal foreign currency translations are as follows :-

	2004 RM	2003 RM
1 Singapore Dollar (SGD)	2.32	2.22
1 United States Dollar (USD)	3.80	3.80
1000 Vietnamese Dong (VND)	0.24	0.24

(o) Impairment of Assets

The carrying amounts of non current assets (other than deferred tax assets and other investments) are reviewed for impairment at each balance sheet date. Impairment losses are provided when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised directly against the revaluation surplus account for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

An impairment loss is only reversed to the extent of previously recognised impairment losses on an asset. All reversals of an impairment loss is credited to the income statement unless the asset is carried at revalued amount where the reversal is recognised directly to the revaluation surplus account of the same asset.

notes to the financial statements

as at 31st December, 2004 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Hire Purchase and Finance Lease Arrangements and Operating Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

(i) Assets Acquired under Hire Purchase and Finance Lease Arrangements

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are charged to income statement over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 3(f) above.

(ii) Operating Lease

Operating lease payments are recognised as expenses in the income statement on a straight line basis over the period of the relevant leases.

(q) Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the balance sheet date are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

(r) Revenue

Revenue from sale of goods is recognised upon the transfer of risks and rewards of ownership to the buyer of the goods, based on invoiced value, net of discounts and returns.

Revenue from services is recognised upon rendering of services.

Rental income is recognised on an accrual basis over the period of tenancy.

Interest income is recognised on an accrual basis.

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

Jetty income is determined at contractual rates based on the length of stay of vessel and is recognised on an accrual basis.

Group revenue are stated net of all intra-group transactions.

notes to the financial statements

as at 31st December, 2004 (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statements of cash flows are prepared using the indirect method.

(t) Financial Instruments

Financial instruments are recognised when a contractual relationship has been established.

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 and distributions in respect of financial instruments classified as equity are charged to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group's accounting policies and methods adopted in respect of each class of financial instruments and further information thereof are disclosed in the individual accounting policy statements or notes to the financial statements associated with those financial instruments.

notes to the financial statements

as at 31st December, 2004 (cont'd)

4. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(Loss)/Profit before taxation is stated after charging :-				
Auditors' remuneration :				
- Statutory audit :				
- current year	188,993	180,419	34,000	34,000
- underprovision in prior year	9,698	2,000	-	-
- Other services	130,780	-	48,500	-
Depreciation	19,948,144	21,324,456	4,446,815	6,297,751
Directors' emoluments	2,015,117	2,284,272	1,081,705	1,244,875
Directors' fees	267,181	360,366	213,852	220,273
Interest expenses included in :				
- finance costs	2,673,260	1,765,120	810,838	1,174,871
- cost of sales	2,532,903	3,274,566	1,467,339	1,434,730
Rental of land and buildings	3,862,143	2,695,327	656,198	549,996
Defined benefit obligations	243,594	43,114	-	-
Bad debts written off :				
- amount due from subsidiary companies	-	-	255,329	-
- others	114,627	187,959	73,453	44,567
Allowance for doubtful debts	3,097,347	1,012,643	519,059	102,643
Allowance for/(Write back of) diminution in value of quoted investment	3,121	(2,006)	3,121	(2,006)
Allowance for obsolete inventories	531,534	232,541	-	-
Inventories written off	24,397	152,249	-	-
Project expenses written off	-	318,865	-	-
Property, plant and equipment written off	294,826	19,139	-	-
Hire purchase interest	4,465	10,933	-	-
(Gain)/Loss on foreign currency exchange :				
- realised	412,855	987,083	-	15,098
- unrealised	455,801	223,335	-	-
Goodwill written off	-	21,257	-	-
Pre-operating expenses written off	-	130,585	-	-
Exceptional items :				
- Allowance for impairment of :				
- property, plant and equipment	1,191,900	1,947,261	-	-
- subsidiary companies	-	-	40,067,000	6,000,000
- Allowance for diminution in value of unquoted investment	495,000	2,500,000	495,000	2,500,000
- Retirement gratuity payable to a former Director and Chairman of the Company	3,273,000	-	3,273,000	-
- Loss arising from damaged inventories	450,000	2,540,004	-	-
Estimated value of benefits-in-kind of Directors	64,500	73,700	39,300	43,200

notes to the financial statements

as at 31st December, 2004 (cont'd)

4. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
and crediting :-				
Dividends from :				
- subsidiary companies :				
- non tax exempt	-	-	1,200,000	-
- tax exempt	-	-	-	1,330,000
- others	72	250	-	-
Gain on disposal of property, plant and equipment	353,158	88,287	283,220	30,371
Interest income	1,698,225	792,424	527,082	87,531
Jetty income	945,942	869,432	945,942	869,432
Rental income	1,624,174	2,132,228	1,611,890	1,846,013
Gain on foreign currency exchange :				
- realised	50,222	18,585	13,501	-
- unrealised	-	147,738	-	-

5. EMPLOYEES INFORMATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Staff costs comprised :-				
Salaries, wages, bonuses, allowances and leave pay	44,478,137	44,468,924	12,647,908	12,488,954
Amount contributed under defined contribution plan :				
- Employees Provident Fund (EPF)	4,755,423	5,002,087	1,925,185	1,897,348
Defined benefit obligations	243,594	43,114	-	-
Retrenchment payouts	1,374,676	-	-	-
Retirement gratuity payable to a former Director and Chairman	3,273,000	-	3,273,000	-
Others	2,898,780	2,780,597	1,034,695	883,796
	57,023,610	52,294,722	18,880,788	15,270,098

The number of employees of the Group and the Company at end of the financial year were 2,258 (2003 : 2,575) and 455 (2003 : 443) respectively.

notes to the financial statements

as at 31st December, 2004 (cont'd)

6. TAXATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current year tax expense :				
- Malaysian income tax	(2,353,300)	(2,474,890)	(1,992,000)	(1,872,890)
- foreign tax	(1,363,282)	(1,066,050)	-	-
	(3,716,582)	(3,540,940)	(1,992,000)	(1,872,890)
Deferred tax income/(expense) resulting from the origination and reversal of temporary differences	1,517,317	(930,000)	697,666	(263,529)
	(2,199,265)	(4,470,940)	(1,294,334)	(2,136,419)
Current taxation over/(under) provided in prior years :				
- Malaysian income tax	15,240	512,037	14,948	43,800
- foreign tax	-	(26,254)	-	-
Deferred tax (under)/over provided in prior years :				
- Malaysian income tax	(155,265)	50,939	(154,641)	50,939
	(2,339,290)	(3,934,218)	(1,434,027)	(2,041,680)

(a) The general income tax rate in Malaysia is 28% of taxable income. During the year, the income tax rate for the first RM500,000 (2003 : RM100,000) of taxable income in respect of companies with issued capital of not exceeding RM2,500,000 was reduced to 20% and the rate for taxable income in excess of RM500,000 (2003 : RM100,000) remained at 28%.

Taxation for foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

notes to the financial statements

as at 31st December, 2004 (cont'd)

6. TAXATION (CONT'D)

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(Loss)/Profit before taxation	(5,289,378)	8,634,206	(37,650,293)	1,328,423
Taxation at the rate of 28% (2003 : 28%)	(1,481,026)	2,417,578	(10,542,082)	371,958
Tax savings of 8% on profit at the rate of 20% (2003 : 20%)	(1,342)	(8,000)	-	-
Net taxation at applicable tax rates	(1,482,368)	2,409,578	(10,542,082)	371,958
Tax effect in respect of :-				
Different tax rates in foreign jurisdictions	(748,833)	(467,000)	-	-
Income not subject to tax	(50,069)	(41,024)	(41,087)	(375,218)
Expenses not deductible for taxation purposes	1,539,650	2,153,618	11,947,168	3,005,275
Double deduction of expenses	(107,014)	(95,597)	(69,665)	(55,620)
Tax savings arising from utilisation of previously unrecognised unabsorbed reinvestment allowances	(18,540)	(912,762)	-	(809,976)
Tax savings arising from utilisation of previously unrecognised unabsorbed tax losses and deductible temporary differences	(625,166)	(529,754)	-	-
Deferred tax assets not recognised	3,691,605	1,953,881	-	-
Taxation (over)/under provided in prior years :				
- current tax expense	(15,240)	(485,783)	(14,948)	(43,800)
- deferred taxation	155,265	(50,939)	154,641	(50,939)
	2,339,290	3,934,218	1,434,027	2,041,680

(c) The following are estimated unabsorbed tax losses and unutilised capital allowances which are available for set-off against future taxable income :-

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unabsorbed tax losses	50,798,263	40,834,192	-	-
Unutilised capital allowances	59,175,424	52,932,506	-	-
	109,973,687	93,766,698	-	-
Estimated tax effect at 28% thereon	30,792,632	26,254,675	-	-

notes to the financial statements

as at 31st December, 2004 (cont'd)

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

The basic (loss)/earnings per share is calculated on the Group's loss after taxation and minority interests of RM5,694,944 (2003 : profit after tax and minority interests of RM4,368,742) and is based on the weighted average number of ordinary shares in issue during the year of 88,857,672 (2003 : 84,014,606).

(b) Diluted

The effect on the basic loss per share for the current year arising from the assumed conversion of warrants and exercise of the share options under the Employees' Share Option Scheme is anti-dilutive. The effect on the basic earnings per share for the previous year arising from the assumed conversion of warrants is also anti-dilutive. Accordingly, the diluted (loss)/earnings per share for the current and previous year respectively have not been presented.

