MALAYAN FLOUR MILLS BERHAD
(4260-M)

ANNUAL REPORT 2006
LAPORAN TAHUNAN

MALAYAN FLOUR MILLS BERHAD
(4260-M)

Contents

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

Dato' Ho Ung Hun

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
(Non-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)
- Dindings Trading Sdn Bhd (754079-T)

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

Board of Directors

From Left (front)

> Dato' Hj Shaharuddin Bin Hj Haron
> Tan Sri Datuk Arshad bin Ayub
> Teh Wee Chye
> Lee Soon Lee

From Left (back)

> Mah Wai Mun (Company Secretary)
> Dato' Ho Ung Hun
> Tan Sri Hamzah Bin Abu Samah
> Geh Cheng Hooi
> Quah Ban Lee

MALAYAN FLOUR MILLS BERHAD
(4260-M)

Directors' Profile

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

Tan Sri Datuk Arshad bin Ayub, aged 78, a Malaysian, was appointed to the Board of the Company on 30th August, 2002 and is presently the Chairman of the Company. He is also a member of the Audit, Nomination, Remuneration and Bumi-Issue cum ESOS Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies include Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad, LBI Capital Berhad, Audrey International (M) Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad and Bistari Johor Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

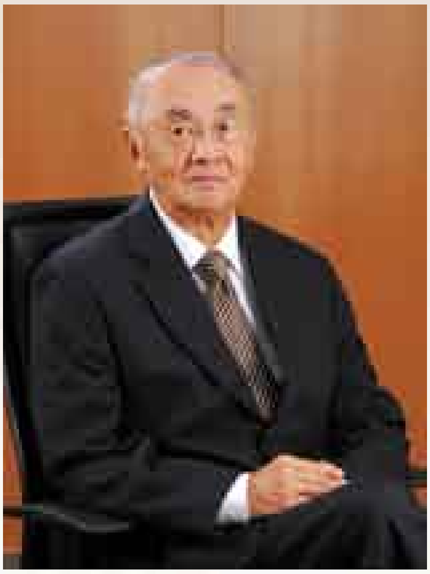
He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

Mr Teh Wee Chye
(Managing Director)

Mr Teh Wee Chye, aged 54, 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 7 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 Lee Soon Lee
(Non-Independent Non-Executive Director)



Mr Lee Soon Lee, aged 79, 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 7 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 83, 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 Minster 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.

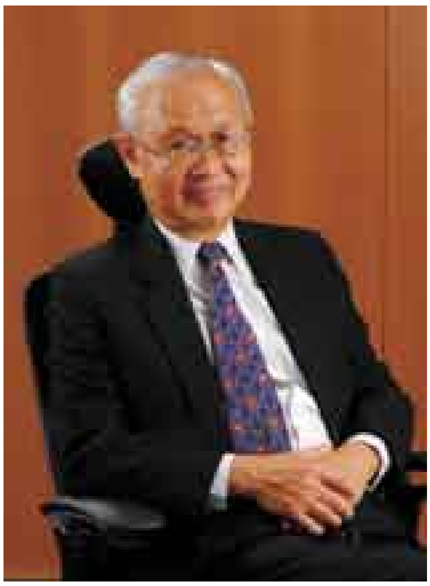
He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

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

Dato' Hj Shaharuddin bin Hj Haron, aged 68, 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 7 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 72, 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 of 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, PLUS Expressways Berhad and Paramount Corporation Behad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 6 out of the 7 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 49, 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 of 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 all the 7 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.

Dato' Ho Ung Hun
(Independent Non-Executive Director)

Dato' Richard Ho Ung Hun, aged 80, a Malaysian, was appointed to the Board of the Company on 15th June, 2006 and is presently a member of the Nomination Committee of the Company. He holds a Barrister at Law from Lincoln's Inn. He is currently the Vice Chairman of Malayan Banking Berhad, a position which he has held since 1983. He was a Member of Parliament from 1969 to 1982. He was appointed as Deputy Minister of Road Transport in 1974 and was subsequently appointed as Deputy Minister of Finance in 1976. In 1978, he was appointed as Minister without Portfolio in the Prime Minister's Department and subsequently as the then Minister of Labour and Manpower in the same year. His current directorships in other public companies include Aseambankers Malaysia Berhad, Aseamlease Berhad, Mayban Trustees Berhad, Mayban International Trust (Labuan) Berhad, Mayban Unit Trust Berhad, Maybank International (L) Ltd and Mayban Trust (Labuan) Ltd. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended the 3 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

"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 2006."

REVIEW OF PERFORMANCE

For the year under review, I am pleased to report that the Group had achieved a higher profit before tax of RM43.5 million as compared to RM22.9 million in 2005. Excluding a gain on disposal of our Kajang property of RM8.4 million, our profit before tax registered an increase of 61% over the previous year. The Group's revenue recorded an increase of 7% to RM794.3 million against RM740.1 million in 2005. This was a commendable performance for the Group in spite of the competitive environment in which it operates. The increase was contributed mainly by the flour and the feed businesses.

The cost of commodities were favourable in 2006. In addition, our commitment together with our effort to achieve greater economies of scale and efficiencies, along with the transformation from a family to a professionally managed organization, had contributed to the substantial improvement in the Group's performance.

Our Flour mills in Vietnam, Vimaflour Ltd ("Vima") and Mekong Flour Mills Ltd ("Mekong") continue to perform well. Vima completed its manufacturing capacity expansion in the second half of 2006. The additional capacity enables us to enhance our service to the customers in the northern region of Vietnam.

REVIEW OF PERFORMANCE (cont'd)

The Company's flour business in Malaysia achieved a 5% growth in revenue over the previous year. A revenue of RM222.9 million was recorded in 2006 as compared to RM213.1 million in 2005. As part of our commitment to product quality, our flour mills at Lumut and Pasir Gudang have been evaluated and certified as compliant to the Requirements for a Hazardous Critical Control Point (HACCP) based Food Safety System, an internationally recognized standard.

Our efforts to increase market share and improve productivity in the feeds business had been fruitful .The feeds segment recorded a respectable increase in revenue of 16% from RM165.1 million in 2005 to RM 190.8 million in the year under review. Further efforts will be undertaken in developing the feeds business volume and achieving economies of scale.

The Poultry Integration business had been adversely affected by the outbreak of avian flu in the early part of 2006. The recovery of the poultry market subsequent to the outbreak took much longer than expected. This segment registered revenue of RM 186.0 million, which represents a reduction of 8% as compared to the prior year. Resulting from the lower revenue, a higher loss of RM15.8 million was recorded in comparison to RM1.8 million reported in 2005.

Stringent bio-security measures have been taken to prevent an avian flu outbreak at our business locations. Poultry remains an affordable and essential source of natural meat protein and the Group remains positive on the long term potential of the poultry business. The business is in the process of streamlining its operations with the objective of achieving greater efficiencies and more competitive costs.

On 7th February, 2006, a subsidiary company, 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 individual 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 had successfully struck out the claim made by the third party individual and no appeal was made.Therefore his claim against DPP no longer subsists. The non-governmental organization's claims were also struck out. However, it had appealed against the decision and the said appeal is fixed for hearing on 4th May, 2007. Our solicitor is of the opinion that the plaintiff has 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 the subsidiary company and of the Group.

It is pleasing to note that DPP was selected by the Ministry of Agriculture and Agro-Based Industry for the special award in the poultry industry category at the Malaysia Agriculture, Horticulture & Agrotourism Show ("MAHA") 2006. This signifies the recognition of DPP as an outstanding poultry processing company.

During 2006 the Group had been engaged in the implementation of an established Enterprise Resource Planning Software to improve our efficiency and productivity, and in the development of a branding strategy to position the Group well for the future. We are also working on outsourcing the logistics activities for a large part of our business in order to improve our delivery efficiency and service levels to our customers.

CORPORATE DEVELOPMENT

On 4th October, 2006, the Company acquired 40% equity interest in Innosolutions Sdn Bhd through the subscription of 4 new ordinary shares of RM1 each for a total cash consideration of RM4.

CORPORATE DEVELOPMENT (cont'd)

On 22nd November, 2006, DPP, in which the Company has a 95% equity interest, subscribed 1 new ordinary share of RM1 each for a total cash consideration of RM1 in Dindings Trading Sdn Bhd ("DTSB"). As at 31st December, 2006, the Group and DPP have 47% and 50% equity interest in DTSB respectively. Subsequently, on 23rd January, 2007, DPP subscribed an additional 10,199 new ordinary shares of RM1 each in DTSB for a total cash consideration of RM10,199. The subscription resulted in an increase in the Group's and DPP's interest in DTSB to 48% and 51% respectively.

During the financial year, the issued and paid-up share capital of the Company was increased from RM95,762,606 to RM105,218,606 through the issue of 9,456,000 ordinary shares by way of:

(a) a Special Issue to approved Bumiputra investors ("Special Issue") of 5,000,000 new ordinary shares of RM1 each for cash at an issue price of RM1.77 per ordinary share to complete the fulfillment of the minimum Bumiputra equity condition imposed by the Ministry of International Trade and Industry ("MITI") on approving the Rights, Bonus and Bonds Issue by the Company in 1995; and

(b) the issue of 4,444,000 and 12,000 new ordinary shares of RM1 each for cash at an exercise price of RM1.58 and RM1.75 per ordinary share respectively pursuant to the Company's Employees' Share Option Scheme ("ESOS").

The Special Issue and ESOS were approved by the shareholders on 15th June, 2006 and 13th May, 2004 respectively.

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

PROSPECTS

For the forthcoming year, the prices of commodities and cost of ocean freight are expected to remain volatile. In spite of this, the Board expects the Group's performance to remain favourable in 2007.

DIVIDENDS

An Interim dividend of 5 sen per ordinary share, less tax at 27%, was paid on 18th January, 2007 in respect of the year ended 31st December, 2006 (Year ended 31st December, 2005: 5 sen per ordinary share, less tax at 28%).

A final dividend of 5 sen per ordinary share, tax exempt, for the current financial year ended 31st December, 2006 (Year ended 31st December, 2005: 5 sen per ordinary share, tax exempt) has been recommended by the Directors. The proposed final dividend will be payable on 9th July, 2007 to shareholders appearing on the Register of Members as at 5.00 pm on 28th June, 2007, 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 2006. 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.

Corporate Social Responsibility

The Group recognizes that business and society are equal partners in the advancement of the greater community. In year 2006, the Group has continued to support and carry out the following various initiatives as its responsibilities to the community.

Community Relations

- **Maulidur Rasul Celebration**

  On 23rd April, 2006, subsidiary, Dindings Poultry Processing Sdn Bhd ("DPP") had celebrated the birth of Prophet Muhammad by holding a celebration at its Plant in Kampung Acheh, Sitiawan, Perak. Five tents were erected in the compound to cater for guests who attended the function. Before the commencement of the celebration, guests were invited for breakfast while nasyid songs were being played to liven up the atmosphere.

  This celebration was not solely for employees who were Muslims but opened to all races and nationalities. A bus was arranged to fetch foreign workers from their hostel to attend the function. Employees were also encouraged to bring their family members to join the celebration.

  This Maulidur Rasul celebration was organized by DPP's Halal Committee which consisted of 15 members. They were assisted by non-Committee members who contributed to the organisation of the event.

  The main agenda of the celebration was a speech by Ustaz Ahmad bin Mohd Amin, Religious Officer of Tentera Laut DiRaja Malaysia (TLDM), Lumut. The speech was about the life of Prophet Muhammad (praise upon him). The speaker also mentioned about halal slaughtering and the requirements of halal slaughtering as taught by Prophet Muhammad. A *Marhabban* group consisting of 30 people from An-Nasriah Mosque was invited to perform the *marhabban* song.

  This Maulidur Rasul celebration was considered a success as the response was overwhelming.

Corporate Events

- **Launching of 5S Program**

The performance of an Organization mainly related to the Quality of its products and the Service to Customers. These two principal factors can only be achieved with good morale behaviours and a clean working environment. To create a clean working environment, the practice of the "5S" System is essential, which will create in the long run a highly motivated self-managed workforce towards a clean and safe work environment.

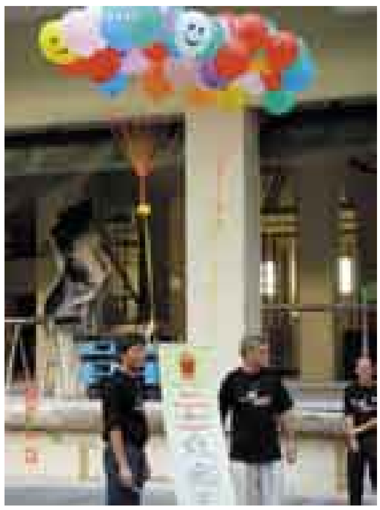
On 24th April, 2006, the Group had launched the 5S Program to enhance its productivity and competitiveness through:-

a) Productivity increase – Identify, reduce & eliminate waste, enhance teamwork, to eliminate machineries breakdown and searching time.

b) Safety – Enhance operation effectiveness in a better working environment (cleaner and better organized) and to prevent accidents as all items are visible.

c) Quality – To eliminate errors and contaminations.

d) Customer satisfaction – To reduce customer complaints and increasing positive customer perception.



- **Participation in the World Halal Forum**

  Subsidiary, Dindings Poultry Processing Sdn Bhd, a poultry processing company, had participated in the World Halal Forum which was held from 8th - 10th May, 2006 as the Event Sponsor. The World Halal Forum is the premier global halal industry event where all its' leaders meet to discuss religious, business and economic issues concerning the halal industry.

- **Participation in the Malaysia International Halal Showcase ("MIHAS")**

  Dindings Poultry Processing Sdn Bhd also participated in the Malaysia International Halal Showcase 2006 ("MIHAS 2006") which was held from 10th - 14th May, 2006. MIHAS was organized by the Malaysia External Trade Development Corporation in collaboration with the Ministry of Entrepreneur and Cooperative Development Corporation and the Islamic Dakwah Foundation. MIHAS 2006 was the world's largest halal trade fair and Malaysia's largest food and beverage exhibition which provide opportunity for the business community to network and trade with international buyers seeking new products and ideas.

- **Dinner & Dance**

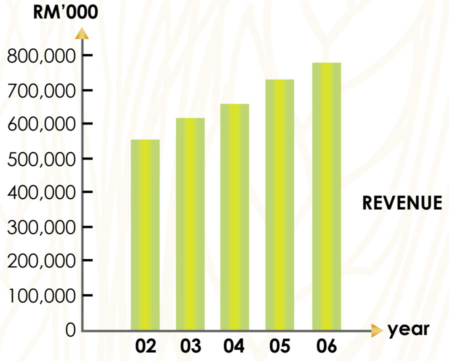
In appreciation of the hard work and dedication of its employees, MFM Group had organized the Dinner & Dance function for a get-together and fun time. To enable the employees at the various locations of its plants and branches to join, the functions were held at four different locations namely Kuala Lumpur, Lumut, Johor Bahru and Kota Bharu in the month of November 2006.

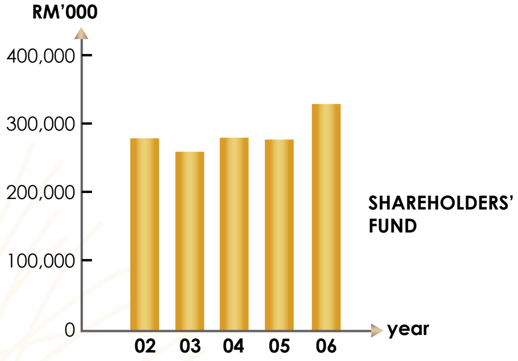
- **Recognition**

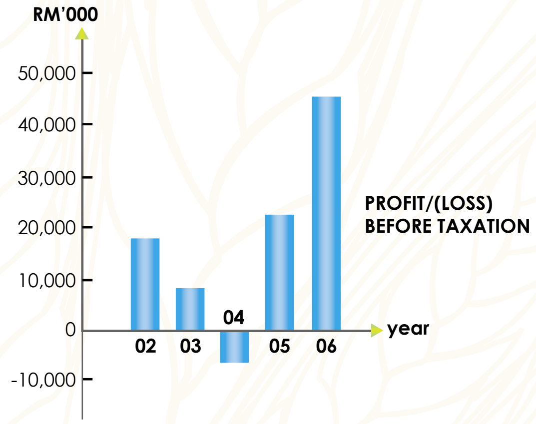
During the Malaysia Agriculture, Horticulture & Agrotourism Show ("MAHA") held from 21st – 26th November, 2007, subsidiary, Dindings Poultry Processing Sdn Bhd was selected as the recipient of the Special Award of MAHA 2006 under the category for "Pengusaha Industri Unggas". This Special Award is given to company in the private sector which has shown proud achievements and has effectively contributed to the country and community.

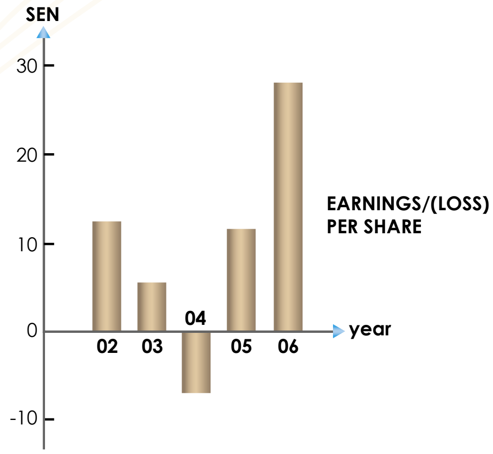
Group Financial Highlights

Year ended 31st December	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000
Revenue	565,228	605,254	649,483	740,085	794,226
Profit/(loss) before taxation	18,653	8,634	(5,290)	22,898	43,482
Taxation	(6,565)	(3,934)	(2,339)	(6,453)	(10,607)
Profit/(loss) after taxation	12,088	4,700	(7,629)	16,445	32,875
Loss for the year from discontinued operations	-	-	-	(1,118)	-
Profit/(loss) for the year	12,088	4,700	(7,629)	15,327	32,875
Minority Interests	(1,356)	(331)	1,934	(4,902)	(4,575)
Profit/(loss) attributable to equity holders of the Company	10,732	4,369	(5,695)	10,425	28,300
Issued Share Capital (RM'000)	84,015	84,015	95,763	95,763	105,219
Shareholders' Fund (RM'000)	288,235	282,837	288,015	286,793	313,053
Net assets per share (sen)	343	337	301	299	298
Earnings/(loss) per share (sen)	12.77	5.20	(6.41)	10.89	28.47
Gross dividends (%) - tax exempt	10	0	0	5	5
Gross dividends (%) - taxable	0	10	10	5	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 eight (8) members comprising of two (2) Executive Directors and six (6) 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 4 to 7 of this Annual Report.

