

CORPORATE INFORMATION

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

Quah Ban Lee

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

SUBSIDIARIES

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

PRINCIPAL BANKERS

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

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



DIRECTORS' PROFILE



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

Tan Sri Datuk Arshad bin Ayub, aged 77, 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 (M) Berhad, KPJ Healthcare Berhad, Sindora Berhad, LBI Capital Berhad, Audrey International Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad and Bistari Johor Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 5 out of the 6 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
(Managing Director)

Mr Teh Wee Chye, aged 53, 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 the Plant Manager in 1978. He was appointed as the Project Manager in 1979 in charge of the Company's entire expansion plans. He is also a director of United Teochew (Malaysia) Berhad. He is a substantial shareholder of the Company.

He has attended all the 6 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 78, 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 / Chief Accountant 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.

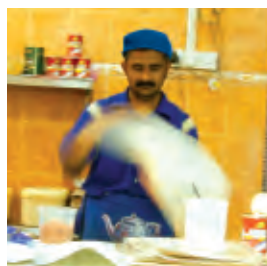
He has attended all the 6 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

**Tan Sri Hamzah bin Abu Samah**

(Independent Non-Executive Director)

Tan Sri Hamzah bin Abu Samah, aged 82, 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. He is also a director of BBW Gold Consortium Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 6 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 67, 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 Pittsburgh, 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 till 1979. He 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) Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 6 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 Geh Cheng Hooi
(Independent Non-Executive Director)

Mr Geh Cheng Hooi, aged 71, 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 to which he was appointed since 1989. He is also a Fellow of The Institute of Chartered Accountants in England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). His current directorships in public companies include Star Publications (Malaysia) Berhad, Lingui Developments Berhad, LPI Capital Berhad, NCB Holdings Berhad, Tien Wah Press Holdings Berhad and PLUS Expressways Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 6 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 Quah Ban Lee
(Executive Director)

Mr Quah Ban Lee, aged 48, a Malaysian, was appointed to the Board of the Company on 18th August, 2005 and is presently the Finance Director of the Company. He is a qualified Chartered Accountant from The Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants ("MIA"). He also possesses a Bachelor of Arts (Hons) in Economics and Accounting Degree from the University of Reading in the United Kingdom. He has about 20 years experience in finance, including a number of years in professional accounting firms, both in the United Kingdom and Malaysia. He has worked with other public listed companies in Malaysia prior to joining the Company. 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 the 2 Board Meetings held during the financial year subsequent to his appointment as a Director of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

CHAIRMAN'S STATEMENT



Tan Sri Datuk Arshad bin Ayub

“ON BEHALF OF THE BOARD OF DIRECTORS, IT IS MY PLEASURE TO PRESENT THE ANNUAL REPORT OF MALAYAN FLOUR MILLS BERHAD (“MFM”) FOR THE FINANCIAL YEAR ENDED 31st DECEMBER, 2005.”



REVIEW OF PERFORMANCE

For the year under review, I am pleased to report that the Group had achieved a profit before tax of RM21.8 million with revenue of RM740.0 million. This was a substantial recovery when compared to the loss before tax of RM5.3 million recorded in 2004. Revenue had increased by 14% as compared to the previous year. The increase was contributed mainly by the flour and poultry integration businesses.

The cost of commodities and ocean freight was more favourable in 2005. This coupled with our commitment and efforts to achieve greater economies of scale and efficiencies had contributed to the recovery in the Group's performance.

Our flour business in Vietnam, which operates under Vimaflour Ltd (“Vima”) and Mekong Flour Mills Ltd (“Mekong”), continued to record commendable performances. Vima had embarked on an expansion plan to increase its capacity at an investment cost of about RM16.0 million. There has been a slight delay in the project and it is now expected to be completed in the second half of 2006. Mekong recorded

its maiden profit during its third year of commercial production.

MFM's flour business in Malaysia achieved a 4% growth in revenue over the previous year. As part of our commitment to product quality, our flour mills at Lumut and Pasir Gudang were evaluated and certified during 2005 as compliant to the requirements for a Hazard Analysis and Critical Control Point (HACCP) based Food Safety System, which is an internationally recognized standard.

The total sales of the Feeds segment of our business reduced slightly by 1.6% from RM167.7 million in 2004 to RM165.1 million in the year under review. Greater efforts will be focused on this segment to increase the market share of both the poultry and aqua feeds businesses, to improve productivity and benefit from economies of scale.

The Poultry Integration business had improved its performance in 2005. This segment registered total sales of RM201.6 million, representing an increase of 32% as compared to the prior year. Resulting from the higher revenue a lower loss of RM1.8 million was recorded in comparison to RM11.6 million reported in 2004.



REVIEW OF PERFORMANCE (con'td)

It is very pleasing to note that one of our subsidiaries, Dindings Poultry Processing Sdn Bhd (DPP), had won the Malaysian Livestock Industry Awards 2005 for 'Outstanding Meat Processor' in recognition for the outstanding contribution made in management excellence and best practices to the livestock industry. One of our products, the BBQ Chicken D'Lite, had also won the Highly Commended Award under the Malaysian Institute of Food Technology (MIFT) Best Product Award category in 2005. These awards reflect our uncompromising commitment to product and process quality.

The outbreak of avian flu in Malaysia in the early part of 2006 had a negative impact on the poultry industry and this may lead to a consolidation in the industry. The adverse impact is however expected to be temporary. Stringent bio-security measures have been taken to prevent an outbreak at our business locations. Poultry remains an affordable and essential source of natural meat protein and the Group is optimistic on the long term potential of the poultry business.

On 7th February, 2006, DPP was served with a writ of summons filed in the High Court in Kuala Lumpur by a third party and a non-governmental organization for damages in the sum of RM101 million arising from the alleged breach of the Halal logo. DPP's solicitor has made applications to set aside the writ of summons. Our solicitor is of the opinion that the plaintiffs have no legal basis to maintain the claim. The Directors do not expect any material losses to arise and therefore no provision has been made in the financial statements of DPP and of the Group. DPP has been certified to use the Halal logo by Jabatan Kemajuan Islam Malaysia (JAKIM) for the last 15 years and the Halal certificate has been renewed yearly without fail.

We wish to assure consumers and consumer bodies that the interest of our Muslim consumers is at the heart of DPP's business model. DPP is fully committed to the national agenda to promote Malaysia as a world-class hub for the Halal food products and operates to the highest standards of hygiene, safety and religious requirements.

For the purposes of improving efficiency and productivity the Group had invested and commenced the implementation of an integrated Enterprise Resource Planning Software in 2005. The Group had also engaged a consultant to assist in a Corporate Branding exercise and the formulation of a branding strategy. This will enhance the level of competitiveness of our operations and position us well for the future.

CORPORATE DEVELOPMENT

On 24th October, 2005, the Company acquired an additional 12,857,000 ordinary shares of RM1.00 each in DPP, representing an equity interest of 23.8%, for a total cash consideration of RM1.00 from Dindings Soya & Multifeeds Sdn Bhd ('DSM'). As a result of this, the Company now holds a total of 94.7% equity interest in DPP.

Subsequently on the same date, the Company also acquired an additional 3,750,000 ordinary shares of RM1.00 each in DSM, representing an equity interest of 10.5%, for a total cash consideration of RM1,612,500 from Diggins Ltd. The Company now holds a total equity interest of 70.2% in DSM.

The Ministry of International Trade and Industry (MITI) has granted the Company a further extension of time until 5th June, 2006 to complete the Special Bumiputra Issue of 16.0 million new ordinary shares. A total of 11.0 million new Ordinary Shares have been subscribed leaving a balance of 5.0 million Ordinary Shares.

A fresh application has been submitted to the Securities Commission to complete the Special Issue via the issuance of 5,000,000 new shares, representing approximately 5.22% of the issued and paid up capital of the Company ("Proposed Second Tranche") to identified Bumiputra investors approved by MITI at an issue price to be determined later. An application has also been made to MITI for an extension of time for a further 6 months to complete the Proposed Second Tranche.

PROSPECTS

For the forthcoming year, the prices of commodities and cost of ocean freight are expected to remain volatile. The recent avian flu outbreak in Malaysia and also in the other parts of the world has created uncertainties in the poultry industry. In spite of this, the Board expects the Group's performance to remain favourable in 2006.

DIVIDENDS

An Interim Dividend of 5 sen per ordinary share, less tax at 28%, was paid on 18th January, 2006 in respect of the year ended 31st December, 2005 (Year ended 31st December, 2004: Nil).

A Final Dividend of 5 sen per ordinary share, tax exempt, for the current financial year ended 31st December, 2005 (Year ended 31st December, 2004: 10 sen per ordinary share, less tax at 28%) has been recommended by the Directors. The proposed Final Dividend will be payable on 3rd July, 2006 to shareholders appearing on the Register of Members as at 5.00 pm on 16th June, 2006 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board of Directors, I would like to express my deepest appreciation to the management and employees for their hard work and dedication in 2005. Allow me to also extend my gratitude to you, the shareholders, customers, suppliers, bankers, regulatory authorities and agencies for your continued support during the year.

GROUP FINANCIAL HIGHLIGHTS

Year ended 31st December,	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Revenue	558,215	565,228	605,254	649,483	739,992
Profit / (loss) before taxation	26,108	18,653	8,634	(5,290)	21,780
Taxation	(11,080)	(6,565)	(3,934)	(2,339)	(6,453)
Profit/ (loss) after taxation	15,028	12,088	4,700	(7,629)	15,327
Minority Interests	(290)	(1,356)	(331)	1,934	(4,902)
Profit/ (loss) attributable to shareholders	14,738	10,732	4,369	(5,695)	10,425
Issued Share Capital (RM'000)	84,015	84,015	84,015	95,763	95,763
Shareholders' Fund (RM'000)	289,067	288,235	282,837	288,015	286,793
Net tangible assets per share (sen)	344	343	337	301	299
Earnings/ (loss) per share (sen)	17.54	12.77	5.20	(6.41)	10.89
Gross dividends (%) - tax exempt	10	10	-	-	5
Gross dividends (%) - taxable	-	-	10	10	5

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 seven (7) members comprising of two (2) Executive Directors 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 3 to 5 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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

Appointment and Re-election of Directors (cont'd)

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.

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.

Six (6) Board Meetings were held during the year ended 31st December, 2005. Details on the attendance of the Directors at the Board meetings are presented on page 110 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 ("RIIAM"). In addition, all 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.