8. DIVIDEND

	Group and Company 2004 RM	2003 RM
First and final dividend :-		
10 sen per ordinary share, less tax at 28%		
(2003 : 10 sen per ordinary share, less tax at 28%)	6,894,908	6,049,052

A first and final dividend in respect of the current year ended 31st December, 2004 of 10 sen per ordinary share less tax at 28% amounting to RM6,894,908 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current year do not reflect this proposed dividend. If approved by the shareholders, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profit in the next financial year ending 31st December, 2005.

9. SHARE CAPITAL

(a) Share capital

	Group and Company 2004 RM	2003 RM
Authorised :-		
200,000,000 ordinary shares of RM1.00 each	200,000,000	200,000,000
Issued and fully paid ordinary shares of RM1.00 each :-		
At beginning of year	84,014,606	84,014,606
Issued during the year for cash pursuant to :		
- Special Issue to approved Bumiputra investors	11,000,000	-
- Employees' Share Option Scheme ("ESOS")	748,000	-
	11,748,000	-
At end of year	95,762,606	84,014,606

notes to the financial statements

as at 31st December, 2004 (cont'd)

9. SHARE CAPITAL (CONT'D)

(a) Share capital (Cont'd)

During the year, the Company issued 11,000,000 new ordinary shares of RM1.00 each for cash at an issue price of RM1.54 per ordinary share pursuant to the Company's Special Issue to approved Bumiputra investors and 748,000 new ordinary shares of RM1.00 each for cash at an exercise price of RM1.58 per ordinary share pursuant to the Company's ESOS. The share premium arising, after deducting the share issue costs of RM433,873, amounted to RM5,939,967 has been credited to the share premium account.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Warrants

	Group and Company 2004 No.	2003 No.
At beginning and end of year	41,985,394	41,985,394

A total of 42,000,000 warrants were issued by the Company on 31st July, 1995 in connection with the issue of RM100,000,000 nominal amount of 5% Redeemable Bank Guaranteed Bonds 1995/2000.

The warrants are constituted by a deed poll dated 26th July, 1995 and three supplemental deed poll dated 11th September, 1995, 23rd May, 1997 and 17th August, 1999 respectively.

The warrants are listed on the Main Board of the Bursa Malaysia Securities Berhad and confer the right to holders thereof at any time, not later than the maturity date, to subscribe for one new ordinary share of RM1.00 each in the Company for every warrant held at an exercise price, to be paid in cash, of RM3.39 per share or as adjusted in certain circumstances as set out in the Deeds constituting the warrants. The average transacted price of the ordinary share for 2004 was RM1.75 (2003 : RM1.80) per share.

On 1st March, 1999 the Company obtained approval from the Securities Commission to extend the original maturity date of 30th January, 2000 by another 5 years to 30th January, 2005.

None of the warrants were exercised by the warrant holders by the expiry date which was determined as on 28th January, 2005. Accordingly, all the warrants have become null and void since the expiry date.

(c) Employees' Share Option Scheme ("ESOS")

The ESOS is governed by the By-Laws which were approved by the shareholders on 13th May, 2004. The ESOS was implemented on 28th May, 2004 and will expire on 27th May, 2007. The movements of options over unissued ordinary shares granted to eligible Directors and employees of the Group during the year are as follows :-

Grant date	Exercise price	Option over number of ordinary shares of RM1.00 each			Balance at end of year
		Balance at beginning of year	Granted	Exercised	
28th May 2004	RM1.58	-	8,401,000	(748,000)	7,653,000

notes to the financial statements

as at 31st December, 2004 (cont'd)

9. SHARE CAPITAL (CONT'D)

(c) Employees' Share Option Scheme ("ESOS") (Cont'd)

	Group and Company 2004 No.	2003 No.
Number of shares vested at balance sheet date	7,653,000	-

Details of share options exercised during the year and the fair value at the exercise date of ordinary shares issued are as follows :-

Exercise date	Exercise price RM	Fair value of ordinary shares RM	Number of share options No.	Consideration received RM
2004				
15th June 2004	1.58	1.87	703,000	1,110,740
10th August 2004	1.58	1.80	11,000	17,380
24th August 2004	1.58	1.68	31,000	48,980
7th September 2004	1.58	1.62	3,000	4,740
			<u>748,000</u>	<u>1,181,840</u>
Less : Par value of ordinary shares				<u>(748,000)</u>
Share premium				<u>433,840</u>

The salient features of the ESOS as contained in the By-Laws are as follows :-

- (i) The Scheme is set up for employees' participation in the ordinary share capital of the Company only.

The total number of shares to be offered under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company at any point of time during the duration of the Scheme. At the commencement of the Scheme, the total number of shares available for offer is 8,401,000 ordinary shares of RM1.00 each.

- (ii) Eligible employees are those who have been in service with the Group for a continuous period of at least 1 year for Malaysian employees (including executive directors) and at least 3 continuous years of service with the Group for non-Malaysian employees. An executive director of the Company shall only be eligible to participate in the Scheme upon approval given in general meeting.

- (iii) An option granted may be exercised by the grantee by notice in writing to the Option Committee from time to time during the option period in respect of all or part of the option shares from the commencement date on 28th May, 2004 to 27th May, 2007. Where part of the option shares are exercised, the number shall not be less than 100 and shall be in multiple of 100.

Options which are not exercised may be carried forward and shall be exercised within the last 120 days before the date of expiry.

notes to the financial statements

as at 31st December, 2004 (cont'd)

9. SHARE CAPITAL (CONT'D)

(c) Employees' Share Option Scheme ("ESOS") (Cont'd)

- (iv) The allocation of option shares to executive directors and senior management shall not in aggregate exceed 50% of the option shares available under the Scheme. In addition, not more than 10% of the option shares available under the ESOS shall be allocated to any individual eligible employee who, either singly or collectively, through persons connected with the eligible employee, holds 20% or more of the issued and paid-up share capital of the Company.
- (v) The option price of the share shall be the higher of the weighted average market price of the shares as shown in the Daily Official List of the Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion or the par value of the shares.
- (vi) All the new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company except that such shares so allotted shall not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared prior to the date of allotment of the shares.
- (vii) The Scheme shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as conferred upon it by the Board.
- (viii) An option granted under the ESOS shall cease with immediate effect where the grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of his retirement on or after attaining normal retirement age, retirement before attaining the normal retirement age with the consent of the Option Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the Option Committee in writing.

In addition, the options shall immediately become void and of no effect upon the bankruptcy of the grantee.

- (ix) An option does not confer on the grantee any right to participate in any share issue of any other company.

10. RESERVES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-distributable				
Capital reserves (Note 10(a))	26,983,908	19,310,647	19,310,647	19,310,647
Share premium (Note 10(b))	47,626,617	41,686,650	47,626,617	41,686,650
Exchange translation differences	(1,014,686)	(249,108)	-	-
Distributable				
Retained profit	118,656,562	138,073,819	118,355,533	163,488,905
	192,252,401	198,822,008	185,292,797	224,486,202

notes to the financial statements

as at 31st December, 2004 (cont'd)

10. RESERVES (CONT'D)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(a) Capital reserves				
Surplus on revaluation of property, plant and equipment in 1983	19,310,647	19,310,647	19,310,647	19,310,647
Amount transferred from retained profit arising from bonus issue of shares by a subsidiary company	7,673,261	-	-	-
	26,983,908	19,310,647	19,310,647	19,310,647

	Group and Company	
	2004 RM	2003 RM
(b) Share Premium		
At beginning of year	41,686,650	41,686,650
Arising from issuance of shares	6,373,840	-
Share issue expenses	(433,873)	-
At end of year	47,626,617	41,686,650

(c) The Company has an estimated Section 108 tax credit under the Malaysian Income Tax Act, 1967 of RM66,200,000 (2003 : RM74,149,000) which, subject to agreement with the Malaysian tax authorities, is available to frank the payment of dividends out of its retained profit as at year end, in full.

(d) The Company has tax exempt income of approximately RM20,978,000 (2003 : RM20,978,000) which, subject to agreement with the Malaysian tax authorities and the availability of profits, is distributable by way of tax exempt dividend.

11. DEFERRED TAXATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
At beginning of year	3,932,232	3,053,171	6,226,025	6,013,435
Recognised in the income statement (Note 6)	(1,362,052)	879,061	(543,025)	212,590
At end of year	2,570,180	3,932,232	5,683,000	6,226,025
Presented after appropriate offsetting as follows :-				
Deferred tax assets	(3,425,820)	(2,695,293)	-	-
Deferred tax liabilities	5,996,000	6,627,525	5,683,000	6,226,025
	2,570,180	3,932,232	5,683,000	6,226,025

notes to the financial statements

as at 31st December, 2004 (cont'd)

11. DEFERRED TAXATION (CONT'D)

(a) The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows :-

2004

Deferred Tax Liabilities of the Group

	Balance at 1.1.2004 RM	Recognised in the income statement RM	Balance at 31.12.2004 RM
Excess of capital allowances over depreciation	10,637,219	(803,460)	9,833,759
Revaluation of property, plant and equipment	4,123,674	(139,761)	3,983,913
	14,760,893	(943,221)	13,817,672

Deferred Tax Assets of the Group

	Balance at 1.1.2004 RM	Recognised in the income statement RM	Balance at 31.12.2004 RM
Unabsorbed tax losses	(180,642)	(1,464,150)	(1,644,792)
Unutilised capital allowances	(7,831,754)	815,779	(7,015,975)
Other deductible temporary differences	(2,816,265)	229,540	(2,586,725)
	(10,828,661)	(418,831)	(11,247,492)

Deferred Tax Liabilities of the Company

	Balance at 1.1.2004 RM	Recognised in the income statement RM	Balance at 31.12.2004 RM
Excess of capital allowances over depreciation	2,830,396	625,131	3,455,527
Revaluation of property, plant and equipment	4,123,674	(139,761)	3,983,913
	6,954,070	485,370	7,439,440