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

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

Appointment and Re-election of Directors

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

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

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

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

BOARD OF DIRECTORS (cont'd)

Board Meetings

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

During the year under review, seven (7) Board Meetings were held. The attendance of each Director at the Board meetings are as follows:-

Director	Number of Meetings Attended
Tan Sri Datuk Arshad bin Ayub	7 / 7
Mr Teh Wee Chye	7 / 7
Mr Lee Soon Lee	7 / 7
Tan Sri Hamzah bin Abu Samah	7 / 7
Dato' Hj Shaharuddin bin Hj Haron	7 / 7
Mr Geh Cheng Hooi	6 / 7
Mr Quah Ban Lee	7 / 7
Dato' Ho Ung Hun (Appointed on 15th June, 2006)	3 / 3

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.

BOARD OF DIRECTORS (cont'd)

Directors' Training

All the Directors have attended and completed the Mandatory Accreditation Programme ("MAP") conducted by the Research Institute of Investment Analysis Malaysia ("RIIAM") and the Continuing Education Programme ("CEP") prescribed by the Bursa Malaysia Securities Berhad.

The Directors have continued to attend relevant training programmes as determined by the Board to keep abreast of recent developments in regulations and business practices. The followings are the trainings attended by the Directors of the Company during the year ended 31st December, 2006:-

Name of Director	Mode of Training	Title of Training	Hours / Days
Tan Sri Datuk Arshad Bin Ayub	Workshop Seminar	1. Boardroom Briefing for Directors /CEOs 2. Corporate Strategies And Its Impact On Share Prices	1/2 Day 1 Day
Teh Wee Chye	Workshop	Workshop on Brand Strategy Development	2 Days
Lee Soon Lee	Seminar	Financial Instruments Recognition, Measurement, Disclosure & Presentation	2 Days
Tan Sri Hamzah Bin Abu Samah	Seminar	A Discussion On The Key Continuing Obligation Requirements Of Companies Listed On The Bursa Malaysia	1/2 Day
Dato' Hj Shaharuddin Hj Bin Haron	Workshop	Boardroom Briefing for Directors / CEOs	1/2 Day
Geh Cheng Hooi	Seminar Seminar	1. Credit Derivatives & Credit Linked Notes 2. An Overview Of Derivatives Accounting	1 Day 1 Day
Quah Ban Lee	Seminar Workshop	1. Preparation and Presentation of Quarterly Interim Financial Reporting under the New FRS Regime 2. Workshop on Brand Strategy Development	1 Day 2 Days
Dato' Ho Ung Hun	Seminar	A Discussion On The Key Continuing Obligation Requirements Of Companies Listed On The Bursa Malaysia	1/2 Day

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 25 to 28 of this Annual Report.

Nomination Committee

The Nomination Committee consists of two (2) 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	(Non-Independent Non-Executive Director)
Dato' Ho Ung Hun	(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 Chief Financial Officer. 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 two (2) Non-Independent Non-Executive Director, two (2) 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	(Non-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.

BOARD COMMITTEES (cont'd)

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, two (2) Non-Independent Non-Executive Director and two (2) 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	(Non-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	100	1,229	535	58	24
6 Non-Executive Directors	327	70	-	13	153

(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
RM150,001 to RM200,000	-	1
RM400,001 to RM450,000	1	-
RM1,500,000 to RM1,550,000	1	-

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

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

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 29 to 30 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

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

DIRECTORS' RESPONSIBILITY STATEMENT

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and their results, and cash flows for that year. In preparing the financial statements for the financial year ended 31st December, 2006, 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 which disclose with reasonable accuracy the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965. They have a general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

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, the Company had made a Special Issue of 5,000,000 new ordinary shares at the issue price of RM1.77 to approved Bumiputra investors. As at 31st December, 2006, the gross proceeds from the Special Issue had been fully utilised for the working capital requirements.

2. Share Buy-back

The Company has not conducted any share buy-back during the financial year ended 31st December, 2006.

3. Options, Warrants or Convertible Securities

The details of the Options under the Employees' Share Option Scheme ("ESOS") which were granted and exercised during the financial year are disclosed in Note 20(b) to the financial statements and the Directors' Report.

The Company does not have any outstanding warrants or convertible securities.

4. American Depository Receipt ("ADR") or Global Depository 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

During the financial year, the Company did not pay any non-audit fees to the External Auditors.

7. Variation in Results

There were no material variations between the audited results for the financial year ended 31st December, 2006 and the unaudited results for the quarter ended 31st December, 2006 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, 2006 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 27 to the financial statements on pages 114 to 115 of this Annual Report.

10. Revaluation Policy on Landed Properties

The Group's revaluation policy is stated in Note 3.7 to the financial statements on pages 61 to 62 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 27 to the financial statements on pages 114 to 115 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, 2006.

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 (Non-Independent Non-Executive Director)

Meetings of the Audit Committee

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

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

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

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

Terms Of Reference

1.0 Members

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

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

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

Terms Of Reference (cont'd)

1.0 Members (cont'd)

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

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

2.0 Meetings

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

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

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

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

A quorum shall consist of a majority of independent directors.

3.0 Authority

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

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

4.0 Duties and Responsibilities

a) The Chairman of the Audit Committee shall report to the Board after each Committee meeting, including any findings and recommendations of the Committee.

b) To review and evaluate financial and accounting policies and adequacy of management controls instituted.

c) To review the financial statements and annual report prior to approval by the Board of Directors.

d) To be satisfied that the accounting policies of the Group are in accordance with the law and appropriate Accounting Standards.

Terms Of Reference (cont'd)

4.0 Duties and Responsibilities (cont'd)

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.

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, 2006 was as follows:

a) Reviewed the quarterly financial statements, interim financial announcements and year end financial statements of the Group and press releases relating to financial matters prior to the approval by the Board.

b) Reviewed the related party transactions that had arisen within the Company or the Group.

c) Reviewed with the external auditors their audit plans prior to commencement of audit.

d) Discussed and reviewed the Group's financial year-end statements with the external auditors including issues and findings noted in the course of the audit of the Group's Financial Statements.

e) Reviewed and 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 Listing Requirements.

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.

- 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 28th February, 2007.

Reports and Financial Statements

Directors' Report

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

Principal Activities

The principal activities of the Company are to carry on the business of milling and selling wheat flour and trading in grains and other allied products.

The principal activities of the subsidiary companies are detailed in Note 13 to the financial statements.

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

Financial Results

	Group RM	Company RM
Profit before taxation	43,481,942	11,020,858
Taxation	(10,606,535)	(4,337,845)
Profit for the year	32,875,407	6,683,013
Attributable to :-		
Equity holders of the Company	28,300,815	6,683,013
Minority interests	4,574,592	-
Profit for the year	32,875,407	6,683,013

Reserves and Provisions

There were no material transfers made to or from reserves or provisions accounts during the financial 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 financial year ended 31st December, 2005, as proposed in the Directors' Report for that financial year, a final tax exempt dividend of 5 sen per ordinary share, paid on 3rd July, 2006	RM4,839,830
(b)	In respect of the current financial year ended 31st December, 2006, an interim dividend of 5 sen per ordinary share, less tax at 27%, declared on 17th November, 2006 and paid on 18th January, 2007	RM3,840,479

(c) The Directors recommend a final tax exempt dividend in respect of the current financial year ended 31st December, 2006 of 5 sen per ordinary share amounting to RM5,260,930. The financial statements for the current financial 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, 2007.

Share Capital

During the financial year, the issued and paid-up share capital of the Company was increased from RM95,762,606 to RM105,218,606 through the issue of 9,456,000 ordinary shares by way of :-

(a) a Special Issue to approved Bumiputra investors ("Special Issue") of 5,000,000 new ordinary shares of RM1.00 each for cash at an issue price of RM1.77 per ordinary share to fulfil the minimum Bumiputra equity condition imposed by the Ministry of International Trade and Industry ("MITI") on approving the Rights, Bonus and Bonds Issue by the Company in 1995; and

(b) the issue of 4,444,000 and 12,000 new ordinary shares of RM1.00 each for cash at an exercise price of RM1.58 and RM1.75 per ordinary share respectively pursuant to the Company's Employees' Share Option Scheme ("ESOS").

The Special Issue and ESOS were approved by the shareholders on 15th June, 2006 and 13th May, 2004 respectively.

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

Employees' Share Option Scheme

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

Grant date	Exercise price	Option over number of ordinary shares of RM1.00 each — Balance at beginning of year	Granted	Exercised	Ceased/ Lapsed	Balance at end of year
28th May, 2004	RM1.58	6,812,000	-	(4,396,000)	(343,000)	2,073,000
14th April, 2006	RM1.58	-	198,000	(48,000)	-	150,000
22nd June, 2006	RM1.67	-	220,000	-	-	220,000
1st July, 2006	RM1.75	-	14,000	(12,000)	-	2,000
2nd September, 2006	RM1.85	-	50,000	-	-	50,000
19th September, 2006	RM1.91	-	50,000	-	-	50,000

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 one year for Malaysian employees (including executive directors) and at least three 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.

(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.

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.

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

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

The employee granted with 100,000 or more options under the ESOS during the financial year was as follows :-

			Option over number of ordinary shares of RM1.00 each			
Name of option holder	**Grant date**	**Expiry date**	**Balance at beginning of year**	**Granted/ (Exercised)**	**Ceased/ Lapsed**	**Balance at end of year**
Quah Ban Lee	22nd June, 2006	27th May, 2007	-	200,000	-	200,000

The exercise price of the above ESOS is at RM1.67 per ordinary share.

Directors

The Directors in office since the date of the last Directors' Report on 13th April, 2006 are as follows :-

Tan Sri Datuk Arshad bin Ayub
Teh Wee Chye
Lee Soon Lee
Tan Sri Hamzah bin Abu Samah
Dato' Hj Shaharuddin bin Hj Haron
Geh Cheng Hooi
Quah Ban Lee
Dato' Ho Ung Hun (Appointed on 15th June, 2006)

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, Geh Cheng Hooi and Dato' Ho Ung Hun 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, Dato' Hj Shaharuddin bin Hj Haron retires by rotation 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 and options to subscribe for ordinary shares under ESOS in the Company and shares in its subsidiaries registered in the names of the Directors or in the names of companies in which the Directors have an interest :-

Shareholdings in the Company

		Number of ordinary shares of RM1.00 each			
Directors	**Registered in the name of**	**Balance at 1.1.2006**	**Acquired**	**Disposed**	**Balance at 31.12.2006**
Teh Wee Chye	Teh Wee Chye	456,500	-	-	456,500
Lee Soon Lee	Lee Soon Lee	6,000	200,000	(200,000)	6,000
Tan Sri Datuk Arshad bin Ayub	Tan Sri Datuk Arshad bin Ayub	85,285	3,017,400	-	3,102,685
Dato' Hj Shaharuddin bin Hj Haron	Dato' Hj Shaharuddin bin Hj Haron	200,000	200,000	-	400,000
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

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 1.1.2006	Acquired	Disposed	Balance at 31.12.2006
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	-	2,000,000
Tan Sri Datuk Arshad bin Ayub	Maybank Nominees (Tempatan) Sdn Bhd	2,084,000	-	-	2,084,000
Tan Sri Datuk Arshad bin Ayub	Malaysia Nominees (Tempatan) Sdn Bhd	195,000	-	-	195,000

Interest in options over ordinary shares of the Company

Directors	Number of options over ordinary shares of RM1.00 each Balance at 1.1.2006	Granted	Exercised	Lapsed	Balance at 31.12.2006
Lee Soon Lee	200,000	-	(200,000)	-	-
Quah Ban Lee	-	200,000	-	-	200,000

The exercise price of the options granted to Lee Soon Lee and Quah Ban Lee are RM1.58 and RM1.67 per share respectively.

Directors' Interests (cont'd)

Shareholdings in subsidiary company, Dindings Soya & Multifeeds Sdn Bhd

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each Balance at 1.1.2006	Acquired	Disposed	Balance at 31.12.2006
Teh Wee Chye	Malayan Flour Mills Berhad	25,000,000	-	-	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 1.1.2006	Acquired	Disposed	Balance at 31.12.2006
Teh Wee Chye	Malayan Flour Mills Berhad	51,160,000	-	-	51,160,000

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 1.1.2006	Acquired	Disposed	Balance at 31.12.2006
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

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

Directors	Registered in the name of	Number of ordinary shares of USD1.00 each Balance at 1.1.2006	Acquired	Disposed	Balance at 31.12.2006
Teh Wee Chye	Malayan Flour Mills Berhad	16,001,000	-	-	16,001,000

Directors' Interests (cont'd)

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

		Interests in capital denominated in Vietnamese Dong (VND)			
Director	**Registered in the name of**	**Balance at 1.1.2006 VND'000**	**Acquired VND'000**	**Disposed VND'000**	**Balance at 31.12.2006 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)

		Interests in capital denominated in Vietnamese Dong (VND)			
Director	**Registered in the name of**	**Balance at 1.1.2006 VND'000**	**Acquired VND'000**	**Disposed VND'000**	**Balance at 31.12.2006 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 financial year.

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

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 following :-

(a) Tan Sri Datuk Arshad bin Ayub acquired 3,000,000 new ordinary shares of RM1.00 each in the Company pursuant to the Special Issue as mentioned above.

(b) Zalaraz Sdn Bhd, a company which is connected to Tan Sri Datuk Arshad bin Ayub, acquired 1,000,000 new ordinary shares of RM1.00 each in the Company pursuant to the Special Issue.

(c) Dato' Hj Shaharuddin bin Hj Haron acquired 200,000 new ordinary shares of RM1.00 each in the Company pursuant to the Special Issue.

(d) Quah Ban Lee had been granted 200,000 share options under the Company's ESOS.

Directors' Benefits (cont'd)

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 Director 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 27 to the financial statements.

Other Statutory Information

(a) Before the financial statements of the Group and the Company 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 Group and the Company inadequate to any substantial extent;

(ii) which would render the values of current assets in the financial statements of the Group and the Company misleading;

(iii) which would have arisen which render adherence to the existing method of valuation of assets and liabilities of the Group and the Company misleading or inappropriate; and

(iv) not otherwise dealt with in this report or the financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets of the Group or of the Company 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 Group and the Company 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 Group and of the Company to meet their obligations when they fall due;

(ii) the results of the Group's and the Company'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 Group or of the Company for the financial year in which this report is made other than the matters disclosed in Note 32 to the financial statements.

Auditors

The auditors, Messrs. Folks DFK & Co. retires and does not seek re-appointment.

Signed in accordance with a resolution of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
Director

TEH WEE CHYE
Director

Kuala Lumpur
16th April, 2007

Consolidated Income Statement

For the Year Ended 31st December, 2006

	Note	2006 RM	(Restated) 2005 RM
Continuing Operations			
Revenue			
Sales of Goods		794,226,083	738,461,544
Services		-	1,623,797
		794,226,083	740,085,341
Cost of sales			
Cost of inventories sold		(671,806,880)	(636,644,228)
Cost of services		-	(2,465,636)
		(671,806,880)	(639,109,864)
Gross profit		122,419,203	100,975,477
Other income		17,173,890	7,404,499
Selling and distribution expenses		(58,583,755)	(48,767,084)
Administrative expenses		(25,891,575)	(23,682,862)
Other expenses		(2,120,321)	(6,675,335)
Operating profit		52,997,442	29,254,695
Finance costs		(9,010,854)	(6,958,491)
Share of results of associated companies		(504,646)	602,026
Profit before taxation	5	43,481,942	22,898,230
Taxation	7	(10,606,535)	(6,453,469)
Profit for the year from continuing operations		32,875,407	16,444,761
Discontinued Operations			
Loss for the year from discontinued operations	28	-	(1,117,775)
Profit for the Year		32,875,407	15,326,986
Attributable to :			
Equity holders of the Company		28,300,815	10,425,005
Minority interests		4,574,592	4,901,981
Profit for the year		32,875,407	15,326,986

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

Consolidated Income Statement (cont'd)

For the Year Ended 31st December, 2006

	Note	2006 RM	(Restated) 2005 RM
Earnings per share attributable to equity holders of the Company (sen)	8		
Basic, for profit from continuing operations		28.47	11.59
Basic, for loss from discontinued operations		-	(0.70)
Basic, for profit for the year		28.47	10.89
Diluted, for profit from continuing operations		28.16	N/A
Diluted, for loss from discontinued operations		-	N/A
Diluted, for profit for the year		28.16	N/A
Net dividend per share (sen)	9	8.65	10.80

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

Consolidated Balance Sheet

For the Year Ended 31st December, 2006

	Note	2006 RM	(Restated) 2005 RM
Assets			
Non-Current Assets			
Property, plant and equipment	10	204,774,685	209,262,797
Investment properties	11	5,790,373	5,847,085
Intangible assets	12	2,965,859	3,050,874
Investments in associates	14	972,000	1,476,642
Other investments	15	597,335	606,676
Deferred tax assets	16	2,016,874	3,298,486
		217,117,126	223,542,560
Current Assets			
Inventories	17	233,962,074	131,731,510
Trade and other receivables	18	144,765,093	116,331,167
Tax recoverable		947,866	848,161
Deposits, cash and bank balances	19	54,661,666	68,466,089
		434,336,699	317,376,927
Total Assets		651,453,825	540,919,487

