

Company No. 4690 - V

SIN HENG CHAN (MALAYA) BERHAD
(Company No. 4690-V)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(In Ringgit Malaysia)

These Audited Financial Statements of the Company with *Qualified/Unqualified Auditors' Report for the year ended December 31, 2004 were tabled at the Annual General Meeting/Adjourned Annual General Meeting held on

**Y.M. TUNKU MAHMOOD BIN TUNKU
MOHAMMED**

Company No. 4690 - V

SIN HENG CHAN (MALAYA) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

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SIN HENG CHAN (MALAYA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **SIN HENG CHAN (MALAYA) BERHAD** hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended December 31, 2004.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are as disclosed in Note 14 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than the disposal of a subsidiary company as disclosed in Note 14 to the Financial Statements.

SIGNIFICANT EVENTS

During the year, pursuant to the Restructuring Scheme ("Scheme") as approved by all the relevant authorities, namely the Securities Commission, Ministry of International Trade and Industry, Foreign Investment Committee and Danaharta, the Company implemented the following:

- (a) a rights issue of 37,998,750 new ordinary shares of RM1 each at par on the basis of two right shares for every existing share;
- (b) the issuance of RM19,192,125 nominal value of Irredeemable Convertible Loan Stocks ("ICULS") together with 30,000,000 free detachable warrants to unsecured scheme creditors on the basis of approximately one hundred and fifty six new warrants for every RM100 nominal value of ICULS;
- (c) the settlement of an amount totalling RM3,016,875 due to the unsecured scheme creditors as part settlement of the outstanding debt owing to them amounting to RM36,943,000 by a related party, Alor Setar Industry Holdings Sdn. Bhd. ("ASIH") on behalf of the Company. In consideration for the settlement by ASIH, 3,016,875 new ordinary shares were issued at RM1 each to ASIH; and

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- (d) the payment of RM4,500,000 as full and final settlement to settle the disputed claims as highlighted in Note 30 to the Financial Statements.

Following the completion of the Scheme:

- (a) a portion of the Group's and the Company's bank borrowings and hire-purchase payables amounting to RM11,833,296 and RM10,917,449 respectively have been waived and credited to the income statements as an exceptional item;
- (b) the Special Administrators which was appointed by Pengurusan Danaharta Nasional Berhad resigned at the end of moratorium period on August 10, 2004; and
- (c) the Company has been removed from Practice Note 4/2001 classification to the "Consumer Products" sector of Main Board of Bursa Malaysia Securities Berhad on August 10, 2004.

RESULTS OF OPERATIONS

The results of operations of the Group and the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit before tax	10,508,176	10,114,115
Tax income/(expense)	<u>296,071</u>	<u>(59,000)</u>
Profit after tax	10,804,247	10,055,115
Minority interests	<u>457,413</u>	<u>-</u>
Net profit for the year	<u><u>11,261,660</u></u>	<u><u>10,055,115</u></u>

In the opinion of the directors, the results of operations of the Group and the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the exceptional items relating to liabilities waived as mentioned in Notes 6 and 33 to the Financial Statements.

DIVIDENDS

No dividend has been paid, proposed or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial as the Company does not have any distributable reserves.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM18,994,375 to RM60,542,500 by way of:

- (a) a rights issue of 37,988,750 new ordinary shares of RM 1 each at par on the basis of two new right shares for every existing shares held for the purpose of partial repayment to unsecured scheme creditors and increasing the working capital of the Company;
- (b) an issue of 3,016,875 new ordinary shares of RM 1 each for the settlement of an amount totaling RM3,016,875 due to the unsecured scheme creditors from the total debt owing to them of RM36,943,000 by Alor Setar Industry Holdings Sdn. Bhd., a company in which Dato' Choo Keng Weng has substantial financial interest, on behalf of the Company; and
- (c) an issue of 542,500 new ordinary shares of RM 1 each for cash pursuant to the Employees' Share Option Scheme of the Company at an exercise price of RM1 per ordinary share.

These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company and were listed and quoted on Bursa Malaysia Securities Berhad with effect from August 10, 2004.

ISSUE OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

During the financial year, the Company issued RM19,192,125 nominal value of Irredeemable Convertible Unsecured Loan Stocks (ICULS) together with 30,000,000 free detachable warrants. The salient features of the ICULS are as follows:

- (a) the ICULS bear a zero coupon rate and matures on July 25, 2007;
- (b) the ICULS are convertible at any time between the date of issue and the maturity date on the basis of one new ordinary share of RM 1 each in exchange for RM 1 nominal amount of the ICULS and are not redeemable for cash. On maturity date, any outstanding ICULS will be mandatorily converted by the Company;

- (c) all new ordinary shares issued upon conversion of the ICULS will rank pari passu with the then existing ordinary shares of the Company except that the new ordinary shares will not rank for any dividend declared in respect of any particular financial year ending before the conversion date irrespective of the date when such dividends are declared, made paid nor will the new shares rank for any rights, allotment or other distributions if the conversion date is after the entitlement date for such rights, allotment or other distribution; and
- (d) the ICULS are unsecured obligation of the Company and are subordinated to all other present and future unsecured obligations of the Company.

WARRANTS

In conjunction with issuance of ICULS, warrants were issued on the basis of 156 warrants for every RM100 nominal value of the ICULS. The warrants are in registered form and constituted by a deed poll and entitle the registered holders to subscribe for 1 ordinary share of RM1 each in the Company at a price of RM1 per ordinary share for every warrant held subject to adjustments in accordance with the deed poll. The warrants are exercisable at any time from the date of issue and shall expire on July 24, 2009.

At the end of the year, the entire warrants remain unexercised.

SHARE OPTIONS

Under the Company's Employees' Share Option Scheme ("ESOS") which became effective on July 13, 2004, options to subscribe for unissued new ordinary shares in the Company were granted to eligible directors and employees of the Company and its subsidiary companies.

The salient features of the ESOS are as follows:

- (a) the total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- (b) any employee (including the executive directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee:
 - (i) is employed by and on the payroll of a company within the Group;
 - (ii) must have attained the age of eighteen (18) years;

- (iii) is not an executive director who represents the government or a government institution/agency; and
 - (iv) is not a government employee serving in the public service scheme as defined under Article 132 of the Federal Constitution.
- (c) no option shall be granted for less than 100 shares.
- (d) option shall be granted in the discretion of the ESOS committee based on job ranking, length of services, contribution and performance of the selected employee provided that:
- (i) not more than ten percent (10%) of the shares available under the ESOS shall be allocated to any individual executive director or selected employee who, either singly or collectively through his/her associates, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company; and
 - (ii) not more than fifty percent (50%) of the shares available under the ESOS shall be allocated, in aggregate, to the executive directors and senior management.
- (e) the option price shall be determined based on a discount of not more than 10% from the average of the mean market quotation of the ordinary shares of the Company as quoted and shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five (5) preceding market days prior to the date of offer or at par value of the ordinary shares of the Company, whichever is higher. However, the share options granted prior to requotation of the Company's shares on August 10, 2004 are fixed at RM1.00.
- (f) the options granted may be exercised at anytime within a period of five (5) years from the date of offer of the option or extended to not more than another five (5) years commencing from the day after the expiration of the original five (5) year period.
- (g) the persons to whom the options are granted have no right to participate by virtue of the options in any other share options of any other company within the Group.

The share options granted and exercised during the financial year are as follows:

Exercisable from	No. of Options Over Ordinary Shares of RM1 Each			
	Balance as of 1.1.2004	Granted	Exercised	Balance as of 31.12.2004
13.7.2004	-	5,992,000	(542,500)	5,449,500

Exercise Date	Exercise Price RM	Considerations Received RM	Number of share option	Fair values of shares issued
6.8.2004	1.00	194,500	194,500	0.41
13.8.2004	1.00	<u>348,000</u>	<u>348,000</u>	0.42
		<u>542,500</u>	<u>542,500</u>	

OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would necessitate the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

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At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year and secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

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, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Dato' Choo Keng Weng
Tuan Syed Omar bin Syed Abdullah
Dato' Ghazali bin Saiboo
Venkata Chellam s/o Subramaniam
Y.M. Tunku Mahmood bin Tunku Mohammed

In accordance with Article 97 of the Company's Articles of Association, Dato' Ghazali bin Saiboo and Venkata Chellam s/o Subramaniam retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134, of the Companies Act, 1965, are as follows:

	No. of Shares of RM1 Each			Balance at 31.12.2004
	Balance at 1.1.2004	Bought	Sold	
Shares in the Company				
<i>Registered in name of director</i>				
Dato' Choo Keng Weng	54,000	108,000	-	162,000
Dato' Ghazali bin Saiboo	-	250,000	(200,000)	50,000

Deemed Interest

Dato' Choo Keng Weng	5,508,000	30,134,482	(2,583,000)	33,059,482
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	No. of Options Over Ordinary Shares of RM1 Each			Balance at 31.12.2004
	Balance at 1.1.2004	Granted	Exercised	
Shares options in the Company				
<i>Registered in name of director</i>				
Dato' Choo Keng Weng	-	600,000	-	600,000
Tuan Syed Omar bin Syed Abdullah	-	600,000	-	600,000
Dato' Ghazali bin Saiboo	-	600,000	(250,000)	350,000

By virtue of Dato' Choo Keng Weng and Dato' Ghazali bin Saiboo having shareholdings in the Company, they are deemed to have beneficial interest in the shares of the other related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration 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 he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of rental of premises paid and payable amounting to RM448,206 to companies in which Dato' Choo Keng Weng has substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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AUDITORS

The auditors, Messrs. Deloitte KassimChan have indicated their willingness to continue in office.

