

BREAKING TO A  
**NEW LEVEL**

## COVER RATIONALE



Assimilating forces in aptitude has amplified FARM'S BEST's growth and our constant commitment has elevated us to a new level beyond the confines of the region allowing us to reach out and shake the hand of victory.

## OUR MISSION



To establish FARM'S BEST as a premium brand name, with excellence in quality, design, services and value.

## TABLE OF CONTENTS

2	NOTICE OF ANNUAL GENERAL MEETING
3	STATEMENT ACCOMPANYING NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING
6	CORPORATE STRUCTURE
7	CORPORATE INFORMATION
8	DIRECTORS' PROFILE
20	CHAIRMAN'S STATEMENT
28	CORPORATE SOCIAL RESPONSIBILITY
32	STATEMENT ON CORPORATE GOVERNANCE
48	STATEMENT ON INTERNAL CONTROL
52	AUDIT COMMITTEE REPORT
62	FINANCIAL STATEMENTS
120	STATISTICS ON SHAREHOLDINGS
123	LIST OF PROPERTIES
131	PROXY FORM

## KANDUNGAN

4	NOTIS MESYUARAT AGUNG TAHUNAN
5	PENYATA MENGIKIRI NOTIS MESYUARAT AGUNG TAHUNAN KE-EMPAT BELAS
6	STRUKTUR KORPORAT
7	MAKLUMAT KORPORAT
8	PROFIL PARA PENGARAH
24	PENYATA Pengerusi
29	TANGGUNGJAWAB SOSIAL KORPORAT
39	PENYATA TADBIR URUS KORPORAT
50	PENYATA KAWALAN DALAMAN
57	LAPORAN JAWATANKUASA AUDIT

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be held at Bilik Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Thursday, 26 June 2008 at 10.00 a.m. for the following purposes :-

## AGENDA

### ORDINARY BUSINESS :-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon	Ordinary Resolution 1
2. To approve the payment of Directors' fees of RM96,000.00 for the financial year ended 31 December 2007.	Ordinary Resolution 2
3. To re-elect the following Directors who retire by rotation in accordance with Article 105 of the Company's Articles of Association :-	
(a) Mr Fong Kok Yong	Ordinary Resolution 3
(b) Mr Ng Cheu Kuan	Ordinary Resolution 4
(c) En Mohd Khasan Bin Ahmad	Ordinary Resolution 5
4. To consider and, if thought fit, to pass the following Ordinary Resolution in accordance with Section 129(6) of the Companies Act, 1965 :-  "THAT Tuan Haji Baharom Bin Abd Wahab, a Director who retires pursuant to Section 129 (2) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting of the Company."	Ordinary Resolution 6
5. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Board of Directors to fix their remuneration for the ensuing year.	Ordinary Resolution 7

### SPECIAL BUSINESS :-

To consider and, if thought fit, to pass with or without modification, the following resolution :-  
Ordinary Resolution

6. Authority for Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965  "THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 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 on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."	Ordinary Resolution 8
---	-----------------------

ANY OTHER BUSINESS :-

7. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

BY ORDER OF THE BOARD

CHIN NGEOK MUI (MAICSA 7003178)

LIEW SENG AUN (MIA 13109)

Company Secretaries

Melaka

Date: 4 June 2008

Notes:

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
- (ii) Where a member appoints two (2) or more proxies, the appointment shall not be valid unless he (she) specifies the proportion of his (her) shareholdings to be represented by each proxy.
- (iii) The Proxy Form shall be signed by the appointor or his (her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its authorised attorney or officers.
- (iv) The instrument appointing a proxy shall be deposited at the office of the Company's Share Registrar at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.

**Explanatory Notes on Special Business :-**

**Ordinary Resolution 8**

**Authority for Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965**

The Ordinary Resolution No. 8 proposed under item 6 of the Agenda, if passed, will give the Directors of the Company authority to issue shares in the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. The approval is sought to avoid any delay and costs in convening a general meeting for such issuance of shares.

## STATEMENT ACCOMPANYING NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

1. The profiles of the Directors who are standing for re-election are set out on pages 12 and 16 of the Annual Report.
2. The details of the Directors' shareholdings in the Company and its subsidiaries are set out on pages 64, 65 and 122 of the Annual Report.

# NOTIS MESYUARAT AGUNG TAHUNAN

NOTIS ADALAH DENGAN INI DIBERI bahawa Mesyuarat Agung Tahunan Ke-Empat Belas Syarikat akan diadakan di Bilik Bunga Teratai, Tingkat 7, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka pada Khamis, 26 Jun 2008 jam 10.00 pagi untuk tujuan-tujuan berikut:

## AGENDA

### URUSAN BIASA:-

1. Untuk menerima dan melulus Penyata Kewangan Teraudit bagi tahun kewangan berakhir 31 Disember 2007 dan Laporan Pengarah dan Laporan Juruaudit berhubung dengannya.	<b>Resolusi Biasa 1</b>
2. Untuk meluluskan yuran-yuran para Pengarah sebanyak RM96,000.00 bagi tahun kewangan berakhir 31 Disember 2007.	<b>Resolusi Biasa 2</b>
3. Untuk melantik semula Pengarah-pengarah berikut yang bersara secara bergilir selaras dengan Artikel 105 Tataurusan Pertubuhan Syarikat:	
(a) Mr Fong Kok Yong	<b>Resolusi Biasa 3</b>
(b) Mr Ng Cheu Kuan	<b>Resolusi Biasa 4</b>
(c) En Mohd Khasan Bin Ahmad	<b>Resolusi Biasa 5</b>
4. Untuk menimbang dan, sekiranya difikirkan wajar, meluluskan Resolusi Biasa selaras dengan Seksyen 129(6) Akta Syarikat, 1965: "BAHAWA Tuan Haji Baharom Bin Abd Wahab, seorang Pengarah yang bersara mengikut Seksyen 129(2) Akta Syarikat, 1965, adalah dan dengan ini dilantik semula sebagai Pengarah Syarikat menurut Seksyen 129(6) Akta Syarikat, 1965 dan untuk memegang jawatan sehingga tamatnya Mesyuarat Agung Tahunan Syarikat yang akan datang."	<b>Resolusi Biasa 6</b>
5. Untuk melantik semula Tetuan Ernst & Young sebagai Juruaudit Syarikat dan memberi kuasa kepada Lembaga Pengarah untuk menetapkan ganjaran mereka bagi tahun yang berikutnya.	<b>Resolusi Biasa 7</b>

### URUSAN KHAS:-

Untuk mempertimbangkan dan, jika difikirkan wajar, meluluskan dengan atau tanpa modifikasi, resolusi-resolusi berikut:

6. Kuasa kepada para Pengarah untuk memperumpuk dan menerbitkan saham dalam Syarikat menurut Seksyen 132D Akta Syarikat, 1965. "BAHAWA, tertakluk kepada Seksyen 132D Akta Syarikat, 1965 dan sentiasa tertakluk kepada kelulusan pihak-pihak berkuasa, para Pengarah adalah dan dengan ini diberi kuasa, menurut Seksyen 132D Akta Syarikat, 1965 untuk memperumpuk dan menerbitkan saham dalam Syarikat pada bila-bila masa atas terma dan syarat serta untuk tujuan-tujuan tertentu menurut budi bicara muktamad para Pengarah seperti yang difikirkan sesuai oleh mereka, dengan syarat, jumlah agregat saham yang akan diterbitkan tidak melebihi 10% daripada modal saham diterbitkan Syarikat pada masa itu, dan para Pengarah berkuasa dan diberi kuasa untuk mendapatkan kelulusan untuk penyeranian dan sebut harga untuk saham-saham tambahan yang diterbitkan di Bursa Malaysia Sekuriti Berhad dan kuasa ini akan berlangsung sehingga tamatnya Mesyuarat Agung Tahunan Syarikat yang akan datang."	<b>Resolusi Biasa 8</b>
---	-------------------------

## LAIN-LAIN URUSAN

7. Untuk membincang lain-lain urusan biasa yang mana notis telah diberi menurut Akta Syarikat, 1965 dan Artikel Tataurusan Pertubuhan Syarikat.

## ATAS PERINTAH LEMBAGA PENGARAH

**CHIN NGEOK MUI (MAICSA 7003178)**

**LIEW SENG AUN (MIA 13109)**

**Setiausaha-setiausaha Syarikat**

**Melaka**

**Tarikh: 4 Jun 2008**

**Nota:**

- (i) Setiap Ahli yang berhak untuk hadir dan mengundi pada Mesyuarat adalah berhak untuk melantik seorang proksi atau proksi-proksi untuk hadir dan mengundi bagi pihak beliau. Seorang proksi boleh tetapi tidak semestinya merupakan seorang ahli Syarikat dan peruntukan-peruntukan Seksyen 149(1)(a), (b), (c) dan (d) Akta Syarikat, 1965 tidak akan terpakai kepada Syarikat.
- (ii) Di mana seorang ahli melantik dua (2) orang atau lebih proksi, pelantikan tidak akan sah kecuali beliau menyatakan bahagian pemegang saham beliau yang diwakili oleh setiap proksi.
- (iii) Borang Proksi hendaklah ditandatangani oleh pelantik atau wakil beliau yang diberi kuasa sewajarnya secara bertulis atau, sekiranya ahli merupakan perbadanan, ianya hendaklah disempurnakan di bawah meterai rasmi atau oleh wakil atau pegawai yang dibenarkan.
- (iv) Instrumen melantik proksi hendaklah diserahkan di Pejabat Pendaftaran Saham Syarikat di Tingkat 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, tidak lewat daripada 48 jam sebelum masa yang ditetapkan bagi Mesyuarat atau mana-mana penangguhannya.

**Nota Penjelasan :-****Resolusi Biasa 8**

**Kuasa bagi para Pengarah memperumpuk dan menerbitkan saham dalam Syarikat menurut Seksyen 132D Akta Syarikat, 1965**

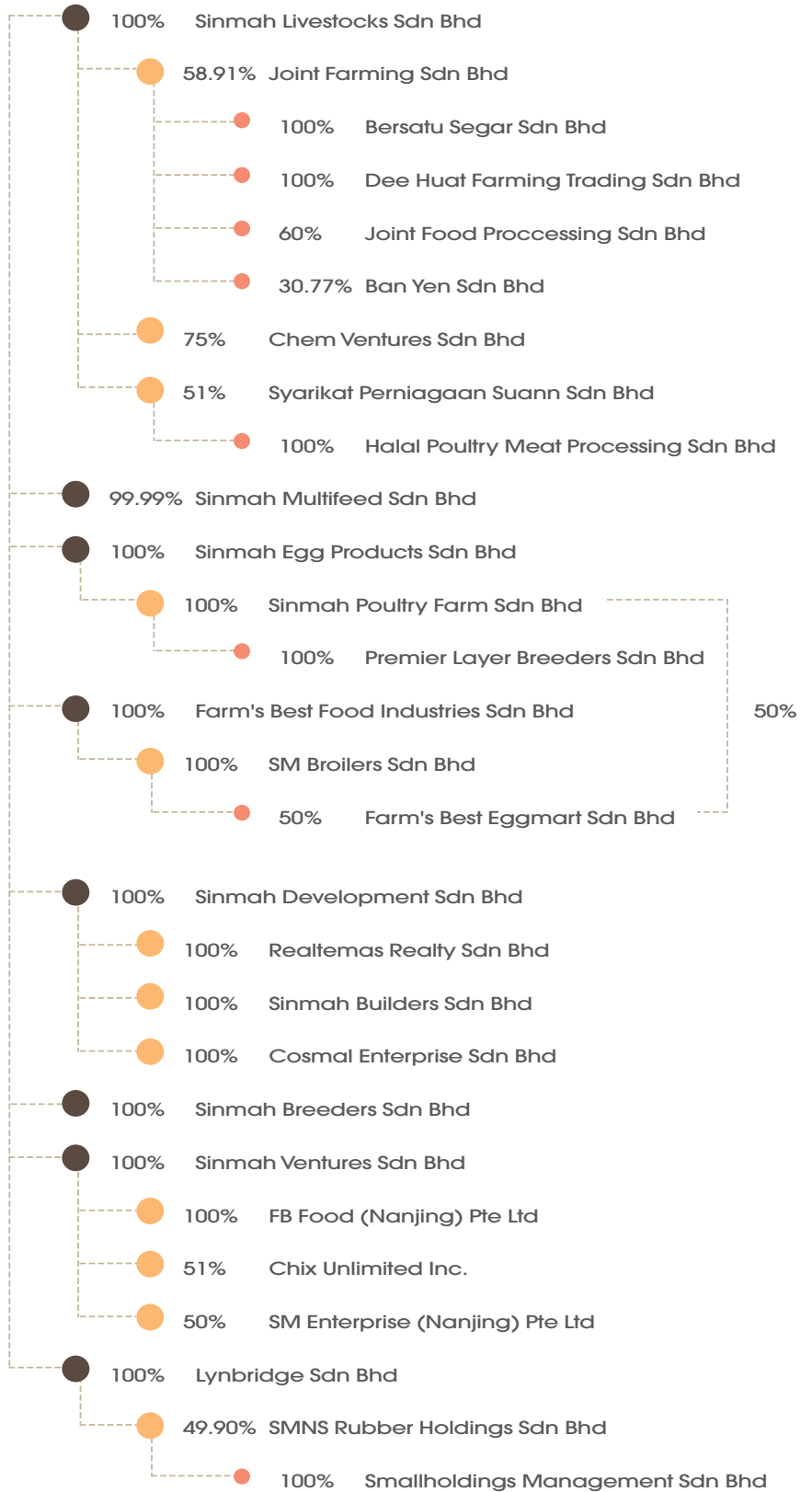
Resolusi Biasa No. 8 yang dicadangkan di bawah perkara 6 Agenda, jika diluluskan, akan memberi kuasa kepada para Pengarah Syarikat untuk menerbitkan saham dalam Syarikat dengan jumlah agregat tidak melebihi 10% daripada modal saham terbitan dan berbayar Syarikat. Kuasa ini, melainkan dibatalkan atau diubah dalam mesyuarat agung, akan luput pada Mesyuarat Agung Tahunan Syarikat yang akan datang. Kelulusan ini diminta untuk mengelakkan sebarang kelewatan dan kos untuk mengadakan sebuah mesyuarat agung bagi mengendalikan penerbitan saham tersebut.

## PENMATA MENGIRINGI NOTIS MESYUARAT AGUNG TAHUNAN KE-EMPAT BELAS

1. Profil para Pengarah yang menawarkan diri untuk pemilihan semula disediakan di muka surat 13 dan 17 Laporan Tahunan ini.
2. Butir-butir pegangan saham para Pengarah dalam Syarikat dan syarikat-syarikat subsidiarinya dipaparkan di muka surat 64, 65 dan 122 Laporan Tahunan ini.

# CORPORATE STRUCTURE

## STRUKTUR KORPORAT





## CORPORATE INFORMATION

## MAKLUMAT KORPORAT

BOARD OF DIRECTORS  
LEMBAGA PENGARAH

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman/ <i>Pengerusi</i>
Mr. Fong Kok Yong	Managing Director/ <i>Pengarah Urusan</i>
Mr. Fong Kiah Yeow	Executive Director/ <i>Pengarah Eksekutif</i>
Mr. Fong Ngan Teng	Executive Director/ <i>Pengarah Eksekutif</i>
Mr. Fong Choon Kai	Executive Director/ <i>Pengarah Eksekutif</i>
Mr. Ng Cheu Kuan	Executive Director/ <i>Pengarah Eksekutif</i>
Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	Executive Director/ <i>Pengarah Eksekutif</i>
Tuan Haji Baharom Bin Abd Wahab	Independent Non-Executive Director/ <i>Pengarah Bukan Eksekutif Bebas</i>
Encik Mohd Khasan Bin Ahmad	Independent Non-Executive Director/ <i>Pengarah Bukan Eksekutif Bebas</i>

COMPANY SECRETARIES  
SETIAUSAHA-SETIAUSAHA SYARIKAT  
Chin Ngeok Mui (MAICSA 7003178)  
Liew Seng Aun (MIA 13109)

REGISTRAR  
PENDAFTAR  
Symphony Share Registrars Sdn. Bhd.  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2721 2222  
Fax : 03-2721 2530/1

REGISTERED OFFICE AND  
PRINCIPAL PLACE OF BUSINESS  
PEJABAT BERDAFTAR DAN  
ALAMAT TEMPAT PERNIAGAAN  
AG 5730  
Alor Gajah Industrial Estate  
78000 Alor Gajah, Melaka  
Tel : 06-556 1293  
Fax : 06-556 2445

AUDITORS  
JURUAUDIT  
Ernst & Young  
Chartered Accountants/  
*Akauntan Bertauliah*  
Lot 1, 6th Floor, Menara Pertam  
Jalan BBP 2  
Taman Batu Berendam Putra  
Batu Berendam, 75350 Melaka  
Tel : 06-336 2399  
Fax : 06-336 2899

PRINCIPAL BANKERS  
BANK-BANK UTAMA  
EON Bank Berhad  
Affin Bank Berhad  
Malayan Banking Berhad  
CIMB Bank Berhad  
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING  
PENYENARAIAAN DI BURSA SAHAM  
Bursa Malaysia Securities Berhad  
- Second Board/*Papan Kedua*

Y. BHG. DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN

## DIRECTORS' PROFILE



Chairman,  
Independent Non-Executive Director &  
Chairman Of Audit Committee  
61 years of age  
Malaysian

*Pengerusi,  
Pengarah Bukan Eksekutif Bebas &  
Pengerusi Jawatankuasa Audit  
61 tahun  
Warganegara Malaysia*

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin was appointed to the Board of Farm's Best Berhad ("Farm's Best") as Chairman of Farm's Best on 8 August 2006. He is also the Chairman of the Audit and Nomination Committees and member of the Remuneration Committee of Farm's Best.

Y. Bhg. Datuk Hj. Zainal holds a Diploma in Police Science and he has served in the Royal Malaysian Police Force since June 1965 until his retirement in June 2003. Y. Bhg. Datuk Hj. Zainal began his career in the Royal Malaysian Police Force as an Investigation Officer and has climbed the rank of SAC(I) holding the post of Deputy Director (II) of the Malaysian Special Branch when he retired. He also sits on the boards of several private limited companies.

As at the date of this annual report, Y. Bhg. Datuk Hj. Zainal does not have any interest in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2007.

*Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin dilantik ke Lembaga Pengarah Farm's Best Berhad ("Farm's Best") sebagai Pengerusi Syarikat pada 8 Ogos 2006. Beliau juga merupakan Pengerusi Jawatankuasa Audit dan Penamaan dan ahli Jawatankuasa Imbuan Farm's Best.*

*Y. Bhg. Datuk Hj. Zainal berkelayakan Diploma Sains Polis dan telah berkhidmat dalam Pasukan Polis DiRaja Malaysia sejak Jun 1965 hingga persaraan beliau pada Jun 2003. Y. Bhg. Datuk Hj. Zainal memulakan kerjaya beliau di Pasukan Polis DiRaja Malaysia sebagai Pegawai Penyiasatan dan telah dinaikkan pangkat ke SAC(I) dan memegang jawatan Timbalan Pengarah (II) Cawangan Khas Malaysia sehingga persaraan beliau. Beliau turut menganggotai lembaga pengarah beberapa syarikat sendirian berhad.*

*Setakat tarikh laporan tahunan ini, Y. Bhg. Datuk Hj. Zainal tidak mempunyai sebarang kepentingan dalam Farm's Best. Beliau telah menghadiri kesemua lima (5) mesyuarat lembaga pengarah yang telah diadakan pada tahun kewangan berakhir 31 Disember 2007.*

## PROFIL PARA PENGARAH

FONG KOK YONG

FONG KIAH YEOW

DIRECTORS' PROFILE (cont'd)



MANAGING DIRECTOR

57 years of age  
Malaysian

*Pengarah Urusan*

*57 tahun*

*Warganegara Malaysia*

EXECUTIVE DIRECTOR

53 years of age  
Malaysian

*Pengarah Eksekutif*

*53 tahun*

*Warganegara Malaysia*

FONG NGAN TENG

FONG CHOON KAI



PROFIL PARA PENGARAH (sambungan)

EXECUTIVE DIRECTOR  
50 years of age  
Malaysian

*Pengarah Eksekutif  
50 tahun  
Warganegara Malaysia*

EXECUTIVE DIRECTOR  
46 years of age  
Malaysian

*Pengarah Eksekutif  
46 tahun  
Warganegara Malaysia*

## DIRECTORS' PROFILE (cont'd)

Fong Kok Yong was appointed to the Board of Farm's Best on 10 February 1995 and is currently the Managing Director of Farm's Best. He is also a member of the Remuneration Committee of Farm's Best.

Fong Kok Yong graduated from the University of Singapore in 1975 with a Bachelor of Business Administration degree. He joined Sinmah Multifeed Sdn Bhd, a wholly owned subsidiary of Farm's Best on 18 October 1976 as a Director. He presently oversees the Group's operations.

He is currently,

- (i) Advisor to the Federation of Livestock Farmers' Associations of Malaysia (since 1995)
- (ii) Member, National Agricultural Development Panel, which is chaired by the honourable Minister of Agriculture and Agro-based Industries
- (iii) Member, Malaysian Institute of Management (since 1990)
- (iv) Member, Agricultural Institute of Malaysia (since 1985)

Fong Kok Yong had served in the various positions/bodies during the past years:-

- (i) Secretary General, Federation of Livestock Farmers' Associations of Malaysia (1986 – 1991)
- (ii) President, Federation of Livestock Farmers' Associations of Malaysia (1991 – 1995)
- (iii) President, Federation of Asean Poultry Producers (March 2003 – March 2005)
- (iv) Director, Selangor Chinese Chamber of Commerce and Industry (1991 – 1995)
- (v) Director, Malacca Chinese Chamber of Commerce and Industry (1995 to 2000)

As at the date of this annual report, Fong Kok Yong has an indirect interest of 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2007.



FONG KOK YONG

Fong Kiah Yeow was appointed to the Board of Farm's Best on 10 February 1995. He is also a member of the Remuneration Committee of Farm's Best.

Fong Kiah Yeow completed an accountancy course in 1975 from the Tottenham College of Technology, United Kingdom. He was also an associate member of the Chartered Association of Certified Accountants, United Kingdom. Immediately, upon completion of his studies, Fong Kiah Yeow joined his family business and was responsible for his family's rice wholesale business. He was later appointed to the Board of Sinmah Multifeed Sdn Bhd on 31 January 1980. He is presently responsible for the Group's corporate affairs and financial matters. He also sits on the board of several private limited companies.

As at the date of this annual report, Fong Kiah Yeow has an indirect interest of 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2007.



FONG KIAH YEOW

Fong Ngan Teng was appointed to the Board of Farm's Best on 10 February 1995. He graduated in 1982 with a Bachelor of Arts (Honours) degree from The City of London Polytechnic in United Kingdom. He joined Sinmah Multifeed Sdn Bhd upon his graduation and was appointed as a Director of Sinmah Multifeed Sdn Bhd on 1 March 1983. He is currently the Group's Marketing Director and is also responsible for the breeding, hatchery and contract farming of the Group. He also sits on the boards of several private limited companies.

As at the date of this annual report, Fong Ngan Teng has an indirect interest of 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2007.

Fong Choon Kai was appointed to the Board of Farm's Best on 10 February 1995. He graduated in 1985 with a Bachelor of Actuarial Science (Honours) degree from London School of Economics, United Kingdom and later in 1987, with a Masters degree in Systems Analysis and Design from The City University, United Kingdom. Thereafter, he was attached to a public chartered accounting firm, Lewis, Berman & Partners in United Kingdom for 2 years. Prior to his appointment to the Board of Sinmah Multifeed Sdn Bhd on 15 January 1992, he was engaged in a construction and property development company, Hanover Construction Ltd, as well as in export and import business of Hanover Trading Ltd, United Kingdom for 2 years. Fong Choon Kai is currently responsible for all administrative matters in the Group. He also sits on the boards of several private limited companies.

As at the date of this annual report, Fong Choon Kai has an indirect interest of 20,348,705 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2007.



Fong Kok Yong dilantik ke Lembaga Farm's Best pada 10 Februari 1995 dan pada masa ini adalah Pengarah Urusan Farm's Best. Beliau juga merupakan ahli Jawatankuasa Imbuhan Farm's Best.

Fong Kok Yong adalah graduan University of Singapore pada 1975 dengan ijazah Sarjana Muda Pentadbiran Perniagaan. Beliau menyertai Sinmah Multifeed Sdn Bhd, sebuah anak syarikat milik penuh Farm's Best, pada 18 Oktober 1976 sebagai Pengarah. Pada masa ini beliau menyelia operasi Kumpulan Farm's Best.

Beliau pada masa ini adalah:

- (i) Penasihat kepada Persekutuan Persatuan Peladang Ternakan Malaysia (sejak 1995)
- (ii) Ahli, Panel Pembangunan Pertanian Negara, yang dipengerusikan oleh yang berhormat Menteri Pertanian dan Industri Berasaskan Tani
- (iii) Ahli, Institut Pengurusan Malaysia (sejak 1990)
- (iv) Ahli, Institut Pertanian Malaysia (sejak 1985)

Fong Kok Yong telah berkhidmat dalam beberapa jawatan/badan dalam tahun-tahun yang lepas:-

- (i) Ketua Setiausaha, Persekutuan Persatuan Peladang Ternakan Malaysia (1986 – 1991)
- (ii) Presiden, Persekutuan Persatuan Peladang Ternakan Malaysia (1991 – 1995)
- (iii) Presiden, Persekutuan Pengeluar Ayam Itik Asean (Mac 2003 – Mac 2005)
- (iv) Pengarah, Dewan Perniagaan dan Industri China Selangor (1991 – 1995)
- (v) Pengarah, Dewan Perniagaan dan Industri China Melaka (1995 – 2000)

Pada tarikh laporan tahunan ini, Fong Kok Yong mempunyai kepentingan tidak langsung sebanyak 20,348,705 saham dalam Farm's Best. Beliau telah menghadiri kesemua lima (5) mesyuarat lembaga yang diadakan pada tahun kewangan berakhir 31 Disember 2007.

Fong Kiah Yeow dilantik ke Lembaga Pengarah Farm's Best pada 10 Februari 1995. Beliau juga merupakan ahli Jawatankuasa Imbuhan Farm's Best.

Fong Kiah Yeow menamatkan kursus perakaunannya pada 1975 di Tottenham College of Technology, United Kingdom. Beliau juga pernah menjadi ahli bersekutu Chartered Association of Certified Accountants, United Kingdom. Sebaik sahaja tamat pengajian beliau, Fong Kiah Yeow menyertai perniagaan keluarganya dan dipertanggungjawabkan dengan perniagaan penjualan borong beras keluarganya. Beliau kemudiannya telah dilantik ke Lembaga Pengarah Sinmah Multifeed Sdn Bhd pada 31 Januari 1980. Pada masa ini beliau bertanggungjawab atas hal ehwal korporat dan kewangan Kumpulan. Beliau juga menganggotai lembaga beberapa syarikat sendirian berhad.

Pada tarikh laporan tahunan ini, Fong Kiah Yeow mempunyai kepentingan tidak langsung sebanyak 20,348,705 saham dalam Farm's Best. Beliau telah menghadiri kesemua lima (5) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2007.



FONG KIAH YEOW

Fong Ngan Teng dilantik ke Lembaga Pengarah Farm's Best pada 10 Februari 1995. Beliau tamat pengajian pada 1982 dengan ijazah Sarjana Muda Sastera (Kepujian) dari The City of London Polytechnic di United Kingdom. Beliau menyertai Sinmah Multifeed Sdn Bhd selepas tamat pengajian dan dilantik sebagai Pengarah Sinmah Multifeed Sdn Bhd pada 1 Mac 1983. Pada masa ini beliau adalah Pengarah Pemasaran Kumpulan dan juga bertanggungjawab bagi pembiakan, penetasan dan perladangan kontrak Kumpulan Farm's Best. Beliau juga menganggotai lembaga beberapa syarikat sendirian berhad.

Pada tarikh laporan tahunan ini, Fong Ngan Teng mempunyai kepentingan tidak langsung sebanyak 20,348,705 saham dalam Farm's Best. Beliau telah menghadiri kesemua lima (5) mesyuarat lembaga dalam tahun kewangan berakhir 31 Disember 2007.

Fong Choon Kai dilantik ke Lembaga Farm's Best pada 10 Februari 1995. Beliau menamatkan pengajian pada 1985 dengan ijazah Sarjana Muda Sains Aktuari (Kepujian) dari London School of Economics, United Kingdom dan kemudiannya pada 1987, dengan ijazah Sarjana dalam Analisis Sistem dan Reka Bentuk dari The City University, United Kingdom. Selepas itu, beliau telah berkhidmat dengan firma perakaunan bertauliah awam, Lewis, Berman & Partners di United Kingdom selama 2 tahun. Sebelum beliau dilantik ke Lembaga Sinmah Multifeed Sdn Bhd pada 15 Januari 1992, beliau telah terlibat dengan syarikat pembinaan dan pembangunan hartanah, Hanover Construction Ltd; serta dalam perniagaan eksport dan import Hanover Trading Ltd, United Kingdom selama 2 tahun. Fong Choon Kai pada masa ini bertanggungjawab atas semua perihal pentadbiran dalam Kumpulan Farm's Best. Beliau juga menganggotai lembaga beberapa syarikat sendirian berhad.

