



G.A. BLUE INTERNATIONAL BERHAD



2005  
annual report



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## CORPORATE INFORMATION

### DIRECTORS

KAN AH CHUN  
(Executive Chairman)

DATO' YEAP BEOW CHONG  
(Managing Director)

YEOH YEOW CHEANG  
(Executive Director)

SAFFIE BIN BAKAR  
(Non-Independent Non-Executive Director)

OOI SIEW KIM  
(Independent Non-Executive Director)

LOH CHYE TEIK  
(Independent Non-Executive Director)

### SECRETARIES

WONG YEE LIN (MIA 15898)  
FOO LI LING (MAICSA 7019557)

### AUDIT COMMITTEE

LOH CHYE TEIK  
(Chairman, Independent Non-Executive Director)

OOI SIEW KIM  
(Member, Independent Non-Executive Director)

YEOH YEOW CHEANG  
(Member, Executive Director)

### REGISTERED OFFICE

51-8-B MENARA BHL BANK  
JALAN SULTAN AHMAD SHAH  
10050 PENANG  
Tel : 04 - 228 7828  
Fax : 04 - 227 9800

### BUSINESS ADDRESS

LOT 9233 HALA KAMPUNG JAWA 1  
KAWASAN PERINDUSTRIAN  
BAYAN LEPAS (FASA 3)  
11900 BAYAN LEPAS  
PENANG  
Tel : 04 - 646 1600  
Fax : 04 - 645 7448

### SHARE REGISTRAR

AGRITEUM SHARE REGISTRATION SERVICES SDN. BHD.  
2ND FLOOR, WISMA PENANG GARDEN  
42 JALAN SULTAN AHMAD SHAH  
10050 PENANG  
Tel : 04 - 228 2321  
Fax : 04 - 227 2391

### AUDITORS

JB LAU & ASSOCIATES  
CHARTERED ACCOUNTANTS

### SOLICITORS

BAN ENG, ANUAL & FOONG

### PRINCIPAL BANKERS

ALLIANCE BANK MALAYSIA BERHAD  
AMBANK (M) BERHAD  
EON BANK BERHAD  
HONG LEONG BANK BERHAD  
OCBC BANK (MALAYSIA) BERHAD  
UNITED OVERSEAS BANK (MALAYSIA) BHD

### STOCK EXCHANGE LISTING

MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD

# CORPORATE STRUCTURE



## CHAIRMAN'S STATEMENT

“On behalf of the Board of Directors, it is my pleasure to present the Annual Report of the GA Blue Group for the financial year ended 31 July 2005.”

### FINANCIAL RESULTS

Despite the soft global economy and the weaker consumer spending in the local market, the Group managed to chalk up a consolidated revenue of RM50.7 million which is comparable to the previous year of RM50.8 million. The Group achieved profit before tax of RM9.9 million which is 7.5% lower than the previous year of RM10.7 million due to higher provisions for depreciation and amortisation. Profit after tax attributable to shareholders was RM7.4 million as compared to RM8.6 million for the previous year due to higher tax expense.



### DIVIDENDS

The Company paid a first and final dividend of 6% less 28% tax amounting to RM2,160,000 for the previous financial year ended 31 July 2004.

An interim dividend of 4% less 28% tax amounting to RM1,800,000 for the financial year ended 31 July 2005 was paid on 15 August 2005.

The Board is pleased to recommend the payment of a final dividend of 3% less tax amounting to RM1,350,000 for the financial year ended 31 July 2005 for the approval by the shareholders at the forthcoming Annual General Meeting. If approved, the total payout including the interim dividend will amount to RM3,150,000 which is an increase of 45.8% over the previous year.

### REVIEW OF OPERATIONS

#### Apparels

The apparels division continues to be the main contributor to the Group's turnover and profit. Apparels contributed about 73% of total revenue with the bulk of the sales coming from jeanswear products. Outright sales through dealers and distributors saw a dip in volume due to the tighter credit situation in the market and more stringent credit control by the management. The Group's new direction to penetrate up-market departmental stores which target more affluent customers proved to be fruitful with sales improving by 38% as compared to the previous year. Management will continue to focus on developing this market segment in view of its future potential.

The launch of 3 new international brands into United Kingdom last year has been well received by their discerning and fashion conscious consumers. The 3 brands of Laura Lees, Peoples' Market and Tip Top Tees which feature trendy UK-designed apparels are now available in up-market departmental stores like Selfridges and Top Shop. The acceptance of the Group's apparels in these prestigious outlets augurs well for the future. Export sales have more than doubled to RM3.7 million as compared to the previous year and are expected to grow further in the current financial year.



## CHAIRMAN'S STATEMENT



### Accessories

Gross sales of footwear, bags, leather and other accessories achieved a total value of RM8.5 million which is a slight drop of 16% as compared to the previous year.

### Manufacturing and Finishing

The sewing plant and specialized treatment and finishing division which are mainly engaged in producing jeanswear and other apparels for the Group, recorded lower sales of RM9.4 million as against RM12.4 million for the previous year due to lower procurement of outside jobs to take up excess capacity during the off-peak season. Accordingly, pre-tax profit of RM1.7 million for the division was lower than the RM2.3 million achieved for the previous year.

### CORPORATE DEVELOPMENTS

On 4 November 2004, the Company announced a bonus issue of 25,000,000 new ordinary shares of 50 sen each on the basis of one share for every four existing shares held and a transfer of the listing and quotation for the entire issued and paid-up share capital from the Second Board to the Main Board of the Bursa Malaysia Securities Berhad. The bonus shares were allotted and quoted on the Second Board on 18 March 2005 and 25 March 2005 respectively. The Company has also completed the transfer of the listing to the Main Board on 15 June 2005.

On 24 January 2005, G. A. Blue Corporation Sdn Bhd, a wholly-owned subsidiary, entered into an agreement with American Mentality Inc, a Florida corporation, duly organized in the United States of America, for the acquisition of a registered Trade Mark called "UGP Underground Products" for a cash consideration of USD550,000. The trade mark which has a market presence in over 25 countries in the world will spearhead the Group's export business into the United States, Europe and other identified overseas markets.

The Company had, on 28 November 2005, acquired the entire issued and paid-up share capital of Syabas Lagenda Sdn Bhd comprising 1,300,000 ordinary shares of RM1.00 each for a nominal purchase consideration of RM2.00.

### PROSPECTS

The Group will continue to emphasize brand building in both the domestic and overseas markets in its quest to improve performance and return on equity. We are ready to embark on the next stage of the Group's growth through our two-prong strategic move into the export markets. We have overcome the initial difficulties of the infancy stage of our marketing setup in the United Kingdom, which serves as our foray into the European markets. Secondly, the recent acquisition of UGP will put the Group on a strong footing in its move to enter the United States and Far East markets. Barring unforeseen circumstances, the Board is optimistic of the business outlook for the Group for the current year.

### APPRECIATION

On behalf of the Board, I would like to express our appreciation to our business associates and customers for their continued support. We also would like to thank the management and staff of the Group for their dedication and contribution during the year.

**Kan Ah Chun**  
**Executive Chairman**  
**1 December 2005**



## DIRECTORS' PROFILE

### **KAN AH CHUN** • AGED 52 • MALAYSIAN

He was appointed as the Executive Chairman of the Company on 2 December 2003. He graduated from the University of Malaya with a Bachelor of Science (Honours) degree in 1977 and a Diploma of Education in 1978. He joined United Overseas Bank Berhad (UOB) in 1982 and held various senior posts during his tenure with UOB until 1995. He was with Malpac Securities Sdn Bhd in 1996 as its Chief Executive Officer. In September 1996, he was appointed Executive Director of Malpac Holdings Berhad, a position he still holds at present. He assumed the position of Executive Director of GA Blue Corporation Sdn Bhd in August 1996. He also holds directorships in several private limited companies.

### **DATO' YEAP BEOW CHONG** • AGED 47 • PERMANENT RESIDENT OF MALAYSIA

He was appointed as the Managing Director of the Company on 2 December 2003. He started his career in the textile industry in 1977 when he joined Lam Chuan Textile & Co. He gained invaluable experience in the sourcing and sales of textiles during the 13 years he was with the company. He was promoted to Marketing Manager in 1987, the position he last held before he left in 1990. In 1991, he became the Managing Director of Uniwash Industries Sdn Bhd, a company he set up which was involved in the provision of jeans treatment and finishing services. He divested his interests in the company in 1995 and subsequently joined GA Blue Corporation Sdn Bhd as the Managing Director. He also holds directorships in several private limited companies.

### **YEOH YEOW CHEANG** • AGED 48 • MALAYSIAN

He was appointed as the Executive Director of the Company on 2 December 2003. He obtained a Diploma of Commerce (Financial Accounting) from Tunku Abdul Rahman College, Kuala Lumpur in 1980. He is a Chartered Accountant with the Malaysian Institute of Accountants since 1985. He qualified as a member of the Association of Chartered Certified Accountants, UK in 1985 and subsequently became a Fellow in 1990. He gained audit experience with Kassim, Chan & Co, Penang from 1980 to 1984. He left to join Malaysia Aica Berhad in 1985 as Accounting/Finance Manager. Between 1998 and 2001, he was an Executive Director with Maica Laminates Sdn Bhd. He joined the GA Blue Group in March 2002 as the Financial Controller and assumed the position of Executive Director of GA Blue Corporation Sdn Bhd in July 2002.

## DIRECTORS' PROFILE (CONTINUED)

### **SAFFIE BIN BAKAR** • AGED 52 • MALAYSIAN

He was appointed as the Non-independent Non-Executive Director of the Company on 2 December 2003. He is a graduate from the University of Malaya with a B.A.(Hons.) majoring in Geography, which he received in 1977. He was also awarded Postgraduate Diploma in Public Administration (D.P.A) from the Faculty of Economics and Administration, University of Malaya in 1978. He received his Masters of Business Administration (MBA) from United States International University, San Diego, California, U.S.A. in 1988. He has more than 28 years of management expertise especially in the areas of projects planning, business development, property development and human resources management. He was attached to Perlis State Government from May 1978 to August 1983, during which he served as an Assistant State Secretary in Economics Planning. He joined Perlis State Economics Development in September 1983 as a Business Development Manager until his optional retirement in August 1994. He is currently the Adviser to Shorubber (Malaysia) Sdn. Bhd a manufacturer of industrial gloves. He is also an independent non-executive director for several public listed companies, i.e. MESB Berhad, AE Multi Holdings Berhad and KBB Resources Berhad.

### **OOI SIEW KIM** • AGED 49 • MALAYSIAN

She was appointed as the Independent Non-Executive Director of the Company on 2 December 2003. She graduated with a Bachelor of Law (Honours) from Wolverhampton Polytechnic, United Kingdom in 1987. She is a Barrister-at-Law of Lincoln's Inn, London since 1988. She started her career as a Legal Assistant with Chin, Eng & Co., a legal firm, in 1989 and she was mainly responsible for litigation matters. In 1994, she left to set up her own legal practice under the name of Ooi Siew Kim & Co. which undertakes mainly litigation and conveyancing work. She was appointed as a municipal councilor of the Penang Municipal Council for two terms in 1997 and 1998 and was a Director of Penang Port Commission from April 2001 to April 2003. She has been appointed a Senator since November 2002. She is also an Independent Non-Executive Director of MNC Wireless Berhad, a public listed company.

### **LOH CHYE TEIK** • AGED 46 • MALAYSIAN

He was appointed as the Independent Non-Executive Director of the Company on 2 December 2003. He graduated with a Bachelor of Accounting (Honours) from University of Malaya, Kuala Lumpur in 1984. He is Chartered Accountant of the Malaysian Institute of Accountants and has been a member since 1988. He started his career as an auditor in Chua, Lau & Associates, an audit firm, in 1985 and left in 1988 to join CET Sdn Bhd, a cane furniture manufacturer, as an Accountant. He joined Distd College in 1990 as a lecturer. In 1991, he joined EA Tan & Co, an audit firm, as an Audit Manager. In 1994, he left to set up his current audit partnership under Tan & Loh, and acts as its Managing Partner. In 2001, he also assumes the position of Managing Director of Interresources Tax Advisory Sdn Bhd, a Company that provides advice on tax matters.

