

481559-M

THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

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THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

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 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary are disclosed in Note 4 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Net profit/(loss) for the year	<u>4,444,953</u>	<u>(209,035)</u>

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity.

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

DIVIDEND

No dividend has been declared or paid by the Company since the end of the previous financial year. The directors do not recommend any payment of final dividend for the current financial year.

DIRECTORS

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

Dato' Mohd Nor Bin Abdul Wahid
Fang Chew Ham
Foong Chiew Fatt

DIRECTORS (CONTD.)

Fong Chiew Hean	
Fong Chu King @ Tong Chu King	
Chew Eng Chai	
Tan Chon Sing @ Tan Kim Tieng	
Dato' Samsudin Bin Abu Hassan	
Fang Siew Yee	
Fang Siew Ping	(Appointed on 27 September 2004)
Liew Kuo Shin	(Appointed on 27 September 2004)
Khoo Wee Boon	(Appointed on 27 September 2004)

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.

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 as shown in Note 19 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporation) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.20 each			
	At 1.1.2004/ At date of appointment	Bought	Sold	At 31.12.2004
Direct interest				
Fang Chew Ham	44,590,300	-	-	44,590,300
Foong Chiew Fatt	7,935,480	-	-	7,935,480
Fong Chiew Hean	7,935,480	-	-	7,935,480
Fong Chu King @ Tong Chu King	4,467,740	-	-	4,467,740

DIRECTORS' INTERESTS (CONTD.)

	Number of Ordinary Shares of RM0.20 each			
	At 1.1.2004/ At date of appointment	Bought	Sold	At 31.12.2004
Direct interest				
Dato' Mohd Nor				
Bin Abdul Wahid	4,520,000	25,000	-	4,545,000
Chew Eng Chai	90,000	-	-	90,000
Tan Chon Sing @				
Tan Kim Tieng	227,000	433,000	-	660,000
Fang Siew Ping	50,000	-	-	50,000
Liew Kuo Shin	102,500	-	-	102,500

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

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements 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 amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent in respect of these financial statements; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONTD.)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As 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 their obligations as and 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

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

Kuala Lumpur, Malaysia
22 February 2005

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Dato' Mohd Nor Bin Abdul Wahid and Fang Chew Ham, being two of the directors of Three-A Resources Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 8 to 36 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 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

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

Kuala Lumpur, Malaysia
22 February 2005

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

I, Fang Chew Ham, being the director primarily responsible for the financial management of Three-A Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 36 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 Fang Chew Ham
at Kuala Lumpur in the Federal
Territory on 22 February 2005

Fang Chew Ham

Before me,

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)**

We have audited the accompanying financial statements set out on pages 8 to 36. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Approved Accounting 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 2004 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 subsidiary have been properly kept in accordance with the provisions of the Act.

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
THREE-A RESOURCES BERHAD (CONTD.)
(Incorporated in Malaysia)**

We are satisfied that the financial statements of the subsidiary 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' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/05(J)
Partner

Kuala Lumpur, Malaysia
22 February 2005

THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2004

		Group		Company	
	Note	2004	2003	2004	2003
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	43,460,763	39,654,100	3,739	4,207
Investment in a subsidiary	4	-	-	33,897,326	20,100,000
Due from subsidiary	5	-	-	8,284,439	8,492,613
Negative goodwill	6	(4,553,656)	(4,553,656)	-	-
		<u>38,907,107</u>	<u>35,100,444</u>	<u>42,185,504</u>	<u>28,596,820</u>
CURRENT ASSETS					
Inventories	7	7,528,371	3,662,057	-	-
Trade receivables	8	16,577,215	12,312,925	-	-
Other receivables	9	328,461	105,499	1,160	1,160
Tax recoverable		152,778	186,454	-	-
Cash and bank balances		477,846	235,657	582	1,425
		<u>25,064,671</u>	<u>16,502,592</u>	<u>1,742</u>	<u>2,585</u>
CURRENT LIABILITIES					
Short term borrowings	10	18,620,683	10,856,018	-	-
Trade payables	12	1,510,279	2,279,878	-	-
Other payables	13	2,115,118	2,093,612	26,298	26,748
		<u>22,246,080</u>	<u>15,229,508</u>	<u>26,298</u>	<u>26,748</u>
NET CURRENT ASSETS/ (LIABILITIES)					
		<u>2,818,591</u>	<u>1,273,084</u>	<u>(24,556)</u>	<u>(24,163)</u>
		<u>41,725,698</u>	<u>36,373,528</u>	<u>42,160,948</u>	<u>28,572,657</u>

THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2004 (CONTD.)

		Group		Company	
	Note	2004	2003	2004	2003
		RM	RM	RM	RM
FINANCED BY:					
SHARE CAPITAL AND RESERVES					
Share capital	14	28,000,002	28,000,002	28,000,002	28,000,002
Share premium	15	794,621	794,621	794,621	794,621
Revaluation reserve	16	-	-	13,797,326	-
Retained profits/ (Accumulated losses)		8,812,669	4,367,716	(431,001)	(221,966)
Shareholders' equity		<u>37,607,292</u>	<u>33,162,339</u>	<u>42,160,948</u>	<u>28,572,657</u>
NON-CURRENT LIABILITIES					
Long term borrowings	10	1,184,761	1,657,537	-	-
Deferred tax liabilities	17	2,933,645	1,553,652	-	-
Non-current liabilities		<u>4,118,406</u>	<u>3,211,189</u>	<u>-</u>	<u>-</u>
		<u>41,725,698</u>	<u>36,373,528</u>	<u>42,160,948</u>	<u>28,572,657</u>

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

THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

		Group		Company	
	Note	2004	2003	2004	2003
		RM	RM	RM	RM
Revenue	18	60,594,712	40,501,207	-	-
Cost of sales		(44,866,276)	(31,179,073)	-	-
Gross profit		15,728,436	9,322,134	-	-
Other operating income		57,978	68,254	-	-
Administrative expenses		(5,538,423)	(3,937,960)	(209,035)	(157,616)
Other operating expenses		(3,040,711)	(1,416,743)	-	-
Profit/(Loss) from operations	19	7,207,280	4,035,685	(209,035)	(157,616)
Finance costs	21	(940,327)	(798,048)	-	-
Profit/(Loss) before taxation		6,266,953	3,237,637	(209,035)	(157,616)
Taxation	22	(1,822,000)	(620,699)	-	(5,004)
Net profit/(loss) for the year		4,444,953	2,616,938	(209,035)	(162,620)
Basic earnings per share (sen)	23	3.2	1.9		

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

THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

[TO REPLACED BY EQUITY PG 4 ONLY]

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004

	Share capital RM	Share premium ⁽¹⁾ RM	Retained profits ^{(2)/} (Accumulated losses) RM	Total RM
Note				
Group				
At 1 January 2003	28,000,002	794,621	1,750,778	30,545,401
Net profit for the year	-	-	2,616,938	2,616,938
At 31 December 2003	<u>28,000,002</u>	<u>794,621</u>	<u>4,367,716</u>	<u>33,162,339</u>
At 1 January 2004	28,000,002	794,621	4,367,716	33,162,339
Net profit for the year	-	-	4,444,953	4,444,953
At 31 December 2004	<u>28,000,002</u>	<u>794,621</u>	<u>8,812,669</u>	<u>37,607,292</u>
Company				
At 1 January 2003	28,000,002	794,621	(59,346)	28,735,277
Net loss for the year	-	-	(162,620)	(162,620)
At 31 December 2003	<u>28,000,002</u>	<u>794,621</u>	<u>(221,966)</u>	<u>28,572,657</u>
At 1 January 2004	28,000,002	794,621	(221,966)	28,572,657
Net loss for the year	-	-	(209,035)	(209,035)
At 31 December 2004	<u>28,000,002</u>	<u>794,621</u>	<u>(431,001)</u>	<u>28,363,622</u>