Deferred Tax Assets of the Company

	Balance at 1.1.2004 RM	Recognised in the income statement RM	Balance at 31.12.2004 RM
Deductible temporary differences	(728,045)	(1,028,395)	(1,756,440)

notes to the financial statements

as at 31st December, 2004 (cont'd)

11. DEFERRED TAXATION (CONT'D)

2003

Deferred Tax Liabilities of the Group

	Balance at 1.1.2003 RM	Recognised in the income statement RM	Balance at 31.12.2003 RM
Excess of capital allowances over depreciation	10,621,178	16,041	10,637,219
Revaluation of property, plant and equipment	4,263,435	(139,761)	4,123,674
	14,884,613	(123,720)	14,760,893

Deferred Tax Assets of the Group

	Balance at 1.1.2003 RM	Recognised in the income statement RM	Balance at 31.12.2003 RM
Unabsorbed tax losses	(96,474)	(84,168)	(180,642)
Unutilised capital allowances	(8,984,198)	1,152,444	(7,831,754)
Other deductible temporary differences	(2,750,770)	(65,495)	(2,816,265)
	(11,831,442)	1,002,781	(10,828,661)

Deferred Tax Liabilities of the Company

	Balance at 1.1.2003 RM	Recognised in the income statement RM	Balance at 31.12.2003 RM
Excess of capital allowances over depreciation	2,450,000	380,396	2,830,396
Revaluation of property, plant and equipment	4,263,435	(139,761)	4,123,674
	6,713,435	240,635	6,954,070

Deferred Tax Assets of the Company

	Balance at 1.1.2003 RM	Recognised in the income statement RM	Balance at 31.12.2003 RM
Deductible temporary differences	(700,000)	(28,045)	(728,045)

notes to the financial statements

as at 31st December, 2004 (cont'd)

11. DEFERRED TAXATION (CONT'D)

- (b) The amount of deductible temporary differences and unabsorbed tax losses for which deferred tax assets have not been recognised in the financial statements are as follows :-

	Group	
	2004 RM	2003 RM
Unabsorbed tax losses	44,922,402	40,189,290
Unutilised capital allowances	34,105,550	24,961,923
Other deductible temporary differences	559,777	494,317
	79,587,729	65,645,530

The deductible temporary differences and unabsorbed tax losses are available for set off against future taxable profits of respective subsidiaries for an indefinite period except for the unabsorbed tax losses of approximately RM2,319,900 (2003 : RM2,131,500) of a foreign subsidiary company which shall expire by 2009.

12. RETIREMENT BENEFITS

- (a) The Group operates an unfunded defined benefit final salary plan for eligible employees in a subsidiary company, Muda Fibre Manufacturing Sdn Bhd ("Muda") in compliance with the terms of a collective agreement and for eligible employees in two subsidiary companies in Vietnam namely, Vimaflour Ltd and Mekong Flour Mills Ltd in accordance with legislations established in Vietnam.

Under the defined benefit plan operated by Muda, benefits under this plan were payable upon attaining the normal retirement age, death or retirement due to ill-health in respect of employees who had served continuously for a period of at least 5 years. During the year, Muda discontinued its operations as disclosed in Note 27 to the financial statements, resulting in the curtailment on the defined benefit plan.

Under the defined benefit plan operated by the Vietnamese subsidiary companies, benefits are payable upon attaining the normal retirement age or upon resignation in respect of employees who have completed 12 months of service. The amount payable is calculated based on a scale of benefits that increases with the length of service.

notes to the financial statements

as at 31st December, 2004 (cont'd)

12. RETIREMENT BENEFITS (CONT'D)

The movements in the amount recognised in the Group's balance sheet during the year are as follows :-

	Malaysia RM	Vietnam RM	Total RM
Balance at 1st January 2003	263,237	310,073	573,310
Charged to income statement	37,955	5,159	43,114
Benefits paid	(12,256)	(3,445)	(15,701)
Currency translation difference	-	(4,768)	(4,768)
Balance at 31st December 2003	288,936	307,019	595,955
Charged to income statement	-	243,594	243,594
Benefits paid	-	(35,335)	(35,335)
Curtailment arising from discontinuance of operations	(288,936)	-	(288,936)
Currency translation difference	-	(2,555)	(2,555)
Balance at 31st December 2004	-	512,723	512,723

(b) The amount recognised in the Group's balance sheet represents the present value of the unfunded defined benefit obligations.

(c) The amount recognised as an expense in the Group's income statement can be analysed as follows :-

	Malaysia RM	Vietnam RM	Total RM
2004			
Current service cost	-	191,349	191,349
Interest cost	-	52,245	52,245
	-	243,594	243,594
2003			
Current service cost	20,386	5,159	25,545
Interest cost	17,569	-	17,569
	37,955	5,159	43,114

The amount charged to income statement has been included under the following line items :-

	Group	
	2004 RM	2003 RM
Cost of inventories sold	159,643	-
Selling and distribution expenses	54,565	-
Administration expenses	29,386	43,114
	243,594	43,114

notes to the financial statements

as at 31st December, 2004 (cont'd)

12. RETIREMENT BENEFITS (CONT'D)

(d) The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows :-

	Malaysia %	Vietnam %
2004		
Discount rate	-	6
Future average salary increases	-	4
2003		
Discount rate	7	6
Future average salary increases	6	4

13. HIRE PURCHASE CREDITORS

	2004 RM	Group 2003 RM
Future minimum payments :-		
Payable within 1 year	-	33,309
Payable between 2 to 5 years	-	-
	-	33,309
Future finance charges	-	(4,465)
Present value	-	28,844
Payable :-		
Payable within 1 year (included under other payables - Note 21)	-	28,844
Payable between 2 to 5 years	-	-
	-	28,844

notes to the financial statements

as at 31st December, 2004 (cont'd)

14. PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment of the Group and Company comprised :-

2004				
Group	Cost RM	Accumulated depreciation/ Accumulated impairment losses RM	Net book value RM	Depreciation charge/ Impairment losses RM
At cost				
Freehold land	1,715,424	-	1,715,424	-
Leasehold land :				
- Long lease	8,033,657	2,181,696	5,851,961	199,830
- Short lease	8,896,116	3,068,619	5,827,497	296,698
Buildings	180,024,012	63,115,012	116,909,000	5,350,628
Jetty	459,288	52,055	407,233	9,187
Plant, machinery, fixtures and equipment	248,278,166	189,071,587	59,206,579	11,952,812
Motor vehicles and boat	37,146,578	28,117,661	9,028,917	2,727,703
Capital work-in-progress	7,196,355	-	7,196,355	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	644,991	1,418,501	24,888
Buildings	23,447,856	10,651,459	12,796,397	456,842
Jetty	6,072,795	2,590,229	3,482,566	121,456
	526,907,890	299,493,309	227,414,581	21,140,044
Company	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
At cost				
Freehold land	98,000	-	98,000	-
Long leasehold land	5,244,933	1,520,943	3,723,990	155,837
Buildings	50,589,207	14,894,653	35,694,554	1,116,897
Jetty	459,288	52,054	407,234	9,186
Plant, machinery, fixtures and equipment	68,721,956	61,025,278	7,696,678	1,481,314
Motor vehicles and boat	13,900,025	10,559,049	3,340,976	1,080,395
Capital work-in-progress	3,769,040	-	3,769,040	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	644,991	1,418,501	24,888
Buildings	23,447,856	10,651,459	12,796,397	456,842
Jetty	6,072,795	2,590,229	3,482,566	121,456
	177,940,743	101,938,656	76,002,087	4,446,815

notes to the financial statements

as at 31st December, 2004 (cont'd)

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2003		Accumulated depreciation/ Accumulated impairment losses	Net book value	Depreciation charge/ Impairment losses
Group	Cost RM	RM	RM	RM
At cost				
Freehold land	1,715,424	-	1,715,424	-
Leasehold land :				
- Long lease	8,033,657	1,981,866	6,051,791	199,828
- Short lease	8,969,092	2,794,305	6,174,787	298,886
Buildings	180,037,579	57,862,696	122,174,883	5,795,348
Jetty	459,288	42,868	416,420	9,186
Plant, machinery, fixtures and equipment	239,897,009	177,644,599	62,252,410	13,711,187
Motor vehicles and boat	37,447,768	27,496,274	9,951,494	2,654,096
Capital work-in-progress	7,203,774	-	7,203,774	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	620,103	1,443,389	24,888
Buildings	23,447,856	10,194,617	13,253,239	456,842
Jetty	6,072,795	2,468,773	3,604,022	121,456
	518,921,885	281,106,101	237,815,784	23,271,717
Company	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
At cost				
Freehold land	98,000	-	98,000	-
Long leasehold land	5,244,933	1,365,106	3,879,827	155,837
Buildings	50,231,997	13,777,756	36,454,241	1,250,286
Jetty	459,288	42,868	416,420	9,186
Plant, machinery, fixtures and equipment	65,983,419	59,560,824	6,422,595	3,382,046
Motor vehicles and boat	13,775,422	10,784,567	2,990,855	897,210
Capital work-in-progress	2,591,044	-	2,591,044	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	620,103	1,443,389	24,888
Buildings	23,447,856	10,194,617	13,253,239	456,842
Jetty	6,072,795	2,468,773	3,604,022	121,456
	173,542,397	98,814,614	74,727,783	6,297,751

notes to the financial statements

as at 31st December, 2004 (cont'd)

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) The movements of property, plant and equipment during the year are as follows :-