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

	Note	2006 RM	(Restated) 2005 RM
Equity and Liabilities			
Equity Attributable to Equity Holders of the Company			
Share capital	20	105,218,606	95,762,606
Reserves	21	207,834,011	191,030,559
		313,052,617	286,793,165
Minority Interests		29,612,319	27,817,281
Total Equity		342,664,936	314,610,446
Non-Current Liabilities			
Deferred tax liabilities	16	7,685,984	7,053,971
Retirement benefits	22	670,301	525,662
		8,356,285	7,579,633
Current Liabilities			
Trade and other payables	23	57,241,901	51,515,074
Bank borrowings	24	236,902,464	162,028,669
Tax payable		2,447,760	1,738,211
Dividend payable	9	3,840,479	3,447,454
		300,432,604	218,729,408
Total Liabilities		308,788,889	226,309,041
Total Equity and Liabilities		651,453,825	540,919,487

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

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2006

	Share Capital RM	Share Premium RM	Other Reserves RM	Exchange Translation Differences RM	Retained Profits RM	Total RM	Minority Interests RM	Total Equity RM
	------------------------Attributable to Equity Holders of the Company-----------------							
		Non-Distributable			Distributable			
Balance at 1st January, 2005	95,762,606	47,626,617	26,983,908	(1,014,686)	118,656,562	288,015,007	25,383,576	313,398,583
Currency translation loss recognised directly in equity	-	-	-	(1,304,485)	-	(1,304,485)	(226,928)	(1,531,413)
Profit for the year	-	-	-	-	10,425,005	10,425,005	4,901,981	15,326,986
Total recognised income and expense for the year	-	-	-	(1,304,485)	10,425,005	9,120,520	4,675,053	13,795,573
Acquisition of minority interests	-	-	-	-	-	-	(1,672,035)	(1,672,035)
Dividends to equity holders of the Company (Note 9)	-	-	-	-	(10,342,362)	(10,342,362)	-	(10,342,362)
Dividend to minority interests	-	-	-	-	-	-	(569,313)	(569,313)
Balance at 31st December, 2005	95,762,606	47,626,617	26,983,908	(2,319,171)	118,739,205	286,793,165	27,817,281	314,610,446

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

Consolidated Statement of Changes in Equity (cont'd)

For the Year Ended 31st December, 2006

	Share Capital RM	Share Premium RM	Other Reserves RM	Exchange Translation Differences RM	Retained Profits RM	Total RM	Minority Interests RM	Total Equity RM
	-----Attributable to Equity Holders of the Company-----							
		Non-Distributable			Distributable			
Balance at 1st January, 2006	95,762,606	47,626,617	26,983,908	(2,319,171)	118,739,205	286,793,165	27,817,281	314,610,446
Currency translation loss recognised directly in equity	-	-	-	(9,368,295)	-	(9,368,295)	(1,664,724)	(11,033,019)
Profit for the year	-	-	-	-	28,300,815	28,300,815	4,574,592	32,875,407
Total recognised income and expense for the year	-	-	-	(9,368,295)	28,300,815	18,932,520	2,909,868	21,842,388
Issue of shares :								
- Special Issue for cash (Note 20)	5,000,000	3,850,000	-	-	-	8,850,000	-	8,850,000
- pursuant to ESOS (Note 20)	4,456,000	2,608,880	(22,360)	-	-	7,042,520	-	7,042,520
Share issue expenses	-	(55,699)	-	-	-	(55,699)	-	(55,699)
Share options granted under ESOS (Note 20)	-	-	170,420	-	-	170,420	-	170,420
Dividends to equity holders of the Company (Note 9)	-	-	-	-	(8,680,309)	(8,680,309)	-	(8,680,309)
Dividend to minority interests	-	-	-	-	-	-	(1,114,830)	(1,114,830)
Balance at 31st December, 2006	105,218,606	54,029,798	27,131,968	(11,687,466)	138,359,711	313,052,617	29,612,319	342,664,936

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

Consolidated Cash Flow Statement

For the Year Ended 31st December, 2006

	2006 RM	(Restated) 2005 RM
Cash Flows from Operating Activities		
Profit/(Loss) before taxation :		
- from continuing operations	43,481,942	22,898,230
- from discontinued operations	-	(1,117,775)
Adjustments for :-		
Share of results of associated companies	504,646	(602,026)
Defined benefit obligations	209,830	34,343
Depreciation of property, plant and equipment	20,406,245	19,756,028
Depreciation of investment properties	56,712	56,720
Amortisation of intangible assets	1,199,273	895,051
Interest expenses	9,010,854	6,958,491
Gain on disposal of property, plant and equipment	(8,674,432)	(408,427)
Property, plant and equipment written off	28,822	5,134
Allowance for impairment of property, plant and equipment	709,064	14,224
Allowance for doubtful debts	1,380,296	2,129,774
Gain on disposal of quoted investment	(1,720)	(2,172)
Net unrealised loss/(gain) on foreign currency exchange	93,508	(37,304)
Interest income	(3,857,819)	(2,616,334)
Inventories written off	292,239	8,118
Share options granted under ESOS	170,420	-
Allowance for old and slow moving inventories written back	(2,260,787)	-
Reversal of provision for settlement of legal claim	(250,000)	-
Allowance for diminution in value of quoted investment written back	(892)	-
Bad debts written off	195,252	59,757
Allowance for old and slow moving inventories	-	2,644,935
Allowance for diminution in value of quoted investments	-	1,124,872
Allowance for diminution in value of unquoted investment	-	2,086,971
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
Operating profit before working capital changes	62,693,453	56,144,075
Increase in trade and other receivables	(33,428,312)	(4,758,078)
(Increase)/Decrease in inventories	(102,225,866)	36,690,616
Increase in trade and other payables	6,737,806	9,902,267
Cash (utilised in)/generated from operations	(66,222,919)	97,978,880

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

Consolidated Cash Flow Statement (cont'd)

For the Year Ended 31st December, 2006

	2006 RM	(Restated) 2005 RM
Cash Flows from Operating Activities (cont'd)		
Net taxation paid	(7,970,085)	(2,706,008)
Interest received	3,857,819	2,616,334
Interest paid	(9,010,854)	(6,958,491)
Retirement benefits paid	(19,242)	(14,337)
Net cash (used in)/from operating activities	(79,365,281)	90,916,378
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	11,683,732	525,497
Proceeds from disposal of quoted investment	7,060	9,712
Purchase of property, plant and equipment	(25,425,949)	(9,604,875)
Purchase of intangible assets	(1,153,679)	(3,065,401)
Investment in an associated company (Note 14(a))	(4)	-
Purchase of investments	-	(1,646,810)
Acquisition of shares in a subsidiary company from a minority shareholder (Note 13(c)(i))	-	(1,612,500)
Net cash used in investing activities	(14,888,840)	(15,394,377)
Cash Flows from Financing Activities		
Proceeds from issuance of shares	15,892,520	-
Share issue expenses	(55,699)	-
Dividends paid to equity holders of the Company	(8,287,284)	(6,894,908)
Dividends paid to minority shareholders of a subsidiary company	(1,114,830)	(569,313)
Net increase/(decrease) in bank borrowings	78,077,232	(30,280,469)
Net cash from/(used in) financing activities	84,511,939	(37,744,690)
Net (Decrease)/Increase in Cash and Cash Equivalents	(9,742,182)	37,777,311
Cash and cash equivalents at beginning of year	68,466,089	31,024,413
Foreign currency exchange differences on opening balances	(4,115,837)	(335,635)
Cash and Cash Equivalents at End of Year (Note 25)	54,608,070	68,466,089

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

Income Statement

For the Year Ended 31st December, 2006

	Note	2006 RM	(Restated) 2005 RM
Revenue		222,874,255	213,094,204
Cost of sales		(173,995,481)	(176,456,514)
Gross profit		48,878,774	36,637,690
Other income		14,691,601	3,479,343
Selling and distribution expenses		(19,043,478)	(15,467,960)
Administrative expenses		(15,173,785)	(12,102,631)
Other expenses		(14,753,542)	(2,098,628)
Operating profit		14,599,570	10,447,814
Finance Costs		(3,578,712)	(2,878,123)
Profit before taxation	5	11,020,858	7,569,691
Taxation	7	(4,337,845)	(2,890,152)
Profit for the Year		6,683,013	4,679,539
Net dividend per share (sen)	9	8.65	10.80

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

Balance Sheet

as at 31st December, 2006

	Note	2006 RM	(Restated) 2005 RM
Assets			
Non-Current Assets			
Property, plant and equipment	10	68,708,936	69,504,578
Investment properties	11	5,519,287	5,575,999
Intangible assets	12	2,550,369	2,565,589
Investments in subsidiaries	13	149,316,363	150,616,363
Investments in associates	14	4	-
Other investments	15	60,011	64,459
		226,154,970	228,326,988
Current Assets			
Inventories	17	95,230,041	52,847,460
Trade and other receivables	18	109,729,842	95,332,476
Tax recoverable		388,913	168,176
Deposits, cash and bank balances	19	8,431,957	11,902,162
		213,780,753	160,250,274
Total Assets		439,935,723	388,577,262
Equity and Liabilities			
Equity			
Share capital	20	105,218,606	95,762,606
Reserves	21	184,183,919	179,629,974
Total Equity		289,402,525	275,392,580
Non-Current Liabilities			
Deferred tax liabilities	16	7,685,984	6,641,971
Current Liabilities			
Trade and other payables	23	26,033,764	22,286,594
Bank borrowings	24	112,972,971	80,808,663
Dividend payable	9	3,840,479	3,447,454
		142,847,214	106,542,711
Total Liabilities		150,533,198	113,184,682
Total Equity and Liabilities		439,935,723	388,577,262

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

Statement of Changes in Equity

For the Year Ended 31st December ,2006

	Share Capital RM	Share Premium RM	Other Reserves RM	Retained Profits RM	Total RM
Balance at 1st January, 2005	95,762,606	47,626,617	19,310,647	118,355,533	281,055,403
Total recognised income and expense for the year - Profit for the year	-	-	-	4,679,539	4,679,539
Dividends to equity holders of the Company (Note 9)	-	-	-	(10,342,362)	(10,342,362)
Balance at 31st December, 2005	95,762,606	47,626,617	19,310,647	112,692,710	275,392,580
Balance at 1st January 2006,	95,762,606	47,626,617	19,310,647	112,692,710	275,392,580
Total recognised income and expense for the year - Profit for the year	-	-	-	6,683,013	6,683,013
Issue of shares :					
- special issue for cash (Note 20)	5,000,000	3,850,000	-	-	8,850,000
- pursuant to ESOS (Note 20)	4,456,000	2,608,880	(22,360)	-	7,042,520
Share issue expenses	-	(55,699)	-	-	(55,699)
Share options granted under ESOS (Note 20)	-	-	170,420	-	170,420
Dividends to equity holders of the Company (Note 9)	-	-	-	(8,680,309)	(8,680,309)
Balance at 31st December, 2006	105,218,606	54,029,798	19,458,707	110,695,414	289,402,525

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

Cash Flow Statement

For the Year Ended 31st December, 2006

	2006 RM	(Restated) 2005 RM
Cash Flows from Operating Activities		
Profit before taxation	11,020,858	7,569,691
Adjustments for :-		
Depreciation of property, plant and equipment	5,258,153	4,588,750
Depreciation of investment properties	56,712	56,720
Amortisation of intangible assets	1,117,267	808,720
Interest expenses	3,578,712	2,878,123
Allowance for impairment of investment in a subsidiary company	1,300,000	-
Allowance for doubtful debts	2,563	604,956
Allowance for doubtful debts in respect of amount owing by a subsidiary company	13,436,191	-
Allowance for diminution in value of quoted investment	-	2,897
Allowance for diminution in value of unquoted investment	-	2,086,971
Bad debts written off	-	4,994
Property, plant and equipment written off	28,822	2,860
Share-based payment under ESOS	170,420	-
Interest income	(321,739)	(130,232)
Gain on disposal of property, plant and equipment	(8,480,060)	(159,231)
Gain on disposal of quoted investment	(1,720)	-
Dividend income	(3,801,270)	(2,049,902)
Write back of diminution in value of quoted investment	(892)	-
Operating profit before working capital changes	23,364,017	16,265,317
(Increase)/Decrease in subsidiary companies' balances	(23,089,412)	131,952
(Increase)/Decrease in inventories	(42,382,581)	8,547,875
Increase in trade and other receivables	(4,442,244)	(320,340)
Increase in trade and other payables	3,442,706	6,064,635
Cash (utilised in)/generated from operations	(43,107,514)	30,689,439
Interest received	321,739	130,232
Interest paid	(3,578,712)	(2,878,123)
Net taxation paid	(3,178,569)	(1,836,693)
Net cash (used in)/from operating activities	(49,543,056)	26,104,855

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

Cash Flow Statement *(cont'd)*

For the Year Ended 31st December, 2006

	2006 RM	2005 RM
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	11,397,708	209,459
Proceeds from disposal of quoted investment	7,060	-
Purchase of property, plant and equipment	(7,408,981)	(4,085,956)
Purchase of intangible assets	(1,102,047)	(3,065,401)
Acquisition of additional shares in subsidiary companies (Note 13(c))	-	(1,612,501)
Investment in an associated company (Note 14(a))	(4)	-
Dividend received from subsidiary companies	3,465,270	2,193,902
Net cash from/(used in) investing activities	6,359,006	(6,360,497)
Cash Flows from Financing Activities		
Proceeds from issuance of shares	15,892,520	-
Share issue expenses	(55,699)	-
Dividends paid to equity holders of the Company	(8,287,284)	(6,894,908)
Net increase/(decrease) in bank borrowings	32,110,712	(2,143,358)
Net cash from/(used in) financing activities	39,660,249	(9,038,266)
Net (Decrease)/Increase in Cash and Cash Equivalents	(3,523,801)	10,706,092
Cash and cash equivalents at beginning of year	11,902,162	1,196,070
Cash and Cash Equivalents at End of Year (Note 25)	8,378,361	11,902,162

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

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 and trading in grains and other allied products. The principal activities of the Group are the milling and selling of wheat flour, trading in grains, manufacture and sales of animal feeds and related raw materials, processing and sale of poultry products, breeding and sale of day-old chicks, sale of eggs and contract farming.

The financial statements are presented in Ringgit Malaysia (RM).

The financial statements were authorised for issue by the Board of Directors on 16th April 2007.

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). The USD is currently being allowed to operate in a managed float in relation to Ringgit Malaysia.

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.

2. Financial Instruments and Financial Risk Management (cont'd)

(i) Foreign Currency Risk (cont'd)

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.

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 financial year other than the adoption of the new and revised Financial Reporting Standards (FRSs) which are mandatory for the financial period beginning on or after 1st January, 2006 as described hereunder :-

Adoption of New and Revised FRSs

(a) FRSs That Are Effective

During the financial year, the Group has adopted the following new and revised FRSs that are relevant to its operations and which are mandatory for the financial period beginning on or after 1st January, 2006 :

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

All the changes in accounting policies have been made in accordance with the transition provisions in the respective standards, where applicable.

A summary of the effects of the new accounting standards and amendments to existing standards on the financial statements of the Group and of the Company is set out in Note 26.

(b) FRSs That Are Not Yet Effective and Have Not Been Early Adopted

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective :

FRS 117	Leases
FRS 119	Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
FRS 121	Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments : Recognition and Measurement

3. Significant Accounting Policies (cont'd)

Adoption of New and Revised FRSs (cont'd)

(b) FRSs That Are Not Yet Effective and Have Not Been Early Adopted (cont'd)

FRS 117 : Leases

FRS 117 shall be effective for accounting period beginning on or after 1st October, 2006. FRS 117 requires the classification of leasehold land as prepaid lease payments. The adoption shall not have any significant financial impact on the financial statements of the Group.

FRS 119 : Amendment to FRS 119$_{2004}$ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

This standard will be effective for accounting period beginning on or after 1st January, 2007. The amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements as well as additional recognition requirements for multi-employer plans. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.

FRS 121 : Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

FRS 121 is effective for accounting period beginning on or after 1st July, 2007. It requires that all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in a separate component of the equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. The adoption of this amendment shall not have any financial impact on the financial statements of the Group.

FRS 124 : Related Party Disclosures

FRS 124 is effective for accounting period beginning on or after 1st October, 2006. This standard will affect the identification of related parties and some other related party disclosures. The adoption will only affect disclosures and will have no financial impact on the financial statements.

FRS 139 : Financial Instruments - Recognition and Measurement

The effective date of this standard is yet to be determined by the Malaysian Accounting Standards Board (MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective. The impact of applying FRS 139 on these financial statements upon first adoption of this standard is not disclosed by virtue of the exemption provided under paragraph 103AB of FRS 139.

3. Significant Accounting Policies (cont'd)

3.1 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 the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards for Entities Other Than Private Entities requires management to exercise their judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period. Although these judgement and estimates are based on the management's best knowledge of current events and actions, actual results may differ. The areas involving a high degree of judgement or complexity or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 4 to the financial statements.

3.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are those entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Acquisition of subsidiaries are accounted for using the purchase method of accounting. Under the purchase method, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for non-current assets that are classified as held for sale which shall be recognised at fair value less costs to sell. The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interest represents that portion of profit or loss and net assets of a subsidiary attributable to equity interest that are not held by the Group. Minority interest is measured at the minority's share of the post-acquisition fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minority's share of changes in the subsidiary's equity since then.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profit until the minority's share of losses previously absorbed by the Group has been recovered.

3. Significant Accounting Policies (cont'd)

3.2 Basis of Consolidation (cont'd)

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.

3.3 Goodwill on Consolidation

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is recognised as an asset and is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of assets.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

3.4 Intangible Assets - Computer Software

The costs of computer software licences acquired are capitalised as an intangible asset. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on the straight line basis over period the assets are expected to generate economic benefits.

Costs associated with developing computer software programs that will generate probable future economic benefits from their use thereof are recognised as intangible assets. Costs comprised all directly attributable development costs including an appropriate portion of relevant overheads. Computer software development cost is amortised when the asset is available for use over the period the asset is expected to generate economic benefits.

3.5 Investments in Associates

An associate is an entity, including an unincorporated entity, in which the Group has significant influence but not control or joint control over the financial and operating policies of such an entity.