In compliance with the new Listing Requirements of Bursa Securities effected on 1st January, 2005 which require the Board of Directors to continuously evaluate and determine the training needs of its directors, the followings are the trainings attended by all the Directors of the Company during the year ended 31st December, 2005:-

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

Name of Director	Mode of Training	Title of Training	Hours / Days
Tan Sri Datuk Arshad bin Ayub	Seminar	A Half-Day Seminar on Insider Trading : Issues and Challenges	1/2 Day
Teh Wee Chye	Conference	Second Southeast Asia - US Agricultural Cooperators Conference (Contemporary Issues in Animal Agriculture)	5 Days
Lee Soon Lee	Seminar	1. Effective Management of Company Meetings Seminar	1 Day
	Seminar	2. A Half-Day Seminar on Insider Trading : Issues and Challenges	1/2 Day
Tan Sri Hamzah bin Abu Samah	Seminar	Effective Management of Company Meetings Seminar	1 Day
Dato' Hj Shaharuddin bin Hj Haron	Seminar	Updates on Regulatory Issues, Risk Management, Culture of a Performing Company & Directors' Remuneration	1 Day
Geh Cheng Hooi	Seminar	1. A Half-Day Seminar on Insider Trading : Issues and Challenges	1/2 Day
	Conference	2. KPMG Management Group Conference	2 Days
	Briefing	3. KPMG Briefing & Update on FRS	1 Day
	Briefing	4. KPMG Annual Executive Tax Briefing	1/2 Day
	Seminar	5. GLC Transformation Programme	1/2 Day
Quah Ban Lee	Briefing	1. KPMG Annual Executive Tax Briefing	1/2 Day
	Workshop	2. Malaysian Financial Reporting Standards & Exposure Drafts	3 Days

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

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 composition and terms of reference of the Audit Committee together with its report are presented on pages 17 to 21 of this Annual Report.

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) 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	(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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

Remuneration Committee (cont'd)

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) Executive Director, one (1) Non Independent Non-Executive Director and three (3) Independent Non-Executive Directors as follows:-

Mr Teh Wee Chye (Chairman)	(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 four (4) times during the financial year.

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	41	820	175	37	21
5 Non-Executive Directors	170	70	-	5	146

(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
RM950,001 to RM1,000,000	1	-

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

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.

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 to 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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

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, 2005, the Directors have:

- Used 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 these records 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.

ADDITIONAL COMPLIANCE INFORMATION

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, there were no proceeds raised by the Company from any corporate proposals.

2. Share Buy-back

The Company has not conducted any share buy-back during the financial year ended 31st December, 2005.

3. Options, Warrants or Convertible Securities

The Warrants of the Company have expired on 30th January, 2005. There were no Options or Convertible Securities exercised during the financial year.

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 For Year 2005

Non-Audit Fees amounting to RM10,500 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, 2005 and the unaudited results for the quarter ended 31st December, 2005 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, 2005 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 23 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 pages 48 to 49 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 23 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, 2005.

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	4 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.

AUDIT COMMITTEE REPORT (cont'd)

TERMS OF REFERENCE

1. 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.

Should 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 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. 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. Authority

The Committee shall have the authority to investigate matters within the terms of reference and request for any relevant information. The Company's employees are directed to co-operate with any request made by the Committee.

AUDIT COMMITTEE REPORT (cont'd)

3. Authority (cont'd)

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. 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)

4. Duties and Responsibilities (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 compliance with government regulations.
- i) To consider and examine such other matters as the Committee considers appropriate.
- j) 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, 2005 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.

AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

- e) Reviewed and appraised the audit reports submitted by the Internal Auditors.
- f) 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)

OTHER KEY ELEMENTS OF 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 27th February, 2006.





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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, 2005.

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

RESULTS

	Group RM	Company RM
Profit after taxation	15,326,986	4,679,539
Minority interests	(4,901,981)	-
Net profit for the year	<u>10,425,005</u>	<u>4,679,539</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, 2004, 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, 2005 RM6,894,908

- (b) In respect of the year ended 31st December, 2005, an interim dividend of 5 sen per ordinary share, less tax at 28%, declared on 15th November, 2005 and paid on 18th January, 2006

RM3,447,454

- (c) The Directors recommend a final tax exempt dividend in respect of the current year ended 31st December, 2005 of 5 sen per ordinary share amounting to RM4,788,130. 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 profits in the next financial year ending 31st December, 2006.

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 :-

DIRECTORS' REPORT (cont'd)

EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

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	Ceased/ Lapsed	
28th May, 2004	RM1.58	7,653,000	-	(841,000)	6,812,000

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 was 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.
- (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.

DIRECTORS' REPORT (cont'd)

EMPLOYEES' SHARE OPTION SCHEME (Cont'd)

- (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.

There were no options granted under the ESOS during the financial year ended 31st December, 2005.

DIRECTORS

The Directors in office since the date of the last Directors' Report on 14th April, 2005 are as follows :-

Tan Sri Datuk Arshad bin Ayub
 Teh Wee Chye
 Lee Soon Lee
 Tan Sri Hamzah bin Abu Samah
 Dato' Hj Shahrudin bin Hj Haron
 Geh Cheng Hooi
 Quah Ban Lee (Appointed on 18th August, 2005)

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 who are over the age of seventy years 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, Teh Wee Chye retires by rotation from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 98 of the Company's Articles of Association, Quah Ban Lee who was appointed on 18th August, 2005 retires from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

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 :-

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (Cont'd)**Shareholdings in the Company**

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Teh Wee Chye	456,500	-	-	456,500
Lee Soon Lee	Lee Soon Lee	6,000	-	-	6,000
Tan Sri Datuk Arshad bin Ayub	Tan Sri Datuk Arshad bin Ayub	13,285	72,000	-	85,285
Dato' Hj Shaharuddin bin Hj Haron	Dato' Hj Shaharuddin bin Hj Haron	200,000	-	-	200,000
Quah Ban Lee	Quah Ban Lee	35,000	-	-	35,000
Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	26,100,754	-	-	26,100,754
Teh Wee Chye	Thye Nam Loong Sdn Bhd	417,600	-	-	417,600
Teh Wee Chye	Thye Nam Loong Shipping Sdn Bhd	574,800	-	-	574,800
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	2,084,000	-	-	2,084,000

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (Cont'd)**Shareholdings in the Company (Cont'd)**

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			
		Balance at 1.1.2005	Acquired	Disposed	Balance at 31.12.2005
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 1.1.2005	Acquired/ Disposed	Expired	Balance at 31.12.2005
Lee Soon Lee	Lee Soon Lee	3,000	-	(3,000)	-
Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	13,185,377	-	(13,185,377)	-
Teh Wee Chye	Thye Nam Loong Sdn Bhd	208,800	-	(208,800)	-
Teh Wee Chye	Thye Nam Loong Shipping Sdn Bhd	287,400	-	(287,400)	-
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)	-

Interest in options over ordinary shares of the Company

Director	Number of options over ordinary shares of RM1.00 each			
	Balance at 1.1.2005	Granted	Exercised	Lapsed
Lee Soon Lee	200,000	-	-	-

The exercise price of the options granted is RM1.58 per share.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (Cont'd)**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 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	21,250,000	3,750,000	-	25,000,000
Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	2,500,000	-	-	2,500,000
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 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	38,303,000	12,857,000	-	51,160,000
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 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
Teh Wee Chye	Malayan Flour Mills Berhad	6,000,001	-	-	6,000,001
Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	1,000,000	-	-	1,000,000

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (Cont'd)**Shareholdings in subsidiary company, MFM International Ltd (incorporated in British Virgin Islands)**

Director	Registered in the name of	Number of ordinary shares of USD1.00 each			Balance at 31.12.2005
		Balance at 1.1.2005	Acquired	Disposed	
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)

Director	Registered in the name of	Interests in capital denominated in Vietnamese Dong (VND)			Balance at 31.12.2005 VND'000
		Balance at 1.1.2005 VND'000	Acquired VND'000	Disposed VND'000	
Teh Wee Chye	MFM International Ltd (wholly owned by Malayan Flour Mills Berhad)	244,292,633	-	-	244,292,633

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

Director	Registered in the name of	Interests in capital denominated in Vietnamese Dong (VND)			Balance at 31.12.2005 VND'000
		Balance at 1.1.2005 VND'000	Acquired VND'000	Disposed VND'000	
Teh Wee Chye	Malayan Flour Mills Berhad	149,311,000	-	-	149,311,000

By virtue of his shareholdings in the Company, Teh Wee Chye is 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 his interest 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, options over shares and warrants in the Company and in its subsidiary companies.

DIRECTORS' REPORT (cont'd)

DIRECTORS' BENEFITS

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 options granted to the Directors pursuant to the Company's ESOS as disclosed in the section on Directors' Interests in this report.

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 23 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.
- (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.

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (Cont'd)

(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; 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 other than the matters disclosed in Note 30 to the financial statements.

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
13th April, 2006

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December, 2005

	Note	2005 RM	2004 RM
Revenue	3(r)		
Sales of goods		738,368,216	645,081,103
Services		1,623,797	4,402,396
		<u>739,992,013</u>	<u>649,483,499</u>
Cost of Sales			
Cost of inventories sold		(635,301,002)	(572,242,979)
Cost of services		(2,768,807)	(4,882,098)
		<u>(638,069,809)</u>	<u>(577,125,077)</u>
Gross Profit		101,922,204	72,358,422
Other Operating Income		7,497,827	8,302,635
Selling and Distribution Expenses		(48,749,212)	(45,772,664)
Administrative Expenses		(22,778,596)	(22,728,640)
Other Operating Expenses		(9,169,807)	(10,091,757)
Loss Arising from Discontinuing Operations	24	(1,117,775)	(1,085,740)
Operating Profit from Operations		27,604,641	982,256
Finance Costs		(6,426,212)	(5,207,426)
Share of Results of an Associated Company		602,026	(1,064,208)
Profit/(Loss) before Taxation	4	21,780,455	(5,289,378)
Taxation :			
- Company and subsidiary companies		(6,453,469)	(2,339,290)
- Associated company		-	-
	6	<u>(6,453,469)</u>	<u>(2,339,290)</u>
Profit/(Loss) after Taxation		15,326,986	(7,628,668)
Minority Interests		(4,901,981)	1,933,724
Net Profit/(Loss) for the Year		<u>10,425,005</u>	<u>(5,694,944)</u>
Basic Earnings/(Loss) per Share (Sen)	7	10.89	(6.41)
Net Dividend per Share (Sen)	8	8.60	7.20

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

CONSOLIDATED BALANCE SHEET

as at 31st December, 2005

	Note	2005 RM	2004 RM
Share Capital	9	95,762,606	95,762,606
Reserves	10	191,030,559	192,252,401
Shareholders' Equity		286,793,165	288,015,007
Minority Interests		27,817,281	25,383,576
Long Term and Deferred Liabilities			
Deferred tax liabilities	11	7,053,971	5,996,000
Retirement benefits	12	525,662	512,723
		322,190,079	319,907,306
Represented by :			
Property, Plant and Equipment	13	218,160,756	227,414,581
Associated Company	15	1,476,642	874,616
Investments	16	606,676	2,178,952
Deferred Tax Assets	11	3,298,486	3,425,820
Current Assets			
Inventories	17	131,731,510	171,949,641
Trade and other receivables	18	116,331,167	114,143,276
Tax recoverable		848,161	2,211,666
Deposits, cash and bank balances	19	68,466,089	31,947,661
		317,376,927	320,252,244
Current Liabilities			
Trade and other payables	20	51,515,074	39,403,901
Bank borrowings	21	162,028,669	194,287,906
Tax payable		1,738,211	547,100
Dividend payable	8	3,447,454	-
		218,729,408	234,238,907
Net Current Assets		98,647,519	86,013,337
		322,190,079	319,907,306

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December, 2005

	Note	Share Capital RM	Share Premium RM	Capital Reserves RM	Exchange Translation Differences RM	Retained Profits RM	Total RM
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 profits 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)
First and final dividend paid for the year ended 31st December, 2003		-	-	-	-	(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
Currency translation loss not recognised in the income statement		-	-	-	(1,304,485)	-	(1,304,485)
Net profit for the year		-	-	-	-	10,425,005	10,425,005
Dividends :							
- Final for the year ended 31st December, 2004	8	-	-	-	-	(6,894,908)	(6,894,908)
- Interim for the year ended 31st December, 2005	8	-	-	-	-	(3,447,454)	(3,447,454)
Balance at 31st December, 2005		95,762,606	47,626,617	26,983,908	(2,319,171)	118,739,205	286,793,165

