



SugarBun Corporation Berhad

(121919-H)

Incorporated in Malaysia

ANNUAL REPORT 2006

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CORPORATE INFORMATION

DIRECTORS	John Lee Yan Hong @ John Lee (Executive Director) Chin Se Keong @ Lawrence (Independent Non-Executive Director) Tan Kok Chor (Independent Non-Executive Director) Joprine Bin Kimbun (Independent Non-Executive Director)	REGISTRAR	Labuan Corporate Services Sdn. Bhd. Level 9, Wisma Oceanic, Jalan OKK Awang Besar, 87007, W.P. Labuan Tel : 087-410748; Fax : 087-418840
COMPANY SECRETARIES	Chin Siew Kim (L.S. 000982) Chin Chee Kee (MIA 3040)	AUDITORS	Leou & Associates (AF-0659) Chartered Accountants 107-B, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur
AUDIT COMMITTEE	Tan Kok Chor (Independent Non-Executive Director, Chairman) Joprine Bin Kimbun (Independent Non-Executive Director) Chin Se Keong @ Lawrence (Independent Non-Executive Director)	PRINCIPAL BANKERS	Alliance Bank Malaysia Berhad (88103-W) Standard Chartered Bank Malaysia Berhad (115793-P) HSBC Bank Malaysia Berhad (127776-V) RHB Bank Berhad (6171-M) Hong Leong Bank Berhad (97141-X) Bank Islam Malaysia Berhad (98127-X)
REGISTERED OFFICE	Level 9, Wisma Oceanic, Jalan OKK Awang Besar, 87007, W.P. Labuan Tel : 087-410509; Fax : 087-410515	SOLICITORS	Jie Nyuk Choo & Co. J. Ambrose & Partners S. Vanugopal & Partners
		STOCK EXCHANGE LISTING	2 nd . Board of Bursa Malaysia Securities Berhad Stock Name : SUGAR Stock Code :- 7036

CHAIRMAN'S REPORT

On behalf of the Board of Directors, I am pleased to present the Annual Report of Sugar Bun Corporation Berhad for the financial year ended 31st January 2006.

The challenges and effect of the tougher market condition and that of reduced market size coupled with the consumers' generally poor spending power in the fast food sector continued to be felt during the year. In addressing this, the Group continued with the various measures and policies which have been promulgatedly aimed at consolidating and sustaining business during the year as well as to provide a platform for the future direction of the Group. In this regard, we are pleased to inform that all our fast food outlets, except for certain strategic ones that are being retained, have been fully franchised out during the year in line with our Group's policy of focussing its fast food and related business in this direction.

The Group's other businesses in hospitality, property and resort management have not shown much improvement. In line with what had been stated in the previous Chairman's Report as to the pro-active steps to be taken, the Group had disposed off certain properties including non-performing subsidiaries during the year and only recently, the associate company became involved in the resort activities.

We are also pleased to inform that the Group is presently undergoing an overall re-organization exercise and with the various measures already implemented to streamline the various business operations, the Directors are confident that the Group is now in a better position to embark on other viable businesses both locally or overseas to significantly turn around the performance of the Group.

To all our valued shareholders, financiers, franchisees, customers, associates and government authorities, we would like to express our deep gratitude and thanks for your continued support and understanding. We would also like to take this opportunity to thank our management and staff at all levels for their contribution and loyalty.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 22nd Annual General Meeting of SUGAR BUN CORPORATION BERHAD (Co. No. 121919-H) will be held at Level 9 , Wisma Oceanic , Jalan OKK Awang Besar , 87007 , W.P. Labuan , on 20th July 2006 , Thursday at 8.00 a.m. for the following purposes :-

AGENDA

ORDINARY BUSINESS

1. To receive the Directors Report and the Audited Financial Statements for the financial year ended 31st January 2006 together with the Auditors' Report thereon ; (Resolution 1)
2. To approve the Directors' fees for the financial year ended 31st January 2006 ; (Resolution 2)
3. To re-elect Mr. John Lee Yan Hong @ John Lee who retires as Director in accordance With Article 91 of the Articles of Association of the Company ; (Resolution 3)
4. To re-elect Mr. Tan Kok Chor who retires as Director in accordance with Article 92 of the Articles of Association of the Company. (Resolution 4)
5. To re-appoint Messrs. Leou & Associates as Auditors of the Company until the Conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration; (Resolution 5)

SPECIAL BUSINESS

6. To consider and, if thought fit , to pass the following resolutions :-

ORDINARY RESOLUTION

APPROVAL FOR THE DIRECTORS TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT , 1965

"That , subject always to the Companies Act , 1965 , the Memorandum and Articles of Association of the Company and the approvals of Bursa Malaysia Securities Berhad and the relevant regulatory authorities, the Directors be and are hereby empowered , 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 total issued share capital of the Company for the time being ."

(Resolution 6)

7. To transact any other ordinary business of the Company for which due notice has been given.

By Order of the Board

CHIN SIEW KIM (L.S. 000982)
CHIN CHEE KEE , J.P. (MIA3040)
Company Secretaries

Labuan F.T.
Dated: 29th June 2006

NOTES :-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act , 1965 shall not apply to the Company. To be valid the proxy form duly completed must be deposited at the Registered Office of the Company at Level 9 , Wisma Oceanic , Jalan OKK Awang Besar , 87007 , W.P. Labuan not less than forty-eight (48) hours before the meeting.
2. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting , provided that the provisions of Section 149(1)(c) of the Companies Act , 1965 are complied with. Where a member appoints more than one proxy , the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. If the appointer is a corporation , this form must be executed under its Common Seal or under the hand of its attorney.
4. Explanatory Notes on Special Business :-
The proposed Ordinary Resolution , if passed is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This authority will expire at the next Annual General Meeting of the Company.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors recognizes and appreciate the importance of upholding and maintaining good corporate governance in the discharge of its duties and responsibilities to protect its shareholders' interest and to reflect the status of the Group in the eyes of the public investors.

In this regard , the Board fully supports the implementation of best practices set out in the Malaysian Code on Corporate Governance and is pleased to provide the following statement which outlines the main practices that were in place throughout the financial year.

A. DIRECTORS

The Board

The Company is headed by the Board of Directors (“the Board”) who sets out directions and operations of the Group . To fulfill this role , the Board is responsible for the overall corporate governance of the Group , formulation of policies and overseeing and monitoring the investments and business of the Group.

Profile of Directors

John Lee Yan Hong @ John Lee aged 36, obtained a Diploma in Music Production and Engineering at the Fullsail Centre of Arts in Orlando, USA in 1993. He has vast experience in music industry especially as a DJ/remixer/Producer. Having spent nearly a decade in various Asian Clubs, he later became ASTRO/Hitz FM's Music Director/Announcer in 1996 until 2000 when he was commissioned by Warner Music Asia, Hong Kong, as one of its top producer. He was appointed as an Executive Director to the Board of SBCB on 25th April 2006.

Chin Se Keong @ Lawrence, aged 48 was appointed to the Board of Sugar Bun Corporation Berhad (SBCB) as an Executive Director on 1st December 2004 and subsequently on 25th April 2006 has been redesignated to an Independent Non-Executive Director. He brings with him years of experience in the fields of property development, logistics, financial and human resource management. He obtained his training in the Institute of Chartered Secretaries and Administrators, Humber College, United Kingdom. His working experience dates back to his employment with the Agriculture Department (Sabah) as a member of the audit staff, involvement with private and joint-venture establishments and to-date runs his own consultancy.

Tan Kok Chor (Independent Non-Executive Director), aged 56, was appointed a Director of SBCB on 21st August 2001. He has more than 5 years experience in legal line which involved litigation, conveyancing and preparing legal documentation and related matters. He is also a very experienced businessman involved in property investment. He holds various directorship in several other private limited companies, incorporated in Malaysia.

Joprine Bin Kimbun (Independent Non-Executive Director), aged 49, was appointed to the Board of SBCB on 30th December 2004. He has vast knowledge in food and catering business, having worked in the early years in the related industry. His expertise and skill in the related food business helps in discharging effectively its stewardship responsibilities in spearheading the company's growth and future direction.

STATEMENT ON CORPORATE GOVERNANCE (continued)

A. DIRECTORS (continued)

Board Balance

The Board currently consists of four(4) Directors, three (3) out of the four are independent non-executive directors. The presence of the three(3) independent non-executive directors, together with their different backgrounds and expertise, complements the Board with a mix of industry-specific knowledge and broad business and commercial experience. They provide unbiased and independent views, advice and judgement to take account of the interests not only of the Group, but also the public shareholders. The Board complies with paragraph 15.02 of the Listing requirements, which requires that at least two directors or one-third of the Board of the Company, whichever is higher, are independent directors.

Supply Of Information

All Directors have access to monthly Management Accounts of the Group and are briefed by the Finance Manager on a regular and timely basis, before the Audit Committee and Board meetings on all major financial, operational and corporate matters.

In addition, there is a schedule of matters reserved specifically for the Board's decision. The Board has approved a procedure for Directors, whether as a full Board or in their individual capacity to take independent advice, where necessary, in the furtherance of their duties and at the Group's expense.

The Directors also have access to the advice and services of its Company Secretaries and may seek independent professional advice whenever required.

Appointment to the Board

In making these recommendations, due consideration is given to the required mix of skills, expertise, knowledge and experience that the proposed Directors shall bring to complement the Board.

As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education program for new Board Members.

Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one-third (1/3) of the remaining Directors be subjected to re-election by rotation at least once in every three years at each Annual General Meeting.

B. DIRECTORS' REMUNERATION

Remuneration Committee

The Remuneration Committee will be responsible for making recommendations to the Board on remuneration packages and benefits extended to the Executive Director; whereas, Non-executive Directors' remuneration is a matter to be decided by the Board as a whole.

STATEMENT ON CORPORATE GOVERNANCE (continued)

B. DIRECTORS' REMUNERATION (continued)

Remuneration Committee (continued)

Fees payable to Executive and Non-Executive Directors would be determined by the Board with approval from shareholders at the Annual General Meeting .

The details of the remuneration for the Directors of the Company during the financial year ended 31st January 2006 are as follows :-

Aggregate Remuneration of Directors categorized into appropriate components :

	Salaries	Bonus	Benefits in-kind	Fees	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors	-	-	-	44.40	44.40
Non-Executive Directors	-	-	-	32.00	32.00
Total	-	-	-	76.40	76.40

The number of Directors of the Company whose total remuneration fall within the following bands for the financial year ended 31st January 2006 is as follows :

Range of Remuneration	No. of Directors Executive	No. of Directors Non-Executive
Below RM50,000	1	1
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-

Directors' Training

All the Directors with the exception of Mr. John Lee Yan Hong @ John Lee , appointed on 25th April 2006 have attended the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Malaysia Securities Berhad and have completed the CPE programmes. The Directors will continue to undergo other training programmes to enhance their skills and knowledge , where relevant.

STATEMENT ON CORPORATE GOVERNANCE (continued)

C. SHAREHOLDERS

Dialogue between the Company and Investors

The shareholders and investors are well informed of major developments of the Company made to Bursa Malaysia Securities Berhad which includes the quarterly financial results as well as through Annual Reports and where appropriate , circulars and press release.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

Besides the usual agenda for the Annual General Meeting , the Board presents the progress and performance of the business as contained in the annual report and provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All directors are available to provide responses to questions from the shareholders during these meetings.

For re-election of directors , the Board ensures that full information is disclosed through the notice of meetings regarding director who are retiring and who are willing to serve if re-elected.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders , the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinizing for disclosure to ensure accuracy , adequacy and completeness. The statement of Directors pursuant to Section 169 of the Companies Act 1965 is set out on the accompanying financial statements.

Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors may be found in the Report on Audit Committee.

The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the provisions of the Companies Act 1965 and accounting standards in Malaysia.

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 has to its best ability complied throughout the financial year with the Best Practices as set out in the Code.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are legally required under 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 Group and of the Company at the end of the financial year and of the results and cash flow of the Group and of the Company for the financial year then ended .

The Directors consider that , in preparing the financial statements for the financial year ended 31st January 2006 , the Group has adopted and used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors also considered that all applicable approved accounting standards have been complied with.

The Directors are responsible for ensuring that the Group and the Company maintained proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them also to ensure that the financial statements comply with the provisions of the Companies Act , 1965 and all applicable approved accounting standards in Malaysia.

STATEMENT ON INTERNAL CONTROL

In compliance with paragraph 15.27 (b) of the listing requirements of Bursa Malaysia Securities Berhad , the Board is committed to maintaining a sound system of internal control in the Group in order to safeguard shareholders' investment and the company's assets and is pleased to outline the nature and scope of internal control of the Group during the financial year.

MAINTAINING A SOUND SYSTEM OF INTERNAL CONTROL

The Group's system of internal control provides for the establishment of an appropriate control environment covering areas on overall attitude , awareness and actions of the directors and management and also a framework that is conducive in assessing its adequacy and integrity. This include :

- written communication of company values , the expected code of conduct , policies and procedures ;
- The functions of the board of directors and its committees ;
- The Management's philosophy and operating style ;
- The company's organizational structure and methods of assigning authority and responsibility ; and
- Clearly defined authorities and responsibilities for each manager , employee and department.

RESPONSIBILITIES

To help meet its responsibilities in relation to internal control , the board should set appropriate policies on internal control and seek regular assurance that will enable it to satisfy itself that the system is functioning adequately and that its integrity is maintained. The Board must further ensure that the system of internal control is adequate in managing risks in the manner in which it has approved.

INTERNAL AUDIT FRAMEWORK

The Board fully supports the Internal Audit function and through the Audit Committee , continually reviews the adequacy and effectiveness of the risk management processes in place.

The internal audit function should be independent of the activities they audit and should be performed with impartiality , proficiency and with due professional care. Senior management and the board may desire objective assurance and advice on risk and control , and an adequately resourced and independent internal audit function may provide such assurance and advice covering specialist areas such as health and safety , regulatory and legal compliance and environmental issues.

STATEMENT ON INTERNAL CONTROL

RISK MANAGEMENT FRAMEWORK

The Board confirms and acknowledges that effective risk management is part of good business management practice. The Board also recognizes that a sound system of internal control should be capable of managing principal risks of the Group and be embedded in the operations of the Group. The Group having established its risk framework by way of formalizing a reporting structure which comprises of the Executive Director , the Advisory Board and management team , ensures smooth continuous communication and escalation of operational and financial issues or risks through management meetings at various levels.

OTHER RISKS AND CONTROL PROCESSES

Apart from risk management and internal audit function , the Board has put in place an organizational structure with formally defined lines of responsibility and delegation of authority , allowing internal checks and balances. The Group has also developed and made available to employees an Employee Handbook that highlights policies with respect to health and safety , training , entitlements , benefits and serious misconduct.

A reporting process has been established which provide for a documented and auditable trial of accountability. These processes were reviewed by internal audit , which provides a degree of assurance as to operations and validity of the systems of internal control.

WEAKNESSES IN INTERNAL CONTROL THAT RESULTS IN MATERIAL LOSSES

There were a number of minor control weaknesses identified during the current financial year ended 31st January 2006 . However , none of which have resulted in any material losses , contingencies or uncertainties that would require disclosure in the Group's Annual Report. The management and Board continues to take measures to strengthen the control environment.

The Group acknowledges that the documentation of its processes and internal controls put in place to mitigate the risks encountered by the Group can be further improved. The Group is committed to adopt appropriate measures to develop a written manual of procedures and controls.

The Board of Directors
Sugar Bun Corporation Berhad

Dated : 20th June 2006

AUDIT COMMITTEE REPORT

MEMBERSHIP

The present members of the Audit Committee (“the Committee”) comprises of :

Tan Kok Chor	- Chairman / Independent Non-Executive Director
Joprine Bin Kimbun	- Independent Non-Executive Director
Chin Se Keong @ Lawrence	- Independent Non-Executive Director

TERMS OF REFERENCE

The Committee was established with the terms of reference as follows :

OBJECTIVES

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group’s activities :

- Assess the Group’s processes relating to its risks and control environment ;
- Oversee financial reporting ; and
- Evaluate the internal and external audit processes.

COMPOSITION

The Board shall elect and appoint Committee members from amongst their numbers , comprising no fewer than three (3) Directors , the majority of whom shall be independent non-executive Directors of the Company.

The Chairman of the Committee shall be an independent non-executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall at all times ensure that at least one (1) member of the Committee shall be a member of the Malaysian Institute of Accountants (MIA) , or if he is not , then he must have at least three (3) years working experience and .

- (i) he must have passed the examinations as specified in Part 1 of the 1st schedule of the Accountants Act 1967 , or
- (ii) he must be a member of one of the Associations of Accountants specified in Part 2 of the 1st schedule of the Accountants Act , 1967.

If a member of the Committee resigns , dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3) , the Board shall within 3 months of that event , appoint such number of new members as may be required to make up the minimum number of three(3) members.

The Board shall review the terms of office of each of its members at least once (1) every three (3) years.

AUDIT COMMITTEE REPORT

MEETINGS

The Committee convened four (4) meetings during the financial year ended 31st. January 2006. The meetings were appropriately structured through the use of agendas , which were distributed to members with sufficient notices given and all meetings were minuted accordingly.

The details of attendance of each Audit Committee member are as follows :-

Name	26.3.05	29.6.05	29.9.05	29.12.05	No.of meetings attended
Tan Kok Chor Chairman Independent Non-Executive Director	✓	✓	✓	✓	4
Joprine Bin Kimbun Independent Non-Executive Director	✓	✓	✓	✓	4
Chin Se Keong @ Lawrence Independent Non-executive Director	✓	✓	✓	✓	4

Summary of activities in discharging its functions and duties during the financial year 31st. January 2006.

The Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee were as follows :

- Reviewed the annual report and the audited financial statements of the Company prior to submission to the board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards approved by the Malaysian Accounting Standard Board (MASB).
- Received and reviewed internal audit reports.
- Reviewed internal audit plan for the financial year which includes review of operational compliance with established control procedures , risk assessment and reliability of financial records.
- Reviewed the external auditors' scope of work and audit plans for the year.
- Reviewed with the external auditors the results of the audit , the audit report and the management letter , including management's response.
- Reviewed the independence and objectivity of the external auditors and the services provided including non-audit services.

AUDIT COMMITTEE REPORT

MEETINGS (continued)

- Consideration and recommendation to the Board for approval of audit fees payable to the external auditors.
- Reviewed the related party transactions entered into by the Group.
- Reviewed the quarterly unaudited financial results announcement before recommending them for the Board's approval.
- In respect of the quarterly and year end financial statements, reviewed the company's compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and also other relevant legal and regulatory requirements.
- Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement.

QUORUM AND PROCEDURES OF THE AUDIT COMMITTEE

There should be meetings conducted at least four (4) times annually , or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be independent non-executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst their members present.

The Company Secretary shall be appointed Secretary of the Committee. The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

AUTHORITY

The Committee is authorised to seek any information it requires from the employees, who are required to cooperate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors whenever it considers necessary.

AUDIT COMMITTEE REPORT

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

In fulfilling its primary objectives, the Committee shall undertake the following duties and responsibilities :

- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has necessary authority to carry out the work.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial actions are taken by the management on major deficiencies in controls or procedures that are identified.
- Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- Review the appointment and performance of the external auditors, their audit fees and any questions of resignation or dismissal before making recommendations to the Board.
- Review the quarterly results and the annual financial statements prior to approval by the Board.
- Review investigation reports on any major defalcations, fraud and theft.
- Review procedures in place to ensure that the Group is in compliance with the Companies Act, 1965, Bursa Malaysia Securities Berhad Listing Requirements and other legislative and reporting requirements.
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group .
- Prepare reports to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities and any other activities as authorized by the Board.

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 January 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of administrative, management and marketing services and franchise operation. However, the Company has ceased its franchise operation in June 2005.

The principal activities of its subsidiary companies are disclosed in Note 4 to the financial statements.

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

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Loss after taxation	(20,083,029)	(5,682,437)
Minority interest	62,166	-
Net loss for the year	<u>(20,020,863)</u>	<u>(5,682,437)</u>

DIVIDENDS

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

ISSUE OF SHARES AND DEBENTURES

No shares or debentures were issued during the financial year.

RESERVES AND PROVISIONS

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

SHARE OPTIONS

On 30 April 2004, the Company proposed the termination of the existing Employee Share Option Scheme ("Existing ESOS") which commenced on 20 September 1999 and the proposed establishment and implementation of a new Employee Share Option Scheme ("Proposed New ESOS") of up to fifteen percent of the issued and paid-up share capital of the Company after the completion of the proposed termination. As of to-date, all options granted under the Existing ESOS have been exercised and the Company will not grant any further options under the existing ESOS.

The proposed termination of Existing ESOS and Proposed New ESOS are pending approvals from the relevant authorities and shareholders of the Company.

DIRECTORS' REPORT

INFORMATION ON THE FINANCIAL STATEMENTS

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

- a. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and
- b. to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- a. which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- b. which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- c. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

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

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY

Directors who served on the Board of the Company since the date of last report are as follows:

JOHN LEE YAN HONG @ JOHN LEE (Appointed on 25.04.06)
TAN KOK CHOR
JOPRINE BIN KIMBUN
CHIN SE KEONG @ LAWRENCE

The appointments and retirements of the Directors are in accordance with the provisions of the Articles of Association of the Company.

DIRECTORS' INTERESTS

As recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, none of the Directors had any interest in shares or warrants in the Company or its related corporations during the year.

WARRANTS

The Company's warrants were allotted on 19 November 2002 and listed on the Bursa Malaysia Securities Berhad on 25 November 2002. Each warrant entitles the holder the right to subscribe for one new ordinary share of RM1 each in the Company at an exercise price of RM1 per share within ten years from the date of issue. The exercise price of the warrants are subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll dated 3 October 2002.

The number of warrants issued at the date of allotment was 32,947,200. The warrants will expire on 18 November 2012. The movement of warrants during the financial year is as follows:

	Number of Warrants	
	2006	2005
At beginning of year	18,347,200	18,347,200
Exercised during the financial year	-	-
At end of year	18,347,200	18,347,200

SIGNIFICANT EVENTS

The significant events during the year are disclosed in Note 32 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 33 to the financial statements.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

In the opinion of the Directors:

- a. the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- b. there has not arisen in the interval between the end of the financial year and the date of this report any such item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the succeeding financial year.

AUDITORS

Messrs. Leou & Associates have indicated their willingness to continue in office.