Investments in associates are accounted for in the consolidated financial statements by using the equity method of accounting. Under the equity method of accounting, the Group's share of profit or loss of the associate is included in the consolidated income statement and the Group's share of post-acquisition reserves 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 associate is reached unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

3. Significant Accounting Policies (cont'd)

3.5 Investments in Associates (cont'd)

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

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

In applying the equity method of accounting, the latest audited financial statements of the associate are used. Where the reporting dates of the Group and the associate are not coterminous, equity accounting is applied on the management accounts made to the financial year end of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

3.6 Investments

(a) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates 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.

(b) Other Non-Current 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.

3.7 Property, Plant and Equipment and Depreciation

Items of 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. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The Group 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.

3. Significant Accounting Policies (cont'd)

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

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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 to their residual values over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The principal annual rates used are :-

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

The residual values and useful lives of assets are reviewed at each financial year end and adjusted if appropriate where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

3.8 Investment Properties

Investment properties are land and buildings which are held for rental yields or for capital appreciation or for both or land held for a currently undetermined future use. The investment properties are stated at cost less accumulated depreciation and impairment losses. The depreciation policy adopted for investment properties is similar to property assets under property, plant and equipment as disclosed under Note 3.7. Investment properties are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period of the retirement or disposal.

3. Significant Accounting Policies (cont'd)

3.9 Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured at the lower of the carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

3.10 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.

3.11 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.

3.12 Trade and Other Payables

Trade and other payables are stated at cost.

3. Significant Accounting Policies (cont'd)

3.13 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. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

3.14 Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

3.15 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 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.

3.16 Income Tax

Tax expense/(income) is the aggregate amount of current and deferred tax included in the determination of 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 reviewed at each balance sheet date and 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.

3. Significant Accounting Policies (cont'd)

3.17 Employee Benefits

(a) 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.

(b) Post-Employment Benefits

Defined Contribution Plans

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

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

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

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 employees' earnings 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.

3. Significant Accounting Policies (cont'd)

3.17 Employee Benefits (cont'd)

(b) Post-Employment Benefits (cont'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. Termination benefits falling over more than twelve months after the balance sheet date are discounted to present value.

(c) Share-based Compensation

The Group operates an equity-settled, share-based compensation plan for eligible employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to the original estimates, if any, in the profit or loss, and a corresponding adjustment to equity. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

3.18 Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

3. Significant Accounting Policies (cont'd)

3.18 Foreign Currencies (cont'd)

(b) Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in equity. Exchange differences arising from such non-monetary items are recognised directly to equity.

(c) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows :-

(i) Assets and liabilities for each balance sheet date presented are translated at the closing rate prevailing at the balance sheet date;

(ii) Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in the income statement of the Company or of the foreign operation, as appropriate. In the Group financial statements, such exchange differences are recognised initially in equity and will be recognised in the income statement only upon disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

3. Significant Accounting Policies (cont'd)

3.19 Impairment of Assets

The carrying amounts of non-financial assets (other than inventories, deferred tax assets and non-current assets or disposal groups held for sale) are reviewed for impairment at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

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

An impairment loss is charged to the income statement in the period in which it arises, 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.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised to the income statement unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3.20 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.

3. Significant Accounting Policies (cont'd)

3.20 Hire Purchase and Finance Lease Arrangements and Operating Leases (cont'd)

(a) 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 3.7 above.

(b) 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.

3.21 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.

3.22 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services in the ordinary course of the Group's activities. Revenue is recognised when it can be measured reliably and to the extent that it is probable that the economic benefits associated to the transactions will flow to the Group. The following specific recognition criteria must also be met before revenue is recognised :-

(a) Sales of Goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership to the buyer of the goods, net of discounts and returns. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Revenue from Services

Revenue from services is recognised upon rendering of services.

3. Significant Accounting Policies (cont'd)

3.22 Revenue Recognition (cont'd)

(c) Rental Income

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

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

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(e) Dividend Income

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

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

3.23 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.

3.24 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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

Key sources of estimation uncertainty

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

(a) Deferred tax assets

Deferred tax assets are recognised for unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses, capital allowances and other deductible temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment on the probability of the availability of future taxable profits. The total carrying amount of deferred tax assets recognised on unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences of the Group as at balance sheet date is RM8,317,013 (2005 : RM10,504,310).

The unrecognised unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences are disclosed under Note 16(b) and the unrecognised deferred tax assets in connection thereto at balance sheet date is estimated at RM23,586,507 (2005 : RM22,466,619).

(b) Retirement Benefits

The Group's retirement benefits for eligible employees was measured by an actuarial valuation using the Projected Unit Credit Method. According to this method, several statistical information and assumptions are used to determine the expense and liability. Statistical information is principally related to demographic assumptions such as mortality, employee turnover and early retirement. The assumptions are mainly discount rate and future salary increase rate. These assumptions are disclosed in Note 22(d) to the financial statements.

(c) Share-Based Payment

The fair value of the share options granted was measured by using the Binomial Option Pricing Model. The valuation model requires certain assumptions to be made and the details of the assumptions used are disclosed in Note 20(b)(iii) to the financial statements.

5. Profit Before Taxation

	Group 2006 RM	Group (Restated) 2005 RM	Company 2006 RM	Company (Restated) 2005 RM
Profit before taxation is stated after charging :-				
Auditors'remuneration :				
- Statutory audit :				
- current year	191,405	192,417	40,000	34,000
- net underprovision in prior year	2,101	1,385	6,000	-
- Other services	7,500	10,500	7,500	10,500
Depreciation of :				
- property, plant and equipment	20,406,245	19,756,028	5,258,153	4,588,750
- investment properties	56,712	56,720	56,712	56,720
Amortisation of intangible assets	1,199,273	895,051	1,117,267	808,720
Directors' emoluments	3,043,541	2,572,914	2,011,185	1,231,961
Directors' fees	457,690	246,681	427,397	211,178
Interest expenses	9,010,854	6,958,491	3,578,712	2,878,123
Rental of land and buildings	3,821,186	2,502,911	568,890	641,081
Defined benefit obligations	209,830	34,343	-	-
Bad debts written off :				
- amount due from subsidiary companies	-	-	-	944
- others	195,252	59,757	-	4,050
Allowance for doubtful debts :				
- amount due from a subsidiary company	-	-	13,436,191	-
- others	1,380,296	2,129,774	2,563	604,956
Allowance for diminution in value of :				
- quoted investments	-	1,124,872	-	2,897
- unquoted investment	-	2,086,971	-	2,086,971
Allowance for old and slow moving inventories	-	2,644,935	-	-
Inventories written off	292,239	8,118	-	-
Property, plant and equipment written off	28,822	5,134	28,822	2,860

5. Profit Before Taxation (cont'd)

	Group 2006 RM	Group (Restated) 2005 RM	Company 2006 RM	Company (Restated) 2005 RM
Profit before taxation is stated after charging (cont'd) :-				
Loss on foreign currency exchange :				
- realised	809,139	755,306	-	1,875
- unrealised	93,508	-	-	-
Provision for settlement of legal claims	-	2,000,000	-	-
Allowance for impairment of :				
- property, plant and equipment	709,064	14,224	-	-
- a subsidiary company	-	-	1,300,000	-
Direct operating expenses of investment properties during the financial year :				
- revenue generating	53,447	43,805	53,447	43,805
- non-revenue generating	292	5,856	-	-
Death gratuity paid/payable in respect of a former Director of a subsidiary company	35,000	315,000	-	-
Estimated value of benefits-in-kind of Directors	105,013	69,983	71,100	41,933
and crediting :-				
Dividends from :				
-subsidiary companies :				
-non tax exempt	-	-	1,200,000	720,000
-tax exempt	-	-	2,601,270	1,329,902
Gain on disposal of property, plant and equipment	8,674,432	408,427	8,480,060	159,231
Gain on disposal of quoted investment	1,720	2,172	1,720	-
Interest income	3,857,819	2,616,334	321,739	130,232
Jetty income	557,599	383,872	557,599	383,872
Rental income from :				
- investment properties	204,600	213,290	240,120	248,810
- others	95,237	327,014	568,044	425,611
Negative goodwill on consolidation recognised as income	-	59,535	-	-

5. Profit Before Taxation (cont'd)

	Group		Company	
		(Restated)		(Restated)
	2006	2005	2006	2005
	RM	RM	RM	RM
and crediting (cont'd) :-				
Gain on foreign currency exchange :				
- realised	-	-	681	-
- unrealised	-	37,304	-	-
Allowance for diminution in value of quoted investment written back	892	-	892	-
Allowance for old and slow moving inventories written back	2,260,787	-	-	-
Reversal of provision for settlement of legal claim	250,000	-	-	-

6. Employee Benefits Expenses

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Staff costs comprised :-				
Salaries, wages, bonuses, allowances and leave pay	53,569,802	45,283,201	20,680,701	14,005,355
Amount contributed under defined contribution plan :				
- Employees Provident Fund (EPF)	5,864,657	4,938,337	2,861,437	2,131,623
Share options granted under ESOS	170,420	-	170,420	-
Defined benefit obligations	209,830	34,343	-	-
Death gratuity paid/payable in respect of a former Director	35,000	315,000	-	-
Others	2,527,383	2,824,660	1,032,930	1,154,980
	62,377,092	53,395,541	24,745,488	17,291,958

The number of employees of the Group and the Company at end of the financial year were 2,246 (2005 : 2,320) and 563 (2005 : 451) respectively.

7. Taxation

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Current year tax expense :				
- Malaysian income tax	(4,518,941)	(3,348,278)	(3,104,153)	(2,911,600)
- foreign tax	(4,033,637)	(2,869,588)	-	-
	(8,552,578)	(6,217,866)	(3,104,153)	(2,911,600)
Deferred tax (expense)/income resulting from the origination and reversal of temporary differences				
- Malaysian income tax	(912,913)	(482,526)	(1,265,777)	(22,777)
- foreign tax	95,864	-	-	-
Write down of deferred tax assets	(1,177,967)	-	-	-
Effects of change in tax rate	145,065	-	235,171	-
	(10,402,529)	(6,700,392)	(4,134,759)	(2,934,377)
Current taxation over/(under) provided in prior years :				
- Malaysian income tax	202,685	1,013,176	181,554	980,419
- foreign tax	-	(63,474)	-	-
Deferred tax (under)/over provided in prior years :				
- Malaysian income tax	(35,458)	(1,049,599)	(13,407)	(936,194)
- foreign tax	-	346,820	-	-
Real Property Gains Tax	(371,233)	-	(371,233)	-
Total tax expense	(10,606,535)	(6,453,469)	(4,337,845)	(2,890,152)

(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 (2005 : RM500,000) of taxable income is 20% and the rate for taxable income in excess of RM500,000 (2005 : RM500,000) remained at 28%. Effective from the year of assessment 2007, the statutory income tax rate will be reduced to 27% and to 26% for the year of assessment 2008 as announced in the 2007 Budget. The computation of deferred taxation as at 31st December, 2006 has reflected these changes.

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

7. Taxation (cont'd)

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

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Profit/(Loss) before taxation :				
- from continuing operations	43,481,942	22,898,230	11,020,858	7,569,691
- from discontinued operations	-	(1,117,775)	-	-
	43,481,942	21,780,455	11,020,858	7,569,691
Taxation at the rate of 28% (2005 : 28%)	12,174,944	6,098,527	3,085,840	2,119,513
Tax savings attributable to profit taxed at the rate of 20% (2005 : 20%)	-	(40,000)	-	-
Net taxation at applicable tax rates	12,174,944	6,058,527	3,085,840	2,119,513
Tax effect in respect of :-				
Different tax rates in foreign jurisdictions	(3,112,539)	(1,961,764)	-	-
Income not subject to tax	(4,185,340)	(1,115,881)	(3,085,989)	(407,542)
Expenses not deductible for taxation purposes	3,413,374	2,515,738	5,427,593	1,280,714
Double deduction of expenses	(87,544)	(80,227)	(57,514)	(58,308)
Tax savings arising from utilisation of group relief	(1,000,000)	-	(1,000,000)	-
Tax savings arising from utilisation of previously unrecognised unabsorbed tax losses and deductible temporary differences	-	(211,312)	-	-
Deferred tax assets not recognised	2,166,732	1,495,311	-	-
Real Property Gains Tax	371,233	-	371,233	-
Effects of change in tax rate	(145,065)	-	(235,171)	-
Write down of deferred tax assets	1,177,967	-	-	-
Taxation (over)/under provided in prior years :				
- current tax expense	(202,685)	(949,702)	(181,554)	(980,419)
- deferred taxation	35,458	702,779	13,407	936,194
Total tax expense	10,606,535	6,453,469	4,337,845	2,890,152

7. Taxation (cont'd)

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unabsorbed tax losses	51,810,293	53,876,875	-	-
Unutilised capital allowances	56,577,755	52,062,200	-	-
	108,388,048	105,939,075	-	-
Estimated tax effect thereon	29,264,773	29,662,941	-	-

8. Earnings Per Share

(a) Basic

The basic earnings per share is calculated on the profit for the year attributable to equity holders of the Company and is based on the weighted average number of ordinary shares in issue during the year.

	2006 RM	2005 RM
Profit from continuing operations attributable to equity holders of the Company	28,300,815	11,095,670
Loss from discontinued operations attributable to equity holders of the Company	-	(670,665)
Profit attributable to equity holders of the Company	28,300,815	10,425,005

	2006 No.	2005 No.
Weighted average number of ordinary share in issue	99,414,847	95,762,606

	2006 RM	2005 RM
Basic earnings per share for (sen) :		
- Profit from continuing operations	28.47	11.59
- Loss from discontinued operations	-	(0.70)
Profit for the year	28.47	10.89

8. Earnings Per Share (cont'd)

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares arising from the Special Issue to approved Bumiputra investors ("Special Issue") and assumed exercise of the share options under the Employees' Share Option Scheme.

	2006 RM	2005 RM
Profit attributable to equity holders of the Company (profit used to determine diluted earnings per share)	28,300,815	N/A

	2006 No.	2005 No.
Weighted average number of ordinary share in issue	99,414,847	N/A
Effect of dilution from :		
- Share options	891,174	N/A
- Special Issue	199,190	N/A
	100,505,211	N/A

	2006 RM	2005 RM
Diluted earnings per share (sen)	28.16	N/A

The effect on the basic earnings per share for the previous financial year arising from the assumed exercise of the share options under the Employees' Share Option Scheme is anti-dilutive. Accordingly, the diluted earnings per share for the previous financial year had not been presented.

9. Dividends

	Group and Company	
		(Restated)
	2006	2005
	RM	RM
Declared during the financial year :-		
Interim		
5 sen per ordinary share, less tax at 27% (2005 : 5 sen per ordinary share, less tax at 28%)	3,840,479	3,447,454
Final		
Final dividend for 2005 : 5 sen per ordinary share, tax exempt	4,839,830	-
Final dividend for 2004 : 10 sen per ordinary share, less tax at 28%	-	6,894,908
	8,680,309	10,342,362

A final tax exempt dividend in respect of the current year ended 31st December, 2006 of 5 sen per ordinary share amounting to RM5,260,930 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, 2007.

The comparative amount has been previously reported as RM8,235,584 and has been restated to conform with the current year's presentation. Correspondingly, the dividend per share previously reported at 8.60 sen per share has been restated to 10.80 sen per share.

10. Property, Plant and Equipment

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

Group 2006	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in progress RM	Total RM
Cost/Valuation									
Balance at 1st January, 2006									
- At cost	1,346,338	8,033,657	8,776,274	178,303,059	459,288	256,026,281	36,258,118	4,460,020	493,663,035
- At valuation	-	2,063,492	-	21,707,356	6,072,795	-	-	-	29,843,643
	1,346,338	10,097,149	8,776,274	200,010,415	6,532,083	256,026,281	36,258,118	4,460,020	523,506,678
Additions	-	-	-	377,475	39,160	3,927,361	2,017,364	19,064,589	25,425,949
Disposals	-	(1,250,305)	-	(2,583,249)	-	(371,081)	(1,632,141)	-	(5,836,776)
Write-offs	-	-	-	-	-	-	-	(28,822)	(28,822)
Transfers	-	-	-	1,503,949	290,861	11,052,908	-	(12,847,718)	-
Net exchange differences	-	-	(696,625)	(3,899,582)	-	(3,989,257)	(688,320)	(14,273)	(9,288,057)
Balance at 31st December, 2006	1,346,338	8,846,844	8,079,649	195,409,008	6,862,104	266,646,212	35,955,021	10,633,796	533,778,972
Comprising :									
- At cost	1,346,338	6,783,352	8,079,649	174,022,875	789,309	266,646,212	35,955,021	10,633,796	504,256,552
- At valuation	-	2,063,492	-	21,386,133	6,072,795	-	-	-	29,522,420
	1,346,338	8,846,844	8,079,649	195,409,008	6,862,104	266,646,212	35,955,021	10,633,796	533,778,972

10. Property, Plant and Equipment (cont'd)

(a) The movements of property, plant and equipment during the financial year are as follows (cont'd) :-

Group (cont'd) 2006	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in-progress RM	Total RM
Accumulated depreciation and impairment									
Balance at 1st January, 2006									
- Accumulated depreciation	-	3,051,404	3,320,573	78,126,213	2,772,925	183,846,951	28,437,931	-	299,555,997
- Accumulated impairment losses	-	-	-	311,173	-	14,376,591	120	-	14,687,884
	-	3,051,404	3,320,573	78,437,386	2,772,925	198,223,542	28,438,051	-	314,243,881
Charge for the year	-	209,892	265,203	5,918,518	131,907	11,090,727	2,789,998	-	20,406,245
Impairment loss	-	-	-	-	-	709,064	-	-	709,064
Disposals/ Write-offs	-	(193,348)	-	(729,752)	-	(289,808)	(1,545,663)	-	(2,758,571)
Net exchange differences	-	-	(260,093)	(767,201)	-	(2,072,298)	(496,740)	-	(3,596,332)
Balance at 31st December, 2006	-	3,067,948	3,325,683	82,858,951	2,904,832	207,661,227	29,185,646	-	329,004,287
Comprising :									
- Accumulated depreciation	-	3,067,948	3,325,683	82,547,778	2,904,832	192,818,063	29,185,526	-	313,849,830
- Accumulated impairment losses	-	-	-	311,173	-	14,843,164	120	-	15,154,457
	-	3,067,948	3,325,683	82,858,951	2,904,832	207,661,227	29,185,646	-	329,004,287
Net book value as at 31st December, 2006									
- At cost	1,346,338	4,410,158	4,753,966	101,724,197	717,648	58,984,985	6,769,375	10,633,796	189,340,463
- At valuation	-	1,368,738	-	10,825,860	3,239,624	-	-	-	15,434,222
	1,346,338	5,778,896	4,753,966	112,550,057	3,957,272	58,984,985	6,769,375	10,633,796	204,774,685

