Trading Division - Segambut Branch

Trading Division - Sg Besi Branch

Contents/ Kandungan

Trading Division - Gombak Branch

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth (9th) Annual General Meeting of NEW HOONG FATT HOLDINGS BERHAD will be held at East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 27 April 2006 at 9.30 a.m. for the following purposes:

AGENDA

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon.
   Ordinary Resolution 1

2. To declare a final tax exempt dividend of eight percentum (8%) per ordinary share in respect of the financial year ended 31 December 2005.
   Ordinary Resolution 2

3. To re-elect the following Directors retiring by rotation pursuant to Article 78 of the Company's Articles of Association, and who being eligible, offer themselves for re-election:

   (a) Mr Chin Jit Sin
   Ordinary Resolution 3

   (b) Datuk Dr. Anis Bin Ahmad
   Ordinary Resolution 4

4. To re-appoint Mr Wong Kwan @ Wong Kwong Kwan, the Director who, being over the age of seventy (70) years, retires pursuant to Section 129 of the Companies Act, 1965, and being eligible offers himself for re-appointment.
   Ordinary Resolution 5

5. To approve the Directors' fees of RM92,000 for the financial year ended 31 December 2005.
   Ordinary Resolution 6

6. To re-appoint Messrs BDO Binder as auditors of the Company and to authorise the Directors to fix their remuneration.
   Ordinary Resolution 7

7. Special Business
   To consider and if thought fit, pass the following ordinary resolution:

   Authority to Issue and Allot 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 and allot 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 as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten percentum (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary."
   Ordinary Resolution 8

8. To transact any other business for which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Ninth (9th) Annual General Meeting of the Company, a final tax exempt dividend of eight percentum (8%) per ordinary share for the financial year ended 31 December 2005 will be paid on 7 July 2006 to Depositors whose names appear in the Record of Depositors on 9 June 2006.

A depositor shall qualify for entitlement only in respect of:

(a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 9 June 2006 in respect of transfers; and

(b) Securities 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 LI CHEN (MAICSA 7022751)
Company Secretary

Kuala Lumpur
5 April 2006

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election or re-appointment at the Ninth (9th) Annual General Meeting of the Company to be held at East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 27 April 2006 at 9.30 a.m. are as follows:

   (a) Mr Chin Jit Sin;
   (b) Datuk Dr. Anis bin Ahmad; and
   (c) Mr Wong Kwan @ Wong Kwong Kwan.

   Further details of the Directors standing for re-election or re-appointment are set out in the Directors' Profile appearing on pages 16 to 22 of the Annual Report.

2. During the financial year ended 31 December 2005, four (4) Board meetings were held. Details of attendance of each Director is set out in the Statement on Corporate Governance appearing on page 24 of the Annual Report.

Notes :

1. Every member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.

2. The Proxy Form must be signed by the appointer or if the appointer is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

3. The original signed and/or sealed copy of the Proxy Form must be deposited at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur at least forty-eight (48) hours before the time fixed for the meeting.

4. Explanatory Note on Special Business

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

   The proposed Ordinary Resolution 8, if passed, will empower the Directors to issue shares and allot up to a maximum of ten percentum (10%) of the issued share capital of the Company at the time of such allotment for such purposes as they consider would be in the best interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Notis Mesyuarat Agung Tahunan

DENGAN INI DIMAKLUMKAN BAHAWA Mesyuarat Agung Tahunan NEW HOONG FATT HOLDINGS BERHAD yang ke Sembilan (9) akan diadakan di East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, pada hari Khamis, 27 April 2006, pada pukul 9.30 pagi bagi tujuan-tujuan berikut:

AGENDA

1. Menerima dan meluluskan Penyata Perakaunan yang telah diaudit bagi tahun kewangan berakhir 31 Disember 2005 bersama dengan Laporan-laporan Pengarah dan Juruaudit.

   Resolusi Biasa 1

2. Mengisytiharkan pembayaran dividen akhir dikecualikan cukai sebanyak lapan peratus (8%) sesaham biasa bagi tahun kewangan berakhir 31 Disember 2005.

   Resolusi Biasa 2

3. Melantik semula Pengarah-pengarah berikut yang bersara mengikut Artikel 78 Tataurusan Syarikat, dan oleh kerana layak, menawarkan diri mereka untuk dilantik semula:

   (a) Encik Chin Jit Sin

   Resolusi Biasa 3

   (b) Datuk Dr. Anis bin Ahmad

   Resolusi Biasa 4

4. Melantik semula Encik Wong Kwan @ Wong Kwong Kwan, Pengarah yang berumur melebihi tujuh puluh (70) tahun dan bersara menurut Seksyen 129 Akta Syarikat, 1965, dan oleh kerana layak, menawarkan diri sendiri untuk dilantik semula.

   Resolusi Biasa 5

5. Meluluskan pembayaran yuran Pengarah sebanyak RM92,000 bagi tahun kewangan berakhir 31 Disember 2005.

   Resolusi Biasa 6

6. Melantik semula Tetuan BDO Binder sebagai Juruaudit Syarikat dan memberi kuasa kepada Pengarah-pengarah untuk menetapkan bayaran kepada mereka.

   Resolusi Biasa 7

7. Sebagai Urusan Khas
   Mempertimbangkan dan jika difikir wajar, meluluskan Resolusi berikut:

   Kuasa untuk Menerbit dan Menawar Saham menurut Seksyen 132D Akta Syarikat, 1965

   "**BAHAWA** tertakluk kepada Seksyen 132D Akta Syarikat, 1965, para Pengarah dengan ini diberi kuasa untuk menerbit dan menawar saham dalam Syarikat pada bila-bila masa sehingga tamat Mesyuarat Agung Tahunan yang berikutnya dan mengikut terma-terma dan syarat-syarat tertentu bagi tujuan-tujuan yang tertentu mengikut pertimbangan yang difikirkan layak oleh Pengarah-pengarah, dengan syarat jumlah agregat saham-saham yang diterbitkan tidak melebihi sepuluh peratus (10%) daripada modal saham terbitan Syarikat pada waktu tersebut, dan Pengarah-pengarah adalah diberi kuasa untuk mendapatkan kelulusan bagi penyenaraian dan penawaran saham-saham tambahan yang diterbitkan, tertakluk kepada Akta Syarikat, 1965, Tataurusan Syarikat dan kelulusan dari Bursa Malaysia Securities Berhad serta kelulusan-kelulusan yang diperlukan dari pihak penguatkuasaan berkaitan."

   Resolusi Biasa 8

8. Untuk menjalankan sebarang urus niaga lain yang notis mengenainya telahpun diberikan.

NOTIS BERKELAYAKAN DIVIDEN

DENGAN INI JUGA DIMAKLUMKAN BAHAWA tertakluk kepada kelulusan oleh pemegang-pemegang saham pada Mesyuarat Agung Tahunan Syarikat yang ke Sembilan (9), dividen akhir dikecualikan cukai sebanyak lapan peratus (8%) bagi tahun kewangan berakhir 31 Disember 2005 yang akan dibayar pada 7 Julai 2006 kepada pendeposit sepertimana yang terdapat di dalam Rekod Pendeposit pada 9 Jun 2006.

Pendeposit hanya layak untuk menerima dividen berhubung dengan:

(a) Sekuriti yang dipindahkan ke dalam Akaun Sekuriti Pendeposit sebelum 4.00 petang pada 9 Jun 2006 berkaitan dengan pemindahan; dan

(b) Sekuriti yang dibeli di Bursa Malaysia Securities Berhad atas dasar dengan kelayakan menurut Peraturan-peraturan Bursa Malaysia Securities Berhad.

Dengan Perintah Lembaga Pengarah

MAH LI CHEN (MAICSA 7022751)
Setiausaha Syarikat

Kuala Lumpur
5 April 2006

PENYATA MENGIRINGI NOTIS MESYUARAT AGUNG TAHUNAN

1. Para Pengarah yang akan dilantik semula pada Mesyuarat Agung Tahunan Syarikat yang ke Sembilan (9) yang akan diadakan di East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur pada hari Khamis, 27 April 2006, pada pukul 9.30 pagi adalah seperti berikut:

   (a) Encik Chin Jit Sin;
   (b) Datuk Dr. Anis bin Ahmad; dan
   (c) Encik Wong Kwan @ Wong Kwong Kwan.

   Butir-butir yang selanjutnya bagi Pengarah-pengarah yang akan dilantik semula, dinyatakan di dalam Profil Pengarah dari mukasurat 16 hingga 22 di dalam Laporan Tahunan ini.

2. Sejumlah empat (4) Mesyuarat Lembaga Pengarah telah diadakan sepanjang tempoh tahun kewangan berakhir 31 Disember 2005. Butir-butir kehadiran untuk setiap Pengarah dinyatakan di dalam Penyata Urus Tadbir Korporat pada mukasurat 28 di dalam Laporan Tahunan ini.

NOTA-NOTA:

1. Setiap ahli syarikat yang layak menghadiri dan mengundi dalam mesyuarat ini berhak untuk melantik tidak lebih dari dua (2) proksi untuk menghadiri dan mengundi bagi pihak dirinya. Seseorang proksi boleh, tetapi tidak semestinya seorang ahli Syarikat. Bagi ahli yang melantik dua (2) proksi, perlantikan proksi tidak sah kecuali yang menyatakan bahagian pegangannya yang diwakili oleh setiap proksi.

2. Surat cara perlantikan proksi mestilah secara bertulis dan ditandatangani oleh pelantik sendiri atau sekiranya ahli merupakan sebuah perbadanan, samada secara cop meterai atau ditandatangani oleh pegawai atau peguamcara, yang diberi kuasa sedemikian.

3. Surat cara perlantikan proksi yang asal dan telah disempurnakan, mestilah diserahkan ke Pejabat Berdaftar Syarikat di C15-1, Level 15, Tower C, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, sekurang-kurangnya empat-puluh lapan (48) jam sebelum waktu yang telah ditetapkan untuk mesyuarat itu berlangsung.

4. Nota Penerangan Kepada Urusan Khas

   Kuasa Untuk Menerbit dan Menawar Saham menurut Seksyen 132D Akta Syarikat, 1965

   Resolusi Biasa 8 sekiranya diluluskan, akan memberikan Pengarah-pengarah kuasa untuk menerbit dan menawar saham-saham Syarikat, tidak melebihi sepuluh peratus (10%) dari modal saham terbitan Syarikat untuk tujuan-tujuan yang difikirkan wajar oleh Pengarah-pengarah sejajar dengan kepentingan Syarikat. Dengan kelulusan ini juga dapat mengelakkan sebarang kelewatan dan perbelanjaan yang terlibat untuk mengadakan mesyuarat agung bagi meluluskan penerbitan saham-saham tersebut. Kuasa tersebut, kecuali dibatalkan dan dipinda di dalam mesyuarat agung, akan tamat pada mesyuarat agung tahunan Syarikat yang berikutnya.

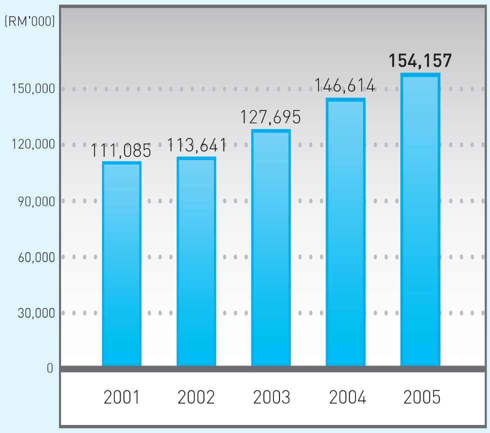
Five-Year Group Financial Summary
Ringkasan Kewangan Kumpulan Bagi Lima Tahun

	2005	2004	2003	2002	2001
Revenue (RM'000) Hasil (RM'000)	**154,157**	146,614	127,695	113,641	111,085
Profit Before Taxation (RM'000) Keuntungan Sebelum Cukai (RM'000)	**25,131**	27,899	20,022	19,693	20,933
Profit After Taxation (RM'000) # Keuntungan Selepas Cukai (RM'000)	**20,785**	22,494	15,788	15,027	16,937
Total Assets (RM'000) Jumlah Aset (RM'000)	**257,799**	230,806	164,297	151,894	139,122
Total Borrowings (RM'000) Jumlah Pinjaman (RM'000)	**46,133**	16,305	5,247	6,646	4,427
Shareholders' Fund (RM'000) # Dana Pemegang Saham (RM'000)	**166,772**	149,022	130,420	120,383	109,459
Basic Earnings Per Share *# Perolehan Asas Sesaham	**27.73 sen**	31.10 sen	21.90 sen	20.85 sen	23.52 sen
Net Assets Per Share *# Aset Bersih Sesaham	**222 sen**	204 sen	181 sen	167 sen	152 sen
Net Dividend Per Share (tax exempt) Dividen Bersih Sesaham (dikecualikan cukai)	**11 sen**	11 sen	8 sen	8 sen	6 sen

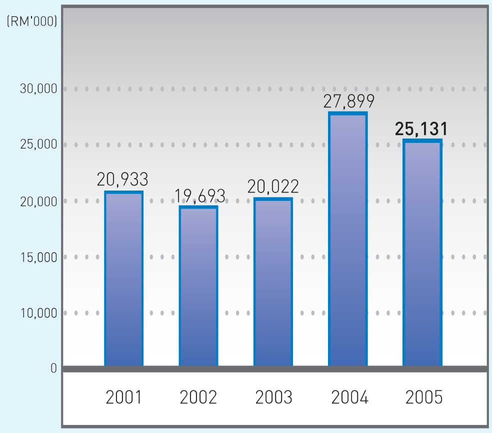
* Adjusted for bonus issue in year 2001.
Diubah-suaikan untuk terbitan bonus pada tahun kewangan 2001.

\# The Group applied MASB 25 Income Taxes, in financial year 2003, and comparative figures have been restated accordingly for financial years 2001 and 2002.
Kumpulan telah mengambil kira MASB 25 Cukai Pendapatan pada tahun kewangan 2003. Angka perbandingan telah dinyatakan semula dengan sewajarnya bagi tahun kewangan 2001 dan 2002

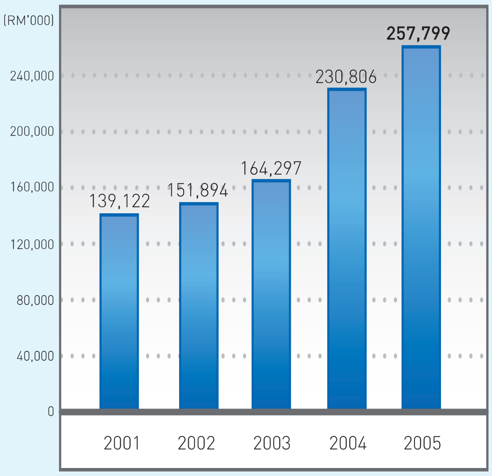
Revenue/ Hasil



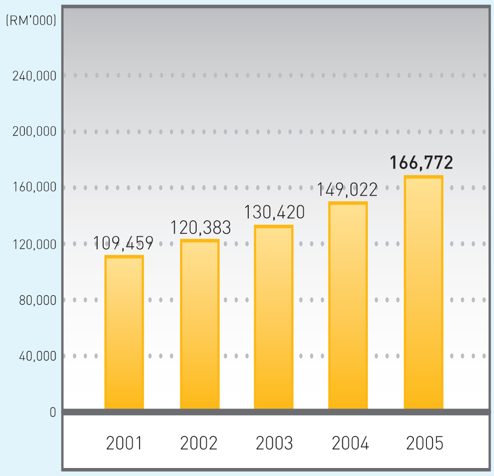
Profit Before Taxation
Keuntungan Sebelum Cukai



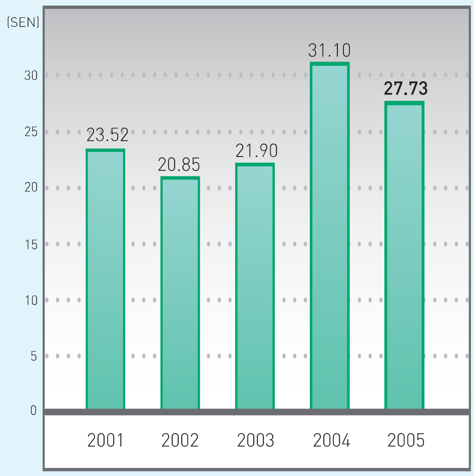
Total Assets/ Jumlah Aset



Shareholders' Funds/
Dana Pemegang Saham



Basic Earnings Per Share
Perolehan Asas Sesaham



Financial Calendar for the Financial Year ended 31 December 2005

Takwim Kewangan untuk Tahun Kewangan berakhir 31 Disember 2005

Activities/ Aktiviti-aktiviti	Date/ Tarikh
Announcement of Results/ Pengumuman Keputusan	
Unaudited first quarter results ended 31 March 2005 Keputusan suku pertama yang belum diaudit berakhir 31 Mac 2005	28 April 2005 28 April 2005
Unaudited second quarter results ended 30 June 2005 Keputusan suku kedua yang belum diaudit berakhir 30 Jun 2005	27 July 2005 27 Julai 2005
Unaudited third quarter results ended 30 September 2005 Keputusan suku ketiga yang belum diaudit berakhir 30 September 2005	26 October 2005 26 Oktober 2005
Audited fourth quarter results ended 31 December 2005 Keputusan suku ke-empat yang telah diaudit berakhir 31 Disember 2005	23 February 2006 23 Februari 2006
Issue of Annual Report 2005 Penerbitan Laporan Tahunan 2005	5 April 2006 5 April 2006
Ninth (9th) Annual General Meeting Mesyuarat Agung Tahunan yang ke Sembilan (9)	27 April 2006 27 April 2006
Interim Dividend Dividen Interim	
- Declaration - Pengisytiharan	23 February 2006 23 Februari 2006
- Entitlement - Kelayakan	14 March 2006 14 Mac 2006
- Payment - Pembayaran	6 April 2006 6 April 2006
Final Dividend Dividen Akhir	
- Recommendation - Cadangan	23 February 2006 23 Februari 2006
- Entitlement - Kelayakan	9 June 2006 9 Jun 2006
- Payment - Pembayaran	7 July 2006 7 Julai 2006

NEW HOONG FATT Group Structure

Struktur Kumpulan NEW HOONG FATT

NEW HOONG FATT HOLDINGS BERHAD

100% Owned Subsidiaries
Subsidiari 100% milik

Marketing/Distribution/Trading
Pemasaran/Pengedaran/Perdagangan

- New Hoong Fatt Auto Supplies Sdn Bhd

Manufacturing/Export
Perkilangan/Eksport

- NJ Manufacturing Industries Sdn Bhd
- Jhi Soon Auto Metal Sdn Bhd
- Hoeken Industrial Sdn Bhd
  inactive/ tidak aktif
- NS Plastic Industries Sdn Bhd
  inactive/ tidak aktif
- New Hoong Fatt Industries Sdn Bhd
  inactive/ tidak aktif
- NJ Coatings Sdn Bhd
  dormant/ tidak beroperasi

NHF Main Office and Warehouse in Klang

Metal Division - Loading Area

Metal Division - Manufacturing Plant

Corporate Information/ Maklumat Korporat

BOARD OF DIRECTORS/ LEMBAGA PENGARAH

Kam Lang Fatt @ Kim Leng Fatt (Chairman cum Managing Director/ Pengerusi dan Pengarah Urusan)
Chin Jit Sin (Executive Director/ Pengarah Eksekutif)
Kam Foong Keng (Executive Director/ Pengarah Eksekutif)
Kam Foong Sim (Executive Director/ Pengarah Eksekutif)
Wong Kwan @ Wong Kwong Kwan (Independent Non-Executive Director/ Pengarah Bebas Bukan Eksekutif)
Danny Ng Siew L'Leong (Independent Non-Executive Director/ Pengarah Bebas Bukan Eksekutif)
Datuk Dr. Anis bin Ahmad (Independent Non-Executive Director/ Pengarah Bebas Bukan Eksekutif)

AUDIT COMMITTEE/ JAWATANKUASA AUDIT
Wong Kwan @ Wong Kwong Kwan
(Chairman & Independent Non-Executive Director / Pengerusi & Pengarah Bebas Bukan Eksekutif)

Danny Ng Siew L'Leong
(Independent Non-Executive Director/ Pengarah Bebas Bukan Eksekutif)

Datuk Dr. Anis bin Ahmad
(Independent Non-Executive Director/ Pengarah Bebas Bukan Eksekutif)

Kam Foong Sim
(Executive Director/Pengarah Eksekutif)

SECRETARY/ SETIAUSAHA
Mah Li Chen (MAICSA 7022751)

REGISTERED OFFICE/ PEJABAT BERDAFTAR
C15-1, Level 15, Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel/Tel : (603) 2166 2000
Fax/Faks : (603) 2166 3000

REGISTRARS/ PENDAFTAR
Tenaga Koperat Sdn Bhd
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel/Tel : (603) 4041 6522
Fax/Faks : (603) 4042 6352

AUDITORS/ JURUAUDIT
BDO Binder
Chartered Accountants

PRINCIPAL BANKERS/ BANK-BANK UTAMA
Citibank Berhad
EON Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING/ PENYENARAIAN BURSA SAHAM
Main Board of Bursa Malaysia Securities Berhad/
Papan Utama, Bursa Malaysia Securities Berhad

Plastic Division - Manufacturing Plant & Plastic Chrome-Plating Plant

Chairman's Message

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Consolidated Financial Statements of New Hoong Fatt Holdings Berhad and its subsidiary companies ("the Group") for the financial year ended 31 December 2005.

INDUSTRY TREND AND DEVELOPMENT

Vehicle sales figures released by the Malaysian Automotive Association ("MAA") showed that the automotive industry for 2005 outperformed forecast sales, with total industry volume reaching 551,045 units compared to 487,605 units in 2004. The industry saw growth in the passenger car segment, as well as the commercial and four-wheel vehicles segments.

In 2006, however, the industry is expected to be affected by factors which will increase the cost of owning a vehicle, such as higher interest rates, shorter repayment periods and higher excise duties. Furthermore, higher oil prices are expected to dampen the automotive market. As such, the MAA expects vehicle sales growth of only 3% in 2006 compared with the surge of 13% in 2005, that is, total industry volume is expected to touch 565,000 units.

FINANCIAL REVIEW

For the financial year under review, the Group registered a revenue of RM154.2 million, a growth of 5.2% over the previous year's amount of RM146.6 million. This indicates that there is still strong demand for the Group's products from the local and export markets.