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

TAN KOK CHOR

KOTA KINABALU

DATE: 30 May 2006

JOPRINE BIN KIMBUN

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, **TAN KOK CHOR** and **JOPRINE BIN KIMBUN**, two of the Directors of SUGAR BUN CORPORATION BERHAD, state that, in the opinion of the Directors, the accompanying Balance Sheets, Statements of Income, Changes in Equity and the Cash Flows of the Group and of the Company, together with the notes thereto, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 January 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,

TAN KOK CHOR

KOTA KINABALU
DATE: 30 May 2006

JOPRINE BIN KIMBUN

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, **TAN KOK CHOR**, the Director primarily responsible for the financial management of SUGAR BUN CORPORATION BERHAD, do solemnly and sincerely declare that, to the best of my knowledge and belief, the accompanying Balance Sheets, Statements of Income, Changes in Equity and the Cash Flows of the Group and of the Company, together with the notes thereto, 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 }
TAN KOK CHOR at Kota Kinabalu }
in the State of Sabah this day of }
30 May 2006 }

TAN KOK CHOR

Before me:
Mail Bin Ayuh
A-S023
Commissioner for Oaths
Kota Kinabalu
Sabah

AUDITORS' REPORT

We have audited the accompanying financial statements of SUGAR BUN CORPORATION BERHAD. 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 content of this report.

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

We report as follows:

- (i) As disclosed in Note 8 to the financial statements, the Company adopted a policy of amortising the cost of patents and rights to the income statement over the estimated useful life of 10 years. We are unable to satisfy ourselves as to the extent, if any, of the future economic benefits that may be obtained from the use of these patents and rights, and hence to the appropriateness of their carrying value of RM2,000,000 as at 31 January 2006.

Except for the above, in our opinion:

- (a) the above financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 31 January 2006 and of the results and cash flows of the Group and of the Company for the year ended on the date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and

AUDITORS' REPORT

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

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

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

Without further qualifying our opinion, we draw attention to Note 7 to the financial statements, which stated that the prepaid lease payments comprise the Group's cost incurred in developing two locations in Kota Kinabalu belonging to a government authority and, in return, the Group is allowed to operate its business operation in these two locations for period of between eleven and twenty years in lieu of rental payment. Even though these two projects have incurred losses in the past three years, the Directors are of the opinion that these projects are in their early stages and will be able to generate sufficient revenue in the future to ultimately recover the Group's investment costs of approximately RM26.1 million.

LEOU & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM NO: AF – 0659

LEOU THIAM LAI
APPROVED COMPANY AUDITOR
TREASURY APPROVAL NO.1269/6/06 (J)

KUALA LUMPUR
DATE: 30 May 2006

BALANCE SHEETS

AS AT 31 JANUARY 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
PROPERTY, PLANT AND EQUIPMENT	3	48,057,534	65,818,367	213,408	11,289,330
INVESTMENT IN SUBSIDIARY COMPANIES	4	-	-	13,810,001	15,910,004
INVESTMENT IN ASSOCIATED COMPANY	5	5,919,010	8,253,367	9,006,000	9,006,000
INVESTMENT PROPERTIES	6	13,328,024	15,886,153	-	-
PREPAID LEASE PAYMENTS	7	23,511,160	23,372,340	-	-
INTANGIBLE ASSETS	8	2,088,817	2,628,291	2,000,000	2,500,000
CURRENT ASSETS					
Inventories	9	1,814,870	2,992,650	-	4,744
Trade receivables	10	5,406,483	4,193,136	208,316	354,221
Other receivables	11	19,591,492	15,352,380	63,682,654	58,788,560
Cash and bank balances	12	712,674	1,433,131	47,669	452,219
		27,525,519	23,971,297	63,938,639	59,599,744
CURRENT LIABILITIES					
Trade payables	13	6,535,610	11,494,524	-	4,405,638
Other payables	14	8,301,189	4,050,087	3,928,510	1,674,504
Short term borrowings	15	17,060,635	15,920,864	2,338,285	3,941,692
Provision for taxation		75,000	200,003	-	-
		31,972,434	31,665,478	6,266,795	10,021,834

BALANCE SHEETS (continued)
 AS AT 31 JANUARY 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
NET CURRENT (LIABILITIES) / ASSETS		(4,446,915)	(7,694,181)	57,671,844	49,577,910
		88,457,630	108,264,337	82,701,253	88,283,244
Financed by:					
SHAREHOLDERS' EQUITY					
Share capital	17	90,104,000	90,104,000	90,104,000	90,104,000
Reserves	18	(41,815,157)	(21,631,197)	(11,727,750)	(6,045,313)
TOTAL SHAREHOLDERS' EQUITY		48,288,843	68,472,803	78,376,250	84,058,687
Minority interest		157,060	298,677	-	-
Long term borrowings	15	40,011,727	39,461,657	4,325,003	4,224,557
Deferred tax liabilities	19	-	31,200	-	-
		88,457,630	108,264,337	82,701,253	88,283,244

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

INCOME STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
REVENUE	20	24,366,975	36,572,917	347,085	924,188
COST OF SALES		(13,087,519)	(17,240,520)	-	-
GROSS PROFIT		11,279,456	19,332,397	347,085	924,188
OTHER INCOME		5,365,688	1,426,612	2,883,031	67,849
GAIN/(LOSS)ON DISPOSAL OF SUBSIDIARIES		2,334,536	1,316,091	(6,070,000)	-
ADMINISTRATIVE EXPENSES		(29,605,286)	(34,511,781)	(2,352,877)	(5,367,501)
FINANCE COSTS		(7,126,716)	(3,857,790)	(489,676)	(522,156)
SHARE OF RESULTS OF ASSOCIATE		(2,334,357)	(756,434)	-	-
LOSS BEFORE TAXATION	21	(20,086,679)	(17,050,905)	(5,682,437)	(4,897,620)
TAXATION	22	3,650	(6,831)	-	-
LOSS AFTER TAXATION		(20,083,029)	(17,057,736)	(5,682,437)	(4,897,620)
MINORITY INTEREST		62,166	69,088	-	-
NET LOSS FOR THE YEAR		<u>(20,020,863)</u>	<u>(16,988,648)</u>	<u>(5,682,437)</u>	<u>(4,897,620)</u>
BASIC LOSS PER SHARE (SEN)	23	<u>(22.2)</u>	<u>(18.9)</u>		

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

STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 JANUARY 2006

	← Non distributable →			← Distributable →		Total RM
	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Capital Reserve RM	Accumulated Loss RM	
GROUP						
Balance at 1 February 2004	86,890,000	2,880,442	175,193	415,000	(8,081,713)	82,278,922
Issue of shares	3,214,000	-	-	-	-	3,214,000
Expenses on issue of shares, being net losses not recognised in the income statement	-	(31,471)	-	-	-	(31,471)
Transfer	-	-	(12,096)	-	12,096	-
Loss for the year	-	-	-	-	(16,988,648)	(16,988,648)
Balance at 31 January 2005	90,104,000	2,848,971	163,097	415,000	(25,058,265)	68,472,803
Loss for the year	-	-	-	-	(20,020,863)	(20,020,863)
Arising on disposal of subsidiaries	-	-	(163,097)	-	-	(163,097)
Balance at 31 January 2006	90,104,000	2,848,971	-	415,000	(45,079,128)	48,288,843

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

STATEMENTS OF CHANGES IN EQUITY (continued)
 FOR THE YEAR ENDED 31 JANUARY 2006

	← Non distributable →			← Distributable →		Total RM
	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Capital Reserve RM	Accumulated Loss RM	
COMPANY						
Balance at 1 February 2004	86,890,000	2,880,442	-	-	(3,996,664)	85,773,778
Issue of shares	3,214,000	-	-	-	-	3,214,000
Expenses on issue of shares, being net losses not recognised in the income statement	-	(31,471)	-	-	-	(31,471)
Loss for the year	-	-	-	-	(4,897,620)	(4,897,620)
Balance at 31 January 2005	90,104,000	2,848,971	-	-	(8,894,284)	84,058,687
Loss for the year	-	-	-	-	(5,682,437)	(5,682,437)
Balance at 31 January 2006	90,104,000	2,848,971	-	-	(14,576,721)	78,376,250

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

CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 JANUARY 2006

	Note	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(20,086,679)	(17,050,905)
Adjustments for:			
Amortisation of goodwill arising on consolidation		39,474	394,768
Amortisation of intangible assets		500,000	500,000
Amortisation of investment properties		136,000	161,801
Amortisation of prepaid lease rental		1,430,180	686,837
Allowance for doubtful debts		307,629	957,893
Allowance for doubtful debts written back		(7,383,585)	-
Bad debts written off		252,748	80,101
Depreciation		5,970,543	6,677,635
Gain on disposal of subsidiary companies		(2,334,536)	(1,316,091)
Interest expenses		7,126,716	3,784,402
Interest income		(8,096)	(3,777)
Loss on disposal of marketable securities		-	299,819
Loss on disposal of property, plant and equipment		976,053	453,456
Loss on impairment of property, plant and equipment		12,314	-
Property, plant and equipment written off		1,805,057	430,090
Share of results in an associated company		2,334,357	756,434
Operating loss before working capital changes		(8,921,825)	(3,187,537)
Inventories		1,161,599	(505,094)
Receivables		18,558,876	(7,385,743)
Payables		(9,511,426)	10,048,201
Cash generated from/(used in) operations		1,287,224	(1,030,173)
Tax paid		(34,907)	(3,525,347)
Interest paid		(563,125)	(55,985)
Prepaid lease payments		(1,569,000)	-
Net cash used in operating activities		(879,808)	(4,611,505)

CONSOLIDATED CASH FLOW STATEMENT (continued)
FOR THE YEAR ENDED 31 JANUARY 2006

	Note	2006 RM	2005 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflows arising from disposal of subsidiary companies	4	200,825	63,504
Proceeds from disposal of marketable securities		-	4,506,233
Purchase of marketable securities		-	(3,182,754)
Purchase of property, plant and equipment		(3,140,598)	(18,013,906)
Purchase of investment properties		-	(16,047,954)
Proceeds from disposal of property, plant and equipment		4,612,474	1,227,429
Proceeds from disposal of investment properties		2,422,129	-
Interest received		8,096	3,777
Net cash from/(used in) investing activities		<u>4,102,926</u>	<u>(31,443,671)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares, net of related expenses		-	3,182,529
Repayment of finance lease and hire purchase payables		(372,325)	(675,868)
Drawdown of term loans		142,350	28,363,220
Repayment of term loans		(2,265,371)	(391,069)
Net cash (used in)/from financing activities		<u>(2,495,346)</u>	<u>30,478,812</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		727,772	(5,576,364)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(3,130,910)	2,445,454
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	<u>(2,403,138)</u>	<u>(3,130,910)</u>

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2006

	Note	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(5,682,437)	(4,897,620)
Adjustments for:			
Amortisation of intangible assets		500,000	500,000
Allowance for doubtful debts		-	80,000
Allowance for doubtful debts written back		(2,858,361)	-
Depreciation		56,908	389,678
Gain on disposal of property, plant and equipment		(22,494)	(2,299)
Loss on disposal of investment in subsidiary companies		6,070,000	-
Interest expenses		489,676	522,156
Interest income		(5)	(63,610)
Operating loss before working capital changes		(1,446,713)	(3,471,695)
Inventories		4,744	(4,744)
Receivables		(1,889,828)	(5,171,713)
Payables		(2,151,632)	2,112,081
Net cash used in operations		(5,483,429)	(6,536,071)
Interest paid		(128,132)	(329,547)
Tax paid		-	(49,296)
Net cash used in operating activities		(5,611,561)	(6,914,914)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2006

	Note	2006 RM	2005 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of additional shares in subsidiary companies		(9,824,997)	-
Purchase of property, plant and equipment		(32,080)	(100,199)
Proceeds from disposal of property, plant and equipment		11,073,588	2,301
Proceeds from disposal of subsidiaries		5,855,000	-
Interest received		5	63,610
Net cash from/(used in) investing activities		<u>7,071,516</u>	<u>(34,288)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares, net of related expenses		-	3,182,529
Repayment of hire purchase financing		(92,518)	(148,650)
Repayment of term loans		(709,566)	(391,069)
Net cash (used in)/from financing activities		<u>(802,084)</u>	<u>2,642,810</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		657,871	(4,306,392)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(2,048,603)	2,257,789
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	<u><u>(1,390,732)</u></u>	<u><u>(2,048,603)</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY 2006

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding, provision of administrative, management and marketing services and franchise operation. However, the Company has ceased its franchise operation in June 2005.