10. Property, Plant and Equipment (cont'd)

(a) The movements of property, plant and equipment during the financial year are as follows (cont'd) :-

Group (cont'd) 2005	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in-progress RM	Total RM
Cost/ Valuation									
Balance at 1st January, 2005									
As previously reported									
- At cost	1,715,424	8,033,657	8,896,116	180,024,012	459,288	248,278,166	37,146,578	7,196,355	491,749,596
- At valuation	3,574,151	2,063,492	-	23,447,856	6,072,795	-	-	-	35,158,294
Effects on adoption of :									
- FRS 138	-	-	-	-	-	(2,164,659)	-	-	(2,164,659)
- FRS 140	(3,943,237)	-	-	(2,836,020)	-	-	-	-	(6,779,257)
As restated									
- At cost	1,346,338	8,033,657	8,896,116	178,928,492	459,288	246,113,507	37,146,578	7,196,355	488,120,331
- At valuation	-	2,063,492	-	21,707,356	6,072,795	-	-	-	29,843,643
	1,346,338	10,097,149	8,896,116	200,635,848	6,532,083	246,113,507	37,146,578	7,196,355	517,963,974
Additions	-	-	-	45,344	-	2,153,047	1,578,412	5,828,072	9,604,875
Disposals	-	-	-	-	-	(111,593)	(2,067,695)	-	(2,179,288)
Write-offs	-	-	-	-	-	(8,625)	(281,005)	-	(289,630)
Transfers	-	-	-	-	-	8,563,239	-	(8,563,239)	-
Net exchange differences	-	-	(119,842)	(670,777)	-	(683,294)	(118,172)	(1,168)	(1,593,253)
Balance at 31st December, 2005	1,346,338	10,097,149	8,776,274	200,010,415	6,532,083	256,026,281	36,258,118	4,460,020	523,506,678

Comprising :									
- At cost	1,346,338	8,033,657	8,776,274	178,303,059	459,288	256,026,281	36,258,118	4,460,020	493,663,035
- At valuation	-	2,063,492	-	21,707,356	6,072,795	-	-	-	29,843,643
	1,346,338	10,097,149	8,776,274	200,010,415	6,532,083	256,026,281	36,258,118	4,460,020	523,506,678

10. Property, Plant and Equipment (cont'd)

(a) The movements of property, plant and equipment during the financial year are as follows (cont'd) :-

Group (cont'd) 2005	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in-progress RM	Total RM
Accumulated depreciation and impairment									
Balance at 1st January, 2005									
As previously reported									
- Accumulated depreciation	-	2,826,687	3,068,619	73,455,298	2,642,284	174,667,503	28,117,541	-	284,777,932
- Accumulated impairment losses	-	-	-	311,173	-	14,404,084	120	-	14,715,377
Effects on adoption of :									
- FRS 138	-	-	-	-	-	(1,276,148)	-	-	(1,276,148)
- FRS 140	-	-	-	(875,452)	-	-	-	-	(875,452)
As restated									
- Accumulated depreciation	-	2,826,687	3,068,619	72,579,846	2,642,284	173,391,355	28,117,541	-	282,626,332
- Accumulated impairment losses	-	-	-	311,173	-	14,404,084	120	-	14,715,377
	-	2,826,687	3,068,619	72,891,019	2,642,284	187,795,439	28,117,661	-	297,341,709

10. Property, Plant and Equipment (cont'd)

(a) The movements of property, plant and equipment during the financial year are as follows (cont'd) :-

Group (cont'd) 2005	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in-progress RM	Total RM
Accumulated depreciation and impairment (cont'd)									
Charge for the year	-	224,717	292,705	5,654,214	130,641	10,818,007	2,635,744	-	19,756,028
Impairment loss	-	-	-	-	-	14,224	-	-	14,224
Disposals/ Write-offs	-	-	-	-	-	(106,077)	(2,240,637)	-	(2,346,714)
Net exchange differences	-	-	(40,751)	(107,847)	-	(298,051)	(74,717)	-	(521,366)
Balance at 31st December, 2005	-	3,051,404	3,320,573	78,437,386	2,772,925	198,223,542	28,438,051	-	314,243,881
Comprising :									
- Accumulated depreciation	-	3,051,404	3,320,573	78,126,213	2,772,925	183,846,951	28,437,931	-	299,555,997
- Accumulated impairment losses	-	-	-	311,173	-	14,376,591	120	-	14,687,884
	-	3,051,404	3,320,573	78,437,386	2,772,925	198,223,542	28,438,051	-	314,243,881
Net book value as at 31st December, 2005									
- At cost	1,346,338	5,652,132	5,455,701	110,173,344	398,048	57,802,739	7,820,067	4,460,020	193,108,389
- At valuation	-	1,393,613	-	11,399,685	3,361,110	-	-	-	16,154,408
	1,346,338	7,045,745	5,455,701	121,573,029	3,759,158	57,802,739	7,820,067	4,460,020	209,262,797

10. Property, Plant and Equipment (cont'd)

(a) The movements of property, plant and equipment during the financial year are as follows (cont'd) :-

Company 2006	Long leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in-progress RM	Total RM
Cost/Valuation							
Balance at 1st January, 2006							
- At cost	5,244,933	49,493,687	459,288	72,503,753	13,398,357	2,649,468	143,749,486
- At valuation	2,063,492	21,707,356	6,072,795	-	-	-	29,843,643
	7,308,425	71,201,043	6,532,083	72,503,753	13,398,357	2,649,468	173,593,129
Additions	-	73,742	39,160	2,461,178	2,005,304	2,829,597	7,408,981
Disposals	(1,250,305)	(2,583,249)	-	(1,623)	(463,124)	-	(4,298,301)
Write-offs	-	-	-	-	-	(28,822)	(28,822)
Transfers	-	(301,011)	290,861	4,645,264	-	(4,635,114)	-
Balance at 31st December, 2006	6,058,120	68,390,525	6,862,104	79,608,572	14,940,537	815,129	176,674,987
Comprising :							
- At cost	3,994,628	47,004,392	789,309	79,608,572	14,940,537	815,129	147,152,567
- At valuation	2,063,492	21,386,133	6,072,795	-	-	-	29,522,420
	6,058,120	68,390,525	6,862,104	79,608,572	14,940,537	815,129	176,674,987
Accumulated depreciation							
Balance at 1st January, 2006	2,346,659	26,136,412	2,772,925	62,214,986	10,617,569	-	104,088,551
Charge for the year	167,821	1,387,415	131,907	2,213,827	1,357,183	-	5,258,153
Disposals	(193,348)	(729,752)	-	(303)	(457,250)	-	(1,380,653)
Balance at 31st December, 2006	2,321,132	26,794,075	2,904,832	64,428,510	11,517,502	-	107,966,051
Net book value as at 31st December, 2006							
- At cost	2,368,250	30,770,590	717,648	15,180,062	3,423,035	815,129	53,274,714
- At valuation	1,368,738	10,825,860	3,239,624	-	-	-	15,434,222
	3,736,988	41,596,450	3,957,272	15,180,062	3,423,035	815,129	68,708,936

10. Property, Plant and Equipment (cont'd)

(a) The movements of property, plant and equipment during the financial year are as follows (cont'd) :-

Company (cont'd)

2005	Freehold land RM	Long leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in-progress RM	Total RM
Cost/Valuation								
Balance at 1st January, 2005								
As previously reported								
- At cost	98,000	5,244,933	50,589,207	459,288	68,721,956	13,900,025	3,769,040	142,782,449
- At valuation	3,574,151	2,063,492	23,447,856	6,072,795	-	-	-	35,158,294
Effects on adoption of :								
- FRS 138	-	-	-	-	(812,235)	-	-	(812,235)
- FRS 140	(3,672,151)	-	(2,836,020)	-	-	-	-	(6,508,171)
As restated								
- At cost	-	5,244,933	49,493,687	459,288	67,909,721	13,900,025	3,769,040	140,776,694
- At valuation	-	2,063,492	21,707,356	6,072,795	-	-	-	29,843,643
	-	7,308,425	71,201,043	6,532,083	67,909,721	13,900,025	3,769,040	170,620,337
Additions	-	-	-	-	469,190	570,837	3,045,929	4,085,956
Disposals	-	-	-	-	(34,534)	(791,500)	-	(826,034)
Write-offs	-	-	-	-	(6,125)	(281,005)	-	(287,130)
Transfers	-	-	-	-	4,165,501	-	(4,165,501)	-
Balance at 31st December, 2005	-	7,308,425	71,201,043	6,532,083	72,503,753	13,398,357	2,649,468	173,593,129
Comprising :								
- At cost	-	5,244,933	49,493,687	459,288	72,503,753	13,398,357	2,649,468	143,749,486
- At valuation	-	2,063,492	21,707,356	6,072,795	-	-	-	29,843,643
	-	7,308,425	71,201,043	6,532,083	72,503,753	13,398,357	2,649,468	173,593,129

10. Property, Plant and Equipment (cont'd)

(a) The movements of property, plant and equipment during the financial year are as follows (cont'd) :-

Company (cont'd)

2005	Freehold land RM	Long leasehold land RM	Buildings RM	Jetty RM	Plant, machinery, fixtures and equipment RM	Motor vehicles and boat RM	Capital work-in-progress RM	Total RM
Accumulated depreciation								
Balance at 1st January, 2005								
As previously reported	-	2,165,934	25,546,112	2,642,283	61,025,278	10,559,049	-	101,938,656
Effects on adoption of :								
- FRS 138	-	-	-	-	(503,327)	-	-	(503,327)
- FRS 140	-	-	(875,452)	-	-	-	-	(875,452)
As restated	-	2,165,934	24,670,660	2,642,283	60,521,951	10,559,049	-	100,559,877
Charge for the year	-	180,725	1,465,752	130,642	1,725,252	1,086,379	-	4,588,750
Disposals	-	-	-	-	(28,951)	(746,855)	-	(775,806)
Write-offs	-	-	-	-	(3,266)	(281,004)	-	(284,270)
Balance at 31st December, 2005	-	2,346,659	26,136,412	2,772,925	62,214,986	10,617,569	-	104,088,551
Net book value as at 31st December, 2005								
- At cost	-	3,568,153	33,664,946	398,048	10,288,767	2,780,788	2,649,468	53,350,170
- At valuation	-	1,393,613	11,399,685	3,361,110	-	-	-	16,154,408
	-	4,961,766	45,064,631	3,759,158	10,288,767	2,780,788	2,649,468	69,504,578

10. Property, Plant and Equipment (cont'd)

(b) 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 in 1998, 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.

(c) 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.

(d) 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, 2006 are as follows :-

	2006 RM	2005 RM
Long leasehold land	223,997	226,979
Buildings	2,026,954	2,109,018
Plant, machinery, fixtures and equipment	5,556	93,255
	2,256,507	2,429,252

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.

(e) Included in the Group's property, plant and equipment is leasehold land belonging to certain subsidiary companies of which legal titles of the land have not been transferred to the respective subsidiaries. The net book values of these leasehold land as at 31st December, 2006 are as follows :-

	2006 RM	2005 RM
Long leasehold land	1,817,913	1,860,020
Short leasehold land	78,872	86,760
	1,896,785	1,946,780

11. Investment Properties

	Group 2006 RM	Group (Restated) 2005 RM	Company 2006 RM	Company (Restated) 2005 RM
Cost/Valuation				
Balance at 1st January				
- As previously reported	6,779,257	-	6,508,171	-
- Effect on adoption of FRS 140	-	6,779,257	-	6,508,171
- As restated	6,779,257	6,779,257	6,508,171	6,508,171
Addition during the financial year	-	-	-	-
Balance at 31st December	6,779,257	6,779,257	6,508,171	6,508,171
Comprising :				
- At cost	1,464,606	1,464,606	1,193,520	1,193,520
- At valuation	5,314,651	5,314,651	5,314,651	5,314,651
	6,779,257	6,779,257	6,508,171	6,508,171
Accumulated depreciation				
Balance at 1st January				
- As previously reported	(932,172)	-	(932,172)	-
- Effect on adoption of FRS 140	-	(875,452)	-	(875,452)
- As restated	(932,172)	(875,452)	(932,172)	(875,452)
Depreciation for the financial year	(56,712)	(56,720)	(56,712)	(56,720)
Balance at 31st December	(988,884)	(932,172)	(988,884)	(932,172)
Comprising :				
- At cost	(153,444)	(131,542)	(153,444)	(131,542)
- At valuation	(835,440)	(800,630)	(835,440)	(800,630)
	(988,884)	(932,172)	(988,884)	(932,172)
Net book value				
- At cost	1,311,162	1,333,064	1,040,076	1,061,978
- At valuation	4,479,211	4,514,021	4,479,211	4,514,021
	5,790,373	5,847,085	5,519,287	5,575,999

The investment properties of the Group and of the Company consist of freehold land and buildings. The previous revaluation of certain properties in 1983 less accumulated depreciation has been retained as the carrying amount with continuity in the depreciation policy in line with the transitional provisions issued by the Malaysian Accounting Standards Board.

The fair value of the investment properties approximate the net book value of the investment properties.

12. Intangible Assets

Computer software	Group 2006 RM	Group (Restated) 2005 RM	Company 2006 RM	Company (Restated) 2005 RM
Cost				
Balance at 1st January				
- As previously reported	5,211,422	-	3,877,636	-
- Effect on adoption of FRS 138	-	2,164,659	-	812,235
- As restated	5,211,422	2,164,659	3,877,636	812,235
Additions during the financial year	1,153,679	3,065,401	1,102,047	3,065,401
Net exchange differences	(108,346)	(18,638)	-	-
Balance at 31st December	6,256,755	5,211,422	4,979,683	3,877,636
Accumulated amortisation				
Balance at 1st January				
- As previously reported	(2,160,548)	-	(1,312,047)	-
- Effect of adoption of FRS 138	-	(1,276,148)	-	(503,327)
- As restated	(2,160,548)	(1,276,148)	(1,312,047)	(503,327)
Amortisation for the financial year	(1,199,273)	(895,051)	(1,117,267)	(808,720)
Net exchange differences	68,925	10,651	-	-
Balance at 31st December	(3,290,896)	(2,160,548)	(2,429,314)	(1,312,047)
Net carrying amount	2,965,859	3,050,874	2,550,369	2,565,589

The computer software represents the costs of software acquired. The costs of software acquired, including all directly attributable costs of preparing the assets for their intended use, are amortised on the straight line basis to administrative expenses over the estimated useful life of 4 years.

13. Investments in Subsidiaries

	Company 2006 RM	Company 2005 RM
Unquoted shares at cost	203,383,363	203,383,363
Less : Accumulated impairment losses	(54,067,000)	(52,767,000)
	149,316,363	150,616,363

13. Investments in Subsidiaries (cont'd)

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

Direct subsidiaries	Principal activities	Effective interest in equity 2006 %	2005 %
Dindings Soya & Multifeeds Sdn Berhad	Manufacture and sale of animal feeds and related raw materials, purchase and contract farming of poultry for resale	70	70
Syarikat Pengangkutan Lumut Sdn Bhd	Transport management (ceased operations during the year 2006)	100	100
Dindings Poultry Processing Sdn Bhd *	Processing and sale of poultry products	95	95
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
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 13(d))	Manufacture and sale of polypropylene and polyethylene woven bags and its allied products (ceased operations since 2004)	60	60
MFM Property Sdn Bhd	Property investment (dormant)	100	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

13. Investments in Subsidiaries (cont'd)

The subsidiaries, all of which are incorporated in Malaysia except as disclosed otherwise, comprise (cont'd) :-

Indirect subsidiaries	Principal activities	Effective interest in equity 2006 %	2005 %
Mekong Flour Mills Ltd * (incorporated in Vietnam)	Flour and feed milling	100	100
Dindings Trading Sdn Bhd *	Trading of poultry products (dormant)	47	-

* Subsidiary companies not audited by Folks DFK & Co.

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

(b) On 22nd November, 2006, Dindings Poultry Processing Sdn Bhd ("DPP"), a subsidiary in which the Company has 95% equity interest, subscribed for 1 new ordinary share of RM1 each for a cash total consideration of RM1 in Dindings Trading Sdn Bhd ("DTSB"). As at 31st December, 2006, the Group and DPP have 47% and 50% equity interest in DTSB respectively. The acquisition of DTSB has no material effect on the financial results for the year and financial position of the Group as at 31st December, 2006 as DTSB is dormant.

Subsequently, on 23rd January, 2007, DPP subscribed for an additional 10,199 new ordinary shares of RM1 each in DTSB for a total cash consideration of RM10,199. The subscription resulted in an increase in the Group's and DPP's effective interest in DTSB to 48% and 51% respectively.

(c) During the previous financial year, the Company acquired additional shares in the following subsidiaries :-

(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 was 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 was 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.

(ii) An additional 12,857,000 ordinary shares of RM1.00 each in Dindings Poultry Processing Sdn Bhd ("DPP") from a subsidiary, 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 in 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 prior to the acquisition.

13. Investments in Subsidiaries (cont'd)

(d) In 2004, Muda Fibre Manufacturing Sdn Bhd ceased its business activities. The closure exercise was completed in 2005 and the effects of the discontinued of operations are disclosed in Note 28 to the financial statements.

(e) The financial statements of a foreign subsidiary, 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 1996 and has not recorded any depreciation with respect thereto. In 2006, certain parts of this asset with historical cost of VND1,492 million (RM368,922) has been used for the company's Phase II project and other parts with historical cost of VND338 million (RM83,576) have been transferred to spare parts account for future use. No provision for impairment has been recorded with respect to the remaining unused asset.

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.