#### **Notes:**

1. None of the Directors of the Company have any family relationship with any Director or major shareholder of the Company except for Dato' Yeap Beow Chong who is the spouse of Madam Lim Tiam Eng, a major shareholder of the Company.
2. All the Directors of the Company have no conflict of interest with the Company and have not been convicted of any offence within the past ten (10) years.

## STATEMENT ON CORPORATE GOVERNANCE

The Board upholds the level of Corporate Governance practices within the Group by applying the principles and best practices of the Malaysian Code on Corporate Governance ("the Code") to protect and enhance shareholders value.

The Board is pleased to provide the following statement on how the Group has applied the principles and best practices set out in Part 1 and 2 of the Code. Unless otherwise stated, the Board has to the best of its ability throughout the financial year ended 31 July 2005 complied with the best practices indicated in the Code.

### SECTION 1 : DIRECTORS

#### BOARD RESPONSIBILITIES

The Board is responsible to guide and monitor the affairs of the Group on behalf of the shareholders to retain full and effective control over the Group. This includes without limitation, the review of the strategic direction for the Group, overseeing the business operations of the Group, and evaluating whether these are being properly managed.

The Board assumes the following responsibilities to facilitate the discharge of their stewardship responsibilities:-

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and the statutory requirements are being complied;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations programme or shareholder communications policy for the company; and
- Ensuring the adequacy of the management information and internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines in the Group.

The combination of Executive Directors, who with their intimate knowledge of the business takes on primary responsibility for leadership of the company with the non-executive directors, provide a broader view to the Company's activities and a balanced perspective.

The Board meets on a scheduled basis once in every quarter to primarily discuss the financial statements, corporate and strategic issues, performance of business units and factors relating to potential risk in the business of the Group. During the financial year under review, four (4) Board meetings were held and the record of attendance of the members are as follows:-

NAME OF DIRECTORS	NO OF MEETINGS ATTENDED
Mr. Kan Ah Chun	4
Dato' Yeap Beow Chong	4
Mr. Yeoh Yeow Cheang	4
En. Saffie Bin Bakar	4
Madam Ooi Siew Kim	4
Mr. Loh Chye Teik	4

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### **BOARD BALANCE**

The Board composition comprises of six (6) members with Mr. Kan Ah Chun at the helm as Executive Chairman and Dato' Yeap Beow Chong as the Managing Director. Three of the Directors are Executive Directors, one is a Non-Independent Non-Executive Director while the remaining two are Independent Non-Executive Directors.

The composition of the Board is deemed fairly balanced to complement the Board in providing industry-specific knowledge, technical, and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgment to various aspects of the Company's strategies and performance.

The structure of the Board fairly reflects the investment of the minority shareholders through Board representation.

There is a clear division of responsibility between the Chairman and Managing Director to ensure that there is a balance of power and authority. Decisions made by the Board are communicated through the Managing Director to the senior management team.

Mr. Loh Chye Teik, Chairman of the Audit Committee has professional accounting and audit background to continuously provide inputs for check and balance. He also reviews the internal control system, risk management system and published financial reports.

He has also been identified as the Independent Non-Executive Director, with the assistance of the Company's Corporate Division personnel, to whom concerns of shareholders, management or other matters concerning the Group may be conveyed.

### **SUPPLY OF INFORMATION**

All notices of meetings together with the agenda and discussion papers are served on the Directors in advance of meeting dates. Ample opportunities have been provided to the Directors to make enquiries and to obtain information and explanation on any issue at any time within the Group whether as a full Board or in their individual capacity in furtherance of their duties.

The availability of the Company Secretary, financial and legal officers within the Group as well as the engagement of external secretarial agents and panel lawyers enables the Directors to have easy access to their advice and services. They may take independent advice, at the Company's expense, if so required.

### **APPOINTMENTS TO THE BOARD**

The Nomination Committee was established on 3 December 2003 and comprises of the following Directors:-

- Mr. Loh Chye Teik, Independent Non-Executive Director (Chairman)
- Madam Ooi Siew Kim, Independent Non-Executive Director (Member)
- En. Saffie Bin Bakar, Non-Independent Non-Executive Director (Member)

The Nomination Committee was established with defined terms of reference to assist them in discharging their duties. As no new appointment has been made to the Board since the company commenced operations, there was no necessity for the Committee to discharge its duties. However, the Nomination Committee met once during the year to review the performance of the Directors seeking re-election at the forthcoming AGM.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

**RE-ELECTION OF DIRECTORS**

In accordance with the provisions of the Company's Articles of Association, an election of Directors shall take place each year and all Directors, including the managing director, will retire from office at least once in every 3 years, but shall be eligible for re-election.

The particulars of the Directors seeking re-election at this coming AGM are disclosed in the Notice of Meeting.

**SECTION 2 : DIRECTORS' REMUNERATION**

The Remuneration Committee ("RC") was established on 3 December 2003 and comprises of the following Directors:-

- Mr. Loh Chye Teik, Independent Non-Executive Director (Chairman)
- Mr. Ooi Siew Kim, Independent Non-Executive Director (Member)
- En. Saffie Bin Bakar, Non-Independent Non-Executive Director (Member)

The RC was established with defined terms of reference to assist them in performing their duties. They shall be responsible for recommending the remuneration framework for Directors as well as the remuneration packages of Executive Directors of the Board.

The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

The details of Directors' remuneration for the financial year ended 31 July 2005 are as follows:-

PARTICULAR	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	TOTAL (RM)
Fees	30,000	30,000	60,000
Salaries & bonuses	688,600	-	688,600
Allowances	-	-	-
Benefits in kind	53,267	-	53,267
<b>Total</b>	<b>771,867</b>	<b>30,000</b>	<b>801,867</b>

The remuneration of the Directors summarized in bands of RM50,000 for the financial year ended 31 July 2005 are as follows:-

RANGE OF REMUNERATION	NUMBER OF DIRECTORS	
	EXECUTIVE	NON-EXECUTIVE
Below RM50,000	-	3
RM 50,000 to RM 100,000	-	-
RM 100,001 to RM 150,000	1	-
RM 150,001 to RM 200,000	-	-
RM 200,001 to RM 250,000	-	-
RM 250,001 to RM 300,000	2	-

**Notes:**

The above mentioned Directors' remuneration is the total sum of the remuneration received by the Company's Directors from the Company and/or its subsidiary and associate companies.

Individual remuneration of each Directors is not disclosed as the Directors are of the view that the disclosure by bands above provides sufficient information.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### **SECTION 3 : SHAREHOLDERS**

#### **DIALOGUE BETWEEN THE COMPANY AND INVESTORS**

The Company values dialogue with investors as a means of effective communication that enables the Board and management to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interest.

Information of the Group could be obtained from the Company's website at [www.gablue.com.my](http://www.gablue.com.my) In addition, the latest annual report available in PDF format can be downloaded and printed. Quarterly announcement are also available at the website of Bursa Malaysia at [www.bursamalaysia.com](http://www.bursamalaysia.com) after announcement to the public.

#### **ANNUAL GENERAL MEETING ("AGM")**

The AGM is the principal forum for dialogue with shareholders. Notice of AGM and annual reports are sent out to the shareholders at least 21 days before the date of the meeting.

The Company provides ample opportunity for shareholders to raise questions pertaining to the business activities of the Group. All the directors are available to provide responses to questions from the shareholders during these meetings.

Special business items are included in the notice of the meeting with sufficient explanatory notes to facilitate full understanding and evaluation of the issues involved.

### **SECTION 4 : ACCOUNTABILITY AND AUDIT**

#### **FINANCIAL REPORTING**

The Directors provides a balanced and meaningful assessment of the Group's position and prospects through the annual financial statements and quarterly announcements of results to the shareholders. The Audit Committee of the Board assists by scrutinizing the information to be disclosed to ensure accuracy and adequacy.

#### **INTERNAL CONTROL**

In line with the requirement of the Bursa Malaysia, a statement on the Group's Internal control statement is set out on page 13.

#### **RELATIONSHIP WITH AUDITORS**

The Group has, through the Audit Committee, established a transparent and appropriate relationship with the Group's external auditors. A report of the Audit Committee and their terms of reference is included on pages 15 to 18 . In addition, the Chairman of the Audit Committee has met with the external auditors without the presence of any Executive Board member once during the year.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### **BEST PRACTICE OF THE CODE**

The Directors are committed to achieving high standards of Corporate Governance throughout the Group and to the highest level of integrity and ethical standards in its business dealings. The Board considers that it has to the best of its ability complied with the Best Practices as set out in the Code.

### **SECTION 5 : STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS**

The financial statements of the Group as set out in this Report are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2005 and of the results of its operations and cash flows for that year then ended.

The Directors consider that in preparing the financial statements:-

- The Group has used appropriate accounting policies and are consistently applied;
- Reasonable and prudent judgements and estimates were made; and
- All applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible to ensure that the Company maintains accounting records that discloses with reasonable accuracy, the financial position of the Group and the Company, and that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

## STATEMENT ON INTERNAL CONTROL

The Board of Directors acknowledged their responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risk of failure to achieve corporate objective. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management and financial, organizational, operational and compliance control.

The key process that have been established by the Board in reviewing the adequacy and integrity of the system, of internal controls include the following:

The Risk Management Committee ("RMC") was established to assist the Board to oversee the overall management of principal areas of risk and to provide guidance to all business units on Risk Policy and Procedures. In discharging its duties, the Risk Management Committee is assisted by Risk Management Unit ("RMU") comprising of active subsidiaries of the Group which has been set-up to ensure that an ongoing process for identifying, evaluating, monitoring and managing the risk affecting the Group are in place.

The RMU have taken on the task of reviewing all existing high and significant residual risks of the Group, the proposed actions and controls in place. Ongoing review of all existing risks would continue to be undertaken while new risks when arises shall continue to be identified. The RMC furnishes periodical reports to the Audit Committee on exercises undertaken by the RMU in monitoring and identifying risks within the Group.

The Board fully supports the contents of the Standard Operating Procedures and has extended the responsibilities of the Audit Committee to include the work of monitoring internal controls on its behalf, which includes identifying risk areas faced by the Group to be communicated to the Board of Directors.

### **INTERNAL AUDIT DIVISION**

The Group has an Internal Audit function and its objective is to assist the Audit Committee ("Committee") to effectively discharge the Committee's duties and responsibilities by providing the Committee with an assessment of the adequacy, efficiency and effectiveness of the Group's internal control system in anticipating potential risk exposures over key business processes. The internal auditors maintain their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the Audit Committee.

The internal audit function focuses on areas of priority as determined by the risk profile. Where any significant weaknesses have been identified, measures to strengthen controls are recommended. The internal audit report are tabled at Audit Committee meetings for review.

## STATEMENT ON INTERNAL CONTROL (CONTINUED)

### **OTHER RISK AND CONTROL PROCESS**

Apart from the Risk Management Committee, Audit Committee and the Internal Audit function, the Board has the following control processes in place:

The full Board meets on a quarterly basis to discuss matters brought to its attention, thus ensuring effective supervision over the operations of the Group are maintained. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis;

An organizational structure with defined lines of responsibility and delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability;

Regular review of the risk management process by the Board, which includes on its agenda matters relating to significant risks that may impede business objectives;

Formal quarterly reviews by the Board on the adequacy and integrity of the system of internal control will be conducted with the assistance of the Audit Committee.

There were no material losses incurred during the financial year as a result of weakness in internal control. The Board, together with Management, continues to take measures to strengthen the control environment.

