



LAURA LEE'S LABEL



UGP
undergroundproducts



MUSTANG
JEANS



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Lois

Annual Report

2006



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

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CORPORATE INFORMATION

DIRECTORS

KAN AH CHUN
(Executive Chairman)

DATO' YEAP BEOW CHONG
(Managing Director)

YEOH YEOW CHEANG
(Executive Director)

SAFFIE BIN BAKAR
(Independent Non-Executive Director)

OOI SIEW KIM
(Independent Non-Executive Director)

LOH CHYE TEIK
(Independent Non-Executive Director)

SECRETARIES

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

AUDIT COMMITTEE

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

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

YEOH YEOW CHEANG
(Member, Executive Director)

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

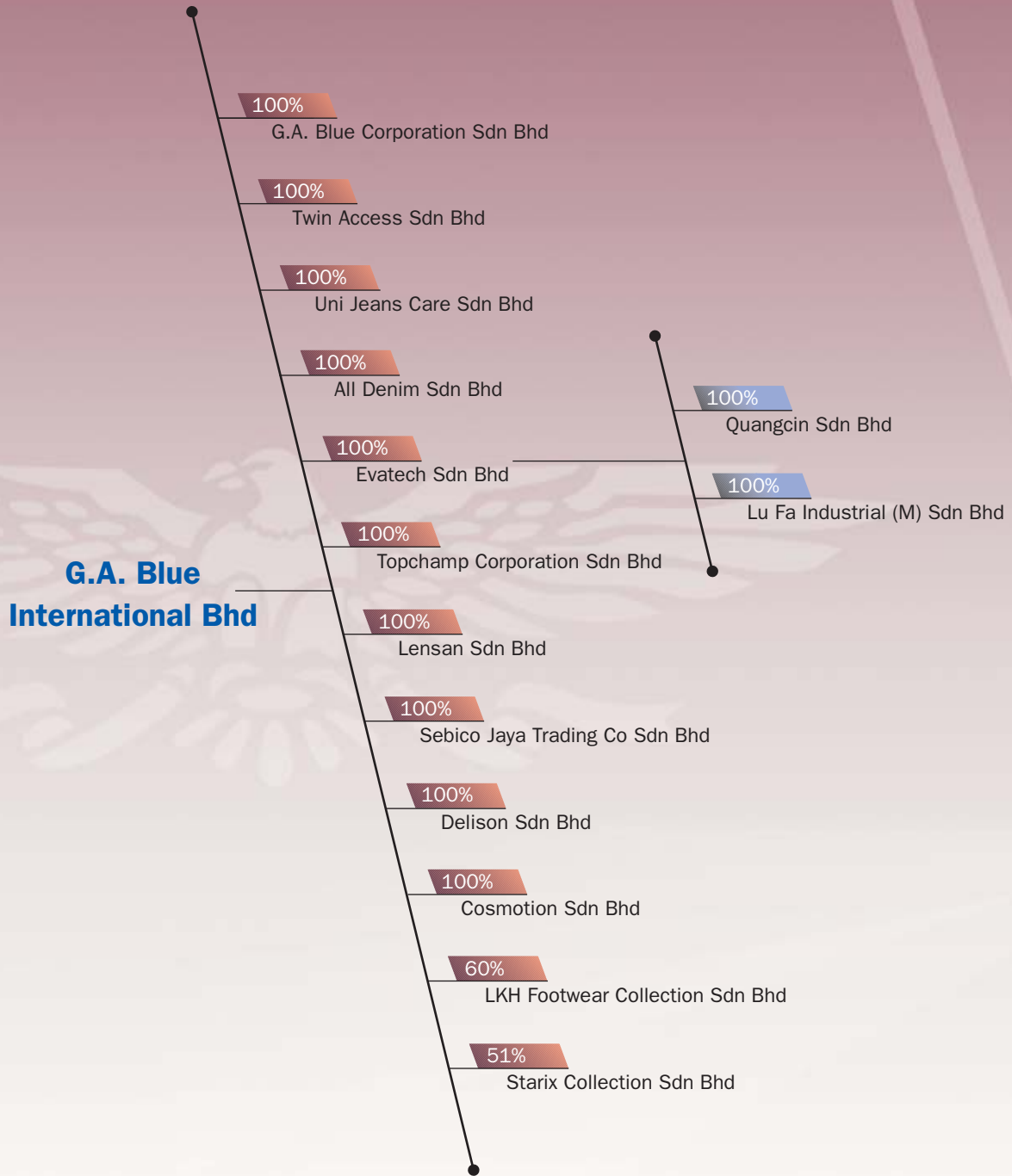
ALLIANCE BANK MALAYSIA BERHAD
AMBANK (M) BERHAD
EON BANK BERHAD
HONG LEONG BANK BERHAD
OCBC BANK (MALAYSIA) BERHAD
UNITED OVERSEAS BANK (MALAYSIA) BHD

STOCK EXCHANGE LISTING

MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD



CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company for the financial year ended 31 July 2006.

