



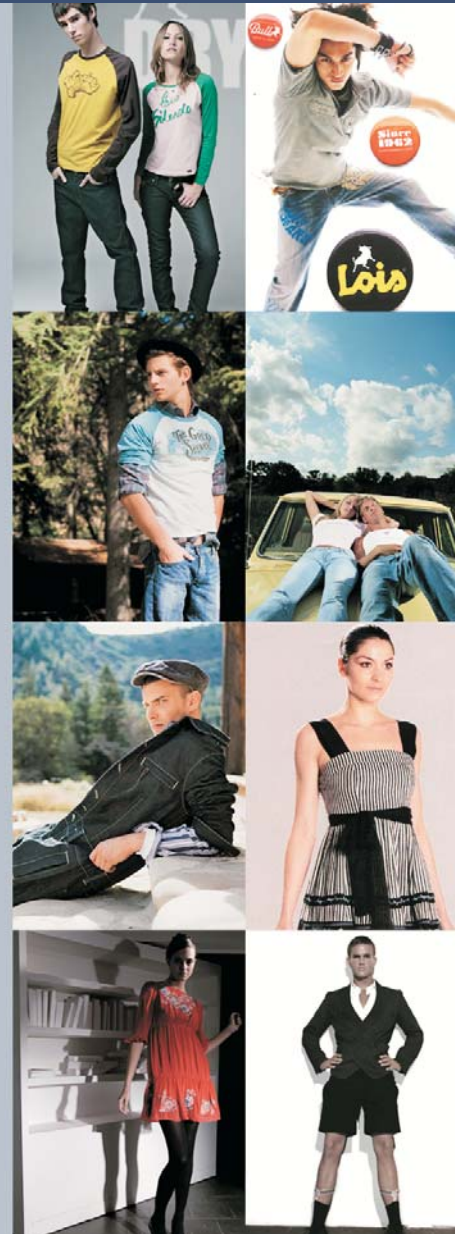
G.A. BLUE INTERNATIONAL BHD.  
(570396-D)

# Annual Report 2007



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## CORPORATE INFORMATION

### DIRECTORS

KAN AH CHUN  
(Executive Chairman)

DATO' YEAP BEOW CHONG  
(Executive Director)

YEOH YEOW CHEANG  
(Executive Director)

SAFFIE BIN BAKAR  
(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)

YEOH YEOW CHEANG  
(Member, Executive Director)

SAFFIE BIN BAKAR  
(Member, Independent Non-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.

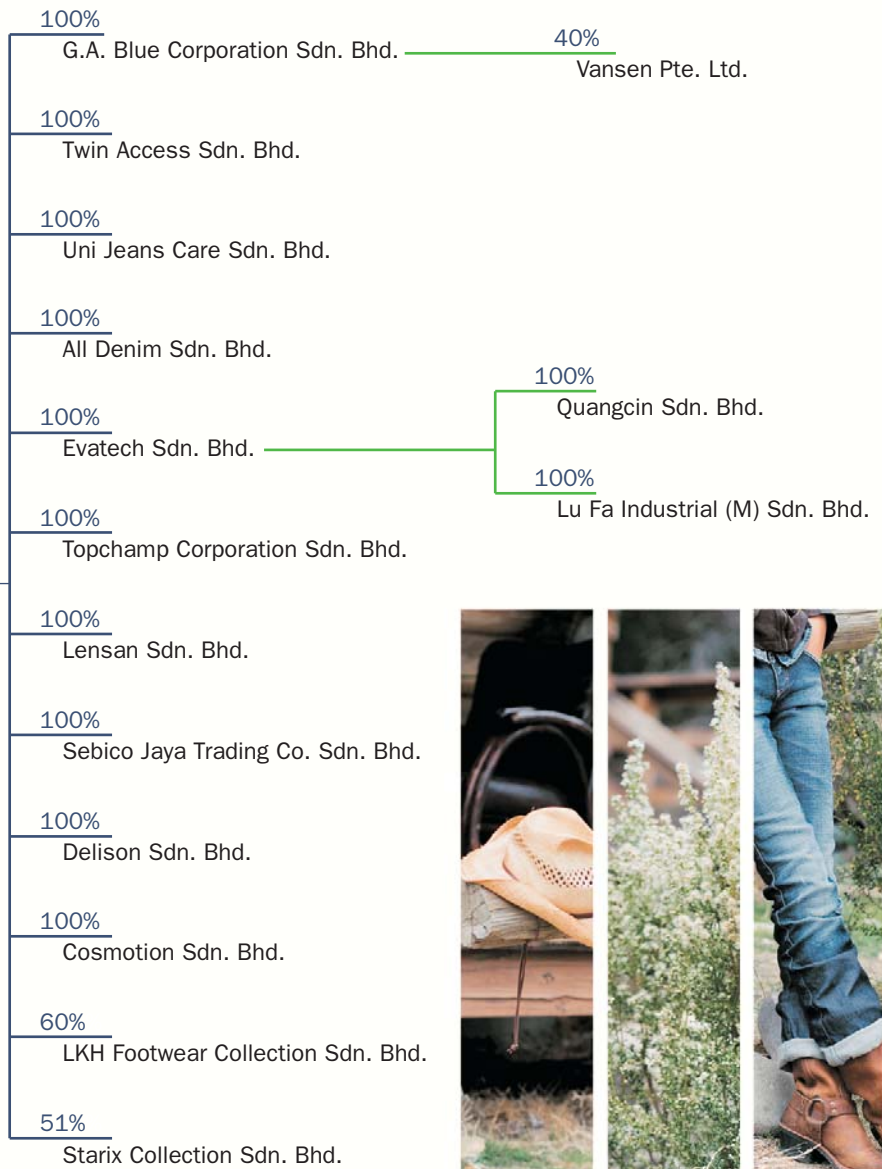
### STOCK EXCHANGE LISTING

MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD

# CORPORATE STRUCTURE



**G.A. Blue  
International Bhd**



## CHAIRMAN'S STATEMENT



It gives me great pleasure to present the Annual Report of the Company for the financial year ended 31 July 2007.

### INDUSTRY TRENDS & DEVELOPMENT

Operators in the apparel industry in Malaysia are largely contract manufacturers. They are gradually facing the full impact of competition from lower cost producing countries like China, Vietnam and India. On the other hand, G.A. Blue Group is primarily a marketing entity focused on brand building and management and is not affected by such competition. The denim product sub-sector is presently facing a market consolidation with several brands in the industry experiencing weakening sales. This has created an opportunity for other brands to fill this vacuum or reposition their brand for maximum effect. The Group with its range of brands sees this as an opportunity to increase its market share in future. The overall industry remains stable but competitive with the entry of numerous designer brands in the upper market segment in recent years.

### FINANCIAL RESULTS

The performance of the apparel industry remains largely flat for the past year as compared to the previous year. However, the Group has managed to improve its revenue mainly through an acquisition of an established brand resulting in a bigger share of the local denim market as well as higher export sales achieved. Consolidated revenue increased to RM59.2 million from RM49.9 million achieved for the previous year. Profit before tax, however, dropped to RM5.0 million which is lower than previous year of RM5.9 million by 15.2%. This drop was attributable to lower gross margin and higher marketing expenses incurred overseas. Profit after tax attributable to shareholders achieved was RM4.5 million as compared to RM4.1 million.

### DIVIDENDS

A first and final dividend of 4% less tax for the previous year ended 31 July 2006 amounting to RM1,825,000 had been paid on 26 February 2007.

In view of recent business acquisitions and the need to conserve funds for future expansion, the Board has decided not to recommend the payment of a dividend for the reported financial year.

### REVIEW OF OPERATIONS

#### Trading and distribution

Local sales for apparels saw a slight increase of about 18% to RM40.6 million. Sales have improved due to higher contribution from sub-contracting and procurement business. Retail and wholesale business have been slightly affected by weaker consumer demand for apparels and related products. This was the result of higher oil prices which has reduced purchasing power of consumers on non-essential goods. Proactive measures have been taken to increase market share through more structured marketing strategies. In addition, the Group had acquired the Edwin label in February 2007 which is an established brand of jeanswear well-recognised in the local market. In view of the brand's strong market presence, this acquisition will contribute positively to sales and profit in the next financial year.

"UGP Underground Products" which produces and markets extreme sports and surf wear was acquired from a United States corporation with the intention to break into the competitive United States. Various marketing and promotion activities have taken place including participation in international trade shows and sponsorships of riders and participants in competition and events to increase the profile of the brand. We are also in the process of engaging a public relations firm to enhance our promotion campaign to include image building, product previews and media promotion. We hope for increase in contribution from this division in the future as a result of such activities.

## CHAIRMAN'S STATEMENT (cont'd)



Our export into the United Kingdom market continues to grow with a jump of 72% in sales to RM9.0 million achieved for the financial year. The 3 main brands of Laura Lees, Peoples' Market and Dexter Wong, which feature trendy fashion wear, are well received by buyers in Europe due to their up to date designs following closely United Kingdom trendsetters' tastes and high quality product. In October 2007, People's Market has been voted as the most favourite new brand in a poll undertaken by a fashion weekly among young fashion retailers in the United Kingdom. This will augur well for the brand with higher demand expected for the new collections to be launched in 2008. We have participated in popular trade shows to showcase our products which had contributed to the growth. We anticipate further growth in this division in the current financial year.

### Manufacturing and Finishing

The sewing plant and specialised treatment and finishing division which produces products for our in-house brands, achieved sales of RM8.1 million which is a drop of 16% from the previous year. Pre-tax profit shows a corresponding drop to RM1.1 million for the division as compared to RM1.7 million achieved for the previous year. This division supports the Group on certain regular and niche products only and is not expected to be a growth area in the future. However various operational strategies will be put in place this year to improve production efficiency and reduce costs.

### PROSPECTS

The local economy is anticipated to strengthen marginally with a forecast growth rate of 6.5% in 2008. Bank Negara Malaysia in its Economic Report 2007/2008 released in September 2007 has mentioned that domestic demand will be the main driver of the economy for 2008. Higher tourists arrivals and the launch of growth corridors by the federal government (IDR, NCER and ECER) will contribute towards stronger domestic consumer spending in one way or another.

In line with our brand building philosophy, the Group's emphasis for the year will be on strengthening its advertising and promotion activities. This will be undertaken with a more structured and innovative approach so as to be more effective in enhancing consumer awareness. We are also improving our processes in order to be more customer driven. We will also place emphasis on better product innovation and the set up of a more comprehensive and effective supply chain structure.

In view of these various efforts taken to streamline our operations, we expect satisfactory growth for the Group in its local and export divisions. Overall, barring unforeseen circumstances, the Group expects results to improve in the current financial year.

### APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our business associates and customers for their confidence and support. The Board would also like to thank the management and staff for their continued dedication and commitment to the Group.

Kan Ah Chun  
Executive Chairman  
1st December 2007

## DIRECTORS' PROFILE



### **KAN AH CHUN** • AGED 54 • 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 as Executive Director of Malpac Holdings Berhad, a position he still holds at present. He assumed the position of Executive Director of G.A. Blue Corporation Sdn Bhd in August 1996. He also holds directorships in several private limited companies.

### **DATO' YEAP BEOW CHONG** • AGED 49 • MALAYSIAN

He was appointed as the Managing Director of the Company on 2 December 2003 and re-designated as Executive Director on 1 June, 2007. 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 G.A. Blue Corporation Sdn. Bhd. as Managing Director. He also holds directorships in several private limited companies.

### **YEOW YEOW CHEANG** • AGED 50 • 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 G.A. Blue Corporation Sdn. Bhd. in July 2002.

### **SAFFIE BIN BAKAR** • AGED 54 • MALAYSIAN

He was appointed as the Non-independent Non-Executive Director of the Company on 2 December 2003 and re-designated as the Independent Non-Executive Director on 8 December 2006. 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 29 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 from Government Service in August 1994. He is currently the Adviser to Shorubber (Malaysia) Sdn. Bhd. a manufacturer and exporter 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.

## DIRECTORS' PROFILE (cont'd)



### **LOH CHYE TEIK** • AGED 48 • 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 Disted 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 Interesources Tax Advisory Sdn Bhd, a Company that provides advice on tax matters. During the year 2006, he affiliates with Parker Randall, an international chartered accounting firm, and assumes the position of Regional Partner in charge of northern Malaysia. He is also an Independent Non-Executive Director of JHM Consolidation Berhad.

#### **Notes:**

1. None of the Directors of the Company have any family relationship with any Director or substantial 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 offences other than traffic offences within the past ten (10) years.



## CHIEF EXECUTIVE OFFICER'S PROFILE



### **LIM SAY LEONG** • AGED 38 • MALAYSIAN

He was appointed as the Chief Executive Officer of the Company on 1 June, 2007. He holds a Master of Business Administration (MBA) degree from Edinburgh Business School, Heriot Watt University, United Kingdom and is a member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Taxation (MIT), Chartered Institute of Management Accountants (CIMA) United Kingdom. He was also a committee member 2004/2005 of the Federation of Malaysian Manufacturers (FMM) Northern Branch and presently a committee member of the Chartered Institute of Management Accountants (CIMA) Northern Branch.

Mr Lim started his career as an Accountant in Kheng Hwa Paper Products Sdn Bhd in 1992. He joined Denko-HLB in 1993 as an Accountant and was promoted to the post of Finance and Administration Manager in 1997. He largely responsible for finance, accounting, taxation, administration and IT functions of the company. He also held the position as the Chairman of the Management Committee which oversee the operations and general management of the company in early 2000. Later in the same year he was promoted to the position of the Group Chief Executive Officer of Denko Industrial Corporation Berhad and its Group of Companies, Mr Lim was also subsequently appointed to the Board of Directors and Audit Committee of Denko Industrial Corporation Berhad and sat on the board of its numerous subsidiaries. He left Denko Industrial Corporation Berhad in 2005 and was involved in the provision of business and advisory consulting services.

#### **Notes:**

1. Mr. Lim does not have any family relationship with any Director or substantial shareholder of the Company.
2. He has no conflict of interest with the Company and has not been convicted of any offences other than traffic offences within the past ten (10) years.
3. Mr. Lim does not have any interest in the securities of the Company or its subsidiaries.



# STATEMENT ON CORPORATE GOVERNANCE



The Board of Directors acknowledges the importance of maintaining good corporate governance within the Group to safeguard the interest of its shareholders and is pleased to provide the following statement on how the Company has applied the Principles of Corporate Governance set out in Part 1 of the Malaysian Code on Corporate Governance as revised on 1 October 2007 ("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;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- 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, five (5) 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	5
Dato' Yeap Beow Chong	5
Mr. Yeoh Yeow Cheang	5
En. Saffie Bin Bakar	5
Mr. Loh Chye Teik	5
Ms. Ooi Siew Kim (retired on 19.1.07)	2

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)



### BOARD BALANCE

The Board composition comprises of five (5) members with Mr. Kan Ah Chun at the helm as Executive Chairman. Three of the Directors are Executive Directors, 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.

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 Secretaries, financial and legal officers within the Group as well as the engagement of 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)
- En. Saffie Bin Bakar, 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 (cont'd)



### 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 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.

### DIRECTORS' TRAINING

Directors are encouraged to acquire appropriate professional development training to enhance the business acumen and professionalism in discharging their fiduciary duties to the Company.

The Directors evaluate and determine their own training needs on a continuing basis, participating in seminars, and / or e-learning programmes during the year in keeping themselves abreast with the constant changes in regulatory authorities / requirements and development in the business environment.

### 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)
- En. Saffie Bin Bakar, Independent Non-Executive Director (Member)
- Mr. Yeoh Yeow Cheang, Executive Director (Member) (appointed on 18.6.07)

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 2007 are as follows:-

PARTICULAR	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	TOTAL (RM)
Fees	45,000	30,000	75,000
Salaries & Allowances	580,420	-	580,420
Benefits in kind	54,400	-	54,400
<b>Total</b>	<b>679,820</b>	<b>30,000</b>	<b>709,820</b>

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)



The remuneration of the Directors summarised in bands of RM50,000 for the financial year ended 31 July 2007 are as follows:-

RANGE OF REMUNERATION	NUMBER OF DIRECTORS	
	EXECUTIVE	NON-EXECUTIVE
Below RM50,000	-	2
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	1	-
RM 250,001 to RM 300,000	1	-

### 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.

## 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.ga-blue.com](http://www.ga-blue.com) 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 scrutinising the information to be disclosed to ensure accuracy and adequacy.

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)



### INTERNAL CONTROL

In line with the requirement of the Bursa Malaysia, a statement on the Group's Internal control statement is set out on pages 14 to 15.

### 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 16 to 19. In addition, the Chairman of the Audit Committee has met with the external auditors without the presence of other Executive Board members once during the year.

### 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 2007 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.

### SECTION 6 : COMPLIANCE STATEMENT

Save as disclosed below, the Group has complied with the Best Practices set out in Part 2 of the Code throughout the financial year :

- The Code recommends that all members of the Audit Committee be comprised of non-executive directors. The Board is in the process of selecting a suitable candidate to be appointed to comply with this section referring to the composition of the Audit Committee.
- The Code recommends that the Audit Committee should meet with the external auditors without the executive board members present at least twice a year. As the Code was revised on 1 October 2007, the Company has only met with the external auditors once in the financial year ended 31 July 2007.

## 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 has 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 is in the process of implementing an independent audit function. However, during the financial year under review, the Group has conducted internal audit on an ad hoc basis on the Group's internal control system and certain identified process weaknesses with the objective of safeguarding the Group's assets and to prevent potential losses arising from these weaknesses. This was carried out using the Group's internal resources.

# STATEMENT ON INTERNAL CONTROL

(cont'd)



## 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)
En. Saffie Bin Bakar, <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 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 Committee. The members of the Committee shall select a chairman from amongst the independent non-executive directors.

## AUTHORITY

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

The Committee is also authorised 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.



## 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 the allocation of options pursuant to share scheme for employees, transactions, procedure or course of conduct that raises questions of management integrity;
- 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 Committee and the Board of Directors.



## RETIREMENT AND RESIGNATION

In the event of any vacancy in a 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 a 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 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 2007, four (4) meetings were held and the table of attendance of each committee member is as follows:-

NAME	NO.OF MEETINGS ATTENDED
Mr. Loh Chye Teik	4
Mr. Yeoh Yeow Cheang	4
Ms. Ooi Siew Kim (retired on 19.1.07)	2
En. Saffie bin Bakar (appointed on 8.12.06)	3



## 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 Executive Risk Management framework report.
3. Reviewing with the external auditors' their management letter and management's response.

## INTERNAL AUDIT AND RISK MANAGEMENT

The staff of the Group assists the Committee in discharging its duties and responsibilities. Their role 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.

During the financial year ended 31 July 2007, the Group has carried out the following activities:

- Reviewed operational and financial risks of the Group.
- Recommended and implemented appropriate actions to be taken and being carried out to mitigate probable risk areas.

## 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 public imposition of 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, no non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year by the external auditors of the Company or a company affiliated to the external auditors' firm.

### **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, the Company did not receive any profit guarantee from any parties.

### **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 subsidiaries involving Directors' and major shareholders' interests either still subsisting as at 31 July 2007 or entered into since the end of the previous financial year.

### **CORPORATE SOCIAL RESPONSIBILITY**

There were no corporate social responsibility activities or practices undertaken by the Group for the financial year.

### **UTILISATION OF PROCEEDS**

There were no corporate proposal implemented during the financial year ended 31 July 2007.

### **VARIATION IN RESULTS**

There were no material variations between the audited results for the financial year ended 31 July 2007 over the unaudited results released for the financial quarter ended 31 July 2007.

### **RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The Group does not have any recurrent related party transaction of a revenue or trading nature for the financial year ended 31 July, 2007 made pursuant to a shareholders' mandate.

## DIRECTORS' REPORT



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 2007**.

### PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

### RESULTS

	<b>GROUP RM</b>	<b>COMPANY RM</b>
Profit after taxation for the year	<b>4,309,931</b>	<b>7,054,895</b>
Attributable to :		
Equity holders of the Company	<b>4,546,816</b>	<b>7,054,895</b>
Minority interests	<b>(236,885)</b>	<b>-</b>
	<b>4,309,931</b>	<b>7,054,895</b>

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 2007** 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 paid a first and final dividend of 4% less 27% tax amounting to RM1,825,000 in respect of the financial year ended 31 July 2006.

The Directors do not recommend any dividend payment for the financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.



## SHARE CAPITAL

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

## 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**  
**Loh Chye Teik**  
**Ooi Siew Kim (retired on 19.1.07)**

In accordance with the Company's Articles of Association, **Mr. Kan Ah Chun** and **Dato' Yeap Beow Chong** 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 1.8.06	Bought	Sold	Balance at 31.7.07
<b>The Company</b>				
<b>Direct interest :</b>				
Kan Ah Chun	29,119,250	-	(20,000,000)	9,119,250
Dato' Yeap Beow Chong	29,119,250	6,747,125	-	35,866,375
Yeoh Yeow Cheang	490,000	115,900	-	605,900
Saffie Bin Bakar	6,997,125	-	(6,747,125)	250,000
Loh Chye Teik	106,500	-	-	106,500
<b>Deemed interest :</b>				
Kan Ah Chun	11,159,000	20,000,000	-	31,159,000
Dato' Yeap Beow Chong	742,500	-	-	742,500

By virtue of their interests in the shares of the Company, **Mr. Kan Ah Chun** and **Dato' Yeap Beow Chong** are also deemed interested in all the subsidiaries, to the extent that the Company 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, other than the related party transaction disclosed in the notes to the financial statements.