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

DATO' CHOO KENG WENG

**Y.M. TUNKU MAHMOOD BIN TUNKU
MOHAMMED**

Kuala Lumpur
April 25, 2005

REPORT OF THE AUDITORS TO THE MEMBERS OF

SIN HENG CHAN (MALAYA) BERHAD

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2004 and the related statements of income, cash flows and changes in equity for the year then ended. 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 these 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 contents 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the 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 the Company as of December 31, 2004 and of the results and the cash flows of the Group and the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

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

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company 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 as required by us for these 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.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

HIEW KIM TIAM
1717/8/05 (J)
Partner

April 25, 2005

SIN HENG CHAN (MALAYA) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	4	41,520,799	49,804,338	-	1,008,234
Other operating income	6	16,806,251	563,128	16,189,640	916,694
Changes in inventories of finished goods and hatching eggs		(224,214)	(27,195)	-	-
Raw materials and consumables used		(29,654,246)	(34,625,400)	-	-
Directors' remuneration	7	(896,880)	(825,570)	(844,880)	(797,810)
Staff costs	8	(4,800,222)	(4,818,311)	(750,688)	(634,745)
Depreciation of property, plant and equipment	13	(2,592,991)	(2,607,964)	(189,398)	(229,723)
Other operating expenses	6	<u>(9,414,916)</u>	<u>(9,131,795)</u>	<u>(4,724,216)</u>	<u>(11,581,455)</u>
Profit/(Loss) from operations		10,743,581	(1,668,769)	9,680,458	(11,318,805)
Finance costs	9	(699,143)	(5,028,904)	(17,066)	(2,841,687)
Income from other investments	10	<u>463,738</u>	<u>247,048</u>	<u>450,723</u>	<u>240,448</u>
Profit/(Loss) before tax		10,508,176	(6,450,625)	10,114,115	(13,920,044)
Tax income/(expense)	11	<u>296,071</u>	<u>219,881</u>	<u>(59,000)</u>	<u>-</u>
Profit/(Loss) after tax		10,804,247	(6,230,744)	10,055,115	(13,920,044)
Minority interest		<u>457,413</u>	<u>(243,625)</u>	<u>-</u>	<u>-</u>
Net profit/(loss) for the year		<u><u>11,261,660</u></u>	<u><u>(6,474,369)</u></u>	<u><u>10,055,115</u></u>	<u><u>(13,920,044)</u></u>
Earning/(Loss) per ordinary Share					
Basic	12	<u><u>30.8 sen</u></u>	<u><u>(34.1 sen)</u></u>		
Diluted	12	<u><u>N/A</u></u>	<u><u>N/A</u></u>		

The accompanying Notes form an integral part of the Financial Statements.

SIN HENG CHAN (MALAYA) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS
AS OF DECEMBER 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Property, plant and equipment	13	18,844,240	20,996,542	1,251,501	1,467,933
Investment in subsidiary companies	14	-	-	10,075,756	10,075,756
Other investments	15	5,250	596,320	5,250	5,250
Current Assets					
Inventories	16	7,900,020	9,002,311	-	-
Trade receivables	17	7,382,189	8,771,648	-	-
Other receivables, deposits and prepaid expenses	17	5,528,515	3,662,866	5,613,757	3,440,950
Amount owing by subsidiary companies	18	-	-	3,633,508	2,724,911
Marketable securities	19	67	63	67	63
Fixed deposits, cash and bank balances	20	<u>18,405,496</u>	<u>2,714,781</u>	<u>16,154,733</u>	<u>13,321</u>
Total Current Assets		<u>39,216,287</u>	<u>24,151,669</u>	<u>25,402,065</u>	<u>6,179,245</u>
Current Liabilities					
Trade payables	21	5,366,193	7,823,341	-	-
Other payables and accrued expenses	21	7,479,729	15,594,865	4,386,939	10,824,194
Amount owing to subsidiary companies	18	-	-	2,930,988	4,731,928
Bank borrowings	22	7,792,206	52,948,792	-	42,534,440
Finance lease payables	23	480,660	573,631	-	-
Hire-purchase payables	24	47,856	786,468	8,032	164,211
Tax liabilities		<u>401</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities		<u>21,167,045</u>	<u>77,727,097</u>	<u>7,325,959</u>	<u>58,254,773</u>

(Forward)

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Net Current Assets/(Liabilities)		18,049,242	(53,575,428)	18,076,106	(52,075,528)
Long-Term and Deferred Liabilities					
Finance lease payables - non-current portion	23	(487,879)	(975,693)	-	-
Hire-purchase payables - non-current portion	24	(42,467)	(46,074)	(36,217)	-
Long-term loans - non-current portion	25	(2,771,603)	(3,636,000)	-	-
Deferred tax liabilities	26	(928,000)	(1,339,000)	(301,000)	(301,000)
		<u>(4,229,949)</u>	<u>(5,996,767)</u>	<u>(337,217)</u>	<u>(301,000)</u>
Net Assets/(Liabilities)		<u>32,668,783</u>	<u>(37,979,333)</u>	<u>29,071,396</u>	<u>(40,827,589)</u>
Represented by:					
Issued capital	27	60,542,500	18,994,375	60,542,500	18,994,375
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	28	19,192,125	-	19,192,125	-
Reserves	29	13,806	910,186	-	896,380
Accumulated loss		<u>(49,872,083)</u>	<u>(61,133,743)</u>	<u>(50,663,229)</u>	<u>(60,718,344)</u>
Shareholders' Equity/ (Capital Deficiency)		29,876,348	(41,229,182)	29,071,396	(40,827,589)
Minority interest		<u>2,792,435</u>	<u>3,249,849</u>	<u>-</u>	<u>-</u>
		<u>32,668,783</u>	<u>(37,979,333)</u>	<u>29,071,396</u>	<u>(40,827,589)</u>

The accompanying Notes form an integral part of the Financial Statements.

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SIN HENG CHAN (MALAYA) BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004**

The Group	Note	Issued Capital RM	ICULS RM	Non-Distributable Reserves			Total RM
				Share Premium RM	Reserve On Consolidation RM	Accumulated Loss RM	
Balance as of January 1, 2003		18,994,375	-	896,380	13,806	(54,659,374)	(34,754,813)
Net loss for the year		-	-	-	-	(6,474,369)	(6,474,369)
Balance as of December 31, 2003		18,994,375	-	896,380	13,806	(61,133,743)	(41,229,182)
Issue of shares	27	41,548,125	-	-	-	-	41,548,125
Issue of ICULS	28	-	19,192,125	-	-	-	19,192,125
Restructuring expenses		-	-	(896,380)	-	-	(896,380)
Net profit for the year		-	-	-	-	11,261,660	11,261,660
Balance as of December 31, 2004		60,542,500	19,192,125	-	13,806	(49,872,083)	29,876,348

(Forward)

The Company	Note	Issued Capital RM	Non-Distributable Reserves		Accumulated Loss RM	Total RM
			ICULS RM	Share Premium RM		
Balance as of January 1, 2003		18,994,375	-	896,380	(46,798,300)	(26,907,545)
Net loss for the year		-	-	-	(13,920,044)	(13,920,044)
Balance as of December 31, 2003		18,994,375	-	896,380	(60,718,344)	(40,827,589)
Issue of shares	27	41,548,125	-	-	-	41,548,125
Issue of ICULS	28	-	19,192,125	-	-	19,192,125
Restructuring expenses		-	-	(896,380)	-	(896,380)
Net profit for the year		-	-	-	10,055,115	10,055,115
Balance as of December 31, 2004		<u>60,542,500</u>	<u>19,192,125</u>	-	<u>(50,663,229)</u>	<u>29,071,396</u>

The accompanying Notes form an integral part of the Financial Statements.