2004

Group	Balance at 1.1.2004 RM	Additions RM	Disposals RM	Write-off RM	Transfer RM	Net exchange differences RM	Balance at 31.12.2004 RM
Cost/Valuation							
At cost							
Freehold land	1,715,424	-	-	-	-	-	1,715,424
Leasehold land :							
- Long lease	8,033,657	-	-	-	-	-	8,033,657
- Short lease	8,969,092	-	-	-	-	(72,976)	8,896,116
Buildings	180,037,579	388,878	(11,535)	(120,453)	138,000	(408,457)	180,024,012
Jetty	459,288	-	-	-	-	-	459,288
Plant, machinery, fixtures and equipment	239,897,009	3,677,949	(138,348)	(476,331)	5,745,803	(427,916)	248,278,166
Motor vehicles and boat	37,447,768	1,989,215	(2,211,529)	(5,366)	-	(73,510)	37,146,578
Capital work-in- progress	7,203,774	5,877,231	-	-	(5,883,803)	(847)	7,196,355
At valuation							
Freehold land	3,574,151	-	-	-	-	-	3,574,151
Long leasehold land	2,063,492	-	-	-	-	-	2,063,492
Buildings	23,447,856	-	-	-	-	-	23,447,856
Jetty	6,072,795	-	-	-	-	-	6,072,795
	518,921,885	11,933,273	(2,361,412)	(602,150)	-	(983,706)	526,907,890

notes to the financial statements

as at 31st December, 2004 (cont'd)

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Accumulated depreciation and impairment losses

	Accumulated depreciation RM	Accumulated impairment losses RM	Balance at 1.1.2004 RM	Depreciation charge for the year RM	Write-off / Disposals RM	Net exchange differences RM	Impairment losses for the year RM	Accumulated depreciation RM	Accumulated impairment losses RM	Balance at 31.12.2004 RM
Assets at cost										
Leasehold land :										
- Long lease	1,981,866	-	1,981,866	199,830	-	-	-	2,181,696	-	2,181,696
- Short lease	2,794,305	-	2,794,305	296,698	-	(22,384)	-	3,068,619	-	3,068,619
Buildings	57,551,523	311,173	57,862,696	5,350,628	(45,784)	(52,528)	-	62,803,839	311,173	63,115,012
Jetty	42,868	-	42,868	9,187	-	-	-	52,055	-	52,055
Plant, machinery, fixtures and equipment	164,407,013	13,237,586	177,644,599	10,760,912	(373,285)	(152,539)	1,191,900	174,667,503	14,404,084	189,071,587
Motor vehicles and boat	27,496,154	120	27,496,274	2,727,703	(2,066,579)	(39,737)	-	28,117,541	120	28,117,661
Assets at valuation										
Long leasehold land	620,103	-	620,103	24,888	-	-	-	644,991	-	644,991
Buildings	10,194,617	-	10,194,617	456,842	-	-	-	10,651,459	-	10,651,459
Jetty	2,468,773	-	2,468,773	121,456	-	-	-	2,590,229	-	2,590,229
	267,557,222	13,548,879	281,106,101	19,948,144	(2,485,648)	(267,188)	1,191,900	284,777,932	14,715,377	299,493,309

notes to the financial statements

as at 31st December, 2004 (cont'd)

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2004

Company

	Balance at 1.1.2004 RM	Additions RM	Disposals RM	Transfers RM	Balance at 31.12.2004 RM
Cost/Valuation					
At cost					
Freehold land	98,000	-	-	-	98,000
Long leasehold land	5,244,933	-	-	-	5,244,933
Buildings	50,231,997	219,210	-	138,000	50,589,207
Jetty	459,288	-	-	-	459,288
Plant, machinery, fixtures and equipment	65,983,419	561,237	(29,980)	2,207,280	68,721,956
Motor vehicles and boat	13,775,422	1,432,973	(1,308,370)	-	13,900,025
Capital work-in-progress	2,591,044	3,523,276	-	(2,345,280)	3,769,040
At valuation					
Freehold land	3,574,151	-	-	-	3,574,151
Long leasehold land	2,063,492	-	-	-	2,063,492
Buildings	23,447,856	-	-	-	23,447,856
Jetty	6,072,795	-	-	-	6,072,795
	173,542,397	5,736,696	(1,338,350)	-	177,940,743

	Balance at 1.1.2004 RM	Charge for the year RM	Disposals RM	Balance at 31.12.2004 RM
Accumulated depreciation				
Assets at cost				
Long leasehold land	1,365,106	155,837	-	1,520,943
Buildings	13,777,756	1,116,897	-	14,894,653
Jetty	42,868	9,186	-	52,054
Plant, machinery, fixtures and equipment	59,560,824	1,481,314	(16,860)	61,025,278
Motor vehicles and boat	10,784,567	1,080,395	(1,305,913)	10,559,049
Assets at valuation				
Long leasehold land	620,103	24,888	-	644,991
Buildings	10,194,617	456,842	-	10,651,459
Jetty	2,468,773	121,456	-	2,590,229
	98,814,614	4,446,815	(1,322,773)	101,938,656

notes to the financial statements

as at 31st December, 2004 (cont'd)

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Plant and equipment include the following assets acquired under hire purchase arrangement :-

	Cost RM	Accumulated depreciation RM	Net book value RM	Current depreciation RM
Group				
2004				
Motor vehicles	-	-	-	-
2003				
Motor vehicles	259,600	34,613	224,987	12,980

(d) The Company's land, buildings and jetty were revalued by the Directors on 1st January, 1983 based on valuation by independent professional valuers using the fair market value method.

In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board in the adoption of International Accounting Standard No. 16 (Revised) - Property, Plant and Equipment, these assets are stated at their previously revalued amounts. The net carrying amounts of these assets as at balance sheet date had they been stated at their historical costs less depreciation are not disclosed as historical records are not available.

(e) The Group's property, plant and equipment as at balance sheet date include an unused machinery of RM3,099,987 (VND12,537 million) at cost, owned by a foreign subsidiary which had been fully written down in the Group's financial statements for the year ended 2002.

(f) During the year, a subsidiary company, Dindings Soya & Multifeeds Sdn Berhad wrote down the carrying value of its unused soya extraction plant from RM1,191,900 to Nil (2003 : RM2,700,000 to RM1,191,900) based on the Directors' estimation of the net recoverable amount.

(g) Muda Fibre Manufacturing Sdn Bhd ("Muda"), a subsidiary of the Company ceased its business activities during the year as disclosed in Note 27. The net carrying value of Muda's idle assets that have been included in the Group's property, plant and equipment as at 31st December, 2004 are as follows :-

	2004 RM	2003 RM
Long leasehold land	229,961	232,943
Buildings	2,191,078	2,273,140
Plant, machinery, fixtures and equipment	131,912	263,701
	<u>2,552,951</u>	<u>2,769,784</u>

During the year, a valuation on the long leasehold land and building of Muda has been performed by a firm of independent professional valuers, based on comparison approach and cost approach, to determine the market value of these properties for the purpose of possible sale. Based on the valuation, the Directors are of the opinion that the expected recoverable amounts of the assets are higher than the carrying amounts as at the balance sheet date and accordingly, no allowance for impairment losses have been recognised in the financial statements.

notes to the financial statements

as at 31st December, 2004 (cont'd)

15. SUBSIDIARY COMPANIES

	Company	
	2004 RM	2003 RM
Unquoted shares at cost	201,770,866	201,770,866
Less : Accumulated impairment losses	(52,767,000)	(12,700,000)
	149,003,866	189,070,866

The subsidiary companies, all of which are incorporated in Malaysia except as disclosed otherwise, comprise :-

Direct subsidiary companies	Principal activities	Effective interest in equity	
		2004 %	2003 %
Dindings Soya & Multifeeds Sdn Berhad	Manufacture and sale of animal feeds and related raw materials, purchase and contract farming of poultry for resale	60	60
Syarikat Pengangkutan Lumut Sdn Bhd	Transport management	100	100
Dindings Poultry Processing Sdn Bhd *	Processing and sale of poultry products	85	85
Dindings Broiler Breeder Farm Sdn Bhd	Breeding and sale of day-old chicks	100	100
MFM Feedmill Sdn Bhd	Manufacture and sale of animal feeds and sale of related raw materials	100	100
MFM Broiler Breeder Farm Sdn Bhd	Breeding of day-old chicks (dormant)	100	100
Dindings Poultry Development Centre Sdn Bhd	Poultry grow-out farm and training and research centre and letting of property	100	100
Semakin Dinamik Sdn Bhd	Breeding and sale of day-old-chicks and eggs	100	100
Vimaflour Ltd * (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	70	70
Muda Fibre Manufacturing Sdn Bhd (Note 15(c))	Manufacture and sale of polypropylene and polyethylene woven bags and its allied products	60	60
MFM Property Sdn Bhd	Property investment (dormant)	100	100
Accord Hotel Sdn Bhd	Hotel operation and management (dormant)	100	100

notes to the financial statements

as at 31st December, 2004 (cont'd)

15. SUBSIDIARY COMPANIES (CONT'D)

Direct subsidiary companies	Principal activities	Effective interest in equity	
		2004 %	2003 %
Dindings Grand Parent Farm Sdn Bhd	Grandparent stock farm (dormant)	100	100
MFM International Ltd * (Incorporated in British Virgin Islands)	Investment holding	100	100
Indirect subsidiary company			
Mekong Flour Mills Ltd * (Incorporated in Vietnam)	Flour and feed milling	100	100

* Subsidiary companies not audited by Folks DFK & Co.

(a) The impairment losses recognised represent the allowance made to adjust the carrying amounts of certain subsidiary companies to their estimated recoverable amounts. The recoverable amounts are arrived at based on the Company's share of net tangible assets of the subsidiary companies.