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December, 2005

	2005 RM	2004 RM
Cash Flows from Operating Activities		
Profit/(Loss) before taxation	21,780,455	(5,289,378)
Adjustments for :-		
Share of associated company's results	(602,026)	1,064,208
Defined benefit obligations	34,343	243,594
Depreciation	20,707,799	19,948,144
Interest expenses	6,426,212	5,207,426
Gain on disposal of property, plant and equipment	(408,427)	(353,158)
Property, plant and equipment written off	5,134	294,826
Allowance for impairment of property, plant and equipment	14,224	1,191,900
Bad debts written off	59,757	114,627
Allowance for doubtful debts	2,129,774	3,097,347
Allowance for diminution in value of quoted investments	1,124,872	3,121
Allowance for diminution in value of unquoted investment	2,086,971	495,000
Gain on disposal of quoted investment	(2,172)	-
Net unrealised (gain)/loss on foreign currency exchange	(37,304)	455,801
Interest income	(2,616,334)	(1,698,225)
Inventories written off	8,118	24,397
Allowance for old and slow moving inventories	2,644,935	531,534
Negative goodwill	(59,535)	-
Provision for settlement of legal claims	2,000,000	-
Death gratuity payable in respect of a former Director of a subsidiary company	315,000	-
Loss arising from damaged inventories	-	450,000
Retrenchment costs	-	1,374,676
Curtailment of retirement benefits	-	(288,936)
Retirement gratuity payable to a former Director and Chairman	-	3,273,000
	55,611,796	30,139,904
Increase in trade and other receivables	(4,758,078)	(22,678,905)
Decrease/(Increase) in inventories	36,690,616	(677,295)
Increase in trade and other payables	9,902,267	2,145,921
Cash generated from operations	97,446,601	8,929,625

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

CONSOLIDATED CASH FLOW STATEMENT (cont'd)

for the year ended 31st December, 2005

	2005 RM	2004 RM
Cash Flows from Operating Activities (Cont'd)		
Net taxation paid	(2,706,008)	(900,208)
Interest received	2,616,334	1,698,225
Interest paid	(6,426,212)	(5,207,426)
Retrenchment payouts	-	(1,374,676)
Retirement benefits paid	(14,337)	(35,335)
Net cash from operating activities	90,916,378	3,110,205
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	525,497	569,720
Proceeds from disposal of quoted investment	9,712	-
Purchase of property, plant and equipment	(12,670,276)	(11,933,273)
Purchase of investments	(1,646,810)	(17,625)
Acquisition of shares in a subsidiary company from a minority shareholder (Note 14(b))	(1,612,500)	-
Net cash used in investing activities	(15,394,377)	(11,381,178)
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)
Dividends paid to shareholders of the Company	(6,894,908)	(6,049,052)
Dividends paid to minority shareholders of a subsidiary company	(569,313)	-
Net decrease in bank borrowings	(30,280,469)	(422,129)
Net cash (used in)/from financing activities	(37,744,690)	11,187,942
Net Increase in Cash and Cash Equivalents	37,777,311	2,916,969
Cash and cash equivalents at beginning of year	31,024,413	28,301,873
Foreign currency exchange differences on opening balances	(335,635)	(194,429)
Cash and Cash Equivalents at End of Year (Note 22)	68,466,089	31,024,413

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

INCOME STATEMENT

for the year ended 31st December, 2005

	Note	2005 RM	2004 RM
Revenue	3(r)	213,094,204	203,950,003
Cost of Sales		(176,938,619)	(174,395,528)
Gross Profit		36,155,585	29,554,475
Other Operating Income		3,479,343	4,738,929
Selling and Distribution Expenses		(15,467,960)	(14,761,282)
Administrative Expenses		(12,102,631)	(10,752,090)
Other Operating Expenses		(2,098,628)	(44,152,148)
Operating Profit/(Loss) from Operations		9,965,709	(35,372,116)
Finance Costs		(2,396,018)	(2,278,177)
Profit/(Loss) Before Taxation	4	7,569,691	(37,650,293)
Taxation	6	(2,890,152)	(1,434,027)
Net Profit/(Loss) for the Year		4,679,539	(39,084,320)
Net Dividend per Share (Sen)	8	8.60	7.20

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

BALANCE SHEET

as at 31st December, 2005

	Note	2005 RM	2004 RM
Share Capital	9	95,762,606	95,762,606
Reserves	10	179,629,974	185,292,797
Shareholders' Equity		275,392,580	281,055,403
Deferred Tax Liabilities	11	6,641,971	5,683,000
		282,034,551	286,738,403
Represented by :-			
Property, Plant and Equipment	13	77,646,166	76,002,087
Subsidiary Companies	14	150,616,363	149,003,866
Investments	16	64,459	2,154,327
Current Assets			
Inventories	17	52,847,460	61,395,335
Trade and other receivables	18	95,332,476	96,193,082
Tax recoverable		168,176	61,064
Deposits, cash and bank balances	19	11,902,162	2,034,511
		160,250,274	159,683,992
Current Liabilities			
Trade and other payables	20	22,286,594	16,315,407
Bank borrowings	21	80,808,663	83,790,462
Dividend payable	8	3,447,454	-
		106,542,711	100,105,869
Net Current Assets		53,707,563	59,578,123
		282,034,551	286,738,403

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December, 2005

	Note	Share Capital RM	Share Premium RM	Capital Reserves RM	Retained Profits RM	Total RM
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)
First and final dividend paid for the year ended 31st December, 2003		-	-	-	(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
Net profit for the year		-	-	-	4,679,539	4,679,539
Dividends :						
- Final for the year ended 31st December, 2004	8	-	-	-	(6,894,908)	(6,894,908)
- Interim for the year ended 31st December, 2005	8	-	-	-	(3,447,454)	(3,447,454)
Balance at 31st December, 2005		95,762,606	47,626,617	19,310,647	112,692,710	275,392,580

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

CASH FLOW STATEMENT

for the year ended 31st December, 2005

	2005 RM	2004 RM
Cash Flows from Operating Activities		
Profit/(Loss) before taxation	7,569,691	(37,650,293)
Adjustments for :-		
Depreciation	5,454,190	4,446,815
Interest expenses	2,396,018	2,278,177
Allowance for diminution in value of quoted investment	2,897	3,121
Allowance for diminution in value of unquoted investment	2,086,971	495,000
Allowance for doubtful debts	604,956	519,059
Bad debts written off	4,994	328,782
Interest income	(130,232)	(527,082)
Gain on disposal of property, plant and equipment	(159,231)	(283,220)
Dividend income	(2,049,902)	(1,200,000)
Property, plant and equipment written off	2,860	-
Allowance for impairment of investment in subsidiary companies	-	40,067,000
Retirement gratuity payable to a former Director and Chairman	-	3,273,000
	15,783,212	11,750,359
Decrease/(Increase) in subsidiary companies' balances	131,952	(16,775,447)
Decrease in inventories	8,547,875	14,632,830
Increase in trade and other receivables	(320,340)	(12,558,844)
Increase in trade and other payables	6,064,635	132,739
Cash generated from/(utilised in) operations	30,207,334	(2,818,363)
Interest received	130,232	527,082
Interest paid	(2,396,018)	(2,278,177)
Net taxation (paid)/refunded	(1,836,693)	1,475,394
Net cash from/(used in) operating activities	26,104,855	(3,094,064)

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

CASH FLOW STATEMENT (cont'd)

for the year ended 31st December, 2005

	2005 RM	2004 RM
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	209,459	298,797
Purchase of property, plant and equipment	(7,151,357)	(5,736,696)
Acquisition of additional shares in subsidiary companies (Note 14(b))	(1,612,501)	-
Dividend received from subsidiary companies	2,193,902	-
Net cash used in investing activities	(6,360,497)	(5,437,899)
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	(6,894,908)	(6,049,052)
Net decrease in bank borrowings	(2,143,358)	(2,471,598)
Net cash (used in)/from financing activities	(9,038,266)	9,167,317
Net Increase in Cash and Cash Equivalents	10,706,092	635,354
Cash and cash equivalents at beginning of year	1,196,070	560,716
Cash and Cash Equivalents at End of Year (Note 22)	11,902,162	1,196,070

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

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2005

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 14.

The financial statements are denominated in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors on 13th April, 2006.

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's foreign currency risk exposure is mainly due to purchases denominated in United States Dollar (USD). Prior to 21st July, 2005, the USD was pegged at a fixed exchange rate and with effect from 21st July, 2005 it was allowed to operate in a managed float in relation to Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)**(i) Foreign Currency Risk (cont'd)**

Based on the foregoing situation of relative stability in exchange rates, the Malaysian operations of the Group did not enter into foreign currency contracts as a means of managing currency 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.

Notwithstanding, the Group continues to monitor the Group's exposure to and movement in the rates of foreign currencies to limit the exposure to an acceptable level and to implement other appropriate measures to mitigate this risk where required.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

(v) Liquidity and Cash Flow Risks (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment and Depreciation (CONT'D)

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 - 12.5%
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.

(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 consist of the original purchase price 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee Benefits (cont'd)

(ii) Post-Employment Benefits (cont'd)

(a) Defined Contribution Plans (cont'd)

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.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(ii) Post-Employment Benefits (cont'd)****(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.

(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 :-

	2005	2004
	RM	RM
1 Singapore Dollar (SGD)	2.27	2.32
1 United States Dollar (USD)	3.78	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 (cont'd)

31st December, 2005

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 is stated net of all intra-group transactions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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 (cont'd)

31st December, 2005

4. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit/(Loss) before taxation is stated after charging :-				
Auditors' remuneration :				
- Statutory audit :				
- current year	192,417	188,993	34,000	34,000
- underprovision in prior year	1,385	9,698	-	-
- Other services	10,500	130,780	10,500	48,500
Depreciation	20,707,799	19,948,144	5,454,190	4,446,815
Directors' emoluments	2,572,914	2,015,117	1,231,961	1,081,705
Directors' fees	246,681	267,181	211,178	213,852
Interest expenses	6,426,212	5,202,961	2,396,018	2,278,177
Rental of land and buildings	2,502,911	3,862,143	641,081	656,198
Defined benefit obligations	34,343	243,594	-	-
Bad debts written off :				
- amount due from subsidiary companies	-	-	944	255,329
- others	59,757	114,627	4,050	73,453
Allowance for doubtful debts	2,129,774	3,097,347	604,956	519,059
Allowance for diminution in value of :				
- quoted investments	1,124,872	3,121	2,897	3,121
- unquoted investment	2,086,971	495,000	2,086,971	495,000
Allowance for old and slow moving inventories	2,644,935	531,534	-	-
Inventories written off	8,118	24,397	-	-
Property, plant and equipment written off	5,134	294,826	2,860	-
Hire purchase interest	-	4,465	-	-
Loss on foreign currency exchange :				
- realised	755,306	362,633	1,875	-
- unrealised	-	455,801	-	-
Provision for settlement of legal claims	2,000,000	-	-	-
Allowance for impairment of :				
- property, plant and equipment	14,224	1,191,900	-	-
- subsidiary companies	-	-	-	40,067,000
Death gratuity payable in respect of a former Director of a subsidiary company	315,000	-	-	-
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	-	-
Estimated value of benefits in-kind of Directors	69,983	64,500	41,933	39,300