14. Investments in Associates

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Unquoted shares at cost	2,800,004	2,800,000	4	-
Share of post-acquisition reserves	(1,828,004)	(1,323,358)	-	-
	972,000	1,476,642	4	-

The summarised financial information of the associates are as follows : -

	Company	
	2006 RM	**2005 RM**
Results		
Revenue	66,303,314	84,557,671
(Loss)/Profit for the year	(1,261,616)	1,505,065
Assets and liabilities		
Total assets	9,754,873	10,154,900
Total liabilities	(7,324,874)	(6,463,295)
	2,429,999	3,691,605

14. Investments in Associates (cont'd)

The details of the associates are as follows :-

Name of company	Principal activities	Effective interest in equity 2006 %	2005 %
Fongcheng Enterprises Sendirian Berhad	Poultry merchant	28	28
Innosolutions Sdn Bhd (Note 14(a))	Provision of information technology services	40	-

(a) On 4th October, 2006, the Company acquired 40% equity interest in Innosolutions Sdn Bhd through the subscription of 4 new ordinary shares of RM1.00 each for a total cash consideration of RM4.

15. Other Investments

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Quoted in Malaysia				
- shares at cost	1,604,150	1,710,950	200	107,000
Unquoted shares at cost				
- in Malaysia	60,000	60,000	60,000	60,000
- foreign	5,137,320	5,142,213	5,081,971	5,081,971
	6,801,470	6,913,163	5,142,171	5,248,971
Allowance for diminution in value of :				
- quoted investment	(1,122,164)	(1,224,516)	(189)	(102,541)
- unquoted investment	(5,081,971)	(5,081,971)	(5,081,971)	(5,081,971)
	597,335	606,676	60,011	64,459
Market value of quoted shares	705,751	501,684	13	4,459

Included under 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. SMFF is currently being liquidated.

16. Deferred Taxation

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
At beginning of year	3,755,485	2,570,180	6,641,971	5,683,000
Recognised in income statement (Note 7)	852,507	1,185,305	1,279,184	958,971
Write down of deferred tax assets	1,177,967	-	-	-
Effects of change in tax rate	(145,065)	-	(235,171)	-
Net exchange differences	28,216	-	-	-
At end of year	5,669,110	3,755,485	7,685,984	6,641,971
Presented after appropriate offsetting as follows :-				
Deferred tax assets	(2,016,874)	(3,298,486)	-	-
Deferred tax liabilities	7,685,984	7,053,971	7,685,984	6,641,971
	5,669,110	3,755,485	7,685,984	6,641,971

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

2006

Group	Excess of capital allowances over depreciation RM	Revaluation of properties RM	Total RM
Deferred tax liabilities			
Balance at 1st January, 2006	10,415,643	3,844,152	14,259,795
Recognised in income statement	365,307	(139,761)	225,546
Effects of change in tax rate	(499,218)	-	(499,218)
Balance at 31st December, 2006	10,281,732	3,704,391	13,986,123

16. Deferred Taxation (cont'd)

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

2006

Group

	Unabsorbed tax losses RM	Unutilised capital allowances RM	Other deductible temporary differences RM	Total RM
Deferred tax assets				
Balance at 1st January, 2006	(1,854,616)	(5,682,730)	(2,966,964)	(10,504,310)
Recognised in income statement	(151,198)	653,183	124,976	626,961
Write down	56,230	1,117,687	4,050	1,177,967
Effects of change in tax rate	49,282	198,290	106,581	354,153
Net exchange differences	28,173	-	43	28,216
Balance at 31st December, 2006	(1,872,129)	(3,713,570)	(2,731,314)	(8,317,013)

Company

	Excess of capital allowances over depreciation RM	Revaluation of properties RM	Total RM
Deferred tax liabilities			
Balance at 1st January, 2006	3,805,819	3,844,152	7,649,971
Recognised in income statement	1,259,908	(139,761)	1,120,147
Effects of change in tax rate	(271,171)	-	(271,171)
Balance at 31st December, 2006	4,794,556	3,704,391	8,498,947

	Deductible temporary differences RM
Deferred tax assets	
Balance at 1st January, 2006	(1,008,000)
Recognised in income statement	159,037
Effects of change in tax rate	36,000
Balance at 31st December, 2006	(812,963)

16. Deferred Taxation (cont'd)

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

2005

Group

	Excess of capital allowances over depreciation RM	Revaluation of properties RM	Total RM
Deferred tax liabilities			
Balance at 1st January, 2005	9,833,759	3,983,913	13,817,672
Recognised in income statement	581,884	(139,761)	442,123
Balance at 31st December, 2005	10,415,643	3,844,152	14,259,795

	Unabsorbed tax losses RM	Unutilised capital allowances RM	Other deductible temporary differences RM	Total RM
Deferred tax assets				
Balance at 1st January, 2005	(1,644,792)	(7,015,975)	(2,586,725)	(11,247,492)
Recognised in income statement	(209,824)	1,333,245	(380,239)	743,182
Balance at 31st December, 2005	(1,854,616)	(5,682,730)	(2,966,964)	(10,504,310)

2005

Company

	Excess of capital allowances over depreciation RM	Revaluation of properties RM	Total RM
Deferred tax liabilities			
Balance at 1st January, 2005	3,455,527	3,983,913	7,439,440
Recognised in income statement	350,292	(139,761)	210,531
Balance at 31st December, 2005	3,805,819	3,844,152	7,649,971

	Deductible temporary differences RM
Deferred tax assets	
Balance at 1st January, 2005	(1,756,440)
Recognised in income statement	748,440
Balance at 31st December, 2005	(1,008,000)

16. 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 2006 RM	Group 2005 RM
Unabsorbed tax losses	43,932,694	46,178,475
Unutilised capital allowances	42,824,739	31,652,404
Other deductible temporary differences	600,000	2,407,045
	87,357,433	80,237,924

The deductible temporary differences and unabsorbed tax losses are available for set off against future taxable profits of respective subsidiaries for an indefinite period.

17. Inventories

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
At cost :				
Raw materials	196,405,128	90,751,891	87,047,588	46,330,226
Semi-processed goods	420,072	439,312	-	-
Finished goods	17,532,072	20,679,437	3,883,116	3,127,390
Broilers, day-old chicks and hatching eggs	3,350,981	3,735,484	-	-
Consumables	11,411,895	11,178,002	4,299,337	3,389,844
	229,120,148	126,784,126	95,230,041	52,847,460
At cost less depreciation :-				
Poultry parent inventories	4,841,926	4,947,384	-	-
At net realisable value :-				
Raw materials	24,897	576,153	-	-
Semi-processed goods	414,198	725,923	-	-
Finished goods	71,843	1,469,649	-	-
Consumables	873,944	873,944	-	-
	1,384,882	3,645,669	-	-
Allowance for old and slow moving inventories	(1,384,882)	(3,645,669)	-	-
	-	-	-	-
	233,962,074	131,731,510	95,230,041	52,847,460

During the financial year, the Group has made a reversal of the allowance for old and slow moving inventories of RM2,260,787 (2005 : RMNil). The reversal was made as the estimated net realisable value of the inventories has increased based on current estimates.

Inventories of the Group written off against the allowance for old and slow moving inventories during the financial year amounted to RMNil (2005 : RM3,341).

18. Trade and Other Receivables

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Trade receivables	148,147,385	121,176,255	46,700,879	43,162,207
Allowance for doubtful debts	(14,218,334)	(14,436,272)	(3,010,973)	(3,600,000)
	133,929,051	106,739,983	43,689,906	39,562,207
Amount owing by subsidiary companies	-	-	76,593,981	53,200,105
Allowance for doubtful debts	-	-	(13,436,191)	-
	-	-	63,157,790	53,200,105
Other receivables, deposits and prepayments	13,156,971	11,914,505	3,035,430	2,725,840
Allowance for doubtful debts	(2,320,929)	(2,323,321)	(153,284)	(155,676)
	10,836,042	9,591,184	2,882,146	2,570,164
	144,765,093	116,331,167	109,729,842	95,332,476

The currency exposure profile of trade receivables is as follows :

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Ringgit Malaysia	97,028,263	78,683,435	43,689,906	39,562,207
Vietnamese Dong	36,900,788	28,056,548	-	-
	133,929,051	106,739,983	43,689,906	39,562,207

(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, interest free and has no fixed terms of repayment.

(d) Included under trade receivables of the Group as at 31st December, 2006 is an amount owing by an associated company, Fongcheng Enterprises Sendirian Berhad of RM4,184,492 (2005 : RM3,815,498).

18. Trade and Other Receivables (cont'd)

(e) In respect of the trade and other receivables of the Group and of the Company, an amount of RM1,600,626 (2005 : RM150,400) and RM593,982 (2005 : RMNil) has been written off against the allowance for doubtful debts during the financial year.

19. Deposits, Cash and Bank Balances

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits with licensed banks	43,537,264	54,614,879	6,800,000	7,850,000
Cash and bank balances	11,124,402	13,851,210	1,631,957	4,052,162
	54,661,666	68,466,089	8,431,957	11,902,162

The currency exposure profile of deposits, cash and bank balances is as follows :-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	15,620,251	16,996,134	8,392,434	11,853,819
United States Dollar	578,641	801,805	39,523	48,343
Vietnamese Dong	38,462,774	50,668,150	-	-
	54,661,666	68,466,089	8,431,957	11,902,162

20. Share Capital

(a) Share capital	Group and Company 2006 RM	2005 RM
Authorised :-		
200,000,000 ordinary shares of RM1.00 each	200,000,000	200,000,000
Issued and fully paid ordinary shares of RM1.00 each :-		
At beginning of year	95,762,606	95,762,606
Issued during the financial year for cash pursuant to :		
- Special Issue to approved Bumiputra investors	5,000,000	-
- Employees' Share Option Scheme ("ESOS")(Note 20(b))	4,456,000	-
	9,456,000	-
At end of year	105,218,606	95,762,606

20. Share Capital (cont'd)

(a) Share capital (cont'd)

During the financial year, the Company issued 9,456,000 new ordinary shares of RM1.00 each for cash consideration through the following :-

(i) 5,000,000 new ordinary shares at an issue price of RM1.77 per ordinary share pursuant to the Company's Special Issue to approved Bumiputra investors.

(ii) 4,444,000 new ordinary shares at an issue price of RM1.58 per ordinary share pursuant to the Company's ESOS.

(iii) 12,000 new ordinary shares at an issue price of RM1.75 per ordinary share pursuant to the Company's ESOS.

The share premium arising, after deducting the share issue costs of RM55,699, amounting to RM6,380,821 had been credited to the share premium account.

(b) 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 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.

(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.

20. Share Capital (cont'd)

(b) Employees' Share Option Scheme ("ESOS") (cont'd)

(v) The option price of the share shall be the higher of the weighted average market price of the shares as shown in the Daily Official List of the Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer with an allowance for a discount of not more than 10% therefrom at the Option Committee's discretion or the par value of the shares.

(vi) All the new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company except that such shares so allotted shall not be entitled to any dividends, rights, allotments or other forms of distribution which may be declared prior to the date of allotment of the shares.

(vii) The Scheme shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as conferred upon it by the Board.

(viii) An option granted under the ESOS shall cease with immediate effect where the grantee ceases his employment or appointment with the Group by reason of resignation or termination of employment with the Group other than by reason of his retirement on or after attaining normal retirement age, retirement before attaining the normal retirement age with the consent of the Option Committee, ill-health, injury or disability, redundancy and/or any other circumstances which may be approved by the Option Committee in writing.

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

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

The movements in the number of options over unissued ordinary shares granted to eligible Directors and employees of the Group during the financial year and the weighted average exercise prices are as follows :-

	Option over number of ordinary shares of RM1.00 each					
Grant date	**Oustanding at beginning of year**	**Granted**	**Exercised**	**Ceased/ Lapsed**	**Oustanding at end of year**	**Exercisable at end of year**
2006						
28th May, 2004	6,812,000	-	(4,396,000)	(343,000)	2,073,000	2,073,000
14th April, 2006	-	198,000	(48,000)	-	150,000	150,000
22nd June, 2006	-	220,000	-	-	220,000	220,000
1st July, 2006	-	14,000	(12,000)	-	2,000	2,000
2nd September, 2006	-	50,000	-	-	50,000	50,000
19th September, 2006	-	50,000	-	-	50,000	50,000
	6,812,000	532,000	(4,456,000)	(343,000)	2,545,000	2,545,000

20. Share Capital (cont'd)

(b) Employees' Share Option Scheme ("ESOS") (cont'd)

(ix) The movements in the number of options over unissued ordinary shares granted to eligible Directors and employees of the Group during the financial year and the weighted average exercise prices are as follows (cont'd) :-

	Option over number of ordinary shares of RM1.00 each					
Grant date	Oustanding at beginning of year	Granted	Exercised	Ceased/ Lapsed	Oustanding at end of year	Exercisable at end of year
2006(cont'd)						
Weighted average exercise prices	RM1.58	RM1.67	RM1.58	RM1.58	RM1.60	RM1.60
2005						
28th May, 2004	7,653,000	-	-	(841,000)	6,812,000	6,812,000
Weighted average exercise prices	RM1.58	N/A	N/A	RM1.58	RM1.58	RM1.58

(i) **Details of share options outstanding at the end of the financial year**

Grant date	Exercise period	Exercise price	Number of share options outstanding
2006			
28th May, 2004	28th May, 2004 to 27th May, 2007	RM1.58	2,073,000
14th April, 2006	14th April, 2006 to 27th May, 2007	RM1.58	150,000
22nd June, 2006	22nd June 2006 to 27th May, 2007	RM1.67	220,000
1st July, 2006	1st July, 2006 to 27th May, 2007	RM1.75	2,000
2nd September, 2006	2nd September, 2006 to 27th May, 2007	RM1.85	50,000
19th September, 2006	19th September, 2006 to 27th May, 2007	RM1.91	50,000
2005			
28th May, 2004	28th May, 2004 to 27th May, 2007	RM1.58	6,812,000

The weighted average remaining contractual life of the option outstanding as at the end of the financial year was 0.40 year (2005 : 1.40 years).

20. Share Capital (cont'd)

(b) Employees' Share Option Scheme ("ESOS") (cont'd)

(ii) Share options exercised during the financial year

During the financial year, the exercise of share options has resulted in the issuance of 4,456,000 (2005 : Nil) new ordinary shares of RM1 each at an average exercise price per share of RM1.58 (2005 : Nil). The weighted average share price at the date of exercise was RM2.04 (2005 : Nil).

(iii) Fair value of share options granted during the financial year

The fair value of the share options granted during the financial year was measured using the Binomial Option Pricing model. The weighted average fair value of share options granted measured at the grant dates and the inputs to that model used to measure the fair value are as follows :-

	2006
Weighted average fair value of share options granted during the financial year	RM0.32
Weighted average share price	RM1.95
Weighted average exercise price	RM1.68
Expected volatility	22.84%
Expected life of option	0.82 year
Expected dividend	3.49%
Risk-free interest rate	3.85%

The expected volatility is a historical volatility calculated using a one-year weekly closing market prices. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the options granted were incorporated in the measurement of the fair value.

No comparatives are provided as there were no share options granted in the previous financial year.

21. Reserves

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable				
Share premium(Note 21(a))	54,029,798	47,626,617	54,029,798	47,626,617
Other reserves (Note 21(b))	27,131,968	26,983,908	19,458,707	19,310,647
Exchange translation differences	(11,687,466)	(2,319,171)	-	-
Distributable				
Retained profits	138,359,711	118,739,205	110,695,414	112,692,710
	207,834,011	191,030,559	184,183,919	179,629,974

21. Reserves (cont'd)

(a) Share Premium

	Group and Company 2006 RM	2005 RM
At beginning of year	47,626,617	47,626,617
Arising from issuance of shares	6,436,520	-
Transferred from share option reserve upon the exercise of share options (Note 21(b)(ii))	22,360	-
Share issue expenses	(55,699)	-
	6,403,181	-
At end of year	54,029,798	47,626,617

(b) Other Reserves

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Capital reserves (Note 21(b)(i))	26,983,908	26,983,908	19,310,647	19,310,647
Share option reserve (Note 21(b)(ii))	148,060	-	148,060	-
	27,131,968	26,983,908	19,458,707	19,310,647

(i) Capital Reserves

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
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	7,673,261	7,673,261	-	-
	26,983,908	26,983,908	19,310,647	19,310,647

21. Reserves (cont'd)

(ii) Share Option Reserve

	Group and Company	
	2006	2005
	RM	RM
Balance at beginning of year	-	-
Addition arising from share options granted during the financial year	170,420	-
Transferred to share premium upon the exercise of share options (Note 21(a))	(22,360)	-
Balance at end of year	148,060	-

(c) The Company has an estimated Section 108 tax credit under the Malaysian Income Tax Act, 1967 of RM70,666,670 (2005 : RM69,279,814) 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 RM26,384,701 (2005 : RM23,783,431) which, subject to agreement with the Malaysian tax authorities and the availability of profits, is distributable by way of tax exempt dividend.

22. Retirement Benefits

(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 :-

	Group	
	2006	2005
	RM	RM
Balance at beginning of year	525,662	512,723
Charged to income statement	209,830	34,343
Benefits paid	(19,242)	(14,337)
Currency translation difference	(45,949)	(7,067)
Balance at end of year	670,301	525,662

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

22. Retirement Benefits (cont'd)

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

	Group	
	2006 RM	2005 RM
Current service cost	170,628	27,671
Interest cost	39,202	6,672
	209,830	34,343

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

	Group	
	2006 RM	2005 RM
Cost of inventories sold	64,277	1,432
Selling and distribution expenses	20,436	2,864
Administration expenses	125,117	30,047
	209,830	34,343

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

	Group	
	2006 %	2005 %
Discount rate	6	6
Future average salary increases	4	4

23. Trade and Other Payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	20,140,190	18,959,652	4,498,987	4,675,025
Amount owing to subsidiary companies	-	-	5,702,210	5,397,746
Other payables and accruals	37,101,711	32,555,422	15,832,567	12,213,823
	57,241,901	51,515,074	26,033,764	22,286,594

23. Trade and Other Payables (cont'd)

The currency exposure profile of trade payables is as follows :-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	13,440,950	13,621,727	4,498,987	4,675,025
Vietnamese Dong	6,699,240	5,337,925	-	-
	20,140,190	18,959,652	4,498,987	4,675,025

(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 RM3,247,965 (2005 : 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 31 December 2005 was an amount of RM2,260,000 which represents the deposits received from the sale of the Company's leasehold land and building. The sale was completed in March 2006.

