



FARM'S BEST BERHAD  
(301653-V)

expect **more**





We believe that when you care about what you do and how you do it, there should never be a finish line because one can become complacent. Hence it is important to view every day as a new day to better oneself. That's why as a veteran in the poultry business, we are certain about one thing and that is there will be always more to accomplish. There will always be another market to penetrate, another product to introduce, another quality control measure to implement. So, while it's extremely gratifying to know that our products are growing in popularity, it's more important for us to look ahead in catering to our customers' needs given the increased threat of bird flu on a global level. To avoid the possibility of a pandemic, only fully cooked products are gaining acceptance into export markets. This has created a world of opportunities for us given our years of experience in a wide range of fully cooked poultry products. What this simply means is that you can expect more from Farm's Best as we focus on tapping new markets such as Japan, Europe and the Middle East and the proposed establishment of a new fully cooked products plant in 2007.





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# notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at Bilik Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Monday, 25 June 2007 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 2006 together with the Reports of the Directors and Auditors thereon.

**Ordinary Resolution 1**

2. To approve the payment of Directors' fees for the financial year ended 31 December 2006.

**Ordinary Resolution 2**

3. To re-elect the following Directors who retire by rotation in accordance with the Company's Articles of Association:-

(a) Datuk Hj. Zainal Bin  
Hj. Shamsudin – Article 100

**Ordinary Resolution 3**

(b) Mr Fong Choon Kai  
– Article 106

**Ordinary Resolution 4**

(c) Mr Fong Ngan Teng  
– Article 106

**Ordinary Resolution 5**

4. To consider and, if thought fit, 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.

**Ordinary Resolution 7**

### SPECIAL BUSINESS:

To consider and, if thought fit, pass with or without modification, the following resolutions:-

#### Ordinary Resolution

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

“**THAT** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being.”

**Ordinary Resolution 8**

#### Special Resolution

7. Proposed Amendments to the Articles of Association of the Company

“**THAT** the amendments to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 1 June 2007 be and is hereby approved and adopted.

**THAT** the existing Articles 98 to 185 of the Company's Articles of Association be re-numbered as Articles 97 to 184 accordingly.

**THAT** the Directors and Secretaries of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the amendments as set out in Appendix I of the Circular to Shareholders dated 1 June 2007.

**AND THAT** the Directors of the Company, be and are hereby authorised to assent to any condition, modification, variation and/or amendments as may be required by Bursa Malaysia Securities Berhad.”

**Special Resolution 1**

#### ANY OTHER BUSINESS:

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

#### BY ORDER OF THE BOARD

**CHIN NGEOK MUI** (MAICSA 7003178)  
**LIEW SENG AUN** (MIA 13109)  
Company Secretaries

Melaka  
1 June 2007

**Notes:**

1. 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.
2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he (she) specifies the proportion of his (her) shareholdings to be represented by each proxy.
3. The Proxy Form shall be signed by the appointor or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its authorised attorney or officers.
4. The instrument appointing a proxy shall be deposited at the Share Registrar's Office at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for the Meeting or any adjournment thereof.

**Explanatory Notes on Special Business:-**

a) **Ordinary Resolution 6  
Re-appointment of Director over 70 years of age**

The Ordinary Resolution No. 6 proposed under item (4) above is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Tuan Haji Baharom Bin Abd. Wahab who is over 70 years of age as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company. The resolution must be passed by a majority of not less than three-fourths of such Members of the Company as being entitled to vote in person or where proxies are allowed, by proxy at the Annual General Meeting of the Company.

b) **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.

c) **Special Resolution 1  
Proposed Amendments to the Articles of Association**

The Special Resolution 1 proposed, if passed, will render the Articles of Association of the Company to be consistent with the new provisions under Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad and any prevailing laws, rules, regulations, orders, guidelines or requirements of the relevant authorities.

For further information on the Proposed Amendments to the Articles of Association, please refer to the Circular to Shareholders dated 1 June 2007 enclosed together with the Company's Annual Report 2006.

## statement accompanying notice of thirteenth annual general meeting

1. The profile of the Directors who are standing for re-election and re-appointment are set out on pages 8, 11, 12 and 15 of the Annual Report.
2. The details of the Directors' shareholdings in the Company and its subsidiaries are set out on pages 50, 51 and 111 of the Annual Report.

# notis mesyuarat agung tahunan

NOTIS ADALAH DENGAN INI DIBERI bahawa Mesyuarat Agung Tahunan Ke-Tiga Belas Syarikat akan diadakan di Bilik Bunga Teratai, Tingkat 7, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka pada hari Isnin, 25 Jun 2007 jam 10.00 pagi untuk menimbang urusan-urusan berikut:-

## AGENDA

### URUSAN BIASA:

- Untuk menerima dan melulus Penyata Kewangan Teraudit bagi tahun kewangan berakhir 31 Disember 2006 dan Laporan Pengarah dan Laporan Juruaudit berhubung dengannya.

#### Resolusi Biasa 1

- Untuk melulus yuran-yuran para Pengarah bagi tahun kewangan berakhir 31 Disember 2006.

#### Resolusi Biasa 2

- Untuk melantik semula Pengarah-pengarah berikut yang bersara secara bergilir selaras dengan Tataurusan Pertubuhan Syarikat:-

(a) Datuk Hj. Zainal Bin  
Hj. Shamsudin – Artikel 100

#### Resolusi Biasa 3

(b) En. Fong Choon Kai  
– Artikel 106

#### Resolusi Biasa 4

(c) En. Fong Ngan Teng  
– Artikel 106

#### Resolusi Biasa 5

- Untuk menimbang dan, sekiranya difikirkan wajar, meluluskan Resolusi Biasa selaras dengan Seksyen 129(6) Akta Syarikat, 1965 berikut:

"**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 selaras dengan Seksyen 129(6) Akta Syarikat, 1965 dan untuk memegang jawatan

sehingga tamatnya Mesyuarat Agung Tahunan Syarikat yang akan datang."

#### Resolusi Biasa 6

- Untuk melantik semula Tetuan Ernst & Young sebagai Juruaudit Syarikat dan memberi kuasa kepada Lembaga Pengarah untuk menetapkan ganjaran mereka.

#### Resolusi Biasa 7

### URUSAN KHAS:

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

#### Resolusi Biasa

- Kuasa kepada para Pengarah untuk memperumpuk dan menerbitkan saham dalam Syarikat menurut Seksyen 132D Akta Syarikat, 1965

"**BAHAWA**, tertakluk kepada Akta Syarikat, 1965, Tataurusan Pertubuhan Syarikat dan kelulusan daripada pihak-pihak berkuasa kerajaan/penguatkuasa peraturan, 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 hingga tamat Mesyuarat Agung Tahunan akan datang dan 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."

#### Resolusi Biasa 8

### Resolusi Khas

- Cadangan Pindaan Tataurusan Pertubuhan Syarikat

"**BAHAWA**, pindaan kepada Tataurusan Pertubuhan Syarikat seperti yang dinyatakan dalam Lampiran 1 Pekeliling kepada Pemegang Saham bertarikh 1 Jun 2007, adalah dan dengan ini diluluskan dan diterimapakai.

**BAHAWA**, Tataurusan 98 hingga 185 yang sedia ada dalam Tataurusan Pertubuhan Syarikat dinomborkan semula sebagai Tataurusan 97 hingga 184.

**BAHAWA**, para Pengarah dan Setiausaha-setiausaha Syarikat, adalah dan dengan ini diberi kuasa bagi menjalankan semua tindakan rasmi untuk memberi kesan kepada pindaan tersebut seperti yang dinyatakan dalam Lampiran 1 Pekeliling kepada Pemegang Saham bertarikh 1 Jun 2007.

**DAN BAHAWA**, para Pengarah Syarikat, adalah dan dengan ini diberi kuasa untuk memersetujui sebarang syarat, modifikasi, perubahan dan/atau pindaan seperti yang mungkin dikehendaki oleh Bursa Malaysia Securities Berhad."

#### Resolusi Khas 1

### LAIN-LAIN URUSAN:

- Untuk membincang lain-lain urusan biasa yang mana notis telah diberi sewajarnya.

### ATAS PERINTAH LEMBAGA PENGARAH

**CHIN NGEOK MUI** (MAICSA 7003178)  
**LIEW SENG AUN** (MIA 13109)  
Setiausaha-setiausaha Syarikat

Melaka  
1 Jun 2007

**Nota:**

1. Setiap Ahli yang berhak untuk hadir dan mengundi pada Mesyuarat adalah berhak untuk melantik 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.
2. Di mana seorang ahli melantik dua (2) orang atau lebih proksi, pelantikan tidak akan sah kecuali beliau menyatakan bahagian daripada pemegangan saham beliau untuk diwakili oleh setiap proksi.
3. Borang Proksi hendaklah ditandatangani oleh pelantik atau wakil beliau yang diberi kuasa sewajarnya secara bertulis atau, sekiranya ahli merupakan perbadanan, hendaklah disempurnakan di bawah meterai biasa atau oleh wakil atau pegawai yang dibenarkan.
4. Instrumen melantik proksi hendaklah diserahkan di Level 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**

a) **Resolusi Biasa 6  
Pelantikan Semula Pengarah melebihi usia 70 tahun**

Resolusi Biasa No. 6 dicadangkan di bawah perkara (4) di atas adalah mengikut Seksyen 129(6) Akta Syarikat, 1965 yang memerlukan agar resolusi berasingan diluluskan untuk melantik Tuan Haji Baharom Bin Abd. Wahab yang melebihi usia 70 tahun sebagai Pengarah Syarikat dan untuk memegang jawatan sehingga tamatnya Mesyuarat Agung Tahunan Syarikat yang akan datang. Resolusi hendaklah diluluskan oleh majoriti tidak kurang daripada tiga perempat daripada Ahli-ahli tertentu Syarikat yang berhak untuk mengundi secara sendiri atau di mana proksi dibenarkan, melalui proksi pada Mesyuarat Agung Tahunan Syarikat.

b) **Resolusi Biasa 8  
Kuasa bagi para Pengarah untuk 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 diterbit dan berbayar Syarikat. Kuasa ini, kecuali dibatalkan atau diubah dalam sebuah 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.

c) **Resolusi Khas 1  
Cadangan Pindaan Tataurusan Pertubuhan**

Resolusi Khas 1 yang dicadangkan, jika diluluskan, akan mengubah Tataurusan Pertubuhan Syarikat agar konsisten dengan peruntukan-peruntukan baru di bawah Bab 7 Keperluan Penyenaraian dan sebarang undang-undang, peraturan, penguatkuasaan, perintah, garis panduan atau keperluan baru pihak-pihak berkuasa berkaitan.

Untuk maklumat lanjut mengenai Cadangan Pindaan Tataurusan Pertubuhan tersebut, sila rujuk Pekeliling kepada Pemegang Saham bertarikh 1 Jun 2007 yang disertakan bersama-sama dengan Laporan Tahunan 2006 Syarikat.

## penyata mengiringi notis mesyuarat agung tahunan ke-tiga belas

1. Profil para Pengarah yang menawarkan diri untuk pemilihan dan pelantikan semula disediakan di muka surat 8, 11, 12 dan 15 dalam Laporan Tahunan ini.
2. Butir-butir pegangan saham para Pengarah dalam Syarikat dan syarikat-syarikat subsidiarinya didedahkan di muka surat 50, 51 dan 111 dalam Laporan Tahunan ini.



# corporate information maklumat korporat

## BOARD OF DIRECTORS LEMBAGA PENGARAH

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

## STOCK EXCHANGE LISTING PENYENARAIAAN DI BURSA SAHAM

Bursa Malaysia Securities Berhad  
– Second Board/Papan Kedua

## directors' profile

## profil para pengarah



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

*Chairman,  
Independent Non-Executive  
Director &  
Chairman of Audit Committee  
60 years of age  
Malaysian*

*Pengerusi,  
Pengarah Bukan Eksekutif Bebas  
& Pengerusi Jawatankuasa Audit  
Berusia 60 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 Committee and member of the Nomination and Remuneration Committees 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 ranks as Deputy Director (II) of the Malaysian Special Branch until 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. Y. Bhg. Datuk Hj. Zainal has attended all three (3) board meetings held since his appointment during the financial year ended 31 December 2006.

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 ahli Jawatankuasa Penamaan dan Imbuan Farm's Best.

Y. Bhg. Datuk Hj. Zainal memegang 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 dalam Pasukan Polis DiRaja Malaysia sebagai Pegawai Penyiataan dan telah dinaikkan pangkat ke jawatan Timbalan Pengarah (II) Cawangan Khas Malaysia sehingga persaraan beliau. Beliau turut menganggotai lembaga pengarah beberapa syarikat sendirian berhad.

Hingga ke tarikh laporan tahunan ini, Y. Bhg. Datuk Hj. Zainal tidak mempunyai sebarang kepentingan dalam Farm's Best. Beliau telah menghadiri ketiga-tiga (3) mesyuarat lembaga pengarah yang telah diadakan sejak pelantikan beliau pada tahun kewangan berakhir 31 Disember 2006.



## FONG KOK YONG

*Managing Director  
56 years of age  
Malaysian*

*Pengarah Urusan  
Berusia 56 tahun  
Warganegara Malaysia*

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 Farm's Best 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 – 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 six (6) of the seven (7) board meetings held during the financial year ended 31 December 2006.

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 adalah ahli Jawatankuasa Imbuhan Farm's Best.

Fong Kok Yong tamat pengajian dari 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 enam daripada tujuh (7) mesyuarat lembaga yang diadakan pada tahun kewangan berakhir 31 Disember 2006.



## FONG KIAH YEOW

*Executive Director  
52 years of age  
Malaysian*

*Pengarah Eksekutif  
Berusia 52 tahun  
Warganegara Malaysia*

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 seven (7) board meetings held during the financial year ended 31 December 2006.

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

Fong Kiah Yeow tamat kursus perakaunan pada 1975 dari 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 telah bertanggungjawab bagi 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 bagi hal ehwal korporat dan hal-hal 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 tujuh (7) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2006.



## FONG NGAN TENG

*Executive Director  
49 years of age  
Malaysian*

*Pengarah Eksekutif  
Berusia 49 tahun  
Warganegara Malaysia*

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 Farm's Best Group. He also sits on the board 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 seven (7) board meetings held during the financial year ended 31 December 2006.

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 beliau tamat pengajian dan telah 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 tujuh (7) mesyuarat lembaga dalam tahun kewangan berakhir 31 Disember 2006.

**FONG CHOON KAI**

*Executive Director  
45 years of age  
Malaysian*

*Pengarah Eksekutif  
Berusia 45 tahun  
Warganegara Malaysia*

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 Farm's Best Group. He also sits on the board 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 seven (7) board meetings held during the financial year ended 31 December 2006.

Fong Choon Kai dilantik ke Lembaga Farm's Best pada 10 Februari 1995. Beliau tamat 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 Rekabentuk 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 impot Hanover Trading Ltd, United Kingdom selama 2 tahun. Fong Choon Kai pada masa ini bertanggungjawab bagi semua hal-hal 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 tujuh (7) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2006.



## NG CHEU KUAN

*Executive Director  
52 years of age  
Malaysian*

*Pengarah Eksekutif  
Berusia 52 tahun  
Warganegara Malaysia*

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 business. 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 all seven (7) board meetings held during the financial year ended 31 December 2006.

Ng Cheu Kuan dilantik ke Lembaga Farm's Best pada 10 Februari 1995 dan bertanggungjawab bagi operasi pembangunan hartanah Kumpulan. Beliau tamat pengajian dengan ijazah Kejuruteraan Awam (Kepujian) dari University of Southampton, United Kingdom pada Julai 1977. Beliau merupakan Jurutera Profesional 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 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 pembinaan sendiri. Beliau juga adalah pengarah beberapa syarikat sendirian berhad.

Pada tarikh laporan tahunan ini, Ng Cheu Kuan tidak mempunyai apa-apa kepentingan dalam Farm's Best. Beliau telah menghadiri kesemua tujuh (7) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2006.



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

*Executive Director  
55 years of age  
Malaysian*

*Pengarah Eksekutif  
Berusia 55 tahun  
Warganegara Malaysia*

Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong was appointed to the Board of Farm's Best on 10 February 1995. He is also a member of the Audit Committee of Farm's Best.

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 and as Executive Committee of National Malaysia Crime Prevention Foundation. He is also the Chairman of Malacca State's Inspectorate of National Service Training Council.

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 seven (7) board meetings held during the financial year ended 31 December 2006.

Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong dilantik ke Lembaga Farm's Best pada 10 Februari 1995. Beliau juga adalah ahli Jawatankuasa Audit Farm's Best.

Y. Bhg. Datuk Ng Peng Hay adalah Ahli Dewan Undangan Negeri bagi Kawasan Tengkeru Barisan Nasional di antara 1982 dan 1986. Beliau kemudian berkhidmat sebagai Senator dalam Parlimen Malaysia dari 1987 hingga 1993. Penglibatan pertama beliau dalam kegiatan sosial adalah selepas tamat pendidikan menengah. Beliau telah dilantik sebagai Penyelaras Pelaburan oleh Perbadanan Pembangunan Negeri Melaka untuk mengendalikan pelaburan langsung dalam Negeri Melaka sejak 1988. Bersama dengan pasukan pegawai beliau dan hubungan awam beliau yang baik, beliau telah membantu dalam menarik ramai pelabur-pelabur Taiwan, Singapura dan Cina ke dalam 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 adalah Pengerusi MCA, Cawangan Melaka Ketujuh sejak 1982. Beliau juga telah dilantik sebagai Naib Pengerusi Yayasan Pencegahan Jenayah Malaysia (MCPF) Negeri Melaka sejak tahun 1997 dan sebagai Jawatankuasa Eksekutif Yayasan Pencegahan Jenayah Kebangsaan Malaysia. Beliau juga merupakan Pengerusi Pemeriksa Majlis Latihan Khidmat Negara, Negeri Melaka.

Beliau merupakan Pengarah Bukan Eksekutif Bebas Bonia Corporation (M) Berhad sejak 1994, Komarkcorp Berhad sejak 1997 dan Ta Win Holdings Berhad sejak 2000. Selain daripada 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 tujuh (7) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2006.



**HAJI BAHAROM  
BIN ABD WAHAB**

*Independent  
Non-Executive Director  
72 years of age  
Malaysian*

*Pengarah Bukan Eksekutif Bebas  
Berusia 72 tahun  
Warganegara Malaysia*

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 seven (7) board meetings held during the financial year ended 31 December 2006.

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

Haji Baharom memulakan kerjaya mengajar beliau sejak 1955 dan telah berada dalam bidang perguruan lebih daripada 35 tahun. Beliau kemudiannya telah dinaikkan pangkat kepada jawatan guru besar pada 1976 dan memegang jawatan ini sehingga beliau memilih persaraan awal pada 1990. Beliau menghadiri kursus-kursus bagi "Pentadbiran dan Pengurusan moden bagi Guru-Guru Besar" di Universiti Sains Malaysia Pulau Pinang, pada 1976 dan "Pengurusan dan Kepimpinan Pendidikan" di Universiti Malaya, Kuala Lumpur pada 1982. Dalam tahun beliau berkhidmat dengan Kementerian Pendidikan, beliau telah ditugaskan untuk membantu dalam menyelesaikan beberapa krisis untuk beberapa sekolah. Haji Baharom telah secara aktif terlibat dengan kedua-dua kerja politik dan komuniti sejak awal lagi. Haji Baharom telah secara aktif terlibat dalam koperasi dan telah dilantik sebagai pengarah bagi Koperasi Guru-guru Melayu Melaka dari 1986 hingga 1991. Sebagai mengiktiraf sumbangan beliau kepada persatuan, 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 sendirian berhad.

Pada tarikh laporan tahunan ini, Haji Baharom memegang 4,500 saham dalam Farm's Best. Beliau telah menghadiri kesemua tujuh (7) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2006.



### MOHD KHASAN BIN AHMAD

*Independent Non-Executive  
Director  
46 years of age  
Malaysian*

*Pengarah Bukan Eksekutif Bebas  
Berusia 46 tahun  
Warganegara Malaysia*

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 six (6) of the seven (7) board meetings held during the financial year ended 31 December 2006.

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

Mohd Khasan mendapat sijil diploma dalam Perakaunan dan kemudian tamat pengajian dengan ijazah dalam Perakaunan dari Universiti Teknologi Mara. Beliau adalah ahli Institut Akauntan Malaysia ("MIA"). Beliau berkhidmat dengan Bank Negara Malaysia bagi tempoh selama 7 tahun, 2 tahun terakhir yang mana beliau telah berkhidmat dengan Jawatankuasa Terbitan Modal ("CIC") sebagai Penolong Setiausaha Utama. Kemudiannya, beliau menyertai Suruhanjaya Sekuriti bagi 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 dari tawaran awam awal, percantuman dan pengambilalihan, pengambilalihan terbalik, 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 enam (6) daripada tujuh (7) mesyuarat lembaga yang diadakan dalam tahun kewangan berakhir 31 Disember 2006.