Note

- (1) Non-distributable
(2) Distributable

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

THREE-A RESOURCES BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation		6,266,953	3,237,637	(209,035)	(157,616)
Adjustments for:					
Depreciation of property, plant and equipment		2,060,657	1,997,810	468	351
Provision for doubtful debts		300,000	162,500	-	-
Doubtful debts recovered		(78,495)	-	-	-
Bad debts written off		22,453	5,935	-	-
Unrealised foreign exchange losses		(11,315)	-	-	-
Interest expense		728,039	667,524	-	-
Plant and machinery written off		170,867	-	-	-
Operating profit/(loss) before working capital changes		9,459,159	6,071,406	(208,567)	(157,265)
Working capital changes:					
Inventories		(3,866,314)	(270,609)	-	-
Receivables		(4,719,895)	(2,508,235)	-	-
Payables		(748,093)	1,538,000	(450)	(2,440)
Subsidiary		-	-	208,174	140,260
Cash generated from/(used) in operations		124,857	4,830,562	(843)	(19,445)
Interest paid		(728,039)	(667,524)	-	-
Income tax paid		(408,331)	(585,004)	-	(5,004)
Net cash (used in)/generated from operating activities		(1,011,513)	3,578,034	(843)	(24,449)
CASH FLOWS FROM INVESTING ACTIVITY					
Purchase of property, plant and equipment, representing net cash used in investing activity		(6,038,187)	(4,851,482)	-	-

THREE-A RESOURCES BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTD.)

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
(Repayment)/Drawdown of bankers acceptances		(3,730,953)	2,348,376	-	-
(Repayment)/Drawdown of term loans		(197,462)	1,800,000	-	-
Drawdown of foreign currency trade financing		11,500,398	-	-	-
Drawdown of revolving credit		1,000,000	-	-	-
Repayment of hire purchase financing		(60,000)	(60,000)	-	-
Net cash generated from financing activities		8,511,983	4,088,376	-	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		1,462,283	2,814,928	(843)	(24,449)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		(1,418,155)	(4,233,083)	1,425	25,874
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	(a)	44,128	(1,418,155)	582	1,425

THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTD.)

NOTES TO CASH FLOW STATEMENTS

- (a) Cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Cash and bank balances	477,846	235,657	582	1,425
Bank overdrafts (Note 10)	(433,718)	(1,653,812)	-	-
	<u>44,128</u>	<u>(1,418,155)</u>	<u>582</u>	<u>1,425</u>

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

THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2004

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiary are disclosed in Note 4. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Malaysian Exchange Securities Dealing & Automated Quotation (MESDAQ) Market of the Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office and the principal place of business of the Company and of the Group is located at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan.

The Company has no employee at the end of the financial years ended 31 December 2004 and 2003 as it is managed by employees of the subsidiary. The subsidiary employs 101 (2003: 87) employees at the end of the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of investment in a subsidiary and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary. A subsidiary is a company in which the Company has a long term equity interest and where it retains the power to exercise control over the financial and operating policies of the subsidiary so as to obtain benefits therefrom.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

The subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary acquired or disposed of during the year is included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(c) Investment in a Subsidiary

Investment in subsidiary is initially stated at cost less impairment losses. During the financial year, the Company revalued its investment in the subsidiary based on the net tangible assets of the said subsidiary. The directors consider that the change of basis of measurement from cost to revaluation gives a fairer presentation of the financial position of the Company. This change has been applied prospectively and has no effect on the results of the Company for the current or previous financial years.

Valuation is performed at a regular intervals of at least once in every 5 years with additional valuations in the intervening years where conditions indicate that the carrying values of the revalued investment differs materially from the underlying net tangible asset values of the subsidiary.

Surplus arising on revaluation is credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of the previous surplus held in the revaluation reserve for the subsidiary. In all other cases, a decrease in carrying amount is charged to income statement.