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
and crediting :-				
Dividends from :				
- subsidiary companies :				
- non tax exempt	-	-	720,000	1,200,000
- tax exempt	-	-	1,329,902	-
- others	-	72	-	-
Gain on disposal of property, plant and equipment	408,427	353,158	159,231	283,220
Gain on disposal of quoted investment	2,172	-	-	-
Interest income	2,616,334	1,698,225	130,232	527,082
Jetty income	383,872	945,942	383,872	945,942
Rental income	540,302	1,624,174	580,577	1,611,890
Negative goodwill on consolidation recognised as income	59,535	-	-	-
Gain on foreign currency exchange :				
- realised	-	-	-	13,501
- unrealised	37,304	-	-	-

5. EMPLOYEES INFORMATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Staff costs comprised :-				
Salaries, wages, bonuses, allowances and leave pay	45,283,201	44,478,137	14,005,355	12,647,908
Amount contributed under defined contribution plan :				
- Employees Provident Fund (EPF)	4,938,337	4,755,423	2,131,623	1,925,185
Defined benefit obligations	34,343	243,594	-	-
Death gratuity payable to a former Director	315,000	-	-	-
Retrenchment payouts	-	1,374,676	-	-
Retirement gratuity payable to a former Director and Chairman	-	3,273,000	-	3,273,000
Others	2,824,660	2,898,780	1,154,980	1,034,695
	53,395,541	57,023,610	17,291,958	18,880,788

The number of employees of the Group and the Company at end of the financial year were 2,320 (2004 : 2,258) and 451 (2004 : 455) respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

6. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current year tax expense :				
- Malaysian income tax	(3,348,278)	(2,353,300)	(2,911,600)	(1,992,000)
- foreign tax	(2,869,588)	(1,363,282)	-	-
	(6,217,866)	(3,716,582)	(2,911,600)	(1,992,000)
Deferred tax (expense)/ income resulting from the origination and reversal of temporary differences	(482,526)	1,517,317	(22,777)	697,666
	(6,700,392)	(2,199,265)	(2,934,377)	(1,294,334)
Current taxation over/ (under) provided in prior years :				
- Malaysian income tax	1,013,176	15,240	980,419	14,948
- foreign tax	(63,474)	-	-	-
Deferred tax (under)/ over provided in prior years :				
- Malaysian income tax	(1,049,599)	(155,265)	(936,194)	(154,641)
- foreign tax	346,820	-	-	-
	(6,453,469)	(2,339,290)	(2,890,152)	(1,434,027)
Share of taxation of associated company	-	-	-	-
Total tax expense	(6,453,469)	(2,339,290)	(2,890,152)	(1,434,027)

- (a) The general income tax rate in Malaysia is 28% of taxable income. In respect of companies with issued capital of not exceeding RM2,500,000 the income tax rate for the first RM500,000 (2004 : RM500,000) of taxable income is 20% and the rate for taxable income in excess of RM500,000 (2004 : RM500,000) remained at 28%.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

6. TAXATION (CONT'D)

- (b) A reconciliation of tax expense applicable to the profit/(loss) 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	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit/(Loss) before taxation	21,780,455	(5,289,378)	7,569,691	(37,650,293)
Taxation at the rate of 28% (2004 : 28%)	6,098,527	(1,481,026)	2,119,513	(10,542,082)
Tax savings attributable to profit taxed at the rate of 20% (2004 : 20%)	(40,000)	(1,342)	-	-
Net taxation at applicable tax rates	6,058,527	(1,482,368)	2,119,513	(10,542,082)
Tax effect in respect of :-				
Different tax rates in foreign jurisdictions	(1,961,764)	(748,833)	-	-
Income not subject to tax	(1,115,881)	(50,069)	(407,542)	(41,087)
Expenses not deductible for taxation purposes	2,515,738	1,539,650	1,280,714	11,947,168
Double deduction of expenses	(80,227)	(107,014)	(58,308)	(69,665)
Tax savings arising from utilisation of unabsorbed reinvestment allowances	-	(18,540)	-	-
Tax savings arising from utilisation of previously unrecognised unabsorbed tax losses and deductible temporary differences	(211,312)	(625,166)	-	-
Deferred tax assets not recognised	1,495,311	3,691,605	-	-
Taxation (over)/under provided in prior years :				
- current tax expense	(949,702)	(15,240)	(980,419)	(14,948)
- deferred taxation	702,779	155,265	936,194	154,641
Total tax expense	6,453,469	2,339,290	2,890,152	1,434,027

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unabsorbed tax losses	53,876,875	50,798,263	-	-
Unutilised capital allowances	52,062,200	54,562,424	-	-
	105,939,075	105,360,687	-	-
Estimated tax effect at 28% thereon	29,662,941	29,500,992	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

7. EARNINGS/(LOSS) PER SHARE

(a) Basic

The basic earnings/(loss) per share is calculated on the Group's profit after taxation and minority interests of RM10,425,005 (2004 : Group's loss after taxation and minority interests of RM5,694,944) and is based on the weighted average number of ordinary shares in issue during the year of 95,762,606 (2004 : 88,857,672).

(b) Diluted

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

8. DIVIDENDS

	Group and Company	
	2005	2004
	RM	RM
Interim		
5 sen per ordinary share, less tax at 28% (2004 : Nil)	3,447,454	-
Final		
5 sen per ordinary share, tax exempt (2004 : 10 sen per ordinary share, less tax at 28%)	4,788,130	6,894,908
	<u>8,235,584</u>	<u>6,894,908</u>

A final tax exempt dividend in respect of the current year ended 31st December, 2005 of 5 sen per ordinary share amounting to RM4,788,130 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 profits in the next financial year ending 31st December, 2006.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

9. SHARE CAPITAL

	Group and Company	
	2005	2004
	RM	RM
(a) Share capital		
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	95,762,606	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	95,762,606

In the previous 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 had been credited to the share premium account.

(b) Warrants

	Group and Company	
	2005	2004
	No.	No.
At beginning of year	41,985,394	41,985,394
Expired during the year	(41,985,394)	-
At end of year	-	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 were listed on the Main Board of the Bursa Malaysia Securities Berhad and conferred 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.

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 remaining warrants were exercised by the warrant holders by the expiry date which was determined as on 28th January, 2005. Accordingly, all the warrants became null and void since the expiry date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31st December, 2005

9. SHARE CAPITAL (CONT'D)

(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	Ceased/ Lapsed	
2005						
28th May, 2004	RM1.58	7,653,000	-	-	(841,000)	6,812,000
2004						
28th May, 2004	RM1.58	-	8,401,000	(748,000)	-	7,653,000
						Group and Company
						2005
						No.
						2004
						No.
Number of share options vested at balance sheet date						6,812,000
						7,653,000

No options were exercised during the current financial year. Details relating to options exercised in the previous financial year are as follows :-

Exercise date/ Share issue date	Exercise price RM/Share	Fair value of shares at share issue date RM/Share	Number of shares issued Year ended 31.12.2004	Consideration received RM
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>	1,181,840
Less : Par value of ordinary shares				<u>(748,000)</u>
Share premium				<u>433,840</u>
				RM
Fair value at exercise date of shares issued				1,391,350

The fair value of shares issued is the mean market price of shares at which the Company's shares were traded on the Bursa Malaysia Securities Berhad on the day prior to the share issue.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

9. SHARE CAPITAL (CONT'D)**(c) Employees' Share Option Scheme ("ESOS") (Cont'd)**

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 was 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.

- (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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

9. SHARE CAPITAL (CONT'D)

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

- (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	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable				
Capital reserves (Note 10(a))	26,983,908	26,983,908	19,310,647	19,310,647
Share premium (Note 10(b))	47,626,617	47,626,617	47,626,617	47,626,617
Exchange translation differences	(2,319,171)	(1,014,686)	-	-
Distributable				
Retained profits	118,739,205	118,656,562	112,692,710	118,355,533
	<u>191,030,559</u>	<u>192,252,401</u>	<u>179,629,974</u>	<u>185,292,797</u>
(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 profits arising from bonus issue of shares by a subsidiary company	7,673,261	7,673,261	-	-
	<u>26,983,908</u>	<u>26,983,908</u>	<u>19,310,647</u>	<u>19,310,647</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

10. RESERVES (CONT'D)

	Group and Company	
	2005	2004
	RM	RM
(b) Share Premium		
At beginning of year	47,626,617	41,686,650
Arising from issuance of shares	-	6,373,840
Share issue expenses	-	(433,873)
At end of year	47,626,617	47,626,617

(c) The Company has an estimated Section 108 tax credit under the Malaysian Income Tax Act, 1967 of RM67,737,540 (2004 : RM66,200,000) which, subject to agreement with the Malaysian tax authorities, is available to frank the payment of dividends out of its retained profits as at year end, in full.

(d) The Company has tax exempt income of approximately RM23,638,000 (2004 : RM22,308,400) 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	
	2005	2004	2005	2004
	RM	RM	RM	RM
At beginning of year	2,570,180	3,932,232	5,683,000	6,226,025
Recognised in the income statement (Note 6)	1,185,305	(1,362,052)	958,971	(543,025)
At end of year	3,755,485	2,570,180	6,641,971	5,683,000
Presented after appropriate offsetting as follows :-				
Deferred tax assets	(3,298,486)	(3,425,820)	-	-
Deferred tax liabilities	7,053,971	5,996,000	6,641,971	5,683,000
	3,755,485	2,570,180	6,641,971	5,683,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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 :-

2005

Deferred Tax Liabilities of the Group

	Balance at 1.1.2005 RM	Recognised in the income statement RM	Balance at 31.12.2005 RM
Excess of capital allowances over depreciation	9,833,759	581,884	10,415,643
Revaluation of property, plant and equipment	3,983,913	(139,761)	3,844,152
	13,817,672	442,123	14,259,795

Deferred Tax Assets of the Group

	Balance at 1.1.2005 RM	Recognised in the income statement RM	Balance at 31.12.2005 RM
Unabsorbed tax losses	(1,644,792)	(209,824)	(1,854,616)
Unutilised capital allowances	(7,015,975)	1,333,245	(5,682,730)
Other deductible temporary differences	(2,586,725)	(380,239)	(2,966,964)
	(11,247,492)	743,182	(10,504,310)

Deferred Tax Liabilities of the Company

	Balance at 1.1.2005 RM	Recognised in the income statement RM	Balance at 31.12.2005 RM
Excess of capital allowances over depreciation	3,455,527	350,292	3,805,819
Revaluation of property, plant and equipment	3,983,913	(139,761)	3,844,152
	7,439,440	210,531	7,649,971

Deferred Tax Assets of the Company

	Balance at 1.1.2005 RM	Recognised in the income statement RM	Balance at 31.12.2005 RM
Deductible temporary differences	(1,756,440)	748,440	(1,008,000)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

11. DEFERRED TAXATION (CONT'D)

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 (cont'd)

31st December, 2005

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	
	2005	2004
	RM	RM
Unabsorbed tax losses	46,178,475	45,049,898
Unutilised capital allowances	31,652,404	29,352,510
Other deductible temporary differences	2,407,045	654,562
	<u>80,237,924</u>	<u>75,056,970</u>

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 an amount of unabsorbed tax losses of RM Nil (2004 : RM2,319,900 of a foreign subsidiary company expiring in 2009).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

12. RETIREMENT BENEFITS (CONT'D)

- (a) The Group operates an unfunded defined benefit final salary plan for eligible employees in two subsidiary companies in Vietnam namely, Vimaflour Limited and Mekong Flour Mills Ltd in accordance with legislations established in Vietnam.