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 allowance 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 allowance 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.

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.

## DIRECTORS' REPORT (cont'd)



### AUDITORS

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

Signed in accordance with a resolution of the directors :

-----  
**Dato' Yeap Beow Chong**

-----  
**Yeoh Yeow Cheang**

**Penang,**

**Date : 16 November 2007**

# CONSOLIDATED BALANCE SHEET

AT 31 JULY 2007



	NOTE	2007 RM	(Restated) 2006 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	13,045,875	14,592,515
Prepaid land lease payments	4	3,109,119	3,175,242
Investment in an associate	6	280,734	-
Intangible assets	7	2,235,149	1,760,072
		<b>18,670,877</b>	<b>19,527,829</b>
<b>Current assets</b>			
Inventories	8	29,609,126	24,531,840
Trade receivables	9	31,241,667	31,307,892
Other receivables, deposits and prepayments	10	2,930,896	2,366,163
Tax recoverable		942,261	587,990
Fixed deposit with a licensed bank	12	-	6,249
Cash and bank balances	13	5,691,417	4,363,753
		<b>70,415,367</b>	<b>63,163,887</b>
Non-current assets held for sale	14	729,467	-
		<b>71,144,834</b>	<b>63,163,887</b>
<b>TOTAL ASSETS</b>		<b>89,815,711</b>	<b>82,691,716</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	15	62,500,000	62,500,000
Share premium		21,145	21,145
Retained profits		12,406,399	9,684,583
		<b>74,927,544</b>	<b>72,205,728</b>
Minority interests		614,989	851,874
<b>Total equity</b>		<b>75,542,533</b>	<b>73,057,602</b>
<b>Non-current liabilities</b>			
Borrowings	17	3,566,745	1,681,111
Deferred tax liabilities	18	1,107,087	1,278,574
		<b>4,673,832</b>	<b>2,959,685</b>
<b>Current liabilities</b>			
Trade payables	19	3,424,174	2,591,645
Other payables and accruals	20	2,485,331	1,891,322
Borrowings	17	3,683,173	2,005,743
Dividends payable		6,668	5,744
Provision for taxation		-	179,975
		<b>9,599,346</b>	<b>6,674,429</b>
<b>Total liabilities</b>		<b>14,273,178</b>	<b>9,634,114</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>89,815,711</b>	<b>82,691,716</b>

The notes set out on pages 34 to 63 form an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2007



	NOTE	2007 RM	2006 RM
Revenue	21	59,186,875	49,885,453
Cost of sales		<u>(38,514,241)</u>	<u>(28,791,839)</u>
<b>Gross profit</b>		<b>20,672,634</b>	21,093,614
Other income		981,298	1,319,532
Administrative expenses		<u>(9,649,620)</u>	<u>(8,738,342)</u>
Selling and distribution expenses		<u>(6,628,180)</u>	<u>(6,562,447)</u>
<b>Operating profit</b>		<b>5,376,132</b>	7,112,357
Finance costs		<u>(332,278)</u>	<u>(224,817)</u>
Share of results of an associate		<u>(2,111)</u>	-
Goodwill on consolidation written off		-	<u>(945,212)</u>
<b>Profit before taxation</b>	22	<b>5,041,743</b>	5,942,328
Taxation	23	<u>(731,812)</u>	<u>(1,616,703)</u>
<b>Profit for the year</b>		<b>4,309,931</b>	4,325,625
<b>Attributable to :</b>			
Equity holders of the Company		4,546,816	4,138,336
Minority interests		<u>(236,885)</u>	<u>187,289</u>
		<b>4,309,931</b>	4,325,625
<b>Basic earnings per share (sen)</b>	24	<b>3.64</b>	3.31

The notes set out on pages 34 to 63 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2007



	NOTE	--- Attributable to Equity Holders of the Company ---			Total RM	Minority Interests RM	Total Equity RM
		Share Capital RM	Non - distributable Share Premium RM	Distributable Retained Profits RM			
<b>2007</b>							
Balance at beginning		62,500,000	21,145	9,684,583	72,205,728	851,874	73,057,602
Profit for the year		-	-	4,546,816	4,546,816	(236,885)	4,309,931
Dividend	25	-	-	(1,825,000)	(1,825,000)	-	(1,825,000)
Balance at end		<b>62,500,000</b>	<b>21,145</b>	<b>12,406,399</b>	<b>74,927,544</b>	<b>614,989</b>	<b>75,542,533</b>
<b>2006</b>							
Balance at beginning		62,500,000	21,145	6,896,247	69,417,392	664,585	70,081,977
Profit for the year		-	-	4,138,336	4,138,336	187,289	4,325,625
Dividend	25	-	-	(1,350,000)	(1,350,000)	-	(1,350,000)
Balance at end		62,500,000	21,145	9,684,583	72,205,728	851,874	73,057,602

The notes set out on pages 34 to 63 form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2007



	2007 RM	(Restated) 2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,041,743	5,942,328
Adjustments for :		
Allowance for doubtful debts	438,194	322,097
Amortisation of prepaid land lease payments	66,123	66,123
Amortisation of trade mark	-	209,118
Bad debts	35,930	118,082
Depreciation	1,877,478	1,485,629
Gain on disposal of property, plant and equipment	(131,194)	(20,178)
Goodwill on consolidation written off	-	945,212
Interest expense	332,278	224,817
Interest income	(6,415)	(302,059)
Property, plant and equipment written off	27,345	53,061
Share of results of an associate	2,111	-
Operating profit before working capital changes	7,683,593	9,044,230
Inventories	(5,077,286)	(314,872)
Receivables	(972,632)	(2,617,151)
Payables	1,426,538	645,892
Cash generated from operations	3,060,213	6,758,099
Income tax paid	(1,544,855)	(2,384,785)
Income tax refund	107,310	82,908
Interest paid	(332,278)	(224,817)
Net cash from operating activities	1,290,390	4,231,405
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash flow on acquisition of a subsidiary *	-	(411,071)
Interest received	6,415	302,059
Proceeds from disposal of property, plant and equipment	201,231	29,578
Purchase of investment in an associate	(282,845)	-
Purchase of property, plant and equipment	(1,157,687)	(768,645)
Purchase of trade mark	(475,077)	-
Withdrawal/(Placement) of fixed deposit	6,249	(182)
Net cash used in investing activities	(1,701,714)	(848,261)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bankers acceptance	2,317,000	54,000
Dividend paid	(1,824,076)	(3,145,922)
Payment of hire purchase loans	(14,574)	(47,381)
Proceeds from term loans	3,000,000	2,694,844
Repayment of term loans	(1,494,319)	(1,457,240)
Net cash from/(used in) financing activities	1,984,031	(1,901,699)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,572,707	1,481,445
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	4,118,710	2,637,265
<b>CASH AND CASH EQUIVALENTS AT END</b>	5,691,417	4,118,710

The notes set out on pages 34 to 63 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW  
STATEMENT (cont'd)  
FOR THE YEAR ENDED 31 JULY 2007



	2007 RM	2006 RM
<b>Represented by:</b>		
Cash and bank balances	<b>5,691,417</b>	4,363,753
Bank overdraft	-	(245,043)
	<b>5,691,417</b>	4,118,710
<b>Cash flow on acquisition of a subsidiary *</b>		
Tax recoverable	-	7,973
Cash and bank balances	-	23,581
Payables	-	(542,114)
Related companies	-	(434,650)
Share of net assets acquired	-	(945,210)
Goodwill on consolidation	-	945,212
Total cash consideration paid	-	2
Less : Cash and bank balances	-	(23,581)
Add : Related companies	-	434,650
Cash flow on acquisition of a subsidiary	-	411,071

The notes set out on pages 34 to 63 form an integral part of these financial statements.

# BALANCE SHEET

AT 31 JULY 2007



	NOTE	2007 RM	2006 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	5	<b>60,485,609</b>	60,285,609
<b>Current assets</b>			
Sundry deposit	10	<b>1,000</b>	1,000
Amount due from subsidiaries	11	<b>22,605,010</b>	8,291,966
Tax recoverable		<b>52,922</b>	13,711
Bank balances	13	<b>19,459</b>	9,878
		<b>22,678,391</b>	8,316,555
<b>TOTAL ASSETS</b>		<b>83,164,000</b>	68,602,164
<b>EQUITY AND LIABILITIES</b>			
Share capital	15	<b>62,500,000</b>	62,500,000
Share premium		<b>21,145</b>	21,145
Retained profits	16	<b>10,984,401</b>	5,754,506
<b>Total equity</b>		<b>73,505,546</b>	68,275,651
<b>Current liabilities</b>			
Sundry payables and accruals		<b>88,932</b>	118,919
Amount due to subsidiaries	11	<b>9,562,854</b>	201,850
Dividends payable		<b>6,668</b>	5,744
<b>Total liabilities</b>		<b>9,658,454</b>	326,513
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>83,164,000</b>	68,602,164

The notes set out on pages 34 to 63 form an integral part of these financial statements.

# INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2007



	NOTE	2007 RM	2006 RM
Revenue	21	9,800,000	4,400,000
Administrative expenses		<u>(144,027)</u>	<u>(157,714)</u>
<b>Profit before taxation</b>	22	<b>9,655,973</b>	4,242,286
Taxation	23	<u>(2,601,078)</u>	<u>(1,230,689)</u>
<b>Profit for the year</b>		<b><u>7,054,895</u></b>	<u>3,011,597</u>

The notes set out on pages 34 to 63 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2007



	NOTE	Share Capital RM	Non - distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
<b>2007</b>					
Balance at beginning		62,500,000	21,145	5,754,506	68,275,651
Profit for the year		-	-	7,054,895	7,054,895
Dividend	25	-	-	(1,825,000)	(1,825,000)
Balance at end		<b>62,500,000</b>	<b>21,145</b>	<b>10,984,401</b>	<b>73,505,546</b>
<b>2006</b>					
Balance at beginning		62,500,000	21,145	4,092,909	66,614,054
Profit for the year		-	-	3,011,597	3,011,597
Dividend	25	-	-	(1,350,000)	(1,350,000)
Balance at end		<b>62,500,000</b>	<b>21,145</b>	<b>5,754,506</b>	<b>68,275,651</b>

The notes set out on pages 34 to 63 form an integral part of these financial statements.