(b) The financial statements of a foreign subsidiary company, Vimaflour Ltd ("Vimaflour") were qualified on an except for basis and the summarised details of the qualification are as follows :-

Included in property, plant and equipment is a Miag flour milling machine carried at the value of VND12,537 million (RM3,099,987). The company has not used the asset since acquiring it in a prior year (1996) and has not recorded any depreciation with respect thereto. The company has no plans for the future use of the asset and has not recorded any provision for impairment.

In consolidating Vimaflour financial statements, adjustments have been made to the Group's financial statements to recognise the impairment in value in full in the year 2002. Consequently this qualification does not apply to the Group.

(c) During the year, Muda Fibre Manufacturing Sdn Bhd ceased its business activities and the effects of the discontinuance of operations are disclosed in Note 27 to the financial statements.

16. ASSOCIATED COMPANY

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unquoted shares at cost	2,800,000	2,800,000	-	-
Share of post-acquisition reserves less goodwill written off	(1,925,384)	(861,176)	-	-
	874,616	1,938,824	-	-

notes to the financial statements

as at 31st December, 2004 (cont'd)

16. ASSOCIATED COMPANY (CONT'D)

Associated company can be analysed as follows :-

	Group	
	2004 RM	2003 RM
Group's share of net assets	874,616	1,938,824

The details of the associated company are as follows :-

Name of company	Principal activities	Effective interest in equity	
		2004 %	2003 %
Fongcheng Enterprises Sendirian Berhad (incorporated in Malaysia)	Poultry merchant	24	24

17. INVESTMENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Quoted in Malaysia				
- shares at cost	114,000	114,000	107,000	107,000
Unquoted shares at cost				
- in Malaysia	60,000	60,000	60,000	60,000
- foreign	5,099,596	5,081,971	5,081,971	5,081,971
	5,273,596	5,255,971	5,248,971	5,248,971
Less : Allowance for diminution in value of :				
- quoted investment	(99,644)	(96,523)	(99,644)	(96,523)
- unquoted investment	(2,995,000)	(2,500,000)	(2,995,000)	(2,500,000)
	2,178,952	2,659,448	2,154,327	2,652,448
Market value of quoted shares	11,856	20,377	7,356	10,477

Included under the foreign unquoted investment is an investment which represents a 12% interest in the registered capital of Shanghai Malayan Flour & Foods Co. Ltd ("SMFF"), a foreign corporation registered in the People's Republic of China. The investment is held in United States Dollar.

notes to the financial statements

as at 31st December, 2004 (cont'd)

18. INVENTORIES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
At cost :-				
Raw materials	132,406,602	137,506,002	54,901,317	70,806,222
Semi-processed goods	1,681,001	1,585,910	-	-
Finished goods	19,170,903	17,746,258	2,933,857	2,546,588
Broilers, day-old chicks and hatching eggs	1,671,580	2,109,833	-	-
Consumables	11,692,056	9,587,952	3,560,161	2,675,355
	166,622,142	168,535,955	61,395,335	76,028,165
At cost less depreciation :-				
Poultry parent inventories	5,327,499	4,161,758	-	-
At net realisable value :-				
Raw materials	284,498	2,248	-	-
Semi-processed goods	188,910	225,625	-	-
Finished goods	510,327	4,668	-	-
Consumables	20,340	-	-	-
	1,004,075	232,541	-	-
Allowance for old and slow moving inventories	(1,004,075)	(232,541)	-	-
	-	-	-	-
	171,949,641	172,697,713	61,395,335	76,028,165

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	124,779,480	101,875,906	43,529,900	30,479,428
Allowance for doubtful debts	(12,515,408)	(12,150,874)	(3,000,000)	(2,500,000)
	112,264,072	89,725,032	40,529,900	27,979,428
Amount owing by subsidiary companies	-	-	53,771,101	60,198,070
Other receivables, deposits and prepayments	11,686,845	11,967,438	2,042,801	2,943,061
Allowance for doubtful debts	(2,265,600)	(2,326,391)	(150,720)	(211,511)
	9,421,245	9,641,047	1,892,081	2,731,550
	121,685,317	99,366,079	96,193,082	90,909,048
	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
The currency exposure profile of trade receivables is as follows :				
- Ringgit Malaysia	88,825,066	72,379,662	40,529,900	27,979,428
- VND	23,439,006	17,345,370	-	-
	112,264,072	89,725,032	40,529,900	27,979,428

notes to the financial statements

as at 31st December, 2004 (cont'd)

19. TRADE AND OTHER RECEIVABLES (CONT'D)

- (a) The normal credit terms of trade receivables range from 30 to 60 days.
- (b) The Group has no significant concentration of credit risk.
- (c) The amount owing by subsidiary companies is unsecured and has no fixed terms of repayment. The amount owing by subsidiary companies as at 31st December, 2004 is interest free except for a balance of RM22,574,650 (2003 : Nil) of which interest is charged at a rate of 3% (2003 : Nil) per annum.
- (d) Included under trade receivables of the Group as at 31st December, 2004 is an amount owing by an associated company, Fongcheng Enterprises Sendirian Berhad of RM5,469,482 (2003 : RM4,491,092).
- (e) In respect of the trade and other receivables of the Group and of the Company, an amount of RM2,793,019 (2003 : Nil) and RM79,850 (2003 : Nil) respectively has been written off against the allowance for doubtful debts during the year.

20. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits with licensed banks	19,960,028	12,568,615	192,243	190,998
Cash and bank balances	11,987,633	16,675,931	1,842,268	764,949
	31,947,661	29,244,546	2,034,511	955,947

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
The currency exposure profile of deposits, cash and bank balances is as follows :				
- Ringgit Malaysia	6,354,776	5,533,006	1,308,973	899,538
- USD	1,174,417	314,348	660,437	21,398
- SGD	65,101	35,011	65,101	35,011
- VND	24,353,367	23,362,181	-	-
	31,947,661	29,244,546	2,034,511	955,947

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	23,855,768	23,373,038	2,601,116	3,315,362
Amount owing to subsidiary companies	-	-	5,491,194	29,557,610
Other payables and accruals	23,090,174	15,188,723	8,223,097	4,103,112
Hire purchase creditors (Note 13)	-	28,844	-	-
	46,945,942	38,590,605	16,315,407	36,976,084

notes to the financial statements

as at 31st December, 2004 (cont'd)

21. TRADE AND OTHER PAYABLES (CONT'D)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
The currency exposure profile of trade payables is as follows :				
- Ringgit Malaysia	19,418,363	18,161,453	2,601,116	3,315,362
- USD	155,614	696,610	-	-
- VND	4,281,791	4,514,975	-	-
	23,855,768	23,373,038	2,601,116	3,315,362

(a) Included in other payables and accruals of the Group and of the Company is an amount of RM3,273,000 (2003 : Nil) payable to Mr. Teh Liang Teik, a former Director and Chairman of the Company as retirement gratuity.

(b) The amount owing to subsidiary companies as at the end of the year is unsecured, interest free and has no fixed terms of repayment. The amount owing to subsidiary companies as at 31st December, 2003 was interest free except for a balance of RM24,378,509 of which interest was charged at a rate of 3% per annum.

22. BANK BORROWINGS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Bankers' acceptances/Revolving credits	119,046,942	133,478,434	82,952,021	85,423,619
Bank overdrafts	923,248	942,673	838,441	395,231
Other short term loans	74,317,716	60,354,849	-	-
	194,287,906	194,775,956	83,790,462	85,818,850

(a) Bankers' acceptances, revolving credits, bank overdrafts and other short term loans are unsecured.

Interest on bankers' acceptances and revolving credits is calculated at rates ranging between 1.60% to 3.10% (2003 : 1.70% to 4.95%) per annum.

Interest on bank overdrafts is calculated at rates ranging from 3.70% to 8.50% (2003 : 3.70% to 9.00%) per annum.

Other short term loans relate to that of foreign subsidiaries and interests are payable at rates ranging from 2.10% to 6.40% (2003 : 2.10% to 9.00%) per annum.

notes to the financial statements

as at 31st December, 2004 (cont'd)

22. BANK BORROWINGS (CONT'D)

(b) The currency exposure profile of other bank borrowings is as follows :-

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Ringgit Malaysia	25,118,860	56,761,354	7,038,441	27,431,566
USD	168,324,011	136,777,062	76,752,021	58,387,284
VND	845,035	1,237,540	-	-
	194,287,906	194,775,956	83,790,462	85,818,850

23. PRIOR YEAR ADJUSTMENTS

The prior year adjustments relate to the effects of the change in accounting policies to comply with the new Malaysian Accounting Standards Board's Standards, MASB 25 - Income Taxes and MASB 29 - Employee Benefits in the year 2003.

24. ACQUISITION OF SHARES IN A SUBSIDIARY COMPANY

In the previous financial year, the Company acquired 100% of the total issued and paid-up share capital of Dindings Grand Parent Farm Sdn Bhd ("DGPF") for a total consideration of RM2.00.