However, due to higher operating costs, profit before tax decreased by 10.0%, from RM27.9 million in the previous year to RM25.1 million this year. Correspondingly, profit after taxation was affected and lowered by 7.6% to RM20.8 million compared to RM22.5 million achieved in the previous year. Consequently, earnings per share also decreased from 31.1 sen to 27.7 sen this year. With the profits attained this year, net assets per share as at 31 December 2005 increased to RM2.22 from RM2.04 previously.

DIVIDENDS

In light of the Group's profitability, the Board of Directors had declared an interim tax exempt dividend of 3% per ordinary share in respect of the financial year ended 31 December 2005, which amounted to RM2.3 million. The dividend will be paid on 6 April 2006.

In addition, the Board of Directors is also pleased to recommend a final tax exempt dividend of 8% per ordinary share amounting to RM6.0 million for approval by the shareholders at the forthcoming Annual General Meeting. Together with the interim dividend, the total dividend per share for the financial year ended 31 December 2005 will be 11% for the financial year.

New Hoong Fatt has been consistently paying dividends since 1999. It is the Group's aim to maintain and grow this dividend in future, after taking into consideration its financial performance, investment opportunities and its financial flexibility.

Metal Division - Loading Area

CORPORATE DEVELOPMENT

The New Hoong Fatt Employee Share Option Scheme expired on 29 August 2005. In the entire five year period of its existence, a total of 3,156,000 options were exercised by its employees and executive directors to purchase shares of the Company.

BUSINESS REVIEW

Rising costs in the year 2005 posted great challenges to the Group as it fought to achieve satisfactory profits. Notwithstanding the Group's valiant efforts to contain operating costs, margins were eroded in the face of a strategy to preserve market share. The Group's profits were affected on several levels, including petrol and diesel prices and raw material costs.

The Group had set up a new distribution centre in Segambut, in the heart of Kuala Lumpur's automotive spare parts hub in July 2005. The distribution centre serves customers in Kuala Lumpur and throughout Peninsular Malaysia. As a result, the trading section now has four customer service centres in total, namely Klang, Gombak, Sungei Besi and Segambut.

In May 2005, the metal stamping factory completed its acquisition of the property located beside its existing premises. This has enabled the existing factory to be expanded and reorganized in order to increase container loading bays to cater for a burgeoning exports segment and to enhance operational efficiency.

The Group continued to invest in training and human resource development to enhance staff capabilities, competencies and build future leaders to sustain superior performance. We are also grooming our employees so that they may rise to the challenge and take up future leadership roles.

FUTURE PROSPECTS

Whilst domestic sales still form a large part of the Group's revenue, contributions from exports have over the recent few years become a major income earner. In order to achieve better economies of scale, the Group will continue to pursue and expand its export sales.

With the improvements in processes already in place and the development of stronger group synergy to capitalise on available resources and strengths across the Group, New Hoong Fatt will endeavour to seize opportunities at home whilst building a stronger presence on the global stage. Barring any unforeseen circumstances, the Group is optimistic of achieving a strong financial performance in 2006.

SPECIAL APPRECIATION

On behalf of the Board of Directors, I would like to extend my sincere thanks to our management team and employees for their invaluable contributions, which has allowed our Group to maintain a leadership position in the replacement market.

Finally, I extend my gratitude to our suppliers, the authorities, customers, financiers and shareholders for their continued support.

KAM LANG FATT @ KIM LENG FATT
Chairman cum Managing Director

Perutusan Pengerusi

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Disatukan Beraudit New Hoong Fatt Holdings Berhad dan syarikat-syarikat subsidiarinya ("Kumpulan") bagi tahun kewangan berakhir 31 Disember 2005.

ARAH ALIRAN DAN PEMBANGUNAN INDUSTRI

Angka penjualan kenderaan yang dikeluarkan oleh Persatuan Automotif Malaysia ("MAA") menunjukkan bahawa industri automotif bagi tahun 2005 telah melebihi ramalan jualan dengan jumlah volum industri mencapai 551,045 unit berbanding 487,605 unit pada tahun 2004. Industri ini mengalami pertumbuhan dalam segmen kereta penumpang serta segmen kenderaan komersil dan pacuan empat roda.

Walau bagaimanapun, pada tahun 2006, industri dijangka akan dijejaskan oleh faktor-faktor yang bakal menaikkan kos pemilikan kenderaan seperti kadar faedah dan cukai eksais yang lebih tinggi serta tempoh bayaran semula yang lebih pendek. Harga minyak yang lebih tinggi pula dijangka akan melembapkan pasaran automotif. Oleh yang demikian, MAA menjangkakan pertumbuhan jualan kenderaan hanya sebanyak 3% pada tahun 2006 berbanding lonjakan pada kadar 13% pada 2005, atau dengan kata lain, keseluruhan volum industri dijangka akan mencecah 565,000 unit.

CAD-CAM Facilities

Fender

Door

TINJAUAN KEWANGAN

Bagi tahun kewangan yang ditinjau, Kumpulan mencatat hasil sebanyak RM154.2 juta atau pertumbuhan sebanyak 5.2% berbanding jumlah sebanyak RM146.6 juta pada tahun lepas. Ini menunjukkan bahawa masih terdapat permintaan yang kukuh bagi produk-produk Kumpulan daripada pasaran tempatan dan eksport.

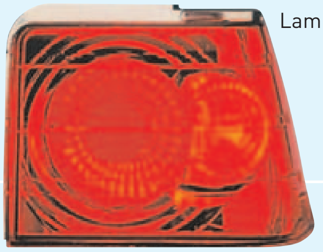
Walau bagaimanapun, disebabkan oleh kos operasi yang semakin tinggi, keuntungan sebelum cukai telah menurun sebanyak 10.0% daripada RM27.9 juta pada tahun sebelumnya kepada RM25.1 juta pada tahun ini. Sehubungan dengan itu, keuntungan selepas cukai turut terjejas dan menurun sebanyak 7.6% kepada RM20.8 juta berbanding RM22.5 juta dicapai pada tahun sebelumnya. Ini menjadikan perolehan sesaham menurun daripada 31.1 sen kepada 27.7 sen pada tahun ini. Dengan keuntungan yang diperolehi pada tahun ini, aset bersih sesaham pada 31 Disember 2005 meningkat kepada RM2.22 daripada RM2.04 pada tahun lepas.

DIVIDEN

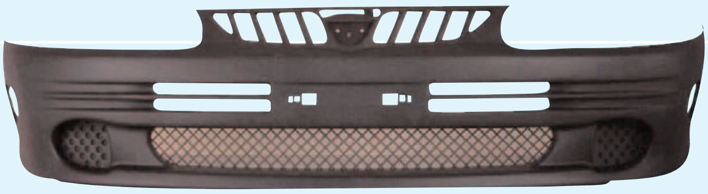
Berikutan keuntungan Kumpulan, Lembaga Pengarah telah mengisytiharkan dividen interim dikecualikan cukai sebanyak 3% bagi setiap saham biasa berhubung tahun kewangan berakhir 31 Disember 2005 yang berjumlah sebanyak RM2.3 juta. Dividen tersebut akan dibayar pada 6 April 2006.

Selain itu, Lembaga Pengarah dengan sukacita, turut mengesyorkan dividen akhir dikecualikan cukai sebanyak 8% sesaham biasa berjumlah RM6.0 juta untuk diluluskan oleh para pemegang saham pada Mesyuarat Agung Tahunan yang akan datang. Bersama-sama dengan dividen interim, jumlah keseluruhan dividen sesaham bagi tahun kewangan berakhir 31 Disember 2005 adalah sebanyak 11%.

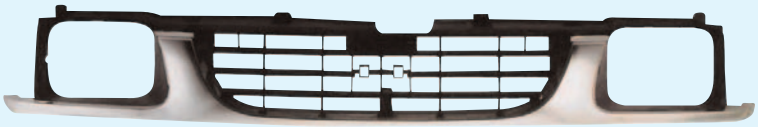
New Hoong Fatt telah membayar dividen secara konsisten sejak tahun 1999. Adalah menjadi matlamat Kumpulan untuk mengekalkan dan mengembangkan dividen ini pada masa depan, iaitu selepas mengambil kira prestasi kewangannya, peluang-peluang pelaburan dan keanjalan kewangan.



Lamp



Grille



Bumper

Trading Division - Warehouse

PERKEMBANGAN KORPORAT

Skim Opsyen Saham Kakitangan New Hoong Fatt telah tamat tempohnya pada 29 Ogos 2005. Pada sepanjang tempoh lima tahun kewujudannya, sebanyak 3,156,000 opsyen telah dilaksanakan oleh kakitangan dan para pengarah eksekutifnya untuk membeli saham Syarikat.

TINJAUAN PERNIAGAAN

Peningkatan kos pada tahun 2005 telah membawa cabaran yang besar kepada Kumpulan dalam usahanya untuk mencapai keuntungan yang memuaskan. Sungguhpun Kumpulan berusaha gigih menjimatkan kos operasi, namun margin yang diperolehi tetap menurun disebabkan oleh strategi yang dilaksanakan untuk mengekalkan bahagian pasaran. Keuntungan Kumpulan telah dijejaskan oleh beberapa faktor, termasuk harga petrol dan disel serta kos bahan mentah.

Kumpulan telah membuka sebuah pusat pengedaran baru di Segambut iaitu di tengah-tengah pusat pasaran alat ganti automotif Kuala Lumpur pada bulan Julai 2005. Pusat pengedaran tersebut memberi khidmat kepada pelanggan di Kuala Lumpur dan di seluruh Semenanjung Malaysia. Hasilnya, bahagian perdagangan kini mempunyai empat buah pusat perkhidmatan pelanggan iaitu di Klang, Gombak, Sungai Besi dan Segambut.

Pada bulan Mei 2005, kilang mengecap logam telah menyelesaikan pemerolehan hartanah yang terletak bersebelahan dengan premisnya yang sedia ada. Ini telah membolehkan kilang sedia ada diperbesarkan dan disusun semula untuk menambah ruang memuatkan kontena bagi memenuhi segmen eksport yang tinggi dan bagi mempertingkatkan kecekapan operasi.

Kumpulan terus melabur dalam latihan dan pembangunan sumber manusia untuk mempertingkatkan kemampuan dan daya saing kakitangan serta memupuk pemimpin masa depan untuk mengekalkan prestasi yang cemerlang. Kami turut melatih kakitangan kami supaya mereka dapat menghadapi cabaran dan memegang tampuk pimpinan masa depan.

PROSPEK MASA DEPAN

Walaupun jualan domestik masih merangkumi sebahagian besar daripada hasil Kumpulan, namun sumbangan daripada eksport telah menjadi sumber pendapatan yang besar sepanjang beberapa tahun kebelakangan ini. Untuk mencapai pengeluaran menurut skala ekonomi yang lebih baik, Kumpulan akan terus berusaha dan mengembangkan jualan eksportnya.

Dengan peningkatan dalam proses yang telah tersedia dan pembangunan sinergi kumpulan yang lebih mantap bagi memanfaatkan sumber dan kekuatan yang sedia ada di seluruh Kumpulan, New Hoong Fatt akan terus berusaha merebut peluang di arena tempatan, dan pada masa yang sama membina kehadiran yang lebih kukuh di peringkat global. Melainkan keadaan yang tidak dapat dijangka, Kumpulan yakin bahawa prestasi kewangan yang kukuh akan dicapai pada tahun 2006.

PENGHARGAAN KHAS

Bagi pihak Lembaga Pengarah, saya ingin menyampaikan ucapan terima kasih tulus ikhlas kepada pihak pengurusan dan kakitangan atas sumbangan tidak ternilai mereka yang telah membolehkan Kumpulan kekal sebagai peneraju dalam pasaran penggantian.

Akhirnya, saya ingin mengucapkan setinggi-tinggi penghargaan kepada para pembekal kami, pihak-pihak berkuasa, para pelanggan, pembiaya dan para pemegang saham atas sokongan mereka yang berterusan.

KAM LANG FATT @ KIM LENG FATT
Pengerusi dan Pengarah Urusan

Directors' Profile/ Profil Pengarah

Kam Lang Fatt @ Kim Leng Fatt
Aged 65, Chairman cum Managing Director
Berusia 65 tahun, Pengerusi dan Pengarah Urusan

Mr Kam was appointed to the Board on 8 April 1998 and also serves as a member of the Remuneration Committee.

He is a businessman by profession and the founder of the New Hoong Fatt ("NHF") Group. With his extensive experience in the automotive industry, he plays an active role in overseeing the operations of the Group.

After early forays into the carpentry and furniture industries, he moved into businesses related to the automotive industry, such as repairing motor vehicles and trading in motorcycles and used cars. The experience gained therefrom, steered him to establish the NHF Group.

The Group flourished under his leadership and was listed on the Second Board of the Bursa Malaysia Securities Berhad in 1998. NHF subsequently transferred to the Main Board in 2001.

Currently, he holds directorships in several private limited companies, including the subsidiaries of the NHF Group.

Mr Kam is the father of Kam Foong Keng and Kam Foong Sim, and father-in-law of Chin Jit Sin, who are all Executive Directors of the Company. His wife, Wong Ah Moy @ Wong Yoke Len, is a major shareholder of the Company.

He has no material conflict of interest with the Group other than that which has been disclosed to the Board of Directors and shareholders in the audited financial statements.

Encik Kam telah dilantik menganggotai Lembaga Pengarah pada 8 April 1998 serta ahli Jawatankuasa Ganjaran. Beliau merupakan seorang peniaga dan pengasas kepada Kumpulan New Hoong Fatt ("NHF"). Berdasarkan pengalamannya yang luas di dalam bidang industri automotif, beliau masih giat mengawasi operasi Kumpulan.

Selepas menceburi dalam bidang pertukangan kayu dan perkakas rumah, beliau beralih kepada perniagaan yang berkaitan dengan industri automotif, seperti memperbaiki kenderaan serta menjual motosikal dan kereta terpakai. Berdasarkan pengalaman yang diperolehi, beliau telah berjaya menubuhkan Kumpulan New Hoong Fatt.

Kumpulan ini semakin maju atas pimpinan beliau sehingga disenaraikan di Papan Kedua, Bursa Malaysia Securities Berhad pada 1998. NHF kemudiannya diperkenalkan di Papan Utama pada 2001. Beliau kini memegang jawatan pengarah di beberapa syarikat swasta termasuk syarikat subsidiari Kumpulan NHF.

Encik Kam adalah bapa kepada Kam Foong Keng dan Kam Foong Sim serta bapa mertua kepada Chin Jit Sin, kesemuanya merupakan Pengarah Eksekutif Syarikat. Beliau adalah suami kepada Wong Ah Moy @ Wong Yoke Len, iaitu seorang pemegang saham utama Syarikat.

Beliau tidak mempunyai percanggahan kepentingan yang mustahak dengan Kumpulan ini, selain daripada yang telah dikemukakan kepada Lembaga Pengarah dan pemegang-pemegang saham di dalam penyata kewangan yang diaudit.

Chin Jit Sin
Aged 44, Non-Independent Executive Director
Berusia 44 tahun, Pengarah Eksekutif Bukan Bebas

Mr Chin was appointed as Executive Director on 8 April 1998. He graduated from University of Malaya and holds a Bachelor of Economics (Hon) degree (major in Business Administration). He was attached to Malayan Banking Berhad from 1984 to 1990 prior to joining NHF Group.

His experience covers a wide variety of industries including banking and financial institutions, manufacturing and trading. As an Executive Director, he is actively involved in overseeing the manufacturing operations of the Group. He was instrumental in the achievement of ISO 9001 for a manufacturing subsidiary and jointly established a combined Quality Management System for all the Group's business units and divisions in April 2005. Currently, he sits on the Boards of several subsidiaries of the NHF Group.

Mr Chin is the spouse of Kam Foong Keng, an Executive Director and major shareholder of the Company, and is therefore related to members of her family. He has no direct conflict of interest with the Group.

Encik Chin dilantik sebagai Pengarah Eksekutif pada 8 April 1998. Beliau memperolehi Ijazah Sarjana Muda Ekonomi (Kepujian) dalam bidang Pentadbiran Perniagaan dari Universiti Malaya. Beliau pernah berkhidmat di Malayan Banking Berhad dari 1984 hingga 1990 sebelum menyertai Kumpulan NHF.

Pengalaman beliau merangkumi pelbagai industri yang luas termasuk perbankan dan institusi kewangan, perkilangan dan perdagangan. Sebagai Pengarah Eksekutif, beliau turut mengawasi operasi perkilangan Kumpulan. Beliaulah yang mendorong subsidiari perkilangan untuk mencapai ISO 9001 dan telah bersama-sama menubuhkan Sistem Kualiti Pengurusan gabungan untuk semua unit dan bahagian perniagaan NHF pada April 2005. Ketika ini, beliau merupakan ahli Lembaga Pengarah kepada beberapa syarikat subsidiari Kumpulan NHF.

Encik Chin adalah suami Kam Foong Keng, seorang Pengarah Eksekutif dan pemegang saham utama Syarikat, dan oleh yang demikian, mempunyai hubungan dengan ahli keluarganya. Beliau tidak mempunyai sebarang percanggahan kepentingan yang terus dengan Kumpulan ini.

Kam Foong Keng
Aged 42, Non-Independent Executive Director
Berusia 42 tahun, Pengarah Eksekutif Bukan Bebas

Madam Kam was appointed on 8 April 1998, as Executive Director of the Group. She holds a Bachelor Degree in Business from South Australia Institute of Technology (now known as University of South Australia), Australia.

Since graduation, she has been a key person within the Group's subsidiaries, responsible for their management and organisational structure. She was instrumental in the achievement of ISO 9001 by the trading subsidiary and jointly established a combined Quality Management System for all the Group's business units and divisions in April 2005. Currently, she sits on the Boards of the subsidiaries of the NHF Group and other private limited companies.

Madam Kam is the daughter of Kam Lang Fatt @ Kim Leng Fatt and Wong Ah Moy @ Wong Yoke Len, spouse of Chin Jit Sin and sibling of Kam Foong Sim, who are Directors and/or major shareholders of the Company.

She has no material conflict of interest with the Group other than that which has been disclosed to the Board of Directors and shareholders in the audited financial statements.

Puan Kam telah dilantik sebagai Pengarah Eksekutif bagi Kumpulan pada 8 April 1998. Beliau memiliki Ijazah Sarjana Muda dalam bidang perniagaan dari South Australia Institute of Technology (sekarang dikenali sebagai University of South Australia), Australia.

Setelah memperolehi ijazah, beliau merupakan seorang penggerak utama dalam subsidiari Kumpulan dan bertanggungjawab terhadap hal pengurusan dan struktur organisasi.

Beliaulah yang mendorong subsidiari perdagangan untuk mencapai ISO 9001 dan telah bersama-sama menubuhkan Sistem Kualiti Pengurusan gabungan untuk semua unit dan bahagian perniagaan NHF pada April 2005. Ketika ini, beliau merupakan ahli Lembaga Pengarah bagi subsidiari Kumpulan NHF dan syarikat-syarikat swasta yang lain.

Puan Kam adalah anak kepada Kam Lang Fatt @ Kim Leng Fatt dan Wong Ah Moy @ Wong Yoke Len, isteri kepada Chin Jit Sin serta kakak kepada Kam Foong Sim, yang merupakan Pengarah-pengarah dan/atau pemegang saham utama Syarikat.

Beliau tidak mempunyai percanggahan kepentingan yang mustahak dengan Kumpulan ini, selain daripada yang telah dikemukakan kepada Lembaga Pengarah dan pemegang-pemegang saham di dalam penyata kewangan yang diaudit.

Kam Foong Sim
Aged 41, Non-Independent Executive Director
Berusia 41 tahun, Pengarah Eksekutif Bukan Bebas

Ms Kam was appointed as Executive Director and member of the Audit Committee on 17 May 2001. She holds a Bachelor Degree in Economics (major in Accounting) from University of Adelaide, Australia. She is an accountant by profession and a member of the Certified Practising Accountants Australia and the Malaysian Institute of Accountants.

She had several years of experience in accounting firms and in the commercial sector before joining the NHF Group in 1991, where she oversees finance and accounts. Currently, she sits on the Board of a subsidiary of the NHF Group.

Ms Kam is the daughter of Kam Lang Fatt @ Kim Leng Fatt and Wong Ah Moy @ Wong Yoke Len, sibling of Kam Foong Keng and sibling-in-law of Chin Jit Sin, who are Directors and/or major shareholders of the Company. She has no direct conflict of interest with the Group.

Cik Kam telah dilantik sebagai Pengarah Eksekutif dan ahli Jawatankuasa Audit pada 17 Mei 2001. Beliau memegang Ijazah Sarjana Muda Ekonomi dalam bidang perakaunan dari University of Adelaide, Australia. Beliau merupakan seorang akauntan yang berkelayakan serta ahli Certified Practising Accountants Australia dan Institut Akauntan Malaysia.

Beliau mempunyai beberapa tahun pengalaman di firma-firma perakaunan dan di bahagian komersil sebelum menyertai Kumpulan NHF pada 1991, dimana beliau ditugaskan mengawasi bahagian kewangan dan akaun. Ketika ini, beliau merupakan ahli Lembaga Pengarah bagi salah satu subsidiari Kumpulan NHF.

Cik Kam adalah anak kepada Kam Lang Fatt @ Kim Leng Fatt dan Wong Ah Moy @ Wong Yoke Len, adik kepada Kam Foong Keng dan adik ipar kepada Chin Jit Sin, yang merupakan Pengarah-pengarah dan/atau pemegang saham utama Syarikat. Beliau tidak mempunyai percanggahan kepentingan yang terus dengan Kumpulan ini.

Directors' Profile/ Profil Pengarah

continued/ sambungan

Wong Kwan @ Wong Kwong Kwan
Aged 76, Independent Non-Executive Director
Berusia 76 tahun, Pengarah Bebas Bukan Eksekutif

Mr Wong was appointed as Independent Non-Executive Director on 20 April 1998. He also serves as the Chairman of the Audit Committee and as a member of the Remuneration and Nomination Committees.

He obtained a LCC Higher Accounting Certificate from the London Chamber of Commerce before entering the banking industry. He commenced his career in finance and banking as an accountant in a private firm before joining Bank of China.

Subsequently, he moved to Overseas Union Bank (Malaysia) Berhad [now known as United Overseas Bank (Malaysia) Berhad], where he retired as a Branch Senior Manager in 1991. Currently, he does not sit on any other Board of Directors.

Mr Wong does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Group.

Encik Wong telah dilantik sebagai Pengarah Bebas Bukan Eksekutif pada 20 April 1998. Beliau juga menjadi Pengerusi Jawatankuasa Audit dan ahli jawatankuasa bagi Jawatankuasa Ganjaran dan Jawatankuasa Percalonan.

Beliau memperoleh Sijil Tinggi Perakaunan LCC dari London Chamber of Commerce sebelum menyertai industri perbankan. Beliau memulakan kerjayanya dalam bidang kewangan dan perbankan sebagai akauntan di firma swasta sebelum menyertai Bank of China.