Upon the disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the related revaluation surplus is taken directly to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Property, Plant and Equipment and Depreciation

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

Long leasehold land with unexpired lease periods of more than 50 years are not amortised as the resulting depreciation charge and accumulated depreciation are not significant. Short leasehold land with unexpired lease periods of less than 50 years are amortised over the remaining period of the lease. Depreciation on capital work-in-progress will only commence when the assets constructed are ready to use.

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

Factory and office buildings	2%
Plant and machinery	5%
Tools and implements	10%
Furniture and fittings and equipment	10%
Renovations and electrical installations	10%
Motor vehicles	10%

Upon the disposal of an asset, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(e) Finance Lease

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

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 incremental borrowing rate is used.

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 as an expense in the income statement 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Finance Lease (Contd.)

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(d).

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less estimated costs to completion and estimated costs necessary to complete the sale.

(g) Provisions for Liabilities

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

(h) 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.

(ii) Defined contribution plans

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

(i) Goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill is stated at cost and is not amortised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) 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 in the income statement, 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 negative goodwill.

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to sale of goods is recognised net of returns and discounts upon acceptance by customers.

(ii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Cash and Cash Equivalents

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

(m) Foreign Currencies

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

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

	2004	2003
	RM	RM
United States Dollar	3.80	3.80
Singapore Dollar	2.29	2.17

(n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group becomes 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, and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the 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) Receivables

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.

(ii) Payables

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

(iii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(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.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Long leasehold land RM	Short leasehold land RM	Factory and office buildings RM	Plant and machinery, tools and implements RM	Furniture and fittings and equipment RM	Renovations and electrical installations RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost									
At 1 January 2004	5,279,432	500,000	11,631,155	25,083,690	1,664,033	930,050	1,377,484	1,944,044	48,409,888
Additions	-	-	77,942	1,293,197	107,965	16,465	250,780	4,291,838	6,038,187
Written off	-	-	(171,979)	(1,600)	-	-	-	-	(173,579)
Reclassification	-	-	1,230,555	-	-	-	-	(1,230,555)	-
At 31 December 2004	5,279,432	500,000	12,767,673	26,375,287	1,771,998	946,515	1,628,264	5,005,327	54,274,496
Accumulated Depreciation									
At 1 January 2004	302,703	71,334	1,029,667	5,989,709	366,197	372,270	623,908	-	8,755,788
Written off	-	-	(2,472)	(240)	-	-	-	-	(2,712)
Charge for the year	-	10,667	256,069	1,343,277	174,183	102,714	173,747	-	2,060,657
At 31 December 2004	302,703	82,001	1,283,264	7,332,746	540,380	474,984	797,655	-	10,813,733
Net Book Value									
At 31 December 2004	4,976,729	417,999	11,484,409	19,042,541	1,231,618	471,531	830,609	5,005,327	43,460,763
At 31 December 2003	4,976,729	428,666	10,601,488	19,093,981	1,297,836	557,780	753,576	1,944,044	39,654,100
Details at 1 January 2003									
Cost	5,279,432	500,000	9,656,107	23,049,015	1,642,157	904,157	1,322,484	1,205,054	43,558,406
Accumulated depreciation	(302,703)	(60,667)	(819,283)	(4,686,133)	(191,649)	(266,416)	(431,127)	-	(6,757,978)
Depreciation charge for 2003	-	10,667	210,384	1,303,576	174,548	105,854	192,781	-	1,997,810

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Furniture and fittings	
	2004 RM	2003 RM
Cost		
At 1 January/31 December	4,675	4,675
Accumulated Depreciation		
At 1 January	468	117
Charge for the year	468	351
At 31 December	936	468
Net Book Value		
At 31 December	3,739	4,207

- (a) All property, plant and equipment are charged as securities for borrowings facilities obtained (Note 10).
- (b) Included in property, plant and equipment of the Group are motor vehicles held under hire purchase with an aggregate net book value of RM209,316 (2003: RM251,179).