Pada tarikh laporan tahunan ini, Fong Choon Kai mempunyai kepentingan tidak langsung sebanyak 20,348,705 saham dalam Farm's Best. Beliau telah menghadiri kesemua lima (5) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2007.



FONG CHOON KAI

NG CHEU KUAN

Y. BHG. DATUK NG PENG HAY  
@ NG PENG HONG

DIRECTORS' PROFILE (cont'd)



EXECUTIVE DIRECTOR  
53 years of age  
Malaysian

*Pengarah Eksekutif  
53 tahun  
Warganegara Malaysia*

EXECUTIVE DIRECTOR  
56 years of age  
Malaysian

*Pengarah Eksekutif  
56 tahun  
Warganegara Malaysia*



**HAJI BAHAROM**  
BIN ABD WAHAB

**MOHD KHASAN** BIN AHMAD



## PROFIL PARA PENGARAH (sambungan)

INDEPENDENT NON-EXECUTIVE  
DIRECTOR  
73 years of age  
Malaysian

*Pengarah Bukan Eksekutif Bebas  
73 tahun  
Warganegara Malaysia*

INDEPENDENT NON-EXECUTIVE  
DIRECTOR  
47 years of age  
Malaysian

*Pengarah Bukan Eksekutif Bebas  
47 tahun  
Warganegara Malaysia*

## DIRECTORS' PROFILE (cont'd)

Ng Cheu Kuan was appointed to the Board of Farm's Best on 10 February 1995 and is in charge of the Group's property development operations. He graduated with a degree in Civil Engineering (Honours) from the University of Southampton, United Kingdom in July 1977. He is a Professional Engineer registered with the Board of Engineers, Malaysia and was conferred a Fellow of the Institution of Engineers, Malaysia in 1990, making him one of the youngest Fellow of the Institution then. He was also the Chairman of the Institution of Engineers, Malacca Branch from 1988 to 1990. Upon his graduation in 1977, he joined Dewan Bandaraya, Kuala Lumpur as the project engineer and in 1980 he became design engineer in Angkasa Gutteridge Haskins & Davey Consulting Engineers, Kuala Lumpur, which provides professional engineering services to clients from the private and public sectors. In 1982, he joined Bolton Properties Berhad as a project manager before becoming the project manager and later senior manager of Supreme Corporation Berhad (now known as Lion Land Berhad) for 10 years. Between 1992 and May 1994, he worked in Lion Land Berhad. He then started his own property development and construction businesses. He is also a director of several private limited companies.

As at the date of this annual report, Ng Cheu Kuan does not have any interest in Farm's Best. He has attended three (3) of the five (5) board meetings held during the financial year ended 31 December 2007.



NG CHEU KUAN

Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong was appointed to the Board of Farm's Best on 10 February 1995.

Y. Bhg. Datuk Ng Peng Hay was the State Assemblyman for Tengkeru Constituency of Barisan Nasional between 1982 and 1986. He then served as a Senator in the Malaysian Parliament from 1987 to 1993. His first involvement in social activities was upon completing his secondary education. He has been appointed as the Investment Co-ordinator by the Melaka State Development Corporation to handle direct investments in the State of Melaka since 1988. Together with his teams of officials and his excellent public relations, he has helped in attracting numerous Taiwanese, Singaporean and Chinese investors into the State of Melaka. In recognition of his efforts and dedication, he was conferred the Darjah Mulia Seri Melaka by His Excellency, the Governor of Melaka in 1992. On 17 July 1999, the Taiwanese Government awarded him the Economics Medal.

Y. Bhg. Datuk Ng Peng Hay is also the Chairman of MCA, 7th Branch Melaka since 1982. He was also appointed as Vice Chairman of Malacca State Malaysia Crime Prevention Foundation (MCPF) since the year 1997.

He is also the Independent Non-Executive Director of Bonia Corporation (M) Berhad since 1994, Komarkcorp Berhad since 1997 and Ta Win Holdings Berhad since 2000. In addition, he is also the Chairman of Wellcall Holdings Berhad.

As at the date of this annual report, Y. Bhg. Datuk Ng does not have any interest in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2007.

Haji Baharom Bin Abd Wahab was appointed to the Board of Farm's Best on 14 June 1999. He is also a member of the Audit, Nomination and Remuneration Committees of Farm's Best.

Haji Baharom started his teaching career since 1955 and was in the teaching profession for more than 35 years. He was later promoted to the position of headmaster in 1976 and held this position until his optional retirement in 1990. He attended courses for "Modern Administration and Management for Headmasters" in University Sains Malaysia, Penang, in 1976 and "Management and Leadership in Education" in University Malaya, Kuala Lumpur in 1982. During his attachment with the Ministry of Education, he had been assigned to assist in solving several crisis for a few schools. Haji Baharom has been very active in both political and community work since his early days. Haji Baharom was actively involved in the co-operative and was appointed director for Koperasi Guru-Guru Melayu Melaka from 1986 to 1991. In recognition of his contribution to the society, Haji Baharom was conferred the P.J.K. (Pingat Jasa Kebaktian) in 1985 by His Excellency, the Governor of Melaka. Since his retirement in 1990, Haji Baharom was appointed and sits on the Board of several private limited companies.

As at the date of this annual report, Haji Baharom holds 4,500 shares in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2007.



HAJI BAHAROM  
BIN ABD WAHAB

Mohd Khasan Bin Ahmad was appointed to the Board of Farm's Best on 10 January 2002. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees of Farm's Best.

Mohd Khasan obtained a diploma in Accountancy and later graduated with a degree in Accountancy from University Teknologi Mara. He is a member of the Malaysian Institute of Accountants ("MIA"). He served Bank Negara Malaysia for a period of about 7 years, the last 2 years of which he was seconded to the Capital Issues Committee ("CIC") as its Principal Assistant Secretary. Subsequently, he joined the Securities Commission for a period of about 6 years and his last capacity was an Assistant Manager in its Issues and Investment Division. During the tenure of his above appointments, he was involved in various corporate exercises ranging from initial public offerings, mergers and acquisitions, reverse take-overs, issuance of bonds and other capital raising exercises. He joined the private sector in 1997 and held various senior management positions. Mohd Khasan also sits on the Board of Ta Win Holdings Berhad, Crest Builder Holdings Berhad, Wellcall Holdings Berhad and MOL Accessportal Berhad as an Independent Non-Executive Director.

As at the date of this annual report, Mohd Khasan does not have any interest in Farm's Best. He has attended all five (5) board meetings held during the financial year ended 31 December 2007.

Ng Cheu Kuan dilantik ke Lembaga Farm's Best pada 10 Februari 1995 dan bertanggungjawab atas operasi pembangunan hartanah Kumpulan. Beliau tamat pengajian dengan ijazah Kejuruteraan Awam (Kepujian) dari University of Southampton, United Kingdom pada Julai 1977. Beliau merupakan seorang Jurutera Profesional yang berdaftar dengan Lembaga Jurutera, Malaysia dan telah dikurniakan keahlian Fellow Institusi Kejuruteraan Malaysia pada 1990, menjadikan beliau ahli Fellow termuda Institusi ketika itu. Beliau juga adalah Pengerusi Institusi Jurutera, Cawangan Melaka dari 1988 hingga 1990. Selepas beliau tamat pengajian pada 1977, beliau menyertai Dewan Bandaraya, Kuala Lumpur sebagai jurutera projek dan pada tahun 1980 beliau menjadi jurutera rekabentuk di Angkasa Gutteridge Haskins & Davey Consulting Engineers, Kuala Lumpur, yang menyediakan perkhidmatan kejuruteraan profesional kepada pelanggan-pelanggan daripada sektor swasta dan awam. Pada 1982, beliau menyertai Bolton Properties Berhad sebagai pengurus projek sebelum menjadi pengurus projek dan kemudian pengurus kanan Supreme Corporation Berhad (sekarang dikenali sebagai Lion Land Berhad) selama 10 tahun. Di antara 1992 dan Mei 1994, beliau berkhidmat di Lion Land Berhad. Beliau kemudiannya memulakan perniagaan pembangunan hartanah dan pembinaannya sendiri. Beliau juga merupakan pengarah beberapa syarikat sendiri berhad.

Pada tarikh laporan tahunan ini, Ng Cheu Kuan tidak mempunyai apa-apa kepentingan dalam Farm's Best. Beliau telah menghadiri tiga (3) daripada lima (5) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2007.

Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong dilantik ke Lembaga Farm's Best pada 10 Februari 1995.

Y. Bhg. Datuk Ng Peng Hay adalah Ahli Dewan Undangan Negeri Barisan Nasional bagi Kawasan Tengker di antara 1982 dan 1986. Beliau kemudian berkhidmat sebagai Senator dalam Parlimen Malaysia dari 1987 hingga 1993. Beliau mula melibatkan diri dalam aktiviti-aktiviti sosial sejurus selepas tamat pendidikan menengah. Beliau telah dilantik sebagai Penyelaras Pelaburan oleh Perbadanan Pembangunan Negeri Melaka yang bertanggungjawab mengendalikan pelaburan langsung di Negeri Melaka sejak 1988. Bersama dengan pasukan pegawai beliau dan hubungan awam beliau yang baik, beliau telah membantu menarik ramai pelabur-pelabur Taiwan, Singapura dan China ke Negeri Melaka. Sebagai pengiktirafan usaha dan dedikasi beliau, beliau telah dianugerahkan Darjah Mulia Seri Melaka oleh Yang Dipertua, Gabenor Melaka pada 1992. Pada 17 Julai 1999, Kerajaan Taiwan menganugerahkan beliau Piala Ekonomi.

Y. Bhg. Datuk Ng Peng Hay juga merupakan Pengerusi MCA, Cawangan Ketujuh Melaka sejak 1982. Beliau juga telah dilantik sebagai Naib Pengerusi Yayasan Pencegahan Jenayah Malaysia (MCPF) Negeri Melaka sejak tahun 1997.

Beliau juga merupakan Pengarah Bukan Eksekutif Bebas Bonia Corporation (M) Berhad sejak 1994, Komarkcorp Berhad sejak 1997 dan Ta Win Holdings Berhad sejak 2000. Selain itu, beliau juga Pengerusi Wellcall Holdings Berhad.

Pada tarikh laporan tahunan ini, Y. Bhg. Datuk Ng tidak mempunyai apa-apa kepentingan dalam Farm's Best. Beliau telah menghadiri kesemua lima (5) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2007.



Y. BHG.  
DATUK NG PENG HAY  
@ NG PENG HONG

Haji Baharom Bin Abd Wahab dilantik ke Lembaga Farm's Best pada 14 Jun 1999. Beliau juga menganggotai Jawatankuasa Audit, Jawatankuasa Penamaan dan Jawatankuasa Imbuhan Farm's Best.

Haji Baharom memulakan kerjaya mengajar beliau sejak 1955 dan telah berada dalam bidang perguruan lebih daripada 35 tahun. Beliau kemudiannya dinaikkan pangkat kepada jawatan guru besar pada 1976 dan memegang jawatan ini sehingga beliau memilih persaraan awal pada 1990. Beliau menghadiri kursus-kursus "Pentadbiran dan Pengurusan Moden Untuk Guru-Guru Besar" di Universiti Sains Malaysia Pulau Pinang, pada 1976 dan "Pengurusan dan Kepimpinan Dalam Pendidikan" di Universiti Malaya, Kuala Lumpur pada 1982. Dalam tahun-tahun beliau berkhidmat di Kementerian Pendidikan, beliau telah ditugaskan untuk membantu menyelesaikan beberapa krisis yang dihadapi oleh beberapa buah sekolah. Haji Baharom bergiat aktif dalam kedua-dua kerja politik dan komuniti sejak awal lagi. Haji Baharom telah secara aktif terlibat dalam koperasi dan telah dilantik sebagai seorang pengarah Koperasi Guru-guru Melayu Melaka dari 1986 hingga 1991. Sebagai pengiktirafan sumbangan beliau kepada masyarakat, Haji Baharom telah dianugerahkan P.J.K (Pingat Jasa Kebaktian) pada 1985 oleh Yang Dipertua, Gabenor Melaka. Sejak persaraan beliau pada 1990, Haji Baharom telah dilantik dan menganggotai Lembaga beberapa syarikat sendiri berhad.

Pada tarikh laporan tahunan ini, Haji Baharom memegang 4,500 saham dalam Farm's Best. Beliau telah menghadiri kesemua lima (5) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2007.

Mohd Khasan Bin Ahmad dilantik ke Lembaga Farm's Best pada 10 Januari 2002. Beliau juga adalah Pengerusi Jawatankuasa Imbuhan dan menganggotai Jawatankuasa Audit dan Jawatankuasa Penamaan Farm's Best.

Mohd Khasan memperolehi diploma dalam Perakaunan dan kemudian tamat pengajian dengan ijazah dalam Perakaunan dari Universiti Teknologi Mara. Beliau adalah seorang ahli Institut Akauntan Malaysia ("MIA"). Beliau berkhidmat di Bank Negara Malaysia selama lebih kurang 7 tahun di mana 2 tahun terakhirnya beliau telah berkhidmat dengan Jawatankuasa Terbitan Modal ("CIC") sebagai Penolong Setiausaha Utama. Kemudiannya, beliau menyertai Suruhanjaya Sekuriti untuk tempoh selama 6 tahun dan jawatan terakhir beliau adalah sebagai Penolong Pengurus dalam Bahagian Terbitan dan Pelaburan. Semasa memegang jawatan-jawatan di atas, beliau telah terlibat dalam beberapa langkah korporat yang merangkumi tawaran awam awal, penyatuan dan pengambilalihan, pengambilalihan berbalik, penerbitan bon dan lain-lain langkah mendapatkan modal. Beliau menyertai sektor swasta pada 1997 dan memegang beberapa jawatan pengurusan kanan. Mohd Khasan juga menganggotai Lembaga Ta Win Holdings Berhad, Crest Builder Holdings Berhad, Wellcall Holdings Berhad dan MOL Accessportal Berhad sebagai Pengarah Bukan Eksekutif Bebas.

Pada tarikh laporan tahunan ini, Mohd Khasan tidak mempunyai apa-apa kepentingan dalam Farm's Best. Beliau telah menghadiri kesemua lima (5) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2007.



MOHD KHASAN  
BIN AHMAD

## DIRECTORS' PROFILE (cont'd)

## PROFIL PARA PENGARAH (sambungan)

### ADDITIONAL INFORMATION

#### (i) Conflict of interest

None of the Directors have any conflict of interest with the Company.

#### (ii) Family Relationship with any Director and / or Major Shareholder

None of the Directors have family relationship with any Director and / or major shareholder of the company except for Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai who are brothers.

#### (iii) Conviction for offences (within the past 10 years, other than traffic offences)

Except for Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai, none of the directors have any convictions for any offences other than traffic offences. On 11 December 2001, Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai were publicly reprimanded by the Securities Commission ("SC") under Section 32 of the Securities Commission Act 1993 for the non-completion of Farm's Best's proposed rights issue. In addition, the SC had also taken the decision not to accept any form of proposals under Section 32 of the Securities Commission Act 1993 submitted by any companies in which Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai have substantial interest for a period of 3 years from the date of the abovementioned letter. However, upon appeal by Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai, the Securities Commission had on 15 April 2002, agreed to consider proposals made by Farm's Best under Section 32 of the Securities Commission Act 1993, only if the proposal is a comprehensive scheme that would meet all of Farm's Best's financial needs.

### MAKLUMAT TAMBAHAN

#### (i) Percanggahan kepentingan

Tiada pengarah mempunyai apa-apa percanggahan kepentingan dengan Syarikat.

#### (ii) Perhubungan kekeluargaan dengan mana-mana Pengarah dan/atau Pemegang Saham Utama

Tiada pengarah mempunyai apa-apa perhubungan kekeluargaan dengan mana-mana Pengarah dan/atau pemegang saham utama Syarikat kecuali bagi Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng dan Fong Choon Kai yang merupakan adik-beradik.

#### (iii) Sabitan bagi kesalahan (dalam tempoh 10 tahun yang lepas kecuali kesalahan trafik)

Kecuali untuk Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng dan Fong Choon Kai, tiada seorang pun daripada para Pengarah mempunyai apa-apa sabitan bagi apa-apa kesalahan selain daripada kesalahan trafik. Pada 11 Disember 2001, Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng dan Fong Choon Kai telah menerima celaan awam daripada Suruhanjaya Sekuriti ("SC") di bawah Seksyen 32 Akta Suruhanjaya Sekuriti 1993 bagi ketakselesiaan cadangan terbitan hak Farm's Best. Selain itu, SC juga telah membuat keputusan untuk tidak menerima apa-apa jenis cadangan di bawah Seksyen 32 Akta Suruhanjaya Sekuriti 1993 dikemukakan oleh mana-mana Syarikat dalam mana Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng dan Fong Choon Kai mempunyai kepentingan utama bagi tempoh 3 tahun mulai tarikh surat tersebut di atas. Walau bagaimanapun, atas rayuan Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai, pada 15 April 2002, Suruhanjaya Sekuriti telah bersetuju untuk mempertimbangkan cadangan yang dibuat oleh Farm's Best di bawah Seksyen 32 Akta Suruhanjaya Sekuriti 1993, hanya jika cadangan tersebut merupakan satu skim komprehensif yang akan memenuhi semua keperluan kewangan Farm's Best.





Employee Development - an Individual Perspective.

## CHAIRMAN'S STATEMENT



**Y. BHG. DATUK  
HJ. ZAINAL BIN HJ. SHAMSUDIN**  
Chairman,  
Independent Non-Executive Director &  
Chairman Of Audit Committee  
61 years of age  
Malaysian

On behalf of the Board of Directors of the Group, I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2007.

### PERFORMANCE REVIEW

#### Introduction

The financial year 2007 was another challenging year for the Group as it struggled to cope with the continuous increase in the prices of raw materials such as corn, soybean meal, crude palm oil, etc. As a result of this input cost increase, the Group reported a loss after taxation and minority interest of RM2.63 million for the financial year under review as opposed to a profit after taxation and minority interest of RM1.00 million in the previous financial year ended 31 December 2006. This result was achieved on the back of an increase of more than 23% in the revenue, from RM310.3 million reported in the previous financial year, to RM382.3 million in the current financial year. The higher revenue was mainly due to increase in sales volume of live broilers and higher average selling prices of live broilers and processed poultry products. Despite this increase in turnover, the Group was unable to cope with the increasing cost of its raw materials which resulted in it reporting a loss for the financial year under review. The current year's loss after taxation and minority interest of RM2.63 million translates to a loss per share of 4.7 sen.



### Integrated Poultry Operations

The first half of the financial year ended 31 December 2007 was a difficult period for the Group's integrated poultry operations. The escalating costs of essential raw materials such as corn, soybean meal and crude palm oil coupled with low selling prices of products resulted in the Group reporting a huge loss during the first half of the financial year under review.

Fortunately, the situation improved in the second half of the year when selling prices of poultry products improved significantly and the Group's broiler division managed to recover the losses suffered

during the first half of the financial year under review. However, the prices of the essential raw materials continued to increase during the second half of the financial year under review.

The improved selling prices of poultry products during the second half of the financial year under review was more than adequate to cover the increase in prices of the essential raw materials. Hence, the Group was able to turn around the results of the broiler division during the second half of the financial year under review, resulting in a profit of RM3.3 million for the financial year under review as compared to a profit of RM1.5 million during the previous financial year.

Even though the broiler division managed to recover its losses incurred during the first half of the financial year under review, it wasn't enough to completely recover the losses of the integrated poultry operations incurred during the first half of the financial year under review due to the poor performance of the egg layer division of the Group.

### Egg Layer

The egg layer division of the Group suffered worse than the broiler division as prices of table eggs continued to be depressed during the financial year under review. As a result, the egg layer division suffered a higher loss of RM5.3 million during the financial year under review as compared to a loss of RM2.9 million in the previous

financial year. Fortunately, there was an improvement in prices of table eggs towards the end of the financial year which softened the overall negative impact brought about by the rising cost of raw materials during the financial year under review.

Overall, both divisions of the Group's poultry operations turned in a combined loss of RM2.0 million during the financial year under review as compared to a loss of RM1.4 million during the previous financial year.



## CHAIRMAN'S STATEMENT (cont'd)



### Housing Development

In the meantime, our housing development division continued to contribute profits in the financial year under review. Although turnover from the housing development division increased during the financial year to RM12.8 million as compared to RM9.9 million in the previous financial year, the housing development division contributed a lower profit of RM2.0 million in the financial year under review as compared to a profit of RM2.5 million in the previous financial year. This was mainly due to higher cost of sales during the financial year under review.

The property development division under Sinmah Development Sdn Bhd ("S/Dev") had launched Taman Saujana Indah (Phase 1) in the previous financial years consisting of 564 units of residential houses. From the total units available, 392 units are single and double storey houses whereby 92% of the units launched have been sold with work fully completed; 172 units are low cost and medium cost townhouses of which 92% of units launched have been sold with work fully completed. 20 units of

double-storey terrace houses are still in progress of being built and expected to be completed in the next financial year and whilst 46 units of single-storey terrace houses are expected to be launched in the coming financial year. This gave a total gross development value ("GDV") of RM4.5 million.

S/Dev had also launched its Peninsula Park project at Krubong, Melaka during the third quarter of the financial year under review. This project consists of 711 units of mixed development, of which, 32 units of shophots, 48 units of semi-detached houses and 110 units of single and double storey houses were launched during the financial year under review. Since it has just been launched, the Peninsula Park project has not yet being able to contribute to the Group's financial results.





Meanwhile, one of S/Dev's wholly owned subsidiary, Cosmal Enterprise Sdn Bhd ("Cosmal"), which launched the Taman Saujana Indah (Phase II) in the previous financial years consisting of 350 units of residential houses with work fully completed and 99.4% of all the units launched had been sold.

Lastly, in the final quarter of the financial year under review, Realtemas Realty Sdn Bhd, another wholly owned subsidiary of S/Dev had disposed off its land held for development for a profit of about RM2.5 million, thus improving the results of the housing development division for the financial year ended 31 December 2007.

#### LOOKING FORWARD

The Group expects the financial year ending 31 December 2008 to be another challenging year as its costs of production of feed, poultry and poultry products are expected to increase further with the increase in prices of its imported feedstuffs. However, the management will continue to adopt its cost cutting measures in order to have a leading edge as it continuously strives to be a cost competitive producer.

As mentioned in the previous year's Annual Report, the Group sees the construction of a fully cooked food plant as an important part of its

business strategy. The Group hopes to commence the construction of a fully cooked food plant as soon as possible.

With the setting up of the fully cooked food plant, the Group believes that it will be able to enlarge its market base and it would be in a better position to seek and secure customers in the export market segment. In addition, the Group would be able to hedge its risk of losing customers and sales arising from an unfortunate event of any outbreak of the bird flu in Malaysia again.

Meanwhile, for the property division, the Group expects this division to continue contributing in the financial year ending 31 December 2008. As mentioned earlier, this division had already launched the development of part of its 24.282 hectares land in Krubong, Melaka in the third quarter of the financial year under review. The Group expects the Krubong property development project to contribute positively during the financial year ending 31 December 2008.

Overall, the financial year ending 31 December 2008 promises to be another challenging year. However, as the Group continues to implement its cost cutting strategies, focus its attention on developing new markets both domestic

and overseas to grow its food based activities, coupled with the anticipated positive contribution generated by its property division from the launching of its property development project in Krubong, Melaka, it is hoped that the Group would be able to overcome the challenges of the financial year ending 31 December 2008.



#### ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to thank our employees, management and staff, customers, suppliers, bankers and shareholders for their continued support. Our deepest appreciation also goes to the State Government of Melaka, Department of Veterinary Services, the Agriculture Ministry, MITI, MIDA, Immigration Department and other ministries and agencies for their guidance and assistance.

Thank you,

**DATUK HJ. ZAINAL BIN HJ.  
SHAMSUDIN  
CHAIRMAN**

## PENATA Pengerusi



*Bagi pihak Lembaga Pengarah Kumpulan, saya dengan sukacita membentangkan Laporan Tahunan dan Penyata Kewangan Syarikat dan Kumpulan bagi tahun kewangan berakhir 31 Disember 2007.*

### TINJAUAN PRESTASI

#### **Pengenalan**

Tahun kewangan 2007 merupakan satu tahun yang juga begitu mencabar bagi Kumpulan kerana kami bertungkus-lumus mengatasi kenaikan harga bahan-bahan mentah yang berterusan seperti jagung, mil kacang soya, minyak kelapa sawit mentah, dan sebagainya. Ekoran daripada peningkatan kos input ini, Kumpulan mencatatkan kerugian selepas cukai dan kepentingan minoriti sebanyak RM2.63 juta bagi tahun kewangan yang ditinjau berbanding dengan keuntungan selepas cukai dan kepentingan minoriti sebanyak RM1.00 juta bagi tahun berakhir 31 Disember 2006. Prestasi ini dicapai berasaskan peningkatan sebanyak 23% dalam perolehan, daripada RM310.3 juta yang dilaporkan dalam tahun kewangan lepas kepada RM382.3 juta dalam tahun kewangan

semasa. Peningkatan perolehan berpunca terutamanya daripada peningkatan volum jualan ayam daging hidup dan purata harga jualan yang lebih tinggi untuk ayam daging hidup dan produk-produk ternakan. Meskipun perolehan meningkat, kos bahan mentah yang melonjak menyebabkan Kumpulan menanggung kerugian dalam tahun kewangan yang ditinjau. Kerugian selepas cukai dan kepentingan minoriti pada tahun semasa sebanyak RM2.63 juta diterjemahkan kepada kerugian sesaham sebanyak 4.7 sen.

#### **Operasi Penternakan Bersepadu**

Separuh pertama tahun kewangan berakhir 31 Disember 2007 merupakan tempoh yang sukar bagi operasi penternakan bersepadu Kumpulan. Kos bahan mentah asas seperti jagung, mil kacang soya dan minyak kelapa sawit mentah yang melambung dan diiringi pula oleh harga jualan produk yang rendah mengakibatkan Kumpulan mencatatkan kerugian yang besar dalam separuh pertama tahun kewangan yang ditinjau.

Mujurnya, situasi bertambah baik dalam separuh kedua tahun apabila harga jualan produk ternakan semakin baik dan bahagian ayam daging hidup Kumpulan berjaya menutup kerugian yang dialami sepanjang

separuh pertama tahun kewangan yang ditinjau. Meskipun begitu, harga bahan mentah asas terus meningkat sepanjang separuh kedua tahun kewangan yang ditinjau.

Harga jualan yang bertambah baik sepanjang separuh kedua tahun kewangan yang ditinjau melebihi kenaikan harga bahan mentah asas. Oleh itu, Kumpulan berupaya memusing balik prestasi bahagian ayam daging dalam separuh kedua tahun kewangan yang ditinjau lalu menghasilkan keuntungan sebanyak RM3.3 juta untuk tahun kewangan yang ditinjau berbanding dengan keuntungan sebanyak RM1.5 juta untuk tahun kewangan lepas.



Walaupun bahagian ayam daging berjaya menyekat kerugian yang dialami sepanjang separuh pertama tahun kewangan yang ditinjau, ia tidak mencukupi untuk menutup kesemua kerugian operasi penternakan bersepadu yang ditanggung sepanjang separuh pertama tahun kewangan yang ditinjau akibat prestasi yang kurang memuaskan di bahagian telur ternakan Kumpulan.

#### **Telur Ternakan**

Bahagian telur ternakan Kumpulan menghadapi situasi yang lebih teruk daripada bahagian ayam daging apabila harga telur sajian meleset sepanjang tahun kewangan yang ditinjau. Akibatnya, bahagian telur ternakan mengalami kerugian yang lebih tinggi sebanyak RM5.3 juta dalam tahun kewangan yang ditinjau berbanding dengan kerugian sebanyak RM2.9 juta dalam tahun kewangan lepas. Mujurnya, harga jualan telur sajian pulih sedikit menjelang akhir tahun kewangan lalu meringankan impak negatif yang dibawa oleh kenaikan kos bahan mentah dalam tahun kewangan yang ditinjau.

Secara keseluruhannya, operasi penternakan Kumpulan menanggung kerugian tergabung sejumlah RM2.0 juta dalam tahun kewangan yang ditinjau berbanding dengan kerugian RM1.4 juta dalam tahun kewangan lepas.

#### **Pembangunan Perumahan**

Pada masa yang sama, bahagian pembangunan perumahan kita terus menyumbang keuntungan dalam tahun kewangan yang ditinjau. Walaupun perolehan daripadabahagianpembangunan perumahan dalam tahun kewangan meningkat ke RM12.8 juta berbanding dengan RM9.9 juta dalam tahun kewangan lepas, bahagian pembangunan perumahan hanya menyumbang keuntungan yang lebih rendah, iaitu RM2.0 juta dalam tahun kewangan yang ditinjau berbanding dengan RM2.5 juta dalam tahun kewangan lepas. Ini adalah kerana peningkatan kos jualan dalam tahun kewangan yang ditinjau.