Selepas itu, beliau bekerja di Overseas Union Bank (Malaysia) Berhad [sekarang dikenali sebagai United Overseas Bank (Malayisa) Berhad], dimana, beliau telah bersara sebagai Pengurus Kanan Cawangan pada 1991. Ketika ini, beliau tidak memegang perjawatan pengarah yang lain.

Encik Wong tiada hubungan kekeluargaan dengan mana-mana Pengarah dan/atau pemegang saham utama Syarikat. Beliau tidak mempunyai sebarang percanggahan kepentingan dengan Kumpulan ini.

Danny Ng Siew L'Leong
Aged 47, Independent Non-Executive Director
Berusia 47 tahun, Pengarah Bebas Bukan Eksekutif

Mr Ng was appointed as Independent Non-Executive Director on 20 April 1998. He also serves as a member of the Audit Committee, Remuneration Committee and Nomination Committee.

He graduated with a Bachelor Degree in Agribusiness (Hon) from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia), Malaysia. He started his career in banking and finance with United Malayan Banking Corporation Berhad (now known as RHB Bank Berhad) from 1982 to 1994.

He holds directorships in other public companies, namely Pohmay Holdings Berhad, Loh & Loh Corporation Berhad and SMIS Corporation Berhad, and various private limited companies.

Mr Ng does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Group.

Encik Ng telah dilantik sebagai Pengarah Bebas Bukan Eksekutif pada 20 April 1998. Beliau merupakan ahli Jawatankuasa Audit, Jawatankuasa Ganjaran dan Jawatankuasa Percalonan.

Beliau berkelulusan Ijazah Sarjana Muda Perniagaan Tanian (Kepujian) dari Universiti Pertanian Malaysia (sekarang dikenali sebagai Universiti Putra Malaysia), Malaysia. Beliau memulakan kerjayanya dalam bidang perbankan dan kewangan di United Malayan Banking Corporation Berhad (sekarang dikenali sebagai RHB Bank Berhad) dari 1982 hingga 1994.

Beliau juga merupakan Pengarah syarikat awam lain iaitu Pohmay Holdings Berhad, Loh & Loh Corporation Berhad, SMIS Corporation Berhad serta beberapa buah syarikat swasta.

Encik Ng tiada hubungan kekeluargaan dengan mana-mana Pengarah dan/atau pemegang saham utama Syarikat. Beliau tidak mempunyai sebarang percanggahan kepentingan dengan Kumpulan ini.

Directors' Profile/ Profil Pengarah

continued/ sambungan

Datuk Dr. Anis bin Ahmad
Aged 60, Independent Non-Executive Director
Berusia 60 tahun, Pengarah Bebas Bukan Eksekutif

Datuk Dr. Anis was appointed as Independent Non-Executive Director on 2 December 2002. He also serves as a member of the Audit Committee, Nomination Committee and Remuneration Committee.

He holds a Ph.D. in Pharmacology from University of Bath, United Kingdom, Master of Science in Pharmaceutical Technology from University of London and Bachelor of Pharmacy from University of Singapore.

Datuk Dr. Anis enjoyed an illustrious and extensive career in the Government sector, serving as pharmaceutical officer/ pharmacist with the Ministry of Health ("MoH") in 1968, to lecturer and Head of Department of Pharmacology in Universiti Kebangsaan Malaysia, to Deputy Director of the National Pharmaceutical Control Bureau ("NPCB") of MoH, to Director in 1988.

He was also Secretary of the Drug Control Authority of MoH from 1985 to 1990. In 1991, he was Deputy Director of the Pharmacy Division of MoH. In 1993, he was Deputy Director of Health (Pharmacy) for the Department of Health, Johor before returning to be a Director of NPCB in 1995. He was subsequently promoted to be a Director of Pharmacy of MoH in 1996, where he served until 2001. Currently, Datuk Dr. Anis acts as Chairman of the Board of Directors of Y.S.P Southeast Asia Holding Berhad, and a Director of several private limited companies.

Datuk Dr. Anis does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Group.

Datuk Dr. Anis telah dilantik sebagai Pengarah Bebas Bukan Eksekutif pada 2 Disember 2002. Beliau juga merupakan ahli Jawatankuasa Audit, Jawatankuasa Ganjaran dan Jawatankuasa Percalonan.

Beliau memiliki Falsafah Kedoktoran ("Ph.D.") dalam Ilmu Khasiat Ubat dari University of Bath, United Kingdom, Ijazah Sarjana dalam Ilmu Perubatan Teknologi dari University of London dan Sarjana Muda Perubatan dari University of Singapore.

Datuk Dr. Anis memegang pelbagai jawatan bermula dari pegawai ilmu perubatan/ahli ubat dengan Kementerian Kesihatan ("MoH") pada 1968, pensyarah dan Ketua Jabatan Ilmu Khasiat Ubat di Universiti Kebangsaan Malaysia, seterusnya ke Naib Pengarah kepada National Pharmaceutical Control Bureau ("NPCB") di MoH dan Pengarah pada 1988.

Beliau juga berkhidmat sebagai Setiausaha di Penguasaan Kawalan Ubat ("Drug Control Authority") di MoH dari 1985 hingga 1990. Pada 1991, beliau menyandang jawatan sebagai Naib Pengarah di Bahagian Perubatan di MoH. Pada 1993, beliau bertugas sebagai Naib Pengarah Kesihatan (Perubatan) bagi Jabatan Kesihatan, Johor sebelum kembali sebagai Pengarah NPCB pada 1995. Selepas itu, beliau telah dinaikkan pangkat sebagai Pengarah Perubatan bagi MoH pada 1996, dimana beliau berkhidmat sehingga 2001. Ketika ini, Datuk Dr. Anis adalah Pengerusi bagi Lembaga Pengarah di Y.S.P. Southeast Asia Holding Berhad, dan pengarah di beberapa buah syarikat swasta.

Datuk Dr. Anis tiada hubungan kekeluargaan dengan mana-mana Pengarah dan/atau pemegang saham utama Syarikat. Beliau tidak mempunyai sebarang percanggahan kepentingan dengan Kumpulan ini.

Notes To Directors' Profile/ Nota Kepada Profil Pengarah

1. All of the Directors of New Hoong Fatt Holdings Berhad are Malaysians.
   Semua Pengarah New Hoong Fatt Holdings Berhad adalah warganegara Malaysia.
2. None of the Directors have any conviction for offences within the past ten (10) years.
   Tiada Pengarah pernah disabitkan dengan kesalahan undang-undang dalam tempoh sepuluh (10) tahun.

Calendar of Events 2005/ Takwim Peristiwa 2005

Date/ Tarikh	Activities/ Aktiviti-aktiviti
20 Jan 2005	Company Briefing to Analysts at K & N Kenanga - Emerging MID-CAP Seminar
20 March 2005	Bowling Tournament
6 April 2005	Plant visit by members of the Federation of Automobile Workshop Owners Association of Malaysia
28 April 2005	Eighth (8th) Annual General Meeting
28 April 2005	Presentation Ceremony of ISO Certificate
29 May 2005	Volley Ball Tournament
17 July 2005	Employees' Day at Forest Research Institute of Malaysia
31 July 2005	Participation in Klang Quarter Marathon 2005
4 Sept 2005	Football Tournament
18 Sept 2005	Participation in PJ Half Marathon 2005
25-26 Nov 2005	Dynamic Top Team Integration & Strategic Business Planning I
6 Dec 2005	Company Briefing to Analysts at CBRS-RHB Small Mid Cap Stocks Conference 2005
17-18 Dec 2005	Dynamic Top Team Integration & Strategic Business Planning II

Employees' Day

Presentation of ISO Certificate by BM Trada (Malaysia) Berhad

Statement On Corporate Governance

The Board of Directors of New Hoong Fatt Holdings Berhad ("NHF") recognises the importance of corporate governance and strives to adopt the Malaysian Code on Corporate Governance in all areas of the Group's business and affairs, so as to enhance business prosperity, transparency and corporate accountability.

THE BOARD OF DIRECTORS

Composition and Role of the Board

The NHF Group is led and controlled by its Board of Directors, which takes full responsibility for the overall performance of the Group. The Board is balanced with more than one-third (1/3) of its members being independent. It comprises four (4) Executive Directors and three (3) Independent Non-Executive Directors. Together, they collectively bring to the Group a wealth of skill and experience in various industries, and are able to add strength to the leadership of NHF.

In the NHF Board, the roles of Chairman of the Board and Managing Director are combined. This is in recognition of his role as the founder of the Group and of his active and instrumental role in the leadership of the Group's business and operations, and towards formulating its business strategies. The Board is comfortable that there is no undue risk involved in the convergence of the two roles as all related party transactions are strictly dealt with in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). In addition, the Company's Articles of Association requires the Managing Director to retire by rotation.

The Executive Directors assume primary responsibility for managing and evaluating the Group's business operations and establishing the Group's strategic plan. The Executive Directors practice a "hands-on" management approach, which has enabled the Group to maintain a leadership position in the alternative automotive body replacement parts industry.

The three (3) Independent Non-Executive Directors are persons of high calibre. Their academic qualifications and vast experience gained from senior positions held in public and private sectors, enable them to exercise independent judgment and participate objectively in the deliberations of the Board.

The Independent Non-Executive Directors represent the minority shareholders and stakeholders of the Group. The Board, on the recommendation of the Nomination Committee, has renewed the nomination of Mr. Danny Ng Siew L'Leong as the Senior Independent Director of the Board, to whom concerns of shareholders may be conveyed.

The profiles of the Directors are published on pages 16 to 22 of the Annual Report.

Retirement

Pursuant to the Company's Articles of Association, Directors who are appointed by the Board during the year are subject to election by shareholders at the next following Annual General Meeting (AGM). At every AGM, one-third (1/3) of the Directors, including the Managing Director, are subject to retirement by rotation but shall be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) are required to retire annually and if desired, offer themselves for re-appointment by the shareholders.

In this Annual Report, details of Directors seeking re-election and re-appointment are set out on page 3.

Board Meetings and Supply of Information to the Board

The Board meets at least four (4) times a year with additional meetings convened as necessary. During the year under review, four (4) Board meetings were held. The attendance record of each Director is as follows:

Name of Director	No. of meetings attended	% of attendance
Executive Directors		
Kam Lang Fatt @ Kim Leng Fatt	3/4	75 %
Chin Jit Sin	4/4	100 %
Kam Foong Keng	4/4	100 %
Kam Foong Sim	4/4	100 %
Non-Executive Directors		
Wong Kwan @ Wong Kwong Kwan	4/4	100 %
Danny Ng Siew L'Leong	4/4	100 %
Datuk Dr. Anis bin Ahmad	4/4	100 %

Board Meetings and Supply of Information to the Board continued
The Board has a fixed schedule of matters specifically reserved for its decision to ensure that direction and control of the Company lies firmly in its hands.

Prior to the Board and Board Committee meetings, Directors and the respective members are furnished with reports and other supporting documents containing such information necessary for them to make informed decisions on the matters concerned.

Minutes of every Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meeting.

Directors have the right to such resources as is necessary and reasonable in furtherance of their duties, at the cost of the Company, including any information pertaining to the Company, and access to the advice and services of the Company Secretary or other independent professional advisors.

Nomination Committee
The Nomination Committee is entrusted with the task of recommending the appointment of members to the Board and to any Board Committees. It also monitors and oversees succession planning. Its other duties include reviewing annually the mix of skills, experience and other qualities of the existing Board and reviewing the performance of retiring directors who are subject to re-election.

It also assesses annually the effectiveness of the Board as a whole and the contribution of each individual director. It reviews the size of the Board against the size of the Group and the complexity of its business to determine impact of the number upon its effectiveness.

The Nomination Committee is made up entirely of Independent Non-Executive Directors, who meets as and when required, at least once a year, and reports to the Board after each meeting. It ensures that new appointments to the Board undergo the Director Induction Program to facilitate their understanding of the Group's operations, products and services. The Company Secretary ensures all appointments are properly made and all necessary information is obtained.

The composition of the Nomination Committee is as follows:

(a)	Wong Kwan @ Wong Kwong Kwan	(Independent Non-Executive Director)
(b)	Danny Ng Siew L'Leong	(Independent Non-Executive Director)
(c)	Datuk Dr. Anis bin Ahmad	(Independent Non-Executive Director)

Remuneration Committee
The Remuneration Committee consists of the following members:

(a)	Kam Lang Fatt @ Kim Leng Fatt	(Chairman cum Managing Director)
(b)	Wong Kwan @ Wong Kwong Kwan	(Independent Non-Executive Director)
(c)	Danny Ng Siew L'Leong	(Independent Non-Executive Director)
(d)	Datuk Dr. Anis bin Ahmad	(Independent Non-Executive Director)

The Remuneration Committee meets as and when required, and at least once a year. Their task is to recommend and advise the Board on the remuneration of the Executive Directors. The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole. Directors abstain from any discussions and decisions concerning their own remuneration. Directors' fees are endorsed by the Board for approval by the shareholders of the Company at AGMs.

Remuneration Committee continued

The details of the remuneration of the Directors of the Company (not including directors of the subsidiaries) during the year under review are as follows:

	Salaries and Other Emoluments (RM)	Fees (RM)	Attendance Fees (RM)	Benefits in Kind (RM)
Executive Directors	1,368,320	332,500	19,000	65,053
Non-Executive Directors	-	72,000	27,000	-

Range of Remuneration per annum	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM150,000 to RM200,000	1	-
RM400,000 to RM450,000	2	-
RM650,000 to RM700,000	1	-

The Executive Directors are entitled, under their service contracts with the Group's subsidiaries, to be compensated for loss of office amounting up to six (6) months' of the respective directors' last drawn salary.

(For security and confidentiality reasons, the details of individual Directors' remuneration are not shown. The Board is of the opinion that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the disclosures made above.)

Continuing Education of Directors

All NHF Directors had completed the training requirements under the Continuing Education Programme. During the financial year, all the Directors had attended various training programmes and seminars to keep abreast with developments in the market place. Among the seminars attended were half (½) to two (2) days seminars conducted under the topics of New Wave of Changes in Financial Reporting Standards, Goods and Services Tax, Organising and Influencing at Board Level, Bursa Securities' Perspective of the Audit Committee, Unlocking High Performance Organisation through Business Intelligence and Avoiding Poorly Prepared Circulars.

SHAREHOLDERS

The Board acknowledges the importance of providing equal access to material information about the Company that is timely, accurate and reliable in order to keep the shareholders, stakeholders and the investing public informed, in accordance with the Rules of Bursa Securities.

The Board communicates information on operations, activities and performance of the Group through the following:

(i) the Annual Report, which contains information such as financial and operational review of the Group's business, corporate information and financial statements;
(ii) various announcements made to the Bursa Securities, which include announcements on quarterly results. Concurrently with these announcements, the Company practices a policy to issue public announcements to major newspapers and publications to facilitate wider dissemination of information;
(iii) regular dialogues with analysts and fund managers representing the Company's individual and institutional shareholders; and
(iv) participation in Investor Roadshows.

The AGM remains the principal forum for communication and dialogue with shareholders, whereby shareholders are accorded both the opportunity and time to raise questions on the agenda items of the general meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting
In drawing up the Group's financial statements in accordance with applicable approved accounting standards in Malaysia, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

The Audit Committee reviews each annual and interim financial report and thereafter recommends to the Board for its approval. It also assists the Board to scrutinise information for disclosure, particularly financial information to ensure accuracy and adequacy. The Audit Committee is encouraged to hold meetings with the external auditors, without the attendance of the Executive Directors and management.

The Report of the Audit Committee is set out in pages 32 to 33 of the Annual Report.

Statement of Directors' Responsibility in respect of the Financial Statements
The Directors strive to ensure that financial statements for each financial year give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended.

In preparing the financial statements, the Directors have adopted suitable accounting policies and applied them consistently; and made estimates and judgements which are reasonable and prudent. The financial statements had been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other such irregularities.

Relationship with Auditors
The role of the Audit Committee in relation to the Auditors is stated on pages 32 to 33 of the Annual Report.

Through the Audit Committee, the Group maintains a transparent relationship with its Auditors, both internal and external, in seeking professional advice and ensuring compliance with the relevant accounting standards. The Auditors would highlight to management, and if necessary, the Audit Committee and the Board, matters that would require their attention and response, especially those pertaining to the area of risk management and any significant defects in the Group's system of control and compliance.

OTHER INFORMATION

Material contracts involving Directors and/or Major Shareholders
There were no material contracts entered into or subsisting between the Company and/or its subsidiaries involving Directors and major shareholders' interest during the financial year.

Exercise of Options
During the financial year, a total of 2,225,000 ordinary shares of RM1.00 each were exercised in respect of the NHF Employees Share Option Scheme ("ESOS"). The Audit Committee members had in the year 2005, verified the allocation of options pursuant to the ESOS.

Non-Audit Fees
The non-audit fees paid to the affiliated company of the external auditors, BDO Binder, for the financial year ended 31 December 2005 amounted to RM2,000.00

Penyata Tadbir Urus Korporat

Lembaga Pengarah New Hoong Fatt Holdings Berhad ("NHF") mengiktiraf kepentingan tadbir urus korporat dan berusaha untuk mengamalkan Kod Malaysia untuk Tadbir Urus Korporat dalam segala urusniaga dan hal-ehwal Kumpulan NHF. Ia bertujuan meningkatkan kemajuan perniagaan, ketelusan dan akauntabiliti korporat.

LEMBAGA PENGARAH

Komposisi Dan Tanggungjawab Pengarah

Kumpulan NHF dipimpin dan dikawal oleh Lembaga Pengarah yang bertanggungjawab terhadap prestasi Kumpulan keseluruhannya. Lembaga Pengarah adalah seimbang, dimana lebih daripada satu pertiga (1/3) keahliannya merupakan pengarah bebas. Ia terdiri daripada empat (4) Pengarah Eksekutif dan tiga (3) Pengarah Bebas Bukan Eksekutif. Mereka bersama-sama menyumbangkan kemahiran dan pengalaman dari pelbagai industri. Kemahiran dan pengalaman yang luas ini memberi kekuatan tambahan kepada kepimpinan syarikat.

Di Lembaga Pengarah NHF, jawatan-jawatan Pengerusi dan Pengarah Urusan adalah digabungkan. Ini mengiktirafkan peranan beliau sebagai pengasas Kumpulan dan juga pemimpin yang aktif dan unggul dalam perniagaan dan operasi Kumpulan dan juga terhadap pembentukan strategi perniagaannya. Lembaga Pengarah percaya bahawa tiada risiko yang tidak wajar dengan pergabungan kedua-dua jawatan ini kerana semua urusniaga pihak berkaitan dikendalikan menurut Syarat-syarat Penyenaraian Bursa Malaysia Securities Berhad ("Bursa Securities"). Tambahan pula, Tataurusan Syarikat mewajibkan Pengarah Urusan untuk bersara mengikut giliran.

Pengarah-pengarah Eksekutif memegang tanggungjawab utama terhadap pengurusan dan penilaian operasi perniagaan Kumpulan dan pembentukan suatu rancangan strategi untuk Kumpulan ini. Amalan pengurusan Pengarah-pengarah Eksekutif yang terus-menerus telah membolehkan Kumpulan ini mencapai misi Kumpulan untuk menjadi pengeluar dan pembekal alat-alat gantian automotif yang unggul. Pengarah-pengarah Bebas Bukan Eksekutif merupakan individu yang berkaliber dan dipercayai. Mereka boleh memberi keputusan dan pengkajian yang tersendiri ke atas sebarang hal yang dihadapi Lembaga Pengarah, tanpa takut atau menyebelahi pihak.

Ketiga-tiga Pengarah Bebas Bukan Eksekutif adalah berkaliber tinggi. Dengan kelayakan akademik serta pengalaman yang luas dalam sektor awam dan swasta, mereka boleh memberi pertimbangan yang bebas dan menyertai perbincangan Lembaga Pengarah dengan objektif.

Pengarah-pengarah Bebas Bukan Eksekutif mewakili pemegang saham minoriti dan pemegang kepentingan Kumpulan NHF. Menurut cadangan Jawatankuasa Percalonan, Lembaga Pengarah telah memperbahrui perlantikan Encik Danny Ng Siew L'Leong sebagai Pengarah Bebas Bukan Eksekutif Kanan. Pemegang-pemegang saham boleh merujuk segala permasalahan kepada beliau.

Profil Pengarah-pengarah dikemukakan di mukasurat 16 hingga 22 di dalam Laporan Tahunan ini.

Persaraan

Mengikut Tataurusan Syarikat, Pengarah yang dilantik oleh Lembaga Pengarah pada tahun berkenaan adalah tertakluk kepada pemilihan oleh pemegang saham di Mesyuarat Agung Tahunan yang akan datang. Pada setiap Mesyuarat Agung Tahunan, satu pertiga (1/3) daripada Pengarah, termasuk Pengarah Urusan, adalah tertakluk pada persaraan mengikut giliran, tetapi layak dipilih semula.

Menurut Seksyen 129(2), Akta Syarikat, 1965, Pengarah-pengarah yang berumur lebih daripada tujuh-puluh (70) tahun, dikehendaki bersara pada setiap tahun dan jika berhasrat, boleh menawarkan diri mereka untuk dilantik semula oleh pemegang saham.

Butir-butir Pengarah untuk pemilihan dan perlantikan semula dibentangkan pada mukasurat 5 di dalam Laporan Tahunan ini.

Mesyuarat Lembaga Pengarah dan Penyampaian Maklumat kepadanya

Lembaga Pengarah bermesyuarat sekurang-kurangnya empat (4) kali dalam setahun dan mesyuarat tambahan diadakan apabila perlu. Di dalam tahun yang dikaji ini, sejumlah empat (4) Mesyuarat Lembaga Pengarah telah diadakan. Rekod kehadiran untuk setiap Pengarah adalah seperti berikut:

Nama Pengarah	Bilangan Mesyuarat Dihadiri	% Kehadiran
Pengarah Eksekutif		
Kam Lang Fatt @ Kim Leng Fatt	3/4	75 %
Chin Jit Sin	4/4	100 %
Kam Foong Keng	4/4	100 %
Kam Foong Sim	4/4	100 %
Pengarah Bukan Eksekutif		
Wong Kwan @ Wong Kwong Kwan	4/4	100 %
Danny Ng Siew L'Leong	4/4	100 %
Datuk Dr. Anis bin Ahmad	4/4	100%

Lembaga Pengarah telah mengkhususkan perkara-perkara yang perlu diputuskan olehnya bagi memastikan hala tuju dan kuasa terhadap Syarikat berada dalam kawalannya.