## 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 financial needs.

## MAKLUMAT TAMBAHAN

### (i) Percanggahan kepentingan

Tiada pengarah mempunyai apa-apa percanggahan kepentingan dengan Syarikat.

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

Tiada pengarah mempunyai apa-apa perhubungan keluarga 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, selain daripada kesalahan trafik)

Kecuali bagi Fong Kok Yong, Fong Kiah Yeow, Fong Ngan Teng dan Fong Choon Kai, tidak ada 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 ketakselesaian cadangan terbitan hak Farm's Best. Selain daripada 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 dari 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 lengkap yang akan memenuhi semua keperluan kewangan Farm's Best.

# chairman's **statement** **penyata** pengerusi



First and foremost I wish to thank the Board of Directors of Farm's Best Berhad for appointing me as the new Chairman for the Farm's Best Berhad group of Companies ("the Group"), replacing the late Y. Bhg. Tan Sri Datuk Wira Hj. Abdul Razak Bin Alias.

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 2006.

Sebagai permulaan dan yang paling utama, saya ingin mengucapkan sebanyak terima kasih kepada Lembaga Pengarah Farm's Best Berhad kerana telah memberi kepercayaan kepada saya untuk memegang jawatan sebagai Pengerusi baru kumpulan Syarikat Farm's Best ("Kumpulan"), bagi menggantikan Allayarham Y. Bhg. Tan Sri Datuk Wira Hj. Abdul Razak Bin Alias.

Bagi pihak Lembaga Pengarah Kumpulan, saya dengan sukacita membentangkan kepada anda Laporan Tahunan dan Penyata Kewangan Syarikat dan Kumpulan bagi tahun kewangan berakhir 31 Disember 2006.

## PERFORMANCE REVIEW

### Introduction

The financial year 2006 has been a very challenging one for the Group as its poultry division was faced with the challenges of the effects of bird flu which hit the country in the first quarter of the financial year in Kuala Lumpur and also the states of Penang and Perak. Consequently, the Group reported a lower profit after taxation and minority interest of RM1.00 million as compared to a profit after taxation and minority interest of RM25.38 million in the previous financial year ended 31 December 2005. This was on the back of a turnover of RM310.3 million for the current financial year under review, a decrease of nearly 17.9% when compared to the turnover of RM378.0 million reported in the previous financial year. The current year's profit after taxation and minority interest of RM1.00 million translates to an earnings per share of 1.8 sen.

### Integrated Poultry Operations

The poultry operation of the Group started its financial year with the effects of outbreaks of bird flu in certain areas of Kuala Lumpur, Perak and Penang in February and March 2006. However,

## TINJAUAN PRESTASI

### Pengenalan

Tahun kewangan 2006 adalah satu tahun yang begitu mencabar bagi Kumpulan kerana bahagian perternakan telah berhadapan dengan cabaran besar, natijah daripada wabak selesema burung yang melanda negara, khususnya di Kuala Lumpur, Pulau Pinang dan Perak pada suku pertama tahun kewangan tersebut. Akibatnya, Kumpulan telah mencatat keuntungan selepas cukai dan kepentingan minoriti yang lebih rendah iaitu sebanyak RM1.00 juta berbanding keuntungan selepas cukai dan kepentingan minoriti sebanyak RM25.38 juta pada tahun kewangan berakhir 31 Disember 2005 yang lalu. Catatan keuntungan ini adalah daripada perolehan sebanyak RM310.3 juta bagi tahun kewangan semasa yang ditinjau, menurun hampir 17.9% berbanding perolehan sebanyak RM378.0 juta yang dicatat pada tahun lepas. Keuntungan selepas cukai dan kepentingan minoriti pada tahun semasa sebanyak RM1.00 juta diterjemahkan kepada pendapatan sesaham pada kadar 1.8 sen.

### Operasi Perternakan Bersepadu

Operasi perternakan Kumpulan memulakan tahun kewangan ini dengan rentetan kesan daripada wabak selesema burung yang melanda kawasan-kawasan tertentu di Kuala Lumpur, Perak dan Pulau Pinang pada bulan Februari dan Mac 2006. Sungguhpun wabak selesema burung telah melanda kawasan-kawasan tersebut, namun



despite the outbreak of bird flu in these areas, the Group's integrated poultry operations managed to be profitable in the first quarter of the financial year under review. The adverse impact of the bird flu outbreak was only felt in the second and third quarters of the financial year under review.

Fortunately, the fourth quarter saw a recovery in the poultry industry as prices of poultry and poultry related products improved with the increase in demand for poultry and poultry related products. This enabled the Group to record profits for the financial year ended 31 December 2006.

The Group did not feel the effect of the bird flu outbreak in the first quarter as most of its prices for the processed poultry products to supermarkets, hypermarts and food service customers were contracted in the previous financial year. However, the Group's sales were adversely affected in the second and third quarters as most of these prices were revised upon the expiry of the Group's processed poultry products sales contracts. In order to maintain its sales volume, the Group had to reduce its selling prices of its processed poultry products and incurred huge advertising and promotion costs in the second and third quarters. As a result of these marketing strategies, the Group's integrated poultry operations showed losses towards the end of second quarter and throughout the third quarter of the financial year under review. Fortunately, the

operasi perternakan bersepadu Kumpulan berjaya mencatat keuntungan pada suku pertama tahun kewangan yang ditinjau. Kesan buruk wabak selesema burung hanya mula dirasai pada suku kedua dan ketiga tahun kewangan yang ditinjau. Walau bagaimanapun, suku tahun keempat menyaksikan pemulihan dalam industri perternakan apabila harga perternakan dan produk-produk berkaitan perternakan meningkat berikutan pertambahan permintaan bagi perternakan dan produk berkaitan perternakan. Ini telah membolehkan Kumpulan mencatat keuntungan bagi tahun kewangan berakhir 31 Disember 2006.

Kumpulan tidak dijejaskan oleh kesan wabak selesema burung pada suku tahun pertama kerana kebanyakan harga bagi produk perternakan diproses dan dibekalkan ke pasar-pasar raya, pasar besar dan para pelanggan daripada sektor perkhidmatan makanan, telahpun diikat dengan kontrak sejak tahun kewangan sebelumnya. Walau bagaimanapun, prestasi jualan Kumpulan terjejas pada suku tahun kedua dan ketiga kerana kebanyakan harga telah disemak semula berikutan luputnya kontrak-kontrak jualan produk perternakan diproses. Untuk mengekalkan volum jualannya, Kumpulan terpaksa mengurangkan harga jualan produk perternakan diprosesnya dan menanggung kos pengiklanan dan promosi yang amat besar pada suku tahun kedua dan ketiga. Disebabkan oleh strategi pemasaran sedemikian, operasi perternakan bersepadu Kumpulan telah mencatat kerugian menjelang penghujung suku kedua dan sepanjang suku ketiga tahun kewangan yang ditinjau.





advertising and promotion expenditures paid off in the fourth quarter as demand for the Group's poultry and poultry related products started to increase and prices of poultry and poultry related products also improved. Hence, this has resulted in the Group's integrated poultry operations contributing profits to the Group during the fourth quarter of the financial year under review.

The profits reported in the Group's integrated poultry division were also an evidence of the Group's management focus on continuously cutting its cost of production and maintaining high cost efficiency within all its major operative units. This strategy has allowed the Group to achieve profitability despite the negative effects of the outbreak of bird flu which had affected the Group's performance in the second and third quarters of the financial year under review.

#### **Housing Development**

In the meantime, our housing development division continued to contribute higher profits in the financial year under review. Although turnover from the housing development division decreased during the financial year to RM9.9 million as compared to RM13.9 million in the previous financial year, the housing development division contributed a higher profit. This was mainly due to lower cost of sales during the current financial year.

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

Namun begitu, perbelanjaan bagi pengiklanan dan promosi telah membuahkan hasil pada suku tahun keempat apabila permintaan bagi produk berkaitan perternakan Kumpulan mula meningkat dan harga perternakan dan produk berkaitan perternakan juga beransur pulih. Justeru, operasi perternakan bersepadu Kumpulan telah berjaya menyumbangkan keuntungan kepada Kumpulan pada suku keempat tahun kewangan yang ditinjau.

Keuntungan yang dilaporkan dalam bahagian perternakan bersepadu Kumpulan juga merupakan bukti penumpuan pengurusan Kumpulan kepada usaha berterusan untuk mengurangkan kos pengeluaran dan mengekalkan kecekapan kos yang tinggi di dalam semua unit operasi utama. Strategi ini telah membolehkan Kumpulan mencapai keuntungan walaupun berhadapan dengan kesan negatif wabak selesema burung yang telah menjejaskan prestasi Kumpulan pada suku kedua dan ketiga tahun kewangan yang ditinjau.

#### **Pembangunan Perumahan**

Pada masa yang sama, bahagian pembangunan perumahan kita terus menyumbang keuntungan yang lebih tinggi pada tahun kewangan yang ditinjau. Walaupun perolehan daripada bahagian pembangunan perumahan telah berkurangan pada tahun ini kepada RM9.9 juta berbanding RM13.9 juta pada tahun kewangan sebelumnya, namun bahagian pembangunan perumahan tetap berjaya menyumbangkan keuntungan lebih tinggi. Ini sebahagian besarnya adalah hasil daripada kos jualan yang lebih rendah pada tahun kewangan semasa.

residential houses. From the total units available, 392 units are single and double storey houses whereby 85% 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. 26 units of low cost townhouses are still in progress and expected to be completed in the next financial year and whilst 20 units of terrace houses are expected to be launched in the coming financial year. This will have a gross development value ("GDV") of RM5.14 million. S/Dev also expects to develop a part of its Krubong land towards the end of the third quarter of the financial year ending 31 December 2007.

S/Dev's subsidiary, Cosmal Enterprise Sdn Bhd ("Cosmal"), launched the adjacent Taman Saujana Indah (Phase II) in the previous financial year consisting of 350 units of residential houses. From the total units available, 56 units are semi-detached houses whereby 98% of the units have been sold with work fully completed; 117 units of single storey terrace houses whereby 96% of the units have been sold with work fully completed. 71 units are double storey terrace houses whereby



99% of the units have been sold with work completed. Cosmal, as part of its social obligation has also built 106 units of low cost houses in their project whereby 97% of the units have been sold with work fully completed.

### CORPORATE EXERCISE

The Group has always been continuously taking steps to reduce its gearing position. In an attempt to reduce its gearing position further, the Group had, on 13 January 2006 and 15 February 2006, announced its proposed corporate exercise to raise funds through a proposed renounceable rights issue, bonus issue and employees' shares option scheme. Part of the proceeds from this proposed exercise was to finance its expansion plans into production of fully cooked chicken products.

However, the Securities Commission ("SC") had rejected the above proposed corporate exercise vide its letter dated 17 August 2006. The Board of Directors of the Group had subsequently

Bahagian pembangunan perumahan di bawah Sinmah Development Sdn Bhd ("S/Dev") telah melancarkan Taman Saujana Indah (Fasa 1) pada tahun kewangan yang lalu yang meliputi 564 unit rumah kediaman. Daripada jumlah unit-unit yang disediakan, 392 unit adalah rumah setingkat dan dua tingkat di mana 85% daripada unit-unit yang dilancarkan telah dijual dengan kerja pembinaan disiapkan sepenuhnya; 172 unit rumah kos rendah dan rumah bandar kos sederhana di mana 92% daripada unit-unit yang dilancarkan telah dijual dengan kerja pembinaan disiapkan sepenuhnya. 26 unit rumah bandar kos rendah masih dalam pembinaan dan dijangka akan disiapkan pada tahun kewangan yang akan datang manakala 20 unit rumah teres dijangka akan turut dilancarkan pada tahun kewangan akan datang. Ini akan menghasilkan nilai pembangunan kasar ("GDV") sebanyak RM5.14 juta. S/Dev juga dijangka akan membangunkan sebahagian daripada tanah Krubongnya menjelang penghujung suku ketiga tahun kewangan yang akan berakhir 31 Disember 2007.

Syarikat subsidiari S/Dev, Cosmal Enterprise Sdn Bhd ("Cosmal"), telah melancarkan Taman Saujana Indah (Fasa II) yang terletak bersebelahan dengan Fasa I pada tahun kewangan yang lalu, mengandungi 350 unit rumah kediaman. Daripada jumlah yang disediakan, 56 unit adalah rumah berkembar di mana 98% daripada unit-unit tersebut telah dijual dengan kerja pembinaan disiapkan sepenuhnya; 117 unit rumah teres setingkat di mana 96% daripada unit-unit tersebut telah dijual dengan kerja pembinaan disiapkan sepenuhnya. 71 unit rumah teres dua tingkat di mana 99% daripada unit-unit tersebut telah dijual dengan kerja pembinaan disiapkan sepenuhnya. Sebagai sebahagian daripada obligasi sosialnya, Cosmal telah membina 106 unit rumah kos rendah dalam projek mereka, di mana 97% daripada unit-unit tersebut telah dijual dengan kerja pembinaan disiapkan sepenuhnya.

### PELAKSANAAN KORPORAT

Kumpulan sentiasa mengambil langkah untuk mengurangkan kedudukan penggearingannya. Dalam satu cubaan untuk mengurangkan kedudukan penggearingannya dengan lebih jauh lagi, pada 13 Januari 2006 dan 15 Februari 2006, Kumpulan telah mengumumkan cadangan pelaksanaan korporatnya untuk mengumpul dana melalui cadangan penerbitan hak boleh tolak, penerbitan bonus dan skim opsyen saham kakitangan. Sebahagian kutipan daripada cadangan pelaksanaan ini adalah untuk membiayai rancangan pengembangan ke dalam aktiviti pengeluaran produk ayam dimasak sepenuhnya.

Walau bagaimanapun, Suruhanjaya Sekuriti ("SC") telah menolak cadangan tersebut melalui suratnya bertarikh 17 Ogos 2006. Lembaga Pengarah Kumpulan kemudiannya telah mengadakan perbincangan berhubung keputusan SC tersebut pada bulan September 2006 dan memutuskan untuk tidak membuat rayuan terhadap keputusan SC itu.





deliberated on the SC's decision in September 2006 and decided not to appeal against the SC's decision.

The Group is currently seeking alternative forms of financing in order to finance its planned expansion into the production of fully cooked chicken products. Upon securing the necessary financing, the Group would immediately commence the construction of the fully cooked food plant. The construction of this plant is estimated to take approximately six months to complete.

### LOOKING FORWARD

The financial year ending 31 December 2007 promises to be another challenging year for the Group as its cost of production of feed and poultry and poultry products are expected to increase substantially with the increase in prices of its major raw feedstuffs such as corn and soyabean meal. However, the management will continue to adopt its cost cutting strategies in order to have a competitive edge as it continuously strives to be a cost leader in the industry.

In achieving the Group's goal in transforming itself from a farming company to being a major player in the food processing industry, the Group hopes to commence the construction of a fully cooked food plant as soon as it secures the necessary financing to do it. The Group intends to produce fully-cooked products in this new plant, namely fully-steamed, fully-fried and fully-grilled or barbecued products and it targets to market these products to the export markets, namely to Japan, Middle East and the European Countries. The plant will be constructed on a piece of 2.8 acres land, which is already owned by the Group, adjacent to the Group's existing poultry processing plant.

With the setting up of the fully cooked food plant, the Group believes that it will be able to increase its market base and it would be in 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 2007. This division has increased its land bank for future development through the acquisition of a piece of vacant leasehold land held under No. H.S. (D) No. 43175, No. P.T. 2113, Mukim Krubong, Daerah

Kumpulan kini sedang mencari bentuk-bentuk pembiayaan alternatif untuk membiayai rancangan pengembangannya ke dalam aktiviti pengeluaran produk ayam dimasak sepenuhnya. Apabila memperolehi pembiayaan yang diperlukan, Kumpulan dengan segera akan memulakan pembinaan loji makanan dimasak sepenuhnya. Pembinaan loji ini dijangka akan mengambil masa selama enam bulan untuk disiapkan.

### MELANGKAH KE HADAPAN

Tahun kewangan yang akan berakhir 31 Disember 2007 menjanjikan satu lagi tahun yang mencabar buat Kumpulan kerana kos pengeluaran bahan makanan ternakan dan perternakan serta produk perternakan dijangka akan meningkat dengan ketara berikutan kenaikan harga bahan makanan ternakan mentah utama seperti jagung dan makanan kacang soya. Walau bagaimanapun, pengurusan akan terus menerimapakai strategi pengurangan kos untuk memperolehi kelebihan daya saing dalam usahanya untuk terus muncul sebagai peneraju kos dalam industri.

Dalam usahanya mencapai matlamat untuk bertransformasi daripada sebuah syarikat penternakan menjadi syarikat utama dalam industri pemprosesan makanan, Kumpulan berharap akan dapat memulakan pembinaan loji makanan dimasak sepenuhnya sebaik sahaja ia memperolehi pembiayaan yang diperlukan untuk melaksanakannya. Kumpulan bercadang untuk mengeluarkan produk-produk dimasak sepenuhnya di loji tersebut yang meliputi produk-produk dikukus sepenuhnya, digoreng sepenuhnya dan dipanggang sepenuhnya atau produk-produk yang dibarbeku. Pasaran sasaran bagi produk-produk berkenaan meliputi pasaran eksport seperti Jepun, negara-negara di Timur Tengah dan Eropah. Loji tersebut akan dibina di atas sebidang tanah seluas 2.8 ekar yang telah pun menjadi milik Kumpulan, bersebelahan dengan loji pemprosesan perternakan sedia ada Kumpulan.

Dengan penyediaan loji makanan dimasak sepenuhnya ini, Kumpulan percaya bahawa ia akan mampu meningkatkan asas pasarannya dan berada di kedudukan yang lebih baik untuk mencari dan mendapatkan pelanggan-pelanggan di dalam segmen pasaran eksport. Selain itu, Kumpulan akan dapat mengurangkan risiko kehilangan pelanggan dan jualan yang ditimbulkan oleh sebarang kemungkinan berulangnya kejadian wabak selesema burung di Malaysia.

Pada masa yang sama, Kumpulan menjangka bahagian hartanah akan terus menyumbang secara positif pada tahun kewangan yang akan berakhir 31 Disember 2007. Bahagian ini telah menambah tanah simpanannya untuk pembangunan pada masa depan melalui pembelian sebidang tanah pegangan pajakan kosong yang dipegang di bawah No. H.S. (D) No. 43175, No. P.T. 2113, Mukim Krubong, Daerah Melaka Tengah, Negeri Melaka, seluas kira-kira





Melaka Tengah, Negeri Melaka measuring approximately 24.282 hectares. The property division hopes to launch the development of part of this land in the third quarter of the financial year ending 31 December 2007.

Overall, the financial year ending 31 December 2007 promises to be a challenging year as the Group continues to 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 new property development project in Krubong, Melaka.

#### 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.

24.282 hektar. Bahagian hartanah berharap akan dapat melancarkan pembangunan di sebahagian daripada tanah tersebut pada suku ketiga tahun kewangan yang akan berakhir 31 Disember 2007.

Secara keseluruhannya, tahun kewangan yang akan berakhir 31 Disember 2007 menjanjikan satu tempoh yang mencabar dalam usaha Kumpulan untuk terus menumpukan perhatiannya kepada pembangunan pasaran baru, baik di dalam, mahupun di luar negara, untuk mengembangkan aktiviti-aktiviti berasaskan makanannya berserta sumbangan positif yang dijangka akan dijana oleh bahagian hartanah daripada pelancaran projek pembangunan hartanah barunya di Krubong, Melaka.

#### PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengambil peluang ini untuk mengucapkan jutaan 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.

Thank you/Terima kasih,

**DATUK HJ. ZAINAL BIN HJ. SHAMSUDIN**  
Chairman/Pengerusi



# We add more value so you find it more difficult to resist

We put more value into our products by ensuring that they are of quality, fresh, delicious, natural and 100% chicken. That's what makes Farm's Best products simply irresistible. Here's how we achieve it – Our products do not contain preservatives due to controlled freezing from processing to storage and distribution. We also seal in the natural nutrients and flavour of our chickens during processing and this eliminates the need to use common flavour enhancers. Furthermore, all our products are steam-cooked, hot air-roasted or fried only in vegetable oil. With regard to food hygiene and quality, we adhere to world class standards as our production processes are ISO9001:2000 certified and inspected by the Veterinary Department, Malaysia and Halal certified by JAKIM, one of the world's strictest Halal regulatory bodies.