The principal activities of its subsidiary companies are disclosed in Note 4 to the financial statements.

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

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 Level 9, Wisma Oceanic, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 May 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment and investment properties and is in compliance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

(i) Subsidiary companies

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed off during the year are 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

(b) Basis of consolidation (continued)

(i) Subsidiary companies (continued)

The gain or loss on disposal of a subsidiary company 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 post-acquisition fair values of the identifiable assets and liabilities of the acquiree.

(ii) Associated company

Associated company is those company in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated company. Under the equity method of accounting, the Group's share of post acquisition profits less losses of the associated company during the period is included in the consolidated income statement. The Group's interest in associated company is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless costs cannot be recovered.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2(I).

Freehold lands are not depreciated. Leasehold land is amortised over the period of the respective leases which range from 30 to 999 years. Other property, plant and equipment are depreciated on the reducing-balance and straight-line method at rates based on their estimated useful lives. The principal annual rates used are as follows:

	Rate
Leasehold properties	2 %
Buildings	2 %
Machinery and equipments	10 - 25 %
Furniture, fixture and fittings	5 - 20 %
Motor vehicles	10 - 20 %

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

(c) Property, plant and equipment and depreciation
(continued)

Certain leasehold land and buildings have not been revalued since they were first revalued in 1992 and 1993. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1992 and 1993 valuation less accumulated depreciation.

(b) Goodwill

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

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

(e) Investment in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(f) Investment properties

Investment properties consist of investments in condominiums that are not substantially occupied for use by, or in the operations, of the Group.

Investment properties are treated as long term investments and are stated at valuation. Revaluations are based on valuations by an independent valuer at least once every 5 years. An increase in carrying amount arising from revaluation of investment properties is credited to equity as a revaluation surplus; any decrease is first offset against any unutilised revaluation surplus on an earlier valuation in respect of the same investment property and is thereafter recognised as an expense. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense.

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

In 2005, investment properties which were grouped under property, plant and equipment have been restated as investment properties as disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

(g) Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(h) Cash flow statement

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

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

(i) Finance lease and hire purchase

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.

(i) Finance 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 Company's 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 charged to 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.

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

(ii) Operating leases

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

(j) Patents and rights

Patents and rights are recognised as intangible assets if it is probable that the future economic benefits that are attributable to such assets will flow to the enterprise and the costs of such assets can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

(j) Patents and rights (continued)

Rights acquired for the use of certain brand names and trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of 10 years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

(k) Prepaid lease payments

Prepaid lease payments are amortised on a straight-line basis over the term of respective leases which range from 11 to 20 years.

In 2005, prepaid lease payments which were grouped under other receivables have been restated as prepaid lease payments as disclosed in Note 30.

(l) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, deferred tax assets and financial assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the assets belong.

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 available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(m) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, to the extent that it prevents the other party from fully pursuing its own separate interest, in making financial and operating decisions.

(n) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rate of exchange ruling at the date of transaction. At each balance sheet, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling on that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

(n) Foreign currency transactions (continued)

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

Foreign currency	2006	2005
United State Dollar	RM 3.751	RM3.800
Brunei Dollar	RM 2.309	RM2.200
Singapore Dollar	RM 2.309	RM2.200

(o) 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.

(p) 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) Sales of goods

Revenue relating to sales of goods is recognised net of sales tax and discounts upon transfer of risks and rewards.

(ii) Revenue from fast food operations

Revenue from fast food operations is recognised at point of sales, net of service tax and discounts.

(iii) Franchisee fees income

Franchisee fees income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(q) 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 principal, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

(q) Income tax (continued)

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 substantially 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 charged or credited 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.

(r) Employee benefits

(i) Short term benefits

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

(s) 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 agreement. 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 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) Other non-current investments

Non-current investments other than investments in subsidiaries, associated companies and joint ventures are stated at cost less impairment losses.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) 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 at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

(s) Financial instruments (continued)

(iii) 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.

(iv) Interest-bearing borrowings

Interest-bearing bank loans are recorded at the face value of the loan amounts.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(v) Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
 31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

<u>GROUP</u>	Balance at		Disposals/	Disposal of	Balance at
VALUATION/COST	<u>1-2-2005</u>	<u>Additions</u>	<u>Written off</u>	<u>subsidiaries</u>	<u>31-1-2006</u>
	RM	RM	RM	RM	RM
<u>At valuation</u>					
Long term leasehold land	360,956	-	(360,956)	-	-
Short term leasehold land	386,795	-	-	(386,795)	-
Buildings	539,000	-	(227,000)	(312,000)	-
<u>At cost</u>					
Freehold land	1,712,000	-	-	-	1,712,000
Long term leasehold land and buildings	25,049,250	173,615	(1,509,320)	(7,860,065)	15,853,480
Short term leasehold land	5,255,000	-	-	-	5,255,000
Machinery and equipment	25,449,541	2,056,847	(3,398,207)	(1,032,343)	23,075,838
Furniture, fixture and fittings	27,983,167	910,136	(5,324,084)	(328,467)	23,240,752
Motor vehicles	3,966,639	-	(875,392)	(137,305)	2,953,942
	<u>90,702,348</u>	<u>3,140,598</u>	<u>(11,694,959)</u>	<u>(10,056,975)</u>	<u>72,091,012</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT (continued)

ACCUMULATED DEPRECIATION	Balance at <u>1-2-2005</u> RM	Charge for <u>the year</u> RM	Disposals/ <u>Written off</u> RM	Disposal of <u>subsidiaries</u> RM	Balance at <u>31-1-2006</u> RM
<u>At valuation</u>					
Long term leasehold land	4,268	-	(4,268)	-	-
Short term leasehold land	83,852	5,125	-	(88,977)	-
Buildings	140,138	5,200	(59,018)	(86,320)	-
<u>At cost</u>					
Freehold land	-	-	-	-	-
Long term leasehold land and buildings	1,453,459	477,681	(273,303)	(975,408)	682,429
Short term leasehold land	386,819	105,100	-	-	491,919
Machinery and equipment	10,114,565	2,285,909	(1,839,687)	(968,873)	9,591,914
Furniture, fixture and fittings	11,031,799	2,740,194	(1,792,681)	(275,105)	11,704,207
Motor vehicles	1,669,081	351,334	(332,418)	(137,302)	1,550,695
	<u>24,883,981</u>	<u>5,970,543</u>	<u>(4,301,375)</u>	<u>(2,531,985)</u>	<u>24,021,164</u>
ACCUMULATED IMPAIRMENT	Balance at <u>1-2-2005</u> RM	<u>Additions</u> RM	Disposals/ <u>Written off</u> RM	Disposal of <u>subsidiaries</u> RM	Balance at <u>31-1-2006</u> RM
Machinery and equipment	-	3,906	-	-	3,906
Furniture, fixture and fittings	-	8,408	-	-	8,408
	<u>-</u>	<u>12,314</u>	<u>-</u>	<u>-</u>	<u>12,314</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
 31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT (continued)

VALUATION/COST RM	Balance at <u>1-2-2004</u> RM	<u>Additions</u> RM	Disposals/ <u>Written off</u> RM	Disposal of <u>subsidiaries</u> RM	Balance at <u>31-1-2005</u> <u>At valuation</u>
				Long term leasehold land	360,956
-	-	-	360,956	Short term leasehold land	386,795
-	-	-	386,795	Buildings	919,977
-	(380,977)	-	539,000		
<u>At cost</u>					
Freehold land	1,712,000	-	-	-	1,712,000
Long term leasehold land and buildings	20,489,250	4,560,000	-	-	25,049,250
Short term leasehold land	5,255,000	-	-	-	5,255,000
Machinery and equipment	17,425,426	12,610,791	(1,333,939)	(3,252,737)	25,449,541
Furniture, fixture and fittings	26,966,003	3,872,027	(2,153,455)	(701,408)	27,983,167
Motor vehicles	3,764,273	643,627	(441,261)	-	3,966,639
	<u>77,279,680</u>	<u>21,686,445</u>	<u>(4,309,632)</u>	<u>(3,954,145)</u>	<u>90,702,348</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
 31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT (continued)

ACCUMULATED DEPRECIATION	Balance at <u>1-2-2004</u> RM	Charge for <u>the year</u> RM	Disposals/ <u>Written off</u> RM	Disposal of <u>subsidiaries</u> RM	Balance at <u>31-1-2005</u> RM
<u>At valuation</u>					
Long term leasehold land	3,880	388	-	-	4,268
Short term leasehold land	76,116	7,736	-	-	83,852
Buildings	220,795	10,780	(91,437)	-	140,138
<u>At cost</u>					
Freehold land	-	-	-	-	-
Long term leasehold land and buildings	991,727	461,732	-	-	1,453,459
Short term leasehold land	223,597	163,222	-	-	386,819
Machinery and equipment	9,246,120	1,947,198	(970,814)	(107,939)	10,114,565
Furniture, fixture and fittings	8,387,626	3,782,730	(1,002,239)	(136,318)	11,031,799
Motor vehicles	1,499,399	303,849	(134,167)	-	1,669,081
	<u>20,649,260</u>	<u>6,677,635</u>	<u>(2,198,657)</u>	<u>(244,257)</u>	<u>24,883,981</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT (continued)

NET BOOK VALUE	2006 RM	2005 RM
<u>At valuation</u>		
Long term leasehold land	-	356,688
Short term leasehold land	-	302,943
Buildings	-	398,862
<u>At cost</u>		
Freehold land	1,712,000	1,712,000
Long term leasehold land and buildings	15,171,051	23,595,791
Short term leasehold land	4,763,081	4,868,181
Machinery and equipment	13,480,018	15,334,976
Furniture, fixture and fittings	11,528,137	16,951,368
Motor vehicles	1,403,247	2,297,558
	<u>48,057,534</u>	<u>65,818,367</u>

<u>COMPANY</u> COST	Balance at 1-2-2005 RM	Additions RM	Disposals/ Written off RM	Balance at 31-1-2006 RM
Freehold land	1,712,000	-	(1,712,000)	-
Long term leasehold land	5,700,000	-	(5,700,000)	-
Buildings	3,000,000	-	(3,000,000)	-
Machinery and equipment	1,381,681	580	(1,382,261)	-
Furniture, fixture and fittings	589,479	-	(589,479)	-
Motor vehicles	732,667	31,500	(479,623)	284,544
	<u>13,115,827</u>	<u>32,080</u>	<u>(12,863,363)</u>	<u>284,544</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
 31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT (continued)

ACCUMULATED DEPRECIATION	Balance at 1-2-2005 RM	Charge for the year RM	Disposals/ Written off RM	Balance at 31-1-2006 RM
Freehold land	-	-	-	-
Long term leasehold land	180,393	-	(180,393)	-
Buildings	72,399	-	(72,399)	-
Machinery and equipment	902,314	-	(902,314)	-
Furniture, fixture and fittings	398,683	-	(398,683)	-
Motor vehicles	272,708	56,908	(258,480)	71,136
	<u>1,826,497</u>	<u>56,908</u>	<u>(1,812,269)</u>	<u>71,136</u>
COST	Balance at 1-2-2004 RM	Additions RM	Disposals/ Written off RM	Balance at 31-1-2005 RM
Freehold land	1,712,000	-	-	1,712,000
Long term leasehold land	5,700,000	-	-	5,700,000
Buildings	3,000,000	-	-	3,000,000
Machinery and equipment	1,322,575	59,106	-	1,381,681
Furniture, fixture and fittings	572,544	17,125	(190)	589,479
Motor vehicles	419,699	329,668	(16,700)	732,667
	<u>12,726,818</u>	<u>405,899</u>	<u>(16,890)</u>	<u>13,115,827</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
 31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT (continued)