Bahagian pembangunan perumahan di bawah Sinmah Development Sdn Bhd ("S/Dev") telah melancarkan Taman Saujana Indah (Fasa 1) pada tahun

## PENWATA PENERUSI (sambungan)

*kewangan lepas. Projek tersebut meliputi 564 unit rumah kediaman. Daripada jumlah unit-unit yang disediakan, 392 unit adalah rumah setingkat dan dua tingkat di mana 92% daripada unit-unit yang dilancarkan telah dijual dengan kerja pembinaan disiapkan sepenuhnya; 172 unit adalah rumah bandar kos rendah dan sederhana di mana 92% daripada unit-unit yang dilancarkan telah dijual dengan kerja pembinaan disiapkan sepenuhnya. 20 unit rumah teres dua tingkat masih sedang dibina dan dijangka siap dalam tahun kewangan yang akan datang manakala 46 unit rumah teres setingkat dijangka akan dilancarkan pada tahun kewangan depan. Ini akan menghasilkan nilai pembangunan kasar ("GDV") sebanyak RM4.5 juta.*

*S/Dev juga telah melancarkan projek Peninsula Park di Krubong, Melaka dalam suku ketiga tahun kewangan yang ditinjau. Projek ini terdiri daripada 711 unit pembangunan bercampur dengan 32 unit lot kedai, 48 unit rumah berkembar dan 110 unit rumah teres setingkat dan dua tingkat, dilancarkan dalam tahun kewangan yang ditinjau. Oleh sebab ia baru dilancarkan, projek Peninsula Park masih belum menyumbang kepada prestasi kewangan Kumpulan.*

*Pada masa yang sama, subsidiari milik penuh S/Dev, Cosmal Enterprise Sdn Bhd ("Cosmal") telah melancarkan Taman*



*Saujana Indah (Fasa II) dalam tahun kewangan lalu di mana projek ini terdiri daripada 350 unit rumah yang telah disiapkan kerja pembinaannya dan 99.4% unit yang dilancarkan telah dijual.*

*Akhirnya, dalam suku terakhir tahun kewangan yang ditinjau, Realtemas Realty Sdn Bhd, sebuah subsidiari S/Dev telah melupuskan tanah yang dipegangnya untuk pembangunan dengan keuntungan sebanyak RM2.5 juta, seterusnya memperbaiki pencapaian bahagian pembangunan perumahan untuk tahun kewangan berakhir 31 Disember 2007.*

## MELANGKAH KE HADAPAN

Kumpulan menjangkakan tahun kewangan yang akan berakhir 31 Disember 2008 merupakan satu lagi tahun yang mencabar buat Kumpulan kerana kos pengeluaran bahan makanan ternakan, penternakan dan produk penternakan dijangka akan meningkat dengan ketara berikutan kenaikan harga bahan makanan ternakan import. Walau bagaimanapun, pihak pengurusan akan terus melaksanakan strategi pengurangan kos untuk mengekalkan kelebihan daya saing dalam usahanya untuk terus muncul sebagai pengeluar yang berkos kompetitif.

Seperti yang dinyatakan dalam Laporan Tahunan lepas, Kumpulan melihat pembinaan loji makanan sepenuh masak sebagai sebahagian penting strategi perniagaannya. Kumpulan berharap akan memulakan pembinaan loji makanan sepenuh masak tersebut secepat mungkin.

Dengan penyediaan loji makanan sepenuh masak ini, Kumpulan percaya bahawa ia akan mampu meluaskan pasarannya dan berada di kedudukan yang lebih baik untuk mencari dan mendapatkan pelanggan-pelanggan di dalam segmen pasaran eksport. Tambahan lagi, Kumpulan akan berupaya mengurangkan risiko kehilangan pelanggan dan jualan yang timbul daripada sebarang kemungkinan berulangnya kejadian wabak selsema burung di Malaysia.

Pada masa yang sama, Kumpulan menjangka bahagian hartanah akan terus menyumbang secara positif pada tahun kewangan yang akan berakhir 31 Disember 2008. Seperti yang telah dinyatakan sebelum ini, bahagian ini telah melancarkan sebahagian daripada pembangunan 24.282 hektar tanah di Krubong, Melaka, dalam suku ketiga tahun kewangan yang ditinjau. Kumpulan menjangka projek pembangunan hartanah di Krubong akan menyumbang secara positif dalam tahun kewangan yang akan berakhir 31 Disember 2008.

Secara keseluruhannya, tahun kewangan yang akan berakhir 31 Disember 2008 menjanjikan satu lagi tahun yang serba mencabar. Walau bagaimanapun, Kumpulan akan meneruskan implementasi strategi pengurangan kosnya, menumpukan perhatiannya kepada pembangunan pasaran baru di dalam dan luar negara untuk mengembangkan aktiviti-aktiviti berasaskan makanannya. Dengan gabungan sumbangan positif yang dijangka akan dijanakan oleh bahagian hartanah daripada pelancaran projek pembangunan hartanah di Krubong, Melaka, Kumpulan berharap dapat mengatasi semua cabaran yang bakal diharungi dalam tahun kewangan berakhir 31 Disember 2008.

## PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengambil peluang ini untuk mengucapkan terima kasih kepada para pekerja, pengurusan dan kakitangan, pelanggan, pembekal, bank-bank dan para pemegang saham atas sokongan mereka yang berterusan. Ucapan penghargaan tulus ikhlas juga saya tujukan kepada Kerajaan Negeri Melaka, Jabatan Perkhidmatan Veterinari, Kementerian Pertanian, MITI, MIDA, Jabatan Imigresen dan kementerian serta agensi-agensi lain atas panduan dan bantuan mereka.

Terima kasih.

**DATUK HJ. ZAINAL BIN HJ.  
SHAMSUDIN  
PENGERUSI**

# CORPORATE SOCIAL RESPONSIBILITY

## INTRODUCTION

Farm's Best Berhad ("Farm's Best") and its subsidiaries ("the Group") is aware of its responsibility of not only being a responsible food producer producing quality food for its customers, but also recognises the importance for a business these days to have a sound socially responsible manner and to deliver sustainable value to the society. Consistent with Bursa Malaysia Securities Berhad Corporate Social Responsibility framework, Farm's Best's Corporate Social Responsibility activities focus on caring to the Environment, Workplace, Community and Marketplace,

A glimpse of our policies/ activities in these is as follows :-

## ENVIRONMENT

The Group had invested more than RM8 million for the Group's factory waste water management system as part of the Group's responsibility to protect the environment. The monthly operational expenses to maintain the waste water management system amounts to about RM200,000. This reflects the Group's commitment to the environmental cause.

The Group's waste management system has been used by the Department of Environment for training and reference for other companies. The Group's industrial effluent treatment system monitoring program has also been used by Department of Environment for other companies to follow.

The Group's effluent water is required to comply with Standard B of the Environmental Quality Act, 1974. However, the Group has exceeded this requirement as the discharged water from the Group's factory complies with Standard A of the said Act. In achieving a better standard of environmental protection than what was required of us, we have demonstrated our true commitment to the environmental cause.

## WORKPLACE

The Group is concerned about the occupational safety of its employees. Hence, the Group strives to comply with all Department of Safety and Health Malaysia ("DOSH") standards on health and safety. We carry out annual fire prevention exercise for our employees to equip them with the necessary knowledge on evacuation in case of a fire. This exercise will help our employees to extinguish a fire and to safe themselves and others.

We are also committed to continued staff development, which is evident in the enrolment of fifteen (15) of our eligible employees to undertake the Certificate in Manufacturing Management course in July 2005 in order to build up a technically competent and flexible workforce. Nine (9) of those selected had completed the course.

They are now continuing with the Diploma in Manufacturing Management course. In addition to those nine (9) employees who graduated from the Certificate level, we also selected a further six (6) eligible employees during 2007 for the Diploma in Manufacturing Management course. Hence, currently we have a total of fifteen (15) employees undertaking the Diploma in Manufacturing Management course.

As part of our responsibility of safeguarding the health of our employees, we also provide free anti-typhoid vaccination to certain sectors of employees of the Group. We also conducted annual team-building activities for groups of employees to foster teamwork, solidarity, responsibility and effective communication among our employees.

## COMMUNITY

As part of the Group's corporate social responsibility towards the community, the Group has made cash donations to temples and schools in Melaka. Apart from cash donations, we have also made donations in the form of poultry products to schools in Melaka for school activities such as sports day, student seminars and schools' fund raising activities.

We have carried out blood donation campaigns amongst our employees in February 2007 and October 2007 as part of the Group's contribution towards the Malaysian Blood Bank.



We also participated in several 'gotong-royong' exercises to clean up the areas surrounding our workers' hostels, with the purpose of eradicating the threat of 'denggi' fever towards the community.

We have also accommodated industrial training for students of higher learning institution to enhance their knowledge in poultry production, poultry processing, laboratory, feed milling operations, information technology and engineering disciplines.

We had international delegates representing various countries visiting our factories and farms in Melaka. These are coordinated by Malaysian government agencies such as Ministry of Agriculture, Ministry of Health and Department of Environment.

#### MARKET PLACE

As we consider Corporate Social Responsibility part of corporate governance, we are fully supportive of local suppliers. We treasure our relationships with our key customers and conduct annual satisfaction surveys as part of our efforts to improve products and services.

## TANGGUNGJAWAB SOSIAL KORPORAT

#### PENGENALAN

*Farm's Best Berhad ("Farm's Best") dan anak-anak syarikatnya ("Kumpulan") sedar tentang kewajipannya sebagai pengeluar makanan yang bertanggungjawab menghasilkan makanan berkualiti untuk pelanggan-pelanggan. Kami juga mengiktiraf kepentingan sesebuah perniagaan mempunyai amalan tanggungjawab sosial yang sihat dan menawarkan nilai yang berlanjutan kepada masyarakat. Seajar dengan rangka kerja Tanggungjawab Sosial Korporat Bursa Malaysia Sekuriti Berhad, aktiviti-aktiviti Tanggungjawab Sosial Korporat Farm Best's berfokus kepada Alam Sekitar, Tempat Kerja, Komuniti dan Pasaran.*

*Berikut adalah imbasan polisi-polisi dan aktiviti-aktiviti kami:*

#### ALAM SEKITAR

*Kumpulan telah melaburkan lebih daripada RM8 juta untuk sistem pengurusan air buangan kilang Kumpulan sebagai memenuhi sebahagian daripada tanggungjawab Kumpulan melindungi alam sekitar. Perbelanjaan operasi untuk menyelenggarakan sistem pengurusan air buangan ini mencecah RM200,000 sebulan. Ini mencerminkan komitmen Kumpulan terhadap pemeliharaan alam sekitar.*

*Sistem pengurusan air buangan Kumpulan telah digunakan oleh Jabatan Alam Sekitar untuk latihan dan rujukan syarikat-syarikat lain. Program Pengawasan Sistem Rawatan Efluen Industri Kumpulan juga digunakan oleh Jabatan Alam Sekitar untuk dicontohi syarikat-syarikat lain.*

*Efluen industri Kumpulan diwajibkan mematuhi Standard B Akta Kualiti Alam Sekitar 1974. Walau bagaimanapun, pencapaian Kumpulan melangkaui syarat perundangan ini kerana air buangan daripada kilang Kumpulan menepati Standard A Akta tersebut. Dengan mencapai standard perlindungan alam sekitar yang lebih tinggi daripada yang diwajibkan untuk kami, kami telah menunjukkan komitmen yang kukuh terhadap perjuangan memperlindungi alam sekitar.*

## TANGGUNGJAWAB SOSIAL KORPORAT (sambungan)

### TEMPAT KERJA

*Kumpulan prihatin tentang keselamatan pekerjaan para pekerjanya. Justeru itu, Kumpulan berusaha untuk mematuhi semua standard kesihatan dan keselamatan yang ditetapkan oleh Jabatan Keselamatan dan Kesihatan Malaysia ('JKKM'). Kami menjalankan latihan pencegahan kebakaran untuk para pekerja untuk melengkapkan mereka dengan pengetahuan pemindahan kecemasan yang perlu jika kebakaran berlaku. Latihan ini akan membantu para pekerja kami memadamkan api dan menyelamatkan diri dan rakan masing-masing.*

*Kami juga komited terhadap pembangunan kakitangan yang jelas terbukti dengan pendaftaran lima belas (15) pekerja yang layak untuk kursus Sijil Pengurusan Perkilangan dalam Julai 2005 bagi membina kecekapan teknikal dan tenaga kerja yang fleksibel. Sembilan (9) daripada mereka yang terpilih berjaya menyempurnakan kursus tersebut.*

*Mereka kini mengikuti kursus Diploma Pengurusan Perkilangan. Di samping sembilan (9) pekerja yang berjaya memperoleh Sijil, kami juga memilih enam (6) pekerja lagi dalam tahun 2007 untuk mengikuti Diploma Pengurusan Perkilangan. Dengan kata lain, kami kini mempunyai lima belas (15) pekerja mengikuti kursus Diploma Pengurusan Perkilangan.*

*Sebagai sebahagian daripada tanggungjawab kami menjaga kesihatan para pekerja, kami juga menyediakan pemvaksin anti-demam kepalu secara percuma kepada pekerja sektor-sektor tertentu dalam Kumpulan. Kami juga menjalankan aktiviti-aktiviti pembinaan pasukan untuk kelompok-kelompok pekerja demi menanam semangat bekerjasama, perpaduan, tanggungjawab dan komunikasi efektif sesama mereka.*

### KOMUNITI

*Sebagai sebahagian daripada tanggungjawab sosial Kumpulan terhadap komuniti, Kumpulan telah menderma wang tunai kepada kuil-kuil dan sekolah-sekolah di Melaka. Selain daripada wang derma, kami juga menyumbang produk-produk daging ayam itik kepada sekolah-sekolah di Melaka untuk aktiviti-aktiviti mereka seperti hari sukan, seminar-seminar pelajar dan kegiatan mengutip derma.*

*Kami juga menganjurkan kempen-kempen derma darah di kalangan para pekerja dalam bulan Februari dan Oktober 2007 sebagai sumbangan kepada Bank Darah Malaysia.*

*Kami juga menyertai beberapa gotong-royong untuk membersihkan kawasan di sekitar hostel pekerja, dengan tujuan menghapuskan ancaman demam denggi terhadap komuniti tersebut.*

*Kami juga membuka peluang latihan perindustrian kepada penuntut-penuntut di institusi pengajian tinggi bagi mempertingkatkan pengetahuan mereka dalam pengeluaran ayam itik, pemprosesan, makmal, operasi kilang makanan ternakan, teknologi informasi dan lain-lain bidang kejuruteraan.*

*Kilang-kilang dan ladang-ladang kami di Melaka juga dikunjungi oleh wakil-wakil dari pelbagai negara. Lawatan-lawatan ini adalah hasil koordinasi agensi-agensi kerajaan Malaysia seperti Kementerian Pertanian, Kementerian Kesihatan dan Jabatan Alam Sekitar.*

### PASARAN

*Oleh sebab kami memandang penting Tanggungjawab Sosial Korporat sebagai sebahagian daripada tadbir urus korporat, kami menyokong sepenuhnya pembekal-pembekal tempatan. Kami menghargai hubungan kami dengan pelanggan-pelanggan penting. Sebagai sebahagian daripada usaha kami meningkatkan mutu produk dan servis, kami menjalankan kajian kepuasan pelanggan setiap tahun.*



Interlinking - Gains for All Concerned.



# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to ensure the highest standard of corporate governance is practised throughout Farm's Best Berhad ("Farm's Best") and the subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board of Directors is pleased to report to the shareholders the manner in which the Group has applied the principles, and the extent of compliance with the best practices and good governance as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance ("the Code").

## 1. BOARD OF DIRECTORS

### 1.1 The Board

Farm's Best is led and managed by an experienced Board comprising of members with a range of experience in relevant fields such as poultry farming, business administration, planning, development and marketing. The Board comprises nine (9) members.

Three (3) out of nine (9) members of the Board are independent non-executive Directors. As such, one third (1/3) of the Board comprises of independent non-executive Directors. The presence of independent non-executive Directors fulfils a pivotal role in corporate accountability. Although all the Directors have an equal responsibility to the Group, the role of these independent non-executive Directors is particularly important as they provide unbiased and independent views, advice and judgement to take account of the interests not only of the Group, but also of the shareholders, employees, customers and the community in which the Group conducts its business. The Company recognises the contribution of non-executive Directors as equal Board members to the development of the Company's strategy, the importance of representing the interests of public shareholders and providing a balanced and independent view to the Board. All non-executive Directors are independent of management and free from any relationship which could interfere with their independent judgement.

The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. The Board has identified Encik Mohd Khasan bin Ahmad as the Senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

### 1.2 Board Meetings

The Board meets at least four (4) times a year and additional meetings are held as and when required. It meets within two (2) months after the end of every quarter of the financial year, whereat, the Group's financial statements are deliberated and considered.

During the financial year ended 31 December 2007, five (5) Board meetings were held. Details of the attendance are as follows :-

Directors	Description	No. of Board Meetings Attended	Percentage (%)
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman, Independent Non-Executive Director	5/5	100%
Fong Kok Yong	Managing Director	5/5	100%
Fong Kiah Yeow	Executive Director	5/5	100%
Fong Ngan Teng	Executive Director	5/5	100%
Fong Choon Kai	Executive Director	5/5	100%
Ng Cheu Kuan	Executive Director	3/5	60%
Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	Executive Director	5/5	100%
Tuan Haji Baharom Bin Abd. Wahab	Independent Non-Executive Director	5/5	100%
Mohd Khasan Bin Ahmad	Independent Non-Executive Director	5/5	100%

### 1.3 Supply of Information

All Directors are provided with an agenda and Board papers seven (7) days prior to every Board meeting to enable the Directors to obtain further information or explanations, where and when necessary, in order to be properly briefed before the meeting. The Minutes of the previous Board meetings are also circulated to the Directors and confirmed at each meeting.

There is a schedule of matters reserved specifically for the Board's decision, including the Group's financial results, the business plan, the direction of the Group, new investment and business proposals, the management or performance of the business of subsidiaries, corporate plans, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decision, changes to the management and control structure within the Group, including key policies and procedures and discretionary authority limits.

All Directors have access to the advice and services of the Company Secretary in carrying out their duties and may obtain independent professional advice in the furtherance of their duties, at the Company's expense.

### 1.4 Re-election of the Directors

In accordance with the Company's Articles of Association, one-third (1/3) or the number nearest to one-third (1/3) of the Directors for the time being shall retire from their office and be eligible for re-election provided always that all the Directors shall retire from their office once at least in each three (3) years but shall be eligible for re-election. Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting and shall then be eligible for re-election.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## 2. BOARD COMMITTEES

The following Board Committees have been established to assist the Board in the discharge of its duties and execution of specific responsibilities. All the Committees listed below do not have executive powers but report to the Board on all matters considered and submit recommendations for the Board's approval (except the power of the Audit Committee to report to the Bursa Malaysia Securities Berhad ("Bursa Securities") in circumstances described in the Audit Committee Report).

### 2.1 Audit Committee

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

The Audit Committee terms of reference together with the Audit Committee Report are disclosed on pages 52 to 56 of the Annual Report. The activities of the Audit Committee during the year ended 31 December 2007 are also set out under the Audit Committee Report.

### 2.2 Remuneration Committee

The Remuneration Committee for the financial year ended 31 December 2007 comprises the following members :-

Directors	Description
Mohd Khasan Bin Ahmad	Chairman, Independent Non-Executive Director
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Independent Non-Executive Director
Tuan Haji Baharom Bin Abd. Wahab	Independent Non-Executive Director
Fong Kok Yong	Managing Director
Fong Kiah Yeow	Executive Director

The Remuneration Committee is responsible for reviewing and recommending to the Board the remuneration framework for Executive Directors including making recommendations to the Board for all elements of remuneration, terms of employment, reward structures and fringe benefits for Executive Directors.

The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole.

### 2.3 Nomination Committee

For the financial year ended 31 December 2007, the Nomination Committee comprises the following members :-

Directors	Description
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman, Independent Non-Executive Director
Tuan Haji Baharom Bin Abd. Wahab	Independent Non-Executive Director
Mohd Khasan Bin Ahmad	Independent Non-Executive Director

The Nomination Committee is responsible for identifying and recommending new nominees to the Board as well as Committees of the Board. In addition, the Nomination Committee is also entrusted with the task of assessing annually the performance of the Board members, considers the balance of the board membership and determines the core competencies and skills required of the Board in order to discharge its duties effectively.

### 3. DIRECTORS' TRAINING

As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education programme for new Board members. This is supplemented by visits to key locations and meetings with other key senior executives. Directors also receive further training from time to time, particularly on relevant new laws and regulations and changing commercial risks.

During the financial year ended 31 December 2007, all the Directors of the Company had attended seminar on the latest updates to the Companies Act, 1965 organized by the Malaysian Institute of Accountants. At the end of the seminar, the Directors had a better understanding of the changes to the Companies Act, 1965.

The Board acknowledges that continuous training is important to enable the Directors to effectively discharge their duties. The Board will on a continuous basis, evaluate and determine the training needs of its Directors.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## 4. DIRECTORS' REMUNERATION

Details of the aggregate remuneration of the Directors during the financial year ended 31 December 2007 are as follows :-

Total remuneration	Executive Directors RM'000	Non- Executive Directors RM'000	Total RM'000
Fees	-	96	96
Salaries & other emolument	2,226	-	2,226
Pension costs – defined contribution plan	267	-	267
	<b>2,493</b>	<b>96</b>	<b>2,589</b>

Number of Directors whose remuneration falls within the following bands :-

	Executive Directors	Non- Executive Directors	Total
Below RM50,000	-	3	3
RM200,001 to RM250,000	2	-	2
RM450,001 to RM500,000	4	-	4

## 5. SHAREHOLDERS' COMMUNICATION AND INVESTORS RELATIONS

The Board acknowledges the need for the shareholders to be informed of all material business matters affecting the Company. As such, the Company communicates with its shareholders, institutional and potential investors through the various announcements made during the year. In addition, the Board also ensures timely release of the financial results on a quarterly basis in order to provide its shareholders with an overview of the Group's financial and operational performance.

The Annual General Meeting ("AGM") of the Company is also a mean of communication with its shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board, as well as the external auditors and legal advisers of the Company are present to answer questions raised at the meeting. The Board has also been encouraging the participation from shareholders through questions and answers session during the AGM, where the Directors are available to answer questions on the financial performances and the business operations of the Group.

Apart from the above, the Group maintains a website at <http://www.sinmah.com.my> which the shareholders and the general public can access information about the Group.

## 6. ACCOUNTABILITY AND AUDIT

### 6.1 Financial Reporting

For financial reporting through quarterly reports to Bursa Securities and the annual report to the shareholders, the Directors have a responsibility to present a balanced and meaningful assessment of the Group's financial position and prospects. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy and completeness of information.



## 6.2 Internal Controls

The Board is responsible in ensuring that the Group's systems of internal control are in place and that its effectiveness be constantly reviewed to ensure the adequacy of these systems.

As part of internal control and in the daily management of risks, the following systems of reporting and standard processes and procedures adopted by the Group :-

- a) Monthly actual reporting – providing relevant, reliable and up to-date financial performance against budget, previous month and prior year including detailed explanation of any major variances.
- b) Clear lines of authority exist between Management of the subsidiaries and the Group's Board of Directors. As far as possible, the subsidiaries are given autonomy whilst operating within the established internal control environment.

The review on the systems of internal control is set out under the Statement on Internal Control on pages 48 and 49 of the Annual Report.

## 6.3 Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report on pages 52 to 56 of the Annual Report. The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the applicable approved accounting standards in Malaysia.

## 6.4 Relationship with the Management

The Board maintains a close and transparent relationship with all the management staff. The Board is furnished with information relating to the running of the Group's operations through various reports prepared by the management staff. This will allow them to understand the operations better and make decisions in steering the Company towards a profitable business. In addition, the Executive Directors also hold frequent monthly management meetings with the management staff in order to discuss and plan for the Group's operations.

## 7. STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied with the Best Principles as set out in the Code throughout the financial year.

## 8. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is required under Paragraph 15.27(a) of the Listing Requirements to issue a statement explaining their responsibilities in the preparation of the annual financial statements. The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the results and cash flows of the Company and of the Group for the financial year then ended. In preparing these financial statements, the Directors have :-

- used appropriate accounting policies and consistently applied them;
- made judgements and estimates that are reasonable and prudent; and
- ensured that all applicable approved accounting standards have been followed.

# STATEMENT ON CORPORATE GOVERNANCE (cont'd)

## 8. DIRECTORS' RESPONSIBILITY STATEMENT (CONT'D)

The Directors took steps to ensure that the Company and the Group keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1965 and applicable approved accounting standards in Malaysia.

The Directors are also responsible for taking such steps that are necessary to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## 9. ADDITIONAL COMPLIANCE INFORMATION

### 9.1 Corporate Proposals And Utilization Of Proceeds

There were no corporate proposals carried out by the Company during the financial year ended 31 December 2007.

### 9.2 Share Buy-back

During the financial year, there was no share buy-back by the Company.

### 9.3 Options, Warrants or Convertible Securities

There were no new options, warrants or convertible securities issued during the financial year.

### 9.4 American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

### 9.5 Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, directors or management by any regulatory bodies for the financial year ended 31 December 2007, except for traffic offences.

### 9.6 Non-Audit Fees

The total amount of non-audit fees paid or payable to the external auditors and their affiliated companies by the Company for the financial year ended 31 December 2007 amounted to RM28,000.

### 9.7 Variation in Results

There was no deviation of 10% or more between the profit after taxation and minority interest stated in the 27 February 2008 announcement of unaudited results for the financial year ended 31 December 2007 and the audited financial statements of the Group for the financial year ended 31 December 2007.

### 9.8 Profit Guarantee

The Company did not give any profit guarantee during the financial year.

### 9.9 Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year.

### 9.10 Revaluation Policy on Landed Properties

The Company did not adopt any revaluation policy on landed properties during the financial year.



# PENYATA TADBIR URUS KORPORAT

Lembaga Pengarah komited untuk memastikan agar standard tertinggi tadbir urus korporat diamalkan pada seluruh peringkat di Farm's Best Berhad ("Farm's Best") dan anak-anak syarikatnya ("Kumpulan") sebagai sebahagian penting dalam melaksanakan tanggungjawabnya untuk mengawal dan mengukuhkan nilai pemegang saham dan prestasi kewangan Kumpulan.

Lembaga Pengarah dengan sukacitanya melaporkan kepada pemegang-pemegang saham mengenai cara Kumpulan mengamalkan prinsip-prinsip, dan tahap pematuhan amalan dan urus tadbir terbaik sebagaimana dikemukakan dalam Bahagian 1 dan Bahagian 2 Kod mengenai Urus Tadbir Korporat Malaysia ("Kod").

## 1. LEMBAGA PENGARAH

### 1.1 Lembaga

Farm's Best diketuai dan diuruskan oleh Lembaga yang berpengalaman dan dianggotai oleh ahli-ahli yang mempunyai pengalaman luas dalam bidang yang relevan seperti penternakan, pentadbiran perniagaan, perancangan, pembangunan dan pemasaran. Lembaga terdiri daripada sembilan (9) orang ahli.

Tiga (3) daripada sembilan (9) orang ahli Lembaga adalah Pengarah bukan eksekutif bebas. Dengan yang demikian, satu pertiga (1/3) daripada Lembaga terdiri daripada Pengarah bukan eksekutif bebas. Kehadiran Pengarah-pengarah bukan eksekutif bebas memenuhi peranan penting dalam kebertanggungjawapan korporat. Sungguhpun semua Pengarah mempunyai tanggungjawab yang sama terhadap Kumpulan, peranan Pengarah-pengarah bukan eksekutif bebas ini secara khususnya penting memandangkan mereka menyediakan pandangan, nasihat dan pembuatan keputusan yang tidak berat sebelah dan bebas, untuk mengambil kira bukan sahaja kepentingan Kumpulan, tetapi juga kepentingan pemegang saham, kakitangan, pelanggan dan komuniti dalam mana Kumpulan menjalankan perniagaannya. Syarikat mengiktiraf sumbangan Pengarah bukan eksekutif sebagai ahli Lembaga yang setaraf ke arah pembangunan strategi Syarikat, mustahaknya mewakili kepentingan pemegang-pemegang saham awam dan menyediakan pandangan yang seimbang dan bebas kepada Lembaga. Kesemua Pengarah bukan eksekutif adalah bebas daripada pengurusan dan tidak terikat dengan apa-apa perhubungan yang boleh mengganggu pembuatan keputusan bebas mereka.

Pengarah Bukan Eksekutif menyumbang secara ketara dalam bidang-bidang seperti polisi dan strategi, pengawasan prestasi, peruntukan sumber serta usaha mempertingkatkan tadbir urus dan kawalan. Lembaga telah mengenal pasti Encik Mohd Khasan Bin Ahmad sebagai Pengarah Bebas Bukan Eksekutif Kanan kepada siapa dimana apa-apa kebimbangan boleh dikemukakan.