SIN HENG CHAN (MALAYA) BERHAD
(Incorporated in Malaysia)
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES					
Profit/(Loss) before tax		10,508,176	(6,450,625)	10,114,115	(13,920,044)
Adjustments for:					
Depreciation of property, plant and equipment		2,592,991	2,607,964	189,398	229,723
Allowance for doubtful debts - net		1,564,787	213,734	3,326,945	-
Finance costs		699,143	5,028,904	17,066	2,841,687
Property, plant and equipment written off		596	-	-	-
Unrealised loss on foreign exchange		-	3,693	-	-
Bad debts written off		-	3,166	-	-
Loss arising from assignment of assets and liabilities of subsidiary companies disposed		-	-	-	9,644,795
Liabilities waived		(11,833,296)	-	(10,917,449)	-
Gain on disposal of subsidiary companies		(2,864,224)	(374,152)	(3,461,518)	-
Dividend income		(795,419)	(1,008,234)	-	(1,008,234)
Gain on disposal of property, plant and equipment		(785,047)	-	(730,000)	-
Interest income		(223,738)	(13,048)	(210,723)	(6,448)
Allowance for diminution in value of marketable securities no longer required		(4)	-	(4)	-

(Forward)

	Note	The Group		The Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Gain on disposal of marketable securities		-	(127,307)	-	(127,307)
Allowance for doubtful debts no longer required		-	-	-	(37,846)
Operating Loss Before Working Capital Changes		(1,136,035)	(115,905)	(1,672,170)	(2,383,674)
(Increase)/Decrease in:					
Inventories		1,102,291	(894,943)	-	-
Trade receivables		(218,979)	(878,475)	-	-
Other receivables, deposits and prepaid expenses		(1,411,598)	(142,606)	(2,106,656)	(175,793)
Fixed deposit pledged		(4,901)	(2,884)	-	-
Increase/(Decrease) in:					
Trade payables		(2,457,148)	961,791	-	-
Other payables and accrued expenses		2,513,164	493,168	3,583,812	590,697
Amount owing by/to subsidiary companies		-	-	(6,867,462)	(483,568)
Cash Used In Operations		(1,613,206)	(579,854)	(7,062,476)	(2,452,338)
Interest paid		(796,509)	(4,060,366)	(17,066)	(2,047,553)
Retirement benefit paid		-	(6,791)	-	-
Income tax (paid)/refunded		(56,816)	11,238	(32,887)	-
Net Cash Used In Operating Activities		(2,466,531)	(4,635,773)	(7,112,429)	(4,499,891)
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Disposal of subsidiary companies, net of proceeds	14	3,677,298	(13,585)	4,250,000	(14,827,615)
Proceeds from disposal of property, plant and equipment		875,050	-	820,000	-
Dividends received		572,702	1,008,234	-	1,008,234
Interest received		162,320	13,048	160,959	6,448

(Forward)

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Proceeds from disposal of marketable securities	-	604,426	-	604,426
Purchase of property, plant and equipment	<u>(486,288)</u>	<u>(312,033)</u>	<u>(17,966)</u>	<u>-</u>
Net Cash From/(Used In) Investing Activities	<u>4,801,082</u>	<u>1,300,090</u>	<u>5,212,993</u>	<u>(13,208,507)</u>
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES				
Issuance of shares	41,548,125	-	41,548,125	-
Issuance of ICULS	19,192,125	-	19,192,125	-
Proceeds from short-term borrowings	16,439,000	23,174,000	-	-
Short-term borrowings paid	(24,171,000)	(20,796,000)	(8,184,000)	-
Repayment of long-term loans	(1,061,868)	(340,000)	-	-
Repayment of hire-purchase and finance lease payables	<u>(1,368,004)</u>	<u>(553,788)</u>	<u>(164,962)</u>	<u>-</u>
Net Cash From Financing Activities	<u>50,578,378</u>	<u>1,484,212</u>	<u>52,391,288</u>	<u>-</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	52,912,929	(1,851,471)	50,491,852	(17,708,398)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>(35,461,948)</u>	<u>(33,610,477)</u>	<u>(34,337,119)</u>	<u>(16,628,721)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	32 <u>17,450,981</u>	<u>(35,461,948)</u>	<u>16,154,733</u>	<u>(34,337,119)</u>

During the financial year, the Group's and the Company's additions to property, plant and equipment amounted to RM531,288 (2003: RM312,033) and RM62,966 (2003: RM NIL) respectively of which RM45,000 (2003: RM NIL) was financed through hire-purchase arrangements and RM486,288 (2003: RM312,033) and RM17,966 (2003: RM NIL) was paid in cash respectively.

The accompanying Notes form an integral part of the Financial Statements.

SIN HENG CHAN (MALAYA) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are as disclosed under Note 14.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than the disposal of a subsidiary company as disclosed in Note 14.

The total number of employees of the Group and the Company at year end were 291 (2003: 284) and 13 (2003: 13) respectively.

The registered office and principal place of business is located at Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on April 25, 2005.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise indicated in the accounting policy stated below.

Revenue

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers. Revenue represents gross invoiced value of goods sold, net of sales tax and trade discounts.

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the shareholder's right to receive payment is established.

Rental income is accrued on a time basis, by reference to the agreements entered.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates or, where settlement has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

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

Property, Plant and Equipment and Depreciation

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

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets, the amounts in revaluation reserve account relating to the assets disposed are transferred to accumulated loss account.

Depreciation of property, plant and equipment, except for freehold land and machinery under installation which are not depreciated, is computed on the straight-line method at the following rates based on the estimated useful lives of the various assets or their lease periods.

The annual depreciation rates are as follows:

Land under long leases	Over period of lease of 60 - 99 years
Land under short leases	Over period of lease of 25 years
Buildings	4 - 5%
Plant and machinery	7 1/2 - 33 1/3%
Renovation, furniture, fixtures and equipment	5 - 20%
Motor vehicles	20%

Plantation development expenditure consists of expenditure on land preparation and upkeep of trees prior to their maturity and is accounted for under the “capital maintenance method” which involves the capitalisation of only new planting costs which are not amortised.

Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of assets (other than inventories, deferred tax assets, assets from employee benefits and financial assets, which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

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. A reversal is recognised in the income statements, unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised as property, plant and equipment and the corresponding obligations treated as liabilities in the financial statements. These assets are depreciated according to the basis set out above. Finance costs are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Lease Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the lease assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiary companies controlled by the Company made up to December 31, 2004.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

Reserve arising on consolidation represents the excess of the fair values of net assets over the consideration paid for investment in two subsidiary companies.

All significant inter-company transactions and balances are eliminated on consolidation.

Investments

Investments in unquoted shares of subsidiary companies, which are eliminated on consolidation, are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Other investments are stated at cost less allowance for diminution in value. Allowance for diminution in value is made when in the opinion of the directors, the diminution in the value of the investments is considered permanent.

Inventories

Inventories are valued at the lower of cost (determined generally on the first-in, first-out method) and net realisable value. The costs of raw materials and spare parts comprise the original cost of purchase plus the cost of bringing the stocks to their present location and condition. The costs of finished goods and hatching eggs include the cost of raw materials, direct labour and certain allocation of manufacturing overheads. The cost of parent stocks consists of the original purchase price of breeder birds plus assigned growing costs and adjusted for amortisation (calculated based on their economic egg-laying lives). Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Trade and other receivables are reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses that may arise from non-collection of certain receivable accounts.

Marketable Securities

Marketable securities held for short-term are stated at the lower of cost (determined using the first-in first-out method) and market value based on an aggregate portfolio basis. All increases or decreases in the carrying amount of marketable securities are taken up in the income statements.

Employee Benefits

(a) Short-Term Employee Benefits

Salaries, wages, annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

(b) Defined Contribution Plan

The Group and the Company are required by law to make monthly contributions to Employees' Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees. Both the Group and the Company and their employees are required to make monthly contributions to EPF calculated at certain prescribed rates of the employees' salaries. The Group's and the Company's contributions to EPF are disclosed separately while the employees' contributions to EPF are included in salaries and wages and shown under staff costs.

(c) **Equity Compensation Benefits**

The Group's Employees Share Options Scheme ("ESOS") allows the employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. **REVENUE**

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Manufacturing and trading of formulated animal feeds	24,309,274	28,504,840	-	-
Poultry breeding	16,416,106	20,291,264	-	-
Dividend income (gross):				
Unquoted shares in Malaysia	795,419	994,274	-	994,274
Shares quoted in Malaysia	-	13,960	-	13,960
	<u>795,419</u>	<u>1,008,234</u>	<u>-</u>	<u>1,008,234</u>
	<u><u>41,520,799</u></u>	<u><u>49,804,338</u></u>	<u><u>-</u></u>	<u><u>1,008,234</u></u>

5. **SEGMENT REPORTING**

Business Segments

For management purposes, the Group is organised into the following operating divisions:

- Feedmilling
- Poultry breeding
- Investment holding
- Others (consist of subsidiary companies which are dormant and pre-operating)

Inter-segment sales are charged at cost plus a percentage profit mark-up.