Under this defined benefit plan, 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.

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, 2004	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
Charged to income statement	-	34,343	34,343
Benefits paid	-	(14,337)	(14,337)
Currency translation difference	-	(7,067)	(7,067)
Balance at 31st December, 2005	-	525,662	525,662

The curtailment on the defined benefit plan operated by a subsidiary company, namely Muda Fibre Manufacturing Sdn Bhd ("Muda") in 2004 arose from the discontinuance of operations by Muda in that year.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

12. RETIREMENT BENEFITS (CONT'D)

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

	Malaysia RM	Vietnam RM	Total RM
2005			
Current service cost	-	27,671	27,671
Interest cost	-	6,672	6,672
	-	34,343	34,343
2004			
Current service cost	-	191,349	191,349
Interest cost	-	52,245	52,245
	-	243,594	243,594

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

	Group 2005 RM	2004 RM
Cost of inventories sold	1,432	159,643
Selling and distribution expenses	2,864	54,565
Administration expenses	30,047	29,386
	34,343	243,594

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

	Malaysia %	Vietnam %
2005		
Discount rate	-	6
Future average salary increases	-	4
2004		
Discount rate	-	6
Future average salary increases	-	4

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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

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

Group	Cost RM	Accumulated depreciation/ Accumulated impairment losses RM	Net book value RM	Depreciation charge/ Impairment losses RM
2005				
At cost				
Freehold land	1,715,424	-	1,715,424	-
Leasehold land :				
- Long lease	8,033,657	2,381,525	5,652,132	199,829
- Short lease	8,776,274	3,320,573	5,455,701	292,705
Buildings	179,398,579	68,261,257	111,137,322	5,254,092
Jetty	459,288	61,240	398,048	9,185
Plant, machinery, fixtures and equipment	259,173,296	200,384,090	58,789,206	11,727,282
Motor vehicles and boat	36,258,118	28,438,051	7,820,067	2,635,744
Capital work-in-progress	6,524,427	-	6,524,427	
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	669,879	1,393,613	24,888
Buildings	23,447,856	11,108,301	12,339,555	456,842
Jetty	6,072,795	2,711,685	3,361,110	121,456
	535,497,357	317,336,601	218,160,756	20,722,023
2005				
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	1,676,780	3,568,153	155,837
Buildings	50,589,207	15,960,283	34,628,924	1,065,630
Jetty	459,288	61,240	398,048	9,186
Plant, machinery, fixtures and equipment	74,316,982	63,527,033	10,789,949	2,533,972
Motor vehicles and boat	13,398,357	10,617,569	2,780,788	1,086,379
Capital work-in-progress	4,713,875	-	4,713,875	-
At valuation				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	669,879	1,393,613	24,888
Buildings	23,447,856	11,108,301	12,339,555	456,842
Jetty	6,072,795	2,711,685	3,361,110	121,456
	183,978,936	106,332,770	77,646,166	5,454,190

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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

2004		Accumulated depreciation/ Accumulated impairment losses RM	Net book value RM	Depreciation charge/ Impairment losses RM
Group	Cost 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

2004		Accumulated depreciation RM	Net book value RM	Depreciation charge RM
Company	Cost 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 (cont'd)

31st December, 2005

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

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

2005

Group

	Balance at 1.1.2005 RM	Additions RM	Disposals RM	Write-offs RM	Transfers RM	Net exchange differences RM	Balance at 31.12.2005 RM
Cost/Valuation							
Assets at cost							
Freehold land	1,715,424	-	-	-	-	-	1,715,424
Leasehold land :							
- Long lease	8,033,657	-	-	-	-	-	8,033,657
- Short lease	8,896,116	-	-	-	-	(119,842)	8,776,274
Buildings	180,024,012	45,344	-	-	-	(670,777)	179,398,579
Jetty	459,288	-	-	-	-	-	459,288
Plant, machinery, fixtures and equipment	248,278,166	3,154,041	(111,593)	(8,625)	8,563,239	(701,932)	259,173,296
Motor vehicles and boat	37,146,578	1,578,412	(2,067,695)	(281,005)	-	(118,172)	36,258,118
Capital work-in- progress	7,196,355	7,892,479	-	-	(8,563,239)	(1,168)	6,524,427
Assets 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
	<u>526,907,890</u>	<u>12,670,276</u>	<u>(2,179,288)</u>	<u>(289,630)</u>	<u>-</u>	<u>(1,611,891)</u>	<u>535,497,357</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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

Accumulated depreciation and impairment losses

	Accumulated depreciation RM	Accumulated impairment losses RM	Balance at 1.1.2005 RM	Depreciation charge for the year RM	Write-offs / Disposals RM	Net exchange differences RM	Impairment losses for the year RM	Accumulated depreciation RM	Accumulated impairment losses RM	Balance at 31.12.2005 RM
Assets at cost										
Leasehold land :										
- Long lease	2,181,696	-	2,181,696	199,829	-	-	-	2,381,525	-	2,381,525
- Short lease	3,068,619	-	3,068,619	292,705	-	(40,751)	-	3,320,573	-	3,320,573
Buildings	62,803,839	311,173	63,115,012	5,254,092	-	(107,847)	-	67,950,084	311,173	68,261,257
Jetty	52,055	-	52,055	9,185	-	-	-	61,240	-	61,240
Plant, machinery, fixtures and equipment	174,667,503	14,404,084	189,071,587	11,713,058	(106,077)	(308,702)	14,224	186,007,499	14,376,591	200,384,090
Motor vehicles and boat	28,117,541	120	28,117,661	2,635,744	(2,240,637)	(74,717)	-	28,437,931	120	28,438,051
Assets at valuation										
Long leasehold land	644,991	-	644,991	24,888	-	-	-	669,879	-	669,879
Buildings	10,651,459	-	10,651,459	456,842	-	-	-	11,108,301	-	11,108,301
Jetty	2,590,229	-	2,590,229	121,456	-	-	-	2,711,685	-	2,711,685
	284,777,932	14,715,377	299,493,309	20,707,799	(2,346,714)	(532,017)	14,224	302,648,717	14,687,884	317,336,601

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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

2005

Company

	Balance at 1.1.2005 RM	Additions RM	Disposals RM	Write-offs RM	Transfers RM	Balance at 31.12.2005 RM
Cost/Valuation						
Assets at cost						
Freehold land	98,000	-	-	-	-	98,000
Long leasehold land	5,244,933	-	-	-	-	5,244,933
Buildings	50,589,207	-	-	-	-	50,589,207
Jetty	459,288	-	-	-	-	459,288
Plant, machinery, fixtures and equipment	68,721,956	1,470,184	(34,534)	(6,125)	4,165,501	74,316,982
Motor vehicles and boat	13,900,025	570,837	(791,500)	(281,005)	-	13,398,357
Capital work-in- progress	3,769,040	5,110,336	-	-	(4,165,501)	4,713,875
Assets 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
	<u>177,940,743</u>	<u>7,151,357</u>	<u>(826,034)</u>	<u>(287,130)</u>	<u>-</u>	<u>183,978,936</u>

	Balance at 1.1.2005 RM	Charge for the year RM	Disposals RM	Write-offs RM	Balance at 31.12.2005 RM
Accumulated depreciation					
Assets at cost					
Long leasehold land	1,520,943	155,837	-	-	1,676,780
Buildings	14,894,653	1,065,630	-	-	15,960,283
Jetty	52,054	9,186	-	-	61,240
Plant, machinery, fixtures and equipment	61,025,278	2,533,972	(28,951)	(3,266)	63,527,033
Motor vehicles and boat	10,559,049	1,086,379	(746,855)	(281,004)	10,617,569
Assets at valuation					
Long leasehold land	644,991	24,888	-	-	669,879
Buildings	10,651,459	456,842	-	-	11,108,301
Jetty	2,590,229	121,456	-	-	2,711,685
	<u>101,938,656</u>	<u>5,454,190</u>	<u>(775,806)</u>	<u>(284,270)</u>	<u>106,332,770</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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

- (c) 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.

- (d) 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.
- (e) Muda Fibre Manufacturing Sdn Bhd ("Muda"), a subsidiary of the Company ceased its business activities in 2004. 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, 2005 are as follows :-

	2005 RM	2004 RM
Long leasehold land	226,979	229,961
Buildings	2,109,018	2,191,078
Plant, machinery, fixtures and equipment	93,255	131,912
	<u>2,429,252</u>	<u>2,552,951</u>

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.

14. SUBSIDIARY COMPANIES

	Company 2005 RM	2004 RM
Unquoted shares at cost	203,383,363	201,770,866
Less : Accumulated impairment losses	<u>(52,767,000)</u>	<u>(52,767,000)</u>
	<u>150,616,363</u>	<u>149,003,866</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

14. SUBSIDIARY COMPANIES (CONT'D)

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

Direct subsidiary companies	Principal activities	Effective interest in equity	
		2005 %	2004 %
Dindings Soya & Multifeeds Sdn Berhad	Manufacture and sale of animal feeds and related raw materials, purchase and contract farming of poultry for resale	70	60
Syarikat Pengangkutan Lumut Sdn Bhd	Transport management	100	100
Dindings Poultry Processing Sdn Bhd *	Processing and sale of poultry products	95	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 (Note 14(c))	Breeding of day-old chicks (dormant)	-	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 Limited * (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	70	70
Muda Fibre Manufacturing Sdn Bhd (Note 14(d))	Manufacture and sale of polypropylene and polyethylene woven bags and its allied products (ceased operations since 2004)	60	60

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

14. SUBSIDIARY COMPANIES (CONT'D)

Direct subsidiary companies	Principal activities	Effective interest in equity	
		2005 %	2004 %
MFM Property Sdn Bhd	Property investment (dormant)	100	100
Accord Hotel Sdn Bhd (Note 14(c))	Hotel operation and management (dormant)	-	100
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) During the year, the Company acquired additional shares in the following subsidiary companies :-

- (i) An additional 3,750,000 ordinary shares of RM1.00 each in Dindings Soya & Multifeeds Sdn Berhad ("DSM") from a minority shareholder, Diggins Limited, a company in which a Director of the Company, Teh Wee Chye is also a Director, for a total cash consideration of RM1,612,500. The acquisition resulted in an increase in the Group's and Company's interest in DSM from 60% to 70%. The negative goodwill of RM59,535 arising from the acquisition is recognised in the income statement.

The additional 10% interest acquired in DSM contributed a net loss of RM18,584 to the consolidated results for the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

14. SUBSIDIARY COMPANIES (CONT'D)

(b) (cont'd)

- (ii) An additional 12,857,000 ordinary shares of RM1.00 each in Dindings Poultry Processing Sdn Bhd ("DPP") from a subsidiary company, Dindings Soya & Multifeeds Sdn Berhad ("DSM") for a total cash consideration of RM1. The acquisition has the effect of increasing the Group's and Company's effective interest in DPP from 85% to 95%.