24. Borrowings

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Bankers' acceptances/ Revolving credits	149,435,375	120,781,737	112,919,375	80,808,663
Bank overdrafts	53,596	-	53,596	-
Other short term loans	87,413,493	41,246,932	-	-
	236,902,464	162,028,669	112,972,971	80,808,663

(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 3.79% to 4.35% (2005 : 2.82% to 4.50%) per annum.

Interest on bank overdrafts is calculated at rates ranging from 6.50% to 7.50% (2005 : 6.50% to 7.00%) per annum.

Other short term loans relate to that of foreign subsidiaries and interests are payable at rates ranging from 5.12% to 6.40% (2005 : 3.08% to 5.12%) per annum.

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	149,488,971	120,781,737	112,972,971	80,808,663
United States Dollar	87,413,493	41,246,932	-	-
	236,902,464	162,028,669	112,972,971	80,808,663

25. Cash and Cash Equivalents

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Deposits, cash and bank balances (Note 19)	54,661,666	68,466,089	8,431,957	11,902,162
Bank overdrafts (Note 24)	(53,596)	-	(53,596)	-
	54,608,070	68,466,089	8,378,361	11,902,162

26. Changes in Accounting Policies

The new and revised accounting standards which became effective during the financial year and are relevant to the Group's operations are listed in Note 3 to the financial statements.

The following represents the effects of adopting the new and revised accounting standards on the financial statements of the Group and of the Company :-

(a) Adoption of new accounting standards with immaterial effects on the financial statements

The adoption of FRS 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 136 did not result in significant changes to the Group's accounting policies and have no significant impact on the amounts reported in the financial statements.

(b) Impact on adoption of FRS 101 : Presentation of Financial Statements

The adoption of FRS 101 has impact only on the presentation of the financial statements of the Group and the Company but did not affect the recognition and measurement of the Group's and Company's net assets.

In summary :-

(i) In the consolidated balance sheet, minority interests are now presented within total equity, separately from equity holders of the Company.

(ii) In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year.

(iii) On the face of the consolidated statement of changes in equity, total recognised income and expenses for the year are now shown separately by allocating the amount attributable to equity holders of the Company and to minority interests.

(iv) The Group's share of results of the associate are now shown net of tax in the consolidated income statement before arriving at the Group's profit or loss before taxation.

The above changes in presentation have been applied retrospectively.

26. Changes in Accounting Policies (cont'd)

(c) Adoption of other new accounting standards resulting in changes in accounting policies

(i) FRS 2 : Share-based Payment

The revised accounting policy for share-based compensation on the adoption of FRS 2 Share-based Payment is described in Note 3.17(c). Prior to 1st January, 2006, no compensation expense was recognised in profit or loss for share options granted. Upon the adoption of FRS 2, the Group and Company recognise the fair value of such share options as an expense in the income statement over the vesting period of the grant with a corresponding increase in equity.

The Group has applied FRS 2 retrospectively and has applied the transitional provisions of FRS 2 which allow this standard to be applied to share options that were granted after 31st December, 2004 and had not yet vested on 1st January, 2006. There were no share options granted by the Company during the financial year ended 31st December, 2005. Accordingly, there is no impact on the results reported for prior financial year of the Group and of the Company on application of this standard. The effects on the financial statements of the Group and of the Company for the current financial year in respect of share options granted during the financial year are set out in Note 26(d).

(ii) FRS 138 : Intangible Assets

The accounting policy for intangible assets is described in Note 3.4. Prior to the adoption of FRS 138, the costs of computer software licences were capitalised as part of property, plant and equipment. Upon the adoption of FRS 138, the costs of computer software licences that are not an integral part of computer hardware are now reclassified from property, plant and equipment to intangible assets. The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of FRS 138. No adjustments resulted from the assessment.

The effects of the recategorisation of assets on application of this standard on the Group's and the Company's financial statements for the current and prior financial years are set out in Note 26(d) and (e) respectively.

(iii) FRS 140 : Investment Property

The accounting policy for investment properties is described in Note 3.8. The definition of investment properties under FRS 140 has resulted in the identification of the Group's and Company's existing assets that meet the definition of investment properties. The properties are now reclassified into a separate asset category on the face of balance sheet and are measured using the cost model. Certain properties reclassified to investment properties are stated at revalued amounts based on an independent valuation carried out in 1983 as disclosed in Note 10(b). Even though the Group does not adopt a policy of revaluation, the Group continues to carry these assets on the basis of their previous revaluations subject to continuity in the depreciation policy pursuant to the transitional provisions issued by the Malaysian Accounting Standards Board (MASB) upon the implementation in 1998 of the MASB Approved Accounting Standard IAS 16 for the first time.

As the measurement basis on such assets of the Group and the Company have not changed, there is no impact on the results reported by the Group and Company for the current and previous financial years. Previously, investment properties were included in property, plant and equipment. The effects of the recategorisation of assets on application of this standard on the Group's and the Company's financial statements for the current and prior financial years are set out in Note 26(d) and (e) respectively.

26. Changes in Accounting Policies (cont'd)

(d) Effects of adoption of new and revised FRSs on the current year's financial statements

The following summarises the effects of adopting the new and revised FRSs on the financial statements for the year ended 31st December, 2006 :-

Effects on balance sheets as at 31st December, 2006

	Effects (increase/(decrease)) on adoption of		
	FRS 2 RM	FRS 138 RM	FRS 140 RM
Group			
Property, plant and equipment	-	(2,965,859)	(5,790,373)
Investment properties	-	-	5,790,373
Intangible assets	-	2,965,859	-
Share premium	22,360	-	-
Retained profits	(170,420)	-	-
Other reserves	148,060	-	-
Company			
Property, plant and equipment	-	(2,550,369)	(5,519,287)
Investment properties	-	-	5,519,287
Intangible assets	-	2,550,369	-
Share premium	22,360	-	-
Retained profits	(170,420)	-	-
Other reserves	148,060	-	-

Effects on income statements for the year ended 31st December, 2006

	Effects on adoption of FRS 2 (Increase/ (Decrease)) RM
Group	
Administrative expenses	170,420
Operating profit	(170,420)
Profit before taxation	(170,420)
Profit for the year	(170,420)
Earnings per share :	
- Basic	(0.17)
- Diluted	(0.17)
Company	
Administrative expenses	170,420
Operating profit	(170,420)
Profit before taxation	(170,420)
Profit for the year	(170,420)

26. Changes in Accounting Policies (cont'd)

(e) Effects of adoption of new and revised FRSs on the comparative financial statements

The adoption of the new and revised FRSs as disclosed in Note 26(b) and (c) above has resulted in the restatement of comparative figures as summarised below:-

Effects on balance sheets

	As previously reported	Effects on adoption of		As restated
		FRS 138	FRS 140	
	RM	RM	RM	RM
Group				
As at 1st January, 2005				
Property, plant and equipment :				
- Cost/Valuation	526,907,890	(2,164,659)	(6,779,257)	517,963,974
- Accumulated depreciation/ impairment	(299,493,309)	1,276,148	875,452	(297,341,709)
Investment properties :				
- Cost/Valuation	-	-	6,779,257	6,779,257
- Accumulated depreciation	-	-	(875,452)	(875,452)
Intangible assets				
- Cost	-	2,164,659	-	2,164,659
- Accumulated amortisation	-	(1,276,148)	-	(1,276,148)
As at 31st December, 2005				
Property, plant and equipment :				
- Cost/Valuation	535,497,357	(5,211,422)	(6,779,257)	523,506,678
- Accumulated depreciation/ impairment	(317,336,601)	2,160,548	932,172	(314,243,881)
Investment properties :				
- Cost/Valuation	-	-	6,779,257	6,779,257
- Accumulated depreciation	-	-	(932,172)	(932,172)
Intangible assets				
- Cost	-	5,211,422	-	5,211,422
- Accumulated amortisation	-	(2,160,548)	-	(2,160,548)

26. Changes in Accounting Policies (cont'd)

(e) Effects of adoption of new and revised FRSs on the comparative financial statements (cont'd)

Effects on balance sheets (cont'd)

	As previously reported	Effects on adoption of		As restated
		FRS 138	FRS 140	
	RM	RM	RM	RM
Company				
As at 1st January, 2005				
Property, plant and equipment :				
- Cost/Valuation	177,940,743	(812,235)	(6,508,171)	170,620,337
- Accumulated depreciation	(101,938,656)	503,327	875,452	(100,559,877)
Investment properties :				
- Cost/Valuation	-	-	6,508,171	6,508,171
- Accumulated depreciation	-	-	(875,452)	(875,452)
Intangible assets :				
- Cost	-	812,235	-	812,235
- Accumulated amortisation	-	(503,327)	-	(503,327)
As at 31st December, 2005				
Property, plant and equipment :				
- Cost/Valuation	183,978,936	(3,877,636)	(6,508,171)	173,593,129
- Accumulated depreciation	(106,332,770)	1,312,047	932,172	(104,088,551)
Investment properties :				
- Cost/Valuation	-	-	6,508,171	6,508,171
- Accumulated depreciation	-	-	(932,172)	(932,172)
Intangible assets :				
- Cost	-	3,877,636	-	3,877,636
- Accumulated amortisation	-	(1,312,047)	-	(1,312,047)

27. Significant Related Party Transactions and Balances

(a) Transactions with related companies :-

	2006 RM	2005 RM
Freight and workshop services provided by a subsidiary :		
- to the Company	-	2,897,006
- to other subsidiaries	-	1,275,152
Hire of machinery and motor vehicles charged to subsidiaries	223,465	218,011
Hire of machinery and motor vehicles between subsidiaries	10,207	106,397
Property, plant and equipment and related consumables acquired from a subsidiary	1,576,584	-
Rental of premises :		
- charged to subsidiaries	233,520	242,520
- charged between subsidiaries	32,080	-
Rental of furniture and fittings charged to subsidiaries	146,580	-
Supervision fee charged by a subsidiary	-	111,192
Sales to subsidiaries	5,751,489	5,347,248
Purchases from subsidiaries	3,251	213,775
Sales between subsidiaries	175,321,610	194,758,960

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	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of feeds and day-old chicks	9,697,064	13,767,355	-	-

The balance due from Fongcheng Enterprises Sendirian Berhad is disclosed under Note18(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	
Services rendered/hiring of lorries to :	2006 RM	2005 RM
- Pembena Transport Sdn Bhd	77,400	77,400
- Indah Enterprise Sdn Bhd	50,400	50,400
	127,800	127,800

27. Significant Related Party Transactions and Balances (cont'd)

(c) Transactions with other related parties (cont'd):-

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Amount included in receivables :				
- Pembena Transport Sdn Bhd	207,672	288,143	207,672	288,143
- Indah Enterprise Sdn Bhd	122,643	129,169	122,643	129,169
Amount included in payables :				
- Indah Enterprise Sdn Bhd	79,845	85,826	79,845	-
- Pembena Transport Sdn Bhd	-	13,273	-	-

28. Discontinued 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 closure exercise have been completed in 2005. Property, plant and equipment relating to the discontinued operations have remained with the Group and are classified under Property, Plant and Equipment as disclosed in Note 10(d). It is the management's plan to dispose of these assets as part of the closure exercise and is actively sourcing for buyers to conclude such arrangements. As at the balance sheet date, no disposal arrangements have been concluded and as such, these assets have not been classified as non-current assets held for sale.

The loss attributable to the discontinued operations relating to the comparative period and which have been recognised in the Group's income statement was as follows :-

	2005 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)
Loss arising from discontinued operations	(1,117,775)

28. Discontinued Operations (cont'd)

No revenue was derived during the relevant year. The carrying amounts of assets and liabilities of Muda as at year end and the cash flows for the financial year ended on that date were as follows :-

(a) Carrying amounts of assets and liabilities

	2005 RM
Property, plant and equipment	2,429,252
Current assets	7,373,294
Current liabilities	(14,676)
Net assets	9,787,870

(b) Cash flows

	2005 RM
Net cash flows from operating activities	(35,814)
Net cash flows from investing activities	16,680
Net decrease in cash and cash equivalents	(19,134)
Cash and cash equivalents at beginning of year	43,404
Cash and cash equivalents at end of year	24,270

29. Segment Reporting

(a) Primary Reporting Format - Business Segments

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

(i) Flour and trading in grains and other allied products - Milling and selling wheat flour and trading in grains and other 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 - Discontinuin g operations (Manufacture and sale of polypropylene and polyethylene woven bags and its allied products)

29. Segment Reporting (cont'd)

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

Polypropylene goods

In 2004, the Group discontinued with the manufacturing and sale of polypropylene and polyethylene woven bags and its allied products as highlighted in Note 28. Property, plant and equipment under this segment as disclosed under Note 10(e) are classified under unallocated assets for segment reporting purposes.

Transport

Activities under this segment were previously undertaken by Syarikat Pengangkutan Lumut Sdn Bhd ("SPL"), a wholly owned subsidiary of the Company. Effective from 1st January, 2006, the Company assumed all activities (plus all relevant property, plant and equipment) under this segment as part of the Group's overall exercise to streamline and manage the transportation of the Group's products. Any transport and delivery of goods on behalf of third parties will be regarded as incidental to the Company providing such services and is not intended to be significant to warrant identification as a reportable segment. Accordingly, the categorisation as Transport Management, for segment reporting purposes ceases to be relevant for the current year.

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

2006	**Flour and trading in grains and other allied products RM**	**Feeds RM**	**Poultry integration RM**	**Group RM**
Sales				
Total sales	490,820,583	190,759,205	185,964,443	867,544,231
Intersegment sales	(5,751,489)	(62,055,681)	(5,510,978)	(73,318,148)
External sales	485,069,094	128,703,524	180,453,465	794,226,083
Results				
Segment results (External)	57,954,101	7,256,569	(15,765,558)	49,445,112
Interest income				3,857,819
Gain on disposal of quoted investment				1,720
Allowance for diminution in value of quoted investment written back				892
Unallocated expenses				(308,101)
Profit from operations				52,997,442
Finance costs				(9,010,854)
Share of results of associated companies	-	-	(504,646)	(504,646)
Profit before taxation				43,481,942
Taxation				(10,606,535)
Profit after taxation				32,875,407
Minority interests				(4,574,592)
Profit for the year				28,300,815

29. Segment Reporting (cont'd)

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

2006 (cont'd) Other information	Flour and trading in grains and other allied products RM	Feeds RM	Poultry integration RM	Group RM
Segment assets				
Segment assets	468,039,523	82,956,177	93,049,604	644,045,304
Investment in associates	-	-	972,000	972,000
Unallocated assets				6,436,521
Consolidated total assets				651,453,825
Segment liabilities				
Segment liabilities	37,651,269	12,776,774	11,073,669	61,501,712
Bank borrowings				236,902,464
Unallocated liabilities				10,384,713
Consolidated total liabilities				308,788,889
Capital expenditure	19,105,335	929,712	6,544,581	26,579,628
Depreciation and amortisation				
Allocated	13,008,291	1,792,872	6,776,023	21,577,186
Unallocated				85,044
				21,662,230
Allowance for impairment of property, plant and equipment				
Allocated	-	-	631,514	631,514
Unallocated				77,550
				709,064
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	274,950	866,963	1,082,436	2,224,349

29. Segment Reporting (cont'd)

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

2005	Flour and trading in grains and other allied products RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinued operations) Polypropylene goods RM	Group RM
Sales						
Total sales	453,660,157	165,130,945	5,907,147	201,669,573	-	826,367,822
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	191,266,907	-	740,085,341
Results						
Segment results (External)	32,213,295	857,153	(1,259,010)	(1,767,635)	-	30,043,803
Loss arising from discontinued operations	-	-	-	-	(1,117,775)	(1,117,775)
	32,213,295	857,153	(1,259,010)	(1,767,635)	(1,117,775)	28,926,028
Interest income						2,616,334
Negative goodwill on consolidation						59,535
Unallocated expenses :						
- Allowance for diminution in value of investments						(3,211,843)
- Others						(253,134)
Profit from operations						28,136,920
Finance costs						(6,958,491)
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)
Profit for the year						10,425,005

29. Segment Reporting (cont'd)

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

2005 (cont'd) Other information	Flour and trading in grains and other allied products RM	Feeds RM	Transport RM	Poultry integration RM	(Discontinued operations) Polypropylene goods RM	Group RM
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

29. 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	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Malaysia	526,279,755	499,519,387	404,691,277	358,577,677	14,963,605	12,327,550
Vietnam	267,946,328	240,565,954	240,326,027	177,563,110	11,616,023	342,726
	794,226,083	740,085,341	645,017,304	536,140,787	26,579,628	12,670,276
Unallocated assets			6,436,521	4,778,700		
			651,453,825	540,919,487		

30. Capital and Other Commitments

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Authorised and contracted for :				
- Acquisition of plant and equipment	6,586,627	11,026,000	3,158,566	330,000
Authorised but not contracted for :				
- Acquisition of property, plant and equipment for Vietnam projects	2,421,292	6,196,300	-	-
- Acquisition of property, plant and equipment	199,684	5,530,000	199,684	3,030,000
Lease commitments :				
- within 1 year	849,714	4,192,349	-	-
- 2 to 5 years	608,081	499,443	-	-
	1,457,795	4,691,792	-	-
	10,665,398	27,444,092	3,358,250	3,360,000

31. Financial Instruments

(a) Maturity Profile and Effective Interest Rates

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

Group

	Maturity profile				
	Within 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM	Effective interest rates
2006					
Financial assets					
Deposits with licensed banks	43,537,264	-	-	43,537,264	3.3% - 9.0%
Financial liabilities					
Bankers' acceptances/ Revolving credits	149,435,375	-	-	149,435,375	3.8% - 4.4%
Bank overdraft	53,596	-	-	53,596	6.5% - 7.5%
Other short term loans	87,413,493	-	-	87,413,493	5.1% - 6.4%
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%

31. Financial Instruments (cont'd)

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

Company

	Maturity profile				
	Within 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM	Effective interest rates
2006					
Financial assets					
Deposits with licensed banks	6,800,000	-	-	6,800,000	3.25 - 3.27%
Financial liabilities					
Bankers' acceptances/ Revolving credits	112,919,375	-	-	112,919,375	3.8% - 4.1%
Bank overdraft	53,596	-	-	53,596	6.5% - 7.5%
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%

(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 15 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.