## 1.2 Mesyuarat Lembaga

Lembaga bermesyuarat sekurang-kurangnya empat (4) kali setahun dan mesyuarat tambahan diadakan pada dan apabila diperlukan. Ianya bermesyuarat dua (2) bulan selepas akhir setiap suku tahunan kewangan, dimana keputusan kewangan suku tahunan Kumpulan Farm's Best akan dibincang dan dipertimbangkan.

Dalam tahun kewangan berakhir 31 Disember 2007, Lembaga bermesyuarat sebanyak lima (5) kali. Butir-butir kehadiran adalah seperti berikut:

Pengarah	Jawatan	Bilangan Mesyuarat Lembaga yang Dihadiri	Peratusan (%)
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Pengerusi, Pengarah Bukan Eksekutif Bebas	5/5	100%
Fong Kok Yong	Pengarah Urusan	5/5	100%
Fong Kiah Yeow	Pengarah Eksekutif	5/5	100%
Fong Ngan Teng	Pengarah Eksekutif	5/5	100%
Fong Choon Kai	Pengarah Eksekutif	5/5	100%
Ng Cheu Kuan	Pengarah Eksekutif	3/5	60%
Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	Pengarah Eksekutif	5/5	100%
Tuan Haji Baharom Bin Abd Wahab	Pengarah Bukan Eksekutif Bebas	5/5	100%
Mohd Khasan Bin Ahmad	Pengarah Bukan Eksekutif Bebas	5/5	100%

## 1.3 Bekalan Maklumat

Semua Pengarah disediakan dengan agenda dan satu set kertas Lembaga tujuh (7) hari sebelum mesyuarat Lembaga bagi membolehkan para Pengarah mendapat maklumat atau penerangan lanjut, apabila diperlukan, untuk diberi penerangan ringkas sewajarnya sebelum mesyuarat. Minit-minit mesyuarat Lembaga yang sebelumnya juga diedarkan kepada Pengarah dan disahkan pada setiap mesyuarat. Minit mesyuarat Lembaga yang lalu turut diedarkan kepada para Pengarah dan disahkan pada setiap mesyuarat.

Terdapatnya jadual mengenai perkara-perkara yang secara khususnya dirizab untuk keputusan Lembaga, termasuk keputusan kewangan Kumpulan Farm's Best, rancangan perniagaan, arah tuju Kumpulan, cadangan perniagaan dan pelaburan baru, pengurusan atau prestasi perniagaan anak-anak syarikat, rancangan korporat dan belanjawan tahunan, pengambilalihan dan pelupusan usahaniaga dan hartanah yang mempunyai nilai yang besar, keputusan kewangan dan pelaburan utama, perubahan kepada struktur pengurusan dan kawalan dalam Kumpulan, termasuk polisi dan prosedur penting dan had kuasa budi bicara.

Semua pengarah mempunyai akses kepada nasihat dan khidmat Setiausaha Syarikat dalam melaksanakan tugas-tugas mereka dan boleh mendapat nasihat profesional bebas dalam melanjutkan tugas-tugas mereka, atas perbelanjaan Syarikat.

#### 1.4 Pelantikan Semula Para Pengarah

Selaras dengan Tataurusan Pertubuhan Syarikat, satu pertiga (1/3) atau bilangan yang hampir sekali dengan satu pertiga (1/3) daripada para Pengarah yang pada masa ini akan bersara daripada jawatannya dan menjadi layak untuk pelantikan semula, dengan syarat tetap bahawa semua para Pengarah hendaklah bersara daripada jawatan mereka sekurang-kurangnya sekali dalam setiap tiga (3) tahun tetapi akan layak untuk pelantikan semula. Mana-mana orang yang dilantik oleh Lembaga samaada untuk mengisi kekosongan biasa atau sebagai tambahan kepada para Pengarah yang sedia ada, akan memegang jawatan hanya sehingga mesyuarat agung tahunan yang akan datang dan akan selepas itu layak untuk pelantikan semula.

## 2. JAWATANKUASA LEMBAGA

Jawatankuasa Lembaga berikut telah ditubuhkan untuk membantu Lembaga menyempurnakan tugasnya dan melaksanakan tanggungjawab khusus. Semua Jawatankuasa yang disenaraikan di bawah tidak mempunyai kuasa eksekutif tetapi akan melapor kepada Lembaga bagi semua perkara yang dipertimbangkan dan mengemukakan cadangan untuk kelulusan Lembaga (kecuali kuasa Jawatankuasa Audit untuk melaporkan kepada Bursa Malaysia Sekuriti Berhad ("Bursa Sekuriti") dalam keadaan-keadaan yang diterangkan dalam Laporan Jawatankuasa Audit).

### 2.1 Jawatankuasa Audit

Jawatankuasa Audit mengkaji isu-isu polisi perakaunan dan pembentangan bagi pelaporan kewangan luar, memantau fungsi audit dalaman dan memastikan hubungan profesional dan objektif dikekalkan dengan juruaudit luar. Jawatankuasa Audit mempunyai akses penuh kepada juruaudit, yang sebaliknya, mempunyai akses pada sepanjang masa kepada Pengerusi Jawatankuasa Audit.

Bidang tugas Jawatankuasa Audit dinyatakan pada muka surat 57 hingga 61 Laporan Tahunan. Kegiatan Jawatankuasa Audit dalam tahun berakhir 31 Disember 2007 juga dibentangkan di bawah Laporan Jawatankuasa Audit.

### 2.2 Jawatankuasa Imbuan Pengarah

Jawatankuasa Imbuan bagi tahun kewangan berakhir 31 Disember 2007 adalah terdiri daripada ahli-ahli berikut:

Pengarah	Jawatan
Mohd Khasan Bin Ahmad	Pengerusi, Pengarah Bukan Eksekutif Bebas
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Pengarah Bukan Eksekutif Bebas
Tuan Haji Baharom Bin Abd Wahab	Pengarah Bukan Eksekutif Bebas
Fong Kok Yong	Pengarah Urusan
Fong Kiah Yeow	Pengarah Eksekutif

Jawatankuasa Imbuan bertanggungjawab mengkaji semula dan mengesyorkan kepada Lembaga rangkakerja imbuan untuk Pengarah-pengarah Eksekutif, termasuk cadangan-cadangan kepada Lembaga mengenai kesemua elemen imbuan, terma-terma pekerjaan, struktur ganjaran dan faedah sampingan untuk Pengarah Eksekutif.

Penentuan imbuan para Pengarah Bukan Eksekutif merupakan urusan Lembaga secara keseluruhannya.

# PENYATA TADBIR URUS KORPORAT (sambungan)

## 2.3 Jawatankuasa Penamaan

Bagi tahun kewangan bertakhir 31 Disember 2007, Jawatankuasa Penamaan terdiri daripada ahli-ahli yang berikut:

Pengarah	Jawatan
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Pengerusi, Pengarah Bukan Eksekutif Bebas
Tuan Haji Baharom Bin Abd Wahab	Pengarah Bukan Eksekutif Bebas
Mohd Khasan Bin Ahmad	Pengarah Bukan Eksekutif Bebas

Jawatankuasa Penamaan bertanggungjawab mengenal pasti dan mengesyorkan calon baru kepada Lembaga serta Jawatankuasa-jawatankuasa Lembaga. Selain daripada itu, Jawatankuasa Penamaan juga diberi kepercayaan menilai prestasi Pengarah-pengarah yang sedia ada setiap tahun, mempertimbangkan imbalan keahlian Lembaga dan membuat kajian keupayaan dan kemahiran teras yang diperlukan daripada Lembaga untuk menjalankan tugas-tugasnya dengan efektif.

## 3. LATIHAN PENGARAH

Sebagai elemen penting proses pelantikan Pengarah baru, Lembaga memastikan agar terdapat program orientasi dan pendidikan untuk ahli-ahli Lembaga yang baru. Ini disokong dengan lawatan ke lokasi-lokasi penting dan mesyuarat dengan eksekutif-eksekutif kanan penting yang lain. Pengarah juga mendapat latihan selanjutnya dari masa ke masa, khususnya mengenai undang-undang dan peraturan baru yang berkaitan serta risiko-risiko komersial yang sentiasa berubah.

Pada tahun kewangan berakhir 31 Disember 2007, semua Pengarah Syarikat telah menyertai seminar mengenai pindaan terbaru dalam Akta Syarikat 1965 yang dianjurkan oleh Malaysian Institute of Accountants. Di akhir seminar tersebut, para pengarah telah memperolehi pemahaman yang lebih baik mengenai pindaan terbaru dalam Akta Syarikat 1965.

Lembaga mengakui bahawa latihan yang berterusan adalah penting untuk membolehkan para Pengarah melaksanakan tugas mereka dengan berkesan. Lembaga juga akan menilai dan menentukan keperluan latihan para Pengarahnya secara berterusan.

## 4. IMBUHAN PENGARAH

Butir-butir jumlah imbuhan para Pengarah dalam tahun kewangan berakhir 31 Disember 2007 adalah seperti berikut:

	Pengarah Eksekutif RM'000	Pengarah Bukan Eksekutif RM'000	Jumlah RM'000
<b>Jumlah imbuhan</b>			
Yuran	-	96	96
Gaji & lain-lain emolument	2,226	-	2,226
Kos pencen - pelan caruman yang dinyatakan	267	-	267
	<b>2,493</b>	<b>96</b>	<b>2,589</b>

Bilangan Pengarah-pengarah yang imbuahnya termasuk dalam kumpulan berikut:

	<b>Pengarah Eksekutif</b>	<b>Pengarah Bukan Eksekutif</b>	<b>Jumlah</b>
<i>Kurang daripada RM50,000</i>	-	3	3
<i>RM200,001 hingga RM250,000</i>	2	-	2
<i>RM450,001 hingga RM500,000</i>	4	-	4

#### 5. KOMUNIKASI PEMEGANG SAHAM DAN HUBUNGAN PELABUR

Lembaga mengiktiraf keperluan bagi pemegang-pemegang saham untuk dimaklumkan mengenai kesemua perkara perniagaan yang secara materialnya melibatkan Syarikat. Oleh yang demikian, Syarikat berkomunikasi dengan pemegang-pemegang sahamnya, pelabur-pelabur institusi dan berpotensi melalui pelbagai pengumuman yang dibuat dalam tahun semasa. Tambahan lagi, Lembaga juga memastikan penyiaran keputusan-keputusan kewangan tepat pada masanya setiap suku tahun untuk menyediakan kepada pemegang-pemegang sahamnya gambaran keseluruhan prestasi kewangan dan operasi Kumpulan.

Mesyuarat Agung Tahunan ("AGM") Syarikat juga adalah satu cara komunikasi dengan pemegang-pemegang sahamnya. Pemegang-pemegang saham yang tidak dapat hadir dibenarkan untuk melantik proksi untuk menghadiri dan mengundi bagi pihak mereka. Ahli-ahli Lembaga serta juruaudit luar dan penasihat undang-undang Syarikat hadir untuk menjawab soalan yang dikemukakan dalam mesyuarat. Lembaga juga menggalakkan penyertaan pemegang saham melalui sesi soal dan jawab semasa AGM di mana para Pengarah bersedia menjawab pertanyaan mengenai prestasi kewangan dan operasi perniagaan Kumpulan.

Selain daripada yang di atas, Kumpulan mengelolakan sebuah laman web di <http://www.sinmah.com.my> di mana para pemegang saham dan masyarakat boleh melayarinya bagi mendapatkan maklumat mengenai Kumpulan.

#### 6. KEBERTANGGUNGJAWAPAN DAN AUDIT

##### 6.1 Pelaporan Kewangan

Bagi pelaporan kewangan melalui laporan suku tahunan kepada Bursa Sekuriti dan laporan tahunan kepada pemegang-pemegang saham, para Pengarah mempunyai tanggungjawab untuk membentangkan penilaian yang seimbang dan bermakna mengenai kedudukan kewangan dan prospek Kumpulan. Jawatankuasa Audit membantu Lembaga dalam meneliti maklumat bagi pendedahan untuk memastikan ketepatan dan kesempurnaan maklumat.

## **6.2 Kawalan Dalaman**

Lembaga bertanggungjawab memastikan bahawa sistem-sistem kawalan dalaman Kumpulan dilaksanakan dan keberkesannya dikaji secara kerap bagi memastikan kecukupan sistem-sistem ini.

Sebagai sebahagian daripada kawalan dalaman dan pengurusan risiko harian, sistem-sistem pelaporan dan proses serta prosedur standard berikut diamalkan dalam Kumpulan:-

- a) Pelaporan sebenar bulanan – menyediakan prestasi kewangan yang relevan, boleh dipercayai dan terkini berbanding belanjawan, prestasi kewangan bulan sebelumnya dan tahun terdahulu termasuk penerangan terperinci mengenai apa-apa perbezaan yang besar.
- b) Pembahagian kuasa yang jelas wujud di antara Pengurusan anak-anak syarikat dan Lembaga Pengarah Kumpulan. Sejauh mana yang mungkin, anak-anak syarikat diberi autonomi manakala beroperasi dalam persekitaran kawalan dalaman yang ditetapkan.

Kajian mengenai sistem kawalan dalaman dinyatakan di bawah Penyata Kawalan Dalaman pada muka surat 50 hingga 51 Laporan Tahunan.

## **6.3 Hubungan dengan Juruaudit**

Peranan Jawatankuasa Audit berhubung dengan juruaudit luar diterangkan dalam Laporan Jawatankuasa Audit pada muka surat 57 hingga 61 Laporan Tahunan. Syarikat sentiasa mengekalkan hubungan yang rapat dan telus dengan juruaudit-juruaudit luarnya dalam mendapatkan nasihat profesional dan memastikan pematuhan piawaian-piawaian perakaunan di Malaysia.

## **6.4 Hubungan dengan Pengurusan**

Lembaga mengekalkan hubungan yang rapat dan telus dengan semua kakitangan pengurusan. Lembaga dibekalkan dengan maklumat berhubung dengan pengurusan operasi Kumpulan melalui pelbagai laporan yang disediakan oleh kakitangan pengurusan. Ini akan membolehkan mereka memahami operasi dengan lebih baik dan membuat keputusan dalam memacu Syarikat ke arah perniagaan yang menguntungkan. Selain itu, para Pengarah Eksekutif juga sering mengadakan mesyuarat pengurusan bulanan dengan kakitangan pengurusan untuk membincang dan merancang operasi Syarikat.

## **7. PENYATAAN PEMATUHAN DENGAN KOD AMALAN TERBAIK**

Syarikat komited untuk mencapai standard tinggi tadbir urus korporat di semua peringkat Kumpulan dan tahap ketulusan dan standard etika tertinggi dalam kesemua urusan niaga perniagaannya. Lembaga menganggap bahawa sepanjang tahun kewangan ia telah mematuhi Prinsip Amalan Terbaik sebagaimana yang dikemukakan dalam Kod.



## 8. PENYATA TANGGUNGJAWAB PARA PENGARAH

Lembaga Pengarah dikehendaki di bawah Perenggan 15.27(a) Syarat-syarat Penyenaiaan untuk mengeluarkan pernyataan yang menjelaskan tanggungjawab mereka dalam penyediaan penyata kewangan tahunan. Para Pengarah dikehendaki oleh Akta Syarikat 1965 untuk menyediakan penyata kewangan bagi setiap tahun kewangan yang memberi gambaran sebenar dan saksama tentang hal ehwal Syarikat dan Kumpulan pada akhir tahun kewangan dan prestasi dan aliran tunai Syarikat dan Kumpulan bagi tahun kewangan. Dalam menyediakan penyata-penyata kewangan ini, para Pengarah telah:

- Menggunakan polisi perakaunan yang sesuai dan menggunakannya secara konsisten;
- Membuat keputusan dan anggaran yang munasabah dan berhemah; dan
- Memastikan semua piawai perakaunan yang diluluskan dan terpakai telah diikuti.

Para Pengarah mengambil langkah-langkah memastikan Syarikat dan Kumpulan menyimpan rekod perakaunan yang memaparkan dengan ketepatan yang munasabah mengenai kedudukan kewangan Syarikat dan Kumpulan dan yang membolehkan mereka memastikan bahawa penyata kewangan mematuhi Akta Syarikat 1965 dan piawai perakaunan yang diluluskan dan terpakai di Malaysia.

Para Pengarah juga bertanggungjawab mengambil langkah munasabah tertentu untuk melindungi aset-aset Kumpulan dan untuk mencegah dan mengesan penipuan dan lain-lain yang di luar aturan.

## 9. MAKLUMAT PEMATUHAN TAMBAHAN

### 9.1 Cadangan Korporat Dan Penggunaan Kutipan

Tiada sebarang pelaksanaan korporat telah dilakukan oleh Syarikat sepanjang tahun kewangan berakhir 31 Disember 2007.

### 9.2 Belian Balik Saham

Dalam tahun kewangan, tidak ada belian balik saham oleh Syarikat.

### 9.3 Opsyen, Waran atau Sekuriti Boleh Tukar

Tidak ada opsyen, waran atau sekuriti boleh tukar baru diterbitkan dalam tahun kewangan.

### 9.4 Program American Depository Receipt ("ADR") atau Global Depository Receipt ("GDR")

Syarikat tidak menaja apa-apa program ADR atau GDR dalam tahun kewangan.

### 9.5 Pengenaan Sanksi dan/atau Penalti

Tidak ada sanksi dan/atau penalti yang dikenakan ke atas Syarikat atau anak-anak syarikatnya, para pengarah atau pengurusan oleh mana-mana pihak berkuasa berkaitan bagi tahun kewangan berakhir 31 Disember 2007 kecuali kesalahan lalu lintas.

### **9.6 Yuran Bukan Audit**

*Jumlah yuran bukan audit yang telah dibayar atau perlu dibayar kepada juruaudit luar dan syarikat-syarikat gabungan mereka oleh Syarikat bagi tahun kewangan berakhir 31 Disember 2007 ialah RM28,000.*

### **9.7 Variasi dalam Keputusan**

*Tidak ada pelencongan sebanyak 10% atau lebih di antara keuntungan selepas cukai dan kepentingan minoriti yang dinyatakan dalam pengumuman mengenai keputusan tidak teraudit bagi tahun kewangan berakhir 31 Disember 2007 pada 27 Februari 2008 berbanding dengan penyata kewangan teraudit Kumpulan bagi tahun berakhir 31 Disember 2007.*

### **9.8 Jaminan Keuntungan**

*Syarikat tidak memberi apa-apa jaminan keuntungan dalam tahun kewangan.*

### **9.9 Kontrak Material**

*Tidak ada kontrak material yang ditandatangani oleh Syarikat dan/atau anak-anak syarikatnya yang melibatkan para Pengarah dan kepentingan pemegang-pemegang saham utama dalam tahun kewangan.*

### **9.10 Dasar Penilaian Semula Hartanah**

*Syarikat tidak menerima pakai apa-apa dasar penilaian semula ke atas hartanah dalam tahun kewangan.*

Earning Capacity - the Decisive Factor.



# STATEMENT ON INTERNAL CONTROL

## 1. INTRODUCTION

This Statement on Internal Control is made in accordance with paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad, which requires the Board of listed issuers to make a statement about the state of internal control of the listed issuer, as a group, in the annual report.

## 2. RESPONSIBILITY

The Board acknowledges its responsibility for the Group's system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. This system of internal control is meant to safeguard shareholders' investments and the Group's assets and it covers financial, operational and compliance as well as risk management.

Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement or loss.

## 3. THE GROUP'S SYSTEM OF INTERNAL CONTROL

The Board is of the opinion that the Group has an adequate and conducive control environment for it to accomplish business objectives. The Group's internal control system involves the Board and its various Board Committees with their specific terms of reference; an Executive Management that is accountable for all its actions; and also various monitoring and review procedures that are embedded in the Group's key processes. The Board also believes that these control processes are to be regularly reviewed to ensure that an effective system of internal control is maintained within the Group.

Some of the key elements of the Group's internal control system are described below:

- There is a formal organizational structure with clearly defined lines of authority, responsibility and accountability within the Group;
- Authority limits are established to provide a functional framework of authority in approving revenue and capital expenditures;
- Major investments, acquisitions and disposals are appraised prior to approval by the Board;
- A detailed budgetary process is in place where operating units prepare budgets for the ensuing year to be approved both at operating unit level and by the Executive Directors. The Board monitors the Group's performance by comparing its monthly results against the budget and performance of the preceding month, which requires all material variances to be identified, explained and reviewed by Executive Management on a timely basis;
- The Executive Directors review the monthly management accounts of all companies in the Group except for certain associated companies;
- The Executive Directors conduct monthly meetings with Management of all significant business units within the Group except for certain associated companies and foreign subsidiaries. From these monthly management meetings, the Executive Directors identify areas of significant risks, and if considered necessary, liaise with the Audit Committee to request the internal audit function to review the financial and operational risks of the business unit concerned;

- The Executive Directors and members of the Management team make regular visits to operating units to ensure that the operating units are properly managed by personnel entrusted with the responsibility;
- The Group outsourced its internal audit function to KPMG Business Advisory Sdn. Bhd., an independent advisory firm, since 2005. The scope of work performed by the internal audit function comprises performing reviews of business processes and carrying out internal audit projects to assess the adequacy and integrity of the internal control system, and highlighting to the Audit Committee significant areas for improvements as well as risks that may impact the business units concerned.
- During the year under review, KPMG Business Advisory Sdn. Bhd. carried out two (2) cycles of internal audit on the operations of the Group, covering the corporate affairs division and poultry processing and marketing division and focusing on the key processes therein.

The internal audit reports, including follow-up conducted by the internal audit function on the status of Management-agreed action plans to address the internal audit findings raised in preceding cycles of internal audit were reviewed and noted by the Audit Committee during its meetings held throughout the period under review. Improvement opportunities noted by the internal audit function during the financial year under review have been addressed, or are being addressed by Executive Management. The Board is of the view that there were no weaknesses in the internal control system that resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board does not regularly review the internal control system of certain of its associated companies as the Board does not have any direct control over their operations. Notwithstanding, the Group's interests are served through the receipt and review of management accounts of the associated companies and enquiries made thereon, as appropriate.

Based on the above, the Board is of the opinion that there exists within the Group an adequate system of internal control that would enable the management of risks towards the achievement of its corporate objectives.

#### 4. RISK MANAGEMENT

The Group established a formal risk management framework in 2003 which enabled the Executive Management and the Board to share a common model in the effective communication and evaluation of all principal risks and controls. The process involved Executive Management's identification of risks, assessment of risks and controls and formulation of appropriate action plans before these are escalated to the Board for review. The business risks identified were scored for likelihood of their occurrence and the magnitude of impact upon the Group. The internal audit function carried out its internal audit projects based on the Risk Profile of the Group which was updated in January 2007.

The risk management processes were reviewed at Board meetings. The review includes matters relating to significant risks which may impede business objectives.

#### 5. REVIEW BY THE EXTERNAL AUDITORS

The External Auditors have reviewed this Statement pursuant to Paragraph 15.24 of the Listing Requirements and in accordance with Recommended Practice Guide ("RPG") 5, Guidance for Auditors on the Review of Directors' Statement on Internal Control.

#### 6. CONCLUSION

The Board, in fulfilling its responsibilities, has ensured that the Group has a proper risk management and control framework that is necessary to achieve a sound system of internal control. The Board is of the view that this system of internal control, which is reviewed on an ongoing basis, is adequate for the Group to manage its risks and to achieve its business objectives.

# PENYATA KAWALAN DALAMAN

## 1. PENGENALAN

*Penyata Kawalan Dalaman ini dibuat menurut perenggan 15.27(b) Syarat-Syarat Penyenaian Bursa Malaysia Sekuriti Berhad, yang mewajibkan Lembaga penerbit tersenarai membuat penyata berkenaan tahap kawalan dalaman penerbit tersenarai, sebagai sebuah kumpulan, dalam laporan tahunan mereka.*

## 2. TANGGUNGJAWAB

*Lembaga mengakui tanggungjawabnya bagi sistem kawalan dalaman Kumpulan, yang meliputi penubuhan persekitaran kawalan dan rangka kerja yang sesuai serta mengkaji kecukupan dan integriti sistem kawalan dalaman. Sistem kawalan dalaman ini bertujuan melindungi pelaburan pemegang-pemegang saham dan aset-aset Kumpulan dan ia merangkumi kawalan-kawalan kewangan, operasi, pematuhan serta pengurusan risiko.*

*Disebabkan batasan yang sedia ada dalam mana-mana sistem kawalan dalaman, sistem ini direka untuk mengurus, dan bukannya menghapuskan, risiko kegagalan mencapai objektif korporat. Oleh yang demikian, ia hanya boleh menyediakan jaminan munasabah tetapi bukan jaminan mutlak terhadap salah nyata atau kerugian.*

## 3. SISTEM KAWALAN DALAMAN KUMPULAN

*Lembaga berpendapat bahawa Kumpulan mempunyai persekitaran kawalan yang mencukupi dan kondusif untuk melaksanakan objektif perniagaannya. Sistem kawalan dalaman Kumpulan melibatkan Lembaga dan beberapa Jawatankuasa Lembaganya dengan bidang kuasa khusus masing-masing; Pengurusan Eksekutif bertanggungjawab terhadap semua tindakannya; dan juga pelbagai prosedur pemantauan dan penyemakan semula prosedur-prosedur yang terdapat dalam proses-proses Kumpulan. Lembaga juga percaya bahawa proses-proses kawalan ini hendaklah disemak secara kerap untuk memastikan agar sistem kawalan dalaman yang berkesan dikekalkan dalam Kumpulan.*

*Beberapa elemen penting daripada sistem kawalan dalaman Kumpulan digambarkan di bawah:*

- *Terdapat struktur organisasi rasmi dengan pernyataan tentang kuasa, tanggungjawab dan kebertanggungjawaban yang jelas dalam Kumpulan;*
- *Had kuasa telah diwujudkan untuk menyediakan rangka kerja kuasa yang berfungsi dalam meluluskan perbelanjaan hasil dan modal;*
- *Pelaburan besar, pengambilalihan dan pelupusan telah ditaksir sebelum diluluskan oleh Lembaga;*
- *Proses bajet terperinci telah disediakan di mana unit operasi menyediakan bajet untuk tahun akan datang untuk diluluskan pada kedua-dua peringkat unit operasi dan oleh para Pengarah Eksekutif. Lembaga mengawal prestasi Kumpulan dengan membandingkan keputusan bulannya terhadap bajet dan terhadap keputusan bulan sebelumnya, di mana semua selisihan material mesti dikenal pasti, diterang dan dikaji oleh Pengurusan Eksekutif pada masa yang tepat;*
- *Pengarah Eksekutif mengkaji akaun pengurusan bulanan semua syarikat seluruh Kumpulan kecuali syarikat-syarikat bersekutu tertentu;*
- *Pengarah Eksekutif mengendalikan mesyuarat pengurusan bulanan dengan pengurusan semua unit perniagaan penting dalam Kumpulan kecuali syarikat-syarikat bersekutu tertentu dan anak-anak syarikat asing. Daripada mesyuarat pengurusan bulanan ini, Pengarah Eksekutif akan mengenal pasti bidang risiko-risiko penting, dan sekiranya dianggap perlu, akan berhubung dengan Jawatankuasa Audit untuk mengarahkan fungsi audit dalaman mengkaji risiko kewangan dan operasi perniagaan unit berkenaan;*
- *Para Pengarah Eksekutif dan kakitangan Pengurusan membuat lawatan kerap ke unit-unit operasi untuk memastikan bahawa unit-unit operasi telah diuruskan dengan baik oleh kakitangan yang diamanahkan dengan tanggungjawab tersebut;*



- *Kumpulan mendapat khidmat luar bagi fungsi audit dalaman daripada KPMG Business Advisory Sdn Bhd, sebuah firma penasihat bebas, sejak 2005. Skop kerja yang dijalankan oleh audit dalaman termasuk melaksanakan kajian proses-proses perniagaan dan menjalankan projek-projek audit dalaman untuk menilai kecukupan dan integriti sistem kawalan dalaman, dan membawa kepada perhatian Jawatankuasa Audit bidang-bidang yang perlu diperbaiki serta risiko-risiko penting yang memberi kesan ke atas unit-unit perniagaan berkenaan.*
- *Pada tahun yang ditinjau, KPMG Business Advisory Sdn Bhd telah menjalankan dua (2) pusingan audit dalaman ke atas operasi Kumpulan, yang meliputi bahagian hal ehwal korporat, bahagian pemprosesan ternakan ayam itik dan pemasaran dengan memfokus kepada proses-proses penting di bahagian-bahagian tersebut.*

*Laporan audit dalaman termasuk tindakan susulan yang dijalankan oleh fungsi audit dalaman berhubung status rancangan tindakan yang telah dipersetujui oleh Pengurusan untuk menangani penemuan audit dalaman yang dibuat dalam pusingan-pusingan audit dalaman yang lepas dan telah dikaji serta diberi perhatian oleh Jawatankuasa Audit dalam mesyuarat-mesyuaratnya yang diadakan pada sepanjang tempoh yang ditinjau. Peluang peningkatan diambil perhatian oleh fungsi audit dalaman dalam tahun kewangan yang ditinjau, atau akan ditangani oleh Pengurusan Eksekutif. Lembaga berpendapat bahawa tidak terdapat kelemahan dalam sistem kawalan dalaman yang telah mengakibatkan sebarang kerugian material, luar jangkaan atau ketidakpastian yang akan memerlukan pendedahan dalam laporan tahunan Kumpulan.*

*Lembaga tidak secara kerap mengkaji sistem kawalan dalaman syarikat-syarikat bersekutunya memandangkan Lembaga tidak mempunyai sebarang kawalan langsung ke atas operasi mereka. Namun demikian, kepentingan Kumpulan dipelihara melalui penerimaan dan penelitan terhadap akaun pengurusan dan pertanyaan yang dibuat ke atasnya, sebagaimana yang sesuai.*

*Berdasarkan yang di atas, Lembaga berpendapat bahawa wujudnya suatu sistem kawalan dalaman yang mencukupi dalam Kumpulan yang akan membolehkan pengurusan risiko ke arah pencapaian objektif korporatnya.*

#### 4. PENGURUSAN RISIKO

*Kumpulan telah mewujudkan rangka kerja pengurusan risiko rasmi pada 2003 yang membolehkan Pengurusan Eksekutif dan Lembaga berkongsi model yang sama demi komunikasi dan penilaian efektif semua risiko dan kawalan utama. Proses-proses melibatkan pengenalpastian risiko-risiko oleh Pengurusan Eksekutif, penaksiran risiko dan kawalan serta perumusan rancangan tindakan yang sesuai sebelum perkara-perkara ini dibawa kepada Lembaga untuk kajian. Risiko-risiko perniagaan yang dikenal pasti diberi skor kebarangkalian mereka berlaku dan tahap impak ke atas Kumpulan. Fungsi audit dalaman menjalankan projek-projek audit dalaman ini berdasarkan Profil Risiko Kumpulan yang telah dikemaskinikan dalam Januari 2007.*

*Proses-proses pengurusan risiko dikaji dalam mesyuarat-mesyuarat Lembaga. Kajian termasuk perkara-perkara yang berkaitan dengan risiko-risiko penting yang mungkin menghalang objektif perniagaan.*

#### 5. KAJIAN OLEH JURUAUDIT LUAR

*Juruaudit Luar telah mengkaji Penyata ini menurut Perenggan 15.24 Syarat-Syarat Penyenaaraan dan selaras dengan Panduan Amalan Disyorkan ("RPG") 5, Panduan bagi Juruaudit berhubung Kajian Penyata Kawalan Dalaman Pengarah.*

#### 6. KESIMPULAN

*Lembaga dalam memenuhi tanggungjawabnya, telah memastikan bahawa Kumpulan mempunyai rangka kerja pengurusan dan kawalan risiko yang teratur yang diperlukan untuk mencapai sistem kawalan dalaman yang kukuh. Lembaga berpendapat bahawa sistem kawalan dalaman ini, yang disemak secara berterusan, adalah mencukupi bagi Kumpulan untuk mengurus risiko-risikonya bagi mencapai objektif perniagaannya.*

# AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the following Audit Committee Report and its activities for the financial year ended 31 December 2007.