As at the date of the acquisition, the net tangible assets of DPP was negative and the minority shareholders' share of the fair value of DPP's assets was Nil. The acquisition had no significant impact on the Group's financial results and position as the results (losses) of DPP had been fully consolidated with the Group's since the previous period.

- (c) MFM Broiler Breeder Farm Sdn Bhd and Accord Hotel Sdn Bhd were struck off from the register of Companies Commission of Malaysia during the year and accordingly, ceased to be subsidiary companies.

The deregistration had no significant impact on the Group's financial results and position as the subsidiary companies were dormant since incorporation.

- (d) In 2004, Muda Fibre Manufacturing Sdn Bhd ceased its business activities and the effects of the discontinuance of operations are disclosed in Note 24 to the financial statements.
- (e) The financial statements of a foreign subsidiary company, Vimaflour Limited ("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. No provision for impairment has been recorded with respect to this asset. The company has plan to use certain parts of this asset with historical cost of VND6,493 million (RM1,605,505) estimated by the company's management for the Phase II project in the year 2006.

In consolidating Vimaflour's 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.

15. ASSOCIATED COMPANY

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares at cost	2,800,000	2,800,000	-	-
Share of post-acquisition reserves less goodwill written off	(1,323,358)	(1,925,384)	-	-
	1,476,642	874,616	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

15. ASSOCIATED COMPANY (CONT'D)

Associated company can be analysed as follows :-

	Group	
	2005 RM	2004 RM
Group's share of net assets	1,476,642	874,616

The details of the associated company are as follows :-

Name of company	Principal activities	Effective interest in equity	
		2005 %	2004 %
Fongcheng Enterprises Sendirian Berhad (incorporated in Malaysia)	Poultry merchant	28	24

16. INVESTMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Quoted in Malaysia				
- shares at cost	1,710,950	114,000	107,000	107,000
Unquoted shares at cost				
- in Malaysia	60,000	60,000	60,000	60,000
- foreign	5,142,213	5,099,596	5,081,971	5,081,971
	6,913,163	5,273,596	5,248,971	5,248,971
Allowance for diminution in value of :				
- quoted investment	(1,224,516)	(99,644)	(102,541)	(99,644)
- unquoted investment	(5,081,971)	(2,995,000)	(5,081,971)	(2,995,000)
	606,676	2,178,952	64,459	2,154,327
Market value of quoted shares	501,684	11,856	4,459	7,356

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 (cont'd)

31st December, 2005

17. INVENTORIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At cost :-				
Raw materials	90,751,891	132,406,602	46,330,226	54,901,317
Semi-processed goods	439,312	1,681,001	-	-
Finished goods	20,679,437	19,170,903	3,127,390	2,933,857
Broilers, day-old chicks and hatching eggs	3,735,484	1,671,580	-	-
Consumables	11,178,002	11,692,056	3,389,844	3,560,161
	126,784,126	166,622,142	52,847,460	61,395,335
At cost less depreciation :-				
Poultry parent inventories	4,947,384	5,327,499	-	-
At net realisable value :-				
Raw materials	576,153	284,498	-	-
Semi-processed goods	725,923	188,910	-	-
Finished goods	1,469,649	510,327	-	-
Consumables	873,944	20,340	-	-
	3,645,669	1,004,075	-	-
Allowance for old and slow moving inventories	(3,645,669)	(1,004,075)	-	-
	-	-	-	-
	131,731,510	171,949,641	52,847,460	61,395,335

Inventories of the Group written off against the allowance for old and slow moving inventories during the year amounted to RM3,341 (2004 : RM Nil).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	121,176,255	117,237,439	43,162,207	43,529,900
Allowance for doubtful debts	(14,436,272)	(12,515,408)	(3,600,000)	(3,000,000)
	106,739,983	104,722,031	39,562,207	40,529,900
Amount owing by subsidiary companies	-	-	53,200,105	53,771,101
Other receivables, deposits and prepayments	11,914,505	11,686,845	2,725,840	2,042,801
Allowance for doubtful debts	(2,323,321)	(2,265,600)	(155,676)	(150,720)
	9,591,184	9,421,245	2,570,164	1,892,081
	116,331,167	114,143,276	95,332,476	96,193,082

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
The currency exposure profile of trade receivables is as follows :				
- Ringgit Malaysia	78,683,435	81,283,025	39,562,207	40,529,900
- VND	28,056,548	23,439,006	-	-
	106,739,983	104,722,031	39,562,207	40,529,900

- (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, 2005 is interest free (2004 : an amount of RM22,574,650 of which interest was charged at a rate of 3% per annum).
- (d) Included under trade receivables of the Group as at 31st December, 2005 is an amount owing by an associated company, Fongcheng Enterprises Sendirian Berhad of RM3,815,498 (2004 : RM5,469,482).
- (e) In respect of the trade and other receivables of the Group and of the Company, an amount of RM150,400 (2004 : RM2,793,019) and RM Nil (2004 : RM79,850) respectively has been written off against the allowance for doubtful debts during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

19. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deposits with licensed banks	54,614,879	19,960,028	7,850,000	192,243
Cash and bank balances	13,851,210	11,987,633	4,052,162	1,842,268
	68,466,089	31,947,661	11,902,162	2,034,511

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
The currency exposure profile of deposits, cash and bank balances is as follows :				
- Ringgit Malaysia	16,996,134	6,354,776	11,853,819	1,308,973
- USD	801,805	1,174,417	48,343	660,437
- SGD	-	65,101	-	65,101
- VND	50,668,150	24,353,367	-	-
	68,466,089	31,947,661	11,902,162	2,034,511

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	18,959,652	17,169,903	4,675,025	2,619,318
Amount owing to subsidiary companies	-	-	5,397,746	5,491,194
Other payables and accruals	32,555,422	22,233,998	12,213,823	8,204,895
	51,515,074	39,403,901	22,286,594	16,315,407

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
The currency exposure profile of trade payables is as follows :				
- Ringgit Malaysia	13,621,727	12,732,498	4,675,025	2,619,318
- USD	-	155,614	-	-
- VND	5,337,925	4,281,791	-	-
	18,959,652	17,169,903	4,675,025	2,619,318

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

20. TRADE AND OTHER PAYABLES (CONT'D)

- (a) The normal credit terms of trade payables range from 7 to 90 days.
- (b) Included in other payables and accruals of the Group and of the Company is an amount of RM3,273,000 (2004 : RM3,273,000) payable to Mr. Teh Liang Teik, a former Director and Chairman of the Company, as retirement gratuity.
- (c) Included in other payables and accruals of the Group and of the Company as at 31st December, 2005 is an amount of RM2,260,000 which represents the deposits received from the sale of the Company's leasehold land and building. As disclosed in Note 30(a), the sale was completed in March 2006.

21. BANK BORROWINGS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Bankers' acceptances/ Revolving credits	120,781,737	119,046,942	80,808,663	82,952,021
Bank overdrafts	-	923,248	-	838,441
Other short term loans	41,246,932	74,317,716	-	-
	<u>162,028,669</u>	<u>194,287,906</u>	<u>80,808,663</u>	<u>83,790,462</u>

- (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 2.82% to 4.50% (2004 : 1.60% to 3.10%) per annum.

Interest on bank overdrafts is calculated at rates ranging from 6.50% to 7.00% (2004 : 3.70% to 8.50%) per annum.

Other short term loans relate to that of foreign subsidiaries and interests are payable at rates ranging from 3.08% to 5.12% (2004 : 2.10% to 6.40%) per annum.

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Ringgit Malaysia	120,781,737	25,118,860	80,808,663	7,038,441
USD	41,246,932	168,324,011	-	76,752,021
VND	-	845,035	-	-
	<u>162,028,669</u>	<u>194,287,906</u>	<u>80,808,663</u>	<u>83,790,462</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deposits, cash and bank balances (Note 19)	68,466,089	31,947,661	11,902,162	2,034,511
Bank overdrafts (Note 21)	-	(923,248)	-	(838,441)
	68,466,089	31,024,413	11,902,162	1,196,070

23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related companies :-

	2005 RM	2004 RM
Freight and workshop services provided by a subsidiary :		
- to the Company	2,897,006	3,169,184
- to other subsidiaries	1,275,152	1,068,816
Hire of machinery and motor vehicles charged to subsidiaries	218,011	410,603
Hire of machinery and motor vehicles between subsidiaries	106,397	55,385
Interest charged to a subsidiary	-	415,846
Interest charged by a subsidiary	-	107,744
Rental of premises :		
- charged to subsidiaries	242,520	322,623
- charged by a subsidiary	156,000	156,000
Supervision fee charged by a subsidiary	111,192	534,436
Sales to subsidiaries	5,347,248	11,778,588
Purchases from subsidiaries	213,775	1,477,905
Sales between subsidiaries	194,758,960	136,299,287

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	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of feeds and day-old chicks	13,767,355	12,732,234	-	-

The balance due from Fongcheng Enterprises Sendirian Berhad is disclosed under Note 18(d).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

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

(c) Transactions with other related parties :-

- (i) The following transactions were entered into in the ordinary course of business and are established under negotiated terms with companies in which a Director, Teh Wee Chye, has a substantial equity interest :-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Services rendered/ hiring of lorries to :-				
- Pembena Transport Sdn Bhd	77,400	77,400	-	-
- Indah Enterprise Sdn Bhd	50,400	50,400	-	-
	127,800	127,800	-	-

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Amount included in receivables :				
- Pembena Transport Sdn Bhd	288,143	288,143	288,143	288,143
- Indah Enterprise Sdn Bhd	129,169	163,709	129,169	129,169
Amount included in payables :				
- Indah Enterprise Sdn Bhd	85,826	32,787	-	-
- Pembena Transport Sdn Bhd	13,273	-	-	-

- (ii) During the year, the Company acquired an additional equity interest in Dindings Soya & Multifeeds Sdn Berhad from a minority shareholder, Diggins Limited as disclosed in Note 14(b)(i) to the financial statements. Teh Wee Chye, who is a Director of the Company, is also a Director of Diggins Limited and is deemed to be interested in these transactions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

24. DISCONTINUING OPERATIONS

A subsidiary company namely, Muda Fibre Manufacturing Sdn Bhd ("Muda"), in which the Company has 60% effective equity interest, ceased its business activities in the manufacturing and sale of polypropylene and polyethylene woven bags and its allied products on 25th June, 2004 due to the non-viability of the business arising from the change in the market condition.

The activities were previously reported under the business segment of polypropylene goods. The Board expects that the entire closure exercise will be completed by 2006.