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2007



	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,655,973	4,242,286
Adjustment for :		
Dividend income	<u>(9,800,000)</u>	(4,400,000)
Operating loss before working capital changes	(144,027)	(157,714)
Payables	<u>(29,987)</u>	17,393
Cash used in operations	(174,014)	(140,321)
Dividends received	7,154,000	3,168,000
Income tax refund	5,711	-
Net cash from operating activities	6,985,697	3,027,679
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in a subsidiary	(200,000)	(2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(1,824,076)	(3,145,922)
Subsidiaries	(4,952,040)	124,741
Net cash used in financing activities	<u>(6,776,116)</u>	(3,021,181)
<b>NET INCREASE IN CASH</b>	<b>9,581</b>	<b>6,496</b>
<b>CASH AT BEGINNING</b>	<b>9,878</b>	<b>3,382</b>
<b>CASH AT END</b>	<b><u>19,459</u></b>	<b><u>9,878</u></b>

The notes set out on pages 34 to 63 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2007



## 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 authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 November 2007.

### Principal Activities

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

The principal activities of the subsidiaries are disclosed in Note 5 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 unless otherwise indicated below.

### 2.1 Basis of Preparation

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.

At the beginning of the current financial year, the Group and the Company had adopted new/revised Financial Reporting Standards (FRSs) which are mandatory for financial periods beginning on or after 1 January 2006 as fully described in Note 2.21.

### 2.2 Basis of Consolidation

The financial statements of the Group include the audited financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries 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. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of are included from the date of acquisition and up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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 subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of the acquisition fair values of the identifiable assets and liabilities of the acquiree company. Separate disclosure is made of minority interest.

### 2.3 Property, Plant and Equipment

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

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 2.13.

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates :

Freehold shoplot	2%
Buildings	2%
Long leasehold commercial lot	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%

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

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.

In prior years, the leasehold interest in land held for own use was classified as leasehold land in property, plant and equipment and was stated at cost less accumulated amortisation. With the adoption of FRS 117, such land is now accounted for as being held under an operating lease. Such leasehold land no longer be subject to any revaluation.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 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 Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

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

Prepaid lease payments on leasehold land are amortised on a straight line basis over the lease term of the land of 48 years and 92 years.

### 2.6 Investments

#### Subsidiaries

Subsidiaries 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.

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

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.13.

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

#### Associates

Associates are defined as companies in which the Group holds a long term equity interest of between 20% to 50% and is in a position to exercise significant influence over the management of the associates through board representation.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.6 Investments (cont'd)

#### Associates (cont'd)

Investment in associates is accounted for in the consolidated financial statements by the equity method of accounting based on audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits/losses of the associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated unless cost cannot be recovered.

The equity method of accounting is discontinued when the Group's share of losses of the associates exceeds the carrying amount of investment, unless the Group has incurred obligations or guaranteed obligations in respect of the associates.

In the Company's separate financial statements, investment in associates is stated at cost less accumulated impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.13.

Upon the disposal of investment in an associate, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

### 2.7 Intangible Assets

Intangible assets are measured initially at cost. Subsequent to initial recognition, intangible assets with definite life are stated at cost less accumulated amortisation and impairment losses while intangible assets with indefinite life are stated at cost less impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.13.

The intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

In prior years, trade mark of a subsidiary is stated at cost and amortised over a period of 10 years. With the adoption of FRS 138, the trade mark with indefinite useful life is not amortised but tested for impairment annually or more frequently.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.8 Inventories

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

Cost is determined on the weighted average basis.

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

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.

### 2.9 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.

### 2.10 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell.

### 2.11 Payables

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

### 2.12 Provisions

Provisions 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.

### 2.13 Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment, investments in subsidiaries and an associate, and intangible 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.13 Impairment of Assets

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.

### 2.14 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.

### 2.15 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.

### 2.16 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.

### 2.17 Foreign Currency Translations

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at the rates of exchange ruling on that date. All exchange gains or losses on exchange are included in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.17 Foreign Currency Translations

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

	<b>2007</b>	2006
	<b>RM</b>	RM
1 Chinese Renminbi	-	0.4582
1 Hong Kong Dollar	<b>0.4457</b>	0.4700
1 Singapore Dollar	<b>2.2410</b>	2.3160
1 Sterling Pound	<b>7.0000</b>	6.8163
1 US Dollar	<b>3.5273</b>	3.6535

### 2.18 Income Tax

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

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

Deferred tax is 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

### 2.19 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank 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.

### 2.20 Financial Instruments

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.20 Financial Instruments (cont'd)

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 Company 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.

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

On 1 August 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006 :

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group and the Company have early adopted FRS 117 : Leases which is effective for accounting periods beginning on or after 1 October 2006.

The adoption of the above FRSs did not give rise to any adjustment to the opening balances of retained profits of the prior and current year or to changes in the comparative figures other than as follows :

#### FRS 101 : Presentation of Financial Statements

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

#### FRS 117 : Leases

In prior years, the leasehold interest in land held for own use was classified as leasehold land in property, plant and equipment and was stated at cost less accumulated amortisation. With the adoption of FRS 117, such land is now accounted for as being held under an operating lease and will not subject to any revaluation.

The effect of adoption of FRS 117 is disclosed in Note 31.

## 3. PROPERTY, PLANT AND EQUIPMENT

### GROUP

2007

	At cost					Balance at 31.7.07 RM
	Balance at 1.8.06 RM	Additions RM	Disposals RM	Written off RM	Reclassified to non-current assets held for sale RM	
Freehold shoplot	180,000	-	-	-	(180,000)	-
Buildings	8,666,234	7,000	-	-	-	8,673,234
Long leasehold commercial lot	601,481	-	-	-	(601,481)	-
Machinery and factory equipment	2,949,754	27,536	-	-	-	2,977,290
Renovation	141,233	-	-	(26,520)	-	114,713
Furniture, fittings and office equipment	6,052,914	934,186	(3,927)	(67,938)	-	6,915,235
Motor vehicles	2,471,766	188,965	(566,096)	-	-	2,094,635
	<b>21,063,382</b>	<b>1,157,687</b>	<b>(570,023)</b>	<b>(94,458)</b>	<b>(781,481)</b>	<b>20,775,107</b>

	Accumulated depreciation					Balance at 31.7.07 RM
	Balance at 1.8.06 RM	Current charge RM	Disposals RM	Written off RM	Reclassified to non-current assets held for sale RM	
Freehold shoplot	28,800	3,600	-	-	(32,400)	-
Buildings	638,973	173,453	-	-	-	812,426
Long leasehold commercial lot	13,076	6,538	-	-	(19,614)	-
Machinery and factory equipment	1,488,537	291,717	-	-	-	1,780,254
Renovation	64,160	12,639	-	(20,594)	-	56,205
Furniture, fittings and office equipment	2,757,376	1,000,047	(1,723)	(46,519)	-	3,709,181
Motor vehicles	1,479,945	389,484	(498,263)	-	-	1,371,166
	<b>6,470,867</b>	<b>1,877,478</b>	<b>(499,986)</b>	<b>(67,113)</b>	<b>(52,014)</b>	<b>7,729,232</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### GROUP

2007

	Net book value at 31.7.07 RM
Freehold shoptot	-
Buildings	7,860,808
Long leasehold commercial lot	-
Machinery and factory equipment	1,197,036
Renovation	58,508
Furniture, fittings and office equipment	3,206,054
Motor vehicles	723,469
	<b>13,045,875</b>

(Restated)  
2006

	----- At valuation / cost -----					
	Balance at 1.8.05 RM	Additions RM	Disposals RM	Written off RM	Reclassified to prepaid land lease payments RM	Balance at 31.7.06 RM
At valuation						
Short leasehold land	2,350,000	-	-	-	(2,350,000)	-
At cost						
Long leasehold land	1,083,333	-	-	-	(1,083,333)	-
Freehold shoptot	180,000	-	-	-	-	180,000
Buildings	8,666,234	-	-	-	-	8,666,234
Long leasehold commercial lot	601,481	-	-	-	-	601,481
Machinery and factory equipment	2,866,596	83,158	-	-	-	2,949,754
Renovation	141,233	-	-	-	-	141,233
Furniture, fittings and office equipment	5,799,679	420,226	-	(166,991)	-	6,052,914
Motor vehicles	2,307,684	265,261	(96,425)	(4,754)	-	2,471,766
	<b>23,996,240</b>	<b>768,645</b>	<b>(96,425)</b>	<b>(171,745)</b>	<b>(3,433,333)</b>	<b>21,063,382</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

### GROUP

(Restated)  
2006

	----- Accumulated depreciation -----					Balance at 31.7.06 RM
	Balance at 1.8.05 RM	Current charge RM	Disposals RM	Written off RM	Reclassified to prepaid land lease payments RM	
At valuation						
Short leasehold land	170,380	-	-	-	(170,380)	-
At cost						
Long leasehold land	21,588	-	-	-	(21,588)	-
Freehold shoplot	25,200	3,600	-	-	-	28,800
Buildings	486,885	152,088	-	-	-	638,973
Long leasehold commercial lot	6,538	6,538	-	-	-	13,076
Machinery and factory equipment	1,194,258	294,279	-	-	-	1,488,537
Renovation	50,634	13,526	-	-	-	64,160
Furniture, fittings and office equipment	2,280,347	591,873	-	(114,844)	-	2,757,376
Motor vehicles	1,147,085	423,725	(87,025)	(3,840)	-	1,479,945
	<b>5,382,915</b>	<b>1,485,629</b>	<b>(87,025)</b>	<b>(118,684)</b>	<b>(191,968)</b>	<b>6,470,867</b>

Net book value at 31.7.06 RM

At valuation  
Short leasehold land

At cost

Long leasehold land	-
Freehold shoplot	151,200
Buildings	8,027,261
Long leasehold commercial lot	588,405
Machinery and factory equipment	1,461,217
Renovation	77,073
Furniture, fittings and office equipment	3,295,538
Motor vehicles	991,821
	<b>14,592,515</b>

### GROUP

A motor vehicle with net book value of **RM7,789** (2006 : RM47,083) is being acquired under hire purchase loan.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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## 4. PREPAID LAND LEASE PAYMENTS

	<b>GROUP</b>	
	<b>2007</b>	(Restated) <b>2006</b>
	<b>RM</b>	<b>RM</b>
Balance at beginning	<b>3,175,242</b>	-
Reclassified from property, plant and equipment	-	3,241,365
Less : Amortisation for the year	<b>(66,123)</b>	(66,123)
	<hr/>	<hr/>
Balance at end	<b>3,109,119</b>	3,175,242
	<hr/>	<hr/>
Represented by :		
Long leasehold land	<b>1,038,195</b>	1,049,970
Short leasehold land	<b>2,070,924</b>	2,125,272
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	<b>3,109,119</b>	3,175,242
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Long leasehold land refers to land with remaining lease period in excess of 50 years whilst short leasehold land refers to land with remaining lease period of less than 50 years determined as at balance sheet date.