4. INVESTMENT IN A SUBSIDIARY

Company	2004	2003
	RM	RM
Unquoted investment		
- at valuation	33,897,326	-
- at cost	-	20,100,000
	33,897,326	20,100,000

Details of the subsidiary are as follows:

Name of Subsidiary	Country of incorporation	Equity interest held	Principal activities
San Soon Seng Food Industries Sdn. Bhd.	Malaysia	100% 100%	Manufacture and selling of food and beverage ingredients

During the financial year, the Company revalued its investment in the subsidiary based on the net tangible assets of the said subsidiary. The directors consider that the change of basis of measurement from cost to revaluation gives a fairer presentation of the financial position of the Company. This change has been applied prospectively and has no effect on the results of the Company for the current or previous financial years.

5. DUE FROM SUBSIDIARY

The amount due from a subsidiary is interest-free, unsecured and has no fixed term of repayment.

6. NEGATIVE GOODWILL

	Group	
	2004	2003
	RM	RM
At 1 January/December	<u>4,553,656</u>	<u>4,553,656</u>

7. INVENTORIES

	Group	
	2004	2003
	RM	RM
At cost:		
Finished goods	1,699,035	1,740,900
Raw materials	5,367,181	1,572,925
Packing materials	462,155	348,232
	<u>7,528,371</u>	<u>3,662,057</u>

The cost of inventories recognised as an expense during the financial year amounted to RM44,324,306 (2003: RM30,476,801).

8. TRADE RECEIVABLES

	Group	
	2004	2003
	RM	RM
Trade receivables	17,384,179	12,898,384
Less: Provision for doubtful debts	(806,964)	(585,459)
	<u>16,577,215</u>	<u>12,312,925</u>

Included in trade receivables is an amount of RM166,952 (2003: RM143,769) due from Seong Chan Sauce & Foodstuff Sdn. Bhd., a company in which certain directors have financial interests (Note 24).

8. TRADE RECEIVABLES (CONTD.)

The Group's normal trade credit term ranges from 30 to 150 days (2003: 30 to 150 days). Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

9. OTHER RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Sundry receivables, deposits and prepayments	508,461	287,999	1,160	1,160
Less: Provision for doubtful debts	(180,000)	(182,500)	-	-
	<u>328,461</u>	<u>105,499</u>	<u>1,160</u>	<u>1,160</u>

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

10. BORROWINGS

	Group	
	2004	2003
	RM	RM
Short Term Borrowings		
Secured:		
Bank overdrafts	433,718	1,653,812
Bankers acceptances	5,213,790	8,944,743
Term loans	417,777	197,463
Revolving credits	1,000,000	-
Foreign currency trade financing	11,500,398	-
Hire purchase payables (Note 11)	55,000	60,000
	<u>18,620,683</u>	<u>10,856,018</u>
Long Term Borrowings		
Secured:		
Term loans	1,184,761	1,602,537
Hire purchase payables (Note 11)	-	55,000
	<u>1,184,761</u>	<u>1,657,537</u>

10. BORROWINGS (CONTD.)

	Group	
	2004	2003
	RM	RM
Total Borrowings		
Bank overdrafts	433,718	1,653,812
Bankers acceptances	5,213,790	8,944,743
Term loans	1,602,538	1,800,000
Revolving credits	1,000,000	-
Foreign currency trade financing	11,500,398	-
Hire purchase payables (Note 11)	55,000	115,000
	<u>19,805,444</u>	<u>12,513,555</u>
 Maturity of borrowings (excluding hire purchase payables)		
Within one year	18,565,683	10,796,018
More than 1 year and less than 2 years	450,210	417,777
More than 2 years but less than 5 years	734,551	1,184,760
	<u>19,750,444</u>	<u>12,398,555</u>

The weighted average effective interest rates per annum at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	Group	
	2004	2003
	%	%
Bank overdrafts	7.50	7.70
Bankers acceptances	3.90	3.90
Term loans	7.50	7.50
Foreign currency trade financing	3.98	-
Revolving credit	5.75	-

The bank borrowings are secured by:

- fixed charges over the leasehold land and factory and office buildings of the subsidiary (Note 3);
- debentures incorporating fixed and floating charges over all assets and undertakings of the subsidiary, both present and future;
- a corporate guarantee by the Company.

11. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group	
	2004	2003
	RM	RM
Minimum lease payments:		
Not later than 1 year	68,750	75,000
Later than 1 year and not later than 2 years	-	68,750
	<u>68,750</u>	<u>143,750</u>
Less: Future finance charges	(13,750)	(28,750)
Present value of finance lease liabilities	<u>55,000</u>	<u>115,000</u>
Present value of finance lease liabilities:		
Not later than 1 year	55,000	60,000
Later than 1 year and not later than 2 years	-	55,000
	<u>55,000</u>	<u>115,000</u>
Analysed as:		
Due within 12 months (Note 10)	55,000	60,000
Due after 12 months (Note 10)	-	55,000
	<u>55,000</u>	<u>115,000</u>

The hire purchase payables bore interest at 9.15% (2003: 9.15%) per annum.

12. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 60 days (2003: 30 to 60 days).

13. OTHER PAYABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Accruals	1,350,406	863,126	13,050	13,348
Sundry payables	764,712	1,230,486	13,248	13,400
	<u>2,115,118</u>	<u>2,093,612</u>	<u>26,298</u>	<u>26,748</u>

14. SHARE CAPITAL

	2004	2003	2004	2003
	Number of	Number of	RM	RM
	Shares	Shares		
Authorised:				
Ordinary shares of RM0.20 each	<u>250,000,000</u>	<u>250,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid:				
Ordinary shares of RM0.20 each	<u>140,000,010</u>	<u>140,000,010</u>	<u>28,000,002</u>	<u>28,000,002</u>

15. SHARE PREMIUM

The share premium may be applied only for the purposes as specified in the Companies Act, 1965. The balance is not available for distribution of dividends except for in the form of shares.

16. REVALUATION RESERVE

The revaluation reserve arose from the revaluation of the investment in a subsidiary during the financial year (Note 4).

17. DEFERRED TAX

	Group	
	2004	2003
	RM	RM
At 1 January	1,553,652	1,059,229
Recognised in the income statement (Note 22)	1,379,993	494,423
At 31 December	<u>2,933,645</u>	<u>1,553,652</u>
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	3,986,765	3,462,351
Deferred tax assets	<u>(1,053,120)</u>	<u>(1,908,699)</u>
	<u>2,933,645</u>	<u>1,553,652</u>

17. DEFERRED TAX (CONTD.)

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

Deferred Tax Liabilities

	Accelerated Capital Allowances RM	Others RM	Total RM
At 1 January 2003	2,906,062	(5,134)	2,900,928
Recognised in the income statement	644,701	(83,278)	561,423
At 1 January 2004	3,550,763	(88,412)	3,462,351
Recognised in the income statement	608,080	(83,666)	524,414
At 31 December 2004	4,158,843	(172,078)	3,986,765

Deferred Tax Assets

	Unutilised Reinvestment Allowances RM
At 1 January 2003	(1,841,699)
Recognised in the income statement	(67,000)
At 1 January 2004	(1,908,699)
Recognised in the income statement	855,579
At 31 December 2004	(1,053,120)

18. REVENUE

Revenue represents the invoiced value of goods sold less sales tax, goods returned and trade discounts.

19. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit/(loss) from operations is stated after charging/(crediting):				
Staff costs - excluding directors' remuneration (Note 20)	4,033,496	3,113,918	-	-
Depreciation of property, plant and equipment	2,060,657	1,997,810	468	351

19. PROFIT/(LOSS) FROM OPERATIONS (CONTD.)

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Profit/(loss) from operations is stated after charging/(crediting):				
Directors' remuneration				
- salaries and other emoluments				
- current year	1,078,263	839,390	64,000	28,500
- overprovision in previous year	-	(1,200)	-	(1,200)
Provision for doubtful debts	300,000	162,500	-	-
Plant and machinery written off	170,867	-	-	-
Auditors' remuneration				
- current year	38,000	35,000	10,000	10,000
Rent of premises	28,178	6,000	-	-
Bad debts written off	22,453	5,935	-	-
Doubtful debts recovered	(78,495)	-	-	-
Realised exchange gain	(57,978)	(62,595)	-	-
Unrealised foreign exchange gain	(11,315)	-	-	-

Directors of the Company

Executive:

Salaries and other emoluments

937,163	750,890	25,000	-
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Bonus

102,100	60,000	-	-
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<u>1,039,263</u>	<u>810,890</u>	<u>25,000</u>	<u>-</u>
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Non-executive:

Salaries and other emoluments

39,000	28,500	39,000	28,500
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Overprovision in prior year

-	(1,200)	-	(1,200)
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Total

<u>39,000</u>	<u>27,300</u>	<u>39,000</u>	<u>27,300</u>
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Analysis excluding benefits-in-kind:

Total executive directors' remuneration

1,039,263	810,890	25,000	-
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Total non-executive directors' remuneration

39,000	27,300	39,000	27,300
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Total directors' remuneration

<u>1,078,263</u>	<u>838,190</u>	<u>64,000</u>	<u>27,300</u>
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19. PROFIT/(LOSS) FROM OPERATIONS (CONTD.)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of directors	
	2004	2003
Executive directors:		
RM150,001 - RM200,000	1	1
RM200,001 - RM250,000	1	1
RM350,000 - RM400,000	-	1
RM400,001 - RM450,000	1	-
Non-executive directors:		
Below RM50,000	7	6
RM50,001 - RM100,000	2	-

20. STAFF COSTS

	Group	
	2004	2003
	RM	RM
Wages and salaries	3,578,455	2,656,351
Social security costs	29,485	26,695
Short term accumulating compensated absences	-	86,301
Defined contribution plans	335,923	260,251
Other staff related expenses	89,633	84,320
	<u>4,033,496</u>	<u>3,113,918</u>

21. FINANCE COSTS

	Group	
	2004	2003
	RM	RM
Interest expense on:		
Term loans	133,664	61,298
Other bank borrowings	579,375	591,226
Hire purchase financing	15,000	15,000
	<u>728,039</u>	<u>667,524</u>
Bank charges	212,288	130,524
	<u>940,327</u>	<u>798,048</u>

22. TAXATION

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Malaysian income tax:				
Tax expense for the year	442,007	135,325	-	-
(Over)/underprovision in prior years	-	(9,049)	-	5,004
	<u>442,007</u>	<u>126,276</u>	<u>-</u>	<u>5,004</u>
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 17)	1,379,993	494,423	-	-
	<u>1,822,000</u>	<u>620,699</u>	<u>-</u>	<u>5,004</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to profit/(loss) before taxation 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	
	2004	2003	2004	2003
	RM	RM	RM	RM
Profit/(loss) before taxation	<u>6,266,953</u>	<u>3,237,637</u>	<u>(209,035)</u>	<u>(157,616)</u>
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	1,754,747	906,538	(58,530)	(44,132)
Expenses not deductible for tax purposes	226,610	145,345	58,530	44,132
Utilisation of reinvestment allowances brought forward	-	(317,006)	-	-
Relating to origination and reversal of temporary differences	-	(105,129)	-	-
Utilisation of current year's reinvestment allowances	(159,357)	-	-	-
(Over)/Underprovided in prior years	-	(9,049)	-	5,004
Tax expense for the year	<u>1,822,000</u>	<u>620,699</u>	<u>-</u>	<u>5,004</u>