The loss attributable to the discontinuing operations recognised in the Group's income statement is as follows :-

	2005 RM	2004 RM
Gain on disposal of property, plant and equipment	15,589	-
Insurance recoveries	24,398	-
Bad debts recovered	42,599	-
Loss on disposal of inventories	(11,633)	-
Property, plant and equipment impaired	(14,224)	-
Inventories written down	(1,174,504)	-
Termination/Retrenchment payouts	-	(1,374,676)
Effects on the curtailment of retirement benefits	-	288,936
Loss arising from discontinuing operations	(1,117,775)	(1,085,740)

The carrying amounts of assets and liabilities of Muda as at 31st December, 2005 and its revenue, results and cash flows for the year ended on that date are as follows :-

(a) Carrying amounts of assets and liabilities

	2005 RM	2004 RM
Property, plant and equipment	2,429,252	2,552,951
Current assets	7,373,294	8,636,846
Current liabilities	(14,676)	(30,657)
Net assets	9,787,870	11,159,140

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

24. DISCONTINUING OPERATIONS (CONT'D)

(b) Revenue and results

	2005 RM	2004 RM
Revenue	-	5,068,627
Cost of sales	-	(4,019,253)
Gross profit	-	1,049,374
Other income	-	99,917
Distribution costs	-	(218,416)
Administration expenses	(36,140)	(972,463)
Other operating expenses	(215,834)	-
Loss arising from discontinuing operations	(1,117,775)	(1,085,740)
Loss before taxation	(1,369,749)	(1,127,328)
Taxation	(1,522)	-
Net loss for the year	(1,371,271)	(1,127,328)

(c) Cash flows

	2005 RM	2004 RM
Net cash flows from operating activities	(35,814)	(289,394)
Net cash flows from investing activities	16,680	46,214
Net decrease in cash and cash equivalents	(19,134)	(243,180)
Cash and cash equivalents at beginning of year	43,404	286,584
Cash and cash equivalents at end of year	24,270	43,404

25. 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 - Discontinuing operations (Manufacture and sale of polypropylene and polyethylene woven bags and its allied products)

In 2004, the Group discontinued with the manufacturing and sale of polypropylene and polyethylene woven bags and its allied products as highlighted in Note 24.

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 (cont'd)

31st December, 2005

25. SEGMENT REPORTING (CONT'D)

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

2005	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Sales						
Total sales	453,660,157	165,130,945	5,907,147	201,576,245	-	826,274,494
Intersegment sales	(5,347,248)	(66,249,217)	(4,283,350)	(10,402,666)	-	(86,282,481)
External sales	448,312,909	98,881,728	1,623,797	191,173,579	-	739,992,013
Results						
Segment results (External)	31,731,189	806,980	(1,259,010)	(1,767,635)	(251,974)	29,259,550
Loss arising from discontinuing operations	-	-	-	-	(1,117,775)	(1,117,775)
	31,731,189	806,980	(1,259,010)	(1,767,635)	(1,369,749)	28,141,775
Interest income						2,616,334
Negative goodwill on consolidation						59,535
Unallocated expenses :						
- Allowance for diminution in value of investments						(3,211,843)
- Others						(1,160)
Profit from operations						27,604,641
Finance costs						(6,426,212)
Share of results of an associated company	-	-	-	602,026	-	602,026
Profit before taxation						21,780,455
Taxation						(6,453,469)
Profit after taxation						15,326,986
Minority interests						(4,901,981)
Net profit for the year						10,425,005

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

25. SEGMENT REPORTING (CONT'D)

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

2005	Flour RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinuing operations) Polypropylene goods RM	Group RM
Other information						
Segment assets						
Segment assets	362,863,511	77,364,933	2,255,043	89,196,999	2,983,659	534,664,145
Investment in an associate	-	-	-	1,476,642	-	1,476,642
Unallocated assets						4,778,700
Consolidated total assets						540,919,487
Segment liabilities						
Segment liabilities	30,670,735	11,094,798	1,098,200	12,608,731	14,676	55,487,140
Bank borrowings						162,028,669
Unallocated liabilities						8,793,232
Consolidated total liabilities						226,309,041
Capital expenditure	7,494,083	1,162,925	11,510	4,001,758	-	12,670,276
Depreciation and amortisation	12,516,562	1,760,427	113,586	6,208,840	108,384	20,707,799
Allowance for impairment of property, plant and equipment	-	-	-	-	14,224	14,224
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	2,807,414	1,389,293	352,564	4,727,728	1,131,905	10,408,904

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

25. 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	167,765,514	9,174,833	152,764,281	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	103,260,292	4,402,396	146,018,978	2,899,100	649,483,499
Results						
Segment results (External)	13,170,080	1,017,161	(426,374)	(11,649,901)	(46,670)	2,064,296
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)
	13,170,080	(174,739)	(426,374)	(11,649,901)	(1,132,410)	(213,344)
Interest income						1,698,225
Unallocated expenses :						
- Allowance for diminution in value of investments						(498,121)
- Others						(4,504)
Profit before taxation						982,256
Finance costs						(5,207,426)
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 (cont'd)

31st December, 2005

25. 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	91,060,574	4,518,235	545,429,778
Investment in an associate	-	-	-	874,616	-	874,616
Unallocated assets						<u>7,841,819</u>
Consolidated total assets						<u>554,146,213</u>
Segment liabilities						
Segment liabilities	19,725,712	10,355,607	2,439,614	7,363,444	30,657	39,915,034
Bank borrowings						194,287,906
Unallocated liabilities						<u>6,544,690</u>
Consolidated total liabilities						<u>240,747,630</u>
Capital expenditure	6,043,060	2,405,900	49,074	3,435,239	-	<u>11,933,273</u>
Depreciation and amortisation	11,508,031	1,747,590	111,911	6,376,934	203,678	<u>19,948,144</u>
Allowance for impairment of property, plant and equipment	-	1,191,900	-	-	-	<u>1,191,900</u>
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	<u>7,639,091</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

25. 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	
	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM
Malaysia	499,426,059	448,752,180	358,577,677	352,526,102	12,327,550	11,626,909
Vietnam	240,565,954	200,731,319	177,563,110	193,778,292	342,726	306,364
	<u>739,992,013</u>	<u>649,483,499</u>	<u>536,140,787</u>	<u>546,304,394</u>	<u>12,670,276</u>	<u>11,933,273</u>
Unallocated assets			4,778,700	7,841,819		
			<u>540,919,487</u>	<u>554,146,213</u>		

26. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Authorised and contracted for :				
- Acquisition of plant and equipment	11,026,000	2,054,184	330,000	1,750,401
Authorised but not contracted for :				
- Acquisition of property, plant and equipment for Vietnam projects	6,196,300	12,053,071	-	-
- Acquisition of property, plant and equipment	5,530,000	-	3,030,000	-
Lease commitments :				
- within 1 year	4,192,349	816,161	-	-
- 2 to 5 years	499,443	3,666,574	-	-
	<u>4,691,792</u>	<u>4,482,735</u>	<u>-</u>	<u>-</u>
	<u>27,444,092</u>	<u>18,589,990</u>	<u>3,360,000</u>	<u>1,750,401</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

27. CONTINGENCIES

(i) Contingent Liabilities (Unsecured)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Legal claim made by third party in respect of building works for a subsidiary under appeal	-	2,580,000	-	2,580,000

An amount of RM2,000,000 has been provided for in the current year's financial statements as the final settlement in respect of the above legal claim.

(ii) Contingent Assets

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Insurance claims, pending agreement	-	757,000	-	-

The insurance claims were in respect of losses and other related expenses incurred arising from damages to inventories. These claims have been fully received and recognised in the current year's financial statements.

28. 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		
2005					
Financial assets					
Deposits with licensed banks	54,614,879	-	-	54,614,879	2.8% - 6.6%
Financial liabilities					
Bankers' acceptances/ Revolving credits	120,781,737	-	-	120,781,737	2.8% - 4.5%
Other short term loans	41,246,932	-	-	41,246,932	3.1% - 5.1%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

28. FINANCIAL INSTRUMENTS (CONT'D)

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

	Maturity profile				
	Within 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM	Effective interest rates
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%

Company

	Maturity profile				
	Within 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM	Effective interest rates
2005					
Financial assets					
Deposits with licensed banks	7,850,000	-	-	7,850,000	2.8% - 3.0%
Financial liabilities					
Bankers' acceptances/ Revolving credits	80,808,663	-	-	80,808,663	2.8% - 4.5%
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%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair values

- (i) 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.
- (ii) The fair value of the quoted investment is based on the quoted market price as at balance sheet date as disclosed under Note 16 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.
- (iii) The fair value of amounts owing by and owing to subsidiary companies are not provided as it is not practicable to estimate fair values reliably due to the lack of fixed repayment terms.

29. SPECIAL SHARE ISSUE TO APPROVED BUMIPUTRA INVESTORS

The outstanding issue of 5,000,000 new ordinary shares of RM1.00 each to approved Bumiputra investors under the Special Issue is extended to 5th June, 2006 as approved by the Ministry of International Trade and Industry on 17th October, 2005.

30. SIGNIFICANT/SUBSEQUENT EVENTS

- (a) On 1st December, 2005, the Company entered into a conditional Sale and Purchase agreement ("S&P") with Duta Viana Sdn Bhd ("DVSB") to dispose of its ten (10) units of three-storey shop-office in Kajang for a total consideration of RM11.3 million. The gain on the disposal is estimated to be RM8.0 million net of tax. The transaction was completed in March 2006.
- (b) On 7th February, 2006, a subsidiary company, namely Dindings Poultry Processing Sdn Bhd ("DPP") was served with a writ of summons filed in the High Court in Kuala Lumpur by a third party ("first plaintiff") and a non-governmental organisation ("second plaintiff") for damages in the sum of RM101 million arising from the alleged breach of the Halal logo.

On 23rd and 24th February, 2006, DPP's solicitor has filed affidavits in the High Court in Kuala Lumpur with applications to set aside the writ of summons issued by the second plaintiff and the first plaintiff respectively. DPP has sought and obtained the opinion of its solicitor who is of the opinion that the plaintiffs have no legal basis to maintain the claims.

DPP's application against the second plaintiff was heard on 27th March, 2006 and it is now fixed for Decision on 19th April, 2006 whilst the hearing date for the application against the first plaintiff has yet to be fixed.