SEGMENT ANALYSIS

The Group

2004	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	24,309,274	17,211,525	-	-	-	41,520,799
Inter-segment sales	19,517,740	2,154,033	-	-	(21,671,773)	-
Total revenue	<u>43,827,014</u>	<u>19,365,558</u>	<u>-</u>	<u>-</u>	<u>(21,671,773)</u>	<u>41,520,799</u>
Results						
Segment result	<u>(189,938)</u>	<u>(3,285,230)</u>	<u>12,452,609</u>	<u>1,766,140</u>	<u>-</u>	<u>10,743,581</u>
Profit from operations						10,743,581
Finance costs						(699,143)
Income from other investments						463,738
Profit before tax						10,508,176
Tax income						296,071
Profit after tax						<u>10,804,247</u>
(Forward)						

	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Other information						
Capital additions	268,204	200,118	62,966	-	-	531,288
Depreciation of property, plant and equipment	(682,446)	(1,720,247)	(189,398)	(900)	-	(2,592,991)
Consolidated Balance Sheet						
Assets						
Segment assets	13,023,693	22,419,362	22,528,567	94,155	-	<u>58,065,777</u>
Consolidated total assets						<u>58,065,777</u>
Liabilities						
Segment liabilities	11,722,370	7,000,637	4,579,967	2,094,020	-	<u>25,396,994</u>
Consolidated total liabilities						<u>25,396,994</u>

The Group

2003	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	28,504,840	20,291,264	1,008,234	-	-	49,804,338
Inter-segment sales	16,950,537	1,086,786	-	-	(18,037,323)	-
Total revenue	<u>45,455,377</u>	<u>21,378,050</u>	<u>1,008,234</u>	<u>-</u>	<u>(18,037,323)</u>	<u>49,804,338</u>
Results						
Segment result	<u>(46,101)</u>	<u>(219,381)</u>	<u>(1,299,860)</u>	<u>(103,427)</u>	<u>-</u>	<u>(1,668,769)</u>
Loss from operations						(1,668,769)
Finance costs						(5,028,904)
Income from other investments						247,048
Loss before tax						(6,450,625)
Tax income						219,881
Loss after tax						<u>(6,230,744)</u>

(Forward)

	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Other information						
Capital additions	101,480	210,553	-	-	-	312,033
Depreciation of property, plant and equipment	(670,612)	(1,706,730)	(229,723)	(899)	-	(2,607,964)
Consolidated Balance Sheet						
Assets						
Segment assets	16,516,949	23,937,801	4,504,336	785,445	-	<u>45,744,531</u>
Consolidated total assets						<u><u>45,744,531</u></u>
Liabilities						
Segment liabilities	14,237,505	8,783,023	53,824,373	6,878,963	-	<u>83,723,864</u>
Consolidated total liabilities						<u><u>83,723,864</u></u>

Other segment activities comprise mainly expenses incurred by certain subsidiary companies which are not directly attributable to any significant segment.

Segmental information by geographical location has not been disclosed as the Group operates predominantly in Malaysia.

6. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Exceptional items :				
Liabilities waived	11,833,296	-	10,917,449	-
Loss arising from assignment of assets and liabilities of subsidiary companies disposed	-	-	-	(9,644,795)
Gain on disposal of subsidiary companies	2,864,224	374,152	3,461,518	-
Gain on disposal of property, plant and equipment - net	785,047	-	730,000	-
Bad debt recovered	12,000	-	-	-
Allowance for diminution in value of investment no longer required	4	-	4	-
Gain/(Loss) on disposal of marketable securities	-	127,307	-	127,307
Allowance for doubtful debts no longer required	-	-	-	37,846
Management fees from subsidiary companies	-	-	720,000	720,000
Unrealised loss on foreign exchange	-	(3,693)	-	-
Bad debts written off	-	(3,166)	-	-
Allowance for doubtful debts - net	(1,564,787)	(213,734)	(3,326,945)	-
Rental of premises	(561,606)	(579,676)	(448,206)	(448,206)
Audit fee:				
- current	(61,300)	(62,800)	(20,000)	(20,000)
- underprovision in prior year	(1,500)	-	-	-
Restructuring expenses	(49,106)	(406,780)	-	(406,780)
Property, plant and equipment written-off	(596)	-	-	-
Realised loss on foreign exchange	(520)	(307)	-	-

7. DIRECTORS' REMUNERATION

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Executive directors:				
Fees	1,000	-	-	-
Other emoluments	637,280	594,440	637,280	603,680
Non-executive directors:				
Fees	51,000	37,000	-	-
Other emoluments	<u>207,600</u>	<u>194,130</u>	<u>207,600</u>	<u>194,130</u>
	<u>896,880</u>	<u>825,570</u>	<u>844,880</u>	<u>797,810</u>

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group and the Company amounted to RM152,800 (2003: RM152,800) during the financial year.

Included in directors' remunerations are contributions to the Employees' Provident Fund made by the Group and the Company for the current year amounting to RM89,580 (2003: RM85,560) respectively.

The number of directors of the Company whose total remuneration fall within the following bands is as follows:

	2004	2003
Number of Executive Directors:		
Below RM300,000	-	-
>RM300,000	1	1
Number of Non-Executive Directors:		
RM50,001 to RM100,000	<u>2</u>	<u>2</u>

8. STAFF COSTS

Staff costs include salaries, contributions to Employees' Provident Fund, bonuses and all other staff related expenses.

Included in staff costs are contributions to the Employees' Provident Fund made by the Group and the Company for the current year amounting to RM470,877 and RM70,202 (2003: RM485,925 and RM64,915) respectively.

9. **FINANCE COSTS**

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Interest on:				
Bank overdrafts	55,433	3,305,279	5,172	2,047,533
Term loans	336,405	766,616	-	352,790
Bankers' acceptances	151,141	639,366	-	433,810
Hire-purchase	18,426	166,329	116	7,480
Finance lease	125,960	151,156	-	-
Others	11,778	158	11,778	74
	<u>699,143</u>	<u>5,028,904</u>	<u>17,066</u>	<u>2,841,687</u>

10. **INCOME FROM OTHER INVESTMENTS**

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Interest income from fixed				
Deposits	223,738	13,048	210,723	6,448
Rental of premises	240,000	234,000	240,000	234,000
	<u>463,738</u>	<u>247,048</u>	<u>450,723</u>	<u>240,448</u>

11. **TAX (INCOME)/EXPENSE**

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Estimated tax payable:				
Current	114,929	-	59,000	-
Underprovision in prior years	-	119	-	-
	114,929	119	59,000	-
Deferred tax (Note 26)				
Current	(346,000)	(220,000)	-	-
Overprovision in prior year	(65,000)	-	-	-
	<u>(411,000)</u>	<u>(220,000)</u>	<u>-</u>	<u>-</u>
Total	<u>(296,071)</u>	<u>(219,881)</u>	<u>59,000</u>	<u>-</u>

There is no income tax expense for the Company in 2003 as the Company does not have any chargeable income.

A numerical reconciliation of income tax expense at the applicable statutory income tax rate to tax expense/(income) at the effective income tax rate is as follows:

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Profit/(Loss) before tax	10,508,176	(6,450,625)	10,114,115	(13,920,044)
Add: Losses of subsidiary companies not available for group relief	-	5,761,617	-	-
	<u>10,508,176</u>	<u>(689,008)</u>	<u>10,114,115</u>	<u>(13,920,044)</u>
Tax/(Deferred tax asset) at income tax rate of 28%	2,942,289	(192,922)	2,831,952	(3,897,612)
Tax effect of expenses not deductible in determining tax	104,763	41,730	1,011,048	2,984,739
Tax effect of income not taxable in determining tax	(2,431,227)	-	(2,399,590)	-
Utilisation of deferred tax assets not previously recognised	(1,630,683)	(39,562)	(1,384,000)	-
Deferred tax asset not recognised	779,057	-	-	912,873
(Over)/Underprovision in prior year	(65,000)	119	-	-
Others	4,730	(29,246)	(410)	-
Tax expense/(income)	<u>(296,071)</u>	<u>(219,881)</u>	<u>59,000</u>	<u>-</u>

As of December 31, 2004, two subsidiary companies have tax exempt income arising from reinvestment allowances claimed and utilised under schedule 7A of the Income Tax Act 1967 and chargeable income on which income tax has been waived under Income Tax (Amended) Act 1999 totalling to approximately RM2,872,000 (2003: RM2,872,000) which, subject to the agreement of the tax authorities, is available for payment of tax exempt dividends to the Company.