## 1. MEMBERS OF THE COMMITTEE

The Audit Committee comprises the following members:-

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin  
*Chairman of the Committee and Independent Non-Executive Director*

Tuan Haji Baharom Bin Abd Wahab  
*Independent Non-Executive Director*

Encik Mohd Khasan Bin Ahmad  
*Independent Non-Executive Director*

Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong  
*Executive Director*  
(Resigned on 28 November 2007)

## 2. TERMS OF REFERENCE

### 2.1. Composition

- (a) The Company shall appoint an Audit Committee from amongst its directors and shall consist of not less than three (3) in numbers. All members of the Audit Committee must be non-executive directors, with a majority of them being independent directors.
- (b) No alternate director is appointed as a member of the Audit Committee.
- (c) In the event of any vacancy in the Audit Committee resulting in the number of members reduced to below three (3), the Board shall within three (3) months appoint a new member to fill the vacancy.

### 2.2. Membership

At least one (1) member of the Audit Committee :-

- (a) must be a member of the Malaysian Institute of Accountants; or
- (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and :-
  - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
  - (ii) he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- (c) must have a degree/ master/ doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
- (d) must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
- (e) possess such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

### **2.3. Chairman**

The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director.

### **2.4. Quorum**

The quorum for a meeting of an Audit Committee shall consist of a majority of members present, who must be independent directors.

### **2.5. Meeting**

- (a) the Audit Committee shall have at least four (4) meetings in a financial year and such additional meetings as the Chairman shall decide in order to fulfill its duties;
- (b) the Audit Committee meeting shall be chaired by the Chairman; or in his absence, another member who is an independent director nominated by the Audit Committee;
- (c) the Company Secretary or any person appointed by the Audit Committee shall act as Secretary of the Audit Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members not less than seven (7) days prior to each meeting;
- (d) the Secretary of the Audit Committee shall be entrusted to record all proceedings of meetings;
- (e) the Audit Committee may invite any Board member or any member of the senior management or any employees within the Company or the Group to attend any particular meeting;
- (f) the Audit Committee shall report to the full Board from time to time, its recommendation for consideration and implementation and the final decision shall be the responsibility of the Board; and
- (g) the Audit Committee shall have at least two (2) meetings in a financial year with its external auditors and its internal auditors without the presence of the other directors and employees of the Company.

### **2.6. Voting and Proceeding of Meeting**

- (a) The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote. Provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.
- (b) Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee duly called and constituted.

# AUDIT COMMITTEE REPORT (cont'd)

## **2.7. Minutes**

- (a) The Audit Committee shall cause minutes to be duly recorded and entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (b) Minutes of the Audit Committee meetings will be made available to all Board members. A summary of significant matters of each meeting of the Audit Committee and resolutions (if any) will be reported to the Board by the Chairman of the Audit Committee.
- (c) The books containing the minutes of proceedings of any meeting of the Audit Committee shall be kept by the Company at the registered office of the Company, and shall be opened for the inspection of any member of the Audit Committee and the Board.

## **2.8. Authority**

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company :-

- (a) have the 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, records, properties and personnel of the Company and of the Group;
- (d) have direct communication channels with the external auditors and internal auditors;
- (e) have the right to obtain independent professional or other advice and to invite any person with relevant experience and expertise to attend the Audit Committee meeting whenever deemed necessary; and
- (f) have the right to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

## **2.9. Functions and Responsibilities**

The functions and responsibilities of the Audit Committee shall include the following :-

- (a) to consider the appointment, resignation and dismissal of external auditors and make appropriate recommendations to the Board (including the audit fees);
- (b) to review with the external auditors of the Company :-
  - (i) the audit plan;
  - (ii) the audit report;
  - (iii) their management letter and management's response; and
  - (iv) the assistance given by the employees of the Company and the Group to the external auditors.
- (c) to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary);

- (d) to review and consider the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (e) to review the internal audit programme, processes, the reports prepared by the internal audit department and to ensure that appropriate action is taken on the recommendations of the internal audit function;
- (f) to review any appraisal or assessment of the performance of members of the internal audit function;
- (g) to approve any appointment or termination of senior members of the internal audit function;
- (h) to be informed of any resignation of internal audit staff and provide an avenue for resigning staff to explain or submit the reasons for resignation;
- (i) to review the quarterly financial results and annual audited financial statements of the Group before recommending the same for the Board's approval, focusing particularly on :-
  - (i) compliance with accounting standard and any other legal requirements;
  - (ii) any changes in or implementation of accounting policies and practices;
  - (iii) significant and unusual events and adjustments arising from the audit; and
  - (iv) the going concern assumption.
- (j) to review any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that may raise questions on management integrity;
- (k) to consider the reports, major findings and management's responses thereto on any internal investigations carried out by internal audit function;
- (l) to verify, on an annual basis, the allocation of options under a share scheme for employees to ensure compliance with the allocation criteria determined by the Company's share option committee and in accordance with the By-Laws of the relevant option scheme;
- (m) to promptly report to Bursa Malaysia Securities Berhad of a matter reported by the Audit Committee to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Listing Requirements; and
- (n) such other functions or responsibilities as may be agreed to by the Audit Committee and the Board.

The reports of the Audit Committee, the external and internal auditors shall be tabled to the Board for discussion.

#### **2.10. Review of the Audit Committee**

The Board of the Company shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

# AUDIT COMMITTEE REPORT (cont'd)

## 3. MEETINGS

There were five (5) meetings of the Audit Committee held during the financial year ended 31 December 2007 to which the attendance of each Audit Committee member is as follows:-

Names of Audit Committee Members	No. of Meetings Attended
1. Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	5/5
2. Tuan Haji Baharom Bin Abd Wahab	5/5
3. Encik Mohd Khasan Bin Ahmad	5/5
4. Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong (Resigned on 28 November 2007)	5/5

## 4. ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee carried out its duties in accordance with its Terms of Reference. During the financial year, the activities undertaken by the Committee were as follows :-

- a) Reviewed the quarterly financial and operational reports of the Group for each quarter prior to the Board of Directors' approval.
- b) Reviewed the external auditors' reports in relation to audit and accounting issues arising from the audit, and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board.
- c) Reviewed the audit plan of the external auditors.
- d) Reviewed the inter-company transactions and any related/ interested party transactions that may arise within the Company and the Group to ensure compliance with Malaysian Accounting Standards Board, Bursa Securities Listing Requirements and other relevant statutory authorities and to ensure that such transactions are :-
  - undertaken in the ordinary course of business;
  - carried out at arm's length and based on normal commercial terms consistent with the Group's usual business practices and policies;
  - on terms not more favourable to the related parties than those generally available to the public; and
  - not detrimental to the interests of the minority shareholders of the Company.
- e) Reviewed the annual audited financial statements of the Group and the Company and made appropriate recommendations relating thereto.
- f) Reviewed the internal audit report prepared by KPMG Business Advisory Sdn. Bhd., and the follow up on management's implementation of the recommended actions.

## 5. INTERNAL AUDIT FUNCTION

The Committee is aware that this internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal controls. The Company has outsourced its internal audit function to KPMG Business Advisory Sdn. Bhd. to run the internal audit function for the Group. KPMG Business Advisory Sdn. Bhd. has acted as internal auditors since the financial year ended 31 December 2005.

The principal role of the internal audit function is to review the effectiveness of the system of internal controls and this is performed with impartiality, proficiency and due professional care.

A summary of internal audit activities performed by KPMG Business Advisory Sdn. Bhd. during the financial year under review is stated in the Statement on Internal Control on page 49 of the Annual Report.



# LAPORAN JAWATANKUASA AUDIT

Lembaga Pengarah dengan sukacitanya menyampaikan Laporan Jawatankuasa Audit berikut dan kegiatannya bagi tahun kewangan berakhir 31 Disember 2007.

## 1. AHLI JAWATANKUASA

Ahli-ahli Jawatankuasa Audit terdiri daripada ahli-ahli berikut:-

**Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin**

Pengerusi Jawatankuasa dan Pengarah Bukan Eksekutif Bebas

**Tuan Haji Baharom Bin Abd Wahab**

Pengarah Bukan Eksekutif Bebas

**Encik Mohd Khasan Bin Ahmad**

Pengarah Bukan Eksekutif Bebas

**Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong**

Pengarah Eksekutif

(Meletak jawatan pada 28 November 2007)

## 2. BIDANG TUGAS

### 2.1 Komposisi

- (a) Syarikat akan melantik Jawatankuasa Audit daripada kalangan para pengarahnya dan akan terdiri tidak kurang daripada tiga (3) orang ahli. Semua ahli Jawatankuasa Audit mesti pengarah bukan eksekutif, dengan majoriti merupakan pengarah bebas.
- (b) Tidak ada pengarah silih ganti boleh dilantik sebagai ahli Jawatankuasa Audit
- (c) Sekiranya mana-mana kekosongan dalam Jawatankuasa Audit mengakibatkan bilangan ahli kurang daripada tiga (3) orang, Lembaga hendaklah mengisi kekosongan dalam masa tiga (3) bulan.

### 2.2 Keanggotaan

Sekurang-kurangnya seorang (1) ahli Jawatankuasa Audit:-

- (a) hendaklah merupakan ahli Institut Akauntan Malaysia; atau
- (b) sekiranya beliau bukan merupakan ahli Institut Akauntan Malaysia, beliau hendaklah mempunyai sekurang-kurangnya tiga (3) tahun pengalaman kerja dan:
  - (i) beliau hendaklah lulus peperiksaan yang ditetapkan dalam Bahagian 1 Jadual Pertama Akta Akauntan 1967; atau
  - (ii) beliau hendaklah ahli salah sebuah (1) persatuan akauntan yang dinyatakan dalam Bahagian II Jadual I Akta Akauntan 1967, atau
- (c) mesti mempunyai ijazah sarjana muda/sarjana/kedoktoran dalam perakaunan atau kewangan dan sekurang-kurangnya tiga (3) tahun pengalaman pasca kelayakan dalam perakaunan atau kewangan; atau
- (d) mesti mempunyai sekurang-kurangnya tujuh (7) tahun pengalaman sebagai ketua pegawai kewangan sesebuah syarikat atau mempunyai fungsi utama yang bertanggungjawab terhadap pengurusan perihal kewangan sesebuah syarikat; atau
- (e) memenuhi syarat-syarat tertentu yang lain sebagaimana ditetapkan oleh Bursa Malaysia Sekuriti Berhad.

## **2.3 Pengerusi**

*Para ahli Jawatankuasa Audit akan melantik seorang Pengerusi di kalangan mereka yang merupakan seorang pengarah bebas.*

## **2.4 Korum**

*Korum mesyuarat Jawatankuasa Audit hendaklah terdiri daripada majoriti ahli-ahli yang hadir yang hendaklah merupakan pengarah-pengarah bebas.*

## **2.5 Mesyuarat**

- (a) Jawatankuasa Audit hendaklah bermesyuarat sekurang-kurangnya empat (4) kali dalam setiap tahun kewangan dan mengadakan mesyuarat tambahan tertentu sebagaimana yang ditentukan oleh Pengerusi dalam melaksanakan tugas-tugasnya.*
- (b) mesyuarat Jawatankuasa Audit mesti dipengerusikan oleh Pengerusi; atau semasa ketidakhadirannya, oleh seorang ahli yang merupakan pengarah bebas yang dicalonkan oleh Jawatankuasa Audit.*
- (c) Setiausaha Syarikat atau mana-mana orang yang dilantik oleh Jawatankuasa Audit hendaklah bertindak sebagai Setiausaha Jawatankuasa Audit dan akan bertanggungjawab, berunding dengan Pengerusi, untuk menyediakan agenda dan lain-lain dokumentasi penjelasan sokongan bagi edaran kepada ahli-ahli Jawatankuasa tujuh (7) hari sebelum setiap mesyuarat;*
- (d) Setiausaha juga akan bertanggungjawab bagi menyediakan minit-minit mesyuarat Jawatankuasa Audit;*
- (e) Jawatankuasa Audit boleh menjemput mana-mana ahli Lembaga atau anggota pengurus kanan atau kakitangan dalam Syarikat atau Kumpulan untuk menghadiri mesyuarat tertentu;*
- (f) Jawatankuasa Audit akan melaporkan kepada semua ahli Lembaga dari masa ke semasa, cadangannya untuk pertimbangan dan pelaksanaan dan keputusan muktamad terletak dalam tanggungjawab Lembaga; dan*
- (g) Jawatankuasa Audit hendaklah mengadakan sekurang-kurangnya dua (2) mesyuarat dalam tahun kewangan dengan juruaudit luar dan juruaudit dalaman tanpa dihadiri lain-lain pengarah dan kakitangan Syarikat.*

## **2.6 Pengundian dan Prosiding Mesyuarat**

- (a) Keputusan Jawatankuasa Audit akan ditentukan oleh undi majoriti. Dalam keadaan di mana kesamaan undi timbul, Pengerusi mempunyai undi kedua atau undi pemutus. Jika dua (2) orang ahli membentuk korum, Pengerusi mesyuarat hadir dalam korum tersebut, atau hanya dua (2) orang Pengarah kompeten untuk mengundi atas sesuatu isu, Pengerusi tidak mempunyai undi pemutus.*
- (b) Resolusi Edaran yang ditandatangani oleh semua ahli adalah sah dan berkuatkuasa sama seperti ianya telah diluluskan dalam mesyuarat Jawatankuasa Audit yang dipanggil dan diadakan.*

## **2.7 Minit**

- (a) Jawatankuasa Audit akan merekod dan membukukan minit-minit mesyuarat untuk semua resolusi dan prosiding mesyuarat Jawatankuasa Audit. Minit-minit ini mesti ditandatangani oleh Pengerusi mesyuarat di mana prosiding tersebut dijalankan atau oleh Pengerusi mesyuarat yang berikutnya.*

- (b) *Minit-minit Jawatankuasa Audit boleh didapatkan oleh semua ahli Lembaga. Ringkasan perkara-perkara penting setiap mesyuarat Jawatankuasa Audit dan resolusi-resolusi (jika ada) akan dilaporkan kepada Lembaga oleh Pengerusi Jawatankuasa Audit.*
- (c) *Buku-buku yang mengandungi minit-minit prosiding mesyuarat Jawatankuasa Audit akan disimpan oleh Syarikat di pejabat berdaftar Syarikat, dan akan dibuka untuk pemeriksaan oleh mana-mana ahli Jawatankuasa Audit dan Lembaga.*

## **2.8 Kuasa**

*Jawatankuasa Audit hendaklah, selaras dengan prosedur yang akan ditentukan oleh Lembaga Pengarah dan atas kos Syarikat:-*

- (a) *mempunyai kuasa untuk menyiasat apa-apa perkara dalam bidang-bidang tugasnya;*
- (b) *mempunyai sumber yang diperlukan untuk melaksanakan tugas-tugasnya;*
- (c) *mempunyai akses penuh dan tidak terbatas kepada mana-mana maklumat, rekod, harta dan kakitangan Syarikat dan Kumpulan;*
- (d) *mempunyai saluran komunikasi langsung dengan juruaudit luar dan juruaudit dalaman;*
- (e) *berhak mendapatkan nasihat profesional bebas atau lain-lain nasihat dan menjemput mana-mana orang perseorangan yang mempunyai pengalaman dan kepakaran yang relevan untuk menghadiri mesyuarat Jawatankuasa Audit apabila dianggap perlu; dan*
- (f) *berhak mengadakan mesyuarat dengan juruaudit luar, juruaudit dalaman atau kedua-duanya, tanpa kehadiran lain-lain pengarah dan kakitangan Syarikat, apabila dianggap perlu.*

## **2.9 Fungsi dan Tanggungjawab**

*Fungsi dan tanggungjawab Jawatankuasa Audit adalah seperti berikut:-*

- (a) *mempertimbangkan pelantikan, peletakan jawatan dan pemecatan juruaudit luar dan membuat cadangan yang sewajarnya kepada Lembaga (termasuk yuran juruaudit);*
- (b) *mengkaji dengan juruaudit luar Syarikat:*
  - (i) *pelan audit;*
  - (ii) *laporan audit;*
  - (iii) *surat pengurusan dan respons pengurusan; dan*
  - (iv) *bantuan yang diberikan oleh kakitangan Syarikat dan Kumpulan kepada juruaudit luar.*
- (c) *membincangkan masalah-masalah dan keraguan yang timbul daripada audit interim dan akhir, dan sebarang perkara yang ingin dibincangkan oleh juruaudit luar (tanpa kehadiran pengurusan, di mana perlu);*
- (d) *mengkaji dan mempertimbangkan kecukupan skop, fungsi, kecekapan dan sumber bagi fungsi audit dalaman dan bahawa ia mempunyai kuasa yang sewajarnya untuk menjalankan kerjanya;*
- (e) *mengkaji program audit dalaman, proses-proses, laporan-laporan yang disediakan oleh jabatan audit dalaman dan memastikan tindakan yang sewajarnya diambil atas pengesyoran fungsi audit dalaman;*

# LAPORAN JAWATANKUASA AUDIT (sambungan)

- (f) mengkaji sebarang penaksiran atau penilaian prestasi anggota-anggota audit dalaman;
- (g) meluluskan pelantikan atau pemecatan anggota-anggota kanan audit dalaman;
- (h) dimaklumkan tentang sebarang peletakan jawatan kakitangan audit dalaman dan menyediakan saluran kepada kakitangan yang ingin meletak jawatan menerangkan atau menyerahkan sebab-sebab peletakan jawatan mereka;
- (i) mengkaji keputusan-keputusan suku tahunan dan penyata kewangan tahunan teraudit bagi Kumpulan sebelum mengesyorkan yang sama kepada Lembaga untuk kelulusan, dengan berfokus secara khusus kepada:
  - (i) pematuhan dengan piawaian-piawaian perakaunan dan lain-lain syarat undang-undang;
  - (ii) sebarang perubahan atau pelaksanaan mana-mana polisi dan amalan perakaunan penting;
  - (iii) peristiwa-peristiwa penting dan luar biasa dan pelarasan yang timbul dalam audit; dan
  - (iv) andaian perniagaan berterusan.
- (j) mengkaji sebarang urusan pihak berkaitan dan keadaan percanggahan kepentingan yang mungkin timbul dalam Syarikat atau Kumpulan termasuk apa-apa urusan niaga, prosedur atau perjalanan tindakan yang menimbulkan soalan-soalan ketulusan pengurusan;
- (k) mempertimbangkan laporan, penemuan utama dan respons pengurusan terhadapnya atas sebarang penyiasatan dalaman yang dijalankan oleh fungsi audit dalaman;
- (l) mengesahkan, pada setiap tahun, peruntukan opsyen di bawah skim saham untuk kakitangan untuk memastikan pematuhan kriteria peruntukan yang ditetapkan oleh Jawatankuasa opsyen saham Syarikat dan pematuhan undang-undang kecil yang berkuat kuasa ke atas skim opsyen;
- (m) melaporkan pada kadar segera kepada Bursa Malaysia Sekuriti Berhad perkara yang dilaporkan oleh Jawatankuasa Audit kepada Lembaga Pengarah tetapi masih belum diselesaikan secara memuaskan dan mengakibatkan pelanggaran Syarat-Syarat Penyenaraian; dan
- (n) lain-lain fungsi atau tanggungjawab yang dipersetujui oleh Jawatankuasa Audit dan Lembaga.

Laporan-laporan Jawatankuasa Audit, juruaudit luar dan dalaman perlu dikemukakan untuk perbincangan Lembaga.

## **2.10 Penilaian Jawatankuasa Audit**

Lembaga Pengarah Syarikat akan menilai tempoh perjawatan dan prestasi Jawatankuasa Audit dan setiap ahli sekurang-kurangnya sekali setiap tiga (3) tahun untuk menentukan sama ada Jawatankuasa Audit dan ahli-ahlinya telah menjalankan tugas masing-masing mengikut bidang tugas mereka.

## **3. MESYUARAT**

Terdapat lima (5) mesyuarat Jawatankuasa Audit dalam tahun kewangan berakhir 31 Disember 2007 yang mana kehadiran setiap Ahli Jawatankuasa adalah seperti berikut:

<b>Nama Ahli Jawatankuasa Audit</b>	<b>Bilangan Mesyuarat Yang Dihadiri</b>
1. Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	5/5
2. Tuan Haji Baharom Bin Abd Wahab	5/5
3. Encik Mohd Khasan Bin Ahmad	5/5
4. Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong (letak jawatan pada 28 November 2007)	5/5

#### 4. AKTIVITI-AKTIVITI JAWATANKUASA AUDIT

Jawatankuasa Audit melaksanakan tugasnya menurut Bidang Kuasanya. Dalam tahun kewangan, kegiatan-kegiatan yang dijalankan oleh Jawatankuasa termasuk:

- (a) Mengkaji laporan suku tahunan kewangan dan operasi Kumpulan bagi setiap suku tahun sebelum kelulusan Lembaga Pengarah.
- (b) Mengkaji laporan juruaudit luar berhubung dengan audit dan isu-isu perakaunan yang timbul daripada audit, dan perkembangan baru mengenai piawaian-piawaian perakaunan yang diterbitkan oleh Lembaga Piawaian Perakaunan Malaysia.
- (c) Mengkaji rancangan audit juruaudit luar.
- (d) Mengkaji urus niaga antara syarikat dan mana-mana urus niaga pihak berkaitan/berkepentingan yang mungkin timbul dalam Syarikat dan Kumpulan untuk memastikan pematuhan dengan Lembaga Piawaian Perakaunan Malaysia, Keperluan Penyenaraian Bursa Malaysia dan lain-lain pihak berkuasa berkanun yang relevan dan untuk memastikan bahawa urus niaga sedemikian adalah:
  - Dilaksanakan dalam perjalanan biasa perniagaan;
  - Dijalankan atas terma-terma komersil biasa dan berdasarkan terma-terma komersil yang seimbang dengan amalan dan polisi perniagaan biasa Kumpulan;
  - Atas terma-terma yang tidak memihak kepada pihak-pihak berkaitan berbanding dengan terma-terma yang tersedia kepada orang awam; dan
  - Tidak mendatangkan kemudaratan kepada kepentingan pemegang-pemegang saham minoriti Syarikat.
- (e) Mengkaji penyata kewangan tahunan teraudit Kumpulan dan Syarikat dan membuat pengesyoran sewajarnya yang berkaitan mengenainya.
- (f) Mengkaji laporan audit dalaman yang telah disediakan oleh KPMG Business Advisory Sdn Bhd dan susulan ke atas pelaksanaan pihak pengurusan terhadap tindakan-tindakan yang disyorkan.

#### 5. FUNGSI AUDIT DALAMAN

Jawatankuasa menyedari bahawa fungsi audit dalaman adalah penting untuk membantu mendapatkan jaminan yang ia perlukan berhubung dengan keberkesanan sistem kawalan dalaman. Fungsi audit dalaman Syarikat diperolehi daripada sumber luar di mana ia dikendalikan oleh KPMG Business Advisory Sdn Bhd yang berperanan sebagai juruaudit dalaman Kumpulan. KPMG Business Advisory Sdn Bhd telah bertindak sebagai juruaudit dalaman sejak tahun kewangan berakhir 31 Disember 2005.

Peranan utama fungsi audit dalaman adalah untuk mengkaji keberkesanan sistem kawalan dalaman dan ini dilaksanakan dengan adil, cekap dan dengan profesionalisme yang berhemat.

Ringkasan aktiviti-aktiviti audit dalaman dilaksanakan oleh KPMG Business Advisory Sdn Bhd dalam tahun kewangan ini dinyatakan dalam Penyata Kawalan Dalaman pada muka surat 51 Laporan Tahunan.

## **FINANCIAL STATEMENTS**

63	DIRECTORS' REPORT
67	STATEMENT BY DIRECTORS
67	STATUTORY DECLARATION
68	REPORT OF THE AUDITORS
69	INCOME STATEMENTS
70	BALANCE SHEETS
71	STATEMENTS OF CHANGES IN EQUITY
73	CASH FLOW STATEMENTS
75	NOTES TO THE FINANCIAL STATEMENTS



## DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

### RESULTS

	<b>Group RM'000</b>	<b>Company RM'000</b>
(Loss)/profit for the year	<u>(1,812)</u>	<u>2,730</u>
Attributable to:		
Equity holders of the Company	(2,626)	2,730
Minority interests	814	-
	<u>(1,812)</u>	<u>2,730</u>

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

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

### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend to be paid in respect of the current financial year.

### DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin  
 Fong Kok Yong  
 Fong Kiah Yeow  
 Fong Ngan Teng  
 Fong Choon Kai  
 Ng Cheu Kuan  
 Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong  
 Baharom Bin Abd Wahab  
 Mohd. Khasan Bin Ahmad

# DIRECTORS' REPORT (cont'd)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate other than certain directors' interests in warrants which carried the right to subscribe for new ordinary shares of RM1 each in the Company at an exercise price of RM5.95 per share.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 37 to the financial statements.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and warrants in the Company and shares in its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	1.1.2007	Acquired	Sold	31.12.2007
<b>Holding company</b>				
<i>Direct interest</i>				
Fong Kok Yong	85,000	-	-	85,000
Fong Kiah Yeow	85,000	-	-	85,000
Fong Ngan Teng	85,000	-	-	85,000
Fong Choon Kai	85,000	-	-	85,000
<b>The Company</b>				
<i>Direct interest</i>				
Baharom Bin Abd Wahab	4,500	-	-	4,500
<i>Indirect interest</i>				
Fong Kok Yong	20,348,705	-	-	20,348,705
Fong Kiah Yeow	20,348,705	-	-	20,348,705
Fong Ngan Teng	20,348,705	-	-	20,348,705
Fong Choon Kai	20,348,705	-	-	20,348,705
<b>Number of Warrants</b>				
	1.1.2007	Acquired	Expired	31.12.2007
<b>The Company</b>				
<i>Direct interest</i>				
Baharom Bin Abd Wahab	4,000	-	(4,000)	-
<i>Indirect interest</i>				
Fong Kok Yong	7,482	-	(7,482)	-
Fong Kiah Yeow	7,482	-	(7,482)	-
Fong Ngan Teng	7,482	-	(7,482)	-
Fong Choon Kai	7,482	-	(7,482)	-

#### DIRECTORS' INTERESTS (CONT'D)

By virtue of their interests in the holding company, namely F.C.H. Holdings Sdn. Bhd. ("FCH"), Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng and Fong Choon Kai are deemed interested in the shares of all the subsidiaries of the Company to the extent that FCH has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or in its related corporations during the financial year.