32. Significant/Subsequent Events

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.

32. Significant/Subsequent Events (cont'd)

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.

The Statement of Claim filed by the first plaintiff was struck out with cost on 30th August, 2006. Upon the High Court in Kuala Lumpur setting aside the writ filed by the second plaintiff, the latter filed the Notice of Appeal. The mention date is fixed as 4th May, 2007.

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.

33. Comparative Figures

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

Group	As previously reported RM	Reclassification RM	As restated RM
Income statement			
Revenue			
- Sales of goods	738,368,216	93,328	738,461,544
- Services	1,623,797	-	1,623,797
	739,992,013	93,328	740,085,341
Cost of sales :			
- Cost of inventories sold	(635,301,002)	(1,343,226)	(636,644,228)
- Cost of services	(2,768,807)	303,171	(2,465,636)
	(638,069,809)	(1,040,055)	(639,109,864)
Other operating income	7,497,827	(93,328)	7,404,499
Selling and distribution expenses	(48,749,212)	(17,872)	(48,767,084)
Administrative expenses	(22,778,596)	(904,266)	(23,682,862)
Other operating expenses	(9,169,807)	2,494,472	(6,675,335)
Finance costs	(6,426,212)	(532,279)	(6,958,491)
Cash flow statement			
Interest expenses	6,426,212	532,279	6,958,491
Interest paid	(6,426,212)	(532,279)	(6,958,491)
Company			
Income statement			
Cost of sales	(176,938,619)	482,105	(176,456,514)
Finance costs	(2,396,018)	(482,105)	(2,878,123)
Cash flow statement			
Interest expenses	2,396,018	482,105	2,878,123
Interest paid	(2,396,018)	(482,105)	(2,878,123)

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 42 to 124 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2006 and of the results and cash flows of the Group and of the Company for the year ended on that date.

Signed at Kuala Lumpur this 16th day of April, 2007

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 42 to 124 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 16th day of April, 2007)

Before me,

Ahmad B. Laya (W259)
Commissioner for Oaths
Kuala Lumpur

Report of the Auditors to the Members of Malayan Flour Mills Berhad

We have audited the financial statements set out on pages 42 to 124 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities 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, 2006 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 13 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 13 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
16th April, 2007

Analysis of Shareholdings

as at 30th April, 2007

Authorised Capital	-	RM200,000,000
Issued and fully paid	-	RM106,707,606
Class of shares	-	Ordinary shares of RM1.00 each

5,506 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	125	2.27	3,387	0.01
100 to 1,000	1,792	32.55	1,525,691	1.43
1,001 - 10,000	3,030	55.03	11,473,994	10.75
10,001 - 100,000	493	8.95	13,170,879	12.34
100,001 to less than 5% of issued shares	65	1.18	54,432,901	51.01
5% and above of issued shares	1	0.02	26,100,754	24.46
	5,506	**100.00**	**106,707,606**	**100.00**

Thirty (30) Largest Shareholders

	Name	No. of Shares	Percentage Holding (%)
1.	Thye Nam Loong Holdings Sdn Bhd	26,100,754	24.46
2.	Onas Resources Sdn Bhd	5,150,000	4.83
3.	Star Hill Avenue (M) Sdn Bhd	5,100,400	4.78
4.	HSBC Nominees (Asing) Sdn Bhd [Exempt An for Credit Suisse (Sg Br-Tst-Asing)]	5,100,000	4.78
5.	A.A. Anthony Nominees (Asing) Sdn Bhd [Solid Esteem Sdn Bhd for Wise Bright Investment Limited]	3,500,572	3.28
6.	Teh Liang Teik	2,908,800	2.73
7.	Amble Volume Sdn Bhd	2,742,000	2.57
8.	Essence Lane Sdn Bhd	2,233,729	2.09
9.	Zalaraz Sdn Bhd	2,190,000	2.05
10.	Tan Sri Datuk Arshad bin Ayub	2,102,685	1.97
11.	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Datuk Arshad bin Ayub)	2,030,000	1.90
12.	Teh Wee Kok	1,591,600	1.49
13.	A.A. Anthony Nominees (Asing) Sdn Bhd [Amble Volume Sdn Bhd for Rise Glory Investment Limited]	1,572,171	1.47
14.	Favourite Access Sdn Bhd	1,000,000	0.94
15.	Thye Heng Realty Sdn Bhd	950,000	0.89

Thirty (30) Largest Shareholders

	Name	No. of Shares	Percentage Holding (%)
16.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pheim Asset Management Sdn Bhd for Employees Provident Fund]	916,000	0.86
17.	M&A Nominee (Asing) Sdn Bhd (Account for Pedigree Limited)	876,000	0.82
18.	Duangmanee Liewphairatana	869,300	0.81
19.	Thye Heng (How Kee) Company Sdn Bhd	867,900	0.81
20.	Solid Esteem Sdn Bhd	864,000	0.81
21.	Koperasi Polis DiRaja Malaysia Berhad	840,200	0.79
22.	Yeoh Kean Hua	720,000	0.67
23.	Thye Nam Loong Shipping Sdn Bhd	574,800	0.54
24.	Suai Timber Products Sdn Bhd	531,600	0.50
25.	Allison Foo May Ling	500,000	0.47
26.	Wong Chin Yue	480,000	0.45
27.	Teh Li Choo	473,572	0.44
28.	Teh Wee Chye	456,500	0.43
29.	Teh Li Li	424,001	0.40
30.	Thye Nam Loong Sdn Bhd	417,600	0.39

Substantial Shareholders

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Thye Nam Loong Holdings Sdn Bhd	26,100,754	24.46	949,200	0.89
Teh Liang Teik	2,908,800	2.73	27,624,754	25.89
Teh Wee Chye	456,500	0.43	29,858,483	27.98
Teh Wee Kok	1,591,600	1.49	27,624,754	25.89
Tan Sri Datuk Arshad bin Ayub	4,194,085	3.93	2,244,000	2.10

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	4,194,085	3.93	2,244,000	2.10
Teh Wee Chye	456,500	0.43	29,858,483	27.98
Lee Soon Lee	6,000	0.01	-	-
Tan Sri Hamzah bin Abu Samah	-	-	-	-
Dato' Hj Shaharuddin bin Hj Haron	400,000	0.37	-	-
Geh Cheng Hooi	-	-	-	-
Quah Ban Lee	35,000	0.03	-	-
Dato' Ho Ung Hun	-	-	-	-

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 31-12-06 RM
Freehold land with shophouses Lots 448 & 449 Section 4 Town of Butterworth, Penang Total: 1.62 acres	Shoplot	46	9th Sept, 1996	3,658,000
Freehold land with residential building Lot 449 Section 67 District of Kuala Lumpur Total: 1.00 acres	Commercial land and building	67	4th Dec, 1996	1,627,000
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	25-40	6th Oct, 1998	27,426,000
Freehold land with shophouses Grant No. 36370, Lot No. 12256 Mukim of Pulai District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Shoplot	27	1991	162,000
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	14	3rd Feb, 1995	33,259,000
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	9	1997	503,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-06 RM
Freehold land with building Lot PTB 18284 Mukim of Tampoi District of Johor Bahru Johor Darul Takzim Total: 0.12 acres	Factory	7	1999	622,000
Leasehold land with farm buildings Kawasan Batu Undan Mukim of Lumut Perak Darul Ridzuan (Title yet to be issued) Total: 200 acres	Breeder Farm	17	13th Mar, 1995	3,042,000
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	16	10th Mar, 1995	6,503,000
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	15	1990	48,000
Leasehold land with farm buildings Pasir Panjang Mukim of Pengkalan Bahru Perak Darul Ridzuan (Title yet to be issued) Total: 621 acres	Broiler Farm	14	1992	5,698,000
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	24	14 Jul 2004	2,251,000
Freehold land Grant 1784, Lot 12653 Mukim of Sitiawan District of Dindings Perak Darul Ridzuan Total: 17 acres	Vacant land	-	1997	271,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-06 RM
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	9	1994	23,673,000
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	10	2000	2,630,000
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	4	2000	16,631,000

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting of Malayan Flour Mills Berhad will be held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 19th June, 2007 at 9.30 a.m. for the following purposes :-

1. To receive the Audited Financial Statements for the financial year ended 31st December, 2006 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 Dato' Hj Shaharuddin bin Hj Haron who retires in accordance with Article 111 of the Company's Articles of Association and being eligible has offered himself for re-election. **(Resolution 3)**

4. To consider and if thought fit, pass the following motions: -

   (a) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Datuk Arshad bin Ayub be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 4)**

   (b) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Hamzah bin Abu Samah be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 5)**

   (c) "That pursuant to Section 129 (6) of the Companies Act, 1965, Mr Lee Soon Lee be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 6)**

   (d) "That pursuant to Section 129 (6) of the Companies Act, 1965, Mr Geh Cheng Hooi be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; and **(Resolution 7)**

   (e) "That pursuant to Section 129 (6) of the Companies Act, 1965, Dato' Ho Ung Hun be re-appointed as a Director of the Company to hold office until the next Annual General Meeting". **(Resolution 8)**

5. To approve the Directors' fees of RM500,000 for the year ended 31st December, 2006. **(Resolution 9)**

6. To appoint Auditors and to authorise the Directors to fix their remuneration. **(Resolution 10)**

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 has been received by the Company for the nomination of Messrs KPMG, who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:

   "THAT Messrs KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Folks DFK & Co., to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

7. As Special Business:-

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

   7.1 Special Resolution **(Resolution 11)**
   Proposed Amendments to the Articles of Association of the Company

   "**THAT** the amendments to the Articles of Association of the Company in the manner as set out in **Appendix I** attached to the Circular to Shareholders dated 28th May, 2007 be and are hereby approved **AND THAT** the Directors and Secretary be and are hereby authorised to carry out all the necessary formalities in effecting the aforesaid amendments **AND FURTHER THAT** the Directors be authorised with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."

   7.2 Ordinary Resolution 1 **(Resolution 12)**
   Authority to Directors to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

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

7.3 Ordinary Resolution 2 **(Resolution 13)**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature pursuant to paragraph 10.09 of the Bursa Malaysia Securities Berhad Listing Requirements

"**THAT** subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, approval be and is hereby given to Malayan Flour Mills Berhad ("Company") to enter into recurrent transactions with Dindings Soya & Multifeeds Sdn Berhad, Dindings Poultry Processing Sdn Bhd and Fongcheng Enterprises Sdn Bhd, the nature of which is set out in Section 2 of the Circular to Shareholders dated 28th May, 2007 for the purposes of Paragraph 10.09 of the Bursa Securities Listing Requirements, subject to the following:-

(i) the transactions are carried out in the ordinary course of business, at arm's length, on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;

(ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall continue in force, unless revoked or varied by Ordinary Resolution of the Company in a general meeting and will subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act, 1965 (excluding any extension of such period as may be allowed under the Companies Act, 1965); and

(iii) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7.4 Ordinary Resolution 3 **(Resolution 14)**
Proposed Renewal of Authority for Share Buy-Back

"**THAT** subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-back") as may be determined by the Directors of the Company

7.4 Ordinary Resolution 3
Proposed Renewal of Authority for Share Buy-Back (cont'd)

from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company as at the point of purchase and that an amount not exceeding the Company's retained profits and share premium accounts at the time of the purchase(s) will be allocated by the Company for the Proposed Share Buy-back;

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

(a) the conclusion of the first annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either conditionally or subject to conditions; or

(b) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by shareholders in a general meeting,

whichever occurs first.

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

8. 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
28th May, 2007

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 bring the Company's Articles of Association in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad, in line with the Companies Act, 1965 and to enhance administrative efficiency.

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

Resolution 14
The proposed Resolution 14, 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 Nomination of New Auditors

Ng Chooi Lin
(NRIC No: 570403-10-6016)
23C Jalan Baiduri
Off Jalan San Peng
55200 Kuala Lumpur

2nd April, 2007

The Board of Directors
MALAYAN FLOUR MILLS BERHAD
22nd Floor, Wisma MCA
Jalan Ampang
50450 Kuala Lumpur

Dear Sirs

NOTICE OF NOMINATION OF NEW AUDITORS

I, being a member of Malayan Flour Mills Berhad, hereby give notice pursuant to Section 172(11) of the Companies Act, 1965 of my nomination of Messrs KPMG for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs Folks DFK & Co., and of my intention to propose the following resolution as an ordinary resolution at the forthcoming Annual General Meeting of the Company :

<u>Ordinary Resolution</u>

"THAT Messrs KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Folks DFK & Co., to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully,

NG CHOOI LIN
Shareholder

Notice Of Closure Of Book

NOTICE IS HEREBY GIVEN that the Register of Members of the Company will be closed from 29th June, 2007 to 30th June, 2007, both dates inclusive, for the purpose of preparing dividend warrants. If approved by members at the Forty-Seventh Annual General Meeting on 19th June, 2007, the final dividend of 5 sen tax exempt per Ordinary Share in respect of the financial year ended 31st December, 2006 will be paid on 9th July, 2007. The entitlement date for dividend payment is on 28th June, 2007.

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 26th June, 2007 (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 28th June, 2007 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
28th May, 2007

PARTICULARS OF DIRECTORS STANDING FOR RE-ELECTION

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

   Tan Sri Datuk Arshad bin Ayub, aged 78, a Malaysian, was appointed to the Board of the Company on 30th August, 2002 and is presently the Chairman of the Company. He is also a member of the Audit, Nomination, Remuneration and Bumi-Issue cum ESOS Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies include Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad, LBI Capital Berhad, Audrey International (M) Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad and Bistari Johor Berhad.

   He has a direct interest of 3.93% in the Company which represents 4,194,085 ordinary shares and an indirect interest of 2.10% by virtue of his directorships and shareholding in Zalaraz Sdn Bhd which holds 2,244,000 ordinary shares in the Company.

   He has no family relationship with any Director and/or substantial shareholder 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.

2. **Mr Lee Soon Lee (Non-Independent Non-Executive Director)**

   Mr Lee Soon Lee, aged 79, 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 holds 6,000 ordinary shares in the Company but does not hold shares in any of its subsidiaries.

   He has no family relationship with any Director and/or substantial shareholder 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.

PARTICULARS OF DIRECTORS STANDING FOR RE-ELECTION (cont'd)

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

   Tan Sri Hamzah bin Abu Samah, aged 83, 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 [Barristorat-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 Minster 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 interest in the securities of the Company or any of its subsidiaries. He has no family relationship with any Director and/or substantial shareholder 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.

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

   Dato' Hj Shaharuddin bin Hj Haron, aged 68, 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 holds 400,000 ordinary shares in the Company but does not hold shares in any of its subsidiaries.

   He has no family relationship with any Director and/or substantial shareholder 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.

5. **Mr Geh Cheng Hooi (Independent Non-Executive Director)**

   Mr Geh Cheng Hooi, aged 72, 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 of 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, PLUS Expressways Berhad and Paramount Corporation Behad.

   He has no interest in the securities of the Company or any of its subsidiaries. He has no family relationship with any Director and/or substantial shareholder 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.

PARTICULARS OF DIRECTORS STANDING FOR RE-ELECTION (cont'd)

6. Dato' Ho Ung Hun (Independent Non-Executive Director)

Dato' Richard Ho Ung Hun, aged 80, a Malaysian, was appointed to the Board of the Company on 15th June, 2006 and is presently a member of the Nomination Committee of the Company. He holds a Barrister at Law from Lincoln's Inn. He is currently the Vice Chairman of Malayan Banking Berhad, a position which he has held since 1983. He was a Member of Parliament from 1969 to 1982. He was appointed as Deputy Minister of Road Transport in 1974 and was subsequently appointed as Deputy Minister of Finance in 1976. In 1978, he was appointed as Minister without Portfolio in the Prime Minister's Department and subsequently as the then Minister of Labour and Manpower in the same year. His current directorships in other public companies include Aseambankers Malaysia Berhad, Aseamlease Berhad, Mayban Trustees Berhad, Mayban International Trust (Labuan) Berhad, Mayban Unit Trust Berhad, Maybank International (L) Ltd and Mayban Trust (Labuan) Ltd.

He has no interest in the securities of the Company or any of its subsidiaries. He has no family relationship with any Director and/or substantial shareholder 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.

MALAYAN FLOUR MILLS BERHAD (4260-M)
(Incorporated in Malaysia)

FORM OF PROXY

I/We, ____

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

of ____

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

__________________I/C No. ____________________ of ______________________________

or failing him/her ______________________________I/C No. ______________________________

of ____

as my/our proxy to vote on my/our behalf at the Forty-Seventh Annual General Meeting of the Company to be held on Tuesday, 19th June, 2007 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 Dato' Hj Shaharuddin bin Hj Haron under Article 111 of the Company's Articles of Association		
	Re-appointment of the following Directors pursuant to Section 129(6) of the Companies Act, 1965:-		
4.	a. Tan Sri Datuk Arshad bin Ayub		
5.	b. Tan Sri Hamzah bin Abu Samah		
6.	c. Mr. Lee Soon Lee		
7.	d. Mr. Geh Cheng Hooi		
8.	e. Dato' Ho Ung Hun		
9.	Approval of Directors' Fees		
10.	Appointment of Auditors		
11.	Proposed Amendments to the Articles of Association		
12.	Authorisation for Directors to Allot and Issue Shares		
13.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
14.	Proposed Renewal of Authority for Share Buy-Back		

Dated this __________ day of ________________, 2007

____
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.*

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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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MALAYAN FLOUR MILLS BERHAD (4260-M)
22ND FLOOR, WISMA MCA, JALAN AMPANG, 50450 KUALA LUMPUR
TEL : (603) 2170 0999   FAX : (603) 2170 0888