12. **EARNING/(LOSS) PER ORDINARY SHARE**

	The Group	
	2004	2003
	RM	RM
Basic		
Net profit/(loss) attributable to ordinary shareholders	<u>11,261,660</u>	<u>(6,474,369)</u>
	The Group	
	2004	2003
	Units	Units
Number of shares in issue as of January 1	18,994,375	18,994,375
Effect of rights issue	16,088,132	-
Effect of new issue	1,269,395	-
Effect of the exercise of ESOS	<u>212,716</u>	<u>-</u>
Weighted average number of ordinary shares in issue	<u>36,564,618</u>	<u>18,994,375</u>
	The Group	
	2004	2003
Basic earning/(loss) per share (sen)	<u>30.8</u>	<u>(34.1)</u>
	The Group	
	2004	2003
	Units	Units
Diluted		
Weighted average number of ordinary shares in issue	36,564,618	18,994,375
Conversion of Irredeemable Convertible Unsecured Loan Stocks (ICULS)	19,192,125	-
Exercise of warrants	30,000,000	-
Exercise of ESOS	<u>5,449,500</u>	<u>-</u>
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	<u>91,206,243</u>	<u>18,994,375</u>
Diluted earning per ordinary share (sen)	<u>N/A</u>	<u>N/A</u>

The diluted earning per ordinary share of the Company in 2004 has not been presented as the average fair value of the shares of the Company is lower than the exercise price for the conversion of the ICULS, warrants and ESOS to ordinary shares. The effect of this would be anti-dilutive to the earning per ordinary share.

13. **PROPERTY, PLANT AND EQUIPMENT**

The Group	Beginning of Year			Cost/Valuation			End of Year
	RM	RM	RM	RM	RM	RM	
Freehold land							
At 1978 valuation	293,000	-	-	-	-	-	293,000
At cost	184,170	-	(90,000)	-	-	-	94,170
Land under long leases							
At 1978 valuation	782,000	-	-	-	-	-	782,000
At cost	502,357	-	-	-	-	-	502,357
Land under short leases							
At cost	530,997	-	-	-	-	-	530,997
Buildings							
At 1978 valuation	3,320,000	-	-	-	-	-	3,320,000
At cost	21,911,131	26,144	(110,000)	-	-	-	21,827,275
Building under finance lease	284,586	-	-	-	-	-	284,586
Plant and machinery	22,501,929	226,358	(326,670)	-	-	-	22,401,617
Plant and machinery under finance lease	1,050,460	-	-	-	-	-	1,050,460
Renovation, furniture, fixtures and equipment	6,143,127	82,771	-	(7,288)	-	-	6,218,610
Renovation, furniture, fitting and equipment under finance lease	532,692	-	-	-	-	-	532,692

(Forward)

The Group	Cost/Valuation					
	Beginning of Year RM	Additions RM	Disposals RM	Write-Off RM	Reclassification RM	End of Year RM
Motor vehicles	4,754,798	94,500	(207,423)	-	41,623	4,683,498
Motor vehicles under hire-purchase	390,472	62,966	-	-	(41,623)	411,815
Motor vehicles under finance lease	778,775	-	-	-	-	778,775
Plantation development expenditure	244,204	38,549	-	-	-	282,753
	<u>64,204,698</u>	<u>531,288</u>	<u>(734,093)</u>	<u>(7,288)</u>	<u>-</u>	<u>63,994,605</u>

(Forward)

The Group	Accumulated Depreciation					
	Beginning of Year RM	Charge For The Year RM	Disposals RM	Write-off RM	Reclassification RM	End of Year RM
Land under long leases						
At 1978 valuation	269,847	10,794	-	-	-	280,641
At cost	162,745	8,294	-	-	-	171,039
Land under short leases						
At cost	118,590	21,240	-	-	-	139,830
Buildings						
At 1978 valuation	3,152,734	-	-	-	-	3,152,734
At cost	8,539,755	935,068	(110,000)	-	-	9,364,823
Building under finance lease	59,874	24,091	-	-	-	83,965
Plant and machinery	19,421,248	661,285	(326,670)	-	-	19,755,863
Plant and machinery under finance lease	515,343	105,046	-	-	-	620,389
Renovation, furniture, fixtures and equipment	4,782,611	447,212	-	(6,692)	-	5,223,131
Renovation, furniture, fitting and equipment under finance lease	89,644	76,802	-	-	-	166,446
Motor vehicles	4,683,610	65,041	(207,420)	-	27,055	4,568,286
Motor vehicles under hire-purchase	217,639	82,363	-	-	(27,055)	272,947
Motor vehicles under finance lease	224,707	155,755	-	-	-	380,462
Consolidated Total	42,238,347	2,592,991	(644,090)	(6,692)	-	44,180,556

(Forward)

The Group

	Beginning of Year RM	Accumulated Impairment Loss Charge For The Year RM	End of Year RM	2004 RM	2003 RM
Freehold land					
At 1978 valuation	-	-	-	293,000	293,000
At cost	-	-	-	94,170	184,170
Land under long leases					
At 1978 valuation	-	-	-	501,359	512,153
At cost	-	-	-	331,318	339,612
Land under short leases					
At cost	-	-	-	391,167	412,407
Buildings					
At 1978 valuation	167,266	-	167,266	-	-
At cost	241,630	-	241,630	12,220,822	13,129,746
Building under finance lease	-	-	-	200,621	224,712
Plant and machinery	361,351	-	361,351	2,284,403	2,719,330
Plant and machinery under finance lease	-	-	-	430,071	535,117
Renovation, furniture, fixtures and equipment	199,562	-	199,562	795,917	1,160,954
Renovation, furniture, fitting and office equipment under finance lease	-	-	-	366,246	443,048
Motor vehicles	-	-	-	115,212	71,188
Motor vehicles under hire-purchase	-	-	-	138,868	172,833
Motor vehicles under finance lease	-	-	-	398,313	554,068
Plantation development expenditure	-	-	-	282,753	244,204
Total	969,809	-	969,809	18,844,240	20,996,542

The Company

	← Beginning and End of Year RM	Cost/Valuation		End of Year RM
	RM	Additions RM	Disposals RM	RM
Freehold land				
At 1978 valuation	293,000	-	-	293,000
At cost	184,170	-	(90,000)	94,170
Land under long leases				
At 1978 valuation	782,000	-	-	782,000
At cost	144,501	-	-	144,501
Buildings				
At 1978 valuation	3,320,000	-	-	3,320,000
At cost	2,384,846	-	(110,000)	2,274,846
Plant and machinery	80	-	-	80
Renovation, furniture, fixtures and equipment	526,025	-	-	526,025
Motor vehicles	1,476,012	-	-	1,476,012
Motor vehicles under hire-purchase	-	62,966	-	62,966
Total	<u>9,110,634</u>	<u>62,966</u>	<u>(200,000)</u>	<u>8,973,600</u>

(Forward)

	← Beginning and End of Year RM	Accumulated Depreciation Charge for the Year RM	Disposals RM	End of Year RM
Freehold land				
At 1978 valuation	-	-	-	-
At cost	-	-	-	-
Land under long leases				
At 1978 valuation	269,847	10,794	-	280,641
At cost	50,515	1,880	-	52,395
Buildings				
At 1978 valuation	3,152,734	-	-	3,152,734
At cost	1,784,770	154,023	(110,000)	1,828,793
Plant and machinery	59	-	-	59
Renovation, furniture, fixtures and equipment	499,847	10,108	-	509,955
Motor vehicles	1,476,012	-	-	1,476,012
Motor vehicles under hire-purchase	-	12,593	-	12,593
Total	<u>7,233,784</u>	<u>189,398</u>	<u>(110,000)</u>	<u>7,313,182</u>

(Forward)

	Beginning of Year RM	Accumulated Impairment Loss Charge for the Year RM	End of Year RM	2004 RM	2003 RM
Freehold land					
At 1978 valuation	-	-	-	293,000	293,000
At cost	-	-	-	94,170	184,170
Land under long leases					
At 1978 valuation	-	-	-	501,359	512,153
At cost	-	-	-	92,106	93,986
Buildings					
At 1978 valuation	167,266	-	167,266	-	-
At cost	241,630	-	241,630	204,423	358,446
Plant and machinery	21	-	21	-	-
Renovation, furniture, fixtures and equipment	-	-	-	16,070	26,178
Motor vehicles	-	-	-	-	-
Motor vehicles under hire-purchase	-	-	-	50,373	-
Total	<u>408,917</u>	<u>-</u>	<u>408,917</u>	<u>1,251,501</u>	<u>1,467,933</u>

Land and buildings of the Company were last revalued by directors in 1978 based on valuation made by independent firms of professional valuers using as bases, the fair market value and highest present utility of the Company's land and buildings. These land and buildings are stated at 1978 valuation as allowed under the transitional provisions for the application of International Accounting Standards No. 16 (Revised), Property, Plant and Equipment adopted by the MASB. The directors are of the opinion that the fair values of the land and buildings at the end of the financial year are not less than their book carrying value.