# AUDIT COMMITTEE REPORT

## COMPOSITION

Mr. Loh Chye Teik <i>Chairman</i>	(Independent Non-Executive Director)
Ms. Ooi Siew Kim <i>Member</i>	(Independent Non-Executive Director)
Mr. Yeoh Yeow Cheang <i>Member</i>	(Executive Director)

## TERMS OF REFERENCE

### OBJECTIVES

The principal objective of the Audit Committee (the "Committee") is to assist the Board of Directors in discharging its duties and responsibilities in the area of corporate governance and internal audit with particular reference to the public accountability of the Company and its subsidiaries.

## COMPOSITION

The Audit Committee shall consist of at least three (3) members appointed by the Board from amongst the directors, comprising a majority of independent non-executive directors.

The Board shall ensure that at least one member of the Committee shall be:-

- i) A member of the Malaysian Institute of Accountants; or
- ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
  - a) He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - b) He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act 1967.

An alternate director shall not be appointed as a member of the Audit Committee. The members of the Audit Committee shall select a chairman from amongst the independent non-executive directors.

## AUTHORITY

The Committee is authorized by the Board to investigate any activity within its terms of reference.

The Committee is also authorized by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee has full and unrestricted access to any information pertaining to the Group and the resources, which are required to perform its duties.

## AUDIT COMMITTEE REPORT (CONTINUED)

### DUTIES

The duties of the Committee shall include the following:-

- To consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
- To discuss with the external auditor their audit plan before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- To discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- To review the system of internal control, and in particular review the external auditor's management letter and management's response;
- To ensure that adequate assistance is given by the employees of the Company to the external auditors;
- To ensure the adequacy of the scope and resources of the internal audit functions with the necessary authority for implementation;
- To review the internal audit programme and its findings, ensure that investigation is undertaken with the appropriate remedial action based on the recommendations of the internal audit function;
- To review any appraisal or assessment of the performance of members of the internal audit function;
- To approve any appointment or termination of senior staff members of the internal audit function;
- To be informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning;
- To review the quarterly and year-end financial statements, prior to the approval by the board of directors, focusing particularly on:-
  - i. Changes in or implementation of major accounting policies;
  - ii. Significant and unusual events;
  - iii. The going concern assumption; and
  - iv. Compliance with accounting standards and other legal requirements;
- To review management's monitoring of compliance with the company's code of corporate conduct;
- To review with the company's council, any legal matters that could have a significant impact on the company's financial statements;
- To review the major findings of internal investigations and management's responses as well as any examinations by regulatory authorities;
- To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- Such other responsibilities as may be agreed to or by the Audit Committee and the Board of Directors.

## AUDIT COMMITTEE REPORT (CONTINUED)

### RETIREMENT AND RESIGNATION

In the event of any vacancy in an Audit Committee resulting in non compliance with the minimum requisite number of member, the said vacancy must be filled within 3 months.

### REVIEW OF THE AUDIT COMMITTEE

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

### MEETINGS

The Committee shall meet at least four (4) times per financial year. Additional meetings may be held at the discretion of the Committee or at the request of external auditors. The quorum of the meeting is two (2) and majority of members present must be independent directors.

A representative of the Company's department heads and the external auditors shall normally attend the meeting as and when required. However, at least once a year the Committee shall meet with the external auditors without the Executive Board members present.

The Secretary to the Audit Committee shall be the Company Secretary or any other person appointed by the Committee.

The procedures of the meeting are as follows:-

- The members may regulate their meetings as they think fit;
- Every notice convening meetings shall specify the place, the day, the hour and the agenda of the meeting and shall be given to all members at least one day before the meeting;
- Any question arising at any meeting of members shall be decided by a majority of votes and a determination by a majority of members. In the case of an equality of votes the Chairman shall not have a casting vote including but not limiting to the case where the quorum is made up of only two (2) members;
- The minutes of the meetings shall be kept at the registered office of the Company;
- The Secretary shall circulate the minutes of meetings of the Committee to all members of the Committee.

During the financial year ended 31 July 2005, four (4) meetings were held and the table of attendance of each committee member is as follows:-

<b>NAME</b>	<b>NO.OF MEETINGS ATTENDED</b>
Mr. Loh Chye Teik	4
Madam Ooi Siew Kim	4
Mr. Yeoh Yeow Cheang	4

## AUDIT COMMITTEE REPORT (CONTINUED)

### **SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE**

The activities of the Audit Committee for the financial year under review includes the following:-

1. Reviewing and recommending for the Board's approval on the quarterly financial results and audited financial statements.
2. Reviewing the remit of the internal audit function.
3. Reviewing the Executive Risk Management framework reports.
4. Reviewing the status of the Internet Control System of the Group.

### **INTERNAL AUDIT FUNCTION**

The Internal Audit Department (IAD) assists the Audit Committee in discharging its duties and responsibilities.

The role of the IAD is to provide the Committee with independent and objective reports on the state of internal controls for high-risk areas of the Group and the extent of compliance with established policies and procedures. The auditors will also review the Risk Management activities within the group to ensure that risks faced by the Company are managed properly and are in compliance to the Group's Risk Management Policy.

Supported by a risk-based audit plan, various audit assignments have been carried out on the operations, management and financial system of the Group as well as compliance audits. The Audit Committee deliberates on the internal audit report prepared by the Division and ensures that recommendations made by the internal auditors have been accepted and duly acted upon by the Management.

## OTHER INFORMATION

### **SHARE BUYBACKS, OPTIONS OR WARRANTS**

During the financial year, the Company did not issue any option, warrants or enter into any share buyback transactions.

### **AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT PROGRAMME ("GDR")**

During the financial year, the Company did not sponsor any ADR or GDR programme.

### **IMPOSITION OR SANCTION AND PENALTIES**

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

### **NON-AUDIT FEES**

During the financial year, non-audit fees paid to external auditors of the Company amounted to RM5,500.

### **PROFIT ESTIMATE, FORECAST OR PROJECTION**

The Company did not issue or announce any profit estimate, forecast or projection to the public for the financial year.

### **PROFIT GUARANTEE**

During the financial year, there were no profit guarantees given by the Company.

### **REVALUATION POLICY ON LANDED PROPERTIES**

The Company does not adopt any revaluation policy on landed properties.

### **MATERIAL CONTRACTS**

There were no material contracts entered into by the Company and its subsidiary companies involving Directors' and major shareholders' interests either still subsisting as at 31 July 2005 or entered into since the end of the previous financial year.

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 JULY 2005

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended **31 July 2005**.

#### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the 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.

#### RESULTS

	<u>GROUP</u>	<u>COMPANY</u>
	<u>RM</u>	<u>RM</u>
Profit after taxation	7,370,262	5,843,129
Minority interests	(188,849)	-
Net profit for the year	<u>7,181,413</u>	<u>5,843,129</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 July 2005** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

#### DIVIDENDS

Since the end of the previous financial year, the Company had declared and paid the following dividends :

- i) First and final dividend of 6% less 28% taxation amounting to RM2,160,000 for the financial year ended 31 July 2004, and
- ii) An interim dividend of 4% less 28% taxation amounting to RM1,800,000 for the financial year ended 31 July 2005.

The directors now recommend the payment of a final dividend of 3% less tax amounting to RM1,350,000 for the financial year ended 31 July 2005 for the approval of members at the forthcoming Annual General Meeting of the Company.

#### 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.

**DIRECTORS' REPORT (CONTINUED)**  
FOR THE YEAR ENDED 31 JULY 2005

**SHARE CAPITAL**

During the financial year, the issued and paid-up share capital was increased from RM50,000,000 to RM62,500,000 by way of a bonus issue of 25,000,000 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share for every four (4) existing ordinary shares of RM1.00 each effected by capitalising RM12,500,000 from the retained profits and share premium account.

The above new shares rank pari passu with the existing shares of the Company in all respects.

Other than the foregoing, the Company did not issue any other share or debenture and did not grant any option to anyone to take up unissued shares of the Company during the financial year.

**DIRECTORS**

The directors who served since the date of the last report are as follows :

**Kan Ah Chun**  
**Dato' Yeap Beow Chong**  
**Yeoh Yeow Cheang**  
**Saffie Bin Bakar**  
**Ooi Siew Kim**  
**Loh Chye Teik**

In accordance with the Company's Articles of Association, **Mr. Yeoh Yeow Cheang** and **Encik Saffie Bin Bakar** retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS IN SHARES**

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

	----- No. of ordinary shares of RM0.50 each -----			
	Balance at 1.8.04	Bonus Issue	Bought/ (Sold)	Balance at 31.7.05
<b>The Company</b>				
<b>Direct interest</b>				
<b>Kan Ah Chun</b>	23,295,400	5,823,850	-	29,119,250
<b>Dato' Yeap Beow Chong</b>	23,295,400	5,823,850	-	29,119,250
<b>Yeoh Yeow Cheang</b>	160,000	79,000	181,000	420,000
<b>Saffie Bin Bakar</b>	19,245,400	3,811,350	(4,312,500)	18,744,250
<b>Ooi Siew Kim</b>	80,000	20,000	-	100,000
<b>Loh Chye Teik</b>	80,000	20,000	-	100,000

**DIRECTORS' REPORT (CONTINUED)**  
FOR THE YEAR ENDED 31 JULY 2005

**DIRECTORS' INTERESTS IN SHARES (CONTINUED)**

----- No. of ordinary shares of RM0.50 each -----

	Balance at 1.8.04	Bonus Issue	Bought/ (Sold)	Balance at 31.7.05
<b><u>The Company</u></b>				
<b><u>Deemed interest</u></b>				
<b>Kan Ah Chun</b>	-	1,031,800	4,127,200	5,159,000
<b>Dato' Yeap Beow Chong</b>	120,000	93,500	529,000	742,500

By virtue of their interests in the shares of the Company, **Mr. Kan Ah Chun, Dato' Yeap Beow Chong** and **Encik Saffie Bin Bakar** are also deemed interested in all the subsidiary companies, to the extent that it has interests.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a 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.

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, other than those already dealt with in this report and in the relevant financial statements, or
- iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**DIRECTORS' REPORT (CONTINUED)**  
FOR THE YEAR ENDED 31 JULY 2005

**OTHER STATUTORY INFORMATION (CONTINUED)**

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

- i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company 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.

**SIGNIFICANT EVENTS**

The significant events during the financial year were as follows :

- i) On 24 January 2005, a wholly owned subsidiary, G.A. Blue Corporation Sdn. Bhd. had entered into an Agreement with American Mentality, Inc, a Florida corporation, duly organised in the United States of America, for the acquisition of a registered Trade Mark "UGP Underground Products" for a cash consideration of USD550,000.00. The Trade Mark including trade name, fictitious name, service marks, trademarks, any and other items belonging to UGP brand and or labelled with UGP or a UGP which have been duly registered in the United States of America, Japan and Taiwan. Presently, the Trade Mark is pending registration in Malaysia and European common market which includes Austria, Belgium, Denmark, Germany, Greece, Finland, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden and United Kingdom. The acquisition of the Trade Mark will enable the Group to spearhead its export business into the United States of America, European and other overseas markets.
- ii) On 15 June 2005, the Company's entire issued and paid-up share capital were transferred from the Second Board to the Main Board of Bursa Malaysia Securities Berhad under the "Consumer Products" sector.