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.

## 5. INVESTMENT IN SUBSIDIARIES

	<b>COMPANY</b>	
	<b>2007</b>	2006
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	<b>60,485,609</b>	60,285,609
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 5. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows :

Name of Company	Effective Equity Interest		Principal Activities
	2007	2006	
Held by the Company			
G.A. Blue Corporation Sdn. Bhd.	100%	100%	Manufacturing and marketing of jeanswear and its related products.
Uni Jeans Care Sdn. Bhd.	100%	100%	Provision of services relating to specialised treatment and finishing process of jeanswear.
Twin Access Sdn. Bhd.	100%	100%	Marketing, distributing and retailing of jeanswear and other fashion apparels.
Evatech Sdn. Bhd.	100%	100%	Manufacturing and export of garments and apparels.
All Denim Sdn. Bhd.	100%	100%	Distributing and retailing of jeanswear, footwear and other accessories.
Topchamp Corporation Sdn. Bhd.	100%	100%	Marketing of jeanswear and its related products.
Delison Sdn. Bhd.	100%	100%	Distribution of accessories.
LKH Footwear Collection Sdn. Bhd.	60%	60%	Marketing and distributing of footwear and related products.
Lensan Sdn. Bhd.	100%	100%	Marketing and distributing of fashion watches and eyewear.
Starix Collection Sdn. Bhd.	51%	51%	Marketing and distributing of high fashion wear and manufacturing of apparels.
Sebico Jaya Trading Co. Sdn. Bhd.*	100%	100%	Retailing of ready-made clothing, handbags and personal effects.
Cosmotion Sdn. Bhd.	100%	100%	Trading and wholesaling in all kinds of fashion garments.
Held by Evatech Sdn. Bhd.			
Lu Fa Industrial (M) Sdn. Bhd.	100%	100%	Dormant.
Quangcin Sdn. Bhd.	100%	100%	Marketing, distributing and retailing of jeanswear and other fashion apparels.

\* Not audited by JB Lau & Associates.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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## 5. INVESTMENT IN SUBSIDIARIES (cont'd)

### 2007

On 26 September 2006, the Company subscribed an additional 200,000 ordinary shares of RM1 each at par for cash in Twin Access Sdn. Bhd..

On 16 April 2007, the Group through Evatech Sdn. Bhd. subscribed an additional 499,998 ordinary shares of RM1 each at par for cash in Quangcin Sdn. Bhd..

The above share subscriptions did not create any change in the effective equity interest of the Group and of the Company in both subsidiaries.

### 2006

On 28 November 2005, the Company acquired a 100% equity interest in Cosmotion Sdn. Bhd. (formerly known as Syabas Lagenda Sdn. Bhd.) for a total cash consideration of RM2.

The above acquisition did not have a material effect on the Group financial results for the year ended 31 July 2006.

The effect of the above acquisition on the financial position of the Group as at 31 July 2006 is as follows :

	RM
Tax recoverable	7,973
Cash and bank balances	23,581
Trade payables	(13,061)
Other payables and accruals	(529,053)
Related companies	(434,650)
	<hr/>
Increase in Group's net liabilities	(945,210)
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## 6. INVESTMENT IN AN ASSOCIATE

	GROUP	
	2007	2006
	RM	RM
Unquoted shares, at cost	<b>282,845</b>	-
Share of post-acquisition reserve	<b>(2,111)</b>	-
	<hr/>	<hr/>
	<b>280,734</b>	-
Represented by :		
Share of net assets	<b>272,101</b>	-
Goodwill on acquisition	<b>8,633</b>	-
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	<b>280,734</b>	-
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 6. INVESTMENT IN AN ASSOCIATE (cont'd)

Details of the associate are as follows :

Name of Company	Place of Incorporation	Effective Equity Interest		Principal Activity
		2007	2006	
Vansen Pte. Ltd.	Singapore	40%	-	Dormant.

During the financial year, the Group acquired 120,000 ordinary shares of Singapore Dollar 1 each in Vansen Pte. Ltd. for a cash consideration of RM282,845.

The summarised financial information of the associate is as follow :

	GROUP	
	2007 RM	2006 RM
<b>Assets and liabilities</b>		
Current assets	<b>683,371</b>	-
Current liabilities	<b>3,591</b>	-
<b>Results</b>		
Revenue	-	-
Loss for the year	<b>(5,278)</b>	-

## 7. INTANGIBLE ASSETS

	GROUP	
	2007 RM	2006 RM
Trade mark		
Balance at beginning	<b>1,760,072</b>	2,091,175
Addition during the year	<b>475,077</b>	-
	<b>2,235,149</b>	2,091,175
Less : Accumulated amortisation *		
Balance at beginning	-	(121,985)
Current year	-	(209,118)
	-	(331,103)
Balance at end	<b>2,235,149</b>	1,760,072

\* With the adoption of FRS 138 in this financial year, the trade mark with indefinite life is not amortised but tested for impairment annually or more frequently.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 7. INTANGIBLE ASSETS (cont'd)

For annual impairment testing purposes, the recoverable amounts of the cash-generating units, i.e. the trading segments of the trade mark, are determined based on their value-in use, which apply a discounted cash flow model using cash flow projections based on financial budget and projections approved by management.

The key assumptions on which the management has based on for the computation of value-in-use are as follows :

(i) Cash flow projections and growth rate

The five-year cash flow projections are based on the most recent budget approved by the management and extrapolated using a steady growth rate for the subsequent years.

(ii) Discount rate

The discount rate of 6.75% is applied to the cash flow projections.

## 8. INVENTORIES

	<b>GROUP</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At cost :		
Raw materials	<b>1,506,175</b>	1,260,431
Work-in-progress	<b>634,240</b>	1,314,406
Finished goods	<b>14,674,168</b>	13,915,562
Trading goods	<b>12,759,286</b>	8,020,193
Consumables	<b>35,257</b>	21,248
	<b>29,609,126</b>	<b>24,531,840</b>

## 9. TRADE RECEIVABLES

	<b>GROUP</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Total amount	<b>34,293,313</b>	33,993,831
Less : Allowance for doubtful debts		
Balance at beginning	<b>(2,685,939)</b>	(2,426,328)
Arising from acquisition of a subsidiary	-	(54,915)
Current year	<b>(438,194)</b>	(322,097)
Doubtful debts recovered	<b>72,487</b>	117,401
Balance at end	<b>(3,051,646)</b>	(2,685,939)
	<b>31,241,667</b>	<b>31,307,892</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 9. TRADE RECEIVABLES (cont'd)

	GROUP	
	2007 RM	2006 RM
Analysis of trade receivables by currencies :		
Ringgit Malaysia	<b>22,777,954</b>	27,515,332
Singapore Dollar	<b>10,918</b>	1,090
Sterling Pound	<b>8,157,128</b>	6,249,379
US Dollar	<b>3,347,313</b>	228,030
	<b>34,293,313</b>	33,993,831

Included herein is an amount of **RM238,741** (2006 : RM243,117) due from a firm, Milan Shoes Centre, in which a director of a subsidiary, Mr. Len Lip Fong @ Land Lip Fong, has a deemed interest.

The normal credit terms for trade receivables range from **30 to 180 days** (2006 : 30 to 180 days). Other credit terms are assessed and approved on a case-by-case basis.

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Other receivables				
Less : Allowance for doubtful debts	<b>2,359,802</b>	1,649,974	-	-
Balance at beginning/end	<b>(126,515)</b>	(126,515)	-	-
	<b>2,233,287</b>	1,523,459	-	-
Deposits	<b>391,769</b>	481,038	<b>1,000</b>	1,000
Prepayments	<b>305,840</b>	361,666	-	-
	<b>2,930,896</b>	2,366,163	<b>1,000</b>	1,000
Analysis of other receivables, deposits and prepayment by currencies :				
Ringgit Malaysia	<b>1,955,972</b>	767,288	<b>1,000</b>	1,000
Chinese Renminbi	-	1,521,536	-	-
Hong Kong Dollar	<b>895,638</b>	38,800	-	-
Sterling Pound	<b>157,068</b>	157,068	-	-
US Dollar	<b>48,733</b>	7,986	-	-
	<b>3,057,411</b>	2,492,678	<b>1,000</b>	1,000

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 11. AMOUNT DUE FROM/TO SUBSIDIARIES

### COMPANY

The amount due from/to subsidiaries is non-trade related, unsecured, interest free and has no fixed terms of repayment.

## 12. FIXED DEPOSIT WITH A LICENSED BANK

### GROUP

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

The interest rate and maturity of fixed deposit at balance sheet date was 3% per annum and 1 year respectively.

## 13. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short term funds with a licensed financial institution	-	68,908	-	-
Cash and bank balances	<b>5,691,417</b>	4,294,845	<b>19,459</b>	9,878
	<b>5,691,417</b>	4,363,753	<b>19,459</b>	9,878

Short term funds represented investments with redeemable period of less than 7 days and the interest rate at balance sheet date was 2.18% per annum.

## 14. NON-CURRENT ASSETS HELD FOR SALE

	GROUP	
	2007 RM	2006 RM
Reclassified from property, plant and equipment :		
Freehold shoplot	<b>147,600</b>	-
Long leasehold commercial lot	<b>581,867</b>	-
	<b>729,467</b>	-

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 15. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised :				
Balance at beginning/end	<b>200,000,000</b>	200,000,000	<b>100,000,000</b>	100,000,000
Issued and fully paid :				
Balance at beginning/end	<b>125,000,000</b>	125,000,000	<b>62,500,000</b>	62,500,000

## 16. RETAINED PROFITS

### COMPANY

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

## 17. BORROWINGS

	GROUP	
	2007 RM	2006 RM
<b>Non-current liabilities</b>		
Term loans		
Total amount repayable	<b>4,643,285</b>	3,137,604
Less : Repayable within one year included in current liabilities	<b>(1,076,540)</b>	(1,464,822)
Repayable more than one year and less than five years	<b>3,566,745</b>	1,672,782
Hire purchase payable		
Total amount payable	<b>9,906</b>	25,504
Interest in suspense	<b>(273)</b>	(1,297)
Less : Payable within one year included in current liabilities	<b>9,633</b>	24,207
	<b>(9,633)</b>	(15,878)
Payable more than one year and less than five years	-	8,329
	<b>3,566,745</b>	1,681,111

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 17. BORROWINGS (cont'd)

	GROUP	
	2007	(Restated) 2006
	RM	RM
<b>Current liabilities</b>		
Bankers acceptance	<b>2,597,000</b>	280,000
Bank overdraft	-	245,043
Hire purchase payable	<b>9,633</b>	15,878
Term loans	<b>1,076,540</b>	1,464,822
	<b>3,683,173</b>	2,005,743

The particulars of the term loans are as follows :

	Principal RM	Interest Rate		Security	Repayment Terms
		2007 %	2006 %		
i.	1,900,000 *	-	4.95	Corporate guarantee of the Company	5 equal quarterly instalments of RM316,540 each and last instalment of RM317,300 commencing 8 November 2005.
ii.	720,000	<b>4.50</b>	4.50	Corporate guarantee of the Company	20 equal quarterly instalments of RM45,000 each commencing 1 October 2005.
iii.	1,467,224	<b>4.50</b>	4.50	Corporate guarantee of the Company	60 monthly instalments of RM33,558, RM34,561 and RM35,208 each commencing 17 September 2005.
iv.	2,966,674	<b>4.50</b>	-	Corporate guarantee of the Company	60 monthly instalments of RM55,930, RM56,483 and RM59,057 each commencing 8 July 2007.