Details of the fair value of net assets acquired, goodwill on consolidation and cash flows arising from the acquisition at the date of acquisition were as follows :-

	2004 RM	2003 RM
Receivables	-	25,372
Cash and bank balances	-	2
Payables	-	(46,629)
	-	(21,255)
Goodwill on consolidation	-	21,257
	-	
Total purchase consideration	-	2
Cash and cash equivalents of subsidiary acquired	-	(2)
	-	
Cash flow on acquisition, net of cash acquired	-	-

The effects of the acquisition of DGPF on the results and financial position of the Group in 2003 were as follows :-

	2003 RM
Loss of DGPF consolidated	(11,994)
Decrease in Group's net assets	(33,249)

notes to the financial statements

as at 31st December, 2004 (cont'd)

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits, cash and bank balances (Note 20)	31,947,661	29,244,546	2,034,511	955,947
Bank overdrafts (Note 22)	(923,248)	(942,673)	(838,441)	(395,231)
	31,024,413	28,301,873	1,196,070	560,716

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related companies :-

	2004 RM	2003 RM
Freight and workshop services provided by a subsidiary :		
- to the Company	3,169,184	2,393,564
- to other subsidiaries	1,068,816	1,214,421
Hire of machinery and motor vehicles charged to subsidiaries	410,603	634,640
Interest charged to a subsidiary	415,846	-
Interest charged by a subsidiary	107,744	460,359
Rental of premises :		
- charged to subsidiaries	322,623	334,623
- charged by a subsidiary	156,000	124,805
Supervision fee charged by a subsidiary	534,436	215,549
Sales to subsidiaries	11,778,588	32,955,055
Purchases from subsidiaries	1,477,905	2,604,499
Sales between subsidiaries	136,299,287	129,545,391

The above transactions are carried out in the normal course of business and are established under negotiated terms and conditions.

(b) Transactions with an associated company, Fongcheng Enterprises Sendirian Berhad are carried out in the ordinary course of business and are established under negotiated terms and conditions.

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of feeds and day-old chicks	12,732,234	16,874,474	-	-

The balance due from Fongcheng Enterprises Sendirian Berhad is disclosed under Note 19(d).

notes to the financial statements

as at 31st December, 2004 (cont'd)

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

(c) Transactions with other related parties :-

The following transactions were entered into in the ordinary course of business and are established under negotiated terms with companies in which certain Directors, namely, Teh Wee Kok and Teh Wee Chye have substantial equity interests :-

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Services rendered/hiring of lorries to :				
- Pembena Transport Sdn Bhd	77,400	75,550	-	-
- Indah Enterprise Sdn Bhd	50,400	50,400	-	-
	127,800	125,950	-	-

The balances due to or from the above related parties included in the financial statements are as follows :-

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Amount included in receivables :				
- Pembena Transport Sdn Bhd	288,143	358,143	288,143	358,143
- Indah Enterprise Sdn Bhd	163,709	194,618	129,169	194,618
Amount included in payables :				
- Indah Enterprise Sdn Bhd	32,787	43,233	-	-
- Pembena Transport Sdn Bhd	-	13,903	-	-

27. DISCONTINUING OPERATIONS

On 26th May, 2004, the Company announced that its subsidiary company namely, Muda Fibre Manufacturing Sdn Bhd ("Muda"), in which the Company has 60% effective equity interest, has resolved to cease its business activities in manufacturing and sale of polypropylene and polyethylene woven bags and its allied products. Muda effectively ceased its operations on 25th June, 2004.

The decision to cease its business activities is due to the non-viability of the business arising from the change in the market condition. This arise from the implementation the Asean Free Trade Agreement ("AFTA") whereby imported cloth and bags from other Asean countries are much cheaper than Muda's production cost. The intense price competition at the domestic market coupled with the cheap imports of cloth and bags have severely eroded the margin and resulted in losses incurred by Muda.

The Company is actively seeking to dispose off its assets to complete the closure exercise. The Board of Muda expects that the entire closure exercise will be completed by 2006.

notes to the financial statements

as at 31st December, 2004 (cont'd)

27. DISCONTINUING OPERATIONS (CONT'D)

The closure of the business resulted in the termination of certain employees of Muda. To the extent that employees of Muda could not be redeployed, termination terms including termination benefits were agreed upon. The net termination/retranchment costs recognised as an expense in the Group's income statement is derived as follows :-

	RM
Termination/Retrenchment payouts	1,374,676
Effects on the curtailment of retirement benefits	(288,936)
	<u>1,085,740</u>

The carrying amounts of assets and liabilities of Muda as at 31st December, 2004 and its revenue, results and cash flows for the year ended on that date are as follows :-

(a) Carrying amounts of assets and liabilities

	2004 RM	2003 RM
Property, plant and equipment	2,552,953	2,772,720
Current assets	8,636,846	10,955,011
Current liabilities	(30,657)	(1,152,325)
Non-current liability	-	(288,936)
Net assets	<u>11,159,142</u>	<u>12,286,470</u>

(b) Revenue and results

	2004 RM	2003 RM
Revenue	5,068,627	11,561,222
Cost of sales	(4,019,253)	(10,849,493)
Gross profit	1,049,374	711,729
Other income	99,917	630
Distribution costs	(218,416)	(603,738)
Administration expenses	(972,463)	(1,751,870)
Loss arising from discontinuing operations	(1,085,740)	-
Loss before taxation	(1,127,328)	(1,643,249)
Taxation	-	9,885
Net loss for the year	<u>(1,127,328)</u>	<u>(1,633,364)</u>

notes to the financial statements

as at 31st December, 2004 (cont'd)

27. DISCONTINUING OPERATIONS (CONT'D)

(c) Cash flows

	2004 RM	2003 RM
Net cash flows from operating activities	(289,394)	(5,017,209)
Net cash flows from investing activities	46,214	(11,368)
Net decrease in cash and cash equivalents	(243,180)	(5,028,577)
Cash and cash equivalents at beginning of year	286,584	5,315,161
Cash and cash equivalents at end of year	43,404	286,584

28. SEGMENT REPORTING

(a) Primary Reporting Format - Business Segments

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

- | | |
|--------------------------|--|
| (i) Flour | - Milling and selling wheat flour together with its allied products |
| (ii) Feeds | - Manufacture and sale of animal feeds and related raw materials |
| (iii) Transport | - Transport management |
| (iv) Poultry integration | - Processing and sale of poultry products, breeding and sale of day-old-chicks, sale of eggs and contract farming activities |
| (v) Polypropylene goods | - Manufacture and sale of polypropylene and polyethylene woven bags and its allied products |

During the year, the Group discontinued with the manufacturing and sale of polypropylene and polyethylene woven bags and its allied products as highlighted in Note 27.

All intersegment transactions have been entered into in the ordinary course of business and have been established under negotiated terms and conditions.

notes to the financial statements

as at 31st December, 2004 (cont'd)

28. SEGMENT REPORTING (CONT'D)

(a) Primary Reporting Format - Business Segments (Cont'd)

2004	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Sales						
Total sales	400,422,670	185,792,011	9,174,833	134,737,784	5,068,626	735,195,924
Intersegment sales	(7,519,937)	(64,505,222)	(4,772,437)	(6,745,303)	(2,169,526)	(85,712,425)
External sales	392,902,733	121,286,789	4,402,396	127,992,481	2,899,100	649,483,499
Results						
Segment results (External)	11,702,741	(48,403)	(426,374)	(11,649,901)	(43,468)	(465,405)
Allowance for impairment of property, plant and equipment	-	(1,191,900)	-	-	-	(1,191,900)
Loss arising from discontinuing operations	-	-	-	-	(1,085,740)	(1,085,740)
Interest income	11,702,741	(1,240,303)	(426,374)	(11,649,901)	(1,129,208)	(2,743,045)
Unallocated expenses :						1,698,225
- Allowance for diminution in value of investments						(498,121)
- Others						(4,504)
Loss from operations						(1,547,445)
Finance costs						(2,677,725)
Share of results of an associated company	-	-	-	(1,064,208)	-	(1,064,208)
Loss before taxation						(5,289,378)
Taxation						(2,339,290)
Loss after taxation						(7,628,668)
Minority interests						1,933,724
Net loss for the year						(5,694,944)

notes to the financial statements

as at 31st December, 2004 (cont'd)

28. SEGMENT REPORTING (CONT'D)

(a) Primary Reporting Format - Business Segments (Cont'd)

2004	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Other information						
Segment assets						
Segment assets	376,163,822	70,792,310	2,894,837	98,602,615	4,518,235	552,971,819
Investment in an associate	-	-	-	874,616	-	874,616
Unallocated assets						7,841,819
Consolidated total assets						561,688,254
Segment liabilities						
Segment liabilities	176,995,449	46,450,528	2,439,614	14,905,485	30,657	240,821,733
Unallocated liabilities						7,467,938
Consolidated total liabilities						248,289,671
Capital expenditure	6,043,060	2,405,900	49,074	3,435,239	-	11,933,273
Depreciation and amortisation	11,508,031	1,747,590	111,911	6,376,934	203,678	19,948,144
Allowance for impairment of property, plant and equipment	-	1,191,900	-	-	-	1,191,900
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	4,344,574	1,535,454	6,674	1,737,461	14,928	7,639,091

notes to the financial statements

as at 31st December, 2004 (cont'd)

28. SEGMENT REPORTING (CONT'D)

(a) Primary Reporting Format - Business Segments (Cont'd)

2003	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Sales						
Total sales	289,181,394	203,521,188	9,957,260	167,233,603	11,561,222	681,454,667
Intersegment sales	(5,308,584)	(50,683,829)	(3,823,534)	(11,944,802)	(4,439,139)	(76,199,888)
External sales	283,872,810	152,837,359	6,133,726	155,288,801	7,122,083	605,254,779
Results						
Segment results (External)	15,082,898	(28,408)	(409,465)	1,056,861	(1,643,878)	14,058,008
Allowance for impairment of property, plant and equipment	-	(1,500,000)	-	(447,261)	-	(1,947,261)
	15,082,898	(1,528,408)	(409,465)	609,600	(1,643,878)	12,110,747
Interest income						792,424
Unallocated expenses :						
- Allowance for diminution in value of investments						(2,497,994)
- Others						(35,091)
Profit from operations						10,370,086
Finance costs						(1,776,053)
Share of results of an associated company	-	-	-	40,173	-	40,173
Profit before taxation						8,634,206
Taxation						(3,934,218)
Profit after taxation						4,699,988
Minority interests						(331,246)
Net profit for the year						4,368,742

notes to the financial statements

as at 31st December, 2004 (cont'd)