Sebelum setiap Mesyuarat Lembaga Pengarah dan Jawatankuasa Lembaga Pengarah diadakan, semua Pengarah dan ahli dilengkapkan dengan laporan dan dokumen lain yang meliputi maklumat yang diperlukan untuk membuat keputusan wajar terhadap perkara-perkara berkenaan.

Sebelum pengesahan minit-minit mesyuarat Lembaga Pengarah di mesyuarat yang seterusnya, minit-minit tersebut terdahulunya diedarkan untuk pembacaan semua Pengarah.

Pengarah-pengarah berhak mendapatkan sebarang bahan yang diperlukan dan berpatutan untuk menjalankan tugas mereka, atas perbelanjaan Syarikat, termasuk sebarang maklumat yang berkaitan dengan Syarikat. Pengarah-pengarah juga berpeluang mendapat nasihat dan perkhidmatan Setiausaha Syarikat atau penasihat profesional bebas yang lain.

Jawatankuasa Percalonan

Jawatankuasa Percalonan telah diamanahkan untuk mencadangkan calon-calon baru untuk dilantik menjadi Lembaga Pengarah dan sebarang Jawatankuasa Lembaga Pengarah. Jawatankuasa ini juga mengawal dan mengawasi rancangan penggantian berturut-turut. Tugas-tugas yang lain termasuk mengkaji semula secara tahunan, gabungan kemahiran dan pengalaman serta lain-lain kebolehan Lembaga Pengarah semasa dan mengkaji semula prestasi Pengarah-pengarah yang akan bersara dan tertakluk kepada pemilihan semula.

Setiap tahun, Jawatankuasa ini juga menilai keberkesanan Lembaga Pengarah dan pengarah individu. Jawatankuasa ini mengkaji saiz Lembaga Pengarah bertentangan dengan saiz Kumpulan.

Jawatankuasa Percalonan terdiri dari Pengarah Bebas Bukan Eksekutif yang akan bermesyuarat bila-bila masa yang perlu, sekurang-kurangnya setahun sekali, dan melapor kepada Lembaga Pengarah selepas setiap mesyuarat. Mereka juga memastikan perlantikan baru menjalani Program Induksi Pengarah untuk memudahkan pemahamannya mengenai operasi, produk dan perkhidmatan Kumpulan. Setiausaha Syarikat memastikan setiap perlantikan dijalankan dengan betul dan segala maklumat yang diperlukan telah diperolehi.

Komposisi Jawatankuasa Percalonan adalah seperti berikut:

(a) Wong Kwan @ Wong Kwong Kwan (Pengarah Bebas Bukan Eksekutif)
(b) Danny Ng Siew L'Leong (Pengarah Bebas Bukan Eksekutif)
(c) Datuk Dr. Anis bin Ahmad (Pengarah Bebas Bukan Eksekutif)

Jawatankuasa Ganjaran

Jawatankuasa Ganjaran terdiri daripada ahli-ahli berikut:

(a) Kam Lang Fatt @ Kim Leng Fatt (Pengerusi dan Pengarah Urusan)
(b) Wong Kwan @ Wong Kwong Kwan (Pengarah Bebas Bukan Eksekutif)
(c) Danny Ng Siew L'Leong (Pengarah Bebas Bukan Eksekutif)
(d) Datuk Dr. Anis bin Ahmad (Pengarah Bebas Bukan Eksekutif)

Jawatankuasa Ganjaran sambungan

Jawatankuasa Ganjaran bermesyuarat bila-bila masa yang perlu, sekurang-kurangnya setahun sekali. Tugas mereka adalah untuk mencadang dan menasihat Lembaga Pengarah mengenai ganjaran untuk Pengarah Eksekutif. Ganjaran bagi Pengarah Bukan Eksekutif ditentukan oleh Lembaga Pengarah secara keseluruhannya. Pengarah-pengarah tidak terlibat dalam perbincangan ataupun keputusan mengenai ganjaran mereka sendiri. Lembaga Pengarah akan mensyorkan yuran bagi Pengarah-pengarah supaya diluluskan oleh pemegang saham pada Mesyuarat Agung Tahunan Syarikat.

Ganjaran bagi Pengarah-pengarah Syarikat (tidak termasuk Pengarah-pengarah anak syarikat) untuk tahun semasa adalah seperti berikut:

	Gaji dan Lain-lain Emolumen (RM)	Yuran (RM)	Yuran Kehadiran (RM)	Manfaat (RM)
Pengarah Eksekutif	1,368,320	332,500	19,000	65,053
Pengarah Bukan Eksekutif	-	72,000	27,000	-

Bidang ganjaran setahun	Pengarah Eksekutif	Pengarah Bukan Eksekutif
RM50,000 ke bawah	-	3
RM150,000 ke RM200,000	1	-
RM400,000 ke RM450,000	2	-
RM650,000 ke RM700,000	1	-

Menurut kontrak perkhidmatan Pengarah Eksekutif dengan subsidiari Kumpulan, mereka berhak untuk mendapatkan gantirugi bagi kehilangan jawatan sehingga enam (6) bulan gaji yang terakhir Pengarah tersebut.

(Bagi tujuan keselamatan dan kesulitan, ganjaran pengarah individu tidak ditunjukkan. Lembaga Pengarah berpendapat bahawa ganjaran yang dibentangkan di atas telah memenuhi aspek ketelusan dan tanggungjawab dibawah tadbir urus korporat mengenai ganjaran pengarah telah dilayani dengan sepatutnya.)

Pendidikan Berterusan Pengarah

Kesemua Pengarah NHF telah menyempurnakan keperluan pendidikan di bawah Program Pendidikan Berterusan. Dalam tahun kewangan ini, semua Pengarah-pengarah juga telah menghadiri pelbagai program latihan dan seminar untuk meningkatkan pengetahuan dengan perkembangan di pasaran. Diantara latihan yang dihadiri adalah seminar sepanjang tempoh setengah (½) hingga dua (2) hari dibawah tajuk-tajuk Pindaan Baru di Piawaian Laporan Kewangan, Cukai Barangan dan Perkhidmatan, Mengurus dan Mempengaruhi Lembaga Pengarah, Perspektif Bursa Securities mengenai Jawatankuasa Audit, Mencapai Perlaksanaan Tinggi di Organisasi melalui "Business Intelligence" dan Mengelakkan Penyediaan Surat Pekeliling yang Tidak Berkualiti.

PEMEGANG SAHAM

Lembaga Pengarah mengakui kepentingan untuk memberikan akses yang sama kepada maklumat penting mengenai Syarikat yang pada masanya, tepat dan setia supaya memaklumkan pemegang saham, pemegang kepentingan dan pelabur awam, mengikut syarat-syarat Bursa Securities.

Lembaga Pengarah berkomunikasikan maklumat mengenai operasi, aktiviti dan prestasi Kumpulan melalui:

(i) Laporan Tahunan, yang mengandungi maklumat mengenai tinjauan kewangan dan operasi terhadap perniagaan, maklumat korporat dan penyata kewangan Kumpulan;
(ii) pelbagai pengumuman kepada Bursa Securities, termasuk pengumuman mengenai keputusan kewangan suku tahun. Syarikat mengamalkan polisi untuk mengeluarkan pengumuman awam kepada suratkhabar dan penerbitan utama semasa dengan pengumuman laporan kewangan ke Bursa Securities supaya maklumat dapat disebarkan dengan lebih luas.
(iii) sesi dialog kerap dengan penganalisis dan pengurus dana yang mewakili pemegang saham, orang persendirian dan institusi; dan
(iv) penyertaan "Roadshow" bagi pelabur-pelabur.

Mesyuarat Agung Tahunan masih merupakan forum utama untuk berkomunikasi dan berdialog dengan pemegang saham, di mana pemegang saham diberi peluang dan masa untuk mengemukakan soalan-soalan mengenai agenda-agenda mesyuarat agung tersebut.

AKAUNTABILITI DAN AUDIT

Pelaporan Kewangan

Dalam menyediakan penyata kewangan Kumpulan menurut piawaian perakaunan, Lembaga Pengarah berhasrat untuk membentangkan penilaian yang seimbang dan dapat difahami berkaitan dengan kedudukan dan prospek Syarikat.

Jawatankuasa Audit mengkaji semula setiap laporan kewangan tahunan dan suku tahunan dan kemudiannya mengesyorkan kepada Lembaga Pengarah untuk kelulusannya. Ianya juga membantu Lembaga Pengarah untuk meneliti maklumat untuk didedahkan, terutamanya maklumat kewangan, untuk memastikan ketepatan dan kesempurnaannya. Jawatankuasa Audit ini juga digalakkan untuk mengadakan mesyuarat dengan juruaudit luar, tanpa kehadiran Pengarah Eksekutif dan pihak pengurusan.

Laporan oleh Jawatankuasa Audit dibentangkan di mukasurat 34 hingga 35 di dalam Laporan Tahunan ini.

Penyata Tanggungjawab Pengarah-Pengarah Berhubung Dengan Penyata Kewangan

Pengarah-pengarah berusaha untuk menyediakan penyata-penyata kewangan bagi setiap tahun kewangan yang memberikan pandangan yang tepat dan saksama mengenai hal-ehwal Kumpulan dan Syarikat pada penghujung tahun kewangan dan mengenai keputusannya serta aliran tunai bagi tahun tersebut.

Dalam menyediakan penyata-penyata kewangan, Pengarah-pengarah telah mengamalkan polisi perakaunan yang sesuai dan telah menggunakannya secara konsisten, membuat anggaran dan keputusan yang munasabah dan berhemat. Penyata-penyata kewangan telah disediakan berasaskan dengan andaian kemajuan.

Pengarah-pengarah bertanggungjawab untuk memastikan bahawa Kumpulan dan Syarikat menyimpan rekod-rekod perakaunan yang mendedahkan kedudukan kewangan mereka dengan ketepatan yang munasabah. Pengarah-pengarah juga bertanggungjawab untuk mengambil langkah yang munasabah untuk melindungi aset Kumpulan bagi mengelak dan mengesan penipuan serta kejanggalan-kejanggalan lain.

Hubungan Dengan Juruaudit

Peranan Jawatankuasa Audit berkaitan dengan Juruaudit-juruaudit dinyatakan pada mukasurat 34 hingga 35 di dalam Laporan Tahunan ini .

Kumpulan ini sentiasa mengekalkan hubungan yang telus dengan Juruaudit-juruaudit, kedua-dua juruaudit luaran dan dalaman, semasa memperolehi nasihat profesional dan memastikan pematuhan piawaian-piawaian perakaunan yang berkaitan. Juruaudit-juruaudit akan memberitahu pihak pengurusan, dan jika perlu, Jawantankuasa Audit dan Lembaga Pengarah, mengenai perkara-perkara yang memerlukan perhatian mereka dan segala kekurangan yang mustahak dalam sistem kawalan dan pematuhan Kumpulan.

MAKLUMAT LAIN

Kontrak-Kontrak Penting Yang Melibatkan Pengarah-Pengarah dan/atau Pemegang-Pemegang Saham Utama

Sepanjang tahun kewangan ini, Syarikat dan/atau anak-anak syarikatnya tidak meterai sebarang kontrak mustahak yang melibatkan kepentingan Pengarah-pengarah dan pemegang saham utama.

Perlaksanaan Opsyen

Sepanjang tahun kewangan ini, sejumlah 2,225,000 saham biasa berharga RM1.00 sesaham telah dilaksanakan berkaitan dengan Skim Opsyen Saham Pekerja bagi Kumpulan NHF. Dalam tahun 2005, ahli-ahli Jawatankuasa Audit telah mengesahkan penawaran opsyen menurut Skim Opsyen Saham Pekerja.

Yuran Bukan Audit

Untuk tahun kewangan berakhir 31 Disember 2005, yuran bukan audit yang dibayar kepada juruaudit luaran, BDO Binder, adalah sebanyak RM2,000.

Audit Committee Report

MEMBERS AND MEETINGS

The Audit Committee was established by the Board of Directors in 1998. The members of the Committee comprise the following directors and details of attendance of each member at the Committee meetings during the financial year ended 31 December 2005 are as follows:

Name	Designation	Attendance of meetings	%
Wong Kwan @ Wong Kwong Kwan (Audit Committee Chairman)	Independent Non-Executive Director	4/4	100
Danny Ng Siew L'Leong	Independent Non-Executive Director	4/4	100
Datuk Dr. Anis bin Ahmad	Independent Non-Executive Director	4/4	100
Kam Foong Sim	Executive Director (and a member of Malaysian Institute of Accountants)	4/4	100

ACTIVITIES

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

(a) Review the external auditor's plan, scope and nature of statutory audit of the Group's financial statements;
(b) Review the external audit reports, the results of the external auditors' examination and their recommendations arising from the audit;
(c) Review the financial results of the Group;
(d) Review the risk assessment of the Group;
(e) Review the internal audit plan and reports with its issues and recommendations arising from the audit;
(f) Review related party transactions and conflict of interest situation that may arise within the Group;
(g) Review the budget for the coming year and monitoring the Group's financial results against the budget;
(h) Consider the appointment of Internal and External Auditors and their audit fee;
(i) Verify the allocation of options under the New Hoong Fatt Group Employees' Share Option Scheme.

INTERNAL AUDIT FUNCTION

The Internal Auditor, an external consultant, is responsible for reviewing the process of the internal control functions as well as enhancing the efficiency and effectiveness of internal controls system of the Group by providing constructive and value-added recommendations. It provides the Audit Committee with independent and objective reports on the state of internal control of the various operating divisions within the Group, and the extent of compliance of the divisions with the Group's established policies and procedures as well as relevant statutory requirements.

The Audit Committee reviewed all the internal audit reports generated by the Internal Auditors and ensured that appropriate actions were taken on the recommendations arising from the audits.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Composition

- The Committee shall be appointed from amongst the Board and shall:
  - (i) comprise no fewer than three (3) members;
  - (ii) comprise a majority of independent directors; and
  - (iii) have at least one (1) member who is a member of the Malaysian Institute of Accountants or who complies with paragraph 15.10 of the Bursa Malaysia Securities Berhad Listing Requirements.
- The Chairman, who shall be elected by the Audit Committee, shall be an independent director.
- In the event of any vacancy resulting in non-compliance with the terms of reference hereof, the vacancy must be filled within three (3) months.

Duties

- o To review with the external auditors on:
  - (i) the audit plan, its scope and nature;
  - (ii) the audit report;
  - (iii) the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
  - (iv) the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.
- o To review with management on:
  - (i) audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
  - (ii) interim financial information; and
  - (iii) the assistance given by the officers of the Company to external auditors.
- o To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
  - (i) changes in or implementation of major accounting policy;
  - (ii) significant and unusual events;
  - (iii) the going concern assumption; and
  - (iv) compliance with accounting standards and other legal requirements.
- o To review whether there is reason (supported by grounds) to believe that the Group's external auditors is not suitable for re-appointment.
- o To consider the audit fee and any questions of resignation or dismissal of the external auditors of the Group.
- o To review the adequacy of the scope, functions and resources and setting of performance standards of the internal audit function.
- o To review the internal audit programme, processes and the results thereof or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- o To provide assurance to the Board of Directors on the effectiveness of the system of internal controls and risk management practices of the Group.
- o To consider the nomination of a person or persons as auditors (whether internal or external).
- o To review any related party transaction and conflict of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

Rights

The Audit Committee shall:

(a) have authority to investigate any matter within its terms of reference;
(b) have the resources which are required to perform its duties;
(c) have full and unrestricted access to any information pertaining to the Group;
(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
(e) have the right to obtain independent professional or other advice at the Company's expense;
(f) have the right to convene meetings with the external auditors, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary;
(g) promptly report to the Bursa Malaysia Securities Berhad matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements.

Meetings

- o The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.
- o The Company Secretary shall be the Secretary of the Committee.
- o The Chairman shall upon request of the auditors convene a meeting of the Audit Committee to consider any matter the auditors believe should be brought to the attention of the directors or shareholders.
- o The external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee

Laporan Jawatankuasa Audit

KEAHLIAN DAN MESYUARAT

Jawatankuasa Audit telah ditubuhkan oleh Lembaga Pengarah pada 1998. Ahli-ahli Jawatankuasa ini terdiri daripada Pengarah-pengarah yang berikut dan butir-butir kehadiran mereka di mesyuarat jawatankuasa pada tahun kewangan 31 Disember 2005 adalah seperti berikut:

Nama	Jawatan	Kehadiran Untuk Mesyuarat	%
Wong Kwan @ Wong Kwong Kwan (Pengerusi Ahli Jawatankuasa)	Pengarah Bebas Bukan Eksekutif	4/4	100
Danny Ng Siew L'Leong	Pengarah Bebas Bukan Eksekutif	4/4	100
Datuk Dr. Anis bin Ahmad	Pengarah Bebas Bukan Eksekutif	4/4	100
Kam Foong Sim	Pengarah Eksekutif (dan ahli Institut Akauntan Malaysia)	4/4	100

KEGIATAN

Berikut ialah kegiatan Jawatankuasa Audit sepanjang tahun dalam kajian:

(a) Menyemak perancangan audit luaran, skop dan dasar audit berkanun ke atas penyata kewangan Kumpulan;
(b) Menyemak laporan audit dari juruaudit luaran, keputusan pemeriksaan juruaudit luaran dan saranan mereka yang timbul dari audit;
(c) Menyemak keputusan kewangan Kumpulan;
(d) Menyemak penilaian risiko Kumpulan;
(e) Menyemak perancangan audit dalaman dan laporan juruaudit dalaman, serta isu-isu dan sasaran yang timbul dari audit;
(f) Menyemak urusniaga pihak berkaitan dan percanggahan faedah yang mungkin timbul dalam Kumpulan;
(g) Menyemak belanjawan untuk tahun yang akan datang dan mengawasi keputusan kewangan berbanding dengan belanjawan;
(h) Mempertimbangkan perlantikan juruaudit dalaman dan luaran serta yuran audit mereka;
(i) Mengesahkan peruntukan Skim Opsyen Saham Pekerja New Hoong Fatt.

FUNGSI AUDIT DALAMAN

Juruaudit Dalaman, iaitu penasihat luar, bertanggungjawab untuk mengkaji proses mengawasi fungsi kawalan dalaman serta mempertingkatkan kecekapan dan keberkesanan sistem kawalan dalaman Kumpulan dengan memberi saranan yang membina dan menambahkan nilai. Ia memberi Jawatankuasa Audit laporan yang bebas dan objektif mengenai keadaan kawalan dalaman di bahagian-bahagian operasi Kumpulan, dan tahap pematuhan oleh bahagian-bahagian tersebut kepada polisi dan prosedur yang ditubuhkan oleh Kumpulan serta tuntutan berkanun berkaitan.

Jawatankuasa Audit menyemak kesemua laporan audit dalaman yang diterbitkan oleh Juruaudit Dalaman dan memastikan bahawa tindakan yang sewajarnya telah di ambil ke atas saranan yang timbul dari audit.

TERMA-TERMA RUJUKAN JAWATANKUASA AUDIT

Komposisi

- Jawatankuasa ini akan dilantik dari kalangan Lembaga Pengarah dan akan:
  - (i) terdiri tidak kurang daripada tiga (3) orang ahli;
  - (ii) majoriti ahlinya mestilah pengarah bebas; dan
  - (iii) sekurang-kurangnya seorang ahlinya adalah ahli Institut Akauntan Malaysia atau beliau mestilah seorang yang mematuhi perenggan 15.10 dari Syarat-Syarat Bursa Malaysia Securities Berhad.
- Pengerusi yang dilantik oleh ahli Jawatankuasa mestilah seorang pengarah bebas.
- Jikalau ada jawatan kosong yang menyebabkan ketidakpatuhan sebarang terma-terma ini, penggantiannya mesti dilantik dalam masa tiga (3) bulan.

Tugas

- o Untuk menyemak bersama dengan juruaudit luaran perkara-perkara berikut:
  - (i) perancangan audit, skop dan dasarnya;
  - (ii) laporan audit;
  - (iii) keputusan daripada penilaian terhadap polisi perakaunan dan sistem kawalan dalaman perakaunan dalam Kumpulan; dan
  - (iv) bantuan yang diberi oleh pegawai Syarikat kepada juruaudit luaran, termasuk sebarang masalah atau perselisihan dengan pihak pengurusan semasa audit.
- o Untuk menyemak bersama dengan pihak pengurusan perkara-perkara berikut:
  - (i) laporan audit dan surat pihak pengurusan yang dikeluarkan oleh juruaudit luaran dan perlaksanaan saranan audit;
  - (ii) maklumat interim kewangan; dan
  - (iii) bantuan yang diberi oleh pegawai Syarikat kepada juruaudit luaran.
- o Untuk menyemak laporan suku tahun atas keputusan kewangan yang disatukan dan penyata kewangan tahunan sebelum penyerahan kepada Lembaga Pengarah, yang mana fokus utama adalah:
  - (i) perubahan atau pelaksanaan polisi perakaunan yang utama;
  - (ii) peristiwa penting dan luar biasa;
  - (iii) andaian kemajuan; dan
  - (iv) pematuhan terhadap piawaian perakaunan dan lain-lain tuntutan undang-undang.
- o Untuk menyemak sama ada terdapat alasan yang disokong dengan bukti untuk mempercayai bahawa juruaudit luaran Kumpulan tidak sesuai untuk dilantik semula.
- o Untuk mempertimbangkan yuran audit dan sebarang persoalan mengenai perletakan jawatan atau pemecatan juruaudit luaran Kumpulan.
- o Untuk menyemak kecukupan skop, fungsi dan sumber dan menentukan standard prestasi untuk audit dalaman.
- o Untuk menyemak program audit dalaman, proses dan keputusan darinya atau penyiasatan yang dijalankan dan sama ada tindakan yang sewajarnya dilaksanakan ke atas saranan fungsi audit dalaman.
- o Untuk memberi jaminan kepada Lembaga Pengarah mengenai kecekapan sistem kawalan dalaman dan amalan pengurusan risiko Kumpulan.
- o Untuk mempertimbangkan pencalonan seseorang sebagai juruaudit (sama ada dalaman atau luaran).
- o Untuk menyemak sebarang urusan pihak berkaitan dan percanggahan faedah yang mungkin timbul dalam Syarikat atau Kumpulan termasuk sebarang urusan, prosedur atau perlaksanaan yang menimbulkan persoalan mengenai integriti pihak pengurusan.