# corporate governance statement

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 its Group of subsidiaries 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 on the manner of which the Group has applied with 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 many communities 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. Encik Mohd Khasan bin Ahmad acts as the Senior Independent Non-Executive Director of the Board to whom any concerns 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 Farm's Best Group's financial statements are deliberated and considered.

During the financial year ended 31 December 2006, the Board met a total of seven (7) times. Details of the attendance are as follows:

No. Directors	Description	No. of Board Meetings Attended
1	Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin Chairman Independent Non-Executive Director (appointed on 8.8.2006)	3 out of 3
2	Fong Kok Yong Managing Director	6 out of 7
3	Fong Kiah Yeow Executive Director	7 out of 7
4	Fong Ngan Teng Executive Director	7 out of 7
5	Fong Choon Kai Executive Director	7 out of 7
6	Ng Cheu Kuan Executive Director	7 out of 7
7	Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong Executive Director	7 out of 7
8	Tuan Haji Baharom Bin Abd Wahab Independent Non-Executive Director	7 out of 7
9	Mohd Khasan Bin Ahmad Independent Non-Executive Director	6 out of 7
10	Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias Chairman, Independent Non-Executive Director (deceased on 15.7.2006)	4 out of 4

### 1.3 Supply of Information

All Directors are provided with an agenda and a set of Board papers seven (7) days prior to Board meetings to enable the Directors to obtain further information or explanations, where 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 Farm's Best 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 and annual budgets, 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.

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

### 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.

## 2. BOARD COMMITTEES

The following Board Committees have been established to assist the Board in the execution of its 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 auditor. 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 42 to 44 of the Annual Report. The activities of the Audit Committee during the year ended 31 December 2006 are also set out under the Audit Committee Report.

### 2.2 Remuneration Committee

The Remuneration Committee for the financial year ended 31 December 2006 comprises the following members:

No. Directors	Description
1 Mohd Khasan Bin Ahmad	Chairman, Independent Non-Executive Director
2 Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Independent Non-Executive Director <i>(appointed on 8.8.2006)</i>
3 Tuan Haji Baharom Bin Abd Wahab	Independent Non-Executive Director
4 Fong Kok Yong	Executive Director
5 Fong Kiah Yeow	Executive Director
6 Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias	Independent Non-Executive Director <i>(deceased on 15.7.2006)</i>

The Remuneration Committee is responsible for developing a remuneration policy and determining remuneration packages for Executive Directors of Farm's Best. The Remuneration Committee makes 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 2006 the Nomination Committee comprises the following members:

No. Directors	Description
1 Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Chairman, Independent Non-Executive Director <i>(appointed on 8.8.2006)</i>
2 Tuan Haji Baharom Bin Abd Wahab	Independent Non-Executive Director
3 Mohd Khasan Bin Ahmad	Independent Non-Executive Director
4 Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias	Chairman, Independent Non-Executive Director <i>(deceased on 15.7.2006)</i>

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 the performance of the existing Directors on a yearly basis. The Nomination Committee also considers the balance of the board membership and reviews the core competencies and skills required of the Board.

### 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 first quarter of the financial year ended 31 December 2006, the Company organised a seminar on Good and Services Tax ("GST") for all the Directors of the Company (except for Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin), as well as Senior Management of the Company. The seminar was conducted by Ernst & Young Tax Consultants Sdn. Bhd. At the end of the seminar, the Board had a better understanding of GST and the impact of its implementation on the businesses of the Group.

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin who was appointed during the financial year, had attended and successfully completed the Mandatory Accreditation Programme ("MAP").

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.

#### 4. DIRECTORS' REMUNERATION

The details of the total remuneration of the Directors during the financial year are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Total remuneration			
Fees	–	86	86
Salaries & other emoluments	2,241	–	2,241
Pension costs – defined contribution plan	269	–	269
	2,510	86	2,596

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

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

#### 5. SHAREHOLDERS' COMMUNICATIONS AND INVESTOR 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 Farm's Best 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.

#### 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 fair assessment of the Group's financial position. 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 exist within 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 38 to 39 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 42 to 44 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 operations from 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 Company'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 responsibility 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 profit and loss of the Company and of the Group for the financial year. 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
- Stated whether applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, which are disclosed with reasonable accuracy the financial position of the Company and of the Group and to 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 reasonable to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## 9. OTHER INFORMATION

### 9.1 Corporate Exercise And Utilisation Of Proceeds

There was no corporate exercise carried out by the Company during the financial year ended 31 December 2006, other than the Proposed Rights Issue, Bonus Issue and ESOS schemes, which were rejected by the Securities Commission ("SC") via its letter dated 17 August 2006. During the Board of Directors' meeting held on 20 September 2006, the Board had deliberated and decided not to appeal against the SC's decision.

There was no proceeds raised by the Company during the financial year.

### 9.2 Share Buy-backs

During the financial year, there were no share buy-backs 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 or its subsidiaries, directors or management by any relevant authority for the financial year ended 31 December 2006, except for traffic offences.

### 9.6 Non-Audit Fees

There was a total amount of non-audit fees of RM289,000 which was paid or payable to the external auditors and their affiliates companies by the Company for the financial year ended 31 December 2006.

### 9.7 Variation in Results

There was no deviation of 10% or more between the profit after taxation and minority interest stated in the 26 February 2007 announcement of unaudited results for the financial year ended 31 December 2006 and the audited financial statements of the Group for the financial year ended 31 December 2006.

### 9.8 Profit Guarantee

The Company did not give nor receive any profit guarantee during the financial year.

### 9.9 Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which were still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous 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 urus tadbir korporat diamalkan pada seluruh peringkat di Farm's Best Berhad ("Farm's Best") dan Kumpulan anak-anak syarikatnya 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 Malaysia mengenai Urus Tadbir Korporat ("Kod").

## 1. LEMBAGA PENGARAH

### 1.1 Lembaga

Farm's Best diketuai dan diuruskan oleh Lembaga yang berpengalaman terdiri daripada ahli dengan pelbagai pengalaman 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 pemikiran yang tidak

berat sebelah dan bebas, untuk mengambil kira bukan sahaja kepentingan Kumpulan, tetapi juga kepentingan pemegang saham, kakitangan, pelanggan dan banyak 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 juga mempertingkatkan urus tadbir dan kawalan. Encik Mohd Khasan Bin Ahmad bertindak sebagai Pengarah Bebas Bukan Eksekutif Kanan Lembaga 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 2006, Lembaga bermesyuarat sebanyak tujuh (7) kali. Butir-butir kehadiran adalah seperti berikut:

No. Pengarah	Jawatan	Bil. Mesyuarat Lembaga yang Dihadiri	
1	Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Pengerusi, Pengarah Bukan Eksekutif Bebas <i>(dilantik pada 8.8.2006)</i>	3 daripada 3
2	Fong Kok Yong	Pengarah Urusan	6 daripada 7
3	Fong Kiah Yeow	Pengarah Eksekutif	7 daripada 7
4	Fong Ngan Teng	Pengarah Eksekutif	7 daripada 7
5	Fong Choon Kai	Pengarah Eksekutif	7 daripada 7
6	Ng Cheu Kuan	Pengarah Eksekutif	7 daripada 7
7	Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	Pengarah Eksekutif	7 daripada 7
8	Tuan Haji Baharom Bin Abd Wahab	Pengarah Bukan Eksekutif Bebas	7 daripada 7
9	Mohd Khasan Bin Ahmad	Pengarah Bukan Eksekutif Bebas	6 daripada 7
10	Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias	Pengerusi, Pengarah Bukan Eksekutif Bebas <i>(meninggal dunia pada 15.7.2006)</i>	4 daripada 4

### 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, pelaburan baru dan cadangan perniagaan, 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 yang utama, perubahan kepada struktur pengurusan dan kawalan dalam Kumpulan, termasuk polisi dan prosedur penting dan had kuasa budi bicara.

Pengarah boleh mendapat nasihat profesional bebas dalam melanjutkan tugas-tugas mereka, atas perbelanjaan Syarikat dan semua Pengarah mempunyai akses kepada nasihat dan khidmat Setiausaha Syarikat dalam membantu menjalankan tugas-tugas mereka.

### 1.4 Pelantikan Semula Para Pengarah

Selaras dengan Tataurus Pertubuhan Syarikat, satu pertiga (1/3) atau hampir 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 samada untuk

mengisi kekosongan biasa atau sebagai tambahan kepada para Pengarah 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 dalam penyempurnaan tanggungjawab mereka. Semua Jawatankuasa disenaraikan di bawah tidak mempunyai kuasa eksekutif tetapi akan melapor kepada Lembaga bagi semua perkara yang dipertimbangkan dan mengemukakan pengesyoran untuk kelulusan Lembaga (kecuali kuasa Jawatankuasa Audit untuk melaporkan kepada Bursa Malaysia Securities 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, mengawasi 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-surat 45 hingga 47 Laporan Tahunan. Kegiatan Jawatankuasa Audit dalam tahun berakhir 31 Disember 2006 juga dibentangkan di bawah Laporan Jawatankuasa Audit.

## 2.2 Jawatankuasa Imbuan Pengarah

Jawatankuasa Imbuan bagi tahun kewangan berakhir tahun 31 Disember 2006 adalah terdiri daripada seperti berikut:

No. Pengarah	Jawatan
1 Mohd Khasan Bin Ahmad	Pengerusi, Pengarah Bebas Bukan Eksekutif
2 Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Pengarah Bebas Bukan Eksekutif <i>(dilantik pada 8.8.2006)</i>
3 Tuan Haji Baharom Bin Abd Wahab	Pengarah Bebas Bukan Eksekutif
4 Fong Kok Yong	Pengarah Eksekutif
5 Fong Kiah Yeow	Pengarah Eksekutif
6 Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias	Pengarah Bebas Bukan Eksekutif <i>(meninggal dunia pada 15.7.2006)</i>

Jawatankuasa Imbuan bertanggungjawab untuk membangunkan polisi imbuan dan menentukan pakej imbuan bagi Pengarah-pengarah Eksekutif Farm's Best. Jawatankuasa Imbuan membuat pengesyoran kepada Lembaga bagi kesemua elemen imbuan, terma-terma pekerjaan, struktur ganjaran dan faedah sampingan kepada Pengarah Eksekutif.

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

## 2.3 Jawatankuasa Penamaan

Bagi tahun kewangan bertakhir 31 Disember 2006, Jawatankuasa adalah terdiri daripada seperti berikut:

No. Pengarah	Jawatan
1 Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	Pengerusi, Pengarah Bebas Bukan Eksekutif <i>(dilantik pada 8.8.2006)</i>
2 Tuan Haji Baharom Bin Abd Wahab	Pengarah Bebas Bukan Eksekutif
3 Mohd Khasan Bin Ahmad	Pengarah Bebas Bukan Eksekutif
4 Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias	Pengerusi, Pengarah Bebas Bukan Eksekutif <i>(meninggal dunia pada 15.7.2006)</i>

Jawatankuasa Penamaan bertanggungjawab untuk mengenal pasti dan mengesyorkan nomini baru kepada Lembaga serta Jawatankuasa Lembaga. Selain daripada itu, Jawatankuasa Penamaan juga diberi kepercayaan dengan tugas menilai prestasi Pengarah-pengarah sedia ada atas dasar berterusan. Jawatankuasa Penamaan juga menimbangkan imbalan keahlian lembaga dan membuat kajian keupayaan dan kemahiran teras yang diperlukan daripada Lembaga.

## 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 bermesyuarat 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 komersil yang sentiasa berubah.

Pada suku pertama tahun kewangan berakhir 31 Disember 2006, Syarikat telah mengadakan sebuah seminar berhubung Cukai Barangan dan Perkhidmatan ("GST") untuk semua Pengarah Syarikat (kecuali Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin), serta Pengurusan Kanan Syarikat. Seminar tersebut dikendalikan oleh Ernst & Young Tax Consultants Sdn. Bhd. Di akhir seminar tersebut, Lembaga telah memperolehi pemahaman yang lebih baik mengenai GST dan kesan pelaksanaannya ke atas perniagaan Kumpulan.

Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin yang dilantik pada tahun kewangan ini, telah menghadiri dan berjaya menamatkan Program Akreditasi Mandatori ("MAP").

Lembaga mengakui bahawa latihan yang berterusan adalah penting untuk membolehkan para Pengarah dapat 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 adalah seperti berikut:

	Pengarah Eksekutif RM'000	Pengarah Bukan Eksekutif RM'000	Jumlah RM'000
Jumlah imbuhan			
Yuran	–	86	86
Gaji & lain-lain emolumen	2,241	–	2,241
Kos pencen – pelan caruman dinyatakan	269	–	269
	2,510	86	2,596

Bilangan Pengarah-pengarah yang imbuhanannya termasuk dalam kumpulan berikut:

	Pengarah Eksekutif	Pengarah Bukan Eksekutif	Jumlah
Bawah RM50,000	–	4	4
RM200,001 hingga RM250,000	2	–	2
RM450,001 hingga RM500,000	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. Dengan yang demikian, Syarikat berkomunikasi dengan pemegang-pemegang sahamnya, pelabur-pelabur institusi dan berpotensi melalui pelbagai pengumuman yang dibuat dalam tahun semasa. Selain daripada itu, Lembaga juga memastikan penyiaran keputusan-keputusan kewangan tepat pada masa atas dasar suku tahunan untuk menyediakan pemegang-pemegang sahamnya dengan gambaran keseluruhan prestasi kewangan dan operasi Farm's Best.

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 bagi menghadiri dan mengundi bagi pihak mereka. Ahli-ahli Lembaga, serta juga juruaudit luar dan penasihat undang-undang Syarikat hadir untuk menjawab soalan yang ditimbulkan pada mesyuarat.

Lembaga juga menggalakkan penyertaan daripada pemegang-pemegang saham melalui sesi soal dan jawab dalam AGM, di mana para Pengarah bersedia untuk menjawab soalan mengenai prestasi kewangan, operasi perniagaan dan prospek 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 adil mengenai kedudukan kewangan Kumpulan. Jawatankuasa Audit membantu Lembaga dalam meneliti maklumat bagi pendedahan untuk memastikan ketepatan dan kesempurnaan maklumat.

## 6.2 Kawalan Dalaman

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

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

- a) Pelaporan sebenar bulanan – menyediakan prestasi kewangan yang relevan, boleh dipercayai dan terkini berbanding belanjawan, bulan sebelumnya dan tahun terdahulu termasuk penerangan terperinci mengenai apa-apa perbezaan yang besar.
- b) Pembahagian jelas autoriti yang 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 mantap.

Kajian mengenai sistem kawalan dalaman dinyatakan di bawah Penyata Kawalan Dalaman pada muka surat 40 hingga 41 Laporan Tahunan.

## 6.3 Hubungan dengan Juruaudit

Peranan Jawatankuasa Audit berhubung dengan juruaudit luar diterangkan dalam Laporan Jawatankuasa Audit di muka surat-muka surat 45 hingga 47 Laporan Tahunan. Syarikat akan sentiasa mengekalkan perhubungan yang rapat dan telus dengan juruaudit-juruaudit luarnya dalam mendapatkan nasihat profesional dan memastikan pematuhan piawaian-piawaian perakaunan di Malaysia.

## 6.4 Perhubungan dengan Pengurusan

Lembaga mengekalkan perhubungan yang rapat dan telus dengan semua kakitangan pengurusan. Lembaga dibekalkan dengan maklumat berhubung dengan pengurusan operasi melalui pelbagai laporan yang disediakan oleh kakitangan pengurusan. Ini akan membolehkan mereka untuk memahami operasi dengan lebih baik dan membuat keputusan dalam memandu Syarikat ke arah

perniagaan yang menguntungkan. Selain itu, para Pengarah Eksekutif juga sering mengadakan mesyuarat pengurusan bulanan dengan kakitangan pengurusan untuk membincangkan dan merancang untuk operasi Syarikat.

## 7. PENYATAAN PEMATUHAN DENGAN KOD AMALAN TERBAIK

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

## 8. PENYATA TANGGUNGJAWAB PARA PENGARAH

Lembaga Pengarah dikehendaki di bawah Perenggan 15.27(a) Syarat-syarat Penyenaaraan 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 akan hal ehwal Syarikat dan Kumpulan pada akhir tahun kewangan dan untung rugi 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
- Menyatakan sama ada piawai perakaunan terpakai telah diikuti, tertakluk kepada apa-apa pemesanan material yang dinyatakan dan dijelaskan dalam penyata kewangan.

Para Pengarah bertanggungjawab bagi menyimpan rekod perakaunan, yang dinyatakan dengan ketepatan munasabah akan kedudukan kewangan Syarikat dan Kumpulan dan yang membolehkan mereka untuk memastikan bahawa penyata kewangan mematuhi Akta Syarikat 1965 dan piawai perakaunan yang diluluskan dan berkenaan di Malaysia.

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

## 9. LAIN-LAIN MAKLUMAT

### 9.1 Pelaksanaan Korporat Dan Penggunaan Kutipan

Tiada sebarang pelaksanaan korporat telah dilakukan oleh Syarikat sepanjang tahun kewangan berakhir 31 Disember 2006, selain daripada Cadangan Penerbitan Hak, Penerbitan Bonus dan skim ESOS, yang telah ditolak oleh Suruhanjaya Sekuriti ("SC") melalui suratnya bertarikh 17 Ogos 2006. Dalam mesyuarat Lembaga Pengarah diadakan pada 20 September 2006, Lembaga telah membincang dan memutuskan untuk tidak membuat rayuan terhadap keputusan SC tersebut.

Tiada kutipan telah dikumpul oleh Syarikat pada tahun kewangan ini.

### 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 opsiyen, 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 2006 kecuali kesalahan lalulintas.

### 9.6 Yuran Bukan Audit

Terdapat jumlah yuran bukan audit sebanyak RM289,000 yang telah dibayar atau perlu dibayar kepada juruaudit luar dan syarikat-syarikat gabungan mereka melalui Kumpulan bagi tahun kewangan berakhir 31 Disember 2006.

### 9.7 Variasi dalam Keputusan

Tidak ada pelencongan sebanyak 10% atau lebih di antara keuntungan selepas cukai dan kepentingan minoriti dinyatakan dalam pengumuman pada 26 Februari 2007 mengenai keputusan tidak diaudit bagi tahun kewangan berakhir 31 Disember 2006 berbanding dengan penyata kewangan beraudit Kumpulan bagi tahun berakhir 31 Disember 2006.

### 9.8 Jaminan Keuntungan

Syarikat tidak memberi atau menerima apa-apa jaminan keuntungan dalam tahun kewangan.

### 9.9 Kontrak Material

Tidak ada kontrak material yang ditandatangani oleh Syarikat dan anak-anak syarikatnya yang melibatkan para Pengarah dan pemegang-pemegang saham utama yang masih wujud pada akhir tahun kewangan atau jika tidak wujud pada ketika itu, ditandatangani sejak akhir tempoh kewangan sebelumnya.

### 9.10 Dasar Penilaian Semula ke atas Hartanah

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

# 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 organisational 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. The scope of work performed by the internal audit function includes 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, namely its feedmill operations and housing development operations, covering the following processes and their underlying risks:

- Human resource management;
- Maintenance of plant and machinery;
- Safety, health and environment;
- Management information system;
- Procurement;
- Production management;
- Inventory management;
- Strategy management;
- Financial management;
- Project initiation;
- Project management; and
- Sales and marketing

The internal audit reports including the follow-up conducted by the internal audit function on the status of Management-agreed action plans to address the internal audit findings 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 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. Prior to commencing internal audit work, the internal audit function reviewed and, where appropriate, discussed with Executive Management for the Risk Profile to be updated accordingly.

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 assured 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 mengenai Kawalan Dalaman ini dibuat selaras dengan perenggan 15.27(b) Keperluan Penyenaraian Bursa Malaysia Securities Berhad, yang memerlukan Lembaga penerbit tersenarai untuk membuat penyata berkenaan tahap kawalan dalaman penerbit tersenarai, sebagai kumpulan, dalam laporan tahunan mereka.

## 2. TANGGUNGJAWAB

Lembaga mengakui tanggungjawabnya bagi sistem kawalan dalaman Kumpulan, yang termasuk penubuhan persekitaran kawalan dan rangka kerja yang sesuai serta mengkaji kecukupan dan integriti sistem kawalan dalaman. Sistem kawalan dalaman ini dimaksudkan untuk mengawal pelaburan pemegang-pemegang saham dan aset-aset Kumpulan dan ia merangkumi kawalan-kawalan kewangan, operasi, pematuhan dan berperaturan serta risiko pengurusan.

Walau bagaimanapun, disebabkan batasan yang sedia ada dalam mana-mana sistem kawalan dalaman, sistem ini direka untuk mengurus, dan bukannya melupuskan, risiko kegagalan untuk mencapai objektif korporat. Selaras dengan itu, ia hanya boleh menyediakan jaminan munasabah tetapi bukan jaminan sepenuhnya terhadap salah nyataan atau kerugian material.

