2. SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rates that existed when the values were determined. All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2005	**2004**
	RM	**RM**
United States Dollar	3.7800	3.8000
Japanese Yen	0.0320	0.0371
Hong Kong Dollar	0.4874	0.4888

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with note 2(l).

Long term leasehold land is depreciated over the period of the lease. Previously, long term leasehold land with unexpired lease tenure of 50 years or more is not depreciated. The directors are of the opinion that the effect on the financial statements of this change in accounting policy is not material.

Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Leasehold land	99 years
Building	2.2%
Plant, machinery and tools	10% - 33 1/3%
Furniture, fittings and leasehold improvement	10% - 33 1/3%
Motor vehicles	25%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(g) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(h) Income Taxation

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

Deferred taxation is provided for, by the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principal, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits with licensed banks, net of any outstanding bank overdrafts.

(j) Provisions for Liabilities

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

(k) Affiliated Company

An affiliated company is defined as an associated company of the ultimate holding company.

(l) Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(m) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company 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.

(i) Trade and Other Receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(ii) Trade and Other Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(iv) Share Capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(n) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulated compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land and building * RM	Plant, machinery and tools RM	Furniture, fittings, leasehold improvement and motor vehicles RM	Total RM
Cost				
At 1 January 2005	33,116,098	34,577,881	10,807,748	78,501,727
Disposal	-	(86,393)	-	(86,393)
Write off	-	(17,992,742)	(914,723)	(18,907,465)
At 31 December 2005	33,116,098	16,498,746	9,893,025	59,507,869
Accumulated Depreciation				
At 1 January 2005	4,208,983	32,416,308	10,066,408	46,691,699
Charge for the year	911,192	664,914	420,450	1,996,556
Disposal	-	(84,830)	-	(84,830)
Write off	-	(17,992,742)	(914,365)	(18,907,107)
At 31 December 2005	5,120,175	15,003,650	9,572,493	29,696,318
Net Book Value				
At 31 December 2005	27,995,923	1,495,096	320,532	29,811,551
At 31 December 2004	28,907,115	2,161,573	741,340	31,810,028
Details at 1 January 2004				
Cost	33,116,098	44,616,560	11,098,055	88,830,713
Accumulated depreciation	3,550,664	41,450,673	9,776,476	54,777,813
Depreciation charge for 2004	658,319	953,519	590,666	2,202,504

3. PROPERTY, PLANT AND EQUIPMENT - continued

	* LAND AND BUILDING		
	Long term leasehold land RM	**Building RM**	**Total RM**
Cost			
At 1 January/31 December 2005	3,453,024	29,663,074	33,116,098
Accumulated Depreciation			
At 1 January 2005	-	4,208,983	4,208,983
Charge for the year	252,873	658,319	911,192
At 31 December 2005	252,873	4,867,302	5,120,175
Net Book Value			
At 31 December 2005	3,200,151	24,795,772	27,995,923
At 31 December 2004	3,453,024	25,454,091	28,907,115
Details at 1 January 2004			
Cost	3,453,024	29,663,074	33,116,098
Accumulated depreciation	-	3,550,664	3,550,664
Depreciation charge for 2004	-	658,319	658,319

The lease period for the long term leasehold land is 99 years commencing from the date of issuance of the title deed. The title deed is in the process of being issued by the relevant authorities.

4. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 RM	**2004 RM**
Unquoted shares, at cost	33,579,080	33,579,080
Less: Impairment losses	(8,193,798)	-
	25,385,282	-