The carrying values of the revalued property, plant and equipment of the Group and the Company based on historical costs are as follows:

The Group and the Company

	Cost RM	Accumulated Depreciation RM	Accumulated Impairment Loss RM	Net Book Value RM
Freehold land	114,644	-	-	114,644
Land under long leases	548,635	204,202	-	344,433
Buildings	<u>2,482,489</u>	<u>2,379,740</u>	<u>102,749</u>	<u>-</u>

Land and buildings of the Group with carrying amounts of RM9,286,725 (2003: RM9,731,226) are pledged to certain licensed banks in respect of credit facilities granted to the Group as disclosed in Note 25.

Included in property, plant and equipment of the Group and the Company are fully depreciated property, plant and equipment which are still in use, with a cost of approximately RM14,089,000 (2003: RM13,978,000) and RM5,590,000 (2003: RM5,638,000) respectively.

14. **INVESTMENT IN SUBSIDIARY COMPANIES**

Investment in subsidiary companies consists of:

	The Company	
	2004 RM	2003 RM
Unquoted shares in subsidiary companies - at cost	10,161,954	10,161,954
Impairment loss	<u>(86,198)</u>	<u>(86,198)</u>
Net	<u>10,075,756</u>	<u>10,075,756</u>

The subsidiary companies (all incorporated in Malaysia) are as follows:

Direct subsidiary companies	Effective		Principal Activities
	Equity Interest	Interest	
	2004	2003	
Sin Heng Chan (East Coast) Sdn. Bhd.	100%	100%	Manufacturing and trading of formulated animal feeds.
Goldkist (Malaysia) Sdn. Bhd.	100%	100%	Trading of formulated mineral poultry products.
Ayam Segar Sdn. Bhd.	100%	100%	Pre-operating.
Southern Farms Sdn. Bhd.	-	100%	Investment holding.
Sub-subsidiary companies			
Sin Heng Chan Feed Sdn. Bhd.	100%	100%	Trading of formulated animal feeds.
Goldkist Breeding Farms Sdn. Bhd.	94%	94%	Broiler breeding.
LKPP - Goldkist Sdn. Bhd.	60%	60%	Broiler breeding and the planting of fragrant coconut trees.
Central Feedmill Sdn. Bhd.	100%	100%	Dormant.
Goldkist (NS) Sdn. Bhd.	100%	100%	Dormant.
Kuala Lumpur Feedmill Sdn. Bhd.	100%	100%	Pre-operating.

On June 1, 2004, the Company dispose of a subsidiary company, Southern Farms Sdn. Bhd for a sales consideration of RM4,250,000.

The effects of the disposal of the subsidiary company on the financial results of the Group up to the date of disposal were as follows:

	Unaudited 1.1.2004 to 31.5.2004 RM
Revenue	-
Operating expenses	<u>(105)</u>
Loss from operations	(105)
Other income	<u>800,536</u>
Profit before tax	800,431
Income tax expense	<u>-</u>
Net profit	<u><u>800,431</u></u>

The effect of the disposal on the financial position of the Group at date of disposal is as follows:

	Unaudited May 31, 2004 RM	Audited December 31, 2003 RM
Net assets/(liabilities) disposed as at date of disposal:		
Other receivables and prepaid expenses	227,834	-
Cash and bank balances	572,702	-
Investment in unquoted shares	591,070	591,070
Other payables and accrued expenses	<u>(5,830)</u>	<u>(794,415)</u>
Net assets/(liabilities) disposed	1,385,776	<u>(203,345)</u>
Gain realised on disposal (Note 6)	<u>2,864,224</u>	
Net value of disposal	4,250,000	
Less: Cash and bank balances	<u>(572,702)</u>	
Net cash inflow on disposal, net of cash disposed	<u><u>3,677,298</u></u>	

15. **OTHER INVESTMENTS**

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Gold bullion	5,250	5,250	5,250	5,250
Unquoted shares (at cost)	-	591,070	-	-
	<u>5,250</u>	<u>596,320</u>	<u>5,250</u>	<u>5,250</u>
Total	<u>5,250</u>	<u>596,320</u>	<u>5,250</u>	<u>5,250</u>

16. **INVENTORIES**

	The Group	
	2004	2003
	RM	RM
At cost:		
Raw materials	2,283,791	3,852,596
Parent stocks	3,663,739	3,028,176
Hatching eggs	1,063,134	1,106,788
Finished goods	328,607	445,907
Consumables	560,749	568,844
	<u>7,900,020</u>	<u>9,002,311</u>

17. **TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

	The Group	
	2004	2003
	RM	RM
Trade receivables	19,711,368	21,297,326
Less: Allowance for doubtful debts	(12,329,179)	(12,525,678)
Net	<u>7,382,189</u>	<u>8,771,648</u>

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Other receivables	11,529,980	9,661,754	9,201,387	8,848,527
Less: Allowance for doubtful debts	(9,845,022)	(9,657,870)	(7,172,972)	(8,715,472)
	1,684,958	3,884	2,028,415	133,055
Tax recoverable	3,025,214	3,055,396	3,014,192	3,040,305
Deposits	385,265	408,941	258,098	257,439
Prepaid expenses	433,078	194,645	313,052	10,151
	<u>5,528,515</u>	<u>3,662,866</u>	<u>5,613,757</u>	<u>3,440,950</u>

Trade receivables of the Group comprise amounts receivable for the sales of goods. Other receivables of the Group and the Company comprise mainly proceeds receivable from the disposal of subsidiary company amounting to RM1,944,655 (2003: RM NIL).

The credit period granted on sales of goods ranges from 7 to 90 days (2003: 7 to 90 days). An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM12,329,179 (2003: RM12,525,678) based on past default experience of the Group.

Included in trade receivables of the Group in 2003 is an amount of RM1,560 owing by Khosman Holdings Sdn. Bhd., a company in which YB Dato' Osman bin Din and Datin Khadijah bte Awang, directors of certain subsidiary companies, have substantial financial interest. The amount arose mainly from sales of livestock to a subsidiary company of RM94,095 in prior year.

Included in other receivables, deposits and prepaid expenses of the Group and the Company are rental deposits and advance rental of RM449,873 (2003: RM196,368) paid to Desa Samudra Sdn. Bhd., a company of which Dato' Choo Keng Weng is also a director. During the financial year, rental charged to the Group and the Company amounted to RM304,206 (2003: RM304,206).

18. **RELATED PARTY TRANSACTIONS**

	The Company	
	2004	2003
	RM	RM
Amount owing by subsidiary companies		
- net of allowance for doubtful debts of RM12,676,550 (2003: RM9,307,105)	<u>3,633,508</u>	<u>2,724,911</u>
Amount owing to subsidiary companies	<u>2,930,988</u>	<u>4,731,928</u>

The amount owing by/to subsidiary companies arose mainly from trade transactions and unsecured interest-free advances with no fixed terms of repayment.

Other than as disclosed elsewhere in the financial statements, the related party and its relationship with the Company and its subsidiary companies are as follows:

Name of related parties	Relationship
Seng Hoe & Choong Corporation Sdn. Bhd.	A company in which Dato' Choo Keng Weng, has substantial financial interest.

During the financial year, significant related party transactions are as follows:

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Subsidiary company				
Management fees receivable from	-	-	720,000	720,000
Rental of premises receivable from	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>180,000</u>
Other related party				
Seng Hoe & Choong Corporation Sdn. Bhd.				
Rental of premises paid and payable to	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>

The directors of the Group and of the Company are of the opinion that the above transaction has been entered into in the normal course of business and has been established under terms that are no less favourable than those arranged with independent third parties.

19. **MARKETABLE SECURITIES**

	The Group and the Company	
	2004 RM	2003 RM
Quoted shares in Malaysia - at cost	3,387	3,387
Allowance for diminution in value	<u>(3,320)</u>	<u>(3,324)</u>
Net	<u>67</u>	<u>63</u>
Market value	<u>67</u>	<u>63</u>

20. **FIXED DEPOSITS, CASH AND BANK BALANCES**

	The Group		The Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Fixed deposits with licensed banks	16,127,838	122,937	16,000,000	-
Cash and bank balances	<u>2,277,658</u>	<u>2,591,844</u>	<u>154,733</u>	<u>13,321</u>
	<u>18,405,496</u>	<u>2,714,781</u>	<u>16,154,733</u>	<u>13,321</u>

Fixed deposits with licensed banks of the Group of RM127,838 (2003: RM122,937) are charged to banks for overdraft facilities granted and guarantees issued by the said bank. The fixed deposits of the Group and the Company have maturity period ranging from 2 to 365 days (2003: 365 days) and 2 to 90 days respectively.