ACCUMULATED DEPRECIATION	Balance at <u>1-2-2004</u> RM	Charge for <u>the year</u> RM	Disposals/ <u>Written off</u> RM	Balance at <u>31-1-2005</u> RM
Freehold land	-	-	-	-
Long term leasehold land	42,986	137,407	-	180,393
Buildings	18,100	54,299	-	72,399
Machinery and equipment	790,353	111,961	-	902,314
Furniture, fixture and fittings	369,644	29,228	(189)	398,683
Motor vehicles	232,624	56,783	(16,699)	272,708
	<u>1,453,707</u>	<u>389,678</u>	<u>(16,888)</u>	<u>1,826,497</u>
			2006	2005
NET BOOK VALUE			RM	RM
Freehold land			-	1,712,000
Long term leasehold land			-	5,519,607
Buildings			-	2,927,601
Machinery and equipment			-	479,367
Furniture, fixture and fittings			-	190,796
Motor vehicles			213,408	459,959
			213,408	<u>11,289,330</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) Land and buildings of the Group and of the Company with carrying value amounting to RM21,646,132 (2005 – RM29,522,465) and Nil (2005 – RM8,447,208) respectively are pledged to banks for borrowings granted to the Group as disclosed in Note 15.
- (b) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM3,140,598 (2005 – RM21,686,445) and RM32,080 (2005 – RM405,899) respectively of which Nil (2005 – RM3,672,539) and Nil (RM305,700) respectively were acquired by means of hire purchase arrangements. Net book values of property, plant and equipment under hire purchase arrangements are as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Machinery and equipment	4,526,105	6,890,074	-	-
Motor vehicles	639,068	874,108	213,408	313,184
	<u>5,165,173</u>	<u>7,764,182</u>	<u>213,408</u>	<u>313,184</u>

- (c) Certain land and building of the Group and of the Company with carrying value of RM18,373,545 (2005 – RM18,748,272) and Nil (2005 – RM10,159,208) respectively are registered under the name of third parties.
- (d) Included in property, plant and equipment of the Group and of the Company are the costs of the following fully depreciated assets which are still in use:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Machinery and equipment	2,338,830	2,619,828	-	225,624
Furniture, fixture and fittings	1,848,912	1,961,314	-	149,956
Motor vehicles	37,404	313,082	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

3. PROPERTY, PLANT AND EQUIPMENT (continued)

(e) Details of independent professional valuation of leasehold land and buildings of the Group are as follows:

Year of Valuation	Description of Property	Valuation Amount (RM)	Basis of Valuation
1992	Leasehold land and buildings	638,000	Open market value
1993	Leasehold land and buildings	1,029,728	Open market value
		<u>1,667,728</u>	

Had the revalued leasehold land and buildings been carried at historical cost less accumulated depreciation, the net book value of each class of property, plant and equipment that would have been included in the financial statements of the Group as at 31 January 2006 would have been as follows:

	2006 RM	2005 RM
Long term leasehold land	-	186,807
Short term leasehold land	-	275,186
Buildings	-	384,910
	<u>-</u>	<u>846,903</u>

4. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2006 RM	2005 RM
<u>Unquoted shares, at cost</u>		
At beginning of year	15,910,004	15,910,004
Add: Additional investment in subsidiary companies	9,824,997	-
	<u>25,735,001</u>	<u>15,910,004</u>
Less: Disposal of subsidiary companies	(11,925,000)	-
At end of year	<u>13,810,001</u>	<u>15,910,004</u>

Details of the subsidiary companies are as follows:

Name of Company	% Equity Held		Country of Incorporation	Principal Activities
	2006	2005		
Sugar Bun Fast Food Centre Sdn. Bhd.	100	100	Malaysia	Fast food restaurants and investment holding. Ceased operation in May 2005.
Applebee's Bakery Sdn. Bhd.	100	100	Malaysia	Bakery, confectionery and investment holding. Ceased operation in May 2005.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

4. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of Company	% Equity Held		Country of Incorporation	Principal Activities	Name of Company	% Equity Held		Country of Incorporation	Principal Activities
	2006	2005				2006	2005		
					SB Lifestyle Sdn. Bhd.	-	100	Malaysia	Project development and property management.
Vanilla Foods Centre Sdn. Bhd.	100	100	Malaysia	Food processing, general trading and provision of catering services.	Grand Colada Sdn. Bhd.	-	100	Malaysia	Property holding.
SB Franchise Management Sdn. Bhd. (formerly known as Vanilla Enterprises Sdn. Bhd.)	100	100	Malaysia	Franchise operation, provision of management and marketing services.	Landrock Realty Sdn. Bhd.	-	100	Malaysia	Property holding.
					Softmatics Sdn. Bhd.	-	100	Malaysia	Investment holding, manufacture and sale of ice-cream.
					Subsidiary of Sugar Bun Fast Food Centre Sdn Bhd				
L&V Trading Sdn. Bhd.	100	100	Malaysia	Food processing, general equipment and spare parts trading.	Kay Loong Sdn. Bhd.	100	100	Malaysia	Ceased fast food restaurant operation in prior year.
FB Food Enterprise Sdn. Bhd.	100	100	Malaysia	Investment holding. Ceased fast food restaurants in prior year.	Strawberry Foods Sdn. Bhd.	60	60	Malaysia	Fast food restaurants.
					Subsidiary of Applebee's Bakery Sdn Bhd				
SB Resorts Sdn. Bhd.	100	100	Malaysia	Provision of management services, catering services and café cum entertainment operations.	The Borneo Bar Sdn. Bhd.	100	100	Malaysia	Sales of ice-cream, food and beverage. Ceased operation in prior year.
SB Rewards Sdn. Bhd.	100	100	Malaysia	Sales of prepaid cards.	Subsidiary of Strawberry Foods Sdn. Bhd.				
SB Partners Sdn. Bhd.	-	100	Malaysia	Dormant.	Strawberry Baking System Sdn. Bhd.	76	76	Malaysia	Bakery and confectionery.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

4. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of Company	% Equity Held		Country of Incorporation	Principal Activities
	2006	2005		
Subsidiary of Softmatics Sdn. Bhd.				
Labuan Fast Food Centre Sdn. Bhd.	-	100	Malaysia	Investment holding.
Caprila Sdn. Bhd.	-	100	Malaysia	Sales of ice-cream, food and beverage. Ceased operation in prior year.
Subsidiary of Labuan Fast Food Centre Sdn. Bhd.				
SB Resort Holdings Sdn. Bhd.	-	100	Malaysia	Sales of ice-cream. Ceased operation in prior year.
Subsidiary of SB Rewards Sdn. Bhd.				
Bonushopping Sdn. Bhd.	100	100	Malaysia	Provide incentive shopping programme to participating shops.
Subsidiaries of SB Resorts Sdn. Bhd.				
SB Partners Sdn. Bhd.	100	-	Malaysia	Dormant.
SB Lifestyle Sdn. Bhd.	100	-	Malaysia	Project development and property management.

During the year, the Company disposed off its 100% equity interest in Grand Colada Sdn. Bhd., Landrock Realty Sdn. Bhd. and Softmatics Sdn. Bhd. and its subsidiaries for a total cash consideration of RM755,000.

(a) The disposal had the following effects on the Group's financial results for the year:

	GROUP	
	2006 RM	2005 RM
Revenue	126,411	452,688
Loss from operations	65,544	978,425
Loss for the year	65,544	980,767

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

4. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(b) The disposal had the following effects on the financial position of the Group as at the end of the year:

	GROUP	
	2006	2005
	RM	RM
Property, plant and equipment (Note 3)	7,524,990	3,709,888
Inventories	16,181	15,492
Trade and other receivables	264,282	620,132
Cash and bank balances	(554,175)	16,496
Trade and other payables	(8,803,614)	(5,598,099)
Deferred taxation	(27,200)	-
Net liabilities disposed	(1,579,536)	(1,236,091)
Disposal proceeds	(755,000)	(80,000)
Gain on disposal to the Group	(2,334,536)	(1,316,091)
Disposal proceeds settled by:		
Cash	755,000	80,000

(c) Cash inflow arising on disposal:

	GROUP	
	2006	2005
	RM	RM
Cash consideration	755,000	80,000
Cash and cash equivalent of subsidiaries disposed	(554,175)	(16,496)
Net cash inflow to the Group	200,825	63,504

(d) The disposal of the subsidiaries had the following effects on the financial results of a subsidiary:

	GROUP	
	2006	2005
	RM	RM
Disposal proceeds	-	80,000
Less: Cost of investment in subsidiary, net of impairment loss	-	(1)
Gain on disposal to a subsidiary company	-	79,999

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

5 INVESTMENT IN ASSOCIATED COMPANY

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares, at cost	9,006,000	9,006,000	9,006,000	9,006,000
Share of post-acquisition reserves	(3,086,990)	(752,633)	-	-
	<u>5,919,010</u>	<u>8,253,367</u>	<u>9,006,000</u>	<u>9,006,000</u>

The Group's interest in the associated company is analysed as follows:

	GROUP	
	2006 RM	2005 RM
Share of net assets	5,644,528	7,978,885
Premium on acquisition	274,482	274,482
	<u>5,919,010</u>	<u>8,253,367</u>

Details of the associated company are as follows:

Name	: Gayana Resort Bay Sdn. Bhd.
% equity held	: 49.7% (2005 – 49.7%)
Country of incorporation	: Malaysia
Principal activities	: Operating and managing of resort

6. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
<u>Condominiums, at costs:</u>				
At beginning of year	16,047,954	-	-	-
Add: Addition during the year	-	16,047,954	-	-
	<u>16,047,954</u>	<u>16,047,954</u>	<u>-</u>	<u>-</u>
Less: Disposal during the year	(2,447,930)	-	-	-
	<u>13,600,024</u>	<u>16,047,954</u>	<u>-</u>	<u>-</u>
<u>Less: Accumulated amortisation</u>				
At beginning of year	161,801	-	-	-
Add: Addition during the year	136,000	161,801	-	-
	<u>297,801</u>	<u>161,801</u>	<u>-</u>	<u>-</u>
Less: Disposal during the year	(25,801)	-	-	-
	<u>272,000</u>	<u>161,801</u>	<u>-</u>	<u>-</u>
Net Book Value	<u>13,328,024</u>	<u>15,886,153</u>	<u>-</u>	<u>-</u>

The above investment properties are charged to the financial institution as security for a term loan facility granted as disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

7. PREPAID LEASE PAYMENTS

	GROUP	
	2006	2005
	RM	RM
Prepaid lease rental	26,141,751	24,572,751
Less: Accumulated amortisation	(2,630,591)	(1,200,411)
	<u>23,511,160</u>	<u>23,372,340</u>

Prepaid lease payments comprise the Group's cost incurred in developing two locations in Kota Kinabalu belonging to a government authority, in return the Group is allowed to operate its business operation in these two locations for periods of between eleven to twenty years in lieu of rental payment. Even though these two projects have incurred losses in the past three years, the Directors are of the opinion that these projects are in their early stages and will be able to generate sufficient revenue in the future to ultimately recover the Group's investment cost of approximately RM26.1 million.