FINANCIAL RESULTS

The local economy for the past year continued to be sluggish and uninspiring. This was caused primarily by rising fuel prices and the fear of inflation resulting in weaker consumer spending. Although consolidated revenue dipped slightly to RM49.9 million compared to the previous year's figure of RM50.7 million, profit before tax dropped to RM5.9 million which is lower than previous year of RM9.9 million by 40.4%. This drop was caused by lower gross margin achieved and high start-up costs incurred on marketing and promotion in the United States. In tandem with the above, profit after tax attributable to shareholders achieved was RM4.1 million as compared to RM7.1 million.

DIVIDENDS

An interim dividend of 4% less tax and a final dividend of 3% less tax for the previous year ended 31 July 2005 had been paid on 15th August 2005 and 24th February 2006 respectively.

The Board has recommended the payment of a first and final dividend of 4% less tax amounting to RM1,800,000 for the financial year ended 31st July 2006 for the approval by the shareholders at the forthcoming Annual General Meeting.

REVIEW OF OPERATIONS

Apparels

On the local market, the underlying strength of our brands continues to provide strong support in the face of weak consumer demand. Local sales for apparels saw a slight dip of about 4% to RM38.3 million. Margins also came under pressure due to higher product costs. Steps will be taken this year to improve margins by increasing selling prices and improving on procurement strategies to reduce costs.

The Group's consignment division which sells through departmental stores saw a small growth of 7% despite operating in a stagnant market. The Company expects further growth in this division by opening more counters in choice locations where our brands are not represented.

Last year, the Group acquired a U.S. brand called "UGP Underground Products" which produces and markets extreme sports and surf wear with the intention to break into the competitive United States and other world markets. We have carried out a re-branding and re-launching exercise since the acquisition. We have also carried out various marketing and promotion activities during the year including participation in international trade shows like the Surf Show in Orlando, Florida, Action Sports Retailer in San Diego, California and Interbike in Las Vegas. We were very encouraged by the trade enquiries and positive responses from participants at the shows. The whole revamping exercise has taken us longer than projected but we remain focused and confident in achieving our objective in due course.

CHAIRMAN'S STATEMENT (cont'd)

Apparels (cont'd)

Our venture into the United Kingdom market is progressing within our expectations. The 3 main brands of Laura Lees, Peoples' Market and Dexter Wong, which feature apparels designed out of London to follow closely the latest trends in this world fashion hub, continues to be well received by fashionable shoppers in up-market departmental stores in the United Kingdom. Participation in fashion shows in London and Paris during the year have also helped to create better brand awareness for our products.

Gross export sales for the year have jumped 67% to RM6.2 million from the previous year of RM3.7 million and we expect sales to improve further in the current financial year.

Manufacturing and Finishing

The sewing plant and specialized treatment and finishing division which produces in-house brands for the Group, achieved sales of RM9.7 million which is slightly higher than that for the previous year of RM9.4 million. Pre-tax profit of RM1.7 million for the division was maintained at previous year's level.

PROSPECTS

Under the Ninth Malaysia Plan launched recently, the Malaysian economy is projected to grow by an average of 6% annually. The growth will be supported by domestic demand with strong private investment and consumption. Against this backdrop, we would expect sustainable demand for consumer products locally in the next one year.

In addition, the Group's emphasis on brand building has created resilience in its business and helped the Group to weather challenging times during the last few years. Innovative marketing strategies including more focused advertising and promotion are required to put our brands on a higher profile and to increase revenue.

Our decision to expand our business beyond the borders of Malaysia is beginning to bear fruit. In view of this, the Board expects the export market to spearhead the future growth of the Group. Overall, barring unforeseen circumstances, the Group expects to perform better in the current financial year.

APPRECIATION

On behalf of the Board, I wish to extend our deepest appreciation to our business associates and customers for their continued support. We also would like to thank the management and staff of the Group for their team spirit, dedication and commitment in carrying out their duties and responsibilities.

Kan Ah Chun

Executive Chairman
1st December 2006