\* denominated in US Dollar

The borrowings (other than term loans and hire purchase payable) are secured by way of :

- i. Negative pledge over all the present and future assets of certain subsidiaries,
- ii. Corporate guarantee of the holding company, and
- iii. Corporate guarantee of a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 17. BORROWINGS (cont'd)

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

	<b>GROUP</b>	
	<b>2007</b>	2006
	%	%
Bankers acceptance	<b>3.64 - 4.40</b>	4.00
Bank overdraft	-	8.25
Hire purchase payable	<b>3.90</b>	3.90

The maturity of the bankers acceptance as at balance sheet date range from **71 to 150 days** (2006 : 180 days).

## 18. DEFERRED TAX LIABILITIES

	<b>GROUP</b>	
	<b>2007</b>	2006
	RM	RM
Balance at beginning	<b>1,278,574</b>	1,219,691
Transfer (to)/from income statement	<b>(173,087)</b>	70,283
	<b>1,105,487</b>	1,289,974
Under/(Over) provision in prior year	<b>1,600</b>	(11,400)
Balance at end	<b>1,107,087</b>	1,278,574

The deferred tax liabilities/(assets) are represented by temporary differences arising from :

	<b>GROUP</b>	
	<b>2007</b>	2006
	RM	RM
Capital allowance in excess of depreciation on property, plant and equipment	<b>1,387,480</b>	1,540,100
Inventories - tax effect on unrealised profit	<b>(280,393)</b>	(261,526)
	<b>1,107,087</b>	1,278,574

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 19. TRADE PAYABLES

	GROUP	
	2007 RM	2006 RM
Analysis of trade payables by currencies :		
Ringgit Malaysia	<b>3,333,432</b>	1,786,752
Chinese Renminbi	-	4,911
Hong Kong Dollar	-	31,908
US Dollar	<b>90,742</b>	768,074
	<b>3,424,174</b>	2,591,645

The normal credit terms for trade payables range from **30 to 120 days** (2006 : 30 to 120 days).

## 20. OTHER PAYABLES AND ACCRUALS

### GROUP

Included herein is an amount of **RM100,000** (2006 : RM100,000) due to Mr. Wong Kum Khaw, a shareholder of a subsidiary, and is unsecured, interest free and has no fixed terms of repayment.

## 21. REVENUE

### GROUP

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Invoiced value of goods sold less returns and discounts, and services rendered	<b>59,186,875</b>	49,885,453	-	-
Gross dividends from subsidiaries	-	-	<b>9,800,000</b>	4,400,000
	<b>59,186,875</b>	49,885,453	<b>9,800,000</b>	4,400,000

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 22. PROFIT BEFORE TAXATION

This is arrived at :

	GROUP (Restated)		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
After charging :				
Allowance for doubtful debts	<b>438,194</b>	322,097	-	-
Amortisation of prepaid land lease payments	<b>66,123</b>	66,123	-	-
Amortisation of trade mark	-	209,118	-	-
Audit fee				
- statutory audit	<b>71,430</b>	64,030	<b>10,000</b>	10,000
- other services	<b>2,000</b>	-	<b>2,000</b>	-
Bad debts	<b>35,930</b>	118,082	-	-
Depreciation	<b>1,877,478</b>	1,485,629	-	-
Directors' fee	<b>75,000</b>	90,000	<b>75,000</b>	90,000
Goodwill on consolidation written off	-	945,212	-	-
Interest expense	<b>332,278</b>	224,817	-	-
Property, plant and equipmen written off	<b>27,345</b>	53,061	-	-
Rental of equipment	<b>1,575</b>	-	-	-
Rental of premises	<b>1,554,132</b>	1,584,524	-	-
* Staff costs	<b>9,584,317</b>	8,793,133	-	-
And crediting :				
Bad debts recovered	<b>20,892</b>	316,355	-	-
Doubtful debts recovered	<b>72,487</b>	117,401	-	-
Gain on disposal of property, plant and equipment	<b>131,194</b>	20,178	-	-
Gross dividends from subsidiaries	-	-	<b>9,800,000</b>	4,400,000
Interest income	<b>6,415</b>	302,059	-	-
Realised gain on foreign exchange	<b>124,078</b>	65,409	-	-
Rental income	<b>256,800</b>	156,800	-	-

	GROUP	
	2007 RM	2006 RM
* <b>Staff costs</b>		
- Salaries, allowances and bonus	<b>8,825,323</b>	8,170,107
- EPF	<b>664,128</b>	546,215
- SOCSO	<b>94,866</b>	76,811
	<b>9,584,317</b>	8,793,133

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 22. PROFIT BEFORE TAXATION (cont'd)

Included in the staff costs is directors' emoluments of **RM666,660** (2006 : RM847,760) as shown below :

	<b>GROUP</b>	
	<b>2007</b> RM	2006 RM
<b>Directors' emoluments</b>		
Directors of the Company		
- Salaries and allowances	<b>518,500</b>	688,000
- EPF	<b>61,920</b>	68,760
	<b>580,420</b>	756,760
- Benefits-in-kind	<b>54,400</b>	54,116
	<b>634,820</b>	810,876
Director of a subsidiary		
- Salaries and bonus	<b>77,000</b>	81,250
- EPF	<b>9,240</b>	9,750
	<b>86,240</b>	91,000
- Benefits-in-kind	<b>4,800</b>	4,800
	<b>91,040</b>	95,800

## 23. TAXATION

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2007</b> RM	2006 RM	<b>2007</b> RM	2006 RM
Malaysian income tax :				
Based on results for the year				
- Current tax	<b>(1,227,959)</b>	(1,565,471)	<b>(2,622,000)</b>	(1,224,000)
- Deferred tax				
Relating to the origination and reversal of temporary differences	<b>98,797</b>	(70,283)	-	-
Relating to changes in tax rates	<b>74,290</b>	-	-	-
	<b>173,087</b>	(70,283)	-	-
	<b>(1,054,872)</b>	(1,635,754)	<b>(2,622,000)</b>	(1,224,000)
Over/(Under) provision in prior year				
- Current tax	<b>324,660</b>	7,651	<b>20,922</b>	(6,689)
- Deferred tax	<b>(1,600)</b>	11,400	-	-
	<b>323,060</b>	19,051	<b>20,922</b>	(6,689)
	<b>(731,812)</b>	(1,616,703)	<b>(2,601,078)</b>	(1,230,689)

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 23. TAXATION (cont'd)

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before taxation	<b>5,041,743</b>	5,942,328	<b>9,655,973</b>	4,242,286
Share of results of an associate	<b>2,111</b>	-	-	-
	<b>5,043,854</b>	5,942,328	<b>9,655,973</b>	4,242,286
Income tax at Malaysian statutory tax rate of <b>27%</b> (2006 : 28%)	<b>(1,361,841)</b>	(1,663,852)	<b>(2,607,113)</b>	(1,187,840)
Effects of :				
- Income not subject to tax	<b>22,640</b>	-	-	-
- Double deduction expenses for tax purposes	<b>47,921</b>	-	-	-
- Expenses not deductible for tax purposes	<b>(216,136)</b>	(468,505)	<b>(14,887)</b>	(36,160)
- Utilisation of unabsorbed tax losses and capital allowance from a newly acquired subsidiary	-	157,737	-	-
- Utilisation of previously unabsorbed tax losses and capital allowances	<b>137,511</b>	-	-	-
- Utilisation of previously unabsorbed reinvestment allowances	<b>130,044</b>	38,274	-	-
- Reduced tax rate on first RM500,000 chargeable income	<b>234,468</b>	289,758	-	-
- Deferred tax assets not recognised	<b>(134,603)</b>	-	-	-
- Annual crystallisation of deferred tax	<b>10,834</b>	10,834	-	-
- Changes in tax rates	<b>74,290</b>	-	-	-
	<b>(1,054,872)</b>	(1,635,754)	<b>(2,622,000)</b>	(1,224,000)
Over/(Under) provision in prior year	<b>323,060</b>	19,051	<b>20,922</b>	(6,689)
	<b>(731,812)</b>	(1,616,703)	<b>(2,601,078)</b>	(1,230,689)

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 23. TAXATION (cont'd)

The Malaysian Budget 2007 announced the reduction of corporate tax rate from 28% for the year of assessment 2006 to 27% for the year of assessment 2007 and 26% for the year of assessment 2008. The corporate tax rate will be reduced further to 25% for the year of assessment 2009 as announced in the Malaysian Budget 2008.

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unabsorbed reinvestment allowance	-	140,000	-	-
Unabsorbed tax losses	<b>1,057,000</b>	986,000	-	-
Unabsorbed capital allowances	<b>22,000</b>	37,000	-	-

The unabsorbed tax losses and capital allowances are available to be carried forward for set off against future taxable income of respective subsidiaries subject to no substantial changes in shareholding of the subsidiaries in accordance with the provisions of the Income Tax Act, 1967. While the unabsorbed reinvestment allowance is available to be carried forward for set off against future taxable income of the respective subsidiaries indefinitely in accordance with the provisions of the Income Tax Act, 1967.

## 24. EARNINGS PER SHARE

### GROUP

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

	2007 RM	2006 RM
Profit attributable to equity holders of the Company	<b>4,546,816</b>	4,138,336
Weighted average number of ordinary shares of RM0.50 each	<b>125,000,000</b>	125,000,000
Basic earnings per share (sen)	<b>3.64</b>	3.31

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 25. DIVIDEND

	2007 RM	2006 RM
First and final dividend of 4% less tax in respect of the financial year ended 31 July 2006	<b>1,825,000</b>	-
Final dividend of 3% less tax in respect of the financial year ended 31 July 2005	-	1,350,000
	<b>1,825,000</b>	1,350,000

## 26. CONTINGENT LIABILITY (UNSECURED)

### COMPANY

The Company has issued corporate guarantee to financial institutions for banking facilities granted to subsidiaries up to a limit of **RM35,345,000** (2006 : RM30,845,000) of which **RM7,240,285** (2006 : RM3,137,604) of the said banking facilities have been utilised as at balance sheet date.