**AUDITORS**

The auditors, **JB LAU & ASSOCIATES**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors :

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**Kan Ah Chun**

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**Dato' Yeap Beow Chong**

**Penang,**  
**Date : 28 October 2005**

## CONSOLIDATED BALANCE SHEET

AT 31 JULY 2005

	NOTE	2005 RM	2004 RM
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>3</b>	<b>18,613,325</b>	16,677,769
<b>INTANGIBLE ASSET</b>	<b>5</b>	<b>1,969,190</b>	-
<b>CURRENT ASSETS</b>			
Inventories	6	24,216,968	21,420,082
Trade receivables	7	28,399,278	29,035,543
Other receivables, deposits and prepayments	8	3,097,805	4,571,170
Tax recoverable		161,077	308,081
Fixed deposit with a licensed bank	10	6,067	5,396
Cash and bank balances		2,803,945	2,666,981
		<b>58,685,140</b>	58,007,253
<b>CURRENT LIABILITIES</b>			
Trade payables	11	2,240,831	4,109,160
Other payables and accruals	12	1,101,511	2,038,496
Bank borrowings	13	1,342,300	293,574
Dividends payable		1,801,666	-
Provision for taxation		505,092	244,212
		<b>6,991,400</b>	6,685,442
<b>NET CURRENT ASSETS</b>		<b>51,693,740</b>	51,321,811
		<b>72,276,255</b>	67,999,580
<b>FINANCED BY :</b>			
<b>SHARE CAPITAL</b>	<b>14</b>	<b>62,500,000</b>	50,000,000
<b>SHARE PREMIUM</b>	<b>15</b>	<b>21,145</b>	4,598,772
<b>RETAINED PROFITS</b>		<b>6,896,247</b>	11,676,062
<b>SHAREHOLDERS' FUNDS</b>		<b>69,417,392</b>	66,274,834
<b>MINORITY INTERESTS</b>		<b>664,585</b>	475,736
<b>DEFERRED TAXATION</b>	<b>17</b>	<b>1,219,691</b>	1,177,421
<b>NON-CURRENT LIABILITIES</b>	<b>18</b>	<b>974,587</b>	71,589
		<b>72,276,255</b>	67,999,580

The notes set out on pages 33 to 57 form an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2005

	NOTE	<u>2005</u>	<u>2004</u>
		RM	RM
REVENUE	19	50,677,206	50,859,705
COST OF SALES		<u>(27,647,125)</u>	<u>(27,682,359)</u>
GROSS PROFIT		23,030,081	23,177,346
OTHER OPERATING INCOME		1,201,342	710,763
ADMINISTRATIVE EXPENSES		<u>(8,883,121)</u>	<u>(8,076,036)</u>
SELLING AND DISTRIBUTION EXPENSES		<u>(5,138,503)</u>	<u>(4,828,012)</u>
PROFIT FROM OPERATIONS		10,209,799	10,984,061
FINANCE COSTS		<u>(266,849)</u>	<u>(271,262)</u>
PROFIT AFTER FINANCE COSTS		9,942,950	10,712,799
GOODWILL ON CONSOLIDATION WRITTEN OFF		-	(614,883)
NEGATIVE GOODWILL ON CONSOLIDATION WRITTEN OFF		<u>-</u>	<u>9,136,900</u>
PROFIT BEFORE TAXATION	20	9,942,950	19,234,816
TAXATION	21	<u>(2,572,688)</u>	<u>(2,094,665)</u>
PROFIT AFTER TAXATION		7,370,262	17,140,151
PRE-ACQUISITION PROFIT		-	(5,285,818)
MINORITY INTERESTS		<u>(188,849)</u>	<u>(170,518)</u>
NET PROFIT FOR THE YEAR		<u>7,181,413</u>	<u>11,683,815</u>
EARNINGS PER SHARE (SEN) - BASIC	22	<u>5.74</u>	<u>14.68</u>
DIVIDENDS PER SHARE (SEN,NET)	23	<u>2.52</u>	<u>2.16</u>

The notes set out on pages 33 to 57 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2005

	NOTE	Non - distributable		Distributable	TOTAL RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	
<b>2005</b>					
Balance at beginning		50,000,000	4,598,772	11,676,062	66,274,834
Bonus issue	14 & 15	12,500,000	(4,498,772)	(8,001,228)	-
Exercise expenses	15	-	(78,855)	-	(78,855)
Net profit for the year		-	-	7,181,413	7,181,413
Dividends	23	-	-	(3,960,000)	(3,960,000)
Balance at end		<u>62,500,000</u>	<u>21,145</u>	<u>6,896,247</u>	<u>69,417,392</u>
<b>2004</b>					
Balance at beginning		2	-	(7,753)	(7,751)
Issue of shares					
- Acquisition of a subsidiary company	14 & 15	40,999,998	1,306,988	-	42,306,986
- Public issue	14 & 15	9,000,000	4,500,000	-	13,500,000
Listing expenses	15	-	(1,208,216)	-	(1,208,216)
Net profit for the year		-	-	11,683,815	11,683,815
Balance at end		<u>50,000,000</u>	<u>4,598,772</u>	<u>11,676,062</u>	<u>66,274,834</u>

The notes set out on pages 33 to 57 form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2005

	2005	2004
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,942,950	19,234,816
Less : Pre-acquisition profit	-	(6,950,477)
	<b>9,942,950</b>	12,284,339
Adjustments for :		
Allowance for doubtful debts	598,222	236,266
Amortisation of trade mark	121,985	-
Bad debts	168,834	71,078
Depreciation	1,496,258	800,025
Gain on disposal of property, plant and equipment	(26,267)	(47,942)
Goodwill on consolidation written off	-	614,883
Interest expense	266,849	271,262
Interest income	(131,592)	(38,279)
Negative goodwill on consolidation written off	-	(9,136,900)
Property, plant and equipment written off	-	1,703
Operating profit before working capital changes	<b>12,437,239</b>	5,056,435
Inventories	(2,796,886)	(5,979,968)
Receivables	1,342,574	10,093,288
Payables	(2,808,904)	(10,703,846)
Cash generated from/(used in) operations	<b>8,174,023</b>	(1,534,091)
Interest paid	(266,849)	(271,262)
Income tax paid	(2,174,856)	(1,201,523)
Income tax refunded	52,322	-
Net cash from/(used in) operating activities	<b>5,784,640</b>	(3,006,876)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash flow on acquisition of subsidiary companies *	-	1,758,583
Interest received	131,592	38,279
Placement of fixed deposit	(671)	-
Proceeds from disposal of property, plant and equipment	186,500	254,000
Purchase of property, plant and equipment	(3,592,047)	(2,723,881)
Purchase of trade mark	(2,091,175)	-
Net cash used in investing activities	<b>(5,365,801)</b>	(673,019)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bankers acceptance	(47,000)	(4,199,000)
Dividends paid	(2,158,334)	-
Payment of exercise/listing expenses	(78,855)	(1,208,216)
Proceeds from issuance of shares	-	13,500,000
Proceeds from term loan	1,900,000	-
Repayment of hire purchase loans	(43,792)	(27,200)
Repayment of term loans	-	(1,739,284)
Net cash (used in)/from financing activities	<b>(427,981)</b>	6,326,300
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,142)</b>	2,646,405
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<b>2,646,407</b>	2
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>2,637,265</b>	2,646,407

The notes set out on pages 33 to 57 form an integral part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2005

	<u>2005</u>	<u>2004</u>
	RM	RM
<b>Represented by:</b>		
Cash and bank balances	<b>2,803,945</b>	2,666,981
Bank overdrafts	<b>(166,680)</b>	(20,574)
	<b><u>2,637,265</u></b>	<u>2,646,407</u>
<b>Cash flow on acquisition of subsidiary companies *</b>		
Property, plant and equipment	-	14,961,674
Inventories	-	15,440,114
Receivables	-	44,007,345
Tax recoverable	-	280,776
Fixed deposit with a licensed bank	-	5,396
Cash and cash equivalents	-	3,538,583
Payables	-	(16,841,356)
Bank borrowings	-	(6,211,284)
Provision for taxation	-	(942,606)
Minority interests	-	(305,218)
Deferred taxation	-	(1,223,239)
Non-current liabilities	-	(101,182)
Share of net assets acquired	-	52,609,003
Goodwill on consolidation	-	614,883
Negative goodwill on consolidation	-	(9,136,900)
Total purchase consideration	<u>-</u>	<u>44,086,986</u>
Purchase consideration satisfied by cash	-	1,780,000
Purchase consideration satisfied by shares	-	42,306,986
	<u>-</u>	<u>44,086,986</u>
<u>Cash flow on acquisition of subsidiary companies</u>		
Purchase consideration by cash	-	(1,780,000)
Cash and cash equivalents acquired	-	3,538,583
	<u>-</u>	<u>1,758,583</u>

# BALANCE SHEET

AT 31 JULY 2005

	NOTE	2005 RM	2004 RM
<b>INVESTMENT IN SUBSIDIARY COMPANIES</b>	<b>4</b>	<b>60,285,607</b>	60,285,607
<b>CURRENT ASSETS</b>			
Other receivables		1,000	1,000
Tax recoverable		12,400	21,000
Amount due from subsidiary companies	9	8,633,967	12,825,967
Cash and bank balances		3,382	39,257
		<b>8,650,749</b>	12,887,224
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		101,526	77,753
Amount due to a subsidiary company	9	419,110	8,285,298
Dividends payable		1,801,666	-
		<b>2,322,302</b>	8,363,051
<b>NET CURRENT ASSETS</b>		<b>6,328,447</b>	4,524,173
		<b>66,614,054</b>	64,809,780
<b>FINANCED BY :</b>			
<b>SHARE CAPITAL</b>	<b>14</b>	<b>62,500,000</b>	50,000,000
<b>SHARE PREMIUM</b>	<b>15</b>	<b>21,145</b>	4,598,772
<b>RETAINED PROFITS</b>	<b>16</b>	<b>4,092,909</b>	10,211,008
<b>SHAREHOLDERS' FUNDS</b>		<b>66,614,054</b>	64,809,780

The notes set out on pages 33 to 57 form an integral part of these financial statements.

**INCOME STATEMENT**  
FOR THE YEAR ENDED 31 JULY 2005

		<u>2005</u>	<u>2004</u>
	<b>NOTE</b>	<b>RM</b>	<b>RM</b>
<b>REVENUE</b>	<b>19</b>	<b>8,380,000</b>	11,823,550
<b>ADMINISTRATIVE EXPENSES</b>		<u><b>(181,047)</b></u>	<u>(85,789)</u>
<b>PROFIT BEFORE TAXATION</b>	<b>20</b>	<b>8,198,953</b>	11,737,761
<b>TAXATION</b>	<b>21</b>	<u><b>(2,355,824)</b></u>	<u>(1,519,000)</u>
<b>NET PROFIT FOR THE YEAR</b>		<u><b>5,843,129</b></u>	<u>10,218,761</u>

The notes set out on pages 33 to 57 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2005

	NOTE	Non - distributable		Distributable	TOTAL RM
		SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	
<b>2005</b>					
Balance at beginning		50,000,000	4,598,772	10,211,008	64,809,780
Bonus issue	14 & 15	12,500,000	(4,498,772)	(8,001,228)	-
Exercise expenses	15	-	(78,855)	-	(78,855)
Net profit for the year		-	-	5,843,129	5,843,129
Dividends	23	-	-	(3,960,000)	(3,960,000)
Balance at end		<u>62,500,000</u>	<u>21,145</u>	<u>4,092,909</u>	<u>66,614,054</u>
<b>2004</b>					
Balance at beginning		2	-	(7,753)	(7,751)
Issue of shares					
- Acquisition of a subsidiary company	14 & 15	40,999,998	1,306,988	-	42,306,986
- Public issue	14 & 15	9,000,000	4,500,000	-	13,500,000
Listing expenses	15	-	(1,208,216)	-	(1,208,216)
Net profit for the year		-	-	10,218,761	10,218,761
Balance at end		<u>50,000,000</u>	<u>4,598,772</u>	<u>10,211,008</u>	<u>64,809,780</u>

The notes set out on pages 33 to 57 form an integral part of these financial statements.