Hak-hak

Jawatankuasa Audit akan:

(a) mempunyai kuasa untuk menyiasat sebarang perkara di dalam terma-terma rujukannya;
(b) mempunyai sumber-sumber yang diperlukan untuk menjalankan tugasnya;
(c) mempunyai akses sepenuhnya kepada semua maklumat mengenai Kumpulan;
(d) mempunyai saluran komunikasi terus dengan juruaudit luaran dan kakitangan yang menjalankan fungsi atau aktiviti audit dalaman;
(e) berhak untuk mendapatkan sebarang nasihat profesional di atas perbelanjaan Syarikat;
(f) berhak untuk mengadakan mesyuarat dengan juruaudit luaran, tanpa kehadiran ahli-ahli eksekutif jawatankuasa bila diperlukan;
(g) laporan segera kepada Bursa Malaysia Securities Berhad untuk sebarang urusan yang belum diselesaikan dengan memuaskan oleh Lembaga Pengarah, menyebabkan pengabaian terhadap Syarat-syarat Penyenaraian.

Mesyuarat

- o Jawatankuasa ini akan mengadakan mesyuarat sekurang-kurangnya empat (4) kali setiap tahun kewangan. Koram mesyuarat mestilah terdiri daripada dua (2) orang ahli, dimana kebanyakan ahli yang menghadiri mesyuarat tersebut mestilah pengarah bebas.
- o Setiausaha Syarikat akan menjadi Setiausaha Jawatankuasa.
- o Atas permintaan juruaudit luaran, Pengerusi Jawatankuasa Audit akan mengadakan mesyuarat Jawatankuasa untuk mempertimbangkan sebarang perkara yang juruaudit luaran fikir perlu dimaklumkan kepada para Pengarah atau pemegang saham.
- o Juruaudit luaran berhak untuk hadir di mana-mana mesyuarat Jawatankuasa Audit dan mesti hadir apabila dikehendaki oleh Jawatankuasa.

Statement On Internal Control

The Board of Directors is primarily responsible for the effectiveness of the New Hoong Fatt Group's (the "Group") system of internal controls. Such a system is designed to manage rather than eliminate the multitude of risks to which the Group is exposed. Internal controls provide reasonable and not absolute assurance against material misstatement or loss.

New Hoong Fatt Group outsourced its internal audit function in 2005 to an independent professional firm of consultants whose remit is to the Audit Committee. The internal audit function applies a risk-based approach in assessing the effectiveness of the Group's system of internal controls. Each internal audit review conducted during the year was reported to and considered by the Audit Committee of the Board.

During the financial year under review, in its effort to safeguard the interests of the Group's stakeholders, the Board looked into the operation of the risk management framework. The framework includes activities such as identifying the various risk factors, assessing the impact of each risk on the Group's operations and managing those risks which are significant. Reviews are carried out regularly to provide a balanced assessment of the adequacy and integrity of the Group's internal control system in managing the significant risks.

Monitoring risk is a continuous, ongoing process. In its assessment of the Group's risks, the Board considered changes in the nature and extent of significant risks. The Board also appraised management's effort to effectively manage risks and the accompanying changes in its business and external environment.

The Board of Directors
New Hoong Fatt Holdings Berhad

Penyata Kawalan Dalaman

Lembaga Pengarah bertanggungjawab ke atas keberkesanan sistem kawalan dalaman Kumpulan. Sistem kawalan dalaman adalah direka untuk mengurus dan bukannya untuk menghapuskan kesemua risiko-risiko yang dihadapi Kumpulan. Kawalan-kawalan dalaman ini hanya dapat memberi jaminan yang munasabah dan bukan jaminan penuh terhadap penyataan salah dan kerugian yang ketara.

Pada tahun 2005, Kumpulan New Hoong Fatt mendapatkan suatu firma penasihat yang bebas untuk memenuhi fungsi audit dalaman dan melapor kepada Jawatankuasa Audit. Fungsi audit dalaman menggunakan cara yang berdasarkan risiko untuk membuat penilaian mengenai keberkesanan sistem kawalan dalaman Kumpulan. Setiap kajian yang dijalankan sepanjang tahun ke atas sistem kawalan dalaman dialporkan kepada dan dipertimbangkan oleh Jawatankuasa Audit.

Sepanjang tahun kewangan yang ditinjau, Lembaga Pengarah cuba memelihara kepentingan pihak yang berkepentingan dengan menubuhkan dan mengarahkan operasi suatu Rangka Kerja Pengurusan Risiko. Rangka kerja ini meliputi aktiviti-aktiviti seperti mengenali pelbagai faktor risiko, menilaikan kesan setiap risiko ke atas operasi Kumpulan dan menguruskan risiko yang tinggi. Kajian kerap dijalankan untuk memberi penilaian yang seimbang mengenai kesempurnaan dan integriti sistem kawalan dalaman dari segi pengurusan risiko utama.

Pemantauan risiko adalah suatu proses yang berterusan. Lembaga Pengarah mempertimbangkan perubahan dalam keadaan dan keluasan risiko utama. Ia juga menaksirkan usaha pihak pengurusan untuk mengurus dengan berkesan, risiko dan perubahan-perubahan yang mengiringnya di dalam persekitaran luar dan perniagaan.

Lembaga Pengarah
New Hoong Fatt Holdings Berhad

NEW HOONG FATT
HOLDINGS BERHAD
(425709-K)

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2005

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 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the provision of management services.

The principal activities of the subsidiary companies are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiary companies during the financial year other than as disclosed in Note 7 to the financial statements.

RESULTS

	Group RM	Company RM
Net profit for the financial year	20,784,989	8,328,722

DIVIDENDS

Dividend paid since the end of the previous financial year were as follows:-

	RM
An interim tax exempt dividend of 3% paid on 21 March 2005	2,249,178
A final tax exempt dividend of 8% paid on 7 July 2005	6,008,288
	8,257,466

The amount paid of RM2,249,178 and RM6,008,288 are in excess of the dividends of RM2,187,948 and RM5,834,528 declared or proposed in last year's directors' report. The differences of RM61,230 and RM173,760 respectively are in respect of additional shares arising from the exercise of the option under the Employee Share Option Scheme ("ESOS") subsequent to the end of the previous financial year, but prior to the closing date of the entitlement to dividend.

On 23 February 2006, the directors declared an interim tax exempt dividend of 3%, amounting to RM2,254,698 in respect of the current financial year. The directors also proposed a final tax exempt dividend of 8%, amounting to RM6,012,528 in respect of the current financial year which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM72,931,600 to RM75,156,600 by the issuance of 2,225,000 new ordinary share of RM1.00 each pursuant to the exercise of the option under the ESOS.

These new ordinary shares rank pari passu in all respects with the then existing shares of the Company.

The Company has not issued any debentures during the financial year.

EMPLOYEE SHARE OPTION SCHEME

The ESOS was approved by the shareholders at an Extraordinary General Meeting held on 8 June 2000.

The main features of the ESOS are as follows:-

(a) The ESOS is made available to eligible employees of the Group and full time executive directors of the Company, who are confirmed employees of the Group and has been in permanent full time employment within the Group for a period of at least twenty four months of continuous services, including service during the probation period.

(b) The total number of shares to be offered under the ESOS shall not, in aggregate, exceed 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS which will be in force for a period of five years commencing from 30 August 2000.

(c) The option price for a new share under the ESOS shall be allowed to be set at a discount of not more than 10% from the weighted average market price of the shares as quoted and shown in the Daily Official List issued by Bursa Malaysia Securities for the five market days immediately preceding the date of offer by the ESOS Committee or the par value of the shares, whichever is higher.

(d) The actual entitlement of an eligible employee shall be determined by the ESOS Committee on the basis of job grade, years of service, contribution, dedication and loyalty of the employee and shall not be less than 1,000 shares nor more than 500,000 shares and shall always be in multiples of 1,000 shares.

(e) Irrespective of the number of options held, the option holder may not exercise his/her option beyond the maximum allowable limit in the options exercisable per annum in accordance to the following percentages:-

	Percentage of options exercisable per annum				
Number of options granted	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Below 10,000	30%	30%	40% [1]	-	-
10,000 to 20,000	25%	25%	25%	25% [2]	-
Above 20,000	20%	20%	20%	20%	20% [3]

[1] *40% or the remaining number of options unexercised*
[2] *25% or the remaining number of options unexercised*
[3] *20% or the remaining number of options unexercised*

(f) The shares shall, on issue and allotment upon any exercise of the option, rank pari passu in all respects with the then existing ordinary shares of the Company, except that they will not qualify for any dividend or distribution declared for payment to shareholders on the Register of Members/Record of Depositors as at the relevant books closing date which precedes the option exercise date.

The employees to whom the options have been granted are not eligible to participate in any other employee share option scheme implemented by any other company within the Group during the duration of the ESOS.

The ESOS has expired on 29 August 2005 and all outstanding options granted has lapsed on the same date.

The Companies Commission of Malaysia had granted an exemption to the Company from having to disclose the name of the eligible employees who have been granted with options during the financial year and the number of options granted to them in accordance with Section 169 (11)(a) of the Companies Act, 1965 except for eligible employees who have been granted with options to purchase 100,000 and more ordinary shares during the financial year. None of the eligible employees had been granted with options to purchase 100,000 and more ordinary shares during the financial year.

EMPLOYEE SHARE OPTION SCHEME continued

The movements in the Company's unissued shares under options during the financial year are as follows:-

	Options over ordinary shares of RM1.00 each				
	Balance at 1.1.2005	Granted	Exercised	* Retracted	Balance unexercised and lapsed on 29.8.2005
Number of unissued shares under options at the following exercise price:-					
- RM1.67	27,000	-	(19,000)	-	8,000
- RM2.00	62,000	-	(38,000)	-	24,000
- RM2.37	3,235,000	-	(2,100,000)	(35,000)	1,100,000
- RM2.75	28,000	-	-	-	28,000
- RM1.85	26,000	-	(15,000)	-	11,000
- RM1.95	48,000	-	(18,000)	(3,000)	27,000
- RM2.20	20,000	-	-	(2,000)	18,000
- RM2.15	153,000	-	(28,000)	(5,000)	120,000
- RM2.55	8,000	-	-	-	8,000
- RM2.60	-	16,000	-	(5,000)	11,000
- RM2.30	-	15,000	(5,000)	-	10,000
- RM2.12	-	6,000	(2,000)	(1,000)	3,000

* *Due to resignation*

RESERVES AND PROVISIONS

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

DIRECTORS

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

Kam Lang Fatt @ Kim Leng Fatt
Chin Jit Sin
Kam Foong Keng
Wong Kwan @ Wong Kwong Kwan
Danny Ng Siew L'Leong
Kam Foong Sim
Datuk Dr Anis Bin Ahmad

In accordance with Article 78 of the Company's Articles of Association, Mr. Chin Jit Sin and Datuk Dr Anis Bin Ahmad retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Wong Kwan @ Wong Kwong Kwan retires in accordance with Section 129(2) of the Companies Act, 1965. The Board recommends that Mr Wong Kwan @ Wong Kwong Kwan be re-appointed as director of the Company pursuant to Section 129(6) of the Companies Act, 1965, to hold office until the conclusion of the next Annual General Meeting.

DIRECTORS' INTERESTS

Except as stated below, no other directors holding office at the end of the financial year had any beneficial interests in the ordinary shares of the Company and related companies during the financial year ended 31 December 2005, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965:-

	Number of ordinary shares of RM1.00 each			
Shares in the Company	**Balance at 1.1.2005**	**Bought**	**Sold**	**Balance at 31.12.2005**
Direct interest				
Kam Lang Fatt @ Kim Leng Fatt	21,400,400	300,000	-	21,700,400
Kam Foong Keng	3,620,542	300,000	-	3,920,542
Chin Jit Sin	538,200	300,000	-	838,200
Wong Kwan @ Wong Kwong Kwan	24,000	-	-	24,000
Kam Foong Sim	302,400	350,000	-	652,400
Indirect interest				
Kam Lang Fatt @ Kim Leng Fatt	720,000	-	-	720,000

	Options over ordinary shares of RM1.00 each			
Share options in the Company	**Balance at 1.1.2005**	**Granted**	**Exercised**	**Balance at 31.12.2005**
Kam Lang Fatt @ Kim Leng Fatt	300,000	-	(300,000)	-
Kam Foong Keng	300,000	-	(300,000)	-
Chin Jit Sin	300,000	-	(300,000)	-
Kam Foong Sim	300,000	-	(300,000)	-

By virtue of Section 6A of the Companies Act, 1965, Mr. Kam Lang Fatt @ Kim Leng Fatt, Madam Kam Foong Keng, Mr. Chin Jit Sin and Ms. Kam Foong Sim are also deemed to have beneficial interest in the shares of the subsidiary companies to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for:-

(a) a director who may be deemed to derive benefits by virtue of the following:-

   (i) trade transactions entered into with companies in which the director has substantial financial interest;
   (ii) rental of RM108,000 paid to a company in which the director has substantial financial interest; and

(b) certain directors who received remuneration from the subsidiary companies as directors or executives of the subsidiary companies.

The details of the above transactions are disclosed in Note 32 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for share options granted to Mr. Kam Lang Fatt @ Kim Leng Fatt, Mr. Chin Jit Sin, Madam Kam Foong Keng and Ms. Kam Foong Sim pursuant to the ESOS.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY: -

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the income statements and balance sheets of the Group and of 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 have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
(ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The directors are not aware of any circumstances:-

(i) which would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; or
(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the directors:-

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
(ii) no contingent or other liability has become enforceable or is 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 as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of financial year.

(g) The directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

AUDITORS

The auditors, BDO Binder, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Kam Lang Fatt @ Kim Leng Fatt
Chairman cum Managing Director

Kam Foong Keng
Director

Kuala Lumpur
23 February 2006

Statement by Directors

In the opinion of the directors, the financial statements set out on pages 45 to 77 have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

(i) the state of affairs of the Group and of the Company as at 31 December 2005 and of their results for the financial year then ended; and

(ii) the cash flows of the Group and of the Company for the financial year ended 31 December 2005.

On behalf of the Board,

Kam Lang Fatt @ Kim Leng Fatt
Chairman cum Managing Director

Kam Foong Keng
Director

Kuala Lumpur
23 February 2006

Statutory Declaration

I, Kam Foong Sim, being the director primarily responsible for the financial management of New Hoong Fatt Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 45 to 77 are, to the best of my knowledge and belief, 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 at)
Kuala Lumpur this)
23 February 2006)

Before me:-

P. Sethuraman
No. W-217
Commissioner for Oaths

Report of The Auditors
to the members of NEW HOONG FATT HOLDINGS BERHAD

We have audited the financial statements set out on pages 45 to 77.

These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 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 31 December 2005 and of their results and cash flows for the financial year then ended; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary companies 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 and did not include any comment made under sub-section (3) of Section 174 of the Act.

BDO Binder
AF : 0206
Chartered Accountants

Ng Chee Hoong
2278/10/06 (J)
Partner

Kuala Lumpur
23 February 2006

Balance Sheets
as at 31 December 2005

	NOTE	Group 2005 RM	Group 2004 RM	Company 2005 RM	Company 2004 RM
ASSETS EMPLOYED					
PROPERTY, PLANT AND EQUIPMENT	6	**151,277,432**	133,626,375	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	7	-	-	**81,251,949**	81,251,951
AMOUNTS OWING BY SUBSIDIARY COMPANIES	8	-	-	**22,190,255**	35,667,237
INVESTMENTS - At cost	9	**83,000**	83,000	-	-
GOODWILL ON CONSOLIDATION	10	**31,225,470**	32,560,628	-	-
CURRENT ASSETS					
Inventories	11	**25,826,600**	20,160,246	-	-
Trade receivables	12	**38,172,017**	36,513,985	-	-
Other receivables, deposits and prepayments	13	**1,852,106**	3,032,864	**17,500**	4,050
Tax recoverable		**5,258**	45,395	**5,258**	13,852
Cash and bank balances		**9,357,429**	4,783,950	**43,998**	43,686
		75,213,410	64,536,440	**66,756**	61,588
LESS: CURRENT LIABILITIES					
Trade payables	14	**5,862,866**	5,761,072	-	-
Other payables and accruals	15	**5,149,280**	6,162,891	**109,251**	108,258
Amounts owing to directors	16	**20,285,000**	20,000,000	**20,285,000**	20,000,000
Borrowings (interest bearing)	17	**37,125,708**	10,067,423	-	-
Tax liability		**492,347**	1,134,597	-	-
		68,915,201	43,125,983	**20,394,251**	20,108,258
NET CURRENT ASSETS/ (LIABILITIES)		**6,298,209**	21,410,457	**(20,327,495)**	(20,046,670)
		188,884,111	187,680,460	**83,114,709**	96,872,518
FINANCED BY					
SHARE CAPITAL	19	**75,156,600**	72,931,600	**75,156,600**	72,931,600
RESERVES	20	**91,616,086**	76,090,043	**6,725,694**	3,655,918
SHAREHOLDERS' FUNDS		**166,772,686**	149,021,643	**81,882,294**	76,587,518
LONG TERM AND DEFERRED LIABILITIES					
Amounts owing to subsidiary companies	21	-	-	**1,232,415**	-
Amounts owing to directors	16	-	20,285,000	-	20,285,000
Borrowings (interest bearing)	17	**9,006,957**	6,237,158	-	-
Deferred tax liabilities	22	**13,104,468**	12,136,659	-	-
		188,884,111	187,680,460	**83,114,709**	96,872,518

The attached notes form an integral part of the financial statements.

Income Statements
for the financial year ended 31 December 2005

		Group		Company	
		2005	2004	2005	2004
	NOTE	RM	RM	RM	RM
Revenue	23	**154,156,787**	146,613,886	**12,146,234**	6,126,000
Cost of sales		**(109,694,270)**	(103,191,236)	-	-
Gross profit		**44,462,517**	43,422,650	**12,146,234**	6,126,000
Other operating income		**4,385,592**	3,928,245	**21**	76,111
Selling and distribution expenses		**(5,394,600)**	(4,520,440)	-	-
Administration expenses		**(16,804,300)**	(14,157,135)	**(1,094,283)**	(1,451,627)
Profit from operations		**26,649,209**	28,673,320	**11,051,972**	4,750,484
Finance costs		**(1,517,750)**	(773,766)	-	-
Profit before tax	24	**25,131,459**	27,899,554	**11,051,972**	4,750,484
Tax expenses	26	**(4,346,470)**	(5,405,149)	**(2,723,250)**	(840,129)
Net profit for the financial year		**20,784,989**	22,494,405	**8,328,722**	3,910,355
Basic earnings per ordinary share (sen)	27	**27.73**	31.10		
Diluted earnings per ordinary share (sen)	27	**27.70**	30.95		
Dividends per share (sen)					
- Tax exempt:-	28				
- interim		**3.00**	3.00		
- final		**8.00**	8.00		

The attached notes form an integral part of the financial statements.

Statement of Changes in Equity
for the financial year ended 31 December 2005

	Share capital RM	Share premium RM	Revaluation reserve RM	Retained profits RM	Total RM
Group					
Balance as at 31 December 2003	72,111,600	138,370	3,727,256	54,442,880	130,420,106
Net profit for the financial year	-	-	-	22,494,405	22,494,405
Final tax exempt dividends for financial year ended 31 December 2003	-	-	-	(5,786,048)	(5,786,048)
Share options exercised	820,000	1,073,180	-	-	1,893,180
Balance as at 31 December 2004	72,931,600	1,211,550	3,727,256	71,151,237	149,021,643
Net profit for the financial year	-	-	-	20,784,989	20,784,989
Tax exempt dividends for financial year ended 31 December 2004 (Note 28)					
- interim dividend	-	-	-	(2,249,178)	(2,249,178)
- final dividend	-	-	-	(6,008,288)	(6,008,288)
Share options exercised	2,225,000	2,998,520	-	-	5,223,520
Balance as at 31 December 2005	75,156,600	4,210,070	3,727,256	83,678,760	166,772,686
Company					
Balance as at 31 December 2003	72,111,600	138,370	-	4,320,061	76,570,031
Net profit for the financial year	-	-	-	3,910,355	3,910,355
Final tax exempt dividends for financial year ended 31 December 2003	-	-	-	(5,786,048)	(5,786,048)
Share options exercised	820,000	1,073,180	-	-	1,893,180
Balance as at 31 December 2004	72,931,600	1,211,550	-	2,444,368	76,587,518
Net profit for the financial year	-	-	-	8,328,722	8,328,722
Tax exempt dividends for financial year ended 31 December 2004 (Note 28)					
- interim dividend	-	-	-	(2,249,178)	(2,249,178)
- final dividend	-	-	-	(6,008,288)	(6,008,288)
Share options exercised	2,225,000	2,998,520	-	-	5,223,520
Balance as at 31 December 2005	75,156,600	4,210,070	-	2,515,624	81,882,294

The attached notes form an integral part of the financial statements.

Cash Flow Statements
for the financial year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**25,131,459**	27,899,554	**11,051,972**	4,750,484
Adjustments for:-				
Amortisation of goodwill	**1,335,158**	818,323	-	-
Allowance for doubtful debts	**64,039**	61,389	-	-
Bad debts written off	**263**	-	-	-
Property, plant and equipment written off	**18,868**	156,846	-	-
Depreciation of property, plant and equipment	**14,632,775**	12,883,431	-	-
Interest expense	**2,354,793**	1,516,727	**837,043**	742,961
Interest income	**(148,136)**	(208,579)	-	(76,038)
Loss on striking off of a subsidiary company	-	-	**9,206**	-
Dividend income	-	-	**(12,020,234)**	(6,000,000)
Allowance for doubtful debts no longer required	**(62,189)**	(74,292)	-	-
Loss/(Gain) on disposal of property, plant and equipment	**43,856**	(185,540)	-	-
Operating profit/(loss) before working capital changes	**43,370,886**	42,867,859	**(122,013)**	(582,593)
Increase in inventories	**(5,666,354)**	(5,508,941)	-	-
(Increase)/Decrease in trade receivables	**(1,660,145)**	8,084,742	-	-
Decrease/(Increase) in other receivables, deposits and prepayments	**1,180,758**	(1,260,919)	**(13,450)**	13,208
Increase/(Decrease) in trade payables	**101,794**	(10,351,655)	-	-
(Decrease)/Increase in other payables and accruals	**(1,013,611)**	923,145	**993**	7,410
Cash generated from/(used in) operations	**36,313,328**	34,754,231	**(134,470)**	(561,975)
Dividend received	-	-	**9,297,794**	5,160,000
Interest paid	**(3,865)**	(6,117)	-	-
Tax (paid)/refund	**(3,980,774)**	(4,166,050)	**7,784**	(7,816)
Net cash from operating activities	**32,328,689**	30,582,064	**9,171,108**	4,590,209

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiary companies, net of cash acquired (Note 29)	-	(19,340,531)	-	(20,000,000)
Proceeds from disposal of property, plant and equipment	**1,118,272**	406,200	-	-
Purchase of property, plant and equipment	**(33,464,828)**	(18,625,816)	-	-
Repayment from subsidiary companies	-	-	**13,467,778**	16,983,174
Interest received	**148,136**	208,579	-	76,038
Net cash (used in)/from investing activities	**(32,198,420)**	(37,351,568)	**13,467,778**	(2,940,788)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment to directors	**(20,000,000)**	-	**(20,000,000)**	-
Advances from subsidiary companies	-	-	**1,232,415**	-
Repayment of onshore foreign currency loan	-	(1,006,815)	-	-
Interest paid	**(2,350,928)**	(1,510,610)	**(837,043)**	(742,961)
Proceeds from issue of shares	**5,223,520**	1,893,180	**5,223,520**	1,893,180
Drawdown of bankers' acceptance	**22,734,000**	5,000,000	-	-
Dividend paid	**(8,257,466)**	(5,786,048)	**(8,257,466)**	(5,786,048)
Drawdown of term loans	**7,328,174**	3,960,124	-	-
Net cash from/(used in) financing activities	**4,677,300**	2,549,831	**(22,638,574)**	(4,635,829)
Net increase/(decrease) in cash and cash equivalents	**4,807,569**	(4,219,673)	**312**	(2,986,408)
Cash and cash equivalents at beginning of the financial year	**4,549,860**	8,769,533	**43,686**	3,030,094
Cash and cash equivalents at end of the financial year (Note 30)	**9,357,429**	4,549,860	**43,998**	43,686

The attached notes form an integral part of the financial statements.