#### WARRANTS

On 21 October 1997, the Company issued 14,799,260 warrants in conjunction with an issue of RM50 million Redeemable Guaranteed Bonds which have since been redeemed. Each warrant carried the right to subscribe for one new ordinary share of RM1.00 each in the Company at an exercise price of RM5.95 per share within a period of four and a half years from the date of issue. The exercise price of the warrants was subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll. The subscription period of the said warrants, which was extended by a further five and a half years pursuant to a Supplemental Deed Poll dated 16 August 1999, expired on 17 September 2007. None of the warrants were exercised during the subscription period.

#### OTHER STATUTORY INFORMATION

- (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 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 value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render :
- (i) the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances 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) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, except as disclosed in Note 42 to the financial statements, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

# DIRECTORS' REPORT (cont'd)

## OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the directors:

- (i) 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 or of the Company to meet its obligations when they fall due; and
- (ii) 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 the operations of the Group or of the Company for the financial year in which this report is made.

## CHANGES IN COMPOSITION OF THE GROUP

During the financial year, the Group acquired a 100% equity interest in Dee Huat Farming Trading Sdn. Bhd. for a cash consideration of RM805,000 and disposed of its investments in two associates, representing a 20% equity interest in Farm's Goodness Sdn. Bhd. and a 25% equity interest in Sinmah Poultry Processing (S) Pte. Ltd. for a cash consideration of RM186,720 and SGD1,550,000 (equivalent to RM3,441,607) respectively as disclosed in Notes 18 and 19 to the financial statements.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2008.

**FONG KOK YONG**

**FONG KIAH YEOW**

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **FONG KOK YONG** and **FONG KIAH YEOW**, being two of the directors of **FARM'S BEST BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 69 to 119 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2008.

**FONG KOK YONG**

**FONG KIAH YEOW**

## STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **FONG KOK YONG**, being the director primarily responsible for the financial management of **FARM'S BEST BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 69 to 119 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.

Subscribed and solemnly declared by )  
 the abovenamed, **FONG KOK YONG**, )  
 at Melaka in the State of Melaka )  
 on 28 April 2008 ) **FONG KOK YONG**

Before me,

**A. SUPRAMANIAM P/S**  
 Commissioner for Oaths

# REPORT OF THE AUDITORS

TO THE MEMBERS OF FARM'S BEST BERHAD

We have audited the accompanying financial statements set out on pages 69 to 119. 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 to any other person for the contents of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those 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 presentation of the financial statements. 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 the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of :
  - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 18 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries 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 required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which discloses that the financial statements have been prepared assuming that the Group and the Company will continue as going concerns. As at 31 December 2007, current liabilities exceeded current assets by approximately RM42.5 million for the Group and approximately RM12.4 million for the Company. The ability of the Group and of the Company to continue as going concerns is dependent upon the successful outcome of certain strategic measures initiated by the directors, which in their opinion, will result in the Group and the Company being able to achieve future profitable operations and generate sufficient cashflows from such operations to enable the Group and the Company to meet their liabilities as and when they fall due. The financial statements of the Group and of the Company do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

**ERNST & YOUNG**  
AF: 0039  
Chartered Accountants

**WUN MOW SANG**  
1821/12/08(J)  
Partner

Melaka, Malaysia  
Date : 28 April 2008



# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Continuing Operations</b>					
Revenue	6	382,312	310,261	3,810	990
Cost of sales	7	(336,284)	(257,359)	-	-
Gross profit		46,028	52,902	3,810	990
Other income	8	1,617	4,231	746	1,290
Selling, marketing, administrative and general expenses		(42,635)	(45,832)	(595)	(1,226)
Operating profit		5,010	11,301	3,961	1,054
Finance costs	9	(10,259)	(10,816)	(1,231)	(1,467)
(Loss)/profit before tax	10	(5,249)	485	2,730	(413)
Tax income	13	2,872	182	-	-
(Loss)/profit after tax		(2,377)	667	2,730	(413)
Share of profits/(losses) of associates		565	(389)	-	-
(Loss)/profit for the year		(1,812)	278	2,730	(413)
<b>Attributable to:</b>					
Equity holders of the Company		(2,626)	1,004	2,730	(413)
Minority interests		814	(726)	-	-
		(1,812)	278	2,730	(413)
<b>(Loss)/earnings per share attributable to equity holders of the Company:</b>					
Basic (sen)	14	(4.7)	1.8		
Diluted (sen)	14	(4.7)	1.8		

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
			(Restated)		
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	143,449	144,903	697	830
Investment property	16	229	235	-	-
Prepaid land lease payments	17	3,271	3,165	-	-
Investments in subsidiaries	18	-	-	75,661	75,661
Investments in associates	19	5,064	8,980	-	-
Other investments	20	62	62	-	-
Goodwill	21	11,538	13,738	-	-
Deferred tax assets	22	3,516	-	-	-
Land held for property development	23	6,770	9,322	-	-
		<u>173,899</u>	<u>180,405</u>	<u>76,358</u>	<u>76,491</u>
<b>Current assets</b>					
Property development costs	24	14,247	9,755	-	-
Biological assets	25	17,256	16,082	-	-
Inventories	26	19,645	24,902	-	-
Trade receivables	27	116,111	98,337	-	-
Other receivables	28	13,133	10,152	6,035	17,827
Tax recoverable		1,597	2,021	1,051	832
Cash and bank balances	29	2,926	7,197	1	1
		<u>184,915</u>	<u>168,446</u>	<u>7,087</u>	<u>18,660</u>
<b>TOTAL ASSETS</b>		<u>358,814</u>	<u>348,851</u>	<u>83,445</u>	<u>95,151</u>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	30	55,530	55,530	55,530	55,530
Share premium	31	62,641	62,641	62,641	62,641
Foreign exchange reserve	32	(290)	(188)	-	-
Accumulated losses		<u>(24,635)</u>	<u>(22,009)</u>	<u>(61,674)</u>	<u>(64,404)</u>
		93,246	95,974	56,497	53,767
Minority interests		<u>12,376</u>	<u>12,302</u>	-	-
<b>Total equity</b>		<u>105,622</u>	<u>108,276</u>	<u>56,497</u>	<u>53,767</u>
<b>Non-current liabilities</b>					
Long-term borrowings	33	20,965	23,623	7,422	5,062
Deferred tax liabilities	22	4,802	5,763	-	-
		<u>25,767</u>	<u>29,386</u>	<u>7,422</u>	<u>5,062</u>
<b>Current liabilities</b>					
Short-term borrowings	33	129,580	138,235	12,755	20,053
Trade payables	35	71,297	48,553	-	-
Other payables	36	26,068	24,060	6,771	16,269
Current tax payable		480	341	-	-
		<u>227,425</u>	<u>211,189</u>	<u>19,526</u>	<u>36,322</u>
<b>Total liabilities</b>		<u>253,192</u>	<u>240,575</u>	<u>26,948</u>	<u>41,384</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>358,814</u>	<u>348,851</u>	<u>83,445</u>	<u>95,151</u>

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

←Attributable to equity holders of the Company→

←Non-distributable →

	Share capital (Note 30) RM'000	Share premium (Note 31) RM'000	Foreign exchange reserve (Note 32) RM'000	Accumulated losses RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
<b>Group</b>							
<b>At 1 January 2006</b>	53,030	62,397	(224)	(28,405)	86,798	13,023	99,821
Effect of adopting FRS 3	-	-	-	5,392	5,392	-	5,392
	53,030	62,397	(224)	(23,013)	92,190	13,023	105,213
Foreign currency translation, representing net income recognised directly in equity	-	-	36	-	36	-	36
Profit/(loss) for the year	-	-	-	1,004	1,004	(726)	278
Total recognised income and expense for the year	-	-	36	1,004	1,040	(726)	314
Issuance of shares	2,500	275	-	-	2,775	-	2,775
Share issue expenses	-	(31)	-	-	(31)	-	(31)
Additional investment in subsidiary	-	-	-	-	-	5	5
<b>At 31 December 2006</b>	55,530	62,641	(188)	(22,009)	95,974	12,302	108,276
<b>At 1 January 2007</b>	55,530	62,641	(188)	(22,009)	95,974	12,302	108,276
Foreign currency translation, representing net income recognised directly in equity	-	-	(102)	-	(102)	162	60
Loss for the year	-	-	-	(2,626)	(2,626)	814	(1,812)
Total recognised income and expense for the year	-	-	(102)	(2,626)	(2,728)	976	(1,752)
Dividend paid to minority interests	-	-	-	-	-	(902)	(902)
<b>At 31 December 2007</b>	55,530	62,641	(290)	(24,635)	93,246	12,376	105,622

# STATEMENTS OF CHANGES IN EQUITY (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2007

<b>Company</b>	<b>Share capital (Note 30) RM'000</b>	<b>Non- distributable Share premium (Note 31) RM'000</b>	<b>Accumulated losses RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2006</b>	53,030	62,397	(63,991)	51,436
Issuance of shares	2,500	275	-	2,775
Share issue expenses	-	(31)	-	(31)
Loss for the year, representing total recognised income and expense for the year	-	-	(413)	(413)
<b>At 31 December 2006</b>	55,530	62,641	(64,404)	53,767
Profit for the year, representing total recognised income and expense for the year	-	-	2,730	2,730
<b>At 31 December 2007</b>	55,530	62,641	(61,674)	56,497

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

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/profit before tax	(5,249)	485	2,730	(413)
Adjustments for :				
Bad debts written off	20	-	-	-
Dividend income	(1)	(2)	-	-
Depreciation and amortisation:				
- Property, plant and equipment	10,746	11,786	133	137
- Investment property	6	5	-	-
- Prepaid land lease payments	44	119	-	-
Impairment of goodwill	2,200	-	-	-
(Gain)/loss on disposal of:				
- Property, plant and equipment	(560)	(282)	-	-
- Investments in associates	853	-	-	-
Negative goodwill on acquisition of a subsidiary	-	(5)	-	-
Unrealised foreign exchange gain	(590)	(2,150)	(315)	(1,160)
Provision for doubtful debts	522	1,358	-	-
Interest income	(104)	(62)	-	-
Interest expense	10,259	10,816	1,231	1,467
Operating profit before working capital changes	18,146	22,068	3,779	31
Increase in property development costs	(1,940)	(703)	-	-
(Increase)/decrease in biological assets	(1,174)	302	-	-
Decrease in inventories	5,257	1,595	-	-
(Increase)/decrease in receivables	(22,094)	7,750	11,792	(3,610)
Increase/(decrease) in payables	26,059	(5,301)	(9,498)	5,362
Cash generated from operations	24,254	25,711	6,073	1,783
Interest paid	(10,259)	(10,816)	(1,231)	(1,467)
Tax paid	(1,043)	(1,307)	(219)	(66)
Net cash from operating activities	12,952	13,588	4,623	250

# CASH FLOW STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of:				
- Property, plant and equipment	(7,531)	(4,309)	-	-
- Investment in subsidiary	(802)	(664)	-	-
- Additional investment in subsidiary	-	(354)	-	(100)
- Land held for property development	-	(9,986)	-	-
Proceeds/(payment) of land lease	419	(18)	-	-
Proceeds from disposal of:				
- Property, plant and equipment	2,372	7,263	-	-
- Investments in associates	3,628	-	-	-
Interest received	104	62	-	-
Net cash used in investing activities	<u>(1,810)</u>	<u>(8,006)</u>	<u>-</u>	<u>(100)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid to minority shareholders	(902)	-	-	-
Proceeds from issue of ordinary shares	-	2,744	-	2,744
Repayment of finance lease payables	(2,461)	(2,657)	(64)	(64)
Proceeds from term loans	-	4,000	-	-
Repayment of term loans	(9,079)	(10,983)	(4,567)	(3,600)
Short term borrowings	(3,867)	1,156	-	-
Net cash used in financing activities	<u>(16,309)</u>	<u>(5,740)</u>	<u>(4,631)</u>	<u>(920)</u>
<b>CASH AND CASH EQUIVALENTS</b>				
Net decrease for the year	(5,167)	(158)	(8)	(770)
Effect of foreign exchange rate changes	60	25	-	-
At beginning of the year	<u>(23,272)</u>	<u>(23,139)</u>	<u>(9,961)</u>	<u>(9,191)</u>
At end of the year (Note 29)	<u>(28,379)</u>	<u>(23,272)</u>	<u>(9,969)</u>	<u>(9,961)</u>

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



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

## 1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at AG 5730, Alor Gajah Industrial Estate, Alor Gajah, 78000 Melaka.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are described in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The directors regard F.C.H. Holdings Sdn. Bhd., a company incorporated in Malaysia, as the Company's immediate and ultimate holding company.

The financial statements has been authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2008.

## 2. FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements have been prepared assuming that the Group and the Company will continue as going concerns. As at 31 December 2007, current liabilities exceeded current assets by approximately RM42.5 million for the Group and approximately RM12.4 million for the Company. The ability of the Group and of the Company to continue as going concerns is dependent upon the successful outcome of the following strategic measures initiated by the directors:

- (i) Construction of two broiler farms in order to increase production quantities of broilers, the cost of which will be financed by external borrowings as disclosed in Note 42;
- (ii) Implementation of on-going cost cutting measures and financial risk management policies to minimise the Group's and Company's exposure to external economic and financial risk factors; and
- (iii) Exploration of new export markets in the Middle East, Japan and Europe for the Group's halal food products.

The directors are of the opinion that the above measures will result in the Group and the Company being able to achieve future profitable operations and generate sufficient cashflows from such operations to meet the liabilities of the Group and of the Company as and when they fall due. The financial statements of the Group and of the Company do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia ("FRSs"). At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs as described fully in Note 4.

The financial statements have been prepared on a historical basis and are presented in Ringgit Malaysia ("RM"). All values are rounded to the nearest thousand (RM'000) except as otherwise indicated.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

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

### 3.2 Property, Plant and Equipment and Depreciation

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under capital work-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2% to 10%
Plant and machinery	10% to 20%
Motor vehicles	10% to 20%
Office equipment and furnitures	5% to 20%
Installations, renovation and improvement	5% to 15%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

### 3.3 Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated on a straight line basis over the lease term of 99 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

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

#### 3.4 Leases

##### (a) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements are considered separately for the purpose of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- ~ Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- ~ Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

##### (b) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3.2.

##### (c) Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant leases which range from 80 to 99 years. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

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

### 3.4 Leases (cont'd)

#### (d) Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### 3.5 Subsidiaries and Basis of Consolidation

#### (a) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

#### (b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared using the same reporting date as that of the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

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

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

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

#### 3.5 Subsidiaries and Basis of Consolidation (cont'd)

##### (b) Basis of Consolidation (cont'd)

Losses applicable to minority interests in a consolidated subsidiary may exceed the minority interests in the subsidiary's equity. The excess, and any further losses applicable to minority interests are allocated against the majority interest except to the extent that the minority interests have a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

#### 3.6 Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

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

### 3.7 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### 3.8 Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

### 3.9 Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

### 3.10 Construction Contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.



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

#### 3.10 Construction Contracts (cont'd)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

#### 3.11 Impairment of Non-financial Assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories and deferred tax assets, if any, 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 to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

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

### 3.12 Biological Assets

Biological assets comprise pullets, layers, breeder chickens and hatching eggs which are held to produce day old chicks for sale. Pullets are stated at the cost of day old chicks plus growing costs which include feed and vaccines, direct labour cost and a proportion of farm overheads. Layers are stated at cost adjusted for amortisation (calculated based on their economic egg laying lives less net realisable values). Breeder chickens are stated at cost (determined on the first-in, first-out basis) adjusted for amortisation (calculated based on the economic egg-laying lives less net realisable value). Cost includes cost of feed, medication, labour and attributable overheads to the point of maturity. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

### 3.13 Inventories

Inventories are stated at the lower of cost and net realisable values. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Cost of raw materials, medical and consumable supplies and finished goods (determined on the weighted average basis) consists of the original purchase price plus the costs of bringing the stocks to their present location. Cost of trading eggs, processed chickens and feed (determined on the weighted average basis) include materials, labour and a proportion of overhead costs.

Cost of completed shops and houses include land costs, construction costs and direct expenses incurred during the period of development (determined on the specific identification basis).

### 3.14 Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### (a) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### (b) Other Non-current Investments

Non-current investments other than investments in subsidiaries, associates and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

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

#### 3.14 Financial Instruments (cont'd)

##### (c) Trade Receivables

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

##### (d) Trade Payables

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

##### (e) Interest-Bearing Loans and Borrowings

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

##### (f) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

#### 3.15 Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

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

### 3.16 Employee Benefits

#### (a) Short Term Benefits

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

#### (b) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund.

### 3.17 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### (a) Sale of Goods

Revenue relating to sale of goods is recognised net of sales taxes and trade discounts upon the transfer of risks and rewards.

#### (b) Income from Property Development and Construction

Income from sale of development properties and construction contracts are accounted for under the stage of completion method as described in Notes 3.8 and 3.9 respectively. The stage of completion is determined by reference to the proportion of total cost incurred to-date to the total estimated costs where the outcome of the projects can be reliably estimated. All anticipated losses are fully provided for.

#### (c) Interest Income

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

#### (d) Dividend Income

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

#### (e) Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees, if any, is recognised as a reduction of rental income over the lease term on a straight-line basis.

#### (f) Revenue from Management Services

Management fee is recognised net of any service taxes and discounts as and when the services are performed.

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

#### 3.18 Foreign Currencies

##### (a) Functional and Presentation Currency

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

##### (b) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

##### (c) Foreign Operations

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

- ~ Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- ~ Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

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

### 3.18 Foreign Currencies (cont'd)

#### (c) Foreign Operations (cont'd)

~ All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

## 4. ADOPTION OF NEW AND REVISED FRSs

The Malaysian Accounting Standards Board ("MASB") has issued the following new and revised FRSs and amendments to FRSs which are effective for accounting periods beginning on or after 1 October 2006 and 1 January 2007:

- (i) FRS 6 - Exploration for and Evaluation of Mineral Resources
- (ii) FRS 117 - Leases
- (iii) FRS 124 - Related Party Disclosures
- (iv) Amendment to FRS 119<sub>2004</sub> - Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

### 4.1 Effects of Changes in Accounting Policies

The new and revised FRSs and amendments to FRSs above do not have any other significant impact on the financial statements of the Group and the Company, except as follows:

#### (a) FRS 117: Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses, if any.

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and building whereby such leases are now classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

## 4. ADOPTION OF NEW AND REVISED FRSs (CONT'D)

**4.1 Effects of Changes in Accounting Policies (cont'd)****(a) FRS 117: Leases (cont'd)**

The change in accounting policy has been applied retrospectively and as disclosed in Note 4.1(b), certain comparatives have been restated. The effects on the current year's financial statements are as follows:

	<b>RM'000</b>
<b>Balance Sheet - Group</b>	
Decrease in property, plant and equipment	(3,271)
Increase in prepaid land lease payments	<u>3,271</u>
<b>Other disclosures - Group</b>	
Decrease in depreciation of property, plant and equipment	(44)
Increase in amortisation of prepaid land lease payments	<u>44</u>

**(b) Restatement of comparatives**

The following comparative figures has been restated as follows:

	<b>Previously stated RM'000</b>	<b>Effect of FRS 117 RM'000</b>	<b>Restated RM'000</b>
<b>Balance sheet - Group</b>			
Property, plant and equipment	148,068	(3,165)	144,903
Prepaid land lease payments	<u>-</u>	<u>3,165</u>	<u>3,165</u>
<b>Other disclosures - Group</b>			
Depreciation of property, plant and equipment	11,905	(119)	11,786
Amortisation of prepaid land lease payments	<u>-</u>	<u>119</u>	<u>119</u>

**4.2 Standards and Interpretations Issued But Not Yet Effective**

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

- (i) FRS 107: Cash Flow Statements
- (ii) FRS 111: Construction Contracts
- (iii) FRS 112: Income Taxes
- (iv) FRS 118: Revenue
- (v) FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- (vi) FRS 134: Interim Financial Reporting
- (vii) FRS 137: Provisions, Contingent Liabilities and Contingent Assets
- (viii) FRS 139: Financial Instruments: Recognition and Measurement
- (ix) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates
- (x) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- (xi) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- (xii) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- (xiii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- (xiv) IC Interpretation 7: Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies
- (xv) IC Interpretation 8: Scope of FRS 2



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 4. ADOPTION OF NEW AND REVISED FRSs (CONT'D)

### 4.2 Standards and Interpretations Issued But Not Yet Effective (cont'd)

The above FRSs, amendments to FRSs and Interpretations, except for FRS 139, will become effective for financial periods beginning on or after 1 July 2007 and except as disclosed below, are expected to have no significant impact on the financial statements of the Group and Company upon their initial application. The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139, the effective date of which has been deferred.

Under FRS 112, the prohibition on recognition of deferred tax on assets that qualify for re-investment or other similar allowances in excess of the normal capital allowances under FRS 112<sub>2004</sub> has been removed and entities with such unused allowances will now have to recognise deferred tax asset on these unused allowances to the extent that it is probable that future taxable profit will be available against which these allowances can be utilised. Any change in policy is required to be accounted for retrospectively.

Had the revised FRS 112 been applied in this financial year, the effect on the Group's income statement and balance sheet would be as follows:

	Currently reported RM'000	Effect of FRS 112 RM'000	Proforma RM'000
<b>2007</b>			
<b>Income Statement</b>			
Tax income	2,872	(1,709)	1,163
Loss after tax	(2,377)	(1,709)	(4,086)
Loss for the year	(1,812)	(1,709)	(3,521)
<b>Balance Sheet</b>			
Deferred tax assets	3,516	255	3,771
Deferred tax liabilities	4,802	(1,742)	3,060
Accumulated losses	(24,635)	1,997	(22,638)
<b>2006</b>			
<b>Income Statement</b>			
Tax income	182	888	1,070
Profit after tax	667	888	1,555
Profit for the year	278	888	1,166
<b>Balance Sheet</b>			
Deferred tax assets	-	775	775
Deferred tax liabilities	5,763	(1,743)	4,020
Accumulated losses	(22,009)	2,518	(19,491)

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

### 5.1 Critical Judgments Made in Applying Accounting Policies

The following are the judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

#### (a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

### 5.2 Key Sources of Estimation Uncertainty

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

#### (a) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at year end amounts to RM11,538,768 (2006: RM13,738,768). Further details are disclosed in Note 21.

#### (b) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and capital allowances and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and deductible temporary differences can be utilised.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of deferred tax assets recognised in respect of unutilised tax losses and capital allowances and deductible temporary differences and the amounts for which deferred tax assets were not recognised are disclosed in Note 22 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

### 5.2 Key Sources of Estimation Uncertainty (cont'd)

#### (c) Residual value and depreciation of plant and machinery

The cost of plant and machinery for poultry farming is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 50 years and residual values of its property, plant and equipment to be insignificant. These are common residual values and life expectancies applied in the poultry industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### (d) Property development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgment is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgment, the Group evaluates based on past experience and by relying on the work of specialists.

#### (e) Biological assets

The cost of biological assets is amortised on a straight-line basis over the assets' economic egg-laying lives. Management estimates the useful lives of these biological assets to be 66 weeks. These are common life expectancies applied in the poultry industry. Changes in the expected mortality rates of chickens could impact the economic useful lives and future amortisation charges could be revised.

## 6. REVENUE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sales of goods net of discounts	369,538	300,341	-	-
Property development	12,774	9,920	-	-
Gross dividends received from subsidiaries	-	-	3,810	990
	<u>382,312</u>	<u>310,261</u>	<u>3,810</u>	<u>990</u>

## 7. COST OF SALES

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Inventories sold	328,371	251,705	-	-
Developed properties sold	6,046	2,438	-	-
Property development costs recognised (Note 24)	1,867	3,216	-	-
	<u>336,284</u>	<u>257,359</u>	<u>-</u>	<u>-</u>

## 8. OTHER INCOME

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sundry income	717	832	-	-
Interest income	104	62	-	-
Rental income	74	317	-	-
Dividend income from shares quoted in Malaysia	1	2	-	-
Gain on foreign currency exchange	641	2,515	746	1,290
Insurance claim	80	503	-	-
	<u>1,617</u>	<u>4,231</u>	<u>746</u>	<u>1,290</u>

## 9. FINANCE COSTS

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest expense on:				
- Bank overdraft	3,325	3,090	922	893
- Bankers' acceptances	3,449	3,603	-	-
- Term loan	2,431	3,666	1,046	1,454
- Finance leases	504	354	10	10
- Other borrowings	550	103	-	-
Interest recouped from subsidiaries	-	-	(747)	(890)
	<u>10,259</u>	<u>10,816</u>	<u>1,231</u>	<u>1,467</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 10. (LOSS)/PROFIT BEFORE TAX

The following amounts have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Auditors' remuneration				
- Statutory audits (current year)	149	146	13	12
- Statutory audits (prior year)	5	-		
- Other services	28	289	28	289
Bad debts recovered	(12)	(42)	-	-
Bad debts written off	20	-	-	-
Doubtful debts provided	522	1,358	-	-
Depreciation and amortisation:				
- Property, plant and equipment	10,746	11,786	133	137
- Investment properties	6	5	-	-
- Prepaid land lease payments	44	119		
Employee benefits expense (Note 11)	33,362	34,667	-	-
(Gain)/loss from disposal of:				
- Property, plant and equipment	(560)	(282)	-	-
- Investments in associates	853	-	-	-
Impairment of goodwill (Note 21)	2,200	-	-	-
Minimum operating lease payments:				
- Land and buildings	4,843	5,820	-	-
- Plant and machinery	1,830	1,190	-	-
- Motor vehicles	747	754	-	-
Negative goodwill on acquisition of a subsidiary	-	(5)	-	-
Non-executive directors' emoluments (Note 12)	96	86	96	86

## 11. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Executive directors (Note 10)</b>				
Executive directors of the Company	2,493	2,510	-	-
Other directors of subsidiaries	1,514	1,571	-	-
	<u>4,007</u>	<u>4,081</u>	<u>-</u>	<u>-</u>
<b>Other key management personnel</b>				
Wages and salaries	730	518	-	-
Defined contribution plan	88	62	-	-
Other related costs	3	3	-	-
	<u>821</u>	<u>583</u>	<u>-</u>	<u>-</u>
<b>Other staff</b>				
Wages and salaries	25,228	26,238	-	-
Defined contribution plan	2,170	2,164	-	-
Other related costs	1,136	1,601	-	-
	<u>28,534</u>	<u>30,003</u>	<u>-</u>	<u>-</u>
	<u>33,362</u>	<u>34,667</u>	<u>-</u>	<u>-</u>

## 12. DIRECTORS' EMOLUMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Directors of the Company</b>				
Executive:				
- Salaries and other emoluments	2,226	2,241	-	-
- Defined contribution plans	267	269	-	-
	<u>2,493</u>	<u>2,510</u>	<u>-</u>	<u>-</u>
Non-Executive:				
- Fees	96	86	96	86
	<u>2,589</u>	<u>2,596</u>	<u>96</u>	<u>86</u>
<b>Other directors of subsidiaries</b>				
Executive:				
- Salaries and other emoluments	1,352	1,402	-	-
- Defined contribution plans	162	169	-	-
	<u>1,514</u>	<u>1,571</u>	<u>-</u>	<u>-</u>
	<u>4,103</u>	<u>4,167</u>	<u>96</u>	<u>86</u>
<b>Analysis of directors' emoluments</b>				
Executive directors (Note 11)	4,007	4,081	-	-
Non-executive directors (Note 10)	96	86	96	86
	<u>4,103</u>	<u>4,167</u>	<u>96</u>	<u>86</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 12. DIRECTORS' EMOLUMENTS (CONT'D)

The Group emoluments do not include the monetary value of benefits-in-kind in respect of the directors of the Company and of the subsidiaries amounting to RM27,300 (2006: RM39,300) and RM8,800 (2006: RM8,800) respectively.

The number of directors of the Company with total annual emoluments within the following bands is as follows:

	Number of directors	
	2007	2006
<b>Non-executive directors:</b>		
Below RM50,000	3	4
<b>Executive directors:</b>		
RM200,001 to RM250,000	2	2
RM450,001 to RM500,000	4	4
	<u>9</u>	<u>10</u>

## 13. TAX INCOME

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax:				
Malaysian income tax	1,628	546	-	-
Overprovided in prior years	(23)	(144)	-	-
Real property gains tax	-	277	-	-
	<u>1,605</u>	<u>679</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 22):				
Origination and reversal during				
the year	(4,974)	(608)	-	-
Under/(over)provided in prior years	497	(253)	-	-
	<u>(4,477)</u>	<u>(861)</u>	<u>-</u>	<u>-</u>
	<u>(2,872)</u>	<u>(182)</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006 : 28%) of the estimated assessable (loss)/profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The domestic statutory tax rate will be reduced to 26% effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.