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2005

	<u>2005</u>	<u>2004</u>
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>8,198,953</b>	11,737,761
Working capital changes		
Receivables	-	(1,000)
Payables	<b>23,773</b>	70,000
Cash generated from operations	<b>8,222,726</b>	11,806,761
Income tax paid	<b>(2,347,224)</b>	(1,540,000)
Net cash from operating activities	<b>5,875,502</b>	10,266,761
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in subsidiary companies	-	(17,978,621)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	<b>(2,158,334)</b>	-
Payment of exercise/listing expenses	<b>(78,855)</b>	(1,208,216)
Proceeds from issuance of shares	-	13,500,000
Subsidiary companies	<b>(3,674,188)</b>	(4,540,669)
Net cash (used in)/from financing activities	<b>(5,911,377)</b>	7,751,115
<b>NET (DECREASE)/INCREASE IN CASH</b>	<b>(35,875)</b>	39,255
<b>CASH AT BEGINNING</b>	<b>39,257</b>	2
<b>CASH AT END</b>	<b>3,382</b>	39,257

The notes set out on pages 33 to 57 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2005

## 1. GENERAL INFORMATION

### General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 October 2005.

### Principal Activities

The principal activity of the Company is that of investment holding.

The principal activities of the 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years.

### 2.1 Basis of Accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### 2.2 Basis of Consolidation

The financial statements of the Group include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. 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 activities 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 the subsidiary companies acquired or disposed of are included from the date of acquisition or up to the date of disposal. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition.

The difference between the cost of acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is written off immediately in the income statement as goodwill or negative goodwill arising on consolidation.

Inter-company balances, transactions 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. Where necessary, adjustments are made to the financial statements of the subsidiary companies to ensure consistency of accounting policies with those of the Group.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Basis of Consolidation (CONTINUED)**

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair values of the identifiable assets and liabilities of the acquiree company as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

**2.3 Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for short leasehold land which is stated at valuation less subsequent amortisation.

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

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

Property, plant and equipment are depreciated over their estimated useful lives on the straight line method at the following annual rates :

Short leasehold land	Amortised over the lease period of 48 years
Long leasehold land	Amortised over the lease period of 92 years
Buildings and freehold shoplots	2%
Long leasehold commercial lots	Amortised over the lease period of 99 years
Machinery and factory equipment	10%
Renovation	2%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	20%

Short leasehold land refers to land with remaining lease period of less than 50 years determined as at balance sheet date.

Long leasehold land and commercial lots refer to properties with remaining lease period of more than 50 years determined as at balance sheet date.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Hire Purchase

Property, plant and equipment financed under hire purchase are capitalised in the financial statements and are depreciated in accordance with the accounting policy as set out in Note 2.3. Outstanding obligations due under hire purchase after deducting finance costs are included as liabilities in the financial statements. The finance costs are charged to the income statement over the period of the respective agreements using the straight line method.

#### 2.5 Intangible Asset

Intangible asset represents a trade mark and is stated at cost less accumulated amortisation and impairment losses. Trade mark is amortised over a period of 10 years.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

#### 2.6 Investment in Subsidiary Companies

Investment in subsidiary companies which is eliminated on consolidation is stated at cost less accumulated impairment losses in the Company's financial statements.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

On disposal of investment in subsidiary companies, the difference between net disposal proceeds and their carrying amount is charged or credited to the income statement.

#### 2.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost in the case of work-in-progress and finished goods includes materials, direct labour and attributable production overheads.

Cost is determined on the weighted average basis.

Net realisable value represents the estimated selling price less all estimated costs to completion and estimated costs to be incurred in marketing, selling and distribution.

#### 2.8 Receivables

Receivables are stated at their anticipated realisable values.

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

#### 2.9 Payables

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.10 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.

#### 2.11 Revenue Recognition

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue arising from the provision of services is recognised on the dates the services are rendered and completed.

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

Interest income is recognised in the income statement on the accrual basis.

#### 2.12 Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

#### 2.13 Employee Benefits

##### Short term benefits

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

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Foreign Currency Translations

Assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at the rates of exchange approximately ruling on that date. Transactions in foreign currencies during the year have been translated into Ringgit Malaysia at the rates of exchange approximately ruling on the transaction dates.

All exchange gains or losses are included in the income statement.

The closing rates of exchange of the foreign currencies used in the preparation of the financial statements are as follows :

	<u>2005</u>	<u>2004</u>
	RM	RM
1 Hong Kong Dollar	<b>0.4900</b>	0.4950
1 Singapore Dollar	<b>2.2000</b>	2.2000
1 Sterling Pound	<b>6.6000</b>	7.0000
1 US Dollar	<b>3.8250</b>	3.8000

### 2.15 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses in the period in which they are incurred.

### 2.16 Income Taxes

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or reserve on consolidation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.17 Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

#### 2.18 Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of the 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.

The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 3. PROPERTY, PLANT AND EQUIPMENT

### GROUP 2005

	----- At Valuation / Cost -----			
	Balance			Balance
	at	Additions	Disposals	at
	1.8.04	RM	RM	31.7.05
	RM	RM	RM	RM
<u>At valuation</u>				
Short leasehold land	2,350,000	-	-	2,350,000
<u>At cost</u>				
Long leasehold land	1,083,333	-	-	1,083,333
Freehold shoplots	180,000	-	-	180,000
Buildings	6,542,572	2,123,662	-	8,666,234
Long leasehold commercial lots	601,481	-	-	601,481
Machinery and factory equipment	2,860,996	5,600	-	2,866,596
Renovation	141,233	-	-	141,233
Furniture, fittings and office equipment	4,943,488	856,191	-	5,799,679
Motor vehicles	2,009,550	606,594	(308,460)	2,307,684
	<b>20,712,653</b>	<b>3,592,047</b>	<b>(308,460)</b>	<b>23,996,240</b>

	----- Accumulated Depreciation -----			
	Balance			Balance
	at	Current	Disposals	at
	1.8.04	charge	RM	31.7.05
	RM	RM	RM	RM
<u>At valuation</u>				
Short leasehold land	116,032	86,239	-	202,271
<u>At cost</u>				
Long leasehold land	9,813	11,775	-	21,588
Freehold shoplots	21,600	3,600	-	25,200
Buildings	356,033	98,961	-	454,994
Long leasehold commercial lots	-	6,538	-	6,538
Machinery and factory equipment	897,538	296,720	-	1,194,258
Renovation	37,109	13,525	-	50,634
Furniture, fittings and office equipment	1,725,636	554,711	-	2,280,347
Motor vehicles	871,123	424,189	(148,227)	1,147,085
	<b>4,034,884</b>	<b>1,496,258</b>	<b>(148,227)</b>	<b>5,382,915</b>

	Net book value at
	31.7.05
	RM
<u>At valuation</u>	
Short leasehold land	2,147,729
<u>At cost</u>	
Long leasehold land	1,061,745
Freehold shoplots	154,800
Buildings	8,211,240
Long leasehold commercial lots	594,943
Machinery and factory equipment	1,672,338
Renovation	90,599
Furniture, fittings and office equipment	3,519,332
Motor vehicles	1,160,599
	<b>18,613,325</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2004

----- At Valuation / Cost -----						
	Balance at 1.8.03	Acquisition of subsidiary companies	Additions	Disposals	Written- off	Balance at 31.7.04
	RM	RM	RM	RM	RM	RM
<u>At valuation</u>						
Short leasehold land	-	2,350,000	-	-	-	2,350,000
<u>At cost</u>						
Long leasehold land	-	-	1,083,333	-	-	1,083,333
Freehold shoplots	-	180,000	-	-	-	180,000
Buildings	-	5,948,940	593,632	-	-	6,542,572
Long leasehold commercial lots	-	601,481	-	-	-	601,481
Machinery and factory equipment	-	2,814,196	48,000	(1,200)	-	2,860,996
Renovation	-	141,233	-	-	-	141,233
Furniture, fittings and office equipment	-	4,430,466	515,834	-	(2,812)	4,943,488
Motor vehicles	-	1,906,946	483,082	(380,478)	-	2,009,550
	-	<u>18,373,262</u>	<u>2,723,881</u>	<u>(381,678)</u>	<u>(2,812)</u>	<u>20,712,653</u>
----- Accumulated Depreciation -----						
	Balance at 1.8.03	Acquisition of subsidiary companies	Current charge	Disposals	Written- off	Balance at 31.7.04
	RM	RM	RM	RM	RM	RM
<u>At valuation</u>						
Short leasehold land	-	114,235	1,797	-	-	116,032
<u>At cost</u>						
Long leasehold land	-	-	9,813	-	-	9,813
Freehold shoplots	-	19,200	2,400	-	-	21,600
Buildings	-	267,339	88,694	-	-	356,033
Long leasehold commercial lots	-	-	-	-	-	-
Machinery and factory equipment	-	765,629	131,909	-	-	897,538
Renovation	-	30,183	6,926	-	-	37,109
Furniture, fittings and office equipment	-	1,414,240	312,505	-	(1,109)	1,725,636
Motor vehicles	-	800,762	245,981	(175,620)	-	871,123
	-	<u>3,411,588</u>	<u>800,025</u>	<u>(175,620)</u>	<u>(1,109)</u>	<u>4,034,884</u>
						Net book value at 31.7.04
						RM
<u>At valuation</u>						
Short leasehold land						2,233,968
<u>At cost</u>						
Long leasehold land						1,073,520
Freehold shoplots						158,400
Buildings						6,186,539
Long leasehold commercial lots						601,481
Machinery and factory equipment						1,963,458
Renovation						104,124
Furniture, fittings and office equipment						3,217,852
Motor vehicles						1,138,427
						<u>16,677,769</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### GROUP

- i) The short leasehold land is stated at directors' valuation based on the Report dated 15 March 2001 prepared by Henry Butcher, Lim & Long (N) Sdn. Bhd., an independent qualified valuers on the open market basis.

The historical cost of the revalued short leasehold land is as follows:

	<u>2005</u>	<u>2004</u>
	RM	RM
Cost	492,751	492,751
Accumulated depreciation	(59,952)	(29,976)
Net book value	<u>432,799</u>	<u>462,775</u>

- ii) The net book value of property, plant and equipment pledged to financial institution for banking facilities granted to the Group is as follows:

	<u>2005</u>	<u>2004</u>
	RM	RM
Short leasehold land	-	2,233,968
Buildings	-	4,060,773
	<u>-</u>	<u>6,294,741</u>

- iii) Motor vehicles with net book value amounting to **RM97,727** (2004 : RM145,371) were acquired under hire purchase loans.

#### COMPANY

There were no acquisitions and disposals of property, plant and equipment during the financial year and in the previous financial year.

### 4. INVESTMENT IN SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>2005</u>	<u>2004</u>
	RM	RM
Unquoted shares, at cost	<u>60,285,607</u>	<u>60,285,607</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 4. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies which are all incorporated in Malaysia are as follows :

<u>Name of Company</u>	<u>Effective</u> <u>Equity Interest</u>		<u>Principal Activities</u>
	<u>2005</u>	<u>2004</u>	
<u>Held by the Company</u>			
G.A. Blue Corporation Sdn. Bhd.	<b>100%</b>	100%	Manufacturing and marketing of jeanswear and its related products.
Uni Jeans Care Sdn. Bhd.	<b>100%</b>	100%	Provision of services relating to specialised treatment and finishing process of jeanswear.
Twin Access Sdn. Bhd.	<b>100%</b>	100%	Marketing, distributing and retailing of jeanswear and other fashion apparels.
Evatech Sdn. Bhd.	<b>100%</b>	100%	Manufacturing and selling of garments and apparels.
All Denim Sdn. Bhd.	<b>100%</b>	100%	Distributing and retailing of jeanswear, footwear and other accessories.
Topchamp Corporation Sdn. Bhd.	<b>100%</b>	100%	Marketing of jeanswear and its related products.
Delison Sdn. Bhd.	<b>100%</b>	100%	Distribution of haversacks, pouch bags and travelling bags.
LKH Footwear Collection Sdn. Bhd.*	<b>60%</b>	60%	Supplier of apparels and footwear.
Lensan Sdn. Bhd.	<b>100%</b>	100%	Marketing and distributing of fashion watches and eyewear.
Starix Collection Sdn. Bhd.	<b>51%</b>	51%	Marketing and distributing of high fashion wear.
Sebico Jaya Trading Co. Sdn. Bhd.*	<b>100%</b>	100%	Retail of ready-made clothing, handbags and personal effects.
<u>Held by Evatech Sdn. Bhd.</u>			
Lu Fa Industrial (M) Sdn. Bhd.	<b>100%</b>	100%	Dormant.
Quangcin Sdn. Bhd.	<b>100%</b>	100%	Dormant.