22. TAXATION (CONTD.)

Unutilised reinvestment allowances are analysed as follows:

	Group	
	2004	2003
	RM	RM
Tax savings recognised during the year arising from utilisation of reinvestment allowances brought forward	-	317,006
Unutilised reinvestment allowances carried forward	<u>3,761,000</u>	<u>6,818,000</u>

23. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2004	2003
Net profit for the year (RM)	<u>4,444,953</u>	<u>2,616,938</u>
Weighted average number of ordinary shares in issue	<u>140,000,010</u>	<u>140,000,010</u>
Basic earnings per share (sen)	<u>3.2</u>	<u>1.9</u>

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Sales to Seong Chan Sauce & Foodstuff Sdn. Bhd.	(562,130)	(441,447)	-	-
Rent payable to Excellent Chemical Industrial Sdn. Bhd.	<u>28,178</u>	<u>6,000</u>	<u>-</u>	<u>-</u>

Seong Chan Sauce & Foodstuff Sdn. Bhd. and Excellent Chemical Industrial Sdn. Bhd. are companies in which Fang Chew Ham, Foong Chew Fatt, Foong Chiew Hean and Fong Chu King @ Tong Chu King have financial interests.

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from unrelated parties.

25. COMMITMENTS

	Group	
	2004	2003
	RM	RM
Capital expenditure:		
Approved and contracted for	3,034,000	1,200,000

26. CONTINGENT LIABILITIES - UNSECURED

	Company	
	2004	2003
	RM	RM
Guarantees to licensed financial institutions in respect of credit facilities granted to a subsidiary company	19,751,000	19,600,000

27. 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, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's exposure to market risk for changes in the interest rate environment principally relates to its debts obligations. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group ensures that it obtains borrowings at favourable interest rates.

Information relating to the Group's interest rates is disclosed in the Notes 10 and 11 to the financial statements.

27. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk

The Group is exposed to the effects of foreign currency exchange rate fluctuations, primarily in relation to the United States and Singapore dollars.

The Group's policy is to manage all its foreign financial assets and liabilities using the best available foreign currency exchange rates. Transactional exposures in currencies other than the entity's functional currency are kept at a minimal level.

The net unhedged financial assets of the Group that are not denominated in their functional currency are as follows:

Functional currency of the Group is Ringgit Malaysia	United States Dollar RM	Singapore Dollar RM	Total RM
At 31 December 2004			
Receivables	-	835,080	835,080
At 31 December 2003			
Receivables	2,341,672	869,844	3,211,516

During the year, the Group had entered into forward foreign exchange contracts with the following notional amounts and with maturity date within one year:

	Currency	Total Notional Amount RM
At 31 December 2004		
Forwards used to hedge trade receivables	United States Dollar	2,253,572
Forwards used to hedge anticipated sales	United States Dollar	4,153,539

The net unrecognised losses as at 31 December 2004 on forward contracts used to hedge anticipated sales which are expected to occur in 2005 amounted to RM8,000 and are deferred until the related sales occur, at which time they will be included in the measurement of the sales.

27 FINANCIAL INSTRUMENTS (CONTD.)

(d) Liquidity Risk

The Group actively manages its cash and cash equivalents, operating cash flows and the availability of funding so as to ensure that there is adequate working capital and that repayment and funding needs are met.

(e) Credit Risk

Credit risk is the risk that counter parties will be unable to meet their obligations resulting in financial loss to the Group.

It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that the goods sold are to the customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The trade receivables represent the Group's maximum exposure to credit risk in the event the counter parties fail to perform their obligations. There was no significant concentration of credit risk to the Group as at year end.

(f) Fair Value

It is not practical to estimate the fair values of amounts due from a subsidiary due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The fair values of long term liabilities and all other financial assets and liabilities are not materially different from their carrying value as at 31 December 2004.

28. SEGMENT INFORMATION

No segmental reporting is presented as the Group's activities are predominantly in one industry segment and occur predominantly in Malaysia.