## 13. TAX INCOME (CONT'D)

A reconciliation of tax (income)/expense, applicable to the results before tax, at the statutory income tax rate to tax income at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(Loss)/profit before tax	(5,249)	485	2,730	(413)
Taxation at Malaysian statutory tax rate of 27% (2006 : 28%)	(1,417)	136	737	(116)
Effect of income at Malaysian tax rate of 20% (2006 : 20%)	(89)	(124)	-	-
Effect on opening deferred tax of reduction in tax rates	(164)	(138)	-	-
Deferred tax recognised at different tax rates	(153)	(111)	-	-
Effect of income not subject to tax	(11)	-	(810)	-
Effect of expenses not deductible for tax purposes	2,050	822	7	116
Effect of income subject to real property gains tax	-	277	-	-
Deferred tax recognised on items previously not recognised				
- Tax losses and capital allowances	(12)	(1,363)	66	-
- Other temporary differences	(3,515)	(682)	-	-
Deferred tax asset not recognised on:				
- Tax losses and capital allowances	1,412	1,511	-	-
- Other temporary differences	-	1,221	-	-
Tax savings from utilisation of items previously not recognised				
- Tax losses	(97)	(437)	-	-
- Capital allowances	(48)	(30)	-	-
Effect of utilisation of reinvestment allowances	(1,302)	(867)	-	-
(Under)/overprovision of tax in prior years:				
- Current tax	(23)	(144)	-	-
- Deferred tax	497	(253)	-	-
Tax income for the year	(2,872)	(182)	-	-

## 14. EARNINGS PER SHARE

Basic and diluted earnings/(loss) per share is calculated by dividing the Group's loss for the year, attributable to equity holders of the Company, of RM2,626,000 (2006: profit of RM1,004,000) with 55,530,263 (2006: 55,516,564) weighted average ordinary shares in issue during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Other assets RM'000	Total RM'000
<b>Group - 2007</b>					
<b>Cost</b>					
At 1 January 2007	98,036	139,974	19,136	14,799	271,945
Additions	1,283	5,978	2,407	1,436	11,104
Disposals	(2,063)	(474)	(295)	(236)	(3,068)
At 31 December 2007	97,256	145,478	21,248	15,999	279,981
<b>Accumulated depreciation</b>					
At 1 January 2007	35,459	67,338	13,925	10,320	127,042
Charge for the year	3,179	5,564	1,338	665	10,746
Disposals	(440)	(383)	(242)	(191)	(1,256)
At 31 December 2007	38,198	72,519	15,021	10,794	136,532
<b>Net carrying amount</b>	<b>59,058</b>	<b>72,959</b>	<b>6,227</b>	<b>5,205</b>	<b>143,449</b>
<b>Group- 2006</b>					
<b>Cost</b>					
At 1 January 2006	97,633	129,808	18,915	14,394	260,750
Acquisition of subsidiary	73	5,666	155	370	6,264
Additions	1,300	4,986	778	1,614	8,678
Disposals	(1,078)	(829)	(620)	(1,235)	(3,762)
Reclassification	105	337	(93)	(349)	-
Exchange differences	3	6	1	5	15
At 31 December 2006	98,036	139,974	19,136	14,799	271,945
<b>Accumulated depreciation</b>					
At 1 January 2006	31,909	60,876	12,589	9,737	115,111
Acquisition of subsidiary	4	1,217	69	109	1,399
Charge for the year	3,586	5,840	1,657	703	11,786
Disposals	(40)	(595)	(430)	(190)	(1,255)
Reclassification	-	-	40	(40)	-
Exchange differences	-	-	-	1	1
At 31 December 2006	35,459	67,338	13,925	10,320	127,042
<b>Net carrying amount</b>	<b>62,577</b>	<b>72,636</b>	<b>5,211</b>	<b>4,479</b>	<b>144,903</b>

## 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

**Analysis of freehold land and buildings**

	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>Group - 2007</b>			
<b>Cost</b>			
At 1 January 2007	20,658	77,378	98,036
Additions	8	1,275	1,283
Disposals	(1,602)	(461)	(2,063)
At 31 December 2007	19,064	78,192	97,256
<b>Accumulated depreciation</b>			
At 1 January 2007	-	35,459	35,459
Charge for the year	-	3,179	3,179
Disposals	-	(440)	(440)
At 31 December 2007	-	38,198	38,198
<b>Net carrying amount</b>	<b>19,064</b>	<b>39,994</b>	<b>59,058</b>
<b>Group - 2006</b>			
<b>Cost</b>			
At 1 January 2006	21,566	76,067	97,633
Acquisition of a subsidiary	-	73	73
Additions	33	1,267	1,300
Disposals	(941)	(137)	(1,078)
Reclassification	-	105	105
Exchange differences	-	3	3
At 31 December 2006	20,658	77,378	98,036
<b>Accumulated depreciation</b>			
At 1 January 2006	-	31,909	31,909
Acquisition of a subsidiary	-	4	4
Charge for the year	-	3,586	3,586
Disposals	-	(40)	(40)
At 31 December 2006	-	35,459	35,459
<b>Net carrying amount</b>	<b>20,658</b>	<b>41,919</b>	<b>62,577</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### Analysis of freehold land and buildings (cont'd)

	Buildings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
<b>Company - 2007</b>				
<b>Cost</b>				
At 1 January 2007/31 December 2007	600	434	572	1,606
<b>Accumulated depreciation</b>				
At 1 January 2007	101	285	390	776
Charge for the year	12	70	51	133
At 31 December 2007	113	355	441	909
<b>Net carrying amount</b>	<b>487</b>	<b>79</b>	<b>131</b>	<b>697</b>

### Company - 2006

<b>Cost</b>				
At 1 January 2006/31 December 2006	600	434	572	1,606
<b>Accumulated depreciation</b>				
At 1 January 2006	89	215	335	639
Charge for the year	12	70	55	137
At 31 December 2006	101	285	390	776
<b>Net carrying amount</b>	<b>499</b>	<b>149</b>	<b>182</b>	<b>830</b>

- (a) Other assets consist of furniture, fixtures and fittings, office equipment, piping, fencing and tubewell, renovations and improvements and capital work-in-progress. The cost of assets under capital work-in-progress included herein amounts to RM1,489,000 (2006 : RM893,000).
- (b) The net book values of property, plant and equipment pledged to secure bank borrowings as referred to in Note 33 are as follows :

	<b>Group</b>	
	<b>2007</b> RM'000	<b>2006</b> RM'000
Land and buildings	10,002	10,003
Plant and machinery	14,569	10,834
Other assets	491	2,060
	<u>25,062</u>	<u>22,897</u>

Certain assets of the Group at carrying amount of RM104,246,000 (2006: RM111,249,000) were subject to negative pledges in relation to banking facilities granted to the Group as disclosed in Note 33.

## 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

**Analysis of freehold land and buildings (cont'd)**

(c) Property, plant and equipment acquired during the year were by way of the following :

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Outright purchase	7,531	4,309	-	-
Lease financing	3,573	4,369	-	-
	<u>11,104</u>	<u>8,678</u>	<u>-</u>	<u>-</u>

(d) The net book values of property, plant and equipment being acquired under instalment payment plans are as follows :

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Farm construction	-	528	-	-
Motor vehicles	4,836	3,648	79	150
Plant and machinery	4,812	5,582	-	-
	<u>9,648</u>	<u>9,758</u>	<u>79</u>	<u>150</u>

(e) The carrying amount of freehold land of the Group held in trust by Siah Kim Hew @ Sia Kian Heng, a director of a subsidiary, amounted to RM Nil (2006 : RM244,262). The carrying amount of motor vehicles of the Group held in trust by third parties amounted to RM682,941 (2006 : RM397,428).

## 16. INVESTMENT PROPERTY

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 January/ 31 December	<u>240</u>	<u>240</u>
<b>Accumulated depreciation</b>		
At 1 January	5	-
Charge for the year	<u>6</u>	<u>5</u>
At 31 December	<u>11</u>	<u>5</u>
<b>Net carrying amount</b>	<u>229</u>	<u>235</u>
<b>Fair value</b>	<u>207</u>	<u>250</u>

The above property is subject to negative pledge in relation to the bank borrowing as disclosed in Note 33.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 17. PREPAID LAND LEASE PAYMENTS

	<b>Group</b>	
	<b>2007</b> <b>RM'000</b>	<b>2006</b> <b>RM'000</b>
At 1 January	3,165	7,721
Additions	-	18
Acquisition of subsidiary (Note 18(b))	569	21
Disposal	(419)	(4,474)
Amortisation	(44)	(119)
Exchange difference	-	(2)
At 31 December	3,271	3,165

The prepaid land lease payments are in respect of a piece of long term leasehold land which is pledged to secure bank borrowings as referred to in Note 33.

## 18. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2007</b> <b>RM'000</b>	<b>2006</b> <b>RM'000</b>
Unquoted shares at cost	78,361	78,361
Accumulated impairment losses	(2,700)	(2,700)
	75,661	75,661

Details of subsidiaries are as follows :

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Equity interest held by the Company</b>		<b>Principal activities</b>
		<b>2007</b>	<b>2006</b>	
Sinmah Livestocks Sdn. Bhd.	Malaysia	100%	100%	Contract farming and trading of chicken feeds, day old chicks and vaccines
Sinmah Multifeed Sdn. Bhd.	Malaysia	99.99%	99.99%	Manufacturing and wholesale of chicken feeds
Sinmah Egg Products Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Farm's Best Food Industries Sdn. Bhd.	Malaysia	100%	100%	Poultry processing, contract farming, marketing and distribution of poultry products
Sinmah Breeders Sdn. Bhd.	Malaysia	100%	100%	Poultry breeding and hatchery operations
Sinmah Ventures Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Lynbridge Sdn. Bhd.	Malaysia	100%	100%	Dormant
Sinmah Development Sdn. Bhd.	Malaysia	100%	100%	Property development

## 18. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation	Equity interest held by subsidiaries		Principal activities
		2007	2006	
Farm's Best Eggmart Sdn. Bhd.	Malaysia	100%	100%	Trading of eggs
Chem Ventures Sdn. Bhd.	Malaysia	75%	75%	Trading of chemicals, medication and related equipment
Syarikat Perniagaan Suann Sdn. Bhd.	Malaysia	51%	51%	Trading of feeds, medication and poultry farming
Joint Farming Sdn. Bhd.	Malaysia	59%	59%	Poultry farming and trading of feedmeal, medication, day-old-chicks and broilers
Halal Poultry Meat Processing Sdn. Bhd.	Malaysia	100%	100%	Poultry meat processing
SM Broilers Sdn. Bhd.	Malaysia	100%	100%	Marketing and distribution of poultry products
Realtemas Realty Sdn. Bhd.	Malaysia	100%	100%	Property development
Sinmah Builders Sdn. Bhd.	Malaysia	100%	100%	Building and general contracting and provision of management services
Cosmal Enterprise Sdn. Bhd.	Malaysia	100%	100%	Property development
Sinmah Poultry Farm Sdn. Bhd.	Malaysia	100%	100%	Poultry farming and investment holding
Premier Layer Breeders Sdn. Bhd.	Malaysia	100%	100%	Dormant
Joint Food Processing Sdn. Bhd.	Malaysia	60%	60%	Manufacturing of food products and research and development on food technology
Bersatu Segar Sdn. Bhd.	Malaysia	100%	100%	Poultry farming
Chix Unlimited Inc.*	Philippines	51%	51%	Hatchery operations
FB Food (Nanjing) Pte. Ltd. *	People's Republic of China	100%	100%	International trade, import and export of poultry products, value-added production and sales and marketing
Dee Huat Farming Trading Sdn. Bhd.	Malaysia	100%	-	Poultry farming and trading

\* Audited by firms of auditors other than Ernst & Young



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 18. INVESTMENTS IN SUBSIDIARIES (CONT'D)

### (a) Auditors' Reports of Subsidiaries

The auditors' reports on the financial statements of the following subsidiaries emphasised that continuance of these subsidiaries as going concerns is dependent upon their future profitable operations and sufficient cashflows and the continued financial support from their holding companies:

- i) SM Broilers Sdn. Bhd.
- ii) Sinmah Egg Products Sdn. Bhd.
- iii) Sinmah Ventures Sdn. Bhd.
- iv) Lynbridge Sdn. Bhd.
- v) Farm's Best Eggmart Sdn. Bhd.
- vi) Syarikat Perniagaan Suann Sdn. Bhd.
- vii) Sinmah Poultry Farm Sdn. Bhd.
- viii) Premier Layer Breeders Sdn. Bhd.
- ix) Joint Food Processing Sdn. Bhd.

### (b) Acquisition of Subsidiary

- (i) On 8 August 2007, the Company acquired 100% equity interest in Dee Huat Farming Trading Sdn. Bhd., comprising of 250,000 ordinary shares of RM1.00 each for a cash consideration of RM805,000.
- (ii) There is no significant impact on the Group's revenue and loss for the year had the acquisition occurred on 1 January 2007.
- (iii) The acquisition of Dee Huat Farming Trading Sdn. Bhd. did not constitute a business combination and the cost of acquisition has been allocated to the individual identifiable assets and liabilities acquired based on their relative fair values at the acquisition date as follows:

	<b>RM'000</b>
Prepaid land lease payments (Note 17)	569
Trade and other receivables	236
Cash at bank	3
Trade and other payables	(3)
Purchase consideration satisfied by cash	805
Cash and cash equivalents of subsidiary acquired	(3)
Net cash outflow of the Group	<u>802</u>

## 19. INVESTMENTS IN ASSOCIATES

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	5,646	7,956
Share of post acquisition reserves	(582)	1,024
	<u>5,064</u>	<u>8,980</u>

## 19. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the associates are as follows :

Name of company	Country of incorporation	Equity interest held by Group		Principal activities
		2007	2006	
S.M. Enterprise (Nanjing) Pte. Ltd.	People's Republic of China	50%	50%	Trading of poultry and operating restaurant chains
SMNS Rubber Holdings Sdn. Bhd.	Malaysia	50%	50%	Management of rubber small holdings
Ban Yen Sdn. Bhd.	Malaysia	31%	31%	Poultry breeding and hatchery operations
Farm's Goodness Sdn. Bhd.	Malaysia	-	20%	Processing of poultry meat and trading of meat products
Sinmah Poultry Processing (S) Pte. Ltd.	Singapore	-	25%	Poultry processing and trading in poultry products

(a) During the year, Joint Farming Sdn. Bhd., a subsidiary of the Company, disposed of its 20% equity interest in Farm's Goodness Sdn. Bhd. for a cash consideration of RM160,000 and Farm's Best Food Industries Sdn. Bhd., another subsidiary of the Company, disposed of its 25% equity interest in its Sinmah Poultry Processing (S) Pte. Ltd. for a cash consideration of SGD1,550,000 (equivalent to RM3,441,607).

(b) The reporting dates of the financial statements of the above associates are coterminous with those of the Group and the summarised financial statements of the associates which have been equity accounted for in the financial statements of the Group are summarised as follows:

	2007 RM'000	2006 RM'000
<b>Assets and liabilities</b>		
Current assets	15,070	23,579
Non-current assets	18,148	17,693
Total assets	33,218	41,272
Current liabilities	(12,951)	(6,355)
Non-current liabilities	(11,164)	(11,975)
Total liabilities	(24,115)	(18,330)
<b>Results</b>		
Revenue	26,384	63,911
Profit/(loss) for the year	1,573	(1,191)

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 20. OTHER INVESTMENTS

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Quoted shares in Malaysia, at cost	152	152
Accumulated impairment losses	(90)	(90)
	<u>62</u>	<u>62</u>
Market value of quoted shares in Malaysia	<u>90</u>	<u>61</u>

## 21. GOODWILL

<b>Group</b>	<b>Negative goodwill</b>	<b>Goodwill</b>	<b>Accumulated impairment losses</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2006	(5,392)	19,660	(5,922)	8,346
Effect of adopting FRS 3:				
Transferred to accumulated losses as at 1 January 2006	5,392	-	-	5,392
At 31 December 2006	-	19,660	(5,922)	13,738
Recognised during the year (Note 10)	-	-	(2,200)	(2,200)
At 31 December 2007	<u>-</u>	<u>19,660</u>	<u>(8,122)</u>	<u>11,538</u>

### Impairment tests for goodwill

Goodwill has been allocated to the Group's CGUs identified according to the individual subsidiaries as follows:

	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Poultry Division</i>		
Syarikat Perniagaan Suann Sdn. Bhd.	452	452
Joint Farming Sdn. Bhd.	782	782
Halal Poultry Meat Processing Sdn. Bhd.	1,708	1,708
Sinmah Breeders Sdn. Bhd.	38	38
Sinmah Poultry Farm Sdn. Bhd.	6,146	8,346
Chix Unlimited Inc.	148	148
<i>Housing Development</i>		
Sinmah Development Sdn. Bhd.	2,264	2,264
	<u>11,538</u>	<u>13,738</u>

## 21. GOODWILL (CONT'D)

**Key assumptions used in value-in-use calculations**

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for value-in-use calculations are:

	Poultry division		Housing development	
	2007	2006	2007	2006
Gross margins	13%	15%	20%	20%
Discount rate	8%	6%	10%	10%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill :

- (i) Budgeted gross margin - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements.
- (ii) Discount rate - The discount rates used are pre-tax and reflect cost of borrowing of the subsidiaries.
- (iii) Bond rate - The bond rates used are the yield on a 5-year Malaysian government bond rate at the beginning of the budgeted year.

The Group believes that any reasonably possible change in the above key assumptions applied are not likely to materially cause recoverable amounts to be lower than their carrying amount.

## 22. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 January	5,763	6,111	-	-
Acquisition of subsidiary	-	513	-	-
Recognised in income statement (Note 13)	(4,477)	(861)	-	-
At end of the year	1,286	5,763	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(3,516)	-	-	-
Deferred tax liabilities	4,802	5,763	-	-
	1,286	5,763	-	-

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 22. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

Group	Property, plant and equipment	Trade receivables	Unabsorbed tax losses and capital allowances	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	23,599	(2,925)	(14,563)	6,111
Recognised in income statement	(2,713)	1,150	702	(861)
Acquisition of subsidiary	513	-	-	513
At 31 December 2006	21,399	(1,775)	(13,861)	5,763
Recognised in income statement	(1,085)	(3,528)	136	(4,477)
At 31 December 2007	20,314	(5,303)	(13,725)	1,286

### Company

At 1 January 2006	43	44	(87)	-
Recognised in income statement	(6)	1	5	-
At 31 December 2006	37	45	(82)	-
Recognised in income statement	(5)	(45)	50	-
At 31 December 2007	32	-	(32)	-

Deferred tax assets have not been recognised in respect of the following items :

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unutilised tax losses	52,061	48,773	-	-
Unabsorbed capital allowances	7,796	6,943	-	-
Other temporary differences	-	15,252	-	-
	59,857	70,968	-	-

## 23. LAND HELD FOR PROPERTY DEVELOPMENT

Group	Freehold land	Leasehold land	Development costs	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	2,204	-	348	2,552
Additions	-	9,986	-	9,986
Transfer to property development costs (Note 24)	-	(3,216)	-	(3,216)
At 31 December 2006	2,204	6,770	348	9,322
Disposal	(2,204)	-	(348)	(2,552)
At 31 December 2007	-	6,770	-	6,770

The leasehold land of the Group is pledged to secure bank borrowings as disclosed in Note 33.

## 24. PROPERTY DEVELOPMENT COSTS

	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
<b>Group - 2007</b>				
<b>Cumulative property development costs</b>				
At 1 January 2007	1,569	3,216	5,309	10,094
Costs incurred during the year	-	-	6,359	6,359
Reversal of completed projects	-	-	(703)	(703)
At 31 December 2007	1,569	3,216	10,965	15,750
<b>Cumulative costs recognised in income statement</b>				
At 1 January 2007	60	-	279	339
Recognised during the year (Note 7)	336	175	1,356	1,867
Reversal of completed projects	-	-	(703)	(703)
At 31 December 2007	396	175	932	1,503
<b>Net carrying amount</b>	<b>1,173</b>	<b>3,041</b>	<b>10,033</b>	<b>14,247</b>
<b>Group - 2006</b>				
<b>Cumulative property development costs</b>				
At 1 January 2006	2,134	-	11,283	13,417
Costs incurred during the year	-	-	8,267	8,267
Transfer from land held for property development (Note 23)	-	3,216	-	3,216
Reversal of completed projects	(45)	-	(11,167)	(11,212)
Unsold units transferred to inventories	(520)	-	(3,074)	(3,594)
At 31 December 2006	1,569	3,216	5,309	10,094
<b>Cumulative costs recognised in income statement</b>				
At 1 January 2006	(147)	-	7,728	7,581
Recognised during the year (Note 7)	252	-	3,718	3,970
Reversal of completed projects	(45)	-	(11,167)	(11,212)
At 31 December 2006	60	-	279	339
<b>Net carrying amount</b>	<b>1,509</b>	<b>3,216</b>	<b>5,030</b>	<b>9,755</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 25. BIOLOGICAL ASSETS

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost less amortisation:</b>		
Hatching eggs	1,570	2,122
Day old chicks	2,649	3,149
Pullets	3,263	1,605
Layers	2,749	3,002
Breeders	7,025	6,204
	17,256	16,082

## 26. INVENTORIES

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost :</b>		
Raw materials, medical supplies and chemicals	6,422	6,398
Poultry livestocks	-	23
Processed chickens	4,882	6,040
Trading eggs	160	102
Consumable supplies	3,551	3,678
Completed houses and shops	3,312	7,114
Others	1,318	1,547
	19,645	24,902

## 27. TRADE RECEIVABLES

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amounts due from:</b>		
- Associates	6,312	3,018
- Third parties	131,304	117,154
<b>Construction contracts:</b>		
- Retention sums	704	704
- Accrued billings in respect of property development costs	116	59
	138,436	120,935
Provision for doubtful debts (Third parties)	(22,325)	(22,598)
	116,111	98,337

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.



## 28. OTHER RECEIVABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Amounts due from:				
- Holding company	509	1,308	508	1,308
- Subsidiaries	-	-	61,206	72,196
- Third parties	7,350	4,837	24	24
Deposits and prepayments	6,044	4,016	14	16
	<u>13,903</u>	<u>10,161</u>	<u>61,752</u>	<u>73,544</u>
Provision for doubtful debts:				
- Subsidiaries	-	-	(55,717)	(55,717)
- Third parties	(770)	(9)	-	-
	<u>13,133</u>	<u>10,152</u>	<u>6,035</u>	<u>17,827</u>

The amounts due from holding company and from subsidiaries are unsecured, repayable on demand and are interest-free except that interest of RM747,000 (2006 : RM890,000) was recouped from certain subsidiaries during the year as disclosed in Note 9.

There were no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors except for exposures to the holding company and subsidiaries, the amounts of which account for 4% (2006 : 13%) and 99% (2006 : 99%) of the gross receivables of the Group and of the Company respectively.

## 29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash on hand and at banks	2,861	7,063	1	1
Deposits with licensed banks	65	134	-	-
	<u>2,926</u>	<u>7,197</u>	<u>1</u>	<u>1</u>
Less : Bank overdrafts (Note 33)	(31,305)	(30,469)	(9,970)	(9,962)
	<u>(28,379)</u>	<u>(23,272)</u>	<u>(9,969)</u>	<u>(9,961)</u>

Included in cash at banks of the Group is an amount of RM285,000 (2006: RM73,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and therefore restricted from use in other operations.

Deposits with licensed banks of the Group are pledged to banks to secure banking facilities granted to the Group as disclosed in Note 33.

The weighted average effective interest rates per annum and the average maturities of deposits at the balance sheet date were as follows:

	Weighted Average Interest Rates		Average Maturities	
	2007	2006	2007	2006
Deposits with licensed banks	<u>4%</u>	<u>4%</u>	<u>365 days</u>	<u>365 days</u>

Other information on financial risks of cash and cash equivalents are disclosed in Note 41.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 30. SHARE CAPITAL

	Group and Company Number		Group and Company Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
<b>Authorised shares of RM1 each</b>				
At beginning and end of the year	500,000	500,000	500,000	500,000
<b>Issued and fully paid up ordinary shares of RM1 each</b>				
At beginning of the year	55,530	53,030	55,530	53,030
Issued during the year	-	2,500	-	2,500
At end of the year	55,530	55,530	55,530	55,530

### (a) Issue of Ordinary Shares Under Private Placement

In 2005, the Securities Commission approved the private placement of shares by the Company of up to 5,053,026 new ordinary shares of RM1.00 each representing up to 10% of the then existing issued and paid-up capital of the Company of RM50,530,263.

Consequently, the Company issued 2,500,000 new ordinary shares of RM1.00 each at a price of RM1.35 per ordinary share in 2005 and 2,500,000 new ordinary shares of RM1.00 each at an issue price of RM1.11 per ordinary share in 2006. The balance of the 53,026 ordinary shares which the Company was entitled to issue under the private placement will not be issued. The private placement shares that were issued ranked *pari passu* in all respects with the existing ordinary shares of the Company.

### (b) Issue of Warrants

On 21 October 1997, the Company issued 14,799,260 warrants in conjunction with an issue of RM50 million Redeemable Guaranteed Bonds which have since been redeemed. Each warrant carried the right to subscribe for one new ordinary share of RM1.00 each in the Company at an exercise price of RM5.95 per share within a period of four and a half years from the date of issue. The exercise price of the warrants was subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll. The subscription period of the said warrants, which was extended by a further five and a half years pursuant to a Supplemental Deed Poll dated 16 August 1999, expired on 17 September 2007. None of the warrants were exercised during the subscription period.

## 31. SHARE PREMIUM

This is a non-distributable reserve which arose from the issue of the Company's shares at a premium in prior years:

	Group and Company	
	2007 RM'000	2006 RM'000
At beginning of the year	62,641	62,397
Arising during the year	-	275
Share issue expenses	-	(31)
At end of the year	62,641	62,641

## 32. FOREIGN EXCHANGE RESERVE

This is a non-distributable reserve which comprises foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## 33. BORROWINGS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Short term borrowings</b>				
Bank overdrafts (Note 29)	31,305	30,469	9,970	9,962
Bankers' acceptances	83,205	87,072	-	-
Term loans	12,235	18,542	2,736	10,027
Finance lease payables (Note 34)	2,835	2,152	49	64
	<u>129,580</u>	<u>138,235</u>	<u>12,755</u>	<u>20,053</u>
<b>Long term borrowings</b>				
Term loans	17,693	20,465	7,422	5,013
Finance lease payables (Note 34)	3,272	3,158	-	49
	<u>20,965</u>	<u>23,623</u>	<u>7,422</u>	<u>5,062</u>
<b>Total borrowings</b>				
Bank overdrafts	31,305	30,469	9,970	9,962
Bankers' acceptances	83,205	87,072	-	-
Term loans	29,928	39,007	10,158	15,040
Finance lease payables	6,107	5,310	49	113
	<u>150,545</u>	<u>161,858</u>	<u>20,177</u>	<u>25,115</u>

The borrowings of the Group are secured by way of fixed and floating charges over certain assets and also negative pledges over certain assets as disclosed in Notes 15, 16 and 17. The borrowings of the subsidiaries are additionally guaranteed given by the Company.

The term loans of the Company are additionally secured against the following :

- (i) Corporate guarantees from the Company's certain existing operating subsidiaries;
- (ii) Undertaking by the holding company to fully repay the facilities should the Company be unable to meet its obligations;
- (iii) Assignment of funds realised from the exercise of the Company's warrants (subscription period expired during the year); and
- (iv) Cross defaults, rights of set-off, negative pledges and pari passu ranking with all other debts of the Company, except where the obligations are preferred by applicable laws.

Other information on financial risks of borrowings are disclosed in Note 41.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 34. FINANCE LEASE PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Minimum finance lease payments</b>				
Within the 1st year	3,210	2,484	56	74
Within the 2nd year	2,266	2,072	-	56
Within the 3rd to 5th year	1,310	1,359	-	-
	6,786	5,915	56	130
Less : Future finance charges	(679)	(605)	(7)	(17)
	6,107	5,310	49	113
<b>Analysed as</b>				
Due within 12 months (Note 33)	2,835	2,152	49	64
Due after 12 months (Note 33)	3,272	3,158	-	49
	6,107	5,310	49	113

Other information on financial risks of finance lease payables are disclosed in Note 41.

## 35. TRADE PAYABLES

	Group	
	2007 RM'000	2006 RM'000
Due to associates	125	125
Other trade creditors	69,911	47,437
Retention sums	1,261	991
	71,297	48,553

The normal trade credit terms granted to the Group range from 30 to 90 (2006 : 30 to 90) days.

## 36. OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Due to related parties:				
- Subsidiaries	-	-	6,234	15,406
- Associate	-	30	-	-
- Directors of subsidiaries	395	1,895	-	-
Other payables	19,368	15,697	72	87
Accruals	6,305	6,438	465	776
	26,068	24,060	6,771	16,269

The amounts due to related parties are unsecured, interest-free and repayable on demand.

The above mentioned directors of subsidiaries are Ng Soon Huat, Siah Kim Hew @ Sia Kian Heng, Sia Keng Choon and Sia Kian Koon.