## 27. 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, the United Kingdom and the United States of America.

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.

	----- 2007 -----		
	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	49,046,895	88,055,639	1,157,687
United Kingdom	8,953,646	-	-
United States of America	1,186,334	1,760,072	-
	<b>59,186,875</b>	<b>89,815,711</b>	<b>1,157,687</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 27. SEGMENTAL INFORMATION (cont'd)

	----- 2006 -----		
	Revenue RM	Total assets RM	Capital expenditure RM
Malaysia	43,686,229	80,931,644	768,645
United Kingdom	5,216,258	-	-
United States of America	982,966	1,760,072	-
	<u>49,885,453</u>	<u>82,691,716</u>	<u>768,645</u>

## 28. COMMITMENTS

	<b>GROUP</b>	
	<b>2007</b> RM	2006 RM
Non-cancellable operating lease commitments		
Future minimum rentals receivable :		
Not later than one year	<u>90,000</u>	120,000

Operating lease commitments represent rentals receivable for use of buildings. Leases are negotiated for a term of one year.

	<b>GROUP</b>	
	<b>2007</b> RM	2006 RM
Future minimum rentals payable :		
Not later than one year	<b>319,044</b>	580,456
Later than one year and not later than five years	<b>69,636</b>	416,647
	<u><b>388,680</b></u>	<u>997,103</u>

Operating lease commitments represent rentals payable for use of buildings. Leases are negotiated for terms ranging from two to three years.

## 29. RELATED PARTY TRANSACTION

	<b>GROUP</b>	
	<b>2007</b> RM	2006 RM
Sales to a firm, Milan Shoes Centre, in which a director of a subsidiary, Mr. Len Lip Fong @ Land Lip Fong has a deemed interest	<u><b>97,769</b></u>	171,423

The directors of the Company are of the opinion that the above transaction was entered into in the normal course of business and the term of which has been established on negotiated basis.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 30. 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 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 currencies other than Ringgit Malaysia. The currencies giving rise to this are primarily 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2007



## 31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation as follows :

- (i) In prior years, the leasehold land has been included under property, plant and equipment. This amount has been reclassified as prepaid land lease payments in this financial year, to conform with the adoption of FRS 117 : Leases.

	Previously stated RM	Reclassification RM	Restated RM
<b>Consolidated Balance Sheet</b>			
Non-current assets :			
Property, plant and equipment	17,767,757	(3,175,242)	14,592,515
Prepaid land lease payments	-	3,175,242	3,175,242
<b>Consolidated Cash Flow Statement</b>			
Amortisation of prepaid land lease payments	-	66,123	66,123
Depreciation	1,551,752	(66,123)	1,485,629

- (ii) In prior years, the short term hire purchase payables have been included under other payables and accruals. This amount has been reclassified as short term borrowings in this financial year.

	Previously stated RM	Reclassification RM	Restated RM
<b>Consolidated Balance Sheet</b>			
Current liabilities :			
Other payables and accruals	1,907,200	(15,878)	1,891,322
Borrowings	1,989,865	15,878	2,005,743

## DIRECTORS' STATEMENT



We, **Dato' Yeap Beow Chong** and **Yeoh Yeow Cheang**, 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 25 to 63 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 2007** and of the results of the operations 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 :

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

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

**Date : 16 November 2007**

## 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 25 to 63 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 **16th** )  
day of **November 2007**. )

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

**Before me,**

\_\_\_\_\_  
**Govindasamy A/L G. Muttusamy, PJM**  
**Commissioner for Oaths**  
**(P047)**

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



We have audited the financial statements set out on pages 25 to 63. 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 2007** 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 Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' report thereon of the subsidiary of which we have not acted as auditors, as indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the 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 subsidiaries 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, DJN**  
**No. 1107/03/08 (J)**

**Date : 16 November 2007**

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 NOVEMBER 2007



<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 shares

## B. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100 shares	116	6.3912	5,585	0.0045
100 to 1,000 shares	60	3.3058	26,300	0.0210
1,001 to 10,000 shares	1,151	63.4160	4,639,500	3.7116
10,001 to 100,000 shares	419	23.0854	12,830,015	10.2640
100,001 to less than 5% of issued shares	64	3.5262	43,353,975	34.6832
5% and above of issued shares	5	0.2755	64,144,625	51.3157
<b>Total</b>	<b>1,815</b>	<b>100.0000</b>	<b>125,000,000</b>	<b>100.0000</b>

## C. SUBSTANTIAL SHAREHOLDERS

Name	Number of Shares Held					
	Direct	%	Deemed	%	Total	%
Kan Ah Chun	9,119,250	7.30	31,159,000 ①	24.93	40,278,250	32.23
Beach Capital Sdn. Bhd.	11,159,000	8.93	-	-	11,159,000	8.93
Dato' Yeap Beow Chong	35,866,375	28.69	870,600 ②	0.70	36,736,975	29.39
Lim Tiam Eng	870,600	0.70	35,866,375 ③	28.69	36,736,975	29.39
Kan Ky-shen	8,000,000	6.40	-	-	8,000,000	6.40

## D. DIRECTORS' SHAREHOLDINGS

Name	Number of Shares Held					
	Direct	%	Deemed	%	Total	%
Kan Ah Chun	9,119,250	7.30	31,159,000 ①	24.93	40,278,250	32.23
Dato' Yeap Beow Chong	35,866,375	28.69	870,600 ②	0.70	36,736,975	29.39
Yeoh Yeow Cheang	605,900	0.48	-	-	605,900	0.48
Saffie Bin Bakar	250,000	0.20	-	-	250,000	0.20
Loh Chye Teik	106,500	0.09	-	-	106,500	0.09

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 and by shares held by his spouse, Chong Lee Ying, and children, Kan Ky-vern and Kan Ky-shen.
- 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 (cont'd)

AS AT 30 NOVEMBER 2007



## E. THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares	% of total issued capital
1 DATO' YEAP BEOW CHONG	28,866,375	23.0931
2 BEACH CAPITAL SDN. BHD.	11,159,000	8.9272
3 KAN AH CHUN	9,119,250	7.2954
4 KAN KY-SHEN	8,000,000	6.4000
5 EB NOMINEES (ASING) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR YEAP BEOW CHONG (PEN)	7,000,000	5.6000
6 CHONG LEE YING	6,000,000	4.8000
7 KAN KY-VERN	6,000,000	4.8000
8 CHONG WANN KUEN	4,866,700	3.8934
9 KANG CHIU YEE	3,150,000	2.5200
10 LIM IN FOO	3,054,700	2.4438
11 NG CHOO HAI	2,450,000	1.9600
12 YEONG AI VEE	1,299,450	1.0396
13 TAN KHEOK CHUAN	1,150,650	0.9205
14 HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH TEIK TOE (M01)	1,131,675	0.9053
15 LIM TIAM ENG	870,600	0.6965
16 RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG TAI CHIN @ WONG TAI CHIN	625,600	0.5005
17 LAU ENG FONG	619,750	0.4958
18 CHONG IK POH	552,000	0.4416
19 YEOH YEOW CHEANG	490,000	0.3920
20 GAN LAM SEONG	479,000	0.3832
21 HO SIEW POH	465,975	0.3728
22 KAN ZI YAO	456,500	0.3652
23 KANG CHIN CHIAT	402,175	0.3217
24 ANUAL BIN HASSAN	400,000	0.3200
25 KOAY WEI KEONG	383,625	0.3069
26 AMANAH RAYA BERHAD SBB DANA AL-FAIZ	354,825	0.2839
27 NG KOK BENG	300,150	0.2401
28 KOK KEONG KEAT	300,000	0.2400
29 OOI LENG HWA	300,000	0.2400
30 LIM SENG HUAT	300,000	0.2400
<b>TOTAL</b>	<b>100,548,000</b>	<b>80.4385</b>

# LIST OF PROPERTIES

AS AT 31 JULY 2007



ACQUISITION DATE	BENEFICIAL OWNER/ LOCATION	DESCRIPTION/ EXISTING USAGE	TENURE/ AGE OF BUILDING	AREA (SQ.FEET)	NBV @ 31.07.07 (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	2,318,841
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	6 years	59,576	5,868,881
<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	6 years	9,840	1,443,288
<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 / 13 years	8,160	1,586,834
<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 / 14 years	1,400	147,600
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 / 6 years	499	506,865

# NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Tekukur Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 21 January 2008 at 11.30 a.m. for the following purposes :-

## AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 July 2007 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve the payment of Directors' fees of RM75,000 in respect of the financial year ended 31 July 2007. **Ordinary Resolution 2**
3. To re-elect the following Directors retiring pursuant to Article 129 of the Company's Articles of Association :-
  - (i) Mr. Kan Ah Chun **Ordinary Resolution 3**
  - (ii) Dato' Yeap Beow Chong **Ordinary Resolution 4**
4. To re-appoint Messrs. JB Lau & Associates as the Company's Auditors and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

### Special Business

To consider and if thought fit, to pass with or without modifications the following as Ordinary/Special Resolutions :-

### Ordinary Resolution :

5. **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."

**Ordinary Resolution 6**

### Special Resolutions :

6. **PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION OF THE COMPANY**

"That the amendments to the Articles of Association of the Company contained in Appendix I be and are hereby approved."

**Special Resolution 1**

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)



## AGENDA

### 7. PROPOSED CHANGE OF COMPANY'S NAME

"That the name of the Company be changed from **G. A. BLUE INTERNATIONAL BHD.** to **SEQUOIA HOLDINGS BERHAD** with effect from the date of Certificate of Change of Name of the Company to be issued by the Companies Commission of Malaysia ("SSM") and that the Memorandum and Articles of Association of the Company be amended accordingly, wherever the name of the Company appear AND THAT the Directors be and are hereby authorised to give effect to the proposed change of Company's name with full power to assent to any condition, modification, variation and/or amendments as may be required by the relevant authorities."

**Special  
Resolution 2**

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

Date : 28 December 2007

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 up to two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies, the appointments 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 on 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 proposed Special Resolution 1, if passed, will amend the Articles of Association of the Company to be in compliance with the recent amendments to Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The proposed Special Resolution 2, the change of name of the Company from **G. A. BLUE INTERNATIONAL BHD.** to **SEQUOIA HOLDINGS BERHAD** will portray a dynamic outlook that better reflects the operational diversity of the Company and its subsidiary companies.