## 3. SISTEM KAWALAN DALAMAN KUMPULAN

Lembaga berpendapat bahawa Kumpulan mempunyai persekitaran kawalan yang mencukupi dan kondusif baginya untuk melaksanakan objektif perniagaannya. Sistem kawalan dalaman Kumpulan melibatkan Lembaga dan beberapa Jawatankuasa Lembaganya dengan bidang-bidang tugas khusus, pengurusan eksekutif yang bertanggungjawab bagi semua tindakannya; dan juga beberapa prosedur pengawasan dan kajian 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 dinyatakan saluran yang dijelaskan tentang kuasa, tanggungjawab dan kebertanggungjawaban dalam Kumpulan;
- Had kuasa telah diwujudkan untuk menyediakan fungsi rangka kerja kuasa dalam meluluskan perbelanjaan hasil dan modal;
- Pelaburan besar, pengambilalihan dan pelupusan telah ditaksir sebelum diluluskan oleh Lembaga;
- Proses bajet terperinci tersedia di mana unit operasi menyediakan bajet untuk tahun akan datang yang telah diluluskan pada kedua-dua peringkat unit operasi dan oleh Pengarah Eksekutif. Lembaga mengawal prestasi Kumpulan dengan membandingkan keputusan bulannya terhadap bajet dan terhadap keputusan bulan sebelumnya, yang memerlukan semua varians material untuk dikenal pasti, diterang dan dikaji oleh Pengurusan Eksekutif atas dasar tepat pada masa;
- Pengarah Eksekutif mengkaji akaun pengurusan bulanan semua syarikat seluruh Kumpulan melainkan bagi syarikat-syarikat bersekutu tertentu;
- Pengarah Eksekutif mengendalikan mesyuarat pengurusan bulanan dengan pengurusan semua unit perniagaan penting dalam Kumpulan melainkan bagi 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 berhubung dengan Jawatankuasa Audit untuk meminta fungsi audit dalaman untuk mengkaji risiko kewangan dan operasi perniagaan unit berkenaan;
- Pengarah Eksekutif dan ahli-ahli pasukan Pengurusan membuat lawatan kerap ke unit-unit operasi untuk memastikan bahawa unit-unit operasi telah diuruskan dengan baik oleh personel yang diamanahkan dengan tanggungjawab; dan

- Kumpulan mendapat khidmat luar ke atas fungsi audit dalaman kepada KPMG Business Advisory Sdn Bhd, firma penasihat bebas. Ruang lingkup kerja yang dijalankan oleh audit dalaman termasuk melaksanakan kajian proses perniagaan dan menjalankan projek audit dalaman untuk menilai kecukupan dan integriti sistem kawalan dalaman, dan menonjolkan kepada Jawatankuasa Audit bidang-bidang bagi peningkatan 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, iaitu terhadap operasi pembekalan kilang dan operasi pembangunan perumahannya yang meliputi proses-proses dan risiko asas berikut:

- Pengurusan sumber manusia;
- Penyenggaraan loji dan jentera;
- Keselamatan, kesihatan dan alam sekitar;
- Sistem maklumat pengurusan;
- Pemerolehan;
- Pengurusan pengeluaran;
- Pengurusan inventori;
- Pengurusan strategi;
- Pengurusan kewangan;
- Penghasilan projek;
- Pengurusan projek; dan
- Penjualan dan pemasaran.

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, telah dikaji dan 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 di bawah kajian yang telah ditangani, atau akan ditangani oleh Pengurusan Eksekutif. Lembaga berpendapat bahawa tidak terdapat kelemahan dalam sistem kawalan dalaman yang telah mengakibatkan sebarang kehilangan material, kontigensi atau ketidakpastian yang akan memerlukan pendedahan dalam laporan tahunan Kumpulan.

Lembaga tidak secara kerap mengkaji sistem kawalan dalaman daripada syarikat bersekutunya memandangkan Lembaga tidak mempunyai sebarang kawalan langsung ke atas operasi mereka. Namun

demikian, kepentingan Kumpulan diawasi melalui penerimaan dan kajian akaun pengurusan dan pertanyaan mengenainya yang dibuat ke atasnya, sebagaimana sesuai.

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

#### 4. PENGURUSAN RISIKO

Kumpulan mewujudkan rangka kerja pengurusan risiko rasmi pada 2003 yang membolehkan Pengurusan Eksekutif dan Lembaga untuk berkongsi model yang sama dalam komunikasi dan penilaian berkesan semua risiko dan kawalan utama. Proses-proses melibatkan pengenalan pasti oleh Pengurusan Eksekutif akan risiko-risiko, penaksiran risiko dan kawalan dan perumusan rancangan tindakan yang sesuai sebelum perkara-perkara ini telah dibawa ke hadapan kepada Lembaga untuk kajian. Risiko-risiko perniagaan yang dikenalpasti telah dihitung bagi kemungkinannya berlaku dan tahap impak ke atas Kumpulan. Sebelum memulakan kerja audit dalaman, fungsi audit dalaman mengkaji dan, jika perlu, berbincang dengan Pengurusan Eksekutif untuk mengemaskini Profil Risiko dengan sewajarnya.

Proses pengurusan risiko telah dikaji di mesyuarat Lembaga. Kajian termasuk perkara-perkara 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 Keperluan Penyenaian dan selaras dengan Panduan Amalan Disyorkan ("RPG") 5, Panduan bagi Juruaudit berhubung Kajian Penyata Kawalan Dalaman Pengarah.

#### 6. KESIMPULAN

Lembaga dalam memenuhi tanggungjawabnya, telah memberi jaminan bahawa Kumpulan mempunyai rangka kerja pengurusan dan kawalan risiko yang teratur yang perlu untuk mencapai sistem kawalan dalaman yang kukuh. Lembaga diberi jaminan bahawa sistem kawalan dalaman ini, yang dikaji atas dasar berterusan adalah mencukupi bagi Kumpulan untuk mengurus risiko-risikonya dan untuk mencapai objektif perniagaannya.

# report of audit committee

The Board of Directors is pleased to present the following Audit Committee Report and its activities for the financial year ended 31 December 2006.

## 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  
(Appointed on 8.8.2006)*

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*

Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias  
*Chairman of the Committee and Independent Non-Executive Director  
(Deceased on 15.7.2006)*

## 2. TERMS OF REFERENCE

### 2.1 Composition

The Company shall appoint an Audit Committee from amongst its directors and shall consists of not less than three (3) in numbers of whom a majority shall be independent directors. No alternate director is appointed as a member of the Committee and at least one (1) member of the Committee:-

- (a) shall 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 member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967, or
  - (iii) fulfils such other requirements as prescribed by the exchange.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director. In the event of any vacancy in Committee resulting in the non-compliance of the above stated conditions, the Company shall fill the vacancy within three (3) months. The Board of Directors 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.

### 2.2 Rights

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

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meeting with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Where the Committee is of the view that a matter reported by it to the Board of Directors of the company has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Audit Committee shall promptly report such matter to the Bursa Securities.

### 2.3 Meeting

The Audit Committee shall meet at least each quarter of a financial year and such additional meetings as the Chairman shall decide in order to fulfill its duties. The Company Secretary or any person appointed by the Audit Committee shall act as Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and other supporting explanatory documentation for circulation to the Committee Members prior to each meeting. The Secretary will also be responsible for keeping the minutes of the meetings of the Audit Committee, and circulating them to Committee Members and to other members of the Board of Directors. The Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders. Other Directors and employees must attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

A quorum shall consist of a majority of members present who must be independent directors.

### 2.4 Functions

The functions of the Audit Committee are as follows:-

1. Review the following and report the same to the Board of Directors of the Company:-
  - (a) the audit plan with the external auditor.
  - (b) with the external auditor its evaluation of the system of internal controls.
  - (c) the audit report with the external auditors.
2. To recommend the nomination of a person or persons as external auditors.
  - (d) the assistance given by the employees of the Company to the external auditor.
  - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
  - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
  - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant and unusual events; and
    - (iii) compliance with accounting standards and other legal requirements.
  - (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
    - (i) any letter of resignation from the external auditors of the Company; and
    - (ii) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

### 3. MEETINGS

There were five (5) meetings of the Audit Committee held during the financial year ended 31 December 2006 to which the attendance of each Committee Member is as follows:

Names of Audit Committee Members	Meetings attended
1. Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin <i>(Appointed on 8.8.2006)</i>	2 out of 2
2. Tuan Haji Baharom Bin Abd Wahab	5 out of 5
3. Encik Mohd Khasan Bin Ahmad	4 out of 5
4. Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	5 out of 5
5. Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias <i>(Deceased on 15.7.2006)</i>	3 out of 3

### 4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the activities of the Committee included:

- Review the quarterly Group financial result announcements of the Group for each quarter prior to the Board of Directors' approval.
- Review 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.
- Review the audit plan of the external auditors.
- Review 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 Malaysia 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 minority shareholders of the Company.
- Review the annual financial statements of the Group and the Company and making the appropriate recommendations relating thereto.
  - Review 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 Group's internal audit function is outsourced and currently KPMG Business Advisory Sdn Bhd acts as internal auditors for the Farm's Best Group. KPMG Business Advisory Sdn Bhd has acted as internal auditors since the financial year ended 31 December 2005, replacing the then internal auditors Ernst & Young.

The main 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 39 of the Annual Report.

# laporan jawatankuasa audit

Lembaga Pengarah dengan sukacitanya menyampaikan Laporan Jawatankuasa Audit berikut dan kegiatannya bagi tahun kewangan berakhir 31 Disember 2006.

## 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  
(Dilantik pada 8.8.2006)*

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*

Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias  
*Pengerusi Jawatankuasa dan Pengarah Bukan Eksekutif Bebas  
(Meninggal dunia pada 15.7.2006)*

## 2. BIDANG TUGAS

### 2.1 Komposisi

Syarikat akan melantik Jawatankuasa Audit daripada kalangan para pengarahnya dan akan terdiri tidak kurang daripada tiga (3) ahli yang mana majoriti merupakan pengarah bebas. Tidak ada pengarah silih ganti boleh dilantik sebagai ahli Jawatankuasa dan sekurang-kurangnya seorang (1) ahli Jawatankuasa:-

- (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 persatuan akauntan yang dinyatakan dalam Bahagian II Jadual I Akta Akauntan 1967, atau

- (iii) memenuhi syarat-syarat tertentu yang lain sebagaimana ditetapkan oleh bursa.

Ahli Jawatankuasa Audit hendaklah memilih seorang Pengerusi daripada bilangan kalangan mereka yang hendaklah merupakan pengarah bebas. Sekiranya mana-mana kekosongan dalam Jawatankuasa mengakibatkan ketidakpatuhan syarat-syarat yang dinyatakan di atas, Syarikat hendaklah mengisi kekosongan dalam masa tiga (3) bulan. Lembaga Pengarah Syarikat hendaklah mengkaji bidang tugas dan prestasi Jawatankuasa Audit dan setiap ahlinya sekurang-kurangnya sekali dalam setiap tiga (3) tahun untuk menentukan sama ada jawatankuasa audit dan ahli tersebut telah melaksanakan tugas mereka selaras dengan bidang-bidang tugas mereka.

### 2.2 Hak

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 yang berkaitan dengan Syarikat;
- (d) mempunyai saluran komunikasi langsung dengan juruaudit luar dan individu (individu-individu) yang melaksanakan fungsi atau kegiatan audit dalaman (sekiranya ada);
- (e) boleh mendapatkan nasihat profesional bebas atau lain-lain nasihat; dan
- (f) boleh mengadakan mesyuarat dengan juruaudit luar, tanpa kehadiran ahli-ahli jawatankuasa eksekutif, apabila dianggap perlu.

Di mana Jawatankuasa berpendapat bahawa perkara yang dilaporkan olehnya kepada Lembaga Pengarah Syarikat telah tidak diselesaikan secara memuaskan mengakibatkan pemungkiran Keperluan Penyenaian Bursa Malaysia Sekuriti Berhad ("Bursa Sekuriti"), Jawatankuasa Audit hendaklah dengan segera akan melaporkan perkara sedemikian kepada Bursa Sekuriti.

### 2.3 Mesyuarat

Jawatankuasa Audit hendaklah bermesyuarat sekurang-kurangnya setiap suku tahunan dalam tahun kewangan dan mengadakan mesyuarat tambahan tertentu sebagaimana Pengerusi akan putuskan untuk melaksanakan tugas-tugasnya. 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 sebelum setiap mesyuarat. Setiausaha juga akan bertanggungjawab bagi menyediakan minit-minit mesyuarat Jawatankuasa Audit, dan mengedarkannya kepada lain-lain Ahli Jawatankuasa dan Lembaga Pengarah. Pengerusi Jawatankuasa Audit hendaklah mengadakan mesyuarat Jawatankuasa Audit untuk menimbang apa-apa perkara yang juruaudit luar fikirkan perlu untuk dibawa kepada perhatian Pengarah-pengarah dan pemegang-pemegang saham. Lain-lain Pengarah dan kakitangan hendaklah menghadiri mesyuarat Jawatankuasa Audit tertentu hanya atas pelawaan Jawatankuasa Audit, khusus untuk mesyuarat yang berkaitan.

Korum hendaklah terdiri daripada majoriti ahli-ahli yang hadir yang hendaklah merupakan pengarah-pengarah bebas.

### 2.4 Fungsi

Fungsi Jawatankuasa Audit adalah seperti berikut:-

1. Mengkaji perkara yang berikut dan melaporkan yang sama kepada Lembaga Pengarah syarikat:-

- (a) rancangan audit dengan juruaudit luar.
- (b) penilaian sistem kawalan dalaman dengan juruaudit luar.

- (c) laporan audit dengan juruaudit luar.
  - (d) bantuan yang diberikan oleh kakitangan Syarikat kepada juruaudit luar.
  - (e) kecukupan skop, fungsi dan sumber bagi fungsi audit dalaman dan bahawa ianya mempunyai autoriti yang sewajarnya untuk menjalankan kerjanya.
  - (f) program audit dalaman, proses-proses, keputusan program audit dalaman, proses atau penyiasatan yang dijalankan dan sama ada atau tidak tindakan sewajarnya telah diambil atas pengesyoran fungsi audit dalaman.
  - (g) keputusan suku tahunan dan penyata kewangan akhir tahun, sebelum kelulusan oleh Lembaga Pengarah, dengan menumpukan secara khususnya ke atas:
    - (i) perubahan dalam atau pelaksanaan mana-mana perubahan penting polisi perakaunan;
    - (ii) peristiwa penting dan luar biasa; dan
    - (iii) pematuhan dengan piawai-piawai perakaunan dan lain-lain syarat undang-undang.
  - (h) mana-mana urusan pihak berkaitan dan keadaan percanggahan kepentingan yang mungkin timbul dalam Syarikat atau Kumpulan termasuk apa-apa urusan, prosedur atau perjalanan tindakan yang menimbulkan soalan-soalan ketuluan pengurusan.
  - (i) apa-apa surat perletakan jawatan juruaudit luar Syarikat; dan
  - (j) sama ada terdapat sebab (disokong oleh alasan-alasan) untuk mempercayai bahawa juruaudit luar Syarikat tidak sesuai untuk pelantikan semula; dan
2. Untuk mengesyorkan penamaan seseorang atau beberapa orang sebagai juruaudit luar.

### 3. MESYUARAT

Terdapat lima (5) mesyuarat Jawatankuasa Audit dalam tahun kewangan berakhir 31 Disember 2006 yang mana kehadiran setiap Ahli Jawatankuasa adalah seperti berikut:

Nama Ahli Jawatankuasa Audit	Jumlah Mesyuarat yang dihadiri
1 Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin <i>(Dilantik pada 8.8.2006)</i>	2 daripada 2
2 Tuan Haji Baharom Bin Abd Wahab	5 daripada 5
3 Encik Mohd Khasan Bin Ahmad	4 daripada 5
4 Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	5 daripada 5
5 Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias <i>(Meninggal dunia pada 15.7.2006)</i>	3 daripada 3

### 4. KEGIATAN JAWATANKUASA AUDIT

Dalam tahun kewangan, kegiatan Jawatankuasa termasuk:

- Mengkaji pengumuman keputusan kewangan suku tahunan Kumpulan bagi setiap suku tahunan sebelum kelulusan Lembaga Pengarah.
- Mengkaji laporan juruaudit luar berhubung dengan audit dan isu-isu perakaunan yang timbul daripada audit, dan perkembangan baru yang terkini ke atas piawaian-piawaian perakaunan yang dikeluarkan oleh Lembaga Piawaian Perakaunan Malaysia.
- Mengkaji rancangan audit juruaudit luar.
- Mengkaji urusanniaga antara syarikat dan mana-mana urusanniaga 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 urusanniaga sedemikian:-

- 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 begitu memihak kepada pihak-pihak berkaitan yang secara keseluruhannya tersedia kepada orang awam; dan
  - Tidak mendatangkan kemudaratan kepada pemegang-pemegang saham minoriti Syarikat;
- Mengkaji penyata kewangan tahunan Kumpulan dan Syarikat dan membuat pengesyoran sewajarnya yang berkaitan mengenainya.
  - Mengkaji laporan audit dalaman yang telah disediakan oleh KPMG Business Advisory Sdn Bhd dan susulan ke atas pelaksanaan pengurusan terhadap tindakan-tindakan yang disyorkan.

### 5. FUNGSI AUDIT DALAMAN

Jawatankuasa menyedari bahawa fungsi audit dalaman adalah penting untuk membantu dalam mendapatkan jaminan yang ia perlukan berhubung dengan keberkesanan sistem kawalan dalaman. Fungsi audit dalaman Kumpulan diperolehi daripada sumber luar dan kini ia dikendalikan oleh KPMG Business Advisory Sdn Bhd. yang berperanan sebagai juruaudit dalaman Kumpulan Farm's Best. KPMG Business Advisory Sdn Bhd telah bertindak sebagai juruaudit dalaman sejak tahun kewangan berakhir 31 Disember 2005, menggantikan juruaudit dalaman pada masa itu, Ernst & Young.

Peranan utama fungsi audit dalaman adalah untuk mengkaji keberkesanan sistem kawalan dalaman dan ini dilaksanakan dengan adil, cekap dan dengan sifat berjaga-jaga profesional sewajarnya.

Ringkasan kegiatan audit dalaman dilaksanakan oleh KPMG Business Advisory Sdn Bhd dalam tahun kewangan di bawah kajian dinyatakan dalam Penyata Kawalan Dalaman pada muka surat 41 Laporan Tahunan.



## financial statements

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# 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 2006.

## 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 15 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the year	278	(413)
Attributable to:		
Equity holders of the Company	1,004	(413)
Minority interests	(726)	-
	278	(413)

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 other than as disclosed in Note 3.3(e) to the financial statements.

## 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	(appointed on 8 August 2006)
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	
Y. Bhg. Tan Sri Datuk Wira Haji Abdul Razak Bin Alias	(deceased on 15 July 2006)

**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 those relating to warrants held by certain directors entitling them 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 9 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.

**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 in its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			31.12.2006
	1.1.2006	Bought	Sold	
<b>The holding company – F.C.H. Holdings Sdn. Bhd. ("FCH")</b>				
<b>Direct interest</b>				
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>				
<b>Direct interest</b>				
Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	13,500	–	(13,500)	–
Ng Cheu Kuan	19,000	–	(19,000)	–
Baharom Bin Abd Wahab	4,500	–	–	4,500
<b>Indirect interest</b>				
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
	1.1.2006	Number of Warrants		31.12.2006
		Bought	Sold	
<b>The Company</b>				
<b>Direct interest</b>				
Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	400	–	(400)	–
Baharom Bin Abd Wahab	4,000	–	–	4,000
<b>Indirect interest</b>				
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 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.

## SHARE CAPITAL

During the financial year, the Company increased its issued and paid up ordinary share capital from RM53,030,263 to RM55,530,263 by way of the issuance of 2,500,000 new ordinary shares of RM1.00 each at an issue price of RM1.11 per ordinary share through private placement for cash to provide additional working capital. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

## WARRANTS

On 21 October 1997, the Company issued 14,799,260 warrants in conjunction with the issue of RM50 million Redeemable Guaranteed Bonds which had since been redeemed. Each warrant entitles the holder 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 is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll.

Pursuant to a Supplemental Deed Poll dated 16 August 1999, the subscription period of the said warrants was extended by a further five and a half years to expire on 17 September 2007.

As at 31 December 2006, the entire 14,799,260 warrants remained unexercised.

## 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 as bad debts or provided for doubtful debts 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.

**OTHER STATUTORY INFORMATION**

- (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, 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.
- (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.

**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 27 April 2007.

**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 55 to 108 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 2006 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 27 April 2007.