28. SEGMENT REPORTING (CONT'D)

(a) Primary Reporting Format - Business Segments (Cont'd)

2003	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Other information						
Segment assets						
Segment assets	362,854,915	67,740,592	3,837,937	97,102,385	7,562,914	539,098,743
Investment in an associate	-	-	-	1,938,824	-	1,938,824
Unallocated assets						<u>11,226,126</u>
Consolidated total assets						<u>552,263,693</u>
Segment liabilities						
Segment liabilities	162,497,525	54,913,060	2,165,615	11,972,277	1,441,261	232,989,738
Unallocated liabilities						<u>8,992,191</u>
Consolidated total liabilities						<u>241,981,929</u>
Capital expenditure	17,898,742	1,795,950	30,028	3,998,529	11,998	<u>23,735,247</u>
Depreciation and amortisation	12,199,178	2,270,366	106,674	6,491,085	257,153	<u>21,324,456</u>
Allowance for impairment of property, plant and equipment	-	1,500,000	-	447,261	-	<u>1,947,261</u>
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	3,001,128	500,962	-	840,790	330,496	<u>4,673,376</u>

notes to the financial statements

as at 31st December, 2004 (cont'd)

28. SEGMENT REPORTING (CONT'D)

(b) Secondary Reporting Format - Geographical Segments

In determining the geographical segments of the Group, sales is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets.

	Sales		Total assets		Capital expenditure	
	2004 RM	2003 RM	2004 RM	2003 RM	2004 RM	2003 RM
Malaysia	448,752,180	472,351,567	360,068,143	360,916,179	11,626,909	14,763,876
Vietnam	200,731,319	132,903,212	193,778,292	180,121,388	306,364	8,971,371
	649,483,499	605,254,779	553,846,435	541,037,567	11,933,273	23,735,247
Unallocated assets			7,841,819	11,226,126		
			561,688,254	552,263,693		

29. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Authorised and contracted for :				
- Acquisition of plant and equipment	2,054,184	3,224,786	1,750,401	688,000
Authorised but not contracted for :				
- Acquisition of property, plant and equipment for Vietnam project	12,053,071	9,500,000	-	-
Lease commitments :				
- within 1 year	816,161	1,553,750	-	-
- 2 to 5 years	3,666,574	3,142,850	-	-
	4,482,735	4,696,600	-	-
	18,589,990	17,421,386	1,750,401	688,000

notes to the financial statements

as at 31st December, 2004 (cont'd)

30. CONTINGENCIES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(i) Contingent Liabilities (Unsecured)				
Legal claim made by third party in respect of building works for a subsidiary under appeal	2,580,000	2,580,000	2,580,000	2,580,000
Legal claims made by suppliers under dispute	-	1,214,500	-	-
(ii) Contingent Assets				
Insurance claims, pending agreement	757,000	3,341,000	-	-

The insurance claims were in respect of losses and other related expenses incurred arising from damages to inventories. These claims were not recognised in the financial statements pending agreement with the insurers.

31. FINANCIAL INSTRUMENTS

(a) Maturity Profile and Effective Interest Rates

The maturity profile and effective interest rates of financial instruments exposed to interest rate risk are as follows :-

Group	Maturity profile			Total RM	Effective interest rates
	Within 1 year RM	1 to 5 years RM	More than 5 years RM		
2004					
Financial assets					
Deposits with licensed banks	19,960,028	-	-	19,960,028	3.0% - 6.6%
Financial liabilities					
Bankers' acceptances/ Revolving credits	119,046,942	-	-	119,046,942	1.6% - 3.1%
Bank overdrafts	923,248	-	-	923,248	3.7% - 8.5%
Other short term loans	74,317,716	-	-	74,317,716	2.1% - 6.4%
2003					
Financial assets					
Deposits with licensed banks	12,568,615	-	-	12,568,615	3.0% - 6.4%
Financial liabilities					
Bankers' acceptances/ Revolving credits	133,478,434	-	-	133,478,434	1.7% - 4.9%
Bank overdrafts	942,673	-	-	942,673	3.7% - 9.0%
Other short term loans	60,354,849	-	-	60,354,849	2.1% - 9.0%
Hire purchase creditors	28,844	-	-	28,844	9.8%

notes to the financial statements

as at 31st December, 2004 (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Maturity Profile and Effective Interest Rates (Cont'd)

Company	Maturity profile			Total RM	Effective interest rates
	Within 1 year RM	1 to 5 years RM	More than 5 years RM		
2004					
Financial assets					
Deposits with licensed banks	192,243	-	-	192,243	3.0%
Amount owing by a subsidiary company	22,574,650	-	-	22,574,650	3.0%
Financial liabilities					
Bankers' acceptances/ Revolving credits	82,952,021	-	-	82,952,021	3.6% - 4.9%
Bank overdrafts	838,441	-	-	838,441	3.7% - 7.4%
2003					
Financial assets					
Deposits with licensed banks	190,998	-	-	190,998	3.0%
Financial liabilities					
Bankers' acceptances/ Revolving credits	85,423,619	-	-	85,423,619	3.6% - 4.9%
Bank overdrafts	395,231	-	-	395,231	3.7% - 7.4%
Amount owing by a subsidiary company	24,378,509	-	-	24,378,509	3.0%

(b) Fair values

- The carrying amount of the current financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values due to the relatively short term nature of these financial instruments.
- There is no significant difference between the fair value and the carrying amount of the hire purchase creditors.
- The fair value of the quoted investment is based on the quoted market price as at balance sheet date as disclosed under Note 17 to the financial statements. The fair value of non-current unquoted investment is not provided as it is not practicable to estimate the fair value reliably.
- The fair value of amounts owing by and owing to subsidiary companies are not provided as it is not practical to estimate fair values reliably due to the lack of fixed repayment terms.

notes to the financial statements

as at 31st December, 2004 (cont'd)

32. SPECIAL SHARE ISSUE TO APPROVED BUMIPUTRA INVESTORS

In 1995, the Ministry of International Trade and Industry ("MITI") had approved the issue of Rights and Bonus shares and Bonds issue by the Company on the condition that the Company makes a special issue of 16,000,000 new ordinary shares to approved Bumiputra investors within a stipulated period of time.

During the year, the Company issued 11,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.54 per ordinary share under a Special Issue to approved Bumiputra investors to partially fulfil the Bumiputra equity condition set by MITI. The issue of the remaining 5,000,000 ordinary shares under the Special Issue is required to be completed by 5th June, 2005.

33. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the current year's presentation :-

	As previously reported RM	Reclassification RM	As restated RM
Group			
Income statement			
Cost of sales	(532,148,611)	10,187,879	(521,960,732)
Other operating income	9,558,587	(5,029,602)	4,528,985
Selling and distribution expenses	(31,461,821)	(5,158,277)	(36,620,098)
Balance sheet			
Retirement benefits	288,936	307,019	595,955
Trade receivables	100,111,786	1,764,120	101,875,906
Allowance for doubtful debts	(10,386,754)	(1,764,120)	(12,150,874)
Trade payables	21,001,195	2,371,843	23,373,038
Other payables	17,867,585	(2,678,862)	15,188,723
Company			
Income statement			
Cost of sales	(158,172,928)	2,540,144	(155,632,784)
Selling and distribution expenses	(9,375,699)	(2,540,144)	(11,915,843)

statements by directors

In the opinion of the Directors, the financial statements set out on pages 38 to 95 are drawn up in accordance with applicable approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2004 and of the results and cash flows of the Company and of the Group for the year ended on that date.

Signed at Kuala Lumpur this 14th day of April, 2005.

On behalf of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
Director

TEH WEE CHYE
Director

statutory declaration

I, QUAH BAN LEE, being the Officer primarily responsible for the financial management of MALAYAN FLOUR MILLS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 38 to 95 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.

Subscribed and solemnly declared by)
the abovenamed Quah Ban Lee at)
Kuala Lumpur this 14th day of April, 2005)

Before me,

ROBERT LIM HOCK KEE
Commissioner for Oaths
Kuala Lumpur

report of the auditors to the members

We have audited the financial statements set out on pages 38 to 95 of Malayan Flour Mills Berhad. The preparation of the 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 to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :-
 - (i) 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
 - (ii) the state of affairs of the Group and of the Company as at 31st December, 2004 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the 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 15 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification except as disclosed in Note 15 and did not include any adverse comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

FOLKS DFK & CO.