The effective interest rates per annum are as follows:

	The Group		The Company	
	2004	2003	2004	2003
Fixed deposits with licensed banks	<u>2% to 3.7%</u>	<u>3.73%</u>	<u>2% to 3.2%</u>	<u>3.35%</u>

21. **TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES**

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The credit period granted to the Group for trade purchases ranges from 30 to 90 days (2003: 30 to 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Other payables	6,038,924	10,924,286	3,822,216	7,619,597
Accrued expenses	1,440,805	2,089,799	564,723	623,817
Accrued interest	-	2,580,780	-	2,580,780
	<u>7,479,729</u>	<u>15,594,865</u>	<u>4,386,939</u>	<u>10,824,194</u>

Included in other payables of the Group and of the Company are:

- a) an amount of RM4,868,685 (2003: RM9,009,040) and RM3,698,903 (2003: RM6,835,579) respectively which represents disputed debts owing to Sin Heng Chan (Singapore) Pte. Ltd., a company of which certain of its directors were former directors and shareholders of the Company as more fully explained in Note 30; and
- b) an amount of RM63,550 (2003: RM28,949) owing to Lembaga Kemajuan Perindustrian Pertanian Negeri Pahang, a statutory body which is a substantial shareholder of a subsidiary company. The amount arose mainly from annual tribute paid and payable by a subsidiary company of RM34,601 (2003: RM43,949) during the financial year.

22. BANK BORROWINGS

	2004	2003
	RM	RM
The Company:		
Bankers' acceptances	-	5,109,000
Short-term loan	-	3,075,000
Bank overdrafts	-	<u>34,350,440</u>
	-	<u>42,534,440</u>
Subsidiary companies:		
Revolving credit	500,000	4,627,000
Bankers' acceptances	5,079,000	3,703,352
Bank overdrafts	826,677	500,000
Long-term loans - current portion	<u>1,386,529</u>	<u>1,584,000</u>
	<u>7,792,206</u>	<u>10,414,352</u>
The Group	<u>7,792,206</u>	<u>52,948,792</u>

As of December 31, 2004, the Group and the Company have bank overdrafts and other credit facilities amounting to RM28.5 million and RM NIL (2003: RM62.3 million and RM22.2 million) respectively. The credit facilities of the Group and the Company bear interest at rates ranging from 4% to 9% (2003: 4% to 9%) per annum and are obtained by a negative charge over all its assets. The credit facilities of the subsidiary companies from certain banks are guaranteed by the Company.

Following the completion of the Restucturing Scheme as mentioned in Note 33, the Group's and the Company's bank borrowings of RM36,384,000 and RM34,119,000 have been fully settled and a portion of the Group's and the Company's bank borrowings of RM11,608,842 and RM10,917,449 have been waived and credited to income statements as an exceptional item.

23. **FINANCE LEASE PAYABLES**

	←————— The Group —————→			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
	RM	RM	RM	RM
Amount payable under finance lease:				
Within one year	554,124	706,750	480,660	573,631
In the second to fifth years inclusive	<u>596,375</u>	<u>1,150,499</u>	<u>487,879</u>	<u>975,693</u>
	1,150,499	1,857,249	968,539	1,549,324
Less: Future finance charges	<u>(181,960)</u>	<u>(307,925)</u>	<u>-</u>	<u>-</u>
Present value of lease payables	<u><u>968,539</u></u>	<u><u>1,549,324</u></u>	968,539	1,549,324
Less: Portion due within one year			<u>(480,660)</u>	<u>(573,631)</u>
Non-current portion			<u><u>487,879</u></u>	<u><u>975,693</u></u>

The non-current portion is repayable as follows:

	The Group	
	2004	2003
	RM	RM
Due within:		
2 years	351,977	480,660
3 years	134,110	351,978
4 years	1,792	141,263
Greater than 4 years	<u>-</u>	<u>1,792</u>
	<u><u>487,879</u></u>	<u><u>975,693</u></u>

The average effective borrowing rate is 10.96% (2003: 10.96%) per annum. Interest rates are fixed at the inception of the lease. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment.

24. **HIRE-PURCHASE PAYABLES**

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Total outstanding principal	90,323	832,542	44,249	164,211
Less: Portion due within one year	<u>(47,856)</u>	<u>(786,468)</u>	<u>(8,032)</u>	<u>(164,211)</u>
Non-current portion	<u><u>42,467</u></u>	<u><u>46,074</u></u>	<u><u>36,217</u></u>	<u><u>-</u></u>

The non-current portion is repayable as follows:

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Due within:				
2 years	14,763	39,824	8,513	-
3 years	9,022	6,250	9,022	-
4 years	9,562	-	9,562	-
Greater than 4 years	<u>9,120</u>	<u>-</u>	<u>9,120</u>	<u>-</u>
	<u><u>42,467</u></u>	<u><u>46,074</u></u>	<u><u>36,217</u></u>	<u><u>-</u></u>

The interest rates implicit in the hire-purchase payables of the Group and the Company range from 9.22% to 12.10% (2003: 5.95% to 6.80%) per annum. The Group's and the Company's hire-purchase payables are secured by the financial institutions charge over the asset under hire-purchase.

Following the completion of the Restructuring Scheme as mentioned in Note 33, the Group's hire-purchase payables of RM559,000 have been fully settled and a portion of the Group's hire-purchase payables of RM224,454 have been waived and credited to income statements as an exceptional item.

25. LONG-TERM LOANS

	The Group	
	2004	2003
	RM	RM
Outstanding loan principal	4,158,132	5,220,000
Less: Portion due within one year (included under bank borrowings) (Note 22)	<u>(1,386,529)</u>	<u>(1,584,000)</u>
Non-current portion	<u>2,771,603</u>	<u>3,636,000</u>

The non-current portion is repayable as follows:

	2004	2003
	RM	RM
Due within:		
2 years	1,471,319	1,584,000
3 years	1,082,586	2,052,000
4 years	<u>217,698</u>	<u>-</u>
	<u>2,771,603</u>	<u>3,636,000</u>

A subsidiary company has term loan facilities obtained from certain local banks amounting to RM9.2 million (2003: RM9.2 million) which bear interest at rates ranging from 3.8% to 8% (2003: 3.75% to 8.4%) per annum. The term loan facilities are secured by:

- (i) a fixed charge on the leasehold land and buildings of a subsidiary company with carrying values totalling about RM9,286,725 (2003: RM9,731,226) as of December 31, 2004;
- (ii) a first fixed and floating charge on all the assets of the subsidiary company; and
- (iii) a corporate guarantee by the Company.

26. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Beginning of year	1,339,000	1,559,000	301,000	301,000
Transfer to income statements (Note 11)	<u>(411,000)</u>	<u>(220,000)</u>	<u>-</u>	<u>-</u>
End of year	<u>928,000</u>	<u>1,339,000</u>	<u>301,000</u>	<u>301,000</u>

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
The net deferred tax liabilities are in respect of temporary differences arising from:				
Property, plant and equipment	729,000	1,757,000	-	-
Unutilised tax losses	(102,000)	(719,000)	-	-
Tax effect on revaluation of land and buildings	<u>301,000</u>	<u>301,000</u>	<u>301,000</u>	<u>301,000</u>
	<u>928,000</u>	<u>1,339,000</u>	<u>301,000</u>	<u>301,000</u>

As mentioned in Note 3, the deductible temporary differences which would give rise to deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. As of December 31, 2004, the estimated amount of deferred tax assets calculated at current tax rate pertaining to the Company and certain subsidiary companies not recognised in the financial statements, is as follows:

	Deferred Tax Assets/(Liabilities)			
	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Tax effects of temporary differences arising from:				
Property, plant and equipment	(437,000)	580,000	494,000	468,000
Unutilised tax losses	16,575,000	16,130,000	11,692,000	13,102,000
Others	<u>302,000</u>	<u>303,000</u>	<u>-</u>	<u>-</u>
Net Deferred Tax Assets	<u>16,440,000</u>	<u>17,013,000</u>	<u>12,186,000</u>	<u>13,570,000</u>

The unutilised tax losses are subject to the agreement by the tax authorities.

27. **SHARE CAPITAL**

	2004	2003
	RM	RM
Authorised:		
Ordinary shares of RM1 each		
Beginning of year	25,000,000	25,000,000
Created during the year	<u>475,000,000</u>	<u>-</u>
End of year	<u><u>500,000,000</u></u>	<u><u>25,000,000</u></u>
Issued and fully paid:		
Ordinary shares of RM1 each		
Beginning of year	18,994,375	18,994,375
Issued during the year:		
Rights issue	37,988,750	-
New issue	3,016,875	-
Exercise of ESOS	<u>542,500</u>	<u>-</u>
End of year	<u><u>60,542,500</u></u>	<u><u>18,994,375</u></u>

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM18,994,375 to RM60,542,500 by way of:

- (a) a rights issue of 37,988,750 new ordinary shares of RM 1 each at par on the basis of two right shares for every one existing shares held for the purpose of partial repayment to unsecured scheme creditors and increasing the working capital of the Company;
- (b) an issue of 3,016,875 new ordinary shares of RM 1 each for the settlement of an amount totaling RM3,016,875 due to the unsecured scheme creditors from the total debt owing to them of RM36,943,000 by Alor Setar Industry Holdings Sdn. Bhd. on behalf of the Company; and
- (c) an issue of 542,500 new ordinary shares of RM 1 each for cash pursuant to the Employees' Share Option Scheme of the Company at an exercise price of RM1 per ordinary share.