**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 55 to 108 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 27 April 2007.     )     **FONG KOK YONG**

Before me,

**A. SUPRAMANIAM PIS**  
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 55 to 108. 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 2006 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 15 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 accompanying financial statements have been prepared assuming that the Group and the Company will continue as going concerns. As at 31 December 2006, current liabilities exceeded current assets by approximately RM42.7 million for the Group and RM17.7 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, as mentioned in Note 2 to the financial statements. The directors are of the opinion that the said measures will result in the Group and the Company being able to achieve future profitable operations and generate sufficient cashflows 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

**ABRAHAM VERGHESE A/L T.V. ABRAHAM**  
No. 1664/10/08(J)  
Partner

Melaka, Malaysia  
27 April 2007

# income statements

for the year ended 31 December 2006

Continuing Operations	Note	Group		Company	
		2006 RM'000	2005 RM'000 (restated)	2006 RM'000	2005 RM'000
Revenue	4	310,261	377,968	990	434
Cost of sales	5	(257,359)	(303,323)	–	–
Gross profit		52,902	74,645	990	434
Other income	6	4,832	3,237	1,290	104
Selling, marketing, administrative and general expenses		(46,433)	(37,395)	(1,226)	(921)
Operating profit/(loss)		11,301	40,487	1,054	(383)
Finance costs	7	(10,816)	(12,073)	(1,467)	(1,088)
Share of (loss)/profit of associates		(389)	571	–	–
Profit/(loss) before tax	8	96	28,985	(413)	(1,471)
Income tax expense	11	182	(1,275)	–	–
Profit/(loss) for the year		278	27,710	(413)	(1,471)
Attributable to:					
Equity holders of the Company		1,004	25,378	(413)	(1,471)
Minority interests		(726)	2,332	–	–
		278	27,710	(413)	(1,471)
Earnings per share attributable to equity holders of the Company (sen):	12	1.8	50.2		

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

# balance sheets

as at 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000 (restated)	2006 RM'000	2005 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	148,068	153,360	830	967
Investment property	14	235	240	–	–
Investment in subsidiaries	15	–	–	75,661	75,561
Investment in associates	16	8,980	9,369	–	–
Other investments	17	62	62	–	–
Land held for property development	18(a)	9,322	2,552	–	–
Goodwill	19	13,738	8,346	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
		180,405	173,929	76,491	76,528
<b>Current assets</b>					
Property development costs	18(b)	9,755	5,836	–	–
Inventories	20	40,984	42,683	–	–
Trade receivables	21	98,337	100,483	–	–
Other receivables	22	10,152	15,201	17,827	14,217
Tax recoverable		2,021	1,421	832	766
Cash and bank balances	23	7,197	7,610	1	1
		<hr/>	<hr/>	<hr/>	<hr/>
		168,446	173,234	18,660	14,984
<b>TOTAL ASSETS</b>		<hr/>	<hr/>	<hr/>	<hr/>
		348,851	347,163	95,151	91,512
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	24	55,530	53,030	55,530	53,030
Share premium	25	62,641	62,397	62,641	62,397
Foreign exchange reserve	26	(188)	(224)	–	–
Accumulated losses		(22,009)	(28,405)	(64,404)	(63,991)
		<hr/>	<hr/>	<hr/>	<hr/>
		95,974	86,798	53,767	51,436
Minority interests		12,302	13,023	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total equity</b>		108,276	99,821	53,767	51,436
<b>Non-current liabilities</b>					
Long term borrowings	27	23,623	32,967	5,062	12,713
Deferred tax liabilities	29	5,763	6,111	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
		29,386	39,078	5,062	12,713
<b>Current liabilities</b>					
Short term borrowings	27	138,235	133,221	20,053	16,456
Trade payables	30	48,553	56,408	–	–
Other payables	31	24,060	18,246	16,269	10,907
Tax payable		341	389	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
		211,189	208,264	36,322	27,363
<b>Total liabilities</b>		<hr/>	<hr/>	<hr/>	<hr/>
		240,575	247,342	41,384	40,076
<b>TOTAL EQUITY AND LIABILITIES</b>		<hr/>	<hr/>	<hr/>	<hr/>
		348,851	347,163	95,151	91,512

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

# statements of changes in equity

for the year ended 31 December 2006

	←Attributable to Equity Holders of the Company→						Total Equity
	← Non-Distributable →			Distributable			
	Share capital (Note 24)	Share premium (Note 25)	Foreign exchange reserve (Note 26)	Accumulated losses	Total	Minority Interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>							
<b>At 1 January 2005</b>							
As previously stated	50,530	61,584	(131)	(50,057)	61,926	6,234	68,160
Prior year adjustment (Note 3.3(f))	–	–	–	(3,726)	(3,726)	–	(3,726)
<b>At 1 January 2005 (restated)</b>	50,530	61,584	(131)	(53,783)	58,200	6,234	64,434
Foreign currency translation representing net expense recognised directly in equity	–	–	(93)	–	(93)	–	(93)
Profit for the year	–	–	–	25,378	25,378	2,332	27,710
Total recognised income and expense for the year	–	–	(93)	25,378	25,285	2,332	27,617
Issuance of shares	2,500	875	–	–	3,375	–	3,375
Share issue expenses	–	(62)	–	–	(62)	–	(62)
Dividends	–	–	–	–	–	(1,056)	(1,056)
Additional investment in subsidiary	–	–	–	–	–	5,513	5,513
<b>At 31 December 2005 (restated)</b>	53,030	62,397	(224)	(28,405)	86,798	13,023	99,821
<b>At 1 January 2006</b>							
As previously stated	53,030	62,397	(224)	(25,093)	90,110	13,023	103,133
Prior year adjustment (Note 3.3(f))	–	–	–	(3,312)	(3,312)	–	(3,312)
<b>At 1 January 2006 (restated)</b>	53,030	62,397	(224)	(28,405)	86,798	13,023	99,821
Effects 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 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

statements of **changes in equity**

for the year ended 31 December 2006 (cont'd)

	← Non-Distributable →		Distributable	Total RM'000
	Share capital (Note 24) RM'000	Share premium (Note 25) RM'000	Accumulated losses RM'000	
<b>Company</b>				
<b>At 1 January 2005</b>	50,530	61,584	(62,520)	49,594
Issuance of shares	2,500	875	–	3,375
Share issue expenses	–	(62)	–	(62)
Loss for the year	–	–	(1,471)	(1,471)
<b>At 31 December 2005</b>	<b>53,030</b>	<b>62,397</b>	<b>(63,991)</b>	<b>51,436</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	–	–	(413)	(413)
<b>At 31 December 2006</b>	<b>55,530</b>	<b>62,641</b>	<b>(64,404)</b>	<b>53,767</b>

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

# cash flow statements

for the year ended 31 December 2006

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before tax	96	28,985	(413)	(1,471)
Adjustments for:				
Depreciation of property, plant and equipment	11,905	11,717	137	140
Depreciation of investment property	5	–	–	–
Property, plant and equipment written off	289	4	–	–
Gain on disposal of property, plant and equipment	(571)	(353)	–	(58)
Impairment of property, plant and equipment	–	1,056	–	–
Negative goodwill on acquisition of a subsidiary	(5)	–	–	–
Unrealised foreign exchange gain	(2,150)	–	(1,160)	–
Provision for doubtful debts	1,358	511	–	–
Dividend income	(2)	–	(990)	(420)
Interest expense	10,816	12,073	1,467	1,088
Interest income	(62)	(157)	–	–
Share of (profit)/loss of associates	389	(571)	–	–
Operating profit/(loss) before working capital changes	22,068	53,265	(959)	(721)
(Increase)/decrease in property development costs	(703)	5,190	–	–
Decrease in inventories	1,897	7,578	–	–
Decrease in receivables	7,750	1,887	3,986	698
(Decrease)/increase in payables	(5,301)	(27,525)	438	(2,586)
Cash generated from/(used in) operations	25,711	40,395	3,465	(2,609)
Interest paid	(10,816)	(12,073)	(1,467)	(1,088)
Tax paid	(1,307)	(2,244)	(66)	–
Net cash from/(used in) operating activities	13,588	26,078	1,932	(3,697)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(4,327)	(5,981)	–	(17)
Purchase of land held for property development [Note 18(a)]	(9,986)	–	–	–
Purchase of additional shares in subsidiary	–	–	(100)	–
Acquisition of subsidiary	(664)	–	–	–
Acquisition from minority shareholders	(354)	(2,800)	–	–
Acquisition of associate	–	(243)	–	–
Proceeds from disposal of property, plant and equipment	7,263	4,682	–	82
Interest received	62	157	–	–
Net cash (used in)/from investing activities	(8,006)	(4,185)	(100)	65

## cash flow statements

for the year ended 31 December 2006 (cont'd)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Subsidiaries' accounts	–	–	(1,682)	10,698
Payment of dividend to minority shareholders	–	(1,056)	–	–
Proceeds from issuance of ordinary shares	2,744	3,313	2,744	3,313
Repayment of hire purchase payables	(2,657)	(3,423)	(64)	(62)
Proceeds from term loan	4,000	–	–	–
Repayment of term loan	(10,983)	(3,583)	(3,600)	(10,200)
Short term borrowings	1,156	(13,772)	–	–
Net cash (used in)/from financing activities	(5,740)	(18,521)	(2,602)	3,749
<b>CASH AND CASH EQUIVALENTS</b>				
Net (decrease)/increase during the year	(158)	3,372	(770)	117
Effect of foreign exchange rate changes	25	12	–	–
At beginning of the year	(23,139)	(26,523)	(9,191)	(9,308)
At end of the year (Note 23)	(23,272)	(23,139)	(9,961)	(9,191)

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

# notes to the financial statements

31 December 2006

## 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 15. 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, to be its immediate and ultimate holding company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2007.

## 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 2006, current liabilities exceeded current assets by approximately RM42.7 million for the Group and RM17.7 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 in order that the Group and the Company are able to achieve future profitable operations and generate sufficient cashflows from such operations:

- (i) Construction of a fully cooked food plant which will further diversify the Company's products into the fully-cooked products segment. The fully-cooked food plant is expected to contribute positively towards the Company's performance as the products are targeted for the export markets which command higher margins.
- (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.
- (iii) Exploration of new export markets namely in the Middle East, Japan and Europe for halal food products.

The directors are of the opinion that the above measures will result in the Group and the Company being able 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.

## 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. At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 3.3.

The financial statements of the Group and the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except as otherwise indicated.

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

#### 3.2 Summary of Significant Accounting Policies

##### (a) Subsidiaries and Basis of Consolidation

###### (i) 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 net disposal proceeds and their carrying amounts is included in profit or loss.

###### (ii) 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 for the same reporting date as 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)

#### 3.2 Summary of Significant Accounting Policies (cont'd)

##### (b) 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.

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

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 net disposal proceeds and their carrying amounts is included in profit or loss.

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

#### 3.2 Summary of Significant Accounting Policies (cont'd)

##### (d) 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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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. Long term leasehold land are depreciated over the period of the respective leases which ranges from 80 to 99 years. 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% – 10%
Motor vehicles	10% – 20%
Piping, fencing and tubewell	15%
Plant and machinery	2% – 20%
Electrical installation	5% – 10%
Furniture, fixtures and fittings	10%
Office equipment	5% – 20%
Renovation and improvement	5%

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 and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

##### (e) 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. Freehold land is not depreciated. Other investment properties are depreciated on a straight line basis over the estimated useful life of 50 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)

#### 3.2 Summary of Significant Accounting Policies (cont'd)

##### (f) Land Held for Property Development and Property Development Costs

###### (i) 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.

###### (ii) 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.

##### (g) 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.

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.

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

#### 3.2 Summary of Significant Accounting Policies (cont'd)

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

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.

##### (h) 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 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.

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

#### 3.2 Summary of Significant Accounting Policies (cont'd)

##### (i) 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.

Breeder and layer stocks are stated at cost (determined on a first-in, first-out basis) adjusted for amortisation which is calculated based on the economic egg-laying lives less net realisable value. Cost includes cost of day old chicks, feed, medication, labour and attributable overheads to the point of maturity.

Pullet and broiler stocks consist of original purchase price of day-old chicks plus growing costs which include feed and vaccines, direct labour costs and a proportion of farm overheads.

Cost of hatching 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).

##### (j) 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.

##### (i) 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.

##### (ii) 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)

#### 3.2 Summary of Significant Accounting Policies (cont'd)

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

###### (iii) 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.

###### (iv) Trade Payables

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

###### (v) 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.

###### (vi) 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.

##### (k) Leases

###### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

###### (ii) 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 the profit or loss over the term of the relevant lease 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(d).

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

#### 3.2 Summary of Significant Accounting Policies (cont'd)

##### (k) Leases (cont'd)

###### (iii) Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

###### (iv) 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 [Note 3.2(n)(v)]. 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.

##### (l) 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.

##### (m) Employee Benefits

###### (i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the 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.

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

#### 3.2 Summary of Significant Accounting Policies (cont'd)

##### (m) Employee Benefits (cont'd)

###### (ii) 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 ("EPF").

##### (n) 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:

###### (i) 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.

###### (ii) 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 3.2(f)(ii) and 3.2(g) 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.

###### (iii) Interest Income

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

###### (iv) Dividend Income

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

###### (v) 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.

###### (vi) 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)

#### 3.2 Summary of Significant Accounting Policies (cont'd)

##### (o) Foreign Currencies

###### (i) 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.

###### (ii) 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 operations, 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.

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

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

#### 3.2 Summary of Significant Accounting Policies (cont'd)

##### (o) Foreign Currencies (cont'd)

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

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.

#### 3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The Malaysian Accounting Standards Board ("MASB") has issued a number of new and revised FRS and Interpretations that are effective for financial periods beginning on or after 1 January 2006.

Except for the changes in accounting policies and their effects as discussed below, the new and revised FRS and Interpretations above do not have any other significant impact on the financial statements of the Group and the Company.

##### (a) FRS 3 : Business Combinations, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

##### (i) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill) and goodwill.

Prior to 1 January 2006, negative goodwill was stated at cost and offsetted against goodwill which was stated at cost less impairment losses. Goodwill or negative goodwill in relation to the acquisition of subsidiaries and associates were not amortised. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss while goodwill is to be carried at cost less accumulated impairment losses and tested for impairment annually. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM5,392,000 has been derecognised with a corresponding decrease in accumulated losses of the Group.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 3.3(e). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

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

#### 3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

##### (a) FRS 3 : Business Combinations, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets (cont'd)

###### (ii) Accounting for acquisitions

Prior to 1 January 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

##### (b) FRS 101 : Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 January 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively and as disclosed in Note 3.3(f), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 3.3(e). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

##### (c) FRS 140 : Investment Property

Prior to 1 January 2006, investment properties were classified as property, plant and equipment and measured at cost less accumulated depreciation. The adoption of FRS 140 required properties that qualified as investment properties to be reclassified from property, plant and equipment to investment property. The Group adopted the cost model to measure its investment property. Under the cost model, investment property is measured at cost less accumulated depreciation and impairment losses.

These changes in presentation have been applied retrospectively and as disclosed in Note 3.3(f), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2006 are set out in Note 3.3(e). There were no effects on the consolidated income statement for the year ended 31 December 2006 and the Company's financial statements.

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

#### 3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

##### (d) FRS 112 : Income Taxes

In previous years, the Group recognised deferred tax assets on unabsorbed reinvestment allowances and investment tax allowances. During the year, the Group changed its accounting policy and accordingly, deferred tax assets on unabsorbed reinvestment allowances and investment tax allowances are no longer recognised.

The change in policy has no effect on the current year's results but has the effect of increasing the previous year's profit by RM414,000. Certain comparatives have also been restated as a result of the prior year adjustments as disclosed in Note 3.3(f).

##### (e) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following table provides estimates of the extent to which each of the line items in the balance sheets as at 31 December 2006 is higher (or lower) than it would have been had the previous policies been applied in the current year.

Description of Change	Higher/(Lower)			
	FRS 3 Note 3.3(a)(i) RM'000	FRS 101 Note 3.3(b) RM'000	FRS 140 Note 3.3(c) RM'000	Total RM'000
<b>Group</b>				
Accumulated losses	5,392	-	-	5,392
Property, plant and equipment	-	-	(235)	(235)
Investment property	-	-	235	235
Total equity	-	12,302	-	12,302

##### (f) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs and change in policy as mentioned in Note 3.3(d):

Description of Change	Previously Stated RM'000	FRS 101 Note 3.3(b) RM'000	FRS 140 Note 3.3(c) RM'000	FRS 112 Note 3.3(d) RM'000	Restated RM'000
<b>Group</b>					
<b>Income Statement</b>					
Share of profit of associates	622	(51)	-	-	571
Income tax expense	(1,740)	51	-	414	(1,275)
Profit for the year	27,296	-	-	414	27,710
Earning per share attributable to equity holders of the Company	49.3	-	-	-	50.2

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

#### 3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

##### (f) Restatement of comparatives (cont'd)

Description of Change	Previously Stated RM'000	FRS 101 Note 3.3(b) RM'000	FRS 140 Note 3.3(c) RM'000	FRS 112 Note 3.3(d) RM'000	Restated RM'000
<b>Group</b>					
<b>Balance sheet</b>					
Property, plant and equipment	153,600	–	(240)	–	153,360
Investment property	–	–	240	–	240
Accumulated losses	(25,093)	–	–	(3,312)	(28,405)
Total equity	90,110	13,023	–	(3,312)	99,821
Deferred tax liabilities	2,799	–	–	3,312	6,111
<b>Statement of Changes in Equity</b>					
Accumulated losses as at 1 January 2005	(50,057)	–	–	(3,726)	(53,783)
Profit for the year ended 31 December 2005	27,296	–	–	414	27,710
Accumulated losses as at 1 January 2006	(25,093)	–	–	(3,312)	(28,405)

#### 3.4 Standards and Interpretations Issued But Not Yet Effective

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

	Effective for financial periods beginning on or after
(i) FRS 117 : Leases	1 October 2006
(ii) FRS 124 : Related Party Disclosures	1 October 2006
(iii) FRS 139 : Financial Instruments : Recognition and Measurement	Deferred
(iv) FRS 6 : Exploration for and Evaluation of Mineral Resources	1 January 2007
(v) Amendment to FRS 119 <sup>2004</sup> : Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
(vi) Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Investment	1 July 2007
(vii) IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
(viii) IC Interpretation 2 : Member's Shares in Co-operatives Entities and Similar Instruments	1 July 2007
(ix) IC Interpretation 5 : Rights To Interests arising from on Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
(x) IC Interpretation 6 : Liabilities arising from Participating in Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
(xi) IC Interpretation 7 : Applying the Restatement Approach under FRS 129 <sup>2004</sup> Financial Reporting in Hyperinflationary Economies	1 July 2007
(xii) IC Interpretation 8 : Scope of FRS 2	1 July 2007

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

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

The above FRS, amendments to the FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon initial application of FRS 117, FRS 124 and FRS 139.

#### 3.5 Significant Accounting Estimates and Judgements

##### (a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements 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.

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

The Group has developed certain criteria based on FRS 140 in making judgement 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. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

##### (b) 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.

##### (i) 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 amounts of goodwill as at 31 December 2006 were RM13,738,000 (2005: RM8,346,000). Further details are disclosed in Note 19.

##### (ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement 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 total carrying value of recognised tax losses and capital allowances of the Group was RM53,312,000 (2005: RM52,011,000) and the unrecognised tax losses and capital allowances of the Group was RM55,716,000 (2005: RM77,162,000).

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

#### 3.5 Significant Accounting Estimates and Judgements (cont'd)

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

##### (iii) 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.

##### (iv) 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 judgement 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 judgement, the Group evaluates based on past experience and by relying on the work of specialists.