\* Not audited by JB Lau & Associates.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 4. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

All the above companies were acquired in the previous financial year and the effect of the acquisitions on the financial results of the Group was as follows :

	<b>2005</b>	2004
	<b>RM</b>	RM
Revenue	-	25,749,022
Cost of sales	-	(14,318,964)
Gross profit	-	11,430,058
Other operating income	-	678,305
Administrative expenses	-	(4,677,569)
Selling and distribution expenses	-	(3,530,386)
Profit from operations	-	3,900,408
Finance costs	-	(138,086)
Profit after finance costs	-	3,762,322
Taxation	-	(430,006)
Profit after taxation	-	3,332,316
Minority interests	-	(93,906)
Increase in Group's net profit	-	3,238,410

The effect of the acquisitions on the financial position of the Group as at 31 July 2004 was as follows :

	<b>2005</b>	2004
	<b>RM</b>	RM
Property, plant and equipment	-	16,677,769
Inventories	-	21,420,082
Trade receivables	-	29,035,543
Other receivables, deposits and prepayments	-	4,570,170
Tax recoverable	-	287,081
Fixed deposit with a licensed bank	-	5,396
Cash and bank balances	-	2,627,724
Trade payables	-	(4,109,160)
Other payables and accruals	-	(1,960,743)
Bank borrowings	-	(293,574)
Provision for taxation	-	(244,212)
Minority interests	-	(475,736)
Deferred taxation	-	(1,177,421)
Non-current liabilities	-	(71,589)
Increase in Group's net assets	-	66,291,330

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 5. INTANGIBLE ASSET

	GROUP	
	2005	2004
	RM	RM
<u>At cost</u>		
Addition during the year	2,091,175	-
Amortisation	(121,985)	-
	<b>1,969,190</b>	-

Intangible asset comprises a trade mark which was acquired for a total cash consideration of USD550,000.

## 6. INVENTORIES

	GROUP	
	2005	2004
	RM	RM
<u>At cost</u>		
Raw materials	1,402,537	2,096,371
Work-in-progress	830,645	1,290,126
Finished goods	14,246,399	10,942,729
Trading goods	7,719,881	7,068,245
Consumables	17,506	22,611
	<b>24,216,968</b>	21,420,082

## 7. TRADE RECEIVABLES

	GROUP	
	2005	2004
	RM	RM
Total amount	30,825,606	31,508,100
Allowance for doubtful debts		
Balance at beginning	(2,472,557)	-
Arising from the acquisition of subsidiary companies	-	(2,485,145)
Current year allowance	(471,707)	(236,266)
Doubtful debts recovered	517,936	248,854
Balance at end	<b>(2,426,328)</b>	(2,472,557)
	<b>28,399,278</b>	29,035,543

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 7. TRADE RECEIVABLES (CONTINUED)

Included herein are the following amounts that are denominated in currencies other than RM.

	GROUP	
	2005	2004
	RM	RM
Singapore Dollar	6,533	-
Sterling Pound	3,675,547	312,435
US Dollar	59,911	-

The normal credit terms for trade receivables are 30 to 180 days. Other credit terms are assessed and approved on a case-by-case basis.

### 8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP	
	2005	2004
	RM	RM
Total amount	3,224,320	4,571,170
Allowance for doubtful debts		
Current year allowance	(126,515)	-
	<b>3,097,805</b>	<b>4,571,170</b>

Included herein is an amount of **RM722,225** (2004 : RM38,175) that is denominated in US Dollar.

### 9. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

#### COMPANY

The amount due from/to subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

### 10. FIXED DEPOSIT WITH A LICENSED BANK

#### GROUP

The fixed deposit is pledged to a licensed bank for bank guarantee facility granted to a subsidiary company.

The effective interest rate of fixed deposit with a licensed bank at balance sheet date is **2%** (2004 : 2%) per annum.

The maturity of fixed deposit as at balance sheet date is **1 year** (2004 : 1 year).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

**11. TRADE PAYABLES**

Included herein are the following amounts that are denominated in currencies other than RM.

	<b>GROUP</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
Hong Kong Dollar	<b>1,161,542</b>	23,006
Singapore Dollar	-	1,320
US Dollar	<b>265,678</b>	-

The normal credit terms for trade payables are 30 to 60 days.

**12. OTHER PAYABLES AND ACCRUALS****GROUP**

Included herein is an amount of **RM100,000** (2004 : RM847,000) due to Mr. Wong Kum Khaw, a shareholder of a subsidiary company, and is unsecured, interest free and has no fixed terms of repayment.

**13. BANK BORROWINGS**

	<b>GROUP</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
Bankers acceptance	<b>226,000</b>	273,000
Bank overdrafts	<b>166,680</b>	20,574
Term loan (Note 18)	<b>949,620</b>	-
	<b>1,342,300</b>	293,574

The bank borrowings other than term loan are secured by way of :

- (i) Negative pledge over all the present and future assets of certain subsidiary companies,
- (ii) Loan and facilities agreement for RM3,000,000 plus interest thereon,
- (iii) Third party legal charge over the properties of certain subsidiary companies for RM2,200,000,
- (iv) Joint and several guarantee of certain directors of certain subsidiary companies,
- (v) Corporate guarantee of the holding company, and
- (vi) Corporate guarantee of a subsidiary company.

The effective interest rates per annum of bank borrowings other than term loan, as at balance sheet date are as follows:

	<b>GROUP</b>	
	<b>2005</b>	2004
	%	%
Bankers acceptance	<b>1.25</b>	3.11
Bank overdrafts	<b>7.50</b>	7.50

The maturities of the bankers acceptance as at balance sheet date is **180 days** (2004 : 120 days).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 14. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	2005	2004	2005	2004
			RM	RM
<b>Authorised :</b>				
Balance at beginning				
Ordinary shares of <b>RM0.50</b> (2004 : RM1.00) each	<b>200,000,000</b>	100,000	<b>100,000,000</b>	100,000
Creation	-	99,900,000	-	99,900,000
Subdivision of par value into RM0.50 each	-	100,000,000	-	-
Balance at end				
Ordinary shares of <b>RM0.50</b> each	<b>200,000,000</b>	200,000,000	<b>100,000,000</b>	100,000,000
<b>Issued and fully paid :</b>				
Balance at beginning				
Ordinary shares of <b>RM0.50</b> (2004 : RM1.00) each	<b>100,000,000</b>	2	<b>50,000,000</b>	2
Acquisition of a subsidiary company	-	40,999,998	-	40,999,998
Subdivision of par value into RM0.50 each	-	41,000,000	-	-
Public Issue	-	18,000,000	-	9,000,000
Bonus Issue	<b>25,000,000</b>	-	<b>12,500,000</b>	-
Balance at end				
Ordinary shares of <b>RM0.50</b> each	<b>125,000,000</b>	100,000,000	<b>62,500,000</b>	50,000,000

During the financial year, the issued and paid-up share capital was increased from RM50,000,000 to RM62,500,000 by way of a bonus issue of 25,000,000 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share for every four (4) existing ordinary shares of RM0.50 each effected by capitalising RM12,500,000 from the retained profits and share premium account.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 15. SHARE PREMIUM

	<u>2005</u>	2004
	RM	RM
Balance at beginning	<b>4,598,772</b>	-
Acquisition of G.A. Blue Corporation Sdn. Bhd.	-	1,306,988
Public Issue of 18,000,000 ordinary shares of RM0.50 at a premium of RM0.25 per share	-	4,500,000
Bonus Issue	<b>(4,498,772)</b>	-
	<b>100,000</b>	5,806,988
Less : Exercise/Listing expenses	<b>(78,855)</b>	(1,208,216)
Balance at end	<b>21,145</b>	4,598,772

Included in the exercise/listing expenses is an amount of **RM5,500** (2004 : RM65,300) paid to the auditors for non-audit services.

## 16. RETAINED PROFITS

## COMPANY

The Company has sufficient Section 108 tax credit and tax exempt income under the Income Tax Act, 1967 to frank the payment of dividends out of all its retained profits at balance sheet date.

## 17. DEFERRED TAXATION

	GROUP	
	<u>2005</u>	2004
	RM	RM
Balance at beginning	<b>1,177,421</b>	-
Arising from the acquisition of subsidiary companies	-	1,223,239
Transfer from income statement	<b>102,592</b>	19,789
	<b>1,280,013</b>	1,243,028
Over provision in prior years		
- Arising from the acquisition of subsidiary companies	-	(65,607)
- Transfer to income statement	<b>(60,322)</b>	-
Balance at end	<b>1,219,691</b>	1,177,421

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 17. DEFERRED TAXATION (CONTINUED)

The deferred tax liabilities and assets are represented by temporary differences arising from:

	GROUP	
	2005	2004
	RM	RM
Capital allowance in excess of depreciation of property, plant and equipment	1,471,406	1,466,904
Inventories - tax effect on unrealised profit	(251,715)	(289,483)
	<b>1,219,691</b>	<b>1,177,421</b>

### 18. NON-CURRENT LIABILITIES

	GROUP	
	2005	2004
	RM	RM
<b>Term loan</b>		
Total amount payable	1,900,000	-
Less: Repayable within the next one year included in bank borrowing (Note 13)	(949,620)	-
	<b>950,380</b>	-
<b>Hire purchase payables</b>		
Total amount payable	76,468	127,433
Less: Interest in suspense	(4,880)	(12,053)
	<b>71,588</b>	115,380
Less: Payable within the next one year included in other payables and accruals	(47,381)	(43,791)
	<b>24,207</b>	71,589
	<b>974,587</b>	71,589

A subsidiary company has obtained the following term loan that is denominated in US Dollar during the financial year.