## 37. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transactions entered in the normal course of business and established upon negotiated terms and conditions with related parties during the year were as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>With holding company</b>				
Cash repayment by FCH	-	4,279	-	2,951
Contra of amount due from FCH to amount due to Sinmah Livestocks Sdn. Bhd. ("SL")	800	-	800	-
<b>With subsidiaries</b>				
Advances to Sinmah Multifeed Sdn. Bhd. ("SM")	-	-	-	(8,747)
Advances to Sinmah Breeders Sdn. Bhd. ("SB")	-	-	-	(1,432)
Advances from SL	-	-	1,595	7,215
Advances from Farm's Best Food Industries Sdn. Bhd. ("FBFI")	-	-	4,845	1,495
Advances from Sinmah Egg Products Sdn. Bhd. ("SEP")	-	-	-	1,000
Cash repayments to SL	-	-	3,800	3,045
Cash repayments by SM	-	-	-	4,235
Cash repayments by SB	-	-	-	1,100
Repayment by SB through contra of amount due to SL	-	-	9,740	-
Repayment by SM through contra of amount due from SEP	-	-	8,526	-
Payments on behalf by SL	-	-	191	29
Payments on behalf by FBFI	-	-	30	5
Payments on behalf by SM	-	-	-	22
Gross dividend from SL	-	-	3,000	-
Gross dividend from Sinmah Development Sdn. Bhd. ("SD")	-	-	810	990
Interest recouped from SM	-	-	111	135
Interest recouped from SB	-	-	405	492
Interest recouped from SD	-	-	230	263
Allocation of centralised service costs by FBFI	-	-	270	-
<b>With other related parties</b>				
Sales to an associate, Ban Yen Sdn. Bhd. ("BY")	4,035	4,831	-	-
Purchases from BY	4,811	2,992	-	-
Vehicle maintenance services by Chop Ng Soon Hin *	633	620	-	-
Rental paid to Quah Siew Seng **	32	32	-	-
Purchases from Pulpotech Products Sdn. Bhd. ***	393	2	-	-

\* Connected to Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong, a director of the Company

\*\* Director of Chem Ventures Sdn. Bhd., a subsidiary of the Company

\*\*\* Common director Mr. Fong Kiah Yeow

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 38. CONTINGENT LIABILITIES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries (unsecured)	-	-	127,208	133,835
Legal claim by a supplier	2,398	2,398	-	-

The legal claim by a supplier was in respect of a civil suit filed on 2 February 1999 against a subsidiary for a claim for goods delivered amounting to approximately RM2,398,000. The directors are of the opinion that such claim is without basis as the goods delivered by the supplier were not of merchantable quality and unfit for its purpose and hence, no provision for any liabilities has been made in the financial statements. The last court hearing was on 6 February 2007 during which the learned judge gave directions for the parties to file written submissions and a date will be fixed for decision thereafter.

## 39. COMMITMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Capital commitments</b>				
Contracted but not provided for	972	1,121	-	-
<b>Other commitments</b>				
Minimum lease payments under non-cancellable operating leases :				
Within the 1st year	3,915	3,915	-	-
Within the 2nd year	3,915	3,915	-	-
Within the 3rd to 5th year	11,745	11,745	-	-
After the 5th year	4,479	8,394	-	-
	24,054	27,969	-	-

## 40. SEGMENT INFORMATION

### (a) Business segments

The Group is organised into two major business segments:

- (i) Poultry - This consists of manufacturing and wholesale of animal feeds, poultry breeding, hatchery operations, contract farming, poultry processing and trading of feeds, day-old chicks, medications and vaccines.
- (ii) Housing development - This consists of development and construction of residential and commercial properties.

Other business segments include investment holding and provision of management services, none of which are of a sufficient size to be reported separately.

All inter-segment transactions have been entered into in the normal course of business and have been established on term and conditions that are not materially different from that obtainable in transactions with unrelated parties.

## 40. SEGMENT INFORMATION (CONT'D)

<b>2007</b>	<b>Poultry RM'000</b>	<b>Housing development RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
External sales	369,538	12,774	-	382,312
<b>Results</b>				
Operating profit	2,230	2,731	49	5,010
Finance costs, net	(7,971)	(309)	(1,979)	(10,259)
(Loss)/profit before tax	(5,741)	2,422	(1,930)	(5,249)
Tax income/(expense)	3,340	(468)	-	2,872
Loss after tax	(2,401)	1,954	(1,930)	(2,377)
Shares of results of associates	410	-	155	565
Loss for the year	(1,991)	1,954	(1,775)	(1,812)
<b>Assets</b>				
Segment assets	311,990	39,268	2,443	353,701
Unallocated assets				5,113
Total assets				358,814
<b>Liabilities</b>				
Segment liabilities	209,914	17,266	20,730	247,910
Unallocated liabilities				5,282
Total liabilities				253,192
<b>Other information</b>				
Capital expenditure	11,047	57	-	11,104
Depreciation and amortisation	10,484	179	133	10,796
<b>2006</b>				
<b>Revenue</b>				
External sales	300,341	9,920	-	310,261
<b>Results</b>				
Segment results	6,640	2,860	1,801	11,301
Finance costs, net	(8,091)	(363)	(2,362)	(10,816)
(Loss)/profit before tax	(1,451)	2,497	(561)	485
Tax income/(expense)	214	(32)	-	182
(Loss)/profit after tax	(1,237)	2,465	(561)	667
Shares of results of associates	(183)	-	(206)	(389)
(Loss)/profit for the year	(1,420)	2,465	(767)	278

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 40. SEGMENT INFORMATION (CONT'D)

	<b>Poultry RM'000</b>	<b>Housing development RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>				
Segment assets	308,547	32,401	5,882	346,830
Unallocated assets				2,021
Total assets				<u>348,851</u>
<b>Liabilities</b>				
Segment liabilities	199,122	9,259	25,990	234,371
Unallocated liabilities				6,204
Total liabilities				<u>240,575</u>
<b>Other information</b>				
Capital expenditure	8,411	267	-	8,678
Depreciation and amortisation	11,594	180	136	11,910

### (b) Geographical segments

As the Group's activities are principally conducted in Malaysia, segment reporting by geographical segment is not prepared.

## 41. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, liquidity risk, interest rate risks (both fair value and cash flow) and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

### (b) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and policies and procedures are in place to ensure that the Group's exposure to bad debts is kept to the minimum. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except for the Company's exposure to amounts due from its holding company and subsidiaries as disclosed in Note 28.



## 41. FINANCIAL INSTRUMENTS (CONT'D)

**(c) Liquidity Risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group strives to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group maintains available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from the capital market and financial institutions. The Group prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness and where necessary, re-schedules the repayment terms of certain borrowings to ease cashflow commitments.

**(d) Interest Rate Risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings as it has no interest-bearing financial assets except for those placed in fixed deposits which are mainly short term in nature. Borrowings at floating rates expose the Group to interest rate risk.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings and actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against interest rate hikes. Except for finance lease payables whose interest rates are fixed until maturity, the other interest-bearing financial instruments are subject to floating interest rates which are contractually repriced at intervals of less than 6 months except for term loans which are repriced annually.

The following table sets out the weighted average effective interest rates ("WAEIR") as at the balance sheet date, the carrying amounts and the remaining maturity periods of the financial instruments of the Group and of the Company that are exposed to interest rate risk :

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2007

## 41. FINANCIAL INSTRUMENTS (CONT'D)

Group	Note	WAEIR %	1st year RM'000	2nd year RM'000	3rd year RM'000	4th year RM'000	5th year RM'000	Thereafter RM'000	Total RM'000
<b>2007</b>									
Deposits with licensed bank	29	3.8%	65	-	-	-	-	-	65
Bank overdrafts	33	8.7%	(31,305)	-	-	-	-	-	(31,305)
Bankers' acceptance	33	3.7%	(83,205)	-	-	-	-	-	(83,205)
Term loans	33	7.3%	(12,235)	(7,814)	(4,374)	(3,270)	(1,256)	(979)	(29,928)
Finance lease payables	34	6.5%	(2,837)	(2,062)	(967)	(241)	-	-	(6,107)
<b>2006</b>									
Deposits with licensed bank	29	3.9%	134	-	-	-	-	-	134
Bank overdrafts	33	8.1%	(30,469)	-	-	-	-	-	(30,469)
Bankers' acceptance	33	4.0%	(87,072)	-	-	-	-	-	(87,072)
Term loans	33	6.6%	(18,542)	(11,843)	(6,055)	(1,579)	(873)	(115)	(39,007)
Finance lease payables	34	6.4%	(2,154)	(1,886)	(1,181)	(89)	-	-	(5,310)
<b>Company</b>									
<b>2007</b>									
Bank overdrafts	33	8.5%	(9,970)	-	-	-	-	-	(9,970)
Term loans	33	6.9%	(2,736)	(2,736)	(2,850)	(1,836)	-	-	(10,158)
Finance lease payables	34	6.6%	(49)	-	-	-	-	-	(49)
<b>2006</b>									
Bank overdrafts	33	8.5%	(9,962)	-	-	-	-	-	(9,962)
Term loans	33	6.9%	(10,027)	(5,013)	-	-	-	-	(15,040)
Finance lease payables	34	6.2%	(64)	(49)	-	-	-	-	(113)

## 41. FINANCIAL INSTRUMENTS (CONT'D)

## (e) Fair Values

The carrying amounts of the fixed and floating rate borrowings of the Group and of the Company approximate fair values as the interest rates charged are either close, or pegged, to market interest rates of loans of similar risk profile as at balance sheet date.

The carrying amounts of the other financial assets and other financial liabilities of the Group and of the Company approximate fair values in view of their relatively short maturity periods.

## (f) Foreign Exchange Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. The Group does not enter into derivative foreign exchange contracts to hedge its foreign currency risk.

The net unhedged financial assets/(liabilities) that are not denominated in their functional currencies are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Singapore Dollar	3,275	5,740	-	-
United States Dollar	(16,066)	(20,827)	(10,158)	(15,050)

## 42. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, a subsidiary obtained a RM21.4 million loan facility secured against certain properties of the Group, of which RM4.4 million will be used to finance the construction of broiler farms. The balance of loan proceeds of RM17 million will be used to redeem certain loans and to provide working capital. The facility is additionally secured against a corporate guarantee by the Company.

# STATISTICS ON SHAREHOLDINGS

AS AT 30 APRIL 2008

AUTHORISED SHARE CAPITAL	:	RM 500,000,000
ISSUED AND FULLY PAID UP CAPITAL	:	RM 55,530,263
CLASS OF SHARES	:	ORDINARY SHARES OF RM 1.00 EACH
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of		No. of Shares	
	Shareholders	%		%
Less than 100	118	4.38	1,569	0.00
100 to 1,000	639	23.73	471,763	0.85
1,001 to 10,000	1,516	56.30	6,742,776	12.14
10,001 to 100,000	387	14.37	11,408,750	20.55
100,001 to less than 5% of issued shares	30	1.11	5,611,500	10.11
5% of issued shares and above	3	0.11	31,293,905	56.35
<b>Total</b>	<b>2,693</b>	<b>100.00</b>	<b>55,530,263</b>	<b>100.00</b>

## THIRTY (30) LARGEST SHAREHOLDERS

Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
1. MERCSEC Nominees (Tempatan) Sdn Bhd - F.C.H. Holdings Sdn Bhd	11,348,705	20.44
2. DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt an for Deutsche Bank AG London (PB Priam)	10,945,200	19.71
3. OSK Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for F.C.H. Holdings Sdn Bhd	9,000,000	16.21
4. Ng Chee Loong	485,000	0.87
5. Onn Kok Puay (Weng Guo Pei)	483,700	0.87
6. Yeo Kiam Yam @ Yeo Kian Yam	365,000	0.66
7. MERCSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yeo Kok Seng	323,000	0.58
8. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Chia Hong @ Gan Chia Hong	300,000	0.54
9. Lim Pang Hoo	262,300	0.47
10. Lee Tiow Ghee	200,000	0.36

## THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

Name of Shareholders	No. of Ordinary Shares held	Percentage of issued capital (%)
11. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Maniderjit Singh a/l Para Singh	193,600	0.35
12. HSBC Nominees (Tempatan) Sdn Bhd - Ng Song Hey	188,000	0.34
13. AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chin Chin Seong	183,800	0.33
14. Cho Kwi Lan	169,000	0.30
15. Khoo Ting Hock	157,000	0.28
16. Ong Chin Hua	155,000	0.28
17. Ng Hua Boon	150,000	0.27
18. JF APEX Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chang Chee Kong	150,000	0.27
19. Goh Sock Sin	146,800	0.27
20. Hoong Cho Kiang	145,100	0.26
21. Onn Ping Lan	139,300	0.25
22. SJ SEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Saw Sim (SMT)	132,000	0.24
23. Lim Gah Beng	129,200	0.23
24. Lee Yok Koon	127,600	0.23
25. DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank AG London	126,500	0.23
26. AIBB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Loh Teck Fatt	125,000	0.23
27. Yee Kim Ee	117,000	0.21
28. SJ SEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Sai Kim	115,500	0.21
29. Chong Mei	113,000	0.20
30. HLG Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Yee Kim Ee	111,100	0.20
<b>TOTAL</b>	<b>36,587,405</b>	<b>65.89</b>

# STATISTICS ON SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2008

## DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name	Direct	Shareholdings		
		%	Indirect	%
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	-	-	-	-
Fong Kok Yong	-	-	20,348,705*	36.65
Fong Kiah Yeow	-	-	20,348,705*	36.65
Fong Ngan Teng	-	-	20,348,705*	36.65
Fong Choon Kai	-	-	20,348,705*	36.65
Ng Cheu Kuan	-	-	-	-
Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	-	-	-	-
Tuan Haji Baharom Bin Abd. Wahab	4,500	0.01	-	-
Mohd Khasan Bin Ahmad	-	-	-	-

\* Deemed interest by virtue of his interest in F.C.H. Holdings Sdn Bhd.

## SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct	Shareholdings		
		%	Indirect	%
F.C.H. Holdings Sdn Bhd	20,348,705	36.65	-	-
Fong Kok Yong	-	-	20,348,705*	36.65
Fong Kiah Yeow	-	-	20,348,705*	36.65
Fong Ngan Teng	-	-	20,348,705*	36.65
Fong Choon Kai	-	-	20,348,705*	36.65
Priam Holdings Limited	10,945,200	19.71	-	-

\* Deemed interest by virtue of his interest in F.C.H. Holdings Sdn Bhd.

# LIST OF PROPERTIES

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
<b>100% OWNED SUBSIDIARIES</b>				
Lot 5253, 5254, 5255, 5256 & 236 GM 551, 552, 527, 528 & EMR 1369 Mukim Jeram Batu Johor	Broiler Farm	Freehold	2,314,243	1994
Lot 5541 & 4332, C.T. No. 11382 Mukim of Rantau District of Seremban Negeri Sembilan	Broiler Farm	Freehold	319,642	1994
Lot 3206 H.S. (D) 444 Titiang Bintagor Negeri Sembilan	Broiler Farm	Freehold	88,290	1994
Lot No. 799 & 800 Mukim of Sungai Siput District of Alor Gajah Melaka	Breeder Farm	Freehold	2,512,566	1987
Lot No. 2893 - 2899 Mukim of Sungei Baru Ilir District of Alor Gajah Melaka	Breeder Farm	Freehold	4,675,526	1993
Lot 142 Mukim of Sungei Baru Ilir District of Alor Gajah Melaka	Breeder Farm	Freehold	2,121,896	1983
Lot No. 401 & 731 Mukim of Ramuan Cina Besar District of Alor Gajah Melaka	Breeder Farm	Freehold	1,262,951	1981
Lot 1618, 1854, 1855, 0963, 959, 639 & 640 EMR 1660 Grant No. 4926, 4905, 3113, 2374 EMR 1122 & 1059 Mukim Lenga, Muar Johor	Breeder Farm	Freehold	1,881,783	1996
Lot 458 & 459 C.T. No. 8770 & 8771 Tebong, Tampin Negeri Sembilan	Breeder Farm	Freehold	1,660,433	1994

# LIST OF PROPERTIES (cont'd)

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
L.O. No. 1039 & 1040 Q.T.(R) 15 & 16 Mukim Keru, Tampin Negeri Sembilan	Broiler Farm	Freehold	124,328	1994
Lot 9467 Q.T.(M) No. 182 Tanjong Sembrong Batu Pahat Johor	Broiler Farm	Freehold	841,412	1995
MLO 8663 H.S.(D) 2631 Mukim Sembrong Johor	Broiler Farm	Freehold	593,535	1995
Lot 647 & 658 Mukim Tanjong Minyak Melaka	Vacant Land	Freehold	1,400,851	1996
P.T. No. 197 H.S.(D) 33179 Kawasan Bandar XXXIX Daerah Melaka Raya Melaka	3 1/2 Storey Intermediate shoplot	Leasehold (expiring 2075)	422,001	2003
Lot 1599, C.T. 6270 Port Dickson Negeri Sembilan	Broiler Farm	Freehold	1,997,456	1995
Taman Mewah Alor Gajah Melaka	6 Units of 2- bedroom Apartment	Leasehold (Expiring in 2091)	139,191	1995
PTD 64217 H.S.(D) 208128 Mukim Tebrau Johor	1 1/2 Storey Terrace Factory	Freehold	316,090	1995
P.T.No.20, Plot 6 Mukim Kelemak District of Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2073)	1,345,128	1994
P.T.No.18 H.S.(M) 1940 Mukim Kelemak District of Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2073)	4,648,847	1994
Lot 3, 4 & 5 Masjid Tanah Ind. Estate Masjid Tanah, Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2095)	11,034,498	1995



<b>LOCATION</b>	<b>DESCRIPTION &amp; DETAILS</b>	<b>TENURE</b>	<b>NET BOOK VALUE RM</b>	<b>Date of Revaluation/ Date of Acquisition</b>
Lot 319, C.T. 107 Mukim Triang Ilir Negeri Sembilan	Broiler Farm	Freehold	745,761	1995
Lot No. 7688, HS(M) 1733 Tanjong Sembrong (VII) District of Batu Pahat Johor	Broiler Farm	Freehold	536,133	1996
MLO No. 8497 H.S.(M) 2270 Mukim Tanjong Sembrong VII, Batu Pahat Johor	Broiler Farm	Freehold	681,169	1997
Holding No. 2628, SG574/62 Mukim Sungei Baru Tengah Alor Gajah Melaka	Industrial Land	Freehold	910,944	1997
Lot 2404, EMR 7566 Mukim Jementah Johor	Vacant Land	Freehold	345,862	1997
H.S. (D) 24419, No PT11641 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	897,248	2006
H.S. (D) 24408, No PT11630 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	338,264	2005
Block D2-01-01, Type B1 Genting View Resort Phase 4, Bentong Pahang	1 unit of 2 bedrooms apartment	Freehold	171,872	1998
Block D1-19, Type P2 Genting View Resort Phase 4, Bentong Pahang	1 unit of bedrooms apartment	Freehold	314,784	1998
PT No.6901, HS(D) No. 34536 Mukim Bukit Katil Daerah Melaka Tengah Negeri Melaka	Double Storey Shop / Office	Freehold	326,251	2000
H.S.(D) 43175, Lot No.PT2113, Mukim of Krubong, District of Melaka Tengah, State of Melaka.	Held for development	Freehold	6,770,342	2006

# LIST OF PROPERTIES (cont'd)

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
<b>JOINT VENTURE SUBSIDIARIES</b>				
Lot 3892, GM153 Mukim Rimba Terjun, District of Pontian Batu 28, Jalan Johor Johor	Broiler farm	Freehold	1,003,568	1996
Lot 4645 & Lot 4646 H.S. (M) 846 & 847, Mukim Jeram Batu Batu 31, Jalan Johor District of Pontian Johor	Broiler farm	Freehold	469,491	1996
GM3232 Lot 3021 (New Lot 7699) Locality of Parit Mat Siam Mukim and District of Pontian Johor	Broiler farm	Freehold	320,644	1996
Lot 4255, GM301 Locality of Ulu Pontian Mukim and District of Pontian Johor	Broiler farm	Freehold	619,669	1996
GM2010, Lot 14 Locality of Parit Bahru Mukim and District of Pontian Johor	Broiler farm	Freehold	414,588	1996
GM1776, Lot 3664 (New Lot 4730) Locality of Batu 30 Mukim Jeram Batu, District of Pontian Johor	Broiler farm	Freehold	850,379	1996
GM217 and 1079, Lot 2665 & 698 Locality of Jalan Labis and Batu 8 1/2 Jalan Labis Mukim Chaah Baru, District of Batu Pahat Johor	Broiler farm	Freehold	1,395,016	1996
Lot 420, GM59, Mukim Pengkalan Raja Pontian Johor	Broiler farm	Freehold	545,716	1996
H.S.(D) 68575, Mukim Pulai Johor Bahru	Double storey house	Leasehold (99 years)	229,090	1996

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	Date of Revaluation/ Date of Acquisition
GM1055 and 2827, Lot 8846 and 3257 Locality of Parit Bengkulu and Sungai Durian Mukim and District of Pontian Johor	Broiler Farm	Freehold	1,271,157	1982
Grant 60828, Lot 8602, Mukim Jeram Batu 7, 7A & 7B, Jalan Mewah 1 Taman Mewah 81500 Pekan Nenas Johor	Three storey shophouse	Freehold	412,590	2004
Lot 1310, GN47071 Minyak Beku 6, Batu Pahat Johor	Poultry processing plant & coldrooms / office block	Freehold	2,357,726	1991
H.S.(M) 1745, MLO 8674 Tanjung Sembrong 14 Batu Pahat Johor	Broiler farm	Freehold	189,345	1995
Lot 3233, EMR 5066 Minyak Beku 6 Batu Pahat Johor	Broiler farm	Freehold	601,938	1997
Lot 1730, CT 2851 Bandar Penggaram District of Batu Pahat Johor	Double storey terrace shophouse	Freehold	312,406	1998
H.S. (D) 302891, Lot No. PTD15511, Mukim of Sedenak, District of Johor Bahru State of Johor Darul Ta'zim	Broiler Farm	Leasehold (30 years)	29,476	2000
PTD 2163, H.S.(D) 5124 Mukim Grisek District of Muar Johor	Layer farm	Freehold	1,107,516	1997
PTD 2164, H.S.(D) 5125 Mukim Grisek District of Muar Johor	Layer farm	Freehold	587,939	1997
PTD 2165, H.S.(D) 5126 Mukim Grisek District of Muar Johor	Agricultural land	Freehold	228,927	1997

# LIST OF PROPERTIES (cont'd)

<b>LOCATION</b>	<b>DESCRIPTION &amp; DETAILS</b>	<b>TENURE</b>	<b>NET BOOK VALUE RM</b>	<b>Date of Revaluation/ Date of Acquisition</b>
PTD 2166, H.S.(D) 5127 Mukim Grisek District of Muar Johor	Agricultural land	Freehold	243,740	1997
PTD 2167, H.S.(D) 5128 Mukim Grisek District of Muar Johor	Layer farm	Freehold	871,027	1997
PTD 2168, H.S. (D) 5129 Mukim Grisek District of Muar Johor	Layer farm	Freehold	875,587	1997
PTD 2169, H.S. (D) 5130 Mukim Grisek District of Muar Johor	Layer farm	Freehold	751,898	1997
PTD 2170, H.S. (D) 5131 Mukim Grisek District of Muar Johor	Layer farm	Freehold	848,221	1997
PTD 2171, H.S. (D) 5132 Mukim Grisek District of Muar Johor	Layer farm	Freehold	568,977	1997
PTD 6321 Grant 4778 Mukim Grisek District of Muar Johor	Layer farm	Freehold	307,682	1997
No. H.S. (D) 2549, No. PT 1512 Mukim Kelemak District of Alor Gajah Melaka	Double storey shophouse	Freehold	174,641	2006

This page is intentionally left blank.

This page is intentionally left blank.



FARM'S BEST BERHAD  
(301653-V)

<b>Numbers of shares held</b>	
-------------------------------	--

**FOURTEENTH ANNUAL GENERAL MEETING  
FORM OF PROXY**

I/We \_\_\_\_\_  
(Full Name in Capital Letters)

of \_\_\_\_\_  
(Full Address)

being a member of **FARM'S BEST BERHAD** hereby appoint \_\_\_\_\_  
(Full Name in Capital Letters)

of \_\_\_\_\_  
(Full Address)

or failing him/her, \_\_\_\_\_ of \_\_\_\_\_  
(Full Name in Capital Letters)

\_\_\_\_\_  
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Bilik Bunga Teratai, 7<sup>th</sup> Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Thursday, 26 June 2008 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Resolution No.	Ordinary Business	For	Against
Ordinary Resolution 1	To receive the Audited Financial Statements and Directors' and Auditors' Reports.		
Ordinary Resolution 2	To approve the payment of Directors' fees.		
Ordinary Resolution 3	To re-elect Mr Fong Kok Yong as Director.		
Ordinary Resolution 4	To re-elect Mr Ng Cheu Kuan as Director.		
Ordinary Resolution 5	To re-elect En Mohd Khasan Bin Ahmad as Director.		
Ordinary Resolution 6	To re-appoint Tuan Haji Baharom Bin Abd Wahab as Director.		
Ordinary Resolution 7	To re-appoint Messrs Ernst & Young as the Company's Auditors.		
Resolution No.	Special Business	For	Against
Ordinary Resolution 8	To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
(Signature/Common Seal of Shareholder)

**Notes :-**

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a), (b), (c) and (d) of the Companies Act, 1965 shall not apply to the Company.
- (ii) Where a member appoints two (2) or more proxies, the appointment shall not be valid unless he (she) specifies the proportion of his (her) shareholdings to be represented by each proxy.
- (iii) The Proxy Form shall be signed by the appointor or his (her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its authorised attorney or officers.
- (iv) The instrument appointing a proxy shall be deposited at the office of the Company's Share Registrar at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty-eight (48) hours before the time set for the Meeting or any adjournment thereof.





# FARM'S BEST depots/offices in Peninsula Malaysia and overseas offices

Depot-depot FARM'S BEST  
di Semenanjung Malaysia  
dan pejabat-pejabat di Luar Negara



**FARM'S BEST BERHAD**  
(301653-V)

## DEPOTS

### RAWANG 1

25, Jalan BJ 7  
Taman Perindustrian Belmas Johan  
48000 Rawang, Selangor  
Tel : 03-6092 2024  
Fax: 03-6091 9936

### RAWANG 2

1, Jalan BJ 7  
Taman Perindustrian Belmas Johan  
48000 Rawang, Selangor  
Tel : 03-6093 2997  
Fax: 03-6091 6819

### SEREMBAN

No. 1, Taman Harapan Baru  
Jalan Rasah  
70300 Seremban  
Negeri Sembilan  
Tel : 06-632 5708  
Fax: 06-632 5706

### MELAKA

No. 154, Jalan Suria 2  
Taman Malim Jaya  
75200 Melaka  
Tel : 06-337 5992  
Fax: 06-335 8266

### IPOH

80, Jalan Leong Boon Siew  
30000 Ipoh, Perak  
Tel : 06-337 5992  
Fax: 06-335 8266

### BUTTERWORTH

No. 8, (Plot 48)  
Taman Industri Beringin @  
Juru Industrial Park  
Juru Mukim 13  
Seberang Prai Tengah  
14100 Pulau Pinang  
Tel : 04-507 6449  
Fax: 04-507 7068

### TEMERLOH

53, Jalan Ahmad Shah  
28000 Temerloh  
Pahang  
Tel : 09-296 8223  
Fax: 09-296 6223

### KUANTAN

B-32, Jalan Air Putih  
25300 Kuantan  
Pahang  
Tel : 09-567 0223  
Fax: 09-567 0221

### JOHOR BAHRU

9, Jalan Bayu 2/5  
Taman Perindustrian Tampoi Jaya  
81200 Johor Bahru, Johor  
Tel : 07-235 0310  
Fax: 07-235 0306

## MARKETING OFFICE

### RAWANG

28, Jalan BJ 6  
Taman Perindustrian Belmas Johan  
48000 Rawang, Selangor  
Tel : 03-6092 6077  
Fax: 03-6092 3908

### REPRESENTATIVE OFFICE

KOTA BHARU  
No. 11, Jalan Hospital  
Kedai MPKB, Berek 12  
15200 Kota Bharu  
Kelantan

## OVERSEAS ADDRESSES

### CHIX UNLIMITED INC.

Brgy. Casilagan, Mangatarem  
Pangasinan 2413, Philippines  
Tel : 00 639 737 54004  
Fax: 00 639 737 54004

### FB FOOD (NANJING) PTE LTD SM ENTERPRISE (NANJING) PTE LTD

Room 5212, 25th Floor  
Jiangsu International Mansion  
50 Zhong Hua Lu  
Nanjing, Jiangsu 210001 China  
Tel : 0086 25-8468 0456  
Fax: 0086 25-8468 0326



**FARM'S BEST BERHAD**  
(301653-V)

AG5730, ALOR GAJAH INDUSTRIAL ESTATE, 78000 ALOR  
GAJAH, MELAKA, MALAYSIA. • **TELEPHONE** 06-556 1293 •  
**FACSIMILE** 06-556 2445 • **WEBSITE** WWW.SINMAH.COM.MY