### 4. REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sales of goods net of discounts	300,341	364,021	–	–
Property development	9,920	13,947	–	–
Management fees receivable	–	–	–	14
Gross dividends received from subsidiaries	–	–	990	420
	<u>310,261</u>	<u>377,968</u>	<u>990</u>	<u>434</u>

### 5. COST OF SALES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Inventories sold	251,705	288,486	–	–
Development properties sold	5,654	14,837	–	–
	<u>257,359</u>	<u>303,323</u>	<u>–</u>	<u>–</u>

**6. OTHER INCOME**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sundry income	834	1,683	–	13
Interest income	62	157	–	–
Rental income	317	342	–	–
Bad debts recovered	30	90	–	–
Gain on foreign currency exchange	2,515	612	1,290	33
Gain on disposal of property, plant and equipment	571	353	–	58
Insurance claim	503	–	–	–
	<u>4,832</u>	<u>3,237</u>	<u>1,290</u>	<u>104</u>

**7. FINANCE COSTS**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest expense on:				
Bank overdraft	3,090	2,860	893	839
Bankers' acceptances	3,603	3,658	–	–
Hire purchase liabilities	354	156	10	10
Term loan	3,666	3,687	1,454	1,488
Other interest	103	1,712	–	–
Interest recouped from subsidiaries	–	–	(890)	(1,249)
	<u>10,816</u>	<u>12,073</u>	<u>1,467</u>	<u>1,088</u>

**8. PROFIT/(LOSS) BEFORE TAX**

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Auditors' remuneration				
– statutory audits	146	140	12	12
– other services	289	19	289	19
Bad debts recovered	(12)	(90)	–	–
Depreciation of property, plant and equipment	11,905	11,717	137	140
Depreciation of investment properties	5	–	–	–
Provision for doubtful debts				
– Third parties	1,358	511	–	–
Executive directors' emoluments (Note 9)	4,081	3,901	–	–
Non-executive directors' emoluments (Note 9)	86	84	86	84
Gross dividend income from shares quoted in Malaysia	(2)	–	–	–
Negative goodwill on acquisition of a subsidiary	(5)	–	–	–
Impairment of property, plant and equipment	–	1,056	–	–
Gain on disposal of property, plant and equipment	(571)	(353)	–	(58)
Operating lease				
– minimum lease payments for and and buildings	5,820	5,771	–	–
– minimum lease payments for plant and machinery	1,190	762	–	–
– minimum lease rentals for motor vehicles	754	1,256	–	–
Rental income	(5)	(342)	–	–
Other employee benefits expense (Note 10)	30,586	27,030	–	147
Property, plant and equipment written off	289	4	–	–

**9. DIRECTORS' REMUNERATION**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Directors of the Company</b>				
Salaries and other emoluments	2,241	2,061	–	–
Fee	86	84	86	84
Pension costs – defined contribution plan	269	247	–	–
	2,596	2,392	86	84
<b>Other directors of subsidiaries</b>				
Salaries and other emoluments	1,402	1,441	–	–
Pension costs – defined contribution plan	169	152	–	–
	1,571	1,593	–	–
Total directors' remuneration	4,167	3,985	86	84
<b>Analysis</b>				
Executive directors' remuneration (Note 8)	4,081	3,901	–	–
Non-executive directors' remuneration (Note 8)	86	84	86	84
	4,167	3,985	86	84

The emoluments of the Group do not include the monetary value of benefits-in-kind in respect of the directors of the Company amounting to RM39,300 (2005 : RM32,175) and of other directors of subsidiaries of RM8,800 (2005 : RM33,000) respectively.

**9. DIRECTORS' REMUNERATION (CONT'D)**

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

	Number of directors	
	2006	2005
Executive directors:		
RM200,001 to RM250,000	2	2
RM450,001 to RM500,000	4	4
Non-executive directors:		
Below RM50,000	4	3
	<u>10</u>	<u>9</u>

**10. OTHER EMPLOYEE BENEFITS EXPENSE**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages and salaries	26,756	23,445	–	125
Pension costs – defined contribution plan	2,226	2,089	–	15
Other employee related expenses	1,604	1,496	–	7
	<u>30,586</u>	<u>27,030</u>	<u>–</u>	<u>147</u>

**11. INCOME TAX EXPENSE**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax expense for the year:				
Malaysian income tax	546	2,147	–	–
Overprovided in prior years	(144)	–	–	–
Real property gains tax ("RPGT")	277	–	–	–
	<u>679</u>	<u>2,147</u>	<u>–</u>	<u>–</u>
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	(343)	(865)	–	–
Relating to reduction in Malaysian income tax rate	(265)	–	–	–
Overprovided in prior years	(253)	(7)	–	–
	<u>(861)</u>	<u>(872)</u>	<u>–</u>	<u>–</u>
	<u>(182)</u>	<u>1,275</u>	<u>–</u>	<u>–</u>

**11. INCOME TAX EXPENSE (CONT'D)**

Domestic income tax is calculated at Malaysian statutory tax rate of 28% (2005 : 28%) of the estimated assessable 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 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit/(loss) before tax	96	28,985	(413)	(1,471)
Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)	27	8,116	(116)	(412)
Effect of income at Malaysian tax rate of 20% (2005 : 20%)	(124)	(87)	-	-
Effect on opening deferred tax of reduction in Malaysian income tax rate	(138)	-	-	-
Deferred tax recognised at different tax rates	(111)	-	-	-
Effect of expenses not deductible for tax purposes	931	2,643	116	419
Effect of income not subject to tax	-	(399)	-	-
Effect of income subject to RPGT	277	-	-	-
Deferred tax asset recognised on:				
- brought forward tax losses and capital allowances	(1,363)	(3,084)	-	(7)
- current year's tax losses	-	(1,021)	-	-
- other temporary differences	(682)	(11)	-	-
Deferred tax asset not recognised on:				
- tax losses and capital allowances	191	-	-	-
- brought forward tax losses and capital allowances	1,320	-	-	-
- other temporary differences	1,221	13	-	-
Effect of utilisation of:				
- brought forward tax losses and capital allowances	(467)	(1,273)	-	-
- current year's reinvestment allowances	(40)	(321)	-	-
- brought forward reinvestment allowances	(827)	(3,294)	-	-
Overprovision of current tax in prior years	(144)	-	-	-
Overprovision of deferred tax in prior years	(253)	(7)	-	-
Tax expense for the year	(182)	1,275	-	-
Tax saving arising from utilisation of				
- brought forward tax losses	437	1,273	-	-
- brought forward capital allowances	30	-	-	-
- brought forward reinvestment allowances	827	3,294	-	-

The availability of unabsorbed capital allowances and unused tax losses of the Company and the Malaysian incorporated subsidiaries for offsetting against future taxable profits is subject to:

- no substantial changes in shareholdings of the Company and of the subsidiaries under Sections 44(5A) and (5B) of the Income Tax Act, 1967; and
- approval by the Minister of Finance under Section 44(5D) of the said Act if there are such changes.

## 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's net profit for the year of RM1,004,000 (2005 : RM25,378,000) by 55,516,564 (2005 : 50,598,756) weighted average ordinary shares in issue during the financial year.

Fully diluted earnings per share on the basis of assumed conversion of warrants has not been disclosed as the effect is anti-dilutive.

## 13. PROPERTY, PLANT AND EQUIPMENT

	* Land and buildings RM'000	Plant and machinery RM'000	Motor vehicle RM'000	** Other assets RM'000	Total RM'000
<b>Group – At 31 December 2006</b>					
<b>Cost</b>					
At 1 January 2006	107,430	129,808	18,915	14,394	270,547
Additions	1,318	4,986	778	1,614	8,696
Acquisition of a subsidiary (Note 15)	94	5,666	155	370	6,285
Disposals	(7,161)	(829)	(452)	(936)	(9,378)
Written off	–	–	(168)	(299)	(467)
Reclassification	105	337	(93)	(349)	–
Exchange differences	3	6	1	5	15
At 31 December 2006	101,789	139,974	19,136	14,799	275,698
<b>Accumulated depreciation</b>					
At 1 January 2006	33,985	60,876	12,589	9,737	117,187
Charge for the year	3,705	5,840	1,657	703	11,905
Acquisition of a subsidiary (Note 15)	4	1,217	69	109	1,399
Disposal	(1,649)	(595)	(389)	(53)	(2,686)
Written off	–	–	(41)	(137)	(178)
Reclassification	–	–	40	(40)	–
Exchange differences	2	–	–	1	3
At 31 December 2006	36,047	67,338	13,925	10,320	127,630
<b>Net carrying amount</b>	<b>65,742</b>	<b>72,636</b>	<b>5,211</b>	<b>4,479</b>	<b>148,068</b>

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

	* Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	** Other assets RM'000	Total RM'000
<b>Group – At 31 December 2005</b>					
<b>Cost</b>					
At 1 January 2005	108,378	127,095	18,265	13,267	267,005
Additions	3,252	3,032	2,536	1,160	9,980
Disposals	(4,260)	(204)	(1,909)	(62)	(6,435)
Exchange differences	60	(115)	23	29	(3)
At 31 December 2005	107,430	129,808	18,915	14,394	270,547
<b>Accumulated depreciation</b>					
At 1 January 2005	29,510	55,013	12,932	8,926	106,381
Charge for the year	3,465	5,866	1,546	840	11,717
Impairment	1,056	–	–	–	1,056
Disposals	(94)	(63)	(1,892)	(53)	(2,102)
Exchange differences	48	60	3	24	135
At 31 December 2005	33,985	60,876	12,589	9,737	117,187
<b>Net carrying amount</b>	<b>73,445</b>	<b>68,932</b>	<b>6,326</b>	<b>4,657</b>	<b>153,360</b>

\*\* 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 RM893,000 (2005 : RM350,000).

## \* Land and buildings

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Planting and development expenditure RM'000	Total RM'000
<b>Group – At 31 December 2006</b>					
<b>Cost</b>					
At 1 January 2006	21,566	9,797	76,067	–	107,430
Additions	33	18	1,267	–	1,318
Acquisition of a subsidiary	–	21	73	–	94
Disposals	(941)	(6,083)	(137)	–	(7,161)
Reclassification	–	–	105	–	105
Exchange differences	–	–	3	–	3
At 31 December 2006	20,658	3,753	77,378	–	101,789
<b>Accumulated depreciation</b>					
At 1 January 2006	–	2,076	31,909	–	33,985
Charge for the year	–	53	3,652	–	3,705
Acquisition of a subsidiary	–	–	4	–	4
Disposals	–	(1,609)	(40)	–	(1,649)
Reclassification	–	66	(66)	–	–
Exchange differences	–	2	–	–	2
At 31 December 2006	–	588	35,459	–	36,047
<b>Net carrying amount</b>	<b>20,658</b>	<b>3,165</b>	<b>41,919</b>	<b>–</b>	<b>65,742</b>

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

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Planting and development expenditure RM'000	Total RM'000	
<b>Group – At 31 December 2005</b>						
<b>Cost</b>						
At 1 January 2005	25,283	9,761	73,131	203	108,378	
Additions	(2)	33	3,194	27	3,252	
Disposals	(3,715)	–	(315)	(230)	(4,260)	
Exchange differences	–	3	57	–	60	
At 31 December 2005	21,566	9,797	76,067	–	107,430	
<b>Accumulated depreciation</b>						
At 1 January 2005	–	977	28,531	2	29,510	
Charge for the year	–	43	3,422	–	3,465	
Impairment	–	1,056	–	–	1,056	
Disposals	–	–	(92)	(2)	(94)	
Exchange differences	–	–	48	–	48	
At 31 December 2005	–	2,076	31,909	–	33,985	
<b>Net carrying amount</b>	<b>21,566</b>	<b>7,721</b>	<b>44,158</b>	<b>–</b>	<b>73,445</b>	
			<b>Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Office equipment RM'000</b>	<b>Total RM'000</b>
<b>Company – At 31 December 2006</b>						
<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>	
<b>Company – At 31 December 2005</b>						
<b>Cost</b>						
At 1 January 2005		600	515	574	1,689	
Additions		–	99	2	101	
Disposal		–	(180)	(4)	(184)	
At 31 December 2005		600	434	572	1,606	
<b>Accumulated depreciation</b>						
At 1 January 2005		77	304	278	659	
Charge for the year		12	70	58	140	
Disposal		–	(159)	(1)	(160)	
At 31 December 2005		89	215	335	639	
<b>Net carrying amount</b>		<b>511</b>	<b>219</b>	<b>237</b>	<b>967</b>	

**13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

- (a) The net book values of property, plant and equipment of the Group pledged to financial institutions for bank borrowings as referred to in Note 27 are as follows:

	2006 RM'000	2005 RM'000
Land and buildings	10,003	7,431
Plant and machinery	10,834	3,639
Other assets	2,060	9,244
	<u>22,897</u>	<u>20,314</u>

Certain assets of the Group with net book value amounting to RM104,246,000 (2005 : RM111,249,000) were subject to negative pledges in relation to banking facilities granted to the Group.

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Outright purchase	4,327	5,981	–	17
Hire purchase financing	4,369	3,999	–	84
	<u>8,696</u>	<u>9,980</u>	<u>–</u>	<u>101</u>

- (c) The net book values of property, plant and equipment held under hire purchase are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Farm construction	528	578	–	–
Motor vehicles	3,648	3,939	150	141
Plant and machinery	5,582	2,578	–	–
	<u>9,758</u>	<u>7,095</u>	<u>150</u>	<u>141</u>

- (d) Certain freehold land and motor vehicles of the Group with net book value of RM1,058,000 (2005 : RM443,000) are held in trust by third parties and certain directors of subsidiaries, namely Siah Kim Hew @ Sia Kian Heng and Ng Hua Boon.
- (e) Title deeds for certain long term leasehold land and building of the Group and of the Company with net book value of RM499,000 (2005 : RM8,659,000) and RM499,000 (2005 : RM511,000) respectively are pending issuance from the relevant authorities.

**14. INVESTMENT PROPERTY**

	Group	
	2006 RM'000	2005 RM'000
<b>Cost</b>		
At 1 January/31 December	240	240
<b>Accumulated depreciation</b>		
At 1 January 2006	-	-
Charge for the year	5	-
At 31 December	5	-
<b>Net carrying amount</b>	<u>235</u>	<u>240</u>

Investment property is subject to negative pledge in relation to the borrowing as disclosed in Note 27.

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. The fair value of the Company's investment property as at 31 December 2006 is RM250,000.

**15. INVESTMENT IN SUBSIDIARIES**

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares at cost	78,361	78,261
Less: Impairment in value	(2,700)	(2,700)
	<u>75,661</u>	<u>75,561</u>

**15. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest (%)		Principal activities
		2006	2005	
<b>Subsidiaries of the Company</b>				
Sinmah Multifeed Sdn. Bhd.	Malaysia	99.99	99.99	Manufacturing and wholesale of animal feeds
Sinmah Breeders Sdn. Bhd.	Malaysia	100	100	Poultry breeding and hatchery operation
Sinmah Livestocks Sdn. Bhd.	Malaysia	100	100	Contract farming and trading of feeds, day old chicks and vaccines
Farm's Best Food Industries Sdn. Bhd.	Malaysia	100	100	Poultry processing, contract farming, marketing and distribution of poultry products
Sinmah Development Sdn. Bhd.	Malaysia	100	100	Property development
Sinmah Egg Products Sdn. Bhd.	Malaysia	100	100	Investment holding
Sinmah Ventures Sdn. Bhd.	Malaysia	100	100	Investment holding
Farm's Best Eggmart Sdn. Bhd.	Malaysia	100	75	Trading of eggs
Lynbridge Sdn. Bhd.	Malaysia	100	100	Dormant
<b>Subsidiaries of Sinmah Livestocks Sdn. Bhd.</b>				
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
<b>Subsidiary of Syarikat Perniagaan Suann Sdn. Bhd.</b>				
Halal Poultry Meat Processing Sdn. Bhd.	Malaysia	100	100	Poultry meat processing
<b>Subsidiary of Farm's Best Food Industries Sdn. Bhd.</b>				
SM Broilers Sdn. Bhd.	Malaysia	100	100	Marketing and distribution of distribution of poultry products products

**15. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Proportion of ownership interest (%)		Principal activities
		2006	2005	
<b>Subsidiaries of Sinmah Development Sdn. Bhd.</b>				
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
<b>Subsidiary/Associate of Sinmah Multifeed Sdn. Bhd./Sinmah Egg Products Sdn. Bhd.</b>				
Sinmah Poultry Farm Sdn. Bhd.	Malaysia	100	100	Poultry farming and investment holding
<b>Subsidiary of Sinmah Poultry Farm Sdn. Bhd.</b>				
Premier Layer Breeders Sdn. Bhd.	Malaysia	100	100	Dormant
<b>Subsidiary of Joint Farming Sdn. Bhd.</b>				
Joint Food Processing Sdn. Bhd.	Malaysia	60	60	Manufacturing of food products and carrying out research and development on food technology
Bersatu Segar Sdn. Bhd.	Malaysia	100	–	Poultry farming
<b>Subsidiaries of Sinmah Ventures Sdn. Bhd.</b>				
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

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

**15. INVESTMENT IN SUBSIDIARIES (CONT'D)**

(a) 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 Ventures Sdn. Bhd.
- iii) Sinmah Egg Products Sdn. Bhd.
- iv) Sinmah Poultry Farm Sdn. Bhd.
- v) Premier Layer Breeders Sdn. Bhd.
- vi) Farm's Best Eggmart Sdn. Bhd.
- vii) Syarikat Perniagaan Suann Sdn. Bhd.
- viii) Lynbridge Sdn. Bhd.
- ix) Bersatu Segar Sdn. Bhd.
- x) Joint Food Processing Sdn. Bhd.
- xi) Realtemas Realty Sdn. Bhd.

(b) During the year, the Group acquired 100% equity interest in Bersatu Segar Sdn. Bhd., a company incorporated in Malaysia, comprising 500,000 ordinary shares of RM1.00 each for a cash consideration of RM863,000.

During the year, the Company subscribed for 99,998 ordinary shares of RM1.00 each in Lynbridge Sdn. Bhd. for a cash consideration of RM99,998.

(c) The acquired subsidiary has contributed the following results to the Group:

	RM'000
Revenue	2,976
Profit for the year	<u>342</u>

If the acquisition had occurred on 1 January 2006, the Group's revenue and profit for the year would have been RM4,343,000 and RM582,000 respectively.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount RM'000	Fair value recognised on acquisition RM'000
Property, plant and equipment (Note 13)	2,929	4,886
Inventories	198	198
Trade and other receivables	1,389	1,389
Tax prepayment	20	20
	<u>4,536</u>	<u>6,493</u>
Trade and other payables	3,726	3,726
Borrowings	1,225	1,225
Bank overdraft	153	153
Deferred tax liabilities (Note 29)	513	513
	<u>5,617</u>	<u>5,617</u>

**15. INVESTMENT IN SUBSIDIARIES (CONT'D)**

	Fair value recognised on acquisition RM'000
Fair value of net assets	876
Less: Minority interests	(360)
	<hr/>
Group's share of net assets	516
Negative goodwill on acquisition (Note 8)	(5)
	<hr/>
Total cost of acquisition	<u>511</u>

The cash outflow on acquisition is as follows:

	RM'000
Purchase consideration satisfied by cash	511
Cash and cash equivalents of subsidiary acquired	153
	<hr/>
Net cash outflow of the Group	<u>664</u>

During the current financial year, the subsidiary changed its financial year end from 30 June to 31 December and prepared financial statements for a 6 month period from 1 July 2006 to 31 December 2006 so as to be coterminous with the holding company.

**16. INVESTMENT IN ASSOCIATES**

	Group	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	7,956	6,902
Share of post acquisition reserves	1,024	2,467
	<hr/>	<hr/>
	8,980	9,369
	<hr/>	<hr/>
Represented by:		
Share of net assets	6,757	7,146
Goodwill on acquisition	2,223	2,223
	<hr/>	<hr/>
	8,980	9,369
	<hr/>	<hr/>

**16. INVESTMENT IN ASSOCIATES (CONT'D)**

Details of the associates are as follows:

Name of company	Country of incorporation	Proportion of ownership interest (%)		Principal activities
		2006	2005	
Sinmah Poultry Processing (S) Pte. Ltd.	Singapore	25	25	Poultry processing and trading in poultry products
Ban Yen Sdn. Bhd.	Malaysia	18.2	30.8	Poultry breeding and hatchery operations
SMNS Rubber Holdings Sdn. Bhd.	Malaysia	49.9	49.9	Management of rubber small holdings
Farm's Goodness Sdn. Bhd.	Malaysia	20	20	Processing of poultry meat and trading of meat products
S.M. Enterprise (Nanjing) Pte. Ltd.	People's Republic of China	50	50	Trading of poultry and operating restaurant chains

The financial statements of the above associates are coterminous with those of the Group.