NO. : AF 0502

CHARTERED ACCOUNTANTS

OOI CHEE KUN

NO. : 996/03/06(J/PH)

PARTNER

Kuala Lumpur

14th April, 2005

analysis of shareholdings

as at 27th April, 2005

Authorised Capital	-	RM200,000,000
Issued and fully paid	-	RM95,762,606
Class of shares	-	Ordinary shares of RM1.00 each

6,578 ordinary shareholders

Voting rights: One vote for one share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Issued Shares	% of Issued Capital
Less than 100	105	1.60	2,644	0.00
100 to 1,000	2,212	33.63	1,895,865	1.98
1,001 - 10,000	3,687	56.05	13,880,835	14.50
10,001 - 100,000	512	7.78	12,969,988	13.54
100,001 to less than 5% of issued shares	61	0.93	40,912,520	42.72
5% and above of issued shares	1	0.01	26,100,754	27.26
	6,578	100.00	95,762,606	100.00

Thirty (30) Largest Shareholders

Name	No. of Shares	Percentage Holding (%)
1. Thye Nam Loong Holdings Sdn Bhd	26,100,754	27.26
2. JB Nominees (Asing) Sdn Bhd [Solid Esteem Sdn Bhd for Wise Bright Investment Limited]	3,500,572	3.66
3. Teh Liang Teik	2,908,800	3.04
4. Amble Volume Sdn Bhd	2,742,000	2.86
5. Mokatar Rudin Bin Wan Yusof	2,250,000	2.35
6. Essence Lane Sdn Bhd	2,233,729	2.33
7. Mayban Nominees (Tempatan) Sdn Bhd [A/C for Tan Sri Datuk Arshad Bin Ayub]	2,030,000	2.12
8. Teh Wee Kok	1,591,600	1.66
9. JB Nominees (Asing) Sdn Bhd [Amble Volume Sdn Bhd for Rise Glory Investment Limited]	1,572,171	1.64
10. Amanah Raya Nominees (Tempatan) Sdn Bhd (A/C for Dana Johor)	1,074,000	1.12
11. Zalaraz Sdn Bhd	1,000,000	1.04
12. Favourite Access Sdn Bhd	1,000,000	1.04
13. HDM Nominees (Tempatan) Sdn Bhd [DBS Bank Labuan Branch for Kamruddin @ Kardin Bin Shukor]	1,000,000	1.04
14. Employees Provident Fund Board	968,000	1.01
15. Thye Heng Realty Sdn Bhd	950,000	0.99
16. M&A Nominee (Asing) Sdn Bhd [A/C for Pedigree Limited]	922,000	0.96
17. Alliancegroup Nominees (Tempatan) Sdn Bhd [Pheim Asset Management Sdn Bhd for Employees Provident Fund]	916,000	0.96
18. Thye Heng (How Kee) Company Sdn Bhd	867,900	0.91
19. Solid Esteem Sdn Bhd	864,000	0.90
20. Koperasi Polis Diraja Malaysia Berhad	840,200	0.88
21. Amanah Raya Nominees (Tempatan) Sdn Bhd [A/C for Amanah Saham Johor]	803,400	0.84
22. Duangmanee Liewphairatana	793,000	0.83

analysis of shareholdings

as at 27th April, 2005 (cont'd)

Thirty (30) Largest Shareholders (con'td)

Name	No. of Shares	Percentage Holding (%)
23. Yeoh Kean Hua	650,000	0.68
24. Thye Nam Loong Shipping Sdn Bhd	574,800	0.60
25. Suai Timber Products Sdn Bhd	531,600	0.56
26. BHR Enterprise Sdn Bhd	500,000	0.52
27. Koperasi Permodalan Felda Berhad	500,000	0.52
28. Teh Li Choo	473,572	0.49
29. Teh Wee Chye	456,500	0.48
30. Teh Li Li	429,001	0.45

Substantial Shareholders

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Thye Nam Loong Holdings Sdn Bhd	26,100,754	27.26	949,200	0.99
Teh Liang Teik	2,908,800	3.04	27,624,754	28.85
Teh Wee Kok	1,591,600	1.66	27,624,754	28.85
Teh Wee Chye	456,500	0.48	29,858,483	31.18

Directors' Interests in the Company and its Related Corporations

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Sri Datuk Arshad bin Ayub	2,104,685	2.20	1,187,600	1.24
Teh Wee Chye	456,500	0.48	29,858,483	31.18
Lee Soon Lee	6,000	0.01	-	-
Tan Sri Hamzah bin Abu Samah	-	-	-	-
Dato' Hj Shaharuddin bin Hj Haron	200,000	0.21	-	-
Geh Cheng Hooi	-	-	-	-

Director, Teh Wee Chye is deemed to have interests in all the shares held by the Company in its related corporations by virtue of his substantial shareholdings in the Company.

detail of assets

Details of land and buildings are as follows:-

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-04 RM
Freehold land with shophouses Lots 448 & 449 Section 4 Town of Butterworth, Penang Total: 1.62 acres	Shoplot	44	9 Sept 1996	3,760,000
Freehold land with residential building Lot 449 Section 67 District of Kuala Lumpur Total: 1.00 acres	Commercial land and building	65	4 Dec 1996	1,635,000
Freehold land Lots 5326, 5327 and part of Lots 5331 & 5332 District of Dindings Perak Darul Ridzuan Total: 9.00 acres	Vacant land	-	1981	72,000
Leasehold land and buildings Lots 4902 (expiring on 11-12-2061) 5022 (expiring on 25-4-2075) 5337 (expiring on 25-4-2075) 5466 & 5336 (expiring on 22-11-2090) Mukim of Lumut, District of Dindings Perak Darul Ridzuan Total: 61.43 acres	Office and factory	23 - 38	6 Oct 1998	29,600,000
Leasehold land with shophouses HSD 24168 to 24177, PT No. 19472 to 19481 (Expiring on 26-6-2089) Mukim of Kajang District of Ulu Langat Selangor Darul Ehsan Total: 0.41 acres	Shoplot	13	1994	2,975,000
Freehold land with shophouses Grant No. 36370, Lot No. 12256 Mukim of Pulau District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Shoplot	25	1991	166,000

detail of assets (cont'd)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-04 RM
Leasehold land with building Lot PTD 119736, HSD 238626 (Expiring on 28-2-2051) Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 10.1 acres	Office and factory	12	3 Feb 1995	35,016,000
Leasehold land with building HSD 34668 PTD 6411 (Expiring on 22-7-2096) Mukim of Batu Berendam Daerah Melaka Tengah Total: 0.13 acres	Shoplot	7	1997	527,000
Freehold land with building Lot PTB 18284 Mukim of Tampoi District of Johor Bahru Johor Darul Takzim Total: 0.12 acres	Factory	5	1999	651,000
Leasehold land with farm buildings Kawasan Batu Undan Mukim of Lumut Perak Darul Ridzuan (Title yet to be issued) Total: 200 acres	Breeder Farm	15	13 Mar 1995	4,078,000
Leasehold land with building Estet Perindustrian Kampung Acheh Mukim of Sitiawan District of Manjong Perak Darul Ridzuan (Title yet to be issued) Total: 16.1 acres	Office and factory	14	10 Mar 1995	6,910,000
Freehold land with house PTD 46071 Title No. 142790 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Residential house	13	1990	51,000

detail of assets (cont'd)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-04 RM
Leasehold land with farm buildings Pasir Panjang Mukim of Pengkalan Bahru Perak Darul Ridzuan (Title yet to be issued) Total: 621 acres	Broiler Farm	12	1992	8,082,000
Leasehold land with building HS(M) 2/1991, PT No. 2981 (Expiring on 24-4-2081) Mukim of Sungai Seluang District of Kulim, Kedah Total: 9 acres	Office and factory	22	14 Jul 2004	2,421,000
Freehold land Grant 1784, Lot 12653 Mukim of Sitiawan District of Dindings Perak Darul Ridzuan Total: 17 acres	Vacant land	-	1997	271,000
Land Use Rights with building (Expiring on 31-8-2024) Cai Lan, Quang Ninh Province The Socialist Republic of Vietnam Total: 17.30 acres	Office and factory	7	1994	27,087,000
Freehold land with farm buildings GM 168 to 171 (inclusive) Lot 8209 to 8212 (inclusive) Mukim of Sri Gading (VIII) District of Batu Pahat Johor Darul Takzim Total: 17.84 acres	Breeder Farm	8	2000	2,623,000
Phu My Industrial Zone I Tan Thanh District Baria - Vungtau Province The Socialist Republic of Vietnam Total: 17.29 acres (Expiring on 30-6-2048)	Office and factory	2	2000	19,497,000

FORM OF PROXY

I/We, _____

I/C No./Passport No./Co. No. _____ CDS Account No. _____

of _____

being a member/members of **MALAYAN FLOUR MILLS BERHAD** hereby appoint _____

_____ I/C No. _____

of _____

or failing him/her _____ I/C No. _____

of _____

as my/our proxy to vote on my/our behalf at the Forty-Fifth Annual General Meeting of the Company to be held on Thursday, 16th June, 2005 at 9.30 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

No.	Motions	For	Against
1.	Receive the Reports and Audited Financial Statements		
2.	Declaration of a First and Final Dividend		
3.	Re-election of Dato' Hj Shaharuddin bin Hj Haron under Article 111 of the Company's Articles of Association		
4.	Re-appointment of the following Directors pursuant to Section 129 (6) of the Companies Act, 1965:-		
5.	a. Tan Sri Datuk Arshad bin Ayub		
6.	b. Tan Sri Hamzah bin Abu Samah		
7.	c. Mr. Lee Soon Lee		
8.	d. Mr. Geh Cheng Hooi		
8.	Approval of Directors' Fees		
9.	Re-appointment of Auditors		
10.	Authorisation for Directors to Allot and Issue Shares		
11.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
12.	Proposed Renewal of Authority for Share Buy-Back		

Dated this _____ day of _____, 2005

Number of shares held _____

Signature/Common Seal of Shareholder _____

Notes:-

1. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy, who, unless he/she is a member must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case, to attend and to vote in his/her stead. The instrument appointing a proxy must be duly deposited at the Registered Office of the Company, 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holding to be represented by each proxy.

Please fold this flap for sealing

2nd fold here

Affix
Stamp

MALAYAN FLOUR MILLS BERHAD (4260-M)
22nd Floor, Wisma MCA,
Jalan Ampang,
50450 Kuala Lumpur

1st fold here

MALAYAN FLOUR MILLS BERHAD (4260-M)
22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur
Tel: 03-2170 0999 Fax: 03-2170 0888