Principal RM	Interest Rate %	Security	Repayment Terms
1,900,000	4.95	Guarantee of the Company	5 equal quarterly instalments of RM316,540 each and last instalment of RM317,300 commencing 8 November 2005

The effective interest rates of hire purchase at balance sheet date are **4.60% to 7.75%** (2004 : 4.60% to 7.75%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

**18. NON-CURRENT LIABILITIES (CONTINUED)**

The maturity of term loan and hire purchase payables are as follows :

	<b>GROUP</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
Within one year	<b>1,947,381</b>	43,791
More than one year and less than five years	<b>24,207</b>	71,589
	<b>1,971,588</b>	115,380

**19. REVENUE**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>RM</b>	RM	<b>RM</b>	RM
Invoiced value of goods and services sold less returns and discounts	<b>50,677,206</b>	50,848,155	-	-
Gross dividends from subsidiary companies	-	-	<b>8,380,000</b>	11,812,000
Interest income	-	11,550	-	11,550
	<b>50,677,206</b>	50,859,705	<b>8,380,000</b>	11,823,550

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 20. PROFIT BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
		(Pre and post acquisition)		
After charging :				
Allowance for doubtful debts	<b>598,222</b>	896,266	-	-
Amortisation of trade mark	<b>121,985</b>	-	-	-
Audit fee	<b>61,885</b>	59,250	<b>10,000</b>	10,000
Bad debts	<b>168,834</b>	72,498	-	-
Depreciation	<b>1,496,258</b>	1,223,931	-	-
* Directors' emoluments				
- Directors of the Company	<b>688,600</b>	599,610	-	-
- Director of a subsidiary company	<b>98,000</b>	63,000	-	-
Directors' fees	<b>60,000</b>	60,000	<b>60,000</b>	60,000
Goodwill on consolidation written off	-	614,883	-	-
Interest expense	<b>266,849</b>	271,996	-	-
Property, plant and equipment written off	-	10,169	-	-
Realised loss on foreign exchange	<b>1,286</b>	4,344	-	-
Rental of premises	<b>1,329,787</b>	1,294,454	-	-
**Staff costs (excluding directors)	<b>6,537,076</b>	5,833,677	-	-
And crediting :				
Doubtful debts recovered	<b>517,936</b>	248,854	-	-
Gain on disposal of property, plant and equipment	<b>26,267</b>	138,808	-	-
Gross dividends from subsidiary companies	-	-	<b>8,380,000</b>	11,812,000
Interest income	<b>131,592</b>	52,521	-	11,500
Negative goodwill on consolidation written off	-	9,136,900	-	-
Realised gain on exchange	<b>29,119</b>	3,012	-	-
Rental income	<b>46,800</b>	46,800	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 20. PROFIT BEFORE TAXATION (CONTINUED)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
<b>* Directors' emoluments</b>				
<u>Directors of the Company</u>				
- Salaries, allowances and bonus	<b>625,000</b>	538,000	-	-
- EPF	<b>63,600</b>	61,200	-	-
- SOCSO	-	410	-	-
	<b>688,600</b>	599,610	-	-
- Benefits-in-kind	<b>53,267</b>	15,267	-	-
	<b>741,867</b>	614,877	-	-
 <u>Director of a subsidiary company</u>				
- Salaries and bonus	<b>98,000</b>	63,000	-	-
 <b>** Staff costs (excluding directors)</b>				
- Salaries, allowances and bonus	<b>6,032,438</b>	5,360,177	-	-
- EPF	<b>436,426</b>	418,856	-	-
- SOCSO	<b>68,212</b>	54,644	-	-
	<b>6,537,076</b>	5,833,677	-	-
 <b>Number of employees at balance sheet date (including directors)</b>	<b>355</b>	321	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 21. TAXATION

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Malaysian income tax :				
Based on profit for the year				
- Current tax	<b>(2,479,779)</b>	(2,153,644)	<b>(2,334,000)</b>	(1,519,000)
- Deferred tax relating to the origination and reversal of temporary differences	<b>(102,592)</b>	(19,789)	-	-
	<b>(2,582,371)</b>	(2,173,433)	<b>(2,334,000)</b>	(1,519,000)
Over/(Under) provision in prior years				
- Income tax	<b>(50,639)</b>	13,161	<b>(21,824)</b>	-
- Deferred tax	<b>60,322</b>	65,607*	-	-
	<b>9,683</b>	78,768	<b>(21,824)</b>	-
	<b>(2,572,688)</b>	(2,094,665)	<b>(2,355,824)</b>	(1,519,000)

The reconciliation of income tax expense of the Group and of the Company is as follows :

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Profit before taxation	<b>9,942,950</b>	19,234,816	<b>8,198,953</b>	11,737,761
Taxation at Malaysian statutory tax rate of 28%	<b>(2,784,026)</b>	(5,385,749)	<b>(2,295,707)</b>	(3,286,573)
Expenses not deductible for tax purposes	<b>(213,986)</b>	(238,477)	<b>(38,293)</b>	-
Income not subject to tax	<b>2,038</b>	2,660,435	-	1,767,573
Reduced tax rate on first RM500,000 chargeable income	<b>322,552</b>	349,157	-	-
Annual crystallisation of deferred tax	<b>10,834</b>	10,834	-	-
Utilisation of reinvestment allowance	<b>80,217</b>	433,874	-	-
Deferred tax assets not recognised	-	(3,507)	-	-
	<b>(2,582,371)</b>	(2,173,433)	<b>(2,334,000)</b>	(1,519,000)
Over/(Under) provision in prior years	<b>9,683</b>	78,768	<b>(21,824)</b>	-
	<b>(2,572,688)</b>	(2,094,665)	<b>(2,355,824)</b>	(1,519,000)

\* Arising from the acquisition of subsidiary companies.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

**21. TAXATION (CONTINUED)**

The amount and future availability of unabsorbed reinvestment allowance, unabsorbed capital allowances and unabsorbed tax losses for which the related tax effects have not been accounted for at balance sheet date is as follows :

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>RM</b>	RM	<b>RM</b>	RM
Reinvestment allowance	<b>276,000</b>	562,000	-	-
Unabsorbed capital allowances	<b>37,000</b>	37,000	-	-
Unabsorbed tax losses	<b>58,000</b>	58,000	-	-

These unabsorbed reinvestment allowance, unabsorbed capital allowances and unabsorbed tax losses are available to be carried forward for set off against future assessable income of the Group of a nature and amount sufficient for the reinvestment allowance to be utilised.

**22. EARNINGS PER SHARE****GROUP**

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year calculated as follows :

	<b>2005</b>	(Restated) 2004
Net profit for the year (RM)	<b>7,181,413</b>	11,683,815
Weighted average number of ordinary shares of RM0.50 each	<b>100,000,000</b>	63,666,668
Effect of shares issued during the year	<b>25,000,000</b>	15,916,667
	<b>125,000,000</b>	79,583,335
Basic earnings per share (sen)	<b>5.74</b>	14.68

The basic earnings per share for the previous financial year has been restated to take into account the bonus issue made during the financial year under review.

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the financial year end.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 23. DIVIDENDS

	2005	2004
	RM	RM
First and final dividend of 6% less tax in respect of the financial year ended 31 July 2004	<b>2,160,000</b>	-
An interim dividend of 4% less tax in respect of the financial year ended 31 July 2005	<b>1,800,000</b>	-
	<b>3,960,000</b>	-

At the forthcoming Annual General Meeting, a final dividend of 3% less tax amounting to RM1,350,000 for the financial year ended 31 July 2005 will be proposed for shareholders' approval. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 July 2006.

### 24. CONTINGENT LIABILITY (UNSECURED)

#### COMPANY

The Company has issued corporate guarantees to financial institutions for banking facilities granted to subsidiary companies up to a limit of **RM23,250,000** (2004 : RM5,500,000) of which **RM1,900,000** (2004 : RM-) of the said banking facilities have been utilised at balance sheet date.

### 25. SEGMENTAL INFORMATION

#### Business Segments

Currently, there is only one business segment in the Group operating within Malaysia in the manufacturing, marketing, distribution and retailing of jeanswear, other fashion apparels and accessories.

#### Geographical Segments

The business segment of the Group is managed principally in Malaysia and its products are distributed in Malaysia and the United Kingdom.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	----- 2005 -----		
	Revenue	Total	Capital
	RM	assets	expenditure
		RM	RM
<b>Malaysia</b>	<b>46,989,719</b>	<b>77,298,465</b>	<b>3,592,047</b>
<b>United Kingdom</b>	<b>3,687,487</b>	-	-
<b>United States of America</b>	-	<b>1,969,190</b>	-
	<b>50,677,206</b>	<b>79,267,655</b>	<b>3,592,047</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

## 25. SEGMENTAL INFORMATION (CONTINUED)

	----- 2004 -----		
	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	49,126,600	74,685,022	2,723,881
United Kingdom	1,733,105	-	-
United States of America	-	-	-
	<u>50,859,705</u>	<u>74,685,022</u>	<u>2,723,881</u>

## 26. FINANCIAL INSTRUMENTS

**Financial risk management objectives and policies**

The Group's financial risk management policy seeks to ensure that adequate resources are available for the development of the Group's business whilst managing its credit, interest rate, foreign currency and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

**Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associates to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instrument.

**Interest rate risk**

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a current low interest rate environment and achieve a certain level of protection against interest rate hikes.

**Foreign currency risk**

The Group incurs foreign currency risk on sales and purchases that are denominated in currency other than Ringgit Malaysia. The currencies giving rise to this are primarily the Hong Kong Dollar, Singapore Dollar, Sterling Pound and US Dollar.

The Group does not hedge its foreign currency risk as the exposure is minimal.

**Liquidity risk**

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2005

### 26. FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair values

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at balance sheet date approximate their fair values.

### 27. SIGNIFICANT EVENTS

The significant events during the financial year were as follows :

- i) On 24 January 2005, a wholly owned subsidiary, G.A. Blue Corporation Sdn. Bhd. had entered into an Agreement with American Mentality, Inc, a Florida corporation, duly organised in the United States of America, for the acquisition of a registered Trade Mark "UGP Underground Products" for a cash consideration of USD550,000.00. The Trade Mark including trade name, fictitious name, service marks, trademarks, any and other items belonging to UGP brand and or labelled with UGP or a UGP which have been duly registered in the United States of America, Japan and Taiwan. Presently, the Trade Mark is pending registration in Malaysia and European common market which includes Austria, Belgium, Denmark, Germany, Greece, Finland, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden and United Kingdom. The acquisition of the Trade Mark will enable the Group to spearhead its export business into the United States of America, European and other overseas markets.
- ii) On 15 June 2005, the Company's entire issued and paid-up share capital were transferred from the Second Board to the Main Board of Bursa Malaysia Securities Berhad under the "Consumer Products" sector.

## DIRECTORS' STATEMENT

**We, Kan Ah Chun and Dato' Yeap Beow Chong**, being two of the directors of **G.A. Blue International Bhd.** state that in the opinion of the directors, the financial statements set out on pages 24 to 57 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at **31 July 2005** and of the results and cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the directors :

\_\_\_\_\_  
Kan Ah Chun

\_\_\_\_\_  
Dato' Yeap Beow Chong

Date : 28 October 2005

## STATUTORY DECLARATION

I, **Yeoh Yeow Cheang**, the director primarily responsible for the financial management of **G.A. Blue International Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 24 to 57 are to the best of my knowledge and belief, 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 at Penang, this 28th )  
day of October 2005. )

\_\_\_\_\_  
Yeoh Yeow Cheang

**Before me,**

\_\_\_\_\_  
Commissioner for Oaths

# REPORT OF THE AUDITORS TO THE MEMBERS OF G.A. BLUE INTERNATIONAL BHD.

Company No. 570396-D (Incorporated In Malaysia)

We have audited the financial statements set out on pages 24 to 57. The preparation of these financial statements is 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. Those 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 relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company at 31 July 2005 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report thereon of the subsidiary company of which we have not acted as auditors, as indicated in Note 4 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

**JB LAU & ASSOCIATES**  
**NO. AF : 0042**  
**CHARTERED ACCOUNTANTS**

**JOHN LAU TIANG HUA**  
**NO. 1107/03/06 (J)**

**DATE : 28 OCTOBER 2005**

## ANALYSIS OF SHAREHOLDINGS

AS AT 30 NOVEMBER 2005

<b>A. Authorised Share Capital</b>	: RM100,000,000.00
Issued and fully paid-up Share Capital	: RM62,500,000.00
Class of Shares	: Ordinary Shares of RM0.50 each
Voting Rights	: On show of hands - One vote On a poll - One vote for one ordinary share

**B. ANALYSIS BY SIZE OF SHAREHOLDINGS**

SIZE OF HOLDINGS	NO OF DEPOSITORS	No. of shares	% of total issued capital
Less than 100	24	1,125	0.00
100 - 1,000	34	15,325	0.01
1,001 - 10,000	1,136	3,907,900	3.13
10,001 - 100,000	351	9,389,650	7.51
100,001 - 6,249,999	46	32,791,375	26.23
6,250,000- 125,000,000	4	78,894,625	63.12
<b>TOTAL</b>	<b>1,595</b>	<b>125,000,000</b>	<b>100.00</b>

**C. SUBSTANTIAL SHAREHOLDERS**

Name	←----- Number of Shares Held -----→			
	Direct	%	Deemed	%
Kan Ah Chun	29,119,250	23.30	11,159,000 ①	8.93
Dato' Yeap Beow Chong	29,119,250	23.30	742,500 ②	0.59
Saffie Bin Bakar	9,497,125	7.60	-	-
Lim Tiam Eng	742,500	0.59	29,119,250 ③	23.30
Beach Capital Sdn Bhd	11,159,000	8.93	-	-

**D. DIRECTORS' SHAREHOLDINGS**

Name	←----- Number of Shares Held -----→			
	Direct	%	Deemed	%
Kan Ah Chun	29,119,250	23.30	11,159,000 ①	8.93
Dato' Yeap Beow Chong	29,119,250	23.30	742,500 ②	0.59
Yeoh Yeow Cheang	420,000	0.34	-	-
Saffie Bin Bakar	9,479,125	7.60	-	-
Ooi Siew Kim	100,000	0.08	-	-
Loh Chye Teik	100,000	0.08	-	-

**Notes:**

- ① Deemed interested by virtue of his shareholdings of more than 15% equity interest in Beach Capital Sdn Bhd pursuant to Section 6A(4) of the Companies Act, 1965.
- ② Deemed interested by virtue of shares held by his wife, Lim Tiam Eng.
- ③ Deemed interested by virtue of shares held by her husband, Dato' Yeap Beow Chong.