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities.

The registered office of the Company is located at C15-1, Level 15, Tower C, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

The principal place of business of the Company is located at Lot 5043, 5½ Mile, Jalan Meru, 41050 Klang, Selangor Darul Ehsan.

The financial statements are presented in Ringgit Malaysia.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks including foreign currency exchange risk, liquidity risk, interest rate risk and credit risk. The Group's overall financial risk management objective is to ensure that the Group creates value and safeguard the interests of its shareholders. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

Foreign currency risk

The Group is exposed to transactional currency risk. Such exposures arise from substantial purchases of raw materials and moulds from Taiwan, India and South Korea. These purchases are invoiced in New Taiwan Dollar and the US Dollar. The Group also sells to customers in Egypt, Pakistan, Thailand, Saudi Arabia and South America, and are invoiced in the US Dollar. The currencies giving rise to this risk are primarily the US Dollar and New Taiwan Dollar. As the effect of the currency risk is immaterial, the Group does not enter into any hedging contracts.

Liquidity risk

It is the Group's policy to ensure its ability to service its cash obligation in the future by way of measures and forecasts of its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate to the Group's operations and development activities. The Group also maintains flexibility in funding by keeping committed credit lines available.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term bank borrowings, term loan and fixed deposits placed with licensed banks. As the Group's income and operating cash flows are substantially independent of changes in market interest rates, the Group does not use derivative financial instruments to hedge its risk.

Credit risk

Cash deposits and receivables may give rise to credit risk which require the loss to be recognised if a counter party fails to perform as contracted. In order to manage this risk, it is the Group's policy to monitor the financial standing of these counter parties and perform credit evaluation on customers requiring credit.

3. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the provision of management services.

The principal activities of the subsidiary companies are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiary companies during the financial year other than as disclosed in Note 7 to the financial statements.

4. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified by the revaluation of freehold land and buildings) unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the directors to make 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies made up to the end of the financial year. All significant inter-company balances and transactions have been eliminated and the consolidated financial statements relate to external transactions only.

The financial statements of the subsidiary companies have been consolidated using the merger accounting principles except for the financial statements of the subsidiary companies acquired in 2004, which are consolidated using acquisition accounting principles, in compliance with the requirement of FRS122 $_{2004}$ Business Combination.

Under the merger method of accounting, merger deficit being the excess of the cost of investment over the nominal value of the share capital of the subsidiary companies acquired is written off against reserves, other than the share premium account, in the consolidated financial statements. The results of subsidiary companies have been accounted for on a full year basis.

Under the acquisition method of accounting, the difference between the purchase price and the fair value of the net assets of subsidiary companies at the date of acquisition is treated as goodwill or negative goodwill. Goodwill on consolidation is stated at cost less impairment losses, if any. Goodwill is amortised over its expected useful economic life of 25 years. Negative goodwill arising on consolidation is not recognised as income and is presented as a separate item in the balance sheet. The results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the date of their acquisition or up to the date of their disposal.

5.3 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any.

The freehold land and buildings were revalued in 2002. The freehold land and buildings are revalued at regular intervals of at least once in every five years. Where market conditions indicate that the carrying values of revalued properties differ materially from the market values, additional revaluation will be carried out in those intervening years.

Surplus arising from such valuations is credited to shareholders' equity as a revaluation surplus and any subsequent deficit is charged against such surplus to the extent that the decrease offsets any increase. In all other cases, the deficit will be charged to the income statement.

5. SIGNIFICANT ACCOUNTING POLICIES continued

5.3 Property, plant and equipment and depreciation continued

No depreciation has been provided for in respect of freehold land, buildings under construction and tools and dies development costs. Buildings under construction will be depreciated upon completion, on the same basis as buildings. Tools and dies development costs represent costs incurred in developing tools and dies for future production purposes which will be depreciated, upon completion, on the same basis as other tools and dies of the Group.

Depreciation of other property, plant and equipment is calculated using the straight line method to write off the cost of the assets over their estimated useful lives at the following principal annual rates:-

Leasehold land	62 years
Buildings	2%
Plant and machinery	12.5% - 20%
Tools, equipment and air-conditioners	10%
Moulds and dies	10% - 20%
Motor vehicles	20%
Furniture, fittings and office equipment	10% - 33%
Cabin containers	10%
Renovation	8% - 10%

5.4 Investments

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies and other investments held on a long term basis are stated at cost less impairment loss, if any.

5.5 Impairment of assets

The carrying amounts of the Group's and Company's assets, other than financial assets (other than investment in subsidiary companies), inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement. All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.6 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Cost of raw materials and consumables comprises original cost of purchase plus the incidental costs of bringing the inventories to their present condition and location. Work-in-progress and finished goods include the cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

5.7 **Receivables**

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts where the collectibility is considered doubtful.

5.8 **Foreign currency transactions and translations**

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange at the balance sheet date. All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

The principal closing rates used in the translation of foreign currency amount are as follows:-

	2005 RM	2004 RM
1 US Dollar	**3.776 – 3.783**	3.800
1 New Taiwan Dollar	**0.119**	0.115
1 Thai Baht	**0.096**	-
1 Euro	**-**	4.643

5.9 **Payables**

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

5.10 **Employee benefits**

5.10.1 **Short term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year when employees have rendered their services to the Group and the Company.

Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

5.10.2 **Equity compensation benefits**

Details of the Group Employee Share Option Scheme are set out in Note 19 to the financial statements. The Group does not make a charge to the income statement in connection with share option scheme granted. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

5.10 Employee benefits continued

5.10.3 Defined contribution plans

The Company and subsidiary companies incorporated in Malaysia make contributions to statutory provident fund and recognise the contribution payable:-

(i) after deducting contributions already paid as a liability; and
(ii) as an expense in the financial year in which the employees render their services.

5.11 Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax.

5.11.1 Current tax expense

Current tax expense represents domestic tax which is based on taxable profits.

5.11.2 Deferred tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

5.12 Revenue recognition

<u>Company</u>

Revenue from management fees for management services rendered to subsidiary companies is recognised in the income statement upon performance of services and billing.

Dividends from subsidiary companies are recognised in the income statement when shareholder's right to receive payment is established.

<u>Group</u>

Revenue from sale of goods and rendering of services are recognised in the income statement upon the delivery of goods and customer's acceptance and performance of services.

5.13 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, deposits and other short term, highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

5.14 Financial instruments

5.14.1 Financial instruments recognised on the balance sheet

5.14.1.1 Ordinary shares

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise, they are charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared.

5.14.1.2 Other borrowings

Other interest bearing borrowings are recorded at the amount of proceeds received, net of transaction cost.

5.14.1.3 Other financial instruments

The accounting policies for other financial instruments recognised on the balance sheet are disclosed in the individual policies associated with each item.

5.14.2 Financial instruments not recognised on the balance sheet

5.14.2.1 Foreign currency forward contracts

Foreign currency forward contracts are used to hedge exposures as a result of receipts and payments in foreign currency. Any gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the dates of such transactions at which time they are included in the measurement of such transactions.

5.15 Borrowing costs

Interest relating to a financial instrument, or a component part classified as a financial liability is reported as finance cost in the income statement.

6. PROPERTY, PLANT AND EQUIPMENT

Group

2005	Balance at 1.1.2005 RM	Additions RM	Disposals RM	Written off RM	Reclassi-fication RM	Balance at 31.12.2005 RM
Cost unless otherwise stated						
Freehold land						
- at 2002 valuation	15,384,638	-	-	-	-	15,384,638
- at cost	11,080,878	3,119,000	-	-	-	14,199,878
Buildings						
- at 2002 valuation	27,958,738	-	-	-	-	27,958,738
- at cost	10,434,265	1,833,788	-	-	319,792	12,587,845
Leasehold land	-	7,836,354	-	-	-	7,836,354
Plant and machinery	41,861,291	2,797,976	(1,000,125)	(220)	-	43,658,922
Tools, equipment and air-conditioners	2,812,749	398,739	-	(6,788)	-	3,204,700
Moulds and dies	86,202,811	5,356,022	(873,550)	-	4,241,481	94,926,764
Motor vehicles	3,640,872	614,025	(290,659)	-	-	3,964,238
Furniture, fittings and office equipment	3,307,380	833,805	(7,218)	(122,316)	-	4,011,651
Cabin containers	25,700	-	-	-	-	25,700
Buildings under construction	-	5,873,253	-	-	291,440	6,164,693
Tools and dies development costs	2,071,397	4,431,950	-	-	(4,852,713)	1,650,634
Renovation	77,013	369,916	-	-	-	446,929
	204,857,732	33,464,828	(2,171,552)	(129,324)	-	236,021,684

Group

2005	Balance at 1.1.2005 RM	Charge for the financial year RM	Disposals RM	Written off RM	Reclassi-fication RM	Balance at 31.12.2005 RM
Accumulated depreciation						
Freehold land						
- at 2002 valuation	-	-	-	-	-	-
- at cost	-	-	-	-	-	-
Buildings						
- at 2002 valuation	1,192,491	593,149	-	-	-	1,785,640
- at cost	856,503	232,268	-	-	-	1,088,771
Leasehold land	-	84,262	-	-	-	84,262
Plant and machinery	24,466,454	4,229,033	(656,683)	(220)	-	28,038,584
Tools, equipment and air-conditioners	1,304,070	258,237	(2,192)	(1,382)	-	1,558,733
Moulds and dies	39,113,124	7,939,711	(72,795)	-	-	46,980,040
Motor vehicles	2,086,834	664,500	(269,206)	-	-	2,482,128
Furniture, fittings and office equipment	2,169,369	608,676	(8,548)	(108,854)	-	2,660,643
Cabin containers	24,708	170	-	-	-	24,878
Buildings under construction	-	-	-	-	-	-
Tools and dies development costs	-	-	-	-	-	-
Renovation	17,804	22,769	-	-	-	40,573
	71,231,357	14,632,775	(1,009,424)	(110,456)	-	84,744,252

6. **PROPERTY, PLANT AND EQUIPMENT** continued

Group

2004	Balance at 1.1.2004 RM	Acquisition of subsidiary companies RM	Additions RM	Disposals RM	Written off RM	Reclassi-fication RM	Balance at 31.12.2004 RM
Cost unless otherwise stated							
Freehold land							
- at 2002 valuation	15,384,638	-	-	-	-	-	15,384,638
- at cost	1,309,000	3,545,586	6,226,292	-	-	-	11,080,878
Buildings							
- at 2002 valuation	27,958,738	-	-	-	-	-	27,958,738
- at cost	757,965	9,622,007	54,293	-	-	-	10,434,265
Plant and machinery	34,565,893	6,219,558	1,188,309	(98,770)	(13,699)	-	41,861,291
Tools, equipment and air-conditioners	1,656,582	652,301	516,757	-	(12,891)	-	2,812,749
Moulds and dies	63,265,725	13,572,913	3,902,099	-	(86,571)	5,548,645	86,202,811
Motor vehicles	3,419,892	278,827	639,284	(697,131)	-	-	3,640,872
Furniture, fittings and office equipment	2,392,430	476,082	469,614	-	(30,746)	-	3,307,380
Signboard and electrical installation	-	86,655	-	-	(86,655)	-	-
Cabin containers	25,700	-	-	-	-	-	25,700
Tools and dies development costs	1,953,195	37,679	5,629,168	-	-	(5,548,645)	2,071,397
Renovation	53,042	229,623	-	-	(205,652)	-	77,013
	152,742,800	34,721,231	18,625,816	(795,901)	(436,214)	-	204,857,732

2004	Balance at 1.1.2004 RM	Acquisition of subsidiary companies RM	Charge for the financial year RM	Disposals RM	Written off RM	Reclassi-fication RM	Balance at 31.12.2004 RM
Accumulated depreciation							
Freehold land							
- at 2002 valuation	-	-	-	-	-	-	-
- at cost	-	-	-	-	-	-	-
Buildings							
- at 2002 valuation	599,342	-	593,149	-	-	-	1,192,491
- at cost	9,026	714,696	132,781	-	-	-	856,503
Plant and machinery	16,429,800	4,129,196	3,953,896	(32,739)	(13,699)	-	24,466,454
Tools, equipment and air-conditioners	768,094	341,813	199,675	-	(5,512)	-	1,304,070
Moulds and dies	24,204,600	8,136,960	6,817,611	-	(46,047)	-	39,113,124
Motor vehicles	1,833,245	138,002	658,089	(542,502)	-	-	2,086,834
Furniture, fittings and office equipment	1,372,753	314,342	508,648	-	(26,374)	-	2,169,369
Signboard and electrical installation	-	80,203	2,849	-	(83,052)	-	-
Cabin containers	24,538	-	170	-	-	-	24,708
Tools and dies development costs	-	-	-	-	-	-	-
Renovation	7,072	98,853	16,563	-	(104,684)	-	17,804
	45,248,470	13,954,065	12,883,431	(575,241)	(279,368)	-	71,231,357

6. PROPERTY, PLANT AND EQUIPMENT continued

	Balance at 31.12.2005 RM	Balance at 31.12.2004 RM
Net book value		
Freehold land		
- at 2002 valuation	**15,384,638**	15,384,638
- at cost	**14,199,878**	11,080,878
Buildings		
- at 2002 valuation	**26,173,098**	26,766,247
- at cost	**11,499,074**	9,577,762
Leasehold land	**7,752,092**	-
Plant and machinery	**15,620,338**	17,394,837
Tools, equipment and air-conditioners	**1,645,967**	1,508,679
Moulds and dies	**47,946,724**	47,089,687
Motor vehicles	**1,482,110**	1,554,038
Furniture, fittings and office equipment	**1,351,008**	1,138,011
Cabin containers	**822**	992
Buildings under construction	**6,164,693**	-
Tools and dies development costs	**1,650,634**	2,071,397
Renovation	**406,356**	59,209
	151,277,432	133,626,375

Certain land of a subsidiary company with net book value of RM1,343,108 (2004: RM1,343,108) is registered under the name of previous owner and the subsidiary company is in the process of transferring the title to its name.

Freehold land and building of a subsidiary company with net book value of RM6,291,817 (2004: RM5,902,828) has been charged to a licensed bank for credit facilities granted to the subsidiary company.

The freehold land and building of the Group were revalued by the directors based on a valuation carried out in 2002 by an independent firm of professional valuers using the open market value method.

Had the revalued assets been carried at cost less depreciation, the carrying amounts would have been as follows:-

Group	Cost RM	Accumulated depreciation RM	Net book Value RM
2005			
Freehold land	**12,582,430**	**-**	**12,582,430**
Buildings	**28,178,063**	**(3,333,661)**	**24,844,402**
	40,760,493	**(3,333,661)**	**37,426,832**
2004			
Freehold land	12,582,430	-	12,582,430
Buildings	28,178,063	(2,770,100)	25,407,963
	40,760,493	(2,770,100)	37,990,393

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2005 RM	Company 2004 RM
Unquoted shares - at cost	**81,251,949**	81,251,951

Details of the subsidiary companies, which are incorporated in Malaysia, are as follows: -

Company name	Effective Equity Interest 2005	Effective Equity Interest 2004	Principal Activities
New Hoong Fatt Auto Supplies Sdn. Bhd.	100%	100%	Marketing, distribution and trading of automotive spare parts and accessories
NJ Manufacturing Industries Sdn. Bhd.	100%	100%	Manufacturing and marketing of automotive parts
Jhi Soon Auto Metal Sdn. Bhd.	100%	100%	Manufacturing and marketing of automotive parts
Hoeken Industrial Sdn. Bhd.	100%	100%	Manufacturing of automotive parts. The Company became inactive during the financial year
NS Plastic Industries Sdn. Bhd.	100%	100%	Provision for plastic injection, spray painting and vacuum coating services. The Company became inactive during the financial year
New Hoong Fatt Industries Sdn. Bhd.	100%	100%	Inactive
NJ Coatings Sdn. Bhd.	100%	100%	Dormant
NHF Mould Manufacturing Sdn. Bhd.	-	100%	Struck-off

NHF Mould Manufacturing Sdn. Bhd. has been struck off from Register of Companies during the financial year as it has been dormant since incorporation. The striking-off of NHF Mould Manufacturing Sdn. Bhd. does not have any significant financial effect on the Group for the current financial year.

There are no acquisitions in the current financial year.

On 26 May 2004, the Company acquired the following subsidiary companies:-

(a) 100% equity interest in Hoeken Industrial Sdn. Bhd. for a purchase consideration of RM56,573,000.

(b) 100% equity interest in NS Plastic Industries Sdn. Bhd. for a purchase consideration of RM3,712,000.

7. INVESTMENT IN SUBSIDIARY COMPANIES continued

The effect of these acquisitions on the financial results of the Group for the financial year ended 31 December 2004 is as follows:-

	RM
Revenue	21,834,991
Cost of sales	(14,362,790)
Gross profit	7,472,201
Other operating income	406,753
Operating costs	(1,139,134)
Profit before tax	6,739,820
Tax expenses	(1,781,111)
Increase in Group profit	4,958,709

The effect of these acquisitions on the financial position of the Group at the end of the last financial year is as follows:-

	RM
Property, plant and equipment	19,370,330
Inventories	3,019,881
Trade receivables	580,041
Other receivables, deposits and prepayments	94,611
Tax recoverable	31,544
Amounts owing by related companies	13,919,110
Cash and bank balances	363,818
Trade payables	(958,128)
Other payables and accruals	(968,672)
Amounts owing to related companies	(1,931,644)
Tax liabilities	(766,385)
Deferred tax liabilities	(889,747)
Increase in Group net assets	31,864,759

8. AMOUNTS OWING BY SUBSIDIARY COMPANIES

The amounts owing by subsidiary companies arose mainly from advances, management fee receivable and payments made on behalf which are interest-free, unsecured and are not receivable within the next twelve months except when the financial position of the subsidiary companies permit repayment and that such repayment will not adversely affect the ability of the subsidiary companies to carry on their operation as going concerns.

9. INVESTMENTS – AT COST

	Group	
	2005 RM	2004 RM
Unquoted shares in Malaysia	**83,000**	83,000

10. GOODWILL ON CONSOLIDATION

	Group 2005 RM	Group 2004 RM
Balance as at 1 January - at cost	**33,378,951**	-
Arising from acquisition of subsidiary companies during the financial year (Note 29)	-	33,378,951
Less: Accumulated amortisation of goodwill	**(2,153,481)**	(818,323)
Balance as at 31 December	**31,225,470**	32,560,628

11. INVENTORIES

	Group 2005 RM	Group 2004 RM
At cost		
Raw materials	**11,481,643**	7,573,979
Work-in-progress	**1,284,234**	1,081,596
Finished goods	**12,954,942**	11,407,241
Consumables	**105,781**	97,430
	25,826,600	20,160,246

12. TRADE RECEIVABLES

	Group 2005 RM	Group 2004 RM
Trade receivables	**38,705,909**	37,046,027
Less: Allowance for doubtful debts	**(533,892)**	(532,042)
	38,172,017	36,513,985

Included in trade receivables of the Group are amounts totalling RM73,284 (2004: RM84,480) owing by companies in which a director of the Company has substantial financial interest.

The credit terms of trade receivables range from 30 days to 120 days from date of invoice. The currency exposure of trade receivables of the Group are as follows:-

	2005 RM	2004 RM
Ringgit Malaysia	**34,529,939**	33,803,061
US Dollar	**3,601,697**	2,612,472
Euro	-	66,573
New Taiwan Dollar	**40,381**	31,879
	38,172,017	36,513,985

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	**237,656**	170,803	-	-
Deposits	**224,499**	376,576	**2,500**	2,500
Prepayments	**1,389,951**	2,485,485	**15,000**	1,550
	1,852,106	3,032,864	**17,500**	4,050

The currency exposure of prepayments of the Group are as follows:-

	Group	
	2005 RM	2004 RM
Ringgit Malaysia	**143,751**	1,013,823
New Taiwan Dollar	**504,590**	1,471,662
US Dollar	**741,610**	-
	1,389,951	2,485,485

14. TRADE PAYABLES

Included in trade payables of the Group are amounts totalling RM135,645 (2004: RM61,790) owing to companies in which a director of the Company has substantial financial interest.

The credit terms of trade payables range from 30 days to 120 days from date of invoice. The currency exposure of trade payables of the Group are as follows:-

	2005 RM	2004 RM
Ringgit Malaysia	**5,763,993**	5,659,518
US Dollar	**98,873**	101,554
	5,862,866	5,761,072

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	**546,105**	1,428,033	**9,251**	7,008
Accruals	**4,603,175**	4,734,858	**100,000**	101,250
	5,149,280	6,162,891	**109,251**	108,258

16. AMOUNTS OWING TO DIRECTORS

The amounts owing to directors represent purchase consideration payable in respect of acquisition of subsidiary companies in 2004 which are unsecured and bear interest at 3.0% per annum.