The Directors do not expect any material losses to arise and therefore no provision has been made in the financial statements of the subsidiary company and of the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31st December, 2005

31. 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	(586,142,847)	9,017,770	(577,125,077)
Selling and distribution expenses	(38,681,180)	(7,091,484)	(45,772,664)
Administration expenses	(23,331,086)	602,446	(22,728,640)
Other operating expenses	(10,092,726)	969	(10,091,757)
Finance costs	(2,677,725)	(2,529,701)	(5,207,426)
Balance sheet			
Trade receivables	112,264,072	(7,542,041)	104,722,031
Trade payables	23,855,768	(6,685,865)	17,169,903
Other payables	23,090,174	(856,176)	22,233,998
Cash flow statement			
Increase in trade and other receivables	(25,683,686)	3,004,781	(22,678,905)
Increase in trade and other payables	5,150,702	(3,004,781)	2,145,921
Company			
Balance sheet			
Trade payables	2,601,116	18,202	2,619,318
Other payables	8,223,097	(18,202)	8,204,895
Income statement			
Cost of sales	(175,862,686)	1,467,158	(174,395,528)
Selling and distribution expenses	(14,761,463)	181	(14,761,282)
Finance costs	(810,838)	(1,467,339)	(2,278,177)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 35 to 96 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, 2005 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 13th day of April, 2006

On behalf of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
DIRECTOR

TEH WEE CHYE
DIRECTOR

STATUTORY DECLARATION

I, QUAH BAN LEE, being the Director 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 35 to 96 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 13th day of April, 2006)

Before me,

AHMAD B. LAYA (W259)
Commissioner for Oaths
Kuala Lumpur

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 35 to 96 of Malayan Flour Mills Berhad. The preparation of the financial statements is 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, 2005 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 14 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 14 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. : 996/03/08(J/PH)

PARTNER

Kuala Lumpur
13th April, 2006

ANALYSIS OF SHAREHOLDINGS

as at 27th April, 2006

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

6,332 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	108	1.71	2,710	0.00
100 to 1,000	2,080	32.85	1,775,924	1.85
1,001 - 10,000	3,527	55.70	13,329,092	13.92
10,001 - 100,000	546	8.62	14,015,866	14.64
100,001 to less than 5% of issued shares	70	1.11	40,538,260	42.33
5% and above of issued shares	1	0.01	26,100,754	27.26
	6,332	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. A. A. Anthony 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. Essence Lane Sdn Bhd	2,233,729	2.33
6. Mayban Nominees (Tempatan) Sdn Bhd [A/C for Tan Sri Datuk Arshad Bin Ayub]	2,030,000	2.12
7. Mokatar Rudin Bin Wan Yusof	2,020,000	2.11
8. Teh Wee Kok	1,591,600	1.66
9. A. A. Anthony Nominees (Asing) Sdn Bhd [Amble Volume Sdn Bhd for Rise Glory Investment Limited]	1,572,171	1.64
10. Zalaraz Sdn Bhd	1,000,000	1.04
11. Favourite Access Sdn Bhd	1,000,000	1.04
12. Thye Heng Realty Sdn Bhd	950,000	0.99
13. Alliancegroup Nominees (Tempatan) Sdn Bhd [Pheim Asset Management Sdn Bhd for Employees Provident Fund]	916,000	0.96
14. M & A Nominee (Asing) Sdn Bhd [A/C for Pedigree Limited]	876,000	0.91
15. Thye Heng (How Kee) Company Sdn Bhd	867,900	0.91

ANALYSIS OF SHAREHOLDINGS (cont'd) as at 27th April, 2006

Thirty (30) Largest Shareholders

Name	No. of Shares	Percentage Holding (%)
16. Solid Esteem Sdn Bhd	864,000	0.90
17. Koperasi Polis Diraja Malaysia Berhad	840,200	0.88
18. Duangmanee Liewphairatana	833,400	0.87
19. TA Nominees (Asing) Sdn Bhd [A/C for Tsang Yip, Shuk-Ying]	800,000	0.84
20. Yeoh Kean Hua	720,000	0.75
21. Employees Provident Fund Board	619,000	0.65
22. Thye Nam Loong Shipping Sdn Bhd	574,800	0.60
23. Suai Timber Products Sdn Bhd	531,600	0.56
24. BHR Enterprise Sdn Bhd	500,000	0.52
25. Koperasi Permodalan Felda Berhad	500,000	0.52
26. Teh Li Choo	473,572	0.49
27. Teh Wee Chye	456,500	0.48
28. Laminem	450,000	0.47
29. Teh Li Li	424,001	0.44
30. Thye Nam Loong Sdn Bhd	417,600	0.44

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	2,194,085	2.29	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 Shahrudin bin Hj Haron	200,000	0.21	-	-
Geh Cheng Hooi	-	-	-	-
Quah Ban Lee	35,000	0.04	-	-

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.

DETAILS 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 31-12-05 RM
Freehold land with shophouses Lots 448 & 449 Section 4 Town of Butterworth, Penang Total: 1.62 acres	Shoplot	45	9th Sept, 1996	3,709,000
Freehold land with residential building Lot 449 Section 67 District of Kuala Lumpur Total: 1.00 acres	Commercial land and building	66	4th Dec, 1996	1,631,000
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	24-39	6th Oct, 1998	28,590,000
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	14	1994	2,910,000
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	26	1991	164,000

DETAILS OF ASSETS (cont'd)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-05 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	13	3rd Feb, 1995	34,070,000
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	8	1997	515,000
Freehold land with building Lot PTB 18284 Mukim of Tampoi District of Johor Bahru Johor Darul Takzim Total: 0.12 acres	Factory	6	1999	637,000
Leasehold land with farm buildings Kawasan Batu Undan Mukim of Lumut Perak Darul Ridzuan (Title yet to be issued) Total: 200 acres	Breeder Farm	16	13th Mar, 1995	3,551,000
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	15	10th Mar, 1995	6,722,000
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	14	1990	49,000

DETAILS OF ASSETS (cont'd)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-05 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	13	1992	7,121,000
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: 7.5 acres	Office and factory	23	14 Jul 2004	2,336,000
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	8	1994	25,278,000
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	9	2000	2,651,000
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	3	2000	18,657,000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual General Meeting of Malayan Flour Mills Berhad will be held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 15th June, 2006 at 9.30 a.m for the following purposes :-

1. To receive the Audited Financial Statements for the financial year ended 31st December, 2005 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To sanction the payment of a final dividend. **(Resolution 2)**
3. To re-elect Mr Teh Wee Chye 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 re-elect Mr Quah Ban Lee who retires in accordance with Article 98 of the Company's Articles of Association and being eligible has offered himself for re-election. **(Resolution 4)**
5. 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 5)**
 - (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 6)**
 - (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 7)**
 - (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 8)**
6. To approve the payment of Directors' fees of up to RM300,000 to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 9)**
7. To re-appoint Messrs Folks DFK & Co., as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

8. As Special Business:-

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

8.1 Ordinary Resolution 1

Proposed Appointment of Dato' Richard Ho Ung Hun as a Director pursuant to Section 129(6) of the Companies Act, 1965.

(Resolution 11)

"**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Dato' Richard Ho Ung Hun who is over the age of seventy (70) years be appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company."

8.2 Ordinary Resolution 2

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

(Resolution 12)

"**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."

8.3 Ordinary Resolution 3

Authority to Directors to Allot and Issue Shares Pursuant to the Employees' Share Option Scheme

(Resolution 13)

"**THAT** pursuant to the Company's Employees' Share Option Scheme as approved at the Extraordinary General Meeting held on 13th May, 2004, approval be and is hereby given to the Directors to issue ordinary shares in the Company at any time and in accordance with the terms and conditions of the Scheme."

8.4 Ordinary Resolution 4

Proposed Allocation of Options to Mr Quah Ban Lee, Finance Director of MFM, pursuant to MFM's Employees' Share Option Scheme ("ESOS")

(Resolution 14)

"**THAT** approval is hereby given for the Company to offer and grant to Mr Quah Ban Lee, being full time Finance Director of the Company, options to subscribe for up to a maximum of 300,000 new ordinary shares of RM1.00 each in the Company available under the ESOS subject always to the following limitations:-

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

- (a) not more than fifty per cent (50%) of the new ordinary shares of the Company available under the ESOS in aggregate shall be allocated to the executive Directors and senior management of the Company and its subsidiaries; and
- (b) not more than ten per cent (10%) of the new ordinary shares of the Company available under the ESOS shall be allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the Eligible Employee (as defined in the Listing Requirements), holds 20% or more in the issued and paid-up capital of the Company;

AND THAT the Directors be and are hereby authorised to allot and issue from time to time new ordinary shares in the Company to him pursuant to the exercise of such options, subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS."

8.5 Ordinary Resolution 5

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

(Resolution 15)

"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 24th May, 2006 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;

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

- (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 thereof, 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."

8.6 Ordinary Resolution 6**Proposed Renewal of Authority for Share Buy-Back****(Resolution 16)**

"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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(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

a n d
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."

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

By Order of the Board

Mah Wai Mun (MAICSA 7009729)

Company Secretary

Kuala Lumpur

24th May, 2006

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 11

The proposed Resolution 11, if passed, will enable the Company to appoint Dato' Richard Ho Ung Hun as an Independent Non-Executive Director of the Company pursuant to Section 129(6) of the Companies Act, 1965, which the Directors consider would be in the best interests of the Company.

Resolution 12

The proposed Resolution 12, 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 13

The proposed Resolution 13, if passed, will empower the Directors to allot and issue shares in the Company pursuant to the terms and conditions of the Employees' Share Option Scheme which was approved at the Extraordinary General Meeting of the Company held on 13th May 2004.

Resolution 14

The proposed Resolution 14, if passed, will enable the Company to offer and grant to Mr Quah Ban Lee, the full time Finance Director of the Company, options to subscribe for up to a maximum of 300,000 new ordinary shares of RM1.00 each in the Company under the Employees' Share Option Scheme.

Resolution 15

The proposed Resolution 15, if passed, will enable the Company to enter into recurrent related party transactions with Dindings Soya & Multifeds 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 16

The proposed Resolution 16, 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 17th June, 2006 to 20th June, 2006, both dates inclusive, for the purpose of preparing dividend warrants. If approved by members at the Forty-Sixth Annual General Meeting on 15th June, 2006, the final dividend of 5 sen tax exempt per Ordinary Share in respect of the financial year ended 31st December, 2005 will be paid on 3rd July, 2006. The entitlement date for dividend payment is on 16th June, 2006.

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 14th June, 2006 (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 16th June, 2006 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)
Company Secretary

Kuala Lumpur
24th May, 2006

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 :
 - Mr Teh Wee Chye
- b. The Director retiring and standing for re-election pursuant to Article 98 of the Articles of Association of the Company is :
 - Mr Quah Ban Lee
- c. 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 page 3 to 5 of this Annual Report.

Their securities holdings in the Company are disclosed in the Analysis of Shareholdings on page 100 of this Annual Report.

Details of Attendance of Directors at Board Meetings

Six (6) Board Meetings were held during the financial year ended 31st December, 2005. Details of the attendance of Directors at the Board Meetings are as follows:-

Name	Attendance
Tan Sri Datuk Arshad bin Ayub	5 / 6
Mr Teh Wee Chye	6 / 6
Mr Lee Soon Lee	6 / 6
Tan Sri Hamzah bin Abu Samah	6 / 6
Dato' Hj Shaharuddin bin Hj Haron	6 / 6
Mr Geh Cheng Hooi	6 / 6
Mr Quah Ban Lee (Appointed on 18th August, 2005)	2 / 2

Details of Place, Date and Time of General Meeting Held

Type of Meeting	Place	Date	Time
Annual General Meeting	Theatrette, 2nd Floor, Bangunan Getah Asli (Menara), 148 Jalan Ampang, 50450 Kuala Lumpur	16th June, 2005	9.30 a.m.

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-Sixth Annual General Meeting of the Company to be held on Thursday, 15th June, 2006 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 Final Dividend		
3.	Re-election of Mr Teh Wee Chye under Article 111 of the Company's Articles of Association		
4.	Re-election of Mr Quah Ban Lee under Article 98 of the Company's Articles of Association		
	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		
9.	Approval of Directors' Fees		
10.	Re-appointment of Auditors		
11.	Proposed Appointment of Dato' Richard Ho Ung Hun as a Director pursuant to Section 129(6) of the Companies Act, 1965.		
12.	Authorisation for Directors to Allot and Issue Shares		
13.	Authorisation for Directors to Allot and Issue Shares pursuant to the Company's Employees' Share Option Scheme ("ESOS")		
14.	Proposed Allocation of Options to Mr Quah Ban Lee pursuant to the Company's ESOS		
15.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
16.	Proposed Renewal of Authority for Share Buy-Back		

Dated this _____ day of _____, 2006

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.

fold

Affix
stamp
here

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

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