These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company and were listed and quoted on Bursa Malaysia Securities Berhad with effect from August 10, 2004.

28. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

During the financial year, the Company issued RM19,192,125 nominal value of Irredeemable Convertible Unsecured Loan Stocks (ICULS) at 100% of its nominal value with 30,000,000 free detachable warrants. The salient features of the ICULS are as follows:

- (a) the ICULS bear a zero coupon rate and matures on July 25, 2007;
- (b) the ICULS are convertible at any time between the date of issue and the maturity date on the basis of one new ordinary share of RM 1 each in exchange for RM 1 nominal amount of the ICULS and are not redeemable for cash. On maturity date, any outstanding ICULS will be mandatorily converted by the Company;
- (c) all new ordinary shares issued upon conversion of the ICULS will rank pari passu with the then existing ordinary shares of the Company except that the new ordinary shares will not rank for any dividend declared in respect of any particular financial year ending before the conversion date irrespective of the date when such dividends are declared, made paid nor will the new shares rank for any rights, allotment or other distributions if the conversion date is after the entitlement date for such rights, allotment or other distribution; and
- (d) the ICULS are unsecured obligation of the Company and are subordinated to all other present and future unsecured obligations of the Company.

29. RESERVES

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Non-distributable reserves:				
Reserve on consolidation	13,806	13,806	-	-
Share premium	<u>-</u>	<u>896,380</u>	<u>-</u>	<u>896,380</u>
	<u><u>13,806</u></u>	<u><u>910,186</u></u>	<u><u>-</u></u>	<u><u>896,380</u></u>

Reserve On Consolidation

Reserve on consolidation represents the excess of the fair values of net assets over the consideration paid for investment in two subsidiary companies.

Share Premium

Share premium arose from the exercise of share options under ESOS by eligible directors and employees of Sin Heng Chan Group in prior years.

	The Group and The Company	
	2004	2003
	RM	RM
Beginning of year	896,380	896,380
Restructuring expenses	<u>(896,380)</u>	<u>-</u>
End of year	<u>-</u>	<u>896,380</u>

30. CONTINGENT LIABILITIES - UNSECURED

As of December 31, 2004, there was a contingent disputed claim against the Group and the Company to the extent of RM15.5 million (2003: RM13.6 million) and RM9.3 million (2003: RM8.1 million) respectively in respect of interest claimed on disputed trade debts owing to a company which at all material time together with certain other parties have common directors and controlling shareholdings of the Company. In the opinion of management, the interest charges are without any merit whatsoever and accordingly no provision for the amount claimed is deemed necessary.

In 1998, the said company has instituted legal proceedings for disputed trade debts, services provided and/or interests as alleged, and the Company, expressly without prejudice to all its rights, title, entitlement, interest and estate, its relevant subsidiaries and a former subsidiary (pursuant to the arrangement for sale), has taken steps to defend and counter-claim against the said company and all other parties, and is seeking, inter alia, substantive exemplary damages which management is of the opinion are meritorious.

During the financial year, Sin Heng Chan (Malaya) Berhad together with certain of its subsidiary companies entered into a settlement agreement with the said creditor. Consequent thereof, the Company paid a sum of RM4,500,000 (including RM3,456,035 paid on behalf of the subsidiary companies) to the said creditor as full and final settlement of the Group's disputed debts. However, this settlement is contingent upon the court decision to set aside the above suits.

31. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Foreign Currency Risk

Foreign exchange risk arises from currency exposure primarily in respect of trade purchase transactions denominated in foreign currencies.

The Group monitors its foreign exchange exposure closely.

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of the rate changes on bank borrowings, long-term loans and interest bearing fixed deposits. The interest rates of bank borrowings, long-term loans and interest bearing fixed deposits are disclosed in Notes 20, 22 and 25.

Market Risk

The Group is exposed to fluctuations in the prices of the key raw materials used in its operations. The Group does not enter into any fixed-priced contracts to establish determinable prices for raw materials used but monitors the prices of key raw materials closely.

Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances, trade and other receivables and investments.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities and Equity Instruments

The Group's significant financial liabilities include trade and other payables, bank borrowings, long-term loans and finance lease payables and hire-purchase payables.

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments are recorded at the proceeds net of direct issue costs.

Fair Values

The carrying amounts and the estimated fair values of the Group's and the Company's financial instruments as of December 31, 2004 are as follows:

		The Group		The Company	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<i>Financial Liabilities</i>					
Long-term loans	25	4,158,132	4,158,132	-	-
Finance lease payables	23	968,539	968,539	-	-
Hire-purchase payables	24	<u>90,323</u>	<u>90,323</u>	<u>44,249</u>	<u>44,249</u>

Long-Term Loans

The carrying amount of long-term loans at balance sheet date approximates the fair value based on the current borrowing rates to the Group for similar type of borrowing arrangements.

Hire-Purchase and Finance Lease Payables

The fair values of hire-purchase and finance lease payables are estimated using discounted cash flow analysis based on the effective borrowing rates for similar borrowing arrangements.

Cash and Bank Balances, Trade and Other Receivables, Trade and Other Payables

The carrying amounts approximate their fair value because of the short-term maturity of these instruments.

32. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Fixed deposits with licensed banks	16,127,838	622,937	16,000,000	-
Cash and bank balances	2,277,658	2,091,844	154,733	13,321
Bank overdrafts	<u>(826,677)</u>	<u>(38,053,792)</u>	<u>-</u>	<u>(34,350,440)</u>
Total	17,578,819	(35,339,011)	16,154,733	(34,337,119)
Less: Fixed deposits pledged to banks	<u>(127,838)</u>	<u>(122,937)</u>	<u>-</u>	<u>-</u>
	<u>17,450,981</u>	<u>(35,461,948)</u>	<u>16,154,733</u>	<u>(34,337,119)</u>

33. SIGNIFICANT EVENTS

During the year, pursuant to the Restructuring Scheme ("Scheme") as approved by all the relevant authorities, namely the Securities Commission, Ministry of International Trade and Industry, Foreign Investment Committee and Danaharta, the Company implemented the following:

- (a) a rights issue of 37,998,750 new ordinary shares of RM1 each at par on the basis of two right shares for every existing share;
- (b) the issuance of RM19,192,125 nominal value of Irredeemable Convertible Loan Stocks ("ICULS") together with 30,000,000 free detachable warrants to unsecured scheme creditors on the basis of approximately one hundred and fifty six new warrants for every RM100 nominal value of ICULS;
- (c) the settlement of an amount totalling RM3,016,875 due to the unsecured scheme creditors as part settlement of the outstanding debt owing to them amounting to RM36,943,000 by a related party, Alor Setar Industry Holdings Sdn. Bhd. ("ASIH") on behalf of the Company. In consideration for the settlement by ASIH, 3,016,875 new ordinary shares were issued at RM1 each to ASIH; and
- (d) the payment of RM4,500,000 as full and final settlement to settle the disputed claims as highlighted in Note 30.

Following the completion of the Scheme:

- (a) a portion of the Group's and the Company's bank borrowings and hire-purchase payables totalling to RM11,833,296 and RM10,917,449 have been waived and credited to the income statements as an exceptional item;
- (b) the Special Administrators which was appointed by Pengurusan Danaharta Nasional Berhad have been released from the appointment with effect from August 9, 2004; and
- (c) the Company has been removed from Practice Note 4/2001 classification to the "Consumer Products" sector of Main Board of Bursa Malaysia Securities Berhad on August 10, 2004.

Company No. 4690 – V

SIN HENG CHAN (MALAYA) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **SIN HENG CHAN (MALAYA) BERHAD**, state that in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as of December 31, 2004 and of their businesses and cash flows for the year ended on that date.

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

DATO' CHOO KENG WENG

**Y.M. TUNKU MAHMOOD BIN TUNKU
MOHAMMED**

Kuala Lumpur
April 25, 2005

**DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR
THE FINANCIAL MANAGEMENT OF THE COMPANY**

I, **FREDDIE YONG**, the Officer primarily responsible for the financial management of **SIN HENG CHAN (MALAYA) BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, cash flows and changes in equity, are, in my opinion, 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.

FREDDIE YONG

Subscribed and solemnly declared by the
abovenamed **FREDDIE YONG** at **KUALA
LUMPUR** this 25th day of April, 2005.

Before me

COMMISSIONER FOR OATHS