	Group/Company	
	2005 RM	2004 RM
Repayable as follows:-		
- not later than one year		
- to a director of the Company	**13,949,693**	13,753,703
- to a director of subsidiary companies	**6,335,307**	6,246,297
	20,285,000	20,000,000
- later than one year but not later than two years		
- to a director of the Company	-	13,949,693
- to a director of subsidiary companies	-	6,335,307
	-	20,285,000
	20,285,000	40,285,000

17. BORROWINGS (INTEREST BEARING)

	Group	
	2005 RM	2004 RM
Current liabilities		
Secured		
Term loans (Note 18)	**837,168**	1,500,000
Unsecured		
Term loans (Note 18)	**8,554,540**	3,333,333
Bank overdraft	-	234,090
Bankers' acceptance	**27,734,000**	5,000,000
	36,288,540	8,567,423
	37,125,708	10,067,423
Long term liabilities		
Secured		
Term loans (Note 18)	-	1,237,158
Unsecured		
Term loans (Note 18)	**9,006,957**	5,000,000
	9,006,957	6,237,158
	46,132,665	16,304,581

17. BORROWINGS (INTEREST BEARING) continued

	Group 2005 RM	Group 2004 RM
Total borrowings		
Bank overdraft	-	234,090
Bankers' acceptance	**27,734,000**	5,000,000
Term loans (Note 18)	**18,398,665**	11,070,491
	46,132,665	16,304,581

Certain term loans of the Group are secured by means of a first fixed charge over the freehold land and building of a subsidiary company. The borrowings of the Group are guaranteed by the Company.

	Group 2005 %	Group 2004 %
Weighted average effective annual interest rate:-		
Bank overdraft	**7.13**	7.13
Bankers' acceptance	**3.02 - 3.23**	3.12
Term loans	**4.55 - 4.95**	4.97
Onshore foreign currency loan	-	2.45
Trust receipt	-	1.92

18. TERM LOANS

	Group 2005 RM	Group 2004 RM
Secured		
Term loan I repayable by 72 monthly instalments of RM50,000 each commencing September 2000	-	999,990
Term loan II repayable by 12 quarterly instalments of RM225,000 each commencing April 2004	**837,168**	1,737,168
	837,168	2,737,158
Unsecured		
Term loan III repayable by 36 equal monthly instalments of RM277,777 each commencing July 2004	**5,000,000**	8,333,333
Term loan IV repayable by 36 equal monthly instalments of RM230,556 each commencing June 2005	**6,686,111**	-
Term loan V repayable by 33 equal monthly instalments of RM204,545 each commencing August 2005	**5,875,386**	-
	18,398,665	11,070,491
Repayable as follows:-		
- not later than one year (Note 17)		
- secured	**837,168**	1,500,000
- unsecured	**8,554,540**	3,333,333
	9,391,708	4,833,333
- later than one year and not later than five years (Note 17)		
- secured	-	1,237,158
- unsecured	**9,006,957**	5,000,000
	9,006,957	6,237,158
	18,398,665	11,070,491

19. SHARE CAPITAL

	Group/Company			
	2005		2004	
	Number of shares	**RM**	**Number of shares**	**RM**
Ordinary shares of RM1.00 each:-				
Authorised	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Issued and fully paid:				
Balance as at 1 January	**72,931,600**	**72,931,600**	72,111,600	72,111,600
Share options exercised	**2,225,000**	**2,225,000**	820,000	820,000
Balance as at 31 December	**75,156,600**	**75,156,600**	72,931,600	72,931,600

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM72,931,600 to RM75,156,600 by the issuance of 2,225,000 new ordinary shares of RM1.00 each pursuant to the exercise of the options under the ESOS.

These new ordinary shares rank pari passu in all respects with the then existing shares of the Company.

ESOS

The ESOS was approved by the shareholders at an Extraordinary General Meeting held on 8 June 2000.

The main features of the ESOS are as follows:-

(a) The ESOS is made available to eligible employees of the Group and full time executive directors of the Company, who are confirmed employees of the Group and has been in permanent full time employment within the Group for a period of at least twenty four months of continuous services, including service during the probation period.

(b) The total number of shares to be offered under the ESOS shall not, in aggregate, exceed 10% of the issued and paid-up share capital of the Company at any time during the existence of the ESOS which will be in force for a period of five years commencing from 30 August 2000.

(c) The option price for a new share under the ESOS shall be allowed to be set at a discount of not more than 10% from the weighted average market price of the shares as quoted and shown in the Daily Official List issued by Bursa Malaysia Securities for the five market days immediately preceding the date of offer by the ESOS Committee or the par value of the shares, whichever is higher.

(d) The actual entitlement of an eligible employee shall be determined by the ESOS Committee on the basis of job grade, years of service, contribution, dedication and loyalty of the employee and shall not be less than 1,000 shares nor more than 500,000 shares and shall always be in multiples of 1,000 shares.

(e) Irrespective of the number of options held, the option holder may not exercise his/her option beyond the maximum allowable limit in the options exercisable per annum in accordance to the following percentages:-

Number of options granted	**Percentage of options exercisable per annum**				
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Below 10,000	30%	30%	40%[1]	-	-
10,000 to 20,000	25%	25%	25%	25%[2]	-
Above 20,000	20%	20%	20%	20%	20%[3]

[1] *40% or the remaining number of options unexercised*
[2] *25% or the remaining number of options unexercised*
[3] *20% or the remaining number of options unexercised*

19. SHARE CAPITAL continued

(f) The shares shall, on issue and allotment upon any exercise of the option, rank pari passu in all respects with the then existing ordinary shares of the Company, except that they will not qualify for any dividend or distribution declared for payment to shareholders on the Register of Member/Record of Depositors as at the relevant books closing date which precedes the option exercise date.

The employees to whom the options have been granted are not eligible to participate in any other employee share option scheme implemented by any other company within the Group during the duration of the ESOS.

The ESOS has expired on 29 August 2005 and all outstanding options granted has lapsed on the same date.

The details of option over the ordinary shares of the Company granted under the ESOS are set out as follows:-

31.12.2005		**Number of options over ordinary shares of RM1.00 each**				
Grant date	**Exercise price per share RM**	**1.1.2005**	**Granted**	**Exercised**	***Retracted**	**Balance unexercised and lapsed on 29.8.2005**
04.09.2000	2.37	3,223,000	-	(2,100,000)	(35,000)	1,088,000
24.10.2000	2.37	12,000	-	-	-	12,000
10.04.2001	1.67	27,000	-	(19,000)	-	8,000
22.10.2001	2.00	33,000	-	(21,000)	-	12,000
11.04.2002	2.75	28,000	-	-	-	28,000
21.10.2002	2.00	29,000	-	(17,000)	-	12,000
03.04.2003	1.85	18,000	-	(12,000)	-	6,000
08.10.2003	1.85	8,000	-	(3,000)	-	5,000
08.10.2003	1.95	48,000	-	(18,000)	(3,000)	27,000
23.04.2004	2.20	20,000	-	-	(2,000)	18,000
29.07.2004	2.15	153,000	-	(28,000)	(5,000)	120,000
28.10.2004	2.55	8,000	-	-	-	8,000
22.02.2005	2.60	-	16,000	-	(5,000)	11,000
28.04.2005	2.30	-	15,000	(5,000)	-	10,000
05.07.2005	2.12	-	6,000	(2,000)	(1,000)	3,000
		3,607,000	37,000	(2,225,000)	(51,000)	1,368,000

31.12.2004		**Number of options over ordinary shares of RM1.00 each**				
Grant date	**Exercise price per share RM**	**1.1.2004**	**Granted**	**Exercised**	***Retracted**	**31.12.2004**
04.09.2000	2.37	4,129,000	-	(694,000)	(212,000)	3,223,000
24.10.2000	2.37	12,000	-	-	-	12,000
10.04.2001	1.67	36,000	-	(5,000)	(4,000)	27,000
22.10.2001	2.00	54,000	-	(18,000)	(3,000)	33,000
11.04.2002	2.75	33,000	-	-	(5,000)	28,000
21.10.2002	2.00	90,000	-	(56,000)	(5,000)	29,000
03.04.2003	1.85	54,000	-	(16,000)	(20,000)	18,000
08.10.2003	1.85	25,000	-	-	(17,000)	8,000
08.10.2003	1.95	98,000	-	(21,000)	(29,000)	48,000
23.04.2004	2.20	-	22,000	-	(2,000)	20,000
29.07.2004	2.15	-	180,000	(10,000)	(17,000)	153,000
28.10.2004	2.55	-	8,000	-	-	8,000
		4,531,000	210,000	(820,000)	(314,000)	3,607,000

* *Due to resignation*

19. **SHARE CAPITAL** continued

	2005	2004
Number of share options vested at balance sheet date	-	3,607,000

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

Exercise date	Average fair value per share at issue date RM	Exercise price per share RM	Number of shares issued Year ended 31.12.2005	Number of shares issued Year ended 31.12.2004
January 2005	2.87	1.85 - 2.37	**1,829,000**	-
February 2005	2.87	1.67 - 2.37	**212,000**	-
March 2005	2.72	1.67 - 2.37	**69,000**	-
April 2005	2.52	1.67 - 2.37	**44,000**	-
May 2005	2.36	1.95 - 2.37	**18,000**	-
July 2005	2.32	1.85 - 2.00	**9,000**	-
August 2005	2.19	1.67 - 2.15	**44,000**	-
March 2004	2.46	1.85 - 2.37	-	202,000
April 2004	2.42	1.67 - 2.00	-	12,000
June 2004	2.20	1.85 - 2.00	-	8,000
August 2004	2.51	1.85	-	3,000
September 2004	2.66	1.85 - 2.15	-	23,000
October 2004	2.76	1.85 - 2.37	-	84,000
November 2004	2.92	2.00 - 2.37	-	102,000
December 2004	2.88	1.85 - 2.37	-	386,000
			2,225,000	820,000

	31.12.2005 RM	31.12.2004 RM
Proceeds received:-		
Ordinary share capital - at par	**2,225,000**	820,000
Share premium	**2,998,520**	1,073,180
Proceeds received on exercise of share options	**5,223,520**	1,893,180
Fair value of shares issued at exercise date	**6,315,950**	2,253,630

The fair value of shares issued on the exercise of options is the monthly closing market price at which the Company's shares were traded on Bursa Malaysia Securities.

20. RESERVES

	Group 2005 RM	Group 2004 RM	Company 2005 RM	Company 2004 RM
(a) Non-distributable:-				
Share premium	**4,210,070**	1,211,550	**4,210,070**	1,211,550
Revaluation reserve	**3,727,256**	3,727,256	-	-
(b) Distributable:-				
Retained profits	**83,678,760**	71,151,237	**2,515,624**	2,444,368
	91,616,086	76,090,043	**6,725,694**	3,655,918

Subject to the agreement of the Inland Revenue Board, the Company has:-

(i) tax exempt income amounting to approximately RM2,982,000 (2004: RM8,942,000) available for distribution of tax exempt dividends; and

(ii) sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of net dividends out of all its retained profits as at 31 December 2005 without incurring additional tax liability.

21. AMOUNTS OWING TO SUBSIDIARY COMPANIES

The amounts owing to subsidiary companies arose mainly from advances to the Company, which are unsecured, interest-free and not repayable within the next twelve months.

22. DEFERRED TAX LIABILITIES

	Group 2005 RM	Group 2004 RM
Balance as at 1 January	**12,136,659**	10,308,812
Acquisition of subsidiary companies (Note 29)	-	839,728
Recognised in the income statement (Note 26)		
- current year	**967,809**	1,041,728
- over provision in prior years	-	(53,609)
	967,809	988,119
Balance as at 31 December	**13,104,468**	12,136,659

The deferred tax liabilities are made up of the following:-

	Group 2005 RM	Group 2004 RM
Surplus arising from revaluation of freehold land and buildings	**488,061**	496,347
Excess of capital allowances over corresponding depreciation	**12,616,407**	11,640,312
	13,104,468	12,136,659

23. REVENUE

	Group 2005 RM	Group 2004 RM	Company 2005 RM	Company 2004 RM
Sale of goods	**153,194,282**	145,042,564	-	-
Rendering of services	**962,505**	1,571,322	-	-
Management fee	-	-	**126,000**	126,000
Dividends	-	-	**12,020,234**	6,000,000
	154,156,787	146,613,886	**12,146,234**	6,126,000

24. PROFIT BEFORE TAX

	Group 2005 RM	Group 2004 RM	Company 2005 RM	Company 2004 RM
This is arrived at after charging/(crediting):-				
Amortisation of goodwill	**1,335,158**	818,323	-	-
Allowance for doubtful debts	**64,039**	61,389	-	-
Auditors' remuneration:-				
- statutory				
- current year	**49,000**	56,083	**8,000**	8,000
- under provision in prior year	-	3,000	-	3,000
- non-statutory	**2,000**	2,500	**2,000**	2,500
Bad debts written off	**263**	-	-	-
Depreciation of property, plant and equipment	**14,632,775**	12,883,431	-	-
Directors' remuneration (Note 25):-				
- fees	**410,500**	385,000	**92,000**	92,000
- emoluments other than fees	**1,498,320**	1,390,941	**46,000**	52,000
Interest expense on:-				
- bankers' acceptance and trust receipts	**663,511**	145,558	-	-
- bank overdraft	**3,865**	6,117	-	-
- term loans	**850,374**	508,424	-	-
- corporate exercise	**837,043**	742,961	**837,043**	742,961
- onshore foreign currency loan	-	113,667	-	-
Loss on striking off of a subsidiary company	-	-	**9,206**	-
Rental of:-				
- factory and premises	**205,377**	263,760	-	-
- mould	-	5,776	-	-
Property, plant and equipment written off	**18,868**	156,846	-	-
Interest income from:-				
- fixed deposits	**(133,058)**	(208,563)	-	(76,038)
- others	**(15,078)**	(16)	-	-
Allowance for doubtful debts no longer required	**(62,189)**	(74,292)	-	-
Realised loss/(gain) on foreign exchange	**51,879**	(1,173)	-	-
Rental income	**(1,207,903)**	(903,020)	-	-
Tax exempt dividend from an unquoted subsidiary company	-	-	**(2,297,234)**	(3,000,000)
Gross dividend from an unquoted subsidiary company	-	-	**(9,723,000)**	(3,000,000)
Loss/(Gain) on disposal of property, plant and equipment	**43,856**	(185,540)	-	-

25. DIRECTORS' REMUNERATION

	Group 2005 RM	Group 2004 RM	Company 2005 RM	Company 2004 RM
Directors' remuneration:-				
- fees				
- payable by the Company	**92,000**	92,000	**92,000**	92,000
- payable by subsidiary companies	**318,500**	293,000	-	-
	410,500	385,000	**92,000**	92,000
- emoluments other than fees				
- payable by the Company	**46,000**	52,000	**46,000**	52,000
- payable by subsidiary companies	**1,452,320**	1,338,941	-	-
	1,498,320	1,390,941	**46,000**	52,000

The estimated monetary value of benefits-in-kind received by the directors in respect of the Group amounted to RM76,153 (2004: RM72,811).

The remuneration paid and payable to the directors of the Group for the financial year, analysed into bands of RM50,000 are as follows:-

	Group No. of directors 2005	Group No. of directors 2004
Less than RM50,000	**3**	3
RM50,000 to less than RM100,000	**1**	1
RM150,000 to less than RM200,000	**1**	1
RM350,000 to less than RM400,000	-	2
RM400,000 to less than RM450,000	**2**	-
RM650,000 to less than RM700,000	**1**	1
	8	8

26. TAX EXPENSES

	Group 2005 RM	Group 2004 RM	Company 2005 RM	Company 2004 RM
Current tax expense based on profit for the financial year	**3,339,779**	4,455,615	**2,722,440**	841,748
Deferred tax liabilities (Note 22)	**967,809**	1,041,728	-	-
	4,307,588	5,497,343	**2,722,440**	841,748
Under/(over) provision in prior years:-				
- current tax expense	**38,882**	(38,585)	**810**	(1,619)
- deferred tax liabilities (Note 22)	-	(53,609)	-	-
	38,882	(92,194)	**810**	(1,619)
	4,346,470	5,405,149	**2,723,250**	840,129

26. TAX EXPENSES continued

The numerical reconciliation between average effective tax rate and the applicable tax rate are as follows:-

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Average applicable tax rate	**28.0**	28.0	**28.0**	28.0
Income not subject to tax	**(5.5)**	(0.3)	**(5.9)**	(17.7)
Non-allowable expenses	**10.0**	0.5	**2.5**	7.4
Reinvestment allowance incentives	**(14.8)**	(8.0)	-	-
Reduction in statutory tax rate on first RM500,000 chargeable income	**(0.6)**	(0.5)	-	-
	17.1	19.7	**24.6**	17.7
Under/(Over) provision in prior years	**0.2**	(0.3)	-	-
Average effective tax rate	**17.3**	19.4	**24.6**	17.7

27. EARNINGS PER SHARE

The basic earnings per ordinary share is calculated by dividing the consolidated profit after tax of RM20,784,989 (2004: RM22,494,405) by the weighted average number of ordinary shares in issue during the financial year of 74,942,964 (2004: 72,328,821).

The diluted earnings per ordinary share is calculated based on the consolidated profit after tax of RM20,784,989 (2004: RM22,494,405) and on the adjusted weighted average number of ordinary shares issued and issuable of 75,037,028 (2004: 72,681,413). The adjusted weighted average number of ordinary shares issued and issuable has been arrived at based on the assumption that ESOS are exercised at the beginning of the financial year or the date of ESOS granted and the difference between the number of ordinary shares to be issued under ESOS and the number of ordinary shares that would have been issued at fair value are deemed to have been issued for no consideration.

The weighted average number of ordinary shares in issue plus the weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of ESOS is calculated as follows:-

	2005	2004
Weighted average number of ordinary shares in issue	**74,942,964**	72,328,821
Weighted average number of ordinary shares deemed to have been issued for no consideration upon exercise of the options under the ESOS	**94,064**	352,592
Weighted average number of ordinary shares for diluted earnings per share	**75,037,028**	72,681,413

28. DIVIDENDS PER SHARE

	Group/Company	
	2005	2004
	RM	RM
Tax exempt dividends:-		
- interim of 3 % (2004: 3 %) per ordinary share	**2,254,698**	2,249,178
- final of 8 % (2004: 8 %) per ordinary share	**6,012,528**	6,008,288
	8,267,226	8,257,466

28. DIVIDENDS PER SHARE continued

As declared by the directors on 25 January 2005, an interim tax exempt dividend of 3%, amounting to RM2,249,178 in respect of the previous financial year was paid on 21 March 2005 and has been accounted for as an appropriation of retained earnings in the current financial year.

As approved by the shareholders at the Annual General Meeting held on 28 April 2005, a final tax exempt dividend of 8%, amounting to RM6,008,288 in respect of the previous financial year was paid on 7 July 2005 and has been accounted for as an appropriation of retained earnings in the current financial year.

The amount paid of RM2,249,178 and RM6,008,288 are in excess of the dividend of RM2,187,948 and RM5,834,528 declared or proposed in last year's directors' report. The differences of RM61,230 and RM173,760 respectively are in respect of additional shares arising from the exercise of the option under the Employee Share Option Scheme ("ESOS") subsequent to the end of the previous financial year, but prior to the closing date of the entitlement to dividend.

On 23 February 2006, the directors declared an interim tax exempt dividend of 3%, amounting to RM2,254,698 in respect of the current financial year. This dividend will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2006.

The proposed final tax exempt dividend of 8%, amounting to RM6,012,528 in respect of the current financial year has yet to be approved by the shareholders. This dividend, upon approval by the shareholders, will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2006.

29. ACQUISITION OF SUBSIDIARY COMPANIES

(a) On 26 May 2004, the Group completed the acquisition of the entire equity interest in Hoeken Industrial Sdn. Bhd. and NS Plastic Industries Sdn. Bhd.. The fair value of the assets acquired and the liabilities assumed are as follows:-

	Group 2004 RM
Property, plant and equipment	20,767,166
Inventories	2,738,203
Trade receivables	9,929,283
Other receivables, deposits and prepayments	428,758
Tax recoverable	62,900
Cash and bank balances	659,469
Trade payables	(2,112,699)
Other payables, deposits and accruals	(1,492,045)
Term loan	(2,870,250)
Tax liabilities	(365,008)
Deferred tax liabilities	(839,728)
Net assets acquired	26,906,049
Goodwill on consolidation (Note 10)	33,378,951
Total purchase consideration	60,285,000
Less: Cash and bank balances acquired	(659,469)
Amount outstanding included in amounts owing to directors	(40,285,000)
Cash flow on acquisition, net of cash and bank balances acquired	19,340,531

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29. ACQUISITION OF SUBSIDIARY COMPANIES continued

(b) The cash flow on acquisition of the Company is as follows:-

	Company 2004 RM
Total purchase consideration	60,285,000
Less : Amount outstanding included in amounts owing to directors	(40,285,000)
Cash flow on acquisition	20,000,000

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash and bank balance	**9,357,429**	4,783,950	**43,998**	43,686
Bank overdraft	-	(234,090)	-	-
	9,357,429	4,549,860	**43,998**	43,686

31. FINANCIAL INSTRUMENTS

(a) Foreign currency risk

The Group does not enter into any forward foreign exchange contract during the financial year.

In the previous financial year, the Group entered into foreign currency forward contracts to manage exposures to currency risk for trade receivables where the receivables are denominated in a currency other than the functional currency of the Group.

The nominal amount and maturity date of the forward foreign exchange contracts outstanding as at 31 December 2004 were as follows:-

Contract	Currency	Expiry date	Contract amounts in foreign currency	RM equivalent
Forward foreign exchange contracts used to hedge trade receivables	Euro	31 Jan 2005	12,700	58,966

(b) Credit risk

The Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

31. FINANCIAL INSTRUMENTS continued

(c) Fair values

The carrying amounts of the financial instruments of the Group and of the Company as at 31 December 2005 approximate their fair values except as set out below:-

	2005			
	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Amounts owing by subsidiary companies	-	-	22,190,255	*
Amounts owing to subsidiary companies	-	-	1,232,415	*

	2004			
	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Amounts owing by subsidiary companies	-	-	35,667,237	*
Amounts owing to directors	40,285,000	36,921,502	40,285,000	36,921,502

* *It is not practical to estimate the fair values of amounts owing by/to subsidiary companies. This is principally due to the lack of fixed repayment terms and inability to estimate fair values without incurring excessive costs. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.*

The following methods and assumptions are used to determine the fair values of financial instruments:-

(i) The carrying amounts of financial assets and liabilities with maturity within 12 months approximates their fair values due to relatively short term maturity of these financial instruments.

(ii) The cost of unquoted investments approximate their fair values based on their net realisable values.

(iii) The fair values of the Group's term loans are estimated based on the current rates offered to the Group for loans of the same remaining maturities.