- (a) During the year, Joint Farming Sdn. Bhd., a 59% owned subsidiary, acquired from Sinmah Breeders Sdn. Bhd., a wholly owned subsidiary, the entire investment in Ban Yen Sdn. Bhd. ("Ban Yen") representing 30.77% of the effective equity interest of Ban Yen for a total cash consideration of RM2,400,000.
- (b) The summarised financial statements of the associates are as follows:

	2006 RM'000	2005 RM'000
<b>Assets and liabilities</b>		
Current assets	23,579	14,443
Non-current assets	17,693	4,449
<b>Total assets</b>	<b>41,272</b>	<b>18,892</b>
Current liabilities	(6,355)	(3,710)
Non-current liabilities	(11,975)	(2,193)
<b>Total liabilities</b>	<b>(18,330)</b>	<b>(5,903)</b>
<b>Results</b>		
Revenue	63,911	43,454
(Loss)/Profit for the year	(1,191)	372

**17. OTHER INVESTMENTS**

	Group	
	2006 RM'000	2005 RM'000
Quoted shares in Malaysia, at cost	152	152
Less : Impairment in value	(90)	(90)
	62	62
Market value of quoted shares in Malaysia	69	61

**18. DEVELOPMENT PROPERTIES**

	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
<b>(a) Land Held for Property Development</b>				
<b>Group – At 31 December 2006</b>				
At 1 January 2006	2,204	–	348	2,552
Additions	–	9,986	–	9,986
Transfer to property development costs [Note 18(b)]	–	(3,216)	–	(3,216)
At 31 December 2006	2,204	6,770	348	9,322
<b>Group – At 31 December 2005</b>				
At 1 January/31 December	2,204	–	348	2,552
<b>(b) Property Development Costs</b>				
<b>Group – At 31 December 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 18(a)]	–	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

## 18. DEVELOPMENT PROPERTIES (CONT'D)

	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
<b>(b) Property Development Costs (cont'd)</b>				
<b>Group – At 31 December 2006</b>				
<b>Cumulative costs recognised in income statement</b>				
At 1 January 2006	147	–	(7,728)	(7,581)
Recognised during the year	(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>
<b>Group – At 31 December 2005</b>				
<b>Cumulative property development costs</b>				
At 1 January 2005	6,898	–	13,419	20,317
Costs incurred during the year	–	–	3,046	3,046
Reversal of completed projects	(4,373)	–	(3,436)	(7,809)
Unsold units transferred to inventories	(391)	–	(1,746)	(2,137)
At 31 December 2005	2,134	–	11,283	13,417
<b>Cumulative costs recognised in income statement</b>				
At 1 January 2005	(1,009)	–	(8,282)	(9,291)
Recognised during the year	(3,217)	–	(2,882)	(6,099)
Reversal of completed projects	4,373	–	3,436	7,809
At 31 December 2005	147	–	(7,728)	(7,581)
<b>Net carrying amount</b>	<b>2,281</b>	<b>–</b>	<b>3,555</b>	<b>5,836</b>

Included in property development costs is interest capitalised during the financial year amounting to RM267,000 (2005 : RM Nil).

Leasehold land of the Company with carrying value of RM9,986,000 (2005 : RM9,986,000) is pledged as securities for borrowings as disclosed in Note 27.

**19. GOODWILL**

Group	Negative Goodwill RM'000	Goodwill RM'000	Accumulated Impairment RM'000	Total RM'000
At 1 January 2005	(5,392)	11,314	(5,922)	–
Additional investment in subsidiary	–	8,346	–	8,346
At 31 December 2005	(5,392)	19,660	(5,922)	8,346
Effects of adopting FRS 3 [Note 3.3(a)(i)]	5,392	–	–	5,392
At 31 December 2006	–	19,660	(5,922)	13,738

**Impairment tests for goodwill**

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

	2006 RM'000	2005 RM'000
Sinmah Development Sdn. Bhd.	2,264	2,264
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
Chix Unlimited Inc.	148	148
Sinmah Poultry Farm Sdn. Bhd.	8,346	8,346
	<u>13,738</u>	<u>13,738</u>

**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:

	Gross Margin 2006 (%)	Discount Rate 2005 (%)
Sinmah Development Sdn. Bhd.	19.5	9.5
Syarikat Perniagaan Suann Sdn. Bhd.	5.3	5.0
Joint Farming Sdn. Bhd.	8.6	8.3
Halal Poultry Meat Processing Sdn. Bhd.	15.0	3.7
Sinmah Breeders Sdn. Bhd.	22.7	5.5
Chix Unlimited Inc.	28.1	3.7
Sinmah Poultry Farm Sdn. Bhd.	10.9	8.3

**19. GOODWILL (CONT'D)**

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.

**20. INVENTORIES**

	Group	
	2006 RM'000	2005 RM'000
At cost:		
Raw materials, medical supplies and chemicals	6,593	11,072
Poultry livestocks	13,788	13,971
Processed chickens	6,040	6,685
Hatching eggs	2,224	1,809
Consumable supplies	3,678	3,434
Completed houses and shops	7,114	4,135
Others	1,547	1,577
	40,984	42,683

**21. TRADE RECEIVABLES**

	Group	
	2006 RM'000	2005 RM'000
Due from associates	3,018	707
Other trade receivables	116,354	116,746
Construction contracts:		
Retention sums	704	625
Accrued billings in respect of property development costs	59	2,142
	120,135	120,220
Less : Provision for doubtful debts (Third parties)	(21,798)	(19,737)
	98,337	100,483

**21. TRADE RECEIVABLES (CONT'D)****Credit risk**

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.

**22. OTHER RECEIVABLES**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Due from holding company	1,308	5,430	1,308	4,260
Due from subsidiaries	–	–	72,196	65,590
Other receivables	4,837	5,422	24	69
Deposits and prepayments	4,016	4,569	16	15
	<hr/>	<hr/>	<hr/>	<hr/>
	10,161	15,421	73,544	69,934
Less : Provision for doubtful debts	(9)	(220)	(55,717)	(55,717)
	<hr/>	<hr/>	<hr/>	<hr/>
	10,152	15,201	17,827	14,217

The amounts due from holding company and from subsidiaries are unsecured, repayable on demand and are interest-free except that interest of RM890,000 (2005 : RM1,249,000) was recouped from certain subsidiaries during the year as disclosed in Note 7.

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 11% (2005 : 35%) and 99% (2005 : 99%) of the gross receivables of the Group and of the Company respectively.

**23. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash on hand and at banks	7,063	7,472	1	1
Deposits with licensed banks	134	138	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	7,197	7,610	1	1
Less : Bank overdrafts (Note 27)	(30,469)	(30,749)	(9,962)	(9,192)
	<hr/>	<hr/>	<hr/>	<hr/>
	(23,272)	(23,139)	(9,961)	(9,191)

Included in cash at banks of the Group is an amount of RM73,000 (2005 : RM1,313,000) 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.

Other information on financial risks of cash and cash equivalents are disclosed in Note 37.

**24. SHARE CAPITAL**

Group and Company	Number of Shares of RM1 Each		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised	500,000	500,000	500,000	500,000
	<b>Number of Ordinary Shares of RM1 Each</b>		<b>Amount</b>	
	<b>2006 '000</b>	<b>2005 '000</b>	<b>2006 RM'000</b>	<b>2005 RM'000</b>
At beginning of the year	53,030	50,530	53,030	50,530
Issued during the year	2,500	2,500	2,500	2,500
At end of the year	55,530	53,030	55,530	53,030

In the previous year, the Securities Commission approved the private placement by the Company of up to 5,053,026 new ordinary shares of RM1.00 each representing up to 10% of the existing issued and paid-up capital of the Company to provide working capital.

Pursuant to the private placement, the Company increased its issued and paid up ordinary share capital from RM53,030,263 to RM55,530,263 (2005 : RM50,530,263 to RM53,030,263) by way of the issuance of 2,500,000 (2005 : 2,500,000) new ordinary shares of RM1.00 (2005 : RM1.00) each at an issue price of RM1.11 (2005 : RM1.35) per ordinary share.

The private placement shares rank parri passu in all respects with the existing ordinary shares of the Company. The balance of the 53,026 ordinary shares of which the Company was entitled to issue under the private placement will not be issued.

On 21 October 1997, the Company issued 14,799,260 warrants in conjunction with the issue of RM50 million Redeemable Guaranteed Bonds. These bonds had since been redeemed. Each warrant entitles the holder to subscribe for one new ordinary share of RM1 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 is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll.

Pursuant to a Supplemental Deed Poll dated 16 August 1999, the subscription period of the said warrants was extended by a further five and a half years to expire on 17 September 2007.

As at 31 December 2006, the entire 14,799,260 warrants remained unexercised.

**25. SHARE PREMIUM**

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

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the year	62,397	61,584
Arising during the year	275	875
Share issue expenses	(31)	(62)
	<hr/>	<hr/>
At end of the year	<u>62,641</u>	<u>62,397</u>

**26. FOREIGN EXCHANGE RESERVE**

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

**27. BORROWINGS (SECURED)**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'</b>
<b>Short term borrowings</b>				
Bank overdrafts (Note 23)	30,469	30,749	9,962	9,192
Bankers' acceptances	87,072	83,084	–	–
Term loans	18,542	16,308	10,027	7,200
Al-Murabahah	–	1,607	–	–
Hire purchase payables (Note 28)	2,152	1,473	64	64
	<hr/>	<hr/>	<hr/>	<hr/>
	138,235	133,221	20,053	16,456
<b>Long term borrowings</b>				
Term loans	20,465	30,842	5,013	12,600
Hire purchase payables (Note 28)	3,158	2,125	49	113
	<hr/>	<hr/>	<hr/>	<hr/>
	23,623	32,967	5,062	12,713
<b>Total borrowings</b>				
Bank overdrafts	30,469	30,749	9,962	9,192
Bankers' acceptances	87,072	83,084	–	–
Term loans	39,007	47,150	15,040	19,800
Al-Murabahah	–	1,607	–	–
Hire purchase payables	5,310	3,598	113	177
	<hr/>	<hr/>	<hr/>	<hr/>
	161,858	166,188	25,115	29,169

**27. BORROWINGS (SECURED) (CONT'D)**

The borrowings of the Group are secured by way of fixed and floating charges and negative pledges over certain assets of the Group as disclosed in Note 13 and Note 14 and corporate guarantees given by the Company.

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

- (i) Corporate guarantees from the Company's certain existing and future major 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; 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 37.

**28. HIRE PURCHASE PAYABLES**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Minimum hire purchase payments</b>				
Not later than one year	2,484	1,628	74	74
Later than one year and not later than 2 years	2,072	1,264	56	74
Later than 2 years and not later than 5 years	1,359	1,183	-	56
	<hr/> 5,915	<hr/> 4,075	<hr/> 130	<hr/> 204
Less : Future finance charges	(605)	(477)	(17)	(27)
Present value of hire purchase liabilities	<hr/> <hr/> 5,310	<hr/> <hr/> 3,598	<hr/> <hr/> 113	<hr/> <hr/> 177
<b>Present value of hire purchase liabilities</b>				
Not later than one year	2,152	1,473	64	64
Later than one year and not later than 2 years	1,886	1,113	49	64
Later than 2 years and not later than 5 years	1,272	1,012	-	49
	<hr/> 5,310	<hr/> 3,598	<hr/> 113	<hr/> 177
<b>Analysed as</b>				
Due within 12 months (Note 27)	2,152	1,473	64	64
Due after 12 months (Note 27)	3,158	2,125	49	113
	<hr/> <hr/> 5,310	<hr/> <hr/> 3,598	<hr/> <hr/> 113	<hr/> <hr/> 177

Other information on financial risks of hire purchase liabilities are disclosed in Note 37.

## 29. DEFERRED TAX LIABILITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 January				
As previously stated	2,799	3,257	-	-
Prior year adjustment [Note 3.3 (d)]	3,312	3,726	-	-
Restated	6,111	6,983	-	-
Acquisition of subsidiary (Note 15)	513	-	-	-
Recognised in income statements (Note 11)	(861)	(872)	-	-
At end of the year	5,763	6,111	-	-

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

Group	Property, plant and equipment RM'000	Trade and other receivables RM'000	Tax losses and unabsorbed capital allowances RM'000	Unutilised reinvestment and investment tax allowances RM'000	Total RM'000
<b>2006</b>					
At 1 January					
As previously stated	23,599	(2,925)	(14,563)	(3,312)	2,799
Prior year adjustment [Note 3.3(f)]	-	-	-	3,312	3,312
Restated	23,599	(2,925)	(14,563)	-	6,111
Recognised in the income statement	(2,713)	1,150	702	-	(861)
Acquisition of a subsidiary	513	-	-	-	513
At 31 December	21,399	(1,775)	(13,861)	-	5,763
<b>2005</b>					
At 1 January					
As previously stated	25,512	117	(18,646)	(3,726)	3,257
Prior year adjustment [Note 3.3(d)]	-	-	-	3,726	3,726
Restated	25,512	117	(18,646)	-	6,983
Recognised in the income statement	(1,913)	(3,042)	4,083	-	(872)
At 31 December	23,599	(2,925)	(14,563)	-	6,111

## 29. DEFERRED TAX LIABILITIES (CONT'D)

Company	Property, plant and equipment RM'000	Trade and other receivables RM'000	Tax losses and unabsorbed capital allowances RM'000	Unutilised reinvestment and investment tax allowances RM'000	Total RM'000
<b>2006</b>					
At 1 January	43	44	(87)	–	–
Recognised in the income statement	(6)	1	5	–	–
At 31 December	37	45	(82)	–	–
<b>2005</b>					
At 1 January	61	44	(105)	–	–
Recognised in the income statement	(18)	–	18	–	–
At 31 December	43	44	(87)	–	–

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

	Group	
	2006 RM'000	2005 RM'000
Unutilised tax losses	48,773	75,004
Unabsorbed capital allowances	6,943	2,158
	<u>55,716</u>	<u>77,162</u>

## 30. TRADE PAYABLES

	Group	
	2006 RM'000	2005 RM'000
Due to associates	125	86
Other trade creditors	47,437	55,249
Retention sums	991	1,073
	<u>48,553</u>	<u>56,408</u>

The normal trade credit terms granted to the Group range from 30 to 90 (2005 : 30 to 90) days.

**31. OTHER PAYABLES**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Due to subsidiaries *	–	–	15,406	10,482
Due to an associate *	30	140	–	–
Due to directors of subsidiaries *	1,895	358	–	–
Other payables	15,697	11,813	87	111
Accruals	6,438	5,935	776	314
	<u>24,060</u>	<u>18,246</u>	<u>16,269</u>	<u>10,907</u>

\* 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.

**32. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	Group	
	2006 RM'000	2005 RM'000
<b>Transactions with associates</b>		
Sales to Sinmah Poultry Processing (S) Pte. Ltd.	8,339	9,898
Sales of feed to Ban Yen Sdn. Bhd.	4,831	4,579
Purchases from Ban Yen Sdn. Bhd.	2,992	3,725
	<u>16,162</u>	<u>18,202</u>
	Company	
	2006 RM'000	2005 RM'000
<b>Transactions with subsidiaries</b>		
Interest recouped from:		
Farm's Best Food Industries Sdn. Bhd.	–	496
Sinmah Multifeed Sdn. Bhd.	135	–
Sinmah Development Sdn. Bhd.	263	248
Sinmah Breeders Sdn. Bhd.	492	505
Gross dividend from:		
Sinmah Development Sdn. Bhd.	990	420
Management fees from:		
Sinmah Builders Sdn. Bhd.	–	14
	<u>1,870</u>	<u>1,283</u>

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established upon negotiated terms and conditions.

### 33. SIGNIFICANT EVENT

The Company aborted the following proposed corporate exercise which was disclosed as a subsequent event in the previous financial statements as the proposed rights issue was rejected by the Securities Commission:

- (i) Proposed share split from one (1) ordinary share of RM1.00 each in the Company held by the shareholders of the Company, including those shares issued pursuant to the exercise of warrants, if any, as referred to in Note 26, to two (2) ordinary shares of 50 sen each;
- (ii) Renounceable rights issue of up to a maximum of 70,329,523 new ordinary shares of 50 sen each in the Company ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing ordinary shares of 50 sen each held in the Company on a date to be determined, at an indicative issue price of 55 sen per Rights Share ("Proposed Rights Issue");
- (iii) Bonus issue of up to 70,329,523 new ordinary shares of 50 sen each in the Company ("Bonus Shares") on the basis of one (1) Bonus Share for every one (1) Right Share subscribed by the existing shareholders of the Company and/or their renounces pursuant to the Proposed Right Issue; and
- (iv) Proposed issue of up to 16 million new ordinary shares of 50 sen each in the Company to the eligible employees, executive directors and non-executive directors of the Company and its subsidiaries ("FBB Group") under an employees' share option scheme.

### 34. CONTINGENT LIABILITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries (unsecured)	–	–	133,835	135,592
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 have been made in the financial statements. During the trial on 5 and 6 February 2007, the subsidiary called its witnesses and closed its case. The learned judge has given directions for parties to file written submissions and a date will be fixed for decision thereafter.

### 35. COMMITMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Capital expenditure approved and contracted for: Property, plant and equipment	1,121	650	–	–
Future minimum lease payments on non-cancellable operating leases:				
Within one year	3,915	1,875	–	–
Later than one year and not later than 2 years	3,915	1,875	–	–
Later than 2 years and not later than 5 years	11,745	5,625	–	–
Later than 5 years	8,394	4,844	–	–
	27,969	14,219	–	–

**36. SEGMENT INFORMATION****(a) Business segment**

The Group is organised into two major business segments:

- (i) Poultry – 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 – 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.

The directors are of the opinion that 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.

**31.12.2006**

	Poultry RM'000	Housing development RM'000	Others RM'000	Group RM'000
<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)
Shares of results of associates	(183)	–	(206)	(389)
Profit/(loss) before tax	(1,634)	2,497	(767)	96
Income tax expense	214	(32)	–	182
Profit/(loss) for the year	(1,420)	2,465	(767)	278
<b>Assets and liabilities</b>				
Segment assets	310,169	32,800	5,882	348,851
Segment liabilities	205,133	9,452	25,990	240,575
<b>Other information</b>				
Capital expenditure	8,429	267	–	8,696
Depreciation	11,589	180	136	11,905

**36. SEGMENT INFORMATION (CONT'D)****(a) Business segment (cont'd)**

31.12.2005

	Poultry RM'000	Housing development RM'000	Others RM'000	Group RM'000
<b>Revenue</b>				
External sales	364,021	13,947	–	377,968
<b>Results</b>				
Segment results	37,151	3,578	(242)	40,487
Finance costs, net	(9,823)	(341)	(1,909)	(12,073)
Shares of results of associates	319	–	252	571
Profit/(loss) before tax	27,647	3,237	(1,899)	28,985
Income tax expense	193	(1,468)	–	(1,275)
Profit/(loss) for the year	27,840	1,769	(1,899)	27,710
<b>Assets and liabilities</b>				
Segment assets	317,689	23,319	6,155	347,163
Segment liabilities	192,717	22,957	31,668	247,342
<b>Other information</b>				
Capital expenditure	9,695	185	100	9,980
Depreciation	11,403	174	140	11,717
Impairment of property, plant and machinery	1,056	–	–	1,056
Non-cash expenses other than depreciation, amortisation and impairment	1,985	–	–	1,985

**(b) Secondary reporting segment – Geographical segments**

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

**37. 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 interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit 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.

### 37. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) 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. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group 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.

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group and the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 Year RM'000	1-2 Years RM'000	2-3 Years RM'000	3-4 Years RM'000	4-5 Years RM'000	> 5 Years RM'000	Total RM'000
<b>At 31 December 2006</b>									
<b>Group</b>									
<b>Fixed rate</b>									
Hire purchase payables	28	6.40	(2,154)	(1,886)	(1,181)	(89)	—	—	(5,310)
<b>Floating rate</b>									
Cash and bank balances	23	3.86	134	—	—	—	—	—	134
Bank overdrafts	27	8.09	(30,469)	—	—	—	—	—	(30,469)
Bankers' acceptance	27	3.99	(87,072)	—	—	—	—	—	(87,072)
Term loans	27	6.64	(18,542)	(11,843)	(6,055)	(1,579)	(873)	(115)	(39,007)
<b>Company</b>									
<b>Fixed rate</b>									
Hire purchase payables	28	6.24	(64)	(49)	—	—	—	—	(113)
<b>Floating rate</b>									
Bank overdrafts	27	8.50	(9,962)	—	—	—	—	—	(9,962)
Term loans	27	6.85	(10,027)	(5,013)	—	—	—	—	(15,040)

## 37. FINANCIAL INSTRUMENTS (CONT'D)

## (b) Interest Rate Risk (cont'd)

	Note	WAEIR %	Within 1 Year RM'000	1-2 Years RM'000	2-3 Years RM'000	3-4 Years RM'000	4-5 Years RM'000	> 5 Years RM'000	Total RM'000
At 31 December 2005									
<b>Group</b>									
<b>Fixed rate</b>									
Hire purchase payables	28	6.00	(1,473)	(1,126)	(843)	(128)	(28)	—	(3,598)
<b>Floating rate</b>									
Cash and bank balances	23	3.86	138	—	—	—	—	—	138
Bank overdrafts	27	7.58	(30,749)	—	—	—	—	—	(30,749)
Bankers' acceptance	27	2.97	(83,084)	—	—	—	—	—	(83,084)
Al-Murabahah	27	3.70	(1,607)	—	—	—	—	—	(1,607)
Term loans	27	5.74	(16,095)	(13,023)	(17,073)	(812)	(48)	(99)	(47,150)
<b>Company</b>									
<b>Fixed rate</b>									
Hire purchase payables	28	6.24	(64)	(64)	(49)	—	—	—	(177)
<b>Floating rate</b>									
Bank overdrafts	27	8.25	(9,192)	—	—	—	—	—	(9,192)
Term loans	27	5.28	(7,200)	(7,200)	(5,400)	—	—	—	(19,800)

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months except for term loans and floating rate loans which are repriced annually. Interest on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

## (c) 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.

**37. FINANCIAL INSTRUMENTS (CONT'D)****(c) Foreign Exchange Risk (cont'd)**

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

	2006 RM'000	2005 RM'000
United States Dollar	(20,827)	(19,800)
Singapore Dollar	5,740	5,794
	<u>          </u>	<u>          </u>

**(d) 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 prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from capital market and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

**(e) 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 the Group's exposure to bad debts is not significant. 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 as disclosed in Note 22.