The Companies Commission of Malaysia ("SSM") had approved G. A. Blue International Bhd's application for the use of the name **SEQUOIA HOLDINGS BERHAD** on 30 July 2007. The proposed change of name, if approved by the shareholders, will take effect from the date of issuance of Certificate of Change of Name by SSM.

# SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION



## “Appendix I”

THAT the Articles of Association of the Company be amended in the following manner:-

1. (a) Article 2 be amended by deleting the following definitions which reads as follows :

Existing Article 2(b)

‘Approved

Market Place’ : Means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No.2) Order 1998

Existing Article 2(k)

‘Foreign

Register’ : Register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place

- (b) The existing Article 2(b) and 2(k) be deleted in its entirety.

2. (a) Article 2 be amended by deleting the following definitions which reads as follows :

Existing Article 2(d)

‘Central

Depository’ : Malaysian Central Depository Sdn. Bhd. and its successors-in-title

Existing Article 2(l)

‘MSEB’ : Malaysia Securities Exchange Berhad

- (b) and adopting the following new definitions in Article 2 which reads:-

Amended Article 2(d)

‘Central

Depository’ : Malaysian Bursa Malaysia Depository Sdn. Bhd. (165570-W)

Existing Article 2(l)

‘MSEB’ : Bursa Malaysia Securities Berhad (635998-W)

SPECIAL RESOLUTION -  
PROPOSED AMENDMENTS TO THE  
COMPANY'S ARTICLES OF  
ASSOCIATION (cont'd)



3. (a) Existing Article 16

Article 15 shall be subject to the following provisions:

- (1) no Director shall participate in an issue of shares to employees unless:
  - (a) the Members in general meeting have approved the specific allotment to such Director; and
  - (b) such Director holds office in an executive capacity or if he does not hold such office, participates in an issue of shares pursuant to an offer or issue of shares to the public;
- (2) no shares shall be issued at a discount except in accordance with Section 59 of the Act;
- (3) the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time; and
- (4) the rights attaching to shares of a class other than ordinary shares shall be expressed.

(b) The existing Article 16 be deleted in its entirety and substituted with the following new Article 16

Article 15 shall be subject to the following provisions:

- (1) no Director shall participate in an issue of shares to employees unless:
  - (a) the Members in general meeting have approved the specific allotment to such Director; and
  - (b) such Director holds office in an executive capacity or if he does not hold such office, participates in an issue of shares pursuant to an offer or issue of shares to the public;
- (2) no shares shall be issued at a discount except in accordance with Section 59 of the Act; **and**
- (3) the rights attaching to shares of a class other than ordinary shares shall be expressed.

4. (a) Existing Article 27

Preference shareholders shall have:

- (1) the same rights as ordinary shareholders as regards:
  - (a) receiving notices, reports and audited financial statements; and
  - (b) attending general meetings of the Company;
- (2) the right to vote in any meeting convened for the purposes of reducing the capital, or to wind up the Company and during the winding up of the Company, or disposing the whole of the Company's property, business and undertaking or directly affecting the rights attached to the shares and privileges, or when the dividend or part of the dividend on the preference shares is in arrears for more than 6 months; and
- (3) the right to a return of capital in preference to holders of ordinary shares when the Company is wound-up.

(b) The existing Article 27 be deleted in its entirety and substituted with the following new Article 27

Preference shareholders shall have:

- (1) the same rights as ordinary shareholders as regards:
  - (a) receiving notices, reports and audited financial statements; and
  - (b) attending general meetings of the Company;**and**
- (2) the right to vote in any meeting convened for the purposes of reducing the capital, or to wind up the Company and during the winding up of the Company, or disposing the whole of the Company's property, business and undertaking or directly affecting the rights attached to the shares and privileges, or when the dividend or part of the dividend on the preference shares is in arrears for more than 6 months.

SPECIAL RESOLUTION -  
PROPOSED AMENDMENTS TO THE  
COMPANY'S ARTICLES OF  
ASSOCIATION (cont'd)



5. (a) Existing Article 57

Transmission of securities from Foreign Register

(1) Where:

- (a) the securities of the Company are listed on an Approved Market Place; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Foreign Register, to the register of holders maintained by the registrar of the Company in Malaysia ('Malaysian Register') subject to the following conditions:

- (i) there shall be no change in the ownership of such securities; and
- (ii) the transmission shall be executed by causing such securities to be credited directly into the Securities Account of such securities holder.

- (2) For the avoidance of doubt, no Company which fulfils the requirements of paragraphs (a) and (b) of Article 57(1) shall allow any transmission of securities from the Malaysian Register into the Foreign Register.

(b) The existing Article 57 be deleted in its entirety and substituted with the following new Article 57

Transmission of securities

Where:

- (a) the securities of the Company are listed on **another stock exchange**; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the **registrar of the Company in the jurisdiction of the other stock exchange**, to the register of holders maintained by the registrar of the Company in Malaysia **and vice versa** subject to the following conditions:

- (i) there shall be no change in the ownership of such securities; and
- (ii) the transmission shall be executed by causing such securities to be credited directly into the Securities Account of such securities holder.

## SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION (cont'd)



### 6. (a) Existing Article 80

Every notice convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' or 21 days' notice in the case where special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press in the National or English language press and in writing to each stock exchange upon which the Company is listed including the MSEB.

### (b) The existing Article 80 be deleted in its entirety and substituted with the following new Article 80

Every notice convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' or 21 days' notice in the case where special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in **at least 1 nationally circulated Bahasa Malaysia** or English **daily newspaper** and in writing to each stock exchange upon which the Company is listed.

### 7. (a) Existing Article 81

Subject to these Articles and to any restrictions imposed on any shares, every notice calling a general meeting shall be given by advertisement in 1 daily newspaper in the National or English language and in writing to the stock exchange on which the Company is listed, all the Members, to all persons entitled to a share (who have produced such evidence as may from time to time be required by the Central Depository in accordance with the Rules or as the Central Depository may determine) in consequence of the death, bankruptcy or mental disorder of a Member or by operation of law and to the Directors and auditors of the Company. A notice by advertisement under this Article shall be deemed given on the day on which the advertisement appears in the daily newspaper through which such advertisement is made.

### (b) The existing Article 81 be deleted in its entirety and substituted with the following new Article 81

Subject to these Articles and to any restrictions imposed on any shares, every notice calling a general meeting shall be given by advertisement in **at least 1 nationally circulated Bahasa Malaysia** or English **daily newspaper** and in writing to the stock exchange on which the Company is listed, all the Members, to all persons entitled to a share (who have produced such evidence as may from time to time be required by the Central Depository in accordance with the Rules or as the Central Depository may determine) in consequence of the death, bankruptcy or mental disorder of a Member or by operation of law and to the Directors and auditors of the Company. A notice by advertisement under this Article shall be deemed given on the day on which the advertisement appears in the daily newspaper through which such advertisement is made.

SPECIAL RESOLUTION -  
PROPOSED AMENDMENTS TO THE  
COMPANY'S ARTICLES OF  
ASSOCIATION (cont'd)



8. (a) Existing Article 79

In accordance with the Rules, the Company shall inform the Central Depository of the dates of the general meeting and the Company shall request the Central Depository to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors as at a date not less than three (3) clear Market Days before the general meeting ("General Meeting Record of Depositors"). Subject to the Regulations and notwithstanding any provisions in the Act, a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

(b) The existing Article 79 be deleted in its entirety and substituted with the following new Article 79

In accordance with the Rules, the Company shall inform the Central Depository of the dates of the general meeting and the Company shall request the Central Depository to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors as at **the latest which is reasonably practicable which shall be in any event be a** date not less than three (3) clear Market Days before the general meeting ("General Meeting Record of Depositors"). Subject to the Regulations and notwithstanding any provisions in the Act, a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

9. (a) Existing Article 110

All the Directors shall be natural persons and the first Directors of the Company shall be Loo Chye Sheng and Saik Thim Moon.

(b) The existing Article 110 be deleted in its entirety and substituted with the following new Article 110  
The first Directors of the Company shall be Loo Chye Sheng and Saik Thim Moon.

SPECIAL RESOLUTION -  
PROPOSED AMENDMENTS TO THE  
COMPANY'S ARTICLES OF  
ASSOCIATION (cont'd)



10. (a) Existing Article 138

The office of a Director shall be vacated if he:

- (1) becomes bankrupt or enters into any arrangement or composition with his creditors generally;
- (2) ceases to be a Director by virtue of any provision of the Act or becomes prohibited by law from being a Director;
- (3) becomes of unsound mind or lunatic in Malaysia or elsewhere or an order is made by any court or other competent authority claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a committee or other person (by whatever name called) to exercise powers with respect to his property and/or affairs;
- (4) is removed from office by ordinary resolution of the Company;
- (5) is convicted of any offence (whether in Malaysia or elsewhere) involving fraud or dishonesty or of an offence (whether in Malaysia or elsewhere) punishable on conviction with imprisonment for 3 months or more;
- (6) resigns his office by notice in writing to the Company; or
- (7) is absent from more than 50% of the total board of directors' meetings held during a financial year, unless an exemption or waiver is obtained from the MSEB.

(b) The existing Article 138 be deleted in its entirety and substituted with the following new Article 138  
The office of a Director shall be vacated if he:

- (1) becomes bankrupt **during his term of office** or enters into any arrangement or composition with his creditors generally;
- (2) ceases to be a Director by virtue of any provision of the Act or becomes prohibited by law from being a Director;
- (3) becomes of unsound mind or lunatic in Malaysia or elsewhere or an order is made by any court or other competent authority claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a committee or other person (by whatever name called) to exercise powers with respect to his property and/or affairs;
- (4) is removed from office by ordinary resolution of the Company;
- (5) is convicted of any offence (whether in Malaysia or elsewhere) involving fraud or dishonesty or of an offence (whether in Malaysia or elsewhere) punishable on conviction with imprisonment for 3 months or more; **or**
- (6) resigns his office by notice in writing to the Company.

PROXY FORM



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



\*1/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 Sixth Annual General Meeting of the Company to be held at Tekukur Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 21 January 2008 at 11.30 a.m. and any adjournment thereof.

No. of Resolution	Resolutions	For	Against
Ordinary Resolution 1	To receive and adopt the Reports and Financial Statements		
Ordinary Resolution 2	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 :-		
Ordinary Resolution 3	(i) Mr. Kan Ah Chun		
Ordinary Resolution 4	(ii) Dato' Yeap Beow Chong		
Ordinary Resolution 5	To re-appoint Auditors		
<b>As Special Business</b>			
Ordinary Resolution 6	To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
Special Resolution 1	To approve the proposed amendments to the Company's Articles of Association		
Special Resolution 2	To approve the proposed Change of Company's Name		

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 ..... , 2008. \_\_\_\_\_  
 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 up to two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies, the appointments 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.

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



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