(iv) The fair values of the amounts owing to directors are estimated by discounting future contracted cash flow at the commercial rate of similar borrowing.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales to:-				
- Hoeken Industrial Sdn. Bhd.	-	197,782*	-	-
- NS Plastic Industries Sdn. Bhd.	-	11,266*	-	-
- Pong Codan Marketing Sdn. Bhd.	**5,008**	9,773	-	-
- Pong Codan Rubber (M) Sdn. Bhd.	**323,392**	225,049	-	-
Purchases from:-				
- Hoeken Industrial Sdn. Bhd.	-	9,621,870*	-	-
- NS Plastic Industries Sdn. Bhd.	-	302,459*	-	-
- Pong Codan Marketing Sdn. Bhd.	**790,928**	814,215	-	-
- Pong Codan Rubber (M) Sdn. Bhd.	**503,671**	338,689	-	-
Rental paid to:-				
- LF Kim Holdings Sdn. Bhd.	**108,000**	108,000	-	-
- Hoeken Industrial Sdn. Bhd.	-	71,535*	-	-
Rental received from NS Plastic Industries Sdn. Bhd.	-	66,890*	-	-
Directors' emoluments payables to:-				
Executive directors:-				
- fees	**338,500**	313,000	**20,000**	20,000
- directors' emoluments other than fees	**1,293,000**	1,199,333	**19,000**	24,000
- EPF contribution	**178,320**	163,608	-	-
Non-executive directors				
- fees	**72,000**	72,000	**72,000**	72,000
- directors' emoluments other than fees	**27,000**	28,000	**27,000**	28,000

The directors are of the opinion that all the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS continued

Executive directors of the Company have been granted options under the Employee Share Option Scheme on the same terms and conditions as those offered to other employees of the Group (Note 19) as follows:-

31.12.2005

Grant date	Expiry date	Exercise price per share RM	Number of options over ordinary shares of RM1.00 each 1.1.2005	Granted	Exercised	31.12.2005
4.9.2000	29.8.2005	2.37	1,200,000	-	(1,200,000)	-

31.12.2004

Grant date	Expiry date	Exercise price per share RM	Number of options over ordinary shares of RM1.00 each 1.1.2004	Granted	Exercised	31.12.2004
4.9.2000	29.8.2005	2.37	1,400,000	-	(200,000)	1,200,000

	2005	2004
Number of share options vested at balance sheet date	-	1,200,000

The relationships between the Group and the related parties are as follows:-

Identities of related parties		Relationship with the Group
Hoeken Industrial Sdn. Bhd.*	}	Companies in which a director of the Company, Mr. Kam
NS Plastic Industries Sdn. Bhd.*	}	Lang Fatt @ Kim Leng Fatt has substantial financial interest*
Pong Codan Marketing Sdn. Bhd.	}	Companies in which a director of the Company, Mr. Kam
Pong Codan Rubber (M) Sdn. Bhd.	}	Lang Fatt @ Kim Leng Fatt has substantial financial interest
LF Kim Holdings Sdn. Bhd.	}	

* *for the period from 1 January 2004 to 26 May 2004 before Hoeken Industrial Sdn. Bhd. and NS Plastic Industries Sdn. Bhd. became subsidiary companies.*

33. CAPITAL COMMITMENTS

	Group 2005 RM	2004 RM
Contracted but not provided for in respect of property, plant and equipment	**1,961,924**	9,624,699

34. CONTINGENT LIABILITIES - UNSECURED

	Company	
	2005	2004
	RM	RM
Guarantee in favour of banks for banking facilities granted to subsidiary companies	**46,132,665**	16,304,581
Guarantee in favour of third parties for supply of goods to subsidiary companies	**512,823**	571,872
	46,645,488	16,876,453

35. EMPLOYEES AND STAFF COSTS

	Group		Company	
	2005	2004	2005	2004
Number of employees, including executive directors, as at 31 December	**746**	706	**4**	4

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Staff costs				
Salaries, fee, wages, overtime, allowances and commission	**12,811,852**	11,993,087	**39,000**	44,000
EPF contribution	**1,386,444**	1,333,425	-	-
SOCSO contribution	**160,436**	142,135	-	-
Bonus	**1,201,140**	1,140,025	-	-
	15,559,872	14,608,672	**39,000**	44,000

36. SEGMENTAL INFORMATION

No segmental reporting is presented as the Group operates predominantly in the manufacturing and trading of alternative automotive body parts for motor industry in Malaysia.

37. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by Board of Directors on 23 February 2006.

List of Properties as at 31 December 2005

Senarai Hartanah pada 31 Disember 2005

Location *Lokasi*	**Description/ existing use** *Keterangan/ Kegunaan*	**Land Area/ Built-Up Area** *Keluasan Tanah/ Luas Kawasan Terbina*	**Tenure/ Approximate Age of Building** *Jenis Hakmilik/ Anggaran Usia Bangunan*	**Date of Last Revaluation or Acquisition** *Tarikh Penilaian Semula atau Pembelian*	**Net Book Value (RM'000)** *Nilai Buku Bersih (RM'000)*
GM 28195 Lot 6342 Mukim of Setapak District of Kuala Lumpur Federal Territory	3-storey shop-house/ Office and warehouse Rumah kedai *3 tingkat/* *Pejabat dan gudang*	152 sq m/ 457 sq m	Freehold/ 37 years *Pegangan bebas/* *37 tahun*	4.12.02	480
HS(M) 22101 No. PT 29778 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Office and factory *Tanah perindustrian* *dan bangunan/* *Pejabat dan kilang*	20,296 sq m/ 18,769 sq m	Freehold/ 7 - 14 years *Pegangan bebas/* *7 - 14 tahun*	27.11.02	14,377
GM 2119 Lot 5007 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Rented out as office and factory *Tanah perindustrian dan* *bangunan/ Disewa sebagai* *pejabat dan kilang*	9,294 sq m/ 5,925 sq m	Freehold/ 5 years *Pegangan bebas/* *5 tahun*	27.11.02	5,104
GM 3890 Lot 5043 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Office and warehouse *Tanah perindustrian* *dan bangunan/* *Pejabat dan gudang*	10,918 sq m/ 9,486 sq m	Freehold/ 3 years *Pegangan bebas/* *3 tahun*	27.11.02	5,753
GM 1672 Lot 5044 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Warehouse *Tanah perindustrian* *dan bangunan/ Gudang*	10,031 sq m/ 17,756 sq. m	Freehold/ 3 years *Pegangan bebas/* *3 tahun*	27.11.02	8,202
GM 1587 Lot 5045 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Factory *Tanah perindustrian* *dan bangunan/* *Kilang*	10,669 sq m/ 6,154 sq m	Freehold/ 5 years *Pegangan bebas/* *5 tahun*	27.11.02	6,292
GM 1859 Lot 5046 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Office and factory *Tanah perindustrian* *dan bangunan/* *Pejabat dan kilang*	10,669 sq m/ 6,314 sq m	Freehold/ 3 years *Pegangan bebas/* *3 tahun*	30.05.01	7,527
GM 3476 Lot 5047 Mukim of Kapar District of Klang Selangor	Industrial land and building/ Factory *Tanah perindustrian* *dan bangunan/* *Kilang*	12,141 sq m/ 1,171 sq m	Freehold/ 3 years *Pegangan bebas/* *3 tahun*	27.11.02	2,557

Location *Lokasi*	Description/ existing use *Keterangan/ Kegunaan*	Land Area/ Built-Up Area *Keluasan Tanah/ Luas Kawasan Terbina*	Tenure/ Approximate Age of Building *Jenis Hakmilik/ Anggaran Usia Bangunan*	Date of Last Revaluation or Acquisition *Tarikh Penilaian Semula atau Pembelian*	Net Book Value (RM'000) *Nilai Buku Bersih (RM'000)*
GM 5352 Lot 5048 Mukim of Kapar District of Klang Selangor	Vacant industrial land *Tanah perindustrian kosong*	12,141 sq m/ -	Freehold/ - *Pegangan bebas/* -	23.04.04	2,265
GM 4325 Lot 4982 Mukim of Kapar District of Klang Selangor	Vacant land *Tanah kosong*	12,141 sq m/ -	Freehold/ - *Pegangan bebas/* -	16.04.04	1,343
GM 593 Lot 4983 Mukim of Kapar District of Klang Selangor	Vacant agricultural land *Tanah pertanian kosong*	12,141 sq m/ -	Freehold/ - *Pegangan bebas/* -	16.04.04	1,336
GM 2445 Lot 4984 Mukim of Kapar District of Klang Selangor	Vacant land *Tanah kosong*	12,141 sq m/ -	Freehold/ - *Pegangan bebas/* -	28.04.04	1,283
GM 3176 Lot 4993 Mukim of Kapar Daerah of Klang Selangor	Industrial land and building/ Rented out as office and factory *Tanah perindustrian dan bangunan/ Disewa sebagai pejabat dan kilang*	10,914 sq m/ 6,159 sq m	Freehold/ 4 & 9 years *Pegangan bebas/* *4 & 9 tahun*	28.03.90	4,669
GM 5582 Lot 5065 Mukim of Kapar Daerah of Klang Selangor	Vacant industrial land *Tanah perindustrian kosong*	12,145 sq m/ -	Freehold/ - *Pegangan bebas/* -	05.02.03	1,309
GM 1827 Lot 5028 Mukim of Kapar Daerah of Klang Selangor	Industrial land and building/ Factory *Tanah perindustrian dan bangunan/ Kilang*	10,943 sq m/ 6,656 sq m	Freehold/ 7 & 8 years *Pegangan bebas/* *7 & 8 tahun*	10.05.05	7,719
Pajakan Negeri (WP) 26293 - 26297 Lot-Lot 47051-47055 Mukim Batu Daerah Kuala Lumpur Negeri Wilayah Persekutuan KL	Industrial land and building/ Own use and partially rented out as office and warehouse *Tanah perindustrian dan bangunan/ Kegunaan sendiri dan separuh disewa sebagai pejabat dan gudang*	7,264 sq m/ 2,680 sq m	Leasehold-99 years expiring on 16.06.2067/ 32 years *Pajakan 99 tahun berakhir 16.06.2007/ 32 tahun*	17.05.05	9,395

Analysis of Shareholdings as at 23 February 2006
Analisa Pegangan Saham pada 23 Februari 2006

Authorised Share Capital/*Modal Saham Dibenarkan*	:	RM100,000,000.00
Issued and Paid-Up Share Capital/ *Modal Saham Terbitan dan Berbayar*	:	RM75,156,600.00
Class of Shares/*Kelas Saham*	:	Ordinary Shares of RM1.00 each/ *Saham Biasa RM1.00 sesaham*
No. of Shareholders/*Bilangan Pemegang Saham*	:	1,224
Voting Rights/*Hak Mengundi*	:	One Vote per Ordinary Share/ *Satu undi bagi setiap Saham Biasa*

DISTRIBUTION OF SHAREHOLDINGS/ *PENGAGIHAN PEGANGAN SAHAM*

Size of Shareholdings/ *Saiz Pegangan Saham*	**Shareholders/** *Pemegang Saham*	**%**	**Shareholdings/** *Pegangan Saham*	**%**
1 - 99	2	0.16	10	0.00
100 - 1,000	238	19.44	212,200	0.28
1,001 - 10,000	744	60.78	3,009,390	4.00
10,001 - 100,000	188	15.36	5,191,200	6.91
100,001 - less than 5% of issued shares/ *kurang dari 5% terbitan saham*	49	4.00	31,085,913	41.36
5% and above of issued shares/ *5% dan ke atas terbitan saham*	3	0.25	35,657,887	47.44
TOTAL/*JUMLAH*	1,224	100.00	75,156,600	100.00

Note: 5% of issued shares = 3,757,830 shares
Nota: 5% terbitan saham = 3,757,830 saham

SUBSTANTIAL SHAREHOLDERS/ *PEMEGANG SAHAM UTAMA*

	No. of Shares Held/ *Bilangan Saham Dipegang*		**Total Shareholdings/**	
Name/*Nama*	**Direct/** *Langsung*	**Indirect/** *Tidak Langsung*	*Jumlah Pegangan Saham*	%
Kam Lang Fatt @ Kim Leng Fatt	21,700,400	10,756,945[1]	32,457,345	43.19
Wong Ah Moy @ Wong Yoke Len	10,036,945	22,420,400[2]	32,457,345	43.19
Prudential Unit Trusts Berhad	-	5,048,700[3]	5,048,700	6.72
Kam Foong Keng	3,920,542	838,200[4]	4,758,742	6.33

[1] Deemed interested in the shares held by L F Kim Holdings Sdn Bhd (of which he is a substantial shareholder and director) and shares held by his spouse, Wong Ah Moy @ Wong Yoke Len.
Dianggap mempunyai kepentingan dalam saham yang dipegang oleh L F Kim Holdings Sdn Bhd (dimana beliau adalah pemegang saham utama dan pengarah) dan saham yang dipegang oleh isterinya, Wong Ah Moy @ Wong Yoke Len.

[2] Deemed interested in the shares held by L F Kim Holdings Sdn Bhd (of which she is a substantial shareholder and director) and shares held by her spouse, Kam Lang Fatt @ Kim Leng Fatt.
Dianggap mempunyai kepentingan dalam saham yang dipegang oleh L F Kim Holdings Sdn Bhd (dimana beliau adalah pemegang saham utama dan pengarah) dan saham yang dipegang oleh suaminya, Kam Lang Fatt @ Kim Leng Fatt.

[3] As Fund Manager for Prudential Dynamic Fund, Prugrowth Fund, Prusmall-Cap Fund and Prubalanced Fund.
Sebagai Pengurus Dana bagi Prudential Dynamic Fund, Prugrowth Fund, Prusmall-Cap Fund dan Prubalanced Fund.

[4] Deemed interested in the shares held by her spouse, Chin Jit Sin.
Dianggap mempunyai kepentingan dalam saham yang dipegang oleh suaminya, Chin Jit Sin.

THIRTY (30) LARGEST SHAREHOLDERS / *TIGA PULUH (30) PEMEGANG SAHAM TERBESAR*

	Name/*Nama*	Shareholdings/*Pegangan Saham*	%
1.	Kam Lang Fatt @ Kim Leng Fatt	21,700,400	28.87
2.	Wong Ah Moy @ Wong Yoke Len	10,036,945	13.35
3.	Kam Foong Keng	3,920,542	5.22
4.	Pui Cheng Wui	2,871,700	3.82
5.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for/*untuk* Prudential Dynamic Fund	2,396,600	3.19
6.	Yogeswaran a/l Subramaniam	2,355,500	3.13
7.	Lee Kam Tai	2,343,600	3.12
8.	BHLB Trustee Berhad TA Small Cap Fund	1,798,100	2.39
9.	Patricia Lim Pek Yew	1,630,200	2.17
10.	BHLB Trustee Berhad Prugrowth Fund	1,613,100	2.15
11.	Diong Siew Gi	1,545,913	2.06
12.	Wong Fong Ngoh	1,439,600	1.92
13.	Chin Jit Sin	838,200	1.12
14.	Wong Fong Ngoh	744,000	0.99
15.	L F Kim Holdings Sdn Bhd	720,000	0.96
16.	Kam Foong Sim	652,400	0.87
17.	BHLB Trustee Berhad Prusmall-Cap Fund	649,300	0.86
18.	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	631,800	0.84
19.	Jason Lim Yu Sang	574,000	0.76
20.	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Opportunities Fund	508,500	0.68
21.	Universal Trustee (Malaysia) Berhad TA Islamic Fund	478,200	0.64
22.	Lien, Li-Yu	452,800	0.60
23.	Yoi Chi @ Lim Yoi Chi	440,400	0.59
24.	Universal Trustee (Malaysia) Berhad KL City Smallcap Fund	400,000	0.53
25.	BHLB Trustee Berhad Prubalanced Fund	389,700	0.52
26.	Lim Pin Kong	372,000	0.50
27.	Chua Sim Neo @ Diana Chua	331,100	0.44
28.	Lim Pin Kong	306,000	0.41
29.	Tseng Wan-I	306,000	0.41
30.	Kam Fong Mei	284,200	0.38
TOTAL/*JUMLAH*		62,730,800	83.47

Analysis of Shareholdings as at 23 February 2006 continued

Analisa Pegangan Saham pada 23 Februari 2006 sambungan

DIRECTORS' INTERESTS (based on Register of Directors' Shareholdings)
KEPENTINGAN PENGARAH-PENGARAH (menurut Daftar Pegangan Saham Pengarah)

	No. of Shares/ *Bilangan Saham*		**Total Shareholdings/** *Jumlah Pegangan Saham*	
Name of Directors/ *Nama Pengarah*	**Direct/** *Langsung*	**Indirect/** *Tidak Langsung*		%
Kam Lang Fatt @ Kim Leng Fatt	21,700,400	10,756,945[1]	32,457,345	43.19
Chin Jit Sin	838,200	3,920,542[2]	4,758,742	6.33
Kam Foong Keng	3,920,542	838,200[3]	4,758,742	6.33
Kam Foong Sim	652,400	-	652,400	0.87
Wong Kwan @ Wong Kwong Kwan	24,000	-	24,000	0.03
Danny Ng Siew L'Leong	-	-	-	-
Datuk Dr. Anis bin Ahmad	-	-	-	-

1 Deemed interested in the shares held by L F Kim Holdings Sdn Bhd (of which he is a substantial shareholder and director) and shares held by his spouse, Wong Ah Moy @ Wong Yoke Len.
Dianggap mempunyai kepentingan dalam saham yang dipegang oleh L F Kim Holdings Sdn Bhd (dimana beliau adalah pemegang saham utama dan pengarah) dan saham yang dipegang oleh isterinya, Wong Ah Moy @ Wong Yoke Len.

2 Deemed interested in the shares held by his spouse, Kam Foong Keng.
Dianggap mempunyai kepentingan dalam saham yang dipegang oleh isterinya, Kam Foong Keng.

3 Deemed interested in the shares held by her spouse, Chin Jit Sin.
Dianggap mempunyai kepentingan dalam saham yang dipegang oleh suaminya, Chin Jit Sin.

Proxy Form

NEW HOONG FATT HOLDINGS BERHAD

(425709-K) (Incorporated in Malaysia)

I/We _______________ (full name in block letters & NRIC no./ company no.)

of _______________ (full address)

being a member of NEW HOONG FATT HOLDINGS BERHAD, hereby appoint

_______________ (full name in block letters & NRIC no. of proxy)

or failing him/her,

_______________ (full name in block letters & NRIC no. of proxy)

or failing which, the Chairman of The Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Ninth (9th) Annual General Meeting of the Company to be held at East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 27 April 2006 at 9.30 a.m. or at any adjournment thereof and to vote as indicated below:

Resolutions	For	Against
1. Adoption of Financial Statements and Reports for the year ended 31 December 2005		
2. Declaration of final tax exempt dividend of 8%		
3. Re-election of Mr Chin Jit Sin as Director		
4. Re-election of Datuk Dr. Anis bin Ahmad as Director		
5. Re-appointment of Mr Wong Kwan @ Wong Kwong Kwan as Director		
6. Approval of Directors' Fees of RM92,000		
7. Re-appointment of Auditors and authorise Directors to fix their remuneration		
8. Authority to Directors to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965		

(Please indicate with an "X" in the space provided, how you wish your vote to be cast in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Signed this _______ day of _______________ 2006

No. of Ordinary Shares held

____

Signature/Common Seal of Member

NOTES:

1. Every member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. If a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.

2. The Proxy Form must be signed by the appointer or if the appointer is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

3. The original signed and/or sealed copy of the Proxy Form must be deposited at the Registered Office of the Company at C15-1, Level 15, Tower C, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur at least forty-eight (48) hours before the time fixed for the meeting.

BORANG PROKSI

NEW HOONG FATT HOLDINGS BERHAD
(425709-K) (Diperbadankan di Malaysia)

Saya/Kami ______________________ (nama penuh dalam huruf besar & no. KP/ no. syarikat)

dari ______________________ (alamat penuh)

sebagai ahli NEW HOONG FATT HOLDINGS BERHAD, dengan ini melantik

______________________ (nama penuh dalam huruf besar & no. KP proksi)

dan/atau jika beliau tidak dapat hadir,

______________________ (nama penuh dalam huruf besar & no. KP proksi)

atau jika beliau tidak dapat hadir, Pengerusi Mesyuarat tersebut, sebagai proksi saya/kami untuk mengundi bagi pihak saya/kami di Mesyuarat Agung Tahunan Syarikat yang ke Sembilan (9) yang akan diadakan di East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur pada hari Khamis, 27 April 2006 jam 9.30 pagi dan pada sebarang penangguhannya seperti berikut:

Resolusi	Menyokong	Menentang
1. Penerimaan Penyata Perakaunan dan Laporan-laporan bagi tahun kewangan berakhir 31 Disember 2005		
2. Pengisytiharan dividen akhir dikecualikan cukai sebanyak 8%		
3. Pemilihan semula Encik Chin Jit Sin sebagai Pengarah		
4. Pemilihan semula Datuk Dr. Anis bin Ahmad sebagai Pengarah		
5. Perlantikan semula Encik Wong Kwan @ Wong Kwong Kwan sebagai Pengarah		
6. Meluluskan yuran Pengarah sebanyak RM92,000		
7. Perlantikan semula Juruaudit dan memberi kuasa kepada Pengarah untuk menetapkan bayaran mereka		
8. Kuasa di bawah Seksyen 132D Akta Syarikat, 1965 untuk Pengarah menerbit dan menawar saham		

(Sila tandakan "x" dalam ruangan yang disediakan di atas untuk pengundian yang anda menghendaki. Jika arahan khusus tidak diberikan, proksi akan mengundi atau tidak mengundi atas budi bicaranya.)

Ditandatangani pada________haribulan____________________2006

Bilangan Saham Biasa yang dipegang

____

Tandatangan/ Meterai Ahli

Nota-nota:

1. Setiap ahli syarikat yang layak menghadiri dan mengundi dalam mesyuarat ini berhak untuk melantik tidak lebih dari dua (2) proksi untuk menghadiri dan mengundi bagi pihak dirinya. Seseorang proksi boleh, tetapi tidak semestinya seorang ahli Syarikat. Bagi ahli yang melantik dua (2) proksi, perlantikan proksi tidak laku sekiranya tidak menyatakan bahagian pegangannya yang diwakili oleh setiap proksi.

2. Surat cara perlantikan proksi mestilah secara bertulis dan ditandatangani oleh pelantik sendiri atau sekiranya ahli merupakan sebuah perbadanan, samada secara cop meterai atau ditandatangani oleh pegawai atau peguamcara, yang diberi kuasa sedemikian.

3. Surat cara perlantikan proksi yang asal dan telah disempurnakan mestilah diserahkan ke Pejabat Berdaftar Syarikat di C15-1, Level 15, Tower C, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, sekurang-kurangnya empat-puluh lapan (48) jam sebelum waktu yang telah ditetapkan untuk mesyuarat berlangsung.

newhoongfatt.com.my

NEW HOONG FATT HOLDINGS BERHAD (425709-K)
Lot 5043, 5 1/2 Miles, Jalan Meru,
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Email: enquiries@newhoongfatt.com.my