Included in prepaid lease rental of the Group are interest costs capitalised during the financial year amounting to Nil (2005 – RM271,417).

8. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
(a) Goodwill arising on consolidation:				
At beginning of year	3,035,723	3,035,723	-	-
Less: Accumulated amortisation	(2,946,906)	(2,907,432)	-	-
At end of year	<u>88,817</u>	<u>128,291</u>	<u>-</u>	<u>-</u>
(b) Patent and rights, at cost				
At beginning of year	5,000,000	5,000,000	5,000,000	5,000,000
Less: Accumulated amortisation	(3,000,000)	(2,500,000)	(3,000,000)	(2,500,000)
At end of year	<u>2,000,000</u>	<u>2,500,000</u>	<u>2,000,000</u>	<u>2,500,000</u>
	<u>2,088,817</u>	<u>2,628,291</u>	<u>2,000,000</u>	<u>2,500,000</u>

The patents and rights are in respect of the rights for use of a certain brand name and trademark acquired in financial year 2001 for RM5,000,000. These are amortised on a straight-line basis over ten years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 JANUARY 2006

9. INVENTORIES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
At cost:				
Food and beverages	6,059	1,629,794	-	-
Machinery and parts	1,794,765	1,077,000	-	-
Phone cards	-	23,802	-	-
Packing materials and others	14,046	262,054	-	4,744
	<u>1,814,870</u>	<u>2,992,650</u>	<u>-</u>	<u>4,744</u>

10. TRADE RECEIVABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Amount due from an associate	-	478,606	-	-
Trade receivables	6,106,483	5,372,423	208,316	434,221
	<u>6,106,483</u>	<u>5,851,029</u>	<u>208,316</u>	<u>434,221</u>
Less: Allowance for doubtful debts	(700,000)	(1,657,893)	-	(80,000)
	<u>5,406,483</u>	<u>4,193,136</u>	<u>208,316</u>	<u>354,221</u>

The Group's normal trade credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

Other than the amounts due from an associate and a debtor as stated above, the Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

11. OTHER RECEIVABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Amount due from subsidiary companies	-	-	57,757,121	53,044,714
Amount due from an associated company	936,404	3,309,798	936,404	929,664
Amount due from related parties	6,034,888	-	506,138	-
Amount due from a local franchisee	-	8,304,965	-	2,091,636
Prepayments	60,437	437	60,000	-
Deposits	1,632,474	3,629,881	104,072	206,572
Sundry receivables	13,153,659	8,348,860	4,142,483	7,289,993
Tax recoverable	140,500	243,372	236,436	236,436
	<u>21,958,362</u>	<u>23,837,313</u>	<u>63,742,654</u>	<u>63,799,015</u>
Less: Allowance for doubtful debts	(2,366,870)	(8,484,933)	(60,000)	(5,010,455)
	<u>19,591,492</u>	<u>15,352,380</u>	<u>63,682,654</u>	<u>58,788,560</u>

The amounts due from subsidiary companies and related parties are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

12. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances	498,313	1,024,717	43,209	388,459
Deposits with licensed banks	214,361	408,414	4,460	63,760
	712,674	1,433,131	47,669	452,219
Less: Bank overdrafts (Note 15)	(3,115,812)	(4,564,041)	(1,438,401)	(2,500,822)
	(2,403,138)	(3,130,910)	(1,390,732)	(2,048,603)

The deposits of the Group and of the Company amounting to RM214,361 (2005 – RM408,414) and RM4,460 (2005 – RM63,760) respectively are pledged to banks to secure bank overdrafts as disclosed in Note 15 and bank guarantee facilities.

The weighted average interest rates of the Group and of the Company of the deposits with licensed banks at the balance sheet date were 3.7% (2005 – 3.7%) and 3.7% (2005 – 3.7%) respectively.

The average maturities of deposits of the Group and of the Company as at the end of the financial year ranged from 251 – 365 days (2005 – 251 – 265 days) and 365 days (2005 – 365 days) respectively.

The effective interest rate for deposits with licensed banks at the end of the financial year is between 3.05% and 3.5% (2005 – 3.2% and 3.5%).

13. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 90 days.

14. OTHER PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Accruals	1,171,058	2,239,782	706,324	1,027,528
Deposits received	420,645	554,900	131,700	375,900
Sundry payables	5,684,318	1,255,405	1,290,327	271,076
Amount due to subsidiary companies	-	-	808,381	-
Amount due to related parties	1,025,168	-	991,778	-
	8,301,189	4,050,087	3,928,510	1,674,504

The amounts due to the subsidiary companies and related parties are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

15. BORROWINGS (continued)

The bank overdrafts of the Group and of the Company are secured over the properties and shares owned by a third party and certain assets of the Group as disclosed in Note 3.

The term loans of the Company are secured by a first legal over the leasehold land and buildings of the Group as disclosed in Note 3.

The term loans of the Group are secured by the followings:

- (i) First legal charge over leasehold land and buildings of the Group as disclosed in Note 3;
- (ii) Properties owned by a third party; and
- (iii) Deed of assignment of all rights, interest and benefits of contract signed in respect of prepaid lease rental as disclosed in Note 7.

The Group and the Company are restructuring certain borrowing facilities with various lenders.

16. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Minimum lease payments:				
Within 1 year	1,564,576	2,345,829	592,476	935,899
More than 1 year and less than 2 years	1,402,240	1,279,725	479,113	352,597
More than 2 years and less than 5 years	2,484,157	2,213,245	347,537	239,203
5 years or more	110,530	166,004	106,510	159,111
	5,561,503	6,004,803	1,525,636	1,686,810
Less: Future finance charges	(825,868)	(939,707)	(142,203)	(253,723)
Present value of finance lease liabilities	4,735,635	5,065,096	1,383,433	1,433,087

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

16. HIRE PURCHASE AND FINANCE LEASE PAYABLES (continued)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Present value of finance lease liabilities:				
Within 1 year	1,330,820	1,757,937	497,950	786,455
More than 1 year and less than 2 years	1,218,452	1,002,299	437,016	310,966
More than 2 years and less than 5 years	2,101,723	2,155,299	367,812	192,935
5 years or more	84,640	149,561	80,655	142,731
	<u>4,735,635</u>	<u>5,065,096</u>	<u>1,383,433</u>	<u>1,433,087</u>
Analysed as:				
Due within 1 year	1,330,820	1,757,937	497,950	786,455
Due after 1 year	3,404,815	3,307,159	885,483	646,632
	<u>4,735,635</u>	<u>5,065,096</u>	<u>1,383,433</u>	<u>1,433,087</u>

The hire purchase and finance lease payables of the Group bore interest of between 3.8% and 8.7% (2005 – 3.8% and 8.7%).

17. SHARE CAPITAL

	GROUP AND COMPANY	
	2006 RM	2005 RM
Authorised: 500,000,000 ordinary shares at RM1 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid: Ordinary shares at RM1 each		
At beginning of year	90,104,000	86,890,000
Issued under private placement, at par	-	3,214,000
At end of year	<u>90,104,000</u>	<u>90,104,000</u>

18. RESERVES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable:				
Share premium	2,848,971	2,848,971	2,848,971	2,848,971
Revaluation reserve	-	163,097	-	-
Capital reserve (Note 26)	415,000	415,000	-	-
Distributable:				
Accumulated loss	(45,079,128)	(25,058,265)	(14,576,721)	(8,894,284)
	<u>(41,815,157)</u>	<u>(21,631,197)</u>	<u>(11,727,750)</u>	<u>(6,045,313)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

19. DEFERRED TAX LIABILITIES

	GROUP	
	2006	2005
	RM	RM
At beginning of year	31,200	62,504
Recognised in the income statement	(4,000)	(31,304)
Disposal of subsidiary companies	(27,200)	-
At end of year	<u><u>-</u></u>	<u><u>31,200</u></u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	(39,379)
Deferred tax liabilities	-	70,579
	<u><u>-</u></u>	<u><u>31,200</u></u>

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

	Unabsorbed tax losses and capital allowances		
	2006	2005	
	RM	RM	
Deferred tax assets:			
At beginning of year	(39,379)	(43,000)	
Recognised in the income statement	39,379	3,621	
At end of year	<u><u>-</u></u>	<u><u>(39,379)</u></u>	
	Revaluation surplus	Accelerated capital allowances	Total
	RM	RM	RM
Deferred tax liabilities:			
At 1 February 2005	58,579	12,000	70,579
Recognised in the income statement	(58,579)	(12,000)	(70,579)
At 31 January 2006	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
At 1 February 2004	62,504	43,000	105,504
Recognised in the income statement	<u>(3,925)</u>	<u>(31,000)</u>	<u>(34,925)</u>
At 31 January 2005	<u><u>58,579</u></u>	<u><u>12,000</u></u>	<u><u>70,579</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 JANUARY 2006

20. REVENUE

	GROUP		COMPANY		GROUP		COMPANY		
	2006	2005	2006	2005	2006	2005	2006	2005	
	RM	RM	RM	RM	RM	RM	RM	RM	
Sales from fast food operations	21,339,167	34,655,982	-	-	Amortisation of prepaid lease rental	1,430,180	686,837	-	-
Sales of machinery, spare parts and phone cards	1,067,366	1,131,244	-	-	Amortisation of investment properties	136,000	161,801	-	-
Revenue from administrative, management and marketing services	452,211	288,432	111,650	426,929	Allowance for doubtful debts	307,629	957,893	-	80,000
Franchise fees	1,408,936	497,259	235,435	497,259	Allowance for doubtful debts written back	(7,383,585)	-	(2,858,361)	-
Rental income	99,295	-	-	-	Audit fee				
	<u>24,366,975</u>	<u>36,572,917</u>	<u>347,085</u>	<u>924,188</u>	- current year	175,000	161,500	36,000	30,000
					- underprovision in prior year	-	15,550	-	3,000
					Bad debts written off	252,748	80,101	-	-
					Depreciation	5,970,543	6,677,635	56,908	389,678

21. LOSS BEFORE TAXATION

This has been determined after charging/(crediting) the following items:

	GROUP		COMPANY			2006	2005	2006	2005
	2006	2005	2006	2005					
	RM	RM	RM	RM					
Amortisation of goodwill arising on consolidation	39,474	394,768	-	-	(Gain)/Loss on disposal of subsidiary companies	(2,334,536)	(1,316,091)	6,070,000	-
Amortisation of intangible assets	500,000	500,000	500,000	500,000	Interest expenses:				
					- Hire purchase interest	136,657	414,919	-	6,926
					- Overdraft interest	255,175	383,957	113,570	185,043
					- Term loan interest	6,611,408	3,029,202	376,106	330,187
					- Late payment interest	123,476	29,987	-	-
					Interest income	(8,096)	(3,777)	(5)	(63,610)
					Loss on foreign exchange	5,327	1,653	1,718	345

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

21. LOSS BEFORE TAXATION (continued)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Loss/(Gain) on disposal of property, plant and equipment	976,053	453,456	(22,494)	(2,299)
Loss on disposal of marketable securities	-	299,819	-	-
Loss on impairment of property, plant and equipment	12,314	-	-	-
Non-executive Directors' remuneration	32,000	35,600	32,000	32,000
Property, plant and equipment written off	1,805,057	430,090	-	-
Rental income	(35,790)	(18,000)	-	-
Rental of premises	1,755,541	4,547,062	24,000	48,312
Research and development expenditure	-	11,448	-	-
Staff costs	5,899,775	11,710,101	931,552	2,375,800

22. TAXATION

The provision for taxation for the financial year is computed at the prevailing tax rates.