**(f) Fair Values**

The carrying amounts of hire-purchase payables and term loans approximate fair values as the interest rates charged are close to market interest rates for loans of similar risk profile as at balance sheet date.

There are no material differences between the book values and the fair values of the Group's other financial assets and liabilities due to their relatively short maturity periods.

# statistics on shareholdings

as at 4 May 2007

AUTHORISED SHARE CAPITAL	:	RM500,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	RM55,530,263
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 Shareholders	%	No. of Shares	%
Less than 100	115	4.26	1,459	0.00
100 to 1,000	708	26.21	526,913	0.95
1,001 to 10,000	1,552	57.46	6,558,736	11.81
10,001 to 100,000	304	11.26	8,778,650	15.81
100,001 to less than 5% of issued shares	20	0.74	4,677,700	8.42
5% of issued shares and above	2	0.07	34,986,805	63.01
<b>Total</b>	<b>2,701</b>	<b>100.00</b>	<b>55,530,263</b>	<b>100.00</b>

## THIRTY (30) LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS

Names	No. of Ordinary Shares of RM1.00 each	Percentage of issued capital (%)
1. Mercsec Nominees (Tempatan) Sdn Bhd – F.C.H. Holdings Sdn Bhd	20,348,705	36.64
2. DB (Malaysia) Nominee (Asing) Sdn Bhd – Exempt an for Deutsche Bank AG London (PB Priam)	14,638,100	26.36
3. CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Tiong Young Kong	913,300	1.65
4. Onn Kok Puay (Weng GuoPei)	483,700	0.87
5. Yeo Kiam Yam @ Yeo Kian Yam	365,000	0.66
6. Cho Kwi Lan	318,300	0.57
7. Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Tan Chia Hong @ Gan Chia Hong	300,000	0.54
8. Mayban Securities Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Eng Hock Seng @ Ong Seng Hock	287,000	0.52
9. MIDF Sisma Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Maniderjit Singh A/L Para Singh	193,600	0.35
10. Foong Kuay Wen	190,600	0.34

## statistics on **shareholdings**

as at 4 May 2007 (cont'd)

### THIRTY (30) LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS (CONT'D)

Names	No. of Ordinary Shares of RM1.00 each	Percentage of issued capital (%)
11. HSBC Nominees (Tempatan) Sdn Bhd – Ng Song Hey	174,000	0.31
12. SJ Sec Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Chan Sai Kim	165,000	0.30
13. Ong Chin Hua	155,000	0.28
14. Chin Chin Seong	150,000	0.27
15. Goh Sock Sin	146,800	0.26
16. Onn Ping Lan	139,300	0.25
17. Ng Bok Wah	130,000	0.23
18. DB (Malaysia) Nominee (Asing) Sdn Bhd – Deutsche Bank AG London	126,500	0.23
19. Chan Lai Peng	110,000	0.20
20. Tan Yow Hua	110,000	0.20
21. Kenanga Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Yau See Hing	110,000	0.20
22. Choong Lee Chuen	109,600	0.20
23. Low Ah Lin	100,000	0.18
24. Soh Weng Thiam	100,000	0.18
25. Liew Shi Vun	100,000	0.18
26. Mayban Securities Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Sum Chi Lin	100,000	0.18
27. ECM Libra Avenue Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lee Yit Kwai	100,000	0.18
28. Tan Kok Hong	100,000	0.18
29. Kenanga Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Tiong Young Kong	93,000	0.17
30. Low Wan Chin	90,000	0.16
<b>TOTAL</b>	<b>40,447,505</b>	<b>72.84</b>

## statistics on shareholdings

as at 4 May 2007 (cont'd)

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

Names	Direct	Shareholdings		%
		%	Indirect	
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	–	–	–	–
Fong Kok Yong	–	–	20,348,705 *	36.64
Fong Kiah Yeow	–	–	20,348,705 *	36.64
Fong Ngan Teng	–	–	20,348,705 *	36.64
Fong Choon Kai	–	–	20,348,705 *	36.64
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

Names	Direct	Shareholdings		%
		%	Indirect	
F.C.H. Holdings Sdn Bhd	20,348,705	36.64	–	–
Fong Kok Yong	–	–	20,348,705 *	36.64
Fong Kiah Yeow	–	–	20,348,705 *	36.64
Fong Ngan Teng	–	–	20,348,705 *	36.64
Fong Choon Kai	–	–	20,348,705 *	36.64
Priam Holdings Limited	14,638,100	26.36	–	–

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

# statistics on warrant holdings

as at 4 May 2007

## ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
Less than 100	35	2.39	1,368	0.01
100 to 1,000	399	27.25	377,000	2.55
1,001 to 10,000	751	51.30	3,541,192	23.93
10,001 to 100,000	266	18.17	8,488,100	57.35
100,001 to less than 5% of issued warrants	13	0.89	2,391,600	16.16
5% of issued warrants and above	0	0.00	0	0.00
<b>Total</b>	<b>1,464</b>	<b>100.00</b>	<b>14,799,260</b>	<b>100.00</b>

## THIRTY (30) LARGEST WARRANT HOLDERS AS PER THE RECORD OF DEPOSITORS

Names	No. of Warrants	Percentage of issued Warrants %
1. Public Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Tan Chia Hong @ Gan Chia Hong	457,000	3.09
2. Amsec Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lim Kwet Leong	310,000	2.09
3. Wong Yoon Tiam	240,000	1.62
4. Tan Teoh Eng	203,000	1.37
5. Teoh Wun Seong	171,000	1.15
6. Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Tie Sing Hoe	160,000	1.08
7. Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Pang Teng Lee	150,000	1.01
8. JF Apex Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Mohd Kamal Bin Mastuki	130,000	0.88
9. Eng Lee Choo	120,000	0.81
10. Lim Boon Hung	120,000	0.81
11. Ong Chin Hua	114,000	0.77
12. Mayban Securities Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Ho Wai Kuan	110,600	0.75
13. Neoh Hung Por	106,000	0.72
14. Sum Wai Kee	100,000	0.68
15. Tan Saw Yook	100,000	0.68

## statistics on warrant holdings

as at 4 May 2007 (cont'd)

### THIRTY (30) LARGEST WARRANT HOLDERS AS PER THE RECORD OF DEPOSITORS

Names	No. of Warrants	Percentage of issued Warrants %
16. Yau See Hing	100,000	0.68
17. Cimsec Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Pang Teng Lee	100,000	0.68
18. Liew Sew Kim	99,500	0.67
19. Cheng Chich Sing	97,000	0.65
20. Mayban Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Kek Lian Lye	93,800	0.63
21. Tok Boon Seong	81,600	0.55
22. Teoh Swee Hong	80,000	0.54
23. Toh Lek Mooi	80,000	0.54
24. Pang Teng Lee	80,000	0.54
25. Ong Eng Kee	78,100	0.53
26. Moo Kim Wa	78,000	0.53
27. Fong Cheng Ban	77,800	0.53
28. Ch'ng Siew Suan	77,000	0.52
29. Chew Kai Tiong	77,000	0.52
30. Mah Lei Lei	76,000	0.51
<b>TOTAL</b>	<b>3,867,400</b>	<b>26.13</b>

### DIRECTORS' WARRANT HOLDINGS

Names	Direct	Warrant Holdings		%
		%	Indirect	
Y. Bhg. Datuk Hj. Zainal Bin Hj. Shamsudin	–	–	–	–
Fong Kok Yong	–	–	7,482 *	0.05
Fong Kiah Yeow	–	–	7,482 *	0.05
Fong Ngan Teng	–	–	7,482 *	0.05
Fong Choon Kai	–	–	7,482 *	0.05
Ng Cheu Kuan	–	–	–	–
Y. Bhg. Datuk Ng Peng Hay @ Ng Peng Hong	–	–	–	–
Tuan Haji Baharom Bin Abd. Wahab	4,000	0.03	–	–
Mohd Khasan Bin Ahmad	–	–	–	–

\* 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	2,357,422	1994
Lot 5541 & 4332, C.T. No. 11382 Mukim of Rantau District of Seremban Negeri Sembilan	Broiler Farm	Freehold	336,525	1994
Lot 331 & 332 EMR 110 & 119 Mukim Api-api, Pontian Johor	Broiler Farm	Freehold	172,554	1994
Lot 3206 H.S. (D) 444 Titian 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	2,896,858	1987
Lot No. 2893 – 2899 Mukim of Sungei Baru Ilir District of Alor Gajah Melaka	Breeder Farm	Freehold	4,602,166	1993
Lot 142 Mukim of Sungei Baru Ilir District of Alor Gajah Melaka	Breeder Farm	Freehold	2,140,732	1983
Lot No. 401 & 731 Mukim of Ramuan Cina Besar District of Alor Gajah Melaka	Breeder Farm	Freehold	1,303,317	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	1,833,988	1996
Lot 458 & 459 C.T. No. 8770 & 8771 Tebong, Tampin Negeri Sembilan	Breeder Farm	Freehold	1,534,483	1994

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	124,530	1994
Lot 9467 Q.T.(M) No. 182 Tanjong Sembrong Batu Pahat Johor	Broiler Farm	Freehold	895,396	1995
MLO 8663 H.S.(D) 2631 Mukim Sembrong Johor	Broiler Farm	Freehold	619,771	1995
Lot 647 & 658 Mukim Tanjong Minyak Melaka	Vacant Land	Freehold	1,400,851	1996
PT. No. 197 H.S.(D) 33179 Kawasan Bandar XXXIX Daerah Melaka Raya Melaka	3 1/2 Storey Intermediate shoplot	Leasehold (expiring 2075)	433,646	2003
Lot 1599, C.T. 6270 Port Dickson Negeri Sembilan	Broiler Farm	Freehold	2,085,665	1995
Taman Mewah Alor Gajah Melaka	6 Units of 2-bedroom Apartment	Leasehold (Expiring in 2091)	146,714	1995
PTD 64217 H.S.(D) 208128 Mukim Tebrau Johor	1 1/2 Storey Terrace Factory	Freehold	342,370	1995
PT. No. 20, Plot 6 Mukim Kelemak District of Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2073)	1,270,795	1994
PT. No. 18 H.S.(M) 1940 Mukim Kelemak District of Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2073)	4,995,285	1994
Lot 3, 4 & 5 Masjid Tanah Ind. Estate Masjid Tanah, Alor Gajah Melaka	Industrial Land	Leasehold (Expiring in 2095)	11,449,363	1995

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	DATE OF REVALUATION/ DATE OF ACQUISITION
Lot 319, C.T. 107 Mukim Triang Ilir Negeri Sembilan	Broiler Farm	Freehold	785,707	1995
Lot No. 7688, HS(M) 1733 Tanjong Sembrong (VII) District of Batu Pahat Johor	Broiler Farm	Freehold	410,075	1996
MLO No. 8497 H.S.(M) 2270 Mukim Tanjong Sembrong VII, Batu Pahat Johor	Broiler Farm	Freehold	540,336	1997
Holding No. 2628, SG574/62 Mukim Sungei Baru Tengah Alor Gajah Melaka	Industrial Land	Freehold	910,944	1997
PT 9176 & 9177 H.S.(M) 433 & 434 Tanjong Sembrong Johor	Vacant Land	Freehold	312,070	1997
Lot 2404, EMR 7566 Mukim Jementah Johor	Vacant Land	Freehold	355,994	1997
MLO 8698, H.S.(M) 4303 Tanjong Sembrong Johor	Vacant Land	Freehold	171,543	1997
H.S. (D) 24419, No. PT11641 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	753,266	2006
H.S. (D) 24408, No. PT11630 Mukim Rawang, Daerah Gombak Negeri Selangor	Industrial land	Freehold	508,111	2005
Block D2-01-01, Type B1 Genting View Resort Phase 4, Bentong Pahang	1 unit of 2 bedrooms apartment	Freehold	168,261	1998
Block D1-19, Type P2 Genting View Resort Phase 4, Bentong Pahang	1 unit of bedrooms apartment	Freehold	330,393	1998
PT No. 6901, HS(D) No. 34536 Mukim Bukit Katil Daerah Melaka Tengah Negeri Melaka	Double Storey Shop/Office	Freehold	334,113	2000

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	DATE OF REVALUATION/ DATE OF ACQUISITION
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
Lot No. 85, Geran Perengkat Pertama No. Pendaftaran 8206 Kawasan Bandar XXX Daerah Melaka Tengah, Melaka	Held for development	Freehold	239,297	2002
Lot No. 86, Geran Perengkat Pertama No. Pendaftaran 8207 Kawasan Bandar XXX Daerah Melaka Tengah, Melaka	Held for development	Freehold	405,942	2002
Lot No. 153, Geran Perengkat Pertama No. Pendaftaran 10453 Kawasan Bandar XXX Daerah Melaka Tengah, Melaka	Held for development	Freehold	273,494	2002
Lot No. 141, Geran Perengkat Pertama No. Pendaftaran 10454 Kawasan Bandar XXX Daerah Melaka Tengah, Melaka	Held for development	Freehold	137,384	2002
Lot No. 144, Geran Perengkat Pertama No. Pendaftaran 17500 Kawasan Bandar XXX Daerah Melaka Tengah, Melaka	Held for development	Freehold	1,495,589	2002
<b>JOINT VENTURE SUBSIDIARIES</b>				
Lot 3892, GM153 Mukim Rimba Terjun Batu 28, Jalan Johor	Broiler farm	Freehold	1,028,514	1996
Lot 4645 & Lot 4646 H.S. (M) 846, Mukim Jeram Batu Batu 31, Jalan Johor Johor	Broiler farm	Freehold	483,888	1996
Lot 3021, Mukim Jeram Batu Johor	Broiler farm	Freehold	343,818	1996
Lot 2620, H.S. (M) 849 Mukim Jeram Batu Batu 28, Johor	Broiler farm	Freehold	315,766	1996
Lot 4255, GM301 Mukim Pontian Johor	Broiler farm	Freehold	643,351	1996
Lot 116, (Lot 14), Mukim Pontian Johor	Broiler farm	Freehold	440,670	1996
Lot 3664, Mukim Jeram Batu Johor	Broiler farm	Freehold	885,458	1996
EMR 877, Lot 698 Mukim Chaah Baru Batu Pahat Johor	Broiler farm	Freehold	2,111,955	1996

LOCATION	DATE OF		NET BOOK VALUE RM	REVALUATION/ DATE OF ACQUISITION
	DESCRIPTION & DETAILS	TENURE		
Lot 420, GM59 Mukim Pengkalan Raja Pontian Johor	Broiler farm	Freehold	278,733	1996
H.S.(D) 68575, Mukim Pulau Johor Bahru	Double storey house	Leasehold (99 years)	234,545	1996
Lot 2289 & Lot 2290 Lot 7119, Kuala Kabong Mukim Sedenak Johor	Broiler farm	Leasehold (99 years)	677,107	1996
Lot 3256 & 3257 EMR 1113 & 1148 Mukim Pontian Johor	Broiler Farm	Freehold	1,141,890	1982
Grant 60828, Lot 8602 Mukim Jeram Batu 7, 7A & 7B, Jalan Mewah 1 Taman Mewah 81500 Pekan Nenas Johor	Three storey shophouse	Freehold	418,790	2004
Lot 1310, GN47071 Minyak Beku 6, Batu Pahat Johor	Poultry processing plant & coldrooms/ office block	Freehold	2,071,956	1991
Lot 976, M.K. GM 419 Minyak Beku 6 Batu Pahat Johor	Broiler farm	Freehold	224,660	1995
EMR 773, Lot 979 Minyak Beku 6 Batu Pahat Johor	Broiler farm	Freehold	120,000	1995
H.S.(M) 1745, MLO 8674 Tanjung Sembrong 14 Batu Pahat Johor	Broiler farm	Freehold	232,502	1995
Lot 8255, H.S.(M) 4751 Mukim Tanjung Labuh Batu Pahat Johor	Vacant land	Freehold	244,262	1997
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	319,507	1998

LOCATION	DESCRIPTION & DETAILS	TENURE	NET BOOK VALUE RM	DATE OF REVALUATION/ DATE OF ACQUISITION
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)	34,928	2000
PTD 2163, H.S.(D) 5124 Mukim Grisek District of Muar Johor	Layer farm	Freehold	1,165,552	1997
PTD 2164, H.S.(D) 5125 Mukim Grisek District of Muar Johor	Layer farm	Freehold	618,628	1997
PTD 2165, H.S.(D) 5126 Mukim Grisek District of Muar Johor	Agricultural land	Freehold	256,280	1997
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	861,031	1997
PTD 2168, H.S. (D) 5129 Mukim Grisek District of Muar Johor	Layer farm	Freehold	921,416	1997
PTD 2169, H.S. (D) 5130 Mukim Grisek District of Muar Johor	Layer farm	Freehold	736,196	1997
PTD 2170, H.S. (D) 5131 Mukim Grisek District of Muar Johor	Layer farm	Freehold	784,544	1997
PTD 2171, H.S. (D) 5132 Mukim Grisek District of Muar Johor	Layer farm	Freehold	600,171	1997
PTD 6321 Grant 4778 Mukim Grisek District of Muar Johor	Layer farm	Freehold	323,621	1997

# form of proxy



**FARM'S BEST BERHAD**

(Company No. 301653-V)  
(Incorporated In Malaysia)

<b>Numbers of shares held</b>	
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I/We \_\_\_\_\_  
(Full Name in Capital Letters)

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

being a member/members of **FARM'S BEST BERHAD** hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_  
(Full Name in Capital Letters)

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

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

\_\_\_\_\_ of \_\_\_\_\_  
(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 Thirteenth Annual General Meeting of the Company to be held at Bilik Bunga Teratai, 7th Floor, Renaissance Melaka Hotel, Jalan Bendahara, 75100 Melaka on Monday, 25 June 2007 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 casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Ordinary Resolution	Ordinary Business	For	Against
1	To receive the Audited Financial Statements for the financial year ended 31 December 2006.		
2	To approve the payment of Directors' fees for the financial year ended 31 December 2006.		
3	To re-elect Datuk Hj. Zainal Bin Hj. Shamsudin as Director.		
4	To re-elect Mr Fong Choon Kai as Director.		
5	To re-elect Mr Fong Ngan Teng as Director.		
6	To re-appoint Tuan Haji Baharom Bin Abd Wahab as Director.		
7	To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.		
	<b>Special Business</b>		
8	To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
	<b>Special Resolution</b>		
1	To approve the Proposed Amendments to the Articles of Association of the Company.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
Signature of Member/Common Seal

**Notes:**

1. 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.
2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. 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.
4. The instrument appointing a proxy shall be deposited at the Share Registrar's Office at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur, not less than 48 hours before the time set for the Meeting or any adjournment thereof.

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



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

## DEPOTS

### RAWANG

---

25, Jalan BJ7  
Taman Perindustrian Belmas Johan  
48000 Rawang, Selangor  
Tel : 03-6092 2024  
Fax: 03-6091 9936

### KLANG

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225, Jalan Pekan Baru  
Off Jalan Meru, Kawasan 17  
41050 Klang  
Selangor  
Tel : 03-3343 5359/5516  
Fax: 03-3343 5516

### 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

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80, Jalan Leong Boon Siew  
30000 Ipoh, Perak  
Tel : 05-242 5081  
Fax: 05-242 5082

### 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

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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

## REPRESENTATIVE OFFICE

### KOTA BHARU

---

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

## OVERSEAS ADDRESSES

### CHIX UNLIMITED INC.

---

Brgy. Casilagan, Mangataram  
Pangasian 2413, Philippines  
Tel : 00 639 737 54004  
Fax: 00 639 737 54004

### SINMAH POULTRY PROCESSING (S) PTE LTD

---

No. 27, Defu Lane 12  
Singapore 539134  
Tel : 0065 6383 1200  
Fax: 0065 6383 1311

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

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Room 526, Fifth Floor  
Sub-Building Jianguo International  
Business Mansion  
50 Zhonghua Lu  
Nanjing 210001 China  
Tel : 0086 25 8468 0156  
Fax: 0086 25 8468 0326