## ANALYSIS OF SHAREHOLDINGS (CONTINUED)

AS AT 30 NOVEMBER 2005

### E. THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares	% of total issued Capital
1.	DATO' YEAP BEOW CHONG	29,119,250	23.30
2.	KAN AH CHUN	29,119,250	23.30
3.	BEACH CAPITAL SDN. BHD.	11,159,000	8.93
4.	SAFFIE BIN BAKAR	9,497,125	7.60
5.	AMANAH RAYA BERHAD SBB DANA AL-FAIZ	5,084,625	4.07
6.	CHONG WANN KUEN	4,515,200	3.61
7.	NG CHOO HAI	4,233,750	3.39
8.	KANG CHIU YEE	3,150,000	2.52
9.	LIM IN FOO	2,600,000	2.08
10.	TAN KHEOK CHUAN	873,750	0.70
11.	HDM NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEOH TEIK TOE (M01)</i>	824,375	0.66
12.	LIM TIAM ENG	742,500	0.59
13.	PAMELA SONG JUN-MEI	692,500	0.55
14.	AMANAH RAYA BERHAD <i>SBB ENTERPRISE FUND</i>	687,500	0.55
15.	CHONG IK POH	662,000	0.53
16.	LAU ENG FONG	619,750	0.49
17.	TOK JIAK YONG	493,750	0.39
18.	KAN ZI YAO	432,500	0.35
19.	YEOH YEOW CHEANG	420,000	0.34
20.	KOAY WEI KEONG	419,125	0.33
21.	SBB NOMINEES (TEMPATAN) SDN. BHD. <i>YAYASAN MOHD NOAH</i>	398,750	0.32
22.	YEONG AI VEE	386,250	0.31
23.	HO SIEW POH	379,875	0.30
24.	MAY ONG CHIN HOON	347,575	0.28
25.	SLOW SEA NEN	312,500	0.25
26.	HOO KUONG	293,750	0.23
27.	CHONG CHA KAW	285,125	0.23
28.	GERALD JOHN RICHARDS	282,000	0.23
29.	KHAW SIOK KIM	262,000	0.21
30.	SIOW SEE KEE	250,000	0.20
	<b>TOTAL</b>	<b>108,543,775</b>	<b>86.84</b>

## LIST OF PROPERTIES

AS AT 31 JULY 2005

ACQUISITION DATE	BENEFICIAL OWNER/ LOCATION	DESCRIPTION/ EXISTING USAGE	TENURE/ AGE OF BUILDING	AREA (SQ.FEET)	NBV @ 31.07.05 (RM)
<b>EVATECH SDN. BHD.</b>					
21.03.2001	PT 1608 (Plot 108) held under H.S(D) 4173, Mukim 12, South-West District, Penang	Industrial Land	60 years leasehold expire 13.08.2050	21,780	2,395,645
21.03.2001	PT 1626 (Plot 106b) held under H.S(D) 14179 Mukim 12, South-West District, Penang	Industrial Land	60 years leasehold expire 10.12.2050	26,136	
21.03.2001	PT 1625 (Plot 106a) held under H.S(D) 14259 Mukim 12, South-West District, Penang	Industrial Land	60 years leasehold expire 10.12.2050	47,045	
01.08.2001	Lot 9233, Hala Kampung Jawa 1 Kawasan Perindustrian Bayan Lepas (Fasa 3) 11900 Bayan Lepas, Pulau Pinang	Factory Building	4 years	59,576	6,130,087
<b>UNI JEANS CARE SDN. BHD.</b>					
01.08.2001	Lot 9233, Hala Kampung Jawa 1 Kawasan Perindustrian Bayan Lepas (Fasa 3) 11900 Bayan Lepas, Pulau Pinang	Factory Building	4 years	9,840	1,508,768
<b>TWIN ACCESS SDN. BHD.</b>					
28.08.2003	No.23, Jalan PJS 11/8 Bandar Sunway Petaling Jaya Selangor Darul Ehsan	Land and commercial building	99 years leasehold Expire 28.12.2096 / 11 years	8,160	1,634,130
<b>G.A BLUE CORPORATION SDN. BHD.</b>					
11.06.1996	Unit No.1236-1-5, Taman Indah Jalan Paya Terubong, 11060 Penang	Residential Flat	Freehold / 12 years	1,400	154,800
27.03.2001	Unit No.33-2-53, Prangin Mall Jalan Dr. Lim Chwee Leong, 10100 Penang	Shoplot	90 year leasehold Expire 09.06.2096 / 4 years	499	553,539

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at Serindit Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 26 January 2006 at 3.00 p.m. for the following purposes:-

### AGENDA

1. To receive and consider the Audited Financial Statements for the financial year ended 31 July 2005 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To approve the payment of a Final Dividend of 3% less Malaysian Income Tax of 28% for the financial year ended 31 July 2005. (Resolution 2)
3. To approve the payment of Directors' fees of RM60,000 in respect of the financial year ended 31 July 2005. (Resolution 3)
4. To re-elect the following Directors retiring pursuant to Article 129 of the Company's Articles of Association :-
  - (i) Yeoh Yeow Cheang (Resolution 4)
  - (ii) Saffie Bin Bakar (Resolution 5)
5. To re-appoint Messrs. JB Lau & Associates as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)

### Special Business

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

6. **Authority to issue shares**

"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such time 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 issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 7)
7. **Authority to purchase its own shares**

"That subject to the provisions of the Companies Act, 1965, the Company's Memorandum and Articles of Association and the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company be and is hereby authorised to purchase such amount of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased pursuant to this resolution does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company at the time of purchase and an amount not exceeding the audited retained profits and audited share premium reserve of the Company be allocated by the Company for the Proposed Share Buy-Back.

AND THAT at the discretion of the Directors of the Company, upon such purchase by the Company of its own shares, the purchased shares will be cancelled and/or retained as treasury shares and subsequently be cancelled, distributed as dividends or resold on Bursa Securities.

AND THAT the Directors of the Company be and are hereby empowered to take all such steps as are necessary or expedient and to enter into any agreements, arrangements and guarantees with any party or parties to implement or to effect the Proposed Share Buy-Back with full powers to assent to any conditions, notifications, revaluations, variations and/or amendments, if any, as may be required by the relevant authorities AND FURTHER THAT the authority hereby given shall commence immediately upon the passing of this ordinary resolution and shall continue to be in force until :-

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed either conditionally or subject to conditions; (Resolution 8)
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution of the shareholders of the Company at a general meeting;

whichever is earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements issued by Bursa Securities or any other relevant authorities."

8. To transact any other business of which due notices shall have been given.

BY ORDER OF THE BOARD,

**WONG YEE LIN** (MIA 15898)  
**FOO LI LING** (MAICSA 7019557)  
Company Secretaries  
Penang  
23 December 2005

Notes :

1. A proxy may but need not be a member of the Company and the proxy need not be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-8-B Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

**Explanatory Notes Special Business :**

The ordinary resolution proposed under item 6, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

The ordinary resolution proposed under item 7, if passes, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 12,500,000 ordinary shares of RM0.50 each representing 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next Annual General Meeting.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### **Statement Accompanying Notice of the Fourth Annual General Meeting**

pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad.

1. The Details of the place, date and hour of the Fourth Annual General Meeting are as follows :-

Place : Serindit Room

Hotel Equatorial Penang, 1 Jalan Bukit Jambul Bayan Lepas, 11900 Penang

Date : Thursday, 26 January 2006

Hour : 3.00 p.m.

2. The Directors who are standing for re-election at the Fourth Annual General Meeting are :-

(a) Mr. Yeoh Yeow Cheang; and

(b) Encik Saffie Bin Bakar.

Biographical details of each of the Directors standing for re-election can be found in the Directors' profile on pages 6 to 7 of this Annual Report.

3. The details of attendance of Directors of the Company at Board meetings held during the financial year ended 31 July 2005 are disclosed in the Corporate Governance Report set out on page 8 of this Annual Report.

## NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a Final Dividend of 3% less Malaysian Income Tax of 28% in respect of the financial year ended 31 July 2005, if approved, will be paid on 24 February 2006 to depositors registered in the Record of Depositors at the close of business at 5.00 p.m. on 15 February 2006.

A depositor shall qualify for entitlement to the Dividend only in respect of:

- a. shares transferred into the depositor's securities account before 4.00 p.m. on 15 February 2006 in respect of transfers; and
- b. shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board,

**WONG YEE LIN** (MIA 15898)

**FOO LI LING** (MAICSA 7019557)

Company Secretaries

Penang

23 December 2005

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## PROXY FORM

G.A. BLUE INTERNATIONAL BERHAD (570396-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

\* I/We \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a \*member/members of the abovenamed Company, hereby appoint \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her, \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

as \*my / our proxy to vote for \*me / us on \*my / our behalf at the Fourth Annual General Meeting of the Company to be held at Serindit Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 26 January 2006 at 3.00 p.m. and any adjournment thereof.

NO. OF RESOLUTION	RESOLUTIONS	FOR	AGAINST
1	To receive and consider the Reports and Financial Statements		
2	To approve a Final Dividend of 3% less tax		
3	To approve the payment of Directors' fees		
	To re-elect the following Directors retiring under the provisions of the Articles of Association of the Company :-		
4	(i) Yeoh Yeow Cheang		
5	(ii) Saffie Bin Bakar		
6	To re-appoint Auditors		
7	To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
8	To authorise the Company to purchase its own shares		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction for voting is given, the proxy may vote as he thinks fit.

No. of shares held

Signed this ..... day of ....., 2006.

-----  
Signature of Member (s)

### Notes :

1. A proxy may but need not be a member of the Company and the proxy need not be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid this form duly completed must be deposited at the registered office of the Company, 51-8-B Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

Please fold across the lines and close

Stamp

The Company Secretary

**G.A. BLUE INTERNATIONAL BHD**

51-8-B Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang

Please fold across the lines and close



**G.A. BLUE INTERNATIONAL BERHAD**  
(570396-D)

**Penang, MALAYSIA**

Lot 9233, Hala Kampung Jawa 1,  
Kawasan Perindustrian Bayan Lepas (Fasa 3),  
11900 Bayan Lepas, Penang, Malaysia.

Tel : 604-646 1600

Fax : 604-645 7448

**Petaling Jaya, MALAYSIA**

23, Jalan PJS 11/8 Bandar Sunway,  
46150 Petaling Jaya, Selangor, Malaysia.

Tel : 603-5633 6488

Fax : 603-5634 8488



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[www.loisjeans.com](http://www.loisjeans.com)



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**LAURA LEE'S LABEL**

[www.twoagentsee.com](http://www.twoagentsee.com)

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