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Income tax:				
Provision for the year	350	29,000	-	-
Underprovision in prior year	-	9,135	-	-
	350	38,135	-	-
Deferred tax (Note 19):				
Relating to reversal of temporary differences	-	(9,281)	-	-
Overprovision in prior years	(4,000)	(22,023)	-	-
	(4,000)	(31,304)	-	-
Tax expense for the year	(3,650)	6,831	-	-

Income tax is calculated at the Malaysian statutory tax rate of 28% (2005 - 28%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

22. TAXATION (continued)

A reconciliation of income tax expenses applicable to loss before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Loss before taxation	(20,086,679)	(17,050,905)	(5,682,437)	(4,897,620)
Taxation at statutory tax rate of 28% (2005: 28%)	(5,624,270)	(4,774,253)	(1,591,083)	(1,371,334)
Effect of income subject to lower tax rate	(541)	(12,061)	-	-
Income not subject to tax	(1,438,465)	(372,079)	-	(644)
Expenses not deductible for tax purposes	3,074,164	2,190,682	1,591,083	373,250
Deferred tax assets not recognised on:				
- Unutilised capital allowances	36,938	370,479	-	35,230
- Unabsorbed tax losses	4,133,392	2,428,241	-	919,006
- Allowance for doubtful debts	86,136	211,703	-	44,492
Utilisation of previously unrecognised unabsorbed tax losses	(4,848)	(21,274)	-	-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Utilisation of previously unrecognised unutilised capital allowances	(261,849)	(1,719)	-	-
Deferred tax assets recognised on unutilised capital allowances	(307)	-	-	-
Overprovision in prior years:				
- Malaysia tax	-	9,135	-	-
- Deferred tax	(4,000)	(22,023)	-	-
Tax expense for the year	(3,650)	6,831	-	-

The Company has tax credit of approximately RM24,075 (2005 – RM24,075) under Section 108 of the Income Tax Act, 1967 to frank payment of future dividends. This is subject to agreement by the Inland Revenue Board.

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Deferred tax assets have not been recognised in respect of the following items:				
Unabsorbed tax losses	24,452,000	16,468,000	12,493,000	9,267,000
Unutilised capital allowances	10,120,000	4,658,000	726,000	714,000
Allowance for doubtful debts	760,000	8,175,000	60,000	4,425,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

23. LOSS PER SHARE

(a) Basic:

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

	GROUP	
	2006	2005
	RM	RM
Net loss for the year	(20,020,863)	(16,988,648)
Weighted average number of ordinary shares in issue	90,104,000	89,892,668
Basic loss per share (sen)	<u>(22.2)</u>	<u>(18.9)</u>

(b) The effects on the basic loss per share for the current financial year arising from the assumed exercise of warrants are anti-diluted. Accordingly, diluted loss per share for the current year has not been presented.

24. STAFF COSTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Wages and salaries	5,126,161	9,706,452	862,268	2,050,048
Employees Provident Fund and SOCSO	512,815	1,078,122	54,447	265,204
Other staff related expenses	<u>260,799</u>	<u>925,527</u>	<u>14,837</u>	<u>60,548</u>
	<u>5,899,775</u>	<u>11,710,101</u>	<u>931,552</u>	<u>2,375,800</u>

Included in staff of the Group and of the Company are executive Directors' remuneration amounting to RM44,400 (2005 – RM112,836) and RM44,400 (2005 – RM112,836) respectively as disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

25. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors of the Company				
Executive:				
Fees	44,400	14,000	44,400	14,000
Salaries and other emoluments	-	98,836	-	98,836
	<u>44,400</u>	<u>112,836</u>	<u>44,400</u>	<u>112,836</u>
Non-Executive:				
Fees	32,000	32,000	32,000	32,000
Other Directors				
Non-Executive:				
Fees	-	2,520	-	2,520
Salaries and other emoluments	-	1,080	-	1,080
	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>3,600</u>
Total	<u>76,400</u>	<u>148,436</u>	<u>76,400</u>	<u>148,436</u>

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

	Number of Directors	
	2006	2005
Executive Directors:		
Below RM50,000	1	1
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	1
	<u>1</u>	<u>1</u>
Non-Executive Directors:		
Below RM50,000	1	4
	<u>1</u>	<u>4</u>

26. CAPITAL RESERVES

This represent reserves arising from profit capitalised for bonus issue by the subsidiary companies in prior years.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

27. COMMITMENTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Capital expenditure:				
Approved and contracted for				
- Land and buildings	<u>10,571,000</u>	<u>10,571,000</u>	<u>-</u>	<u>-</u>

28. CONTINGENT LIABILITIES

	COMPANY	
	2006 RM	2005 RM
Unsecured:		
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	<u>44,869,000</u>	<u>44,869,000</u>
Corporate guarantee given to a landlord for the rental of a premise by a third party	<u>-</u>	<u>60,000</u>

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP	
	2006 RM	2005 RM
Transactions with an associated company		
- Sales of inventories	3,250	4,020
- Management fees received	12,000	36,000
- Lodge rental expenses	<u>-</u>	<u>257,040</u>
	COMPANY	
	2006 RM	2005 RM
Transactions with subsidiary companies		
- Management fees received	-	159,956
- Marketing and administrative fees received	27,450	64,773
- Interest received	103,114	60,000
- Rental of premises	<u>65,120</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

30. COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except for certain comparative amounts which have been adjusted as a result of changes in accounting policies as disclosed in Note 2(f) and 2(k). The changes did not give rise to any adjustments to the opening balances of retained profits of the prior year and current year.

The following balance sheet comparative figures have been reclassified to conform with the current year's presentation:

GROUP	As	Adjustments	As
	Restated		Previously
	RM	RM	Stated
			RM
Property, plant and equipment			
- Costs	-	(16,047,954)	16,047,954
- Accumulated depreciation	-	161,801	(161,801)
Investment properties			
- Cost	16,047,954	16,047,954	-
- Accumulated amortisation	(161,801)	(161,801)	-
Other receivables	15,352,380	(23,372,340)	38,724,720
Prepaid lease payments	23,372,340	23,372,340	-
COMPANY			
Provision for taxation	-	(112,000)	112,000
Other receivables	58,788,560	112,000	58,900,560

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group has to ensure that it has sufficient financial resources to complement its human resources capabilities and inherent strengths in distribution coverage and brand strengths for further market expansion within the country and even overseas. The financial risk management policy has to allow for sufficient cash and capital flows for operational efficiencies while minimising interest rates on borrowings, and managing liquidity and credit risks. The Board acts as the controlling body that best ensures there are no speculative transactions by providing stringent guidelines and procedures for Management to follow.

(b) Interest Rate Risk

The Group is exposed to interest rate risk through the impact of interest rate changes on liabilities and assets. To exercise prudence in its management of interest rate exposure, the Group is carrying out active reviews of its debt portfolio, within the limitations of the investment holding period and the type of assets held. With this strategy, the Group is poised to take advantage of any opportunities for funding at lower interest rates which may present itself, as well as hedge itself against any hikes in interest rates.

The respective notes provide the details regarding dates of maturity and effective interest rates of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

31. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity Risk

By actively engaging in the management of its debt maturity profile, operating cash flows and funding availability, the Group will be able to determine that all refinancing, repayment and funding needs are provided for. Priority is given to the maintenance of sufficient cash levels to meet its working capital requirements so as to provide for prudence liquidity management. A reasonable amount of banking facilities is maintained in comparison to its overall debt position to further support cash availability.

(d) Credit Risk

By applying acceptable methods of controls: credit approvals, credit limits and close monitoring procedures, the Group minimises its risk of counter-parties defaulting. By only associating with business partners having high credit worthiness, the Group's credit risks are minimised and through regular management reports, trade receivables are closely monitored.

There is no significant exposure of the Group to any one major party, whether in the form of an individual customer or counter-party, or in the form of any major concentration of credit risk linked to specific financial instruments.

(e) Fair Values

It is not practical to estimate the fair values of amounts due from/to related companies and associate mainly due to the absence of fixed repayment terms. However, the Company does not expect the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The carrying values of the other financial assets and liabilities as at 31 January 2006 are not materially different from the fair values.

32. SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 25 November 2005, the Company disposed off 25,000 ordinary shares of RM1 each representing 100% equity interest in Landrock Realty Sdn. Bhd. for a total sale consideration of RM5,000 together with other terms and conditions therein.
- (b) On 25 November 2005, the Company disposed off 910,000 ordinary shares of RM1 each (comprising of existing shares of 50,000 and new issuance of 860,000 shares of RM1 each by way of capitalisation of the inter-company balances) representing 100% equity interest in Grand Colada Sdn. Bhd. for a total sales consideration of RM10,000 together with other terms and conditions therein.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 JANUARY 2006

32. SIGNIFICANT EVENTS DURING THE YEAR (continued)

- (c) On 1 December 2005, the Company disposed off 5,890,000 ordinary shares of RM1 each (comprising of existing shares of 3,500,000 and new issuance of 2,390,000 shares of RM1 each by way of capitalisation of the inter-company balances) representing 100% equity interest in Softmatics Sdn. Bhd. for a total sales consideration of RM740,000 together with other terms and conditions therein.

33. SUBSEQUENT EVENTS

- (a) On 10 April 2006, the Company disposed off 500,000 ordinary shares of RM1 each representing 100% equity interest in Vanilla Foods Centre Sdn. Bhd. for a total sales consideration of RM5,000 together with other terms and conditions therein.
- (b) On 26 May 2006, the Company entered into a sales of share agreement to dispose off 790,000 ordinary shares of RM1 each representing 49.7% equity interest in the associated company, Gayana Resort Bay Sdn. Bhd., for a total sales consideration of RM1.875 million together with other terms and conditions therein.

34. SEGMENTAL INFORMATION

- (a) Business segments

The Group is organised into three major business segment:

Restaurant and franchising operations
General trading of machinery and spare parts, phone cards
Management and operations of resorts

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 terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

- (b) Segmental reporting by geographical location has not been prepared as the Group's operations are only carried out in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 JANUARY 2006

34. SEGMENTAL INFORMATION (continued)

	Restaurant and Franchising Operations		General Trading		Management and Operations of Resorts		Elimination		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Revenue and Expenses										
Revenue										
External sales	22,748,103	35,499,238	1,067,366	1,073,679	551,506	-	-	-	24,366,975	36,572,917
Inter-segment sales	3,454,395	-	-	1,242,918	-	-	(3,454,395)	(1,242,918)	-	-
Total revenue	<u>26,202,498</u>	<u>35,499,238</u>	<u>1,067,366</u>	<u>2,316,597</u>	<u>551,506</u>	<u>-</u>	<u>(3,454,395)</u>	<u>(1,242,918)</u>	<u>24,366,975</u>	<u>36,572,917</u>
Results										
Segment results	(8,387,411)	(11,783,860)	1,659,525	(370,259)	(3,897,720)	(282,562)			(10,625,606)	(12,436,681)
Loss from operations									(10,625,606)	(12,436,681)
Finance costs, net									(7,126,716)	(3,857,790)
Share of associate's results					(2,334,357)	(756,434)			(2,334,357)	(756,434)
Taxation									3,650	(6,831)
Loss after taxation									(20,083,029)	(17,057,736)
Minority interest									62,166	69,088
Loss for the year									<u>(20,020,863)</u>	<u>(16,988,648)</u>
Assets and Liabilities										
Segment assets	28,775,695	106,827,571	19,970,499	1,555,121	65,764,860	19,505,352			114,511,054	127,888,044
Investment in equity method of associate	-	-	-	-	5,919,010	12,041,771			5,919,010	12,041,771
					<u>71,683,870</u>	<u>31,547,123</u>			<u>120,430,064</u>	<u>139,929,815</u>
Segment liabilities	36,694,708	56,503,309	4,486,115	225,783	30,803,338	14,429,243			71,984,161	71,158,335
Other information										
Capital expenditure	19,474,277	19,474,277	5,966	5,966	18,254,156	18,254,156			37,734,399	37,734,399
Depreciation	3,523,112	6,560,237	1,048,384	7,088	1,399,047	272,111			5,970,543	6,839,436
Amortisation of goodwill, intangible assets and prepaid lease rental	1,969,654	1,581,605	-	-	-	-			1,969,654	1,581,605

PROPERTIES

31st January 2006

Particulars of the Group's Properties

The properties of the Group as at 31st January 2006 and their Net Book Values ("NBV") are indicated as follows:

Location	Description	Tenure	Land Area	Age of Building Years	NBV RM'000	Date of acquisition DD/MM/YY
NT 013064812 Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	13.08 acres	Nil	2,776	03.07.2002
NT 013061768 Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	5.70 acres	Nil		
FR 014015706 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	23.15 acres	Nil		
NT 013068570 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	16.90 acres	Nil		
FR 014013462 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	15.00 acres	Nil		
NT 013096985 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	3.766 hectare	Nil		
NT 013091202 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	11.70 acres	Nil		
NT 013068954 Tombongon, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	12.67 acres	Nil		

PROPERTIES

31st January 2006

Location	Description	Tenure	Land Area	Age of Building Years	NBV RM'000	Date of acquisition DD/MM/YY
NT 013068589 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant Land	Perpetuity	6.75 acres	Nil	1,987	05.03.2003
NT 013067939 Kt. Togung Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	2.76 acres	Nil		
NT 013067742 Kg. Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	5.65 acres	Nil		
NT 013064821 Kg. Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	3.89 acres	Nil		
NT 013067751 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	12.95 acres	Nil		
FR 014009057 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	12.66 acers	Nil		
FR 014009066 Kg. Kokol, Menggatal Kota Kinbalu, Sabah	Vacant land	Perpetuity	14.59 acres	Nil		
NT 013068043 Kg. Togung, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	2.65 acres	Nil		
NT 065313804 Kg. Kundasang, Ranau, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2081	1.57 acres	Nil		

PROPERTIES

31st January 2006

Location	Description	Tenure	Land Area	Age of Building Years	NBV RM'000	Date of acquisition DD/MM/YY
CL 115383929 Jalan Silam, Lahad Datu Sabah	Vacant Land	Leasehold 99 years expiring on 4.1.2058	47.59 acres	Nil	8,321	05.09.2003
CL015279099 Kg. Kiansom Kota Kinabalu, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2059	22.15 acres	Nil	1,595	26.12.2002
CL 065284317 Kg. Kundasang, Ranau Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2062	23 acres	Nil	878	03.04.2003
CL 015157052	3 units Double Storey detached houses at Lot 1,2 & 3, Lorong Pungguk Satu, Likas	Leasehold 99 years expiring on 15.7.2051	0.550 acres	6	4,353	29.03.2004
CL 015160102		Leasehold 99 years expiring on 26.1.2050	0.282 acres			

SUGAR BUN CORPORATION BERHAD (121919-H)

(Incorporated in Malaysia)

STATEMENT OF SHAREHOLDINGS

AS AT 15TH MAY 2006

ANALYSIS OF SHAREHOLDINGS

SIZE OF SHARE HOLDINGS	NO. OF SHARE HOLDERS	%	NO. OF SHARES	%
Less than 100	15	0.37	300	0.00
100 - 1,000	893	21.80	864,000	0.96
1,001 - 10,000	2,408	58.77	11,227,100	12.46
10,001 - 100,000	678	16.55	21,564,600	23.93
100,001 and below 5%	93	2.27	26,216,500	29.10
5% and above	10	0.24	30,231,500	33.55
*** TOTAL	4,097	100.00	90,104,000	100.00

LIST OF TOP 30 SHAREHOLDERS AS AT 15TH MAY 2006

ITEM	NAME	No. of Shares	%	ITEM	NAME	No. of Shares	%
1	BATU BARA RESOURCES CORPORATION SDN BHD	6,115,000	6.79	16	OSK NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Goh Tai Siang)	785,300	0.87
2	WARISAN HARTA SABAH SDN BHD	4,835,000	5.37	17	HDM NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Yeoh Chin Beng)	730,000	0.81
3	CITIGROUP NOMINEES (ASING) SDN BHD	4,500,000	4.99	18	LOOI KUM PAK @ LOOI KAM PHAK	631,500	0.70
4	A.A. ASSETS NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Chai Bee Foon @ Chua Kuan Fung)	3,366,100	3.74	19	LIM YOKE ENG	628,000	0.70
5	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Tan Teck Lee Patrick)	3,000,000	3.33	20	AUGUSTINE CHRISTOPHER NATHAN	580,000	0.64
6	HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Maicao Financial S.A.)	2,373,500	2.63	21	CHIN KEH CHI	547,000	0.61
7	TAN SIEW HONG	1,875,000	2.08	22	PUBLIC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Tan Kok Siang)	500,000	0.55
8	TAN SOH GEK	1,730,000	1.92	23	JERALD ALLEN A/L GOMEZ	492,500	0.55
9	TA NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Goh Tai Siang)	1,321,900	1.47	24	OSK NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Lee Lan You @ Lee Yok You)	487,900	0.54
10	HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Low Foong Mei)	1,115,000	1.24	25	PRB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Rubber Industry Smallholders Development Authority)	483,000	0.54
11	HDM NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Sim Hui Leng)	1,000,000	1.11	26	CIMSEC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Yiu, May Kae Mavis)	452,000	0.50
12	FONG KING FUN	962,500	1.07	27	AMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Jennifer Chang Vui Li)	436,000	0.48
13	CITIGROUP NOMINEES (ASING) SDN BHD (Pledged Securities Account for Young Terrence)	854,000	0.95	28	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Jerald Allen A/L Gomez)	435,500	0.48
14	A.A. ASSETS NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Chai Bee Foon @ Chua Kuan Fung)	842,500	0.94	29	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Lian Suat Hia)	400,000	0.44
15	GOH SI NGO @ GOH SER MOH	830,000	0.92	30	TAN KOK SIONG	370,000	0.41
						42,679,200	47.37

SUBSTANTIAL SHAREHOLDERS AS AT 15TH MAY 2006

NAME	NO OF SHARES HELD			
	Direct	%	Indirect	%
BATU BARA RESOURCES CORPORATION SDN BHD	6,115,000	6.79	-	-
WARISAN HARTA SABAH SDN BHD	4,835,000	5.37	-	-
	10,950,000	12.16	-	-

STATEMENT OF WARRANT HOLDINGS

as at 15TH MAY 2006

ANALYSIS OF WARRANT HOLDERS

SIZE OF HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
Less than 100	2	0.27	100	0.00
100 - 1,000	45	6.06	32,700	0.18
1,001 - 10,000	493	66.26	1,984,200	10.81
10,001 - 100,000	168	22.58	5,552,900	30.27
100,001 and below 5%	35	4.70	8,414,300	45.86
5% and above	1	0.13	2,363,000	12.88
*** TOTAL	744	100.00	18,347,200	100.00

LIST OF TOP 30 WARRANT HOLDERS AS AT 15TH MAY 2006

	NAME	No. of Warrants	%		NAME	No. of Warrants	%
1	LOCK SOI NGEN @ LOCK SOI NGIN	2,363,000	12.88	16	MAYBAN NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Tan Kok Siong)	220,000	1.20
2	AB RAHMAN BIN OMAR	669,000	3.65	17	TAN LIN TING	200,000	1.09
3	OSK NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for HO SHIZ LAI)	644,500	3.51	18	PUBLIC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Hoo Ke Ping @ Hoo Khi Ping)	200,000	1.09
4	TAN KOK HONG	520,000	2.83	19	VINCENT YONG TUCK SENG	199,000	1.08
5	SIEW WENG LEE	505,000	2.75	20	GOH SI NGO @ GOH SER MOH	190,000	1.04
6	OSK NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for LEE LAN YOU @ LEE YOK YOU)	469,900	2.56	21	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for YEE THIAN SOON)	187,000	1.02
7	CHIA SEE KIAN	375,000	2.04	22	HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Hartlane Enterprises Inc)	184,000	1.00
8	JERALD ALLEN A/L GOMEZ	350,000	1.91	23	YVONNE KALATHINI A/P M. VIJAYARAJ	170,000	0.93
9	KOH GEOK YONG	335,400	1.83	24	CHIAM LEE WAH	169,200	0.92
10	HOO KE PING @ HOO KHI PING	300,000	1.64	25	TAN KOK SIONG	160,000	0.87
11	LIM PENG KOOI	276,000	1.50	26	TAN POH HWA	154,000	0.84
12	SOH TONG HWA	270,000	1.47	27	MAYBAN NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Tan Kok Hong)	150,000	0.82
13	CHIA SONG SWA	243,000	1.32	28	SI THO YOKE MENG	149,000	0.82
14	TA NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Goh Tai Siang)	240,000	1.31	29	SIM HUI LENG	144,000	0.78
15	CIMSEC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Jarsuma Investments Ltd)	240,000	1.31	30	SHU CHONG BING	126,300	0.69
						10,403,300	56.70

SUBSTANTIAL WARRANT HOLDERS AS AT 15TH MAY 2006

NAME	No. of Warrants held	%
LOCK SOI NGEN @ LOCK SOI NGIN	2,363,000	12.88

SUGAR BUN CORPORATION BERHAD (121919-H)
(Incorporated in Malaysia)

PROXY FORM

Shareholding Represented by Proxy	
--------------------------------------	--

I/We _____
of _____
being a member/members of the above-named company, hereby appoint _____
_____ of _____
or failing whom _____
of _____

as my/our proxy for me/us and on my/our behalf at the 22nd. Annual General Meeting of the Company to be held on 20th. July 2006, Thursday at 8.00 a.m. and at any adjournment thereof, and there at to vote on the following resolutions referred to in the notice of the 22nd. Annual General Meeting.

NO.	RESOLUTION	FOR	AGAINST
1.	To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 st . January 2006 together with the Auditors' Report thereon.		
2.	To approve the Directors' fees for the financial year ended 31 st . January 2006.		
3.	To re-elect Mr. John Lee Yan Hong @ John Lee who retires as Director in accordance with Article 91 of the Articles of Association of the Company.		
4.	To re-elect Mr. Tan Kok Chor who retires as Director in accordance with Article 92 of the Articles of Association of the Company.		
5.	To re-appoint Messrs. Leou & Associates as Auditors of the Company until conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration .		
6.	By way of special business to consider and if thought fit , pass the following resolution :- <u>Ordinary Resolution</u> -Approval for the Directors to issue shares pursuant to Section 132D of the Companies Act , 1965.		

Please indicate with a cross (X) in the appropriate spaces how you wish your votes to be cast, if you do not indicate how you wish your proxy to vote on any Resolution, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.

Date : _____ Signature of First or Sole Shareholder or Common Seal

Notes:

1. A member of the Company entitled to attend and vote, is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Act are complied with. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his share holdings to be represented by each proxy.
3. The proxy form must be signed by the appointer or his attorney duly authorized in writing or in the case of a corporation, executed under its common seal or attorney duly authorized in that behalf.
4. All proxy forms must be deposited at the Registered Office of the Company at Level 9, Wisma Oceanic, Jalan OKK Awang Besar, 87007 Labuan F.T., not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.



SugarBun Corporation Berhad

(121919-H)

Incorporated in Malaysia