

DIRECTORS' PROFILE



KAN AH CHUN • AGED 53 • MALAYSIAN

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

DATO' YEAP BEOW CHONG • AGED 48 • MALAYSIAN

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

YEOW YEOW CHEANG • AGED 49 • MALAYSIAN

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

SAFFIE BIN BAKAR • AGED 53 • 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 28 years of management expertise especially in the areas of projects planning, business development, property development and human resources management. He was attached to Perlis State Government from May 1978 to August 1983, during which he served as an Assistant State Secretary in Economics Planning. He joined Perlis State Economics Development in September 1983 as a Business Development Manager until his optional retirement in August 1994. He is currently the Adviser to Shorubber (Malaysia) Sdn. Bhd a manufacturer of industrial gloves. He is also an independent non-executive director for several public listed companies, i.e. MESB Berhad, AE Multi Holdings Berhad and KBB Resources Berhad.

DIRECTORS' PROFILE (cont'd)



OUI SIEW KIM • AGED 50 • MALAYSIAN

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

LOH CHYE TEIK • AGED 47 • 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 Interresources 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 Partner in charge of Penang state.

Notes:

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

STATEMENT ON CORPORATE GOVERNANCE



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

The Board is pleased to provide the following statement on how the Group has applied the principles and best practices set out in Part 1 and 2 of the Code. Unless otherwise stated, the Board has to the best of its ability throughout the financial year ended 31 July 2006 complied with the best practices indicated in the Code.

SECTION 1 : DIRECTORS

BOARD RESPONSIBILITIES

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

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

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

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

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

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



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

BOARD BALANCE

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

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

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

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

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

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

SUPPLY OF INFORMATION

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

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

APPOINTMENTS TO THE BOARD

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (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, including the managing director, will retire from office at least once in every 3 years, but shall be eligible for re-election.

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

SECTION 2 : DIRECTORS' REMUNERATION

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

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

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

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

The details of Directors' remuneration for the financial year ended 31 July 2006 are as follows:-

PARTICULAR	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	TOTAL (RM)
Fees	45,000	45,000	90,000
Salaries & Allowances	756,760	-	756,760
Benefits in kind	54,116	-	54,116
Total	855,876	45,000	900,876

The remuneration of the Directors summarized in bands of RM50,000 for the financial year ended 31 July 2006 are as follows:-

RANGE OF REMUNERATION	NUMBER OF DIRECTORS	
	EXECUTIVE	NON-EXECUTIVE
Below RM50,000	-	3
RM 50,000 to RM 100,000	-	-
RM 100,001 to RM 150,000	1	-
RM 150,001 to RM 200,000	-	-
RM 200,001 to RM 250,000	-	-
RM 250,001 to RM 300,000	-	-
RM 300,001 to RM 350,000	-	-
RM 350,001 to RM 400,000	2	-

Notes:

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

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



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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 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 after announcement to the public.

ANNUAL GENERAL MEETING ("AGM")

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

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

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

SECTION 4 : ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

INTERNAL CONTROL

In line with the requirement of the Bursa Malaysia, a statement on the Group's Internal control statement is set out on pages 13 to 14.

RELATIONSHIP WITH AUDITORS

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



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

BEST PRACTICE OF THE CODE

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

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

The financial statements of the Group as set out in this Report are properly drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2006 and of the results of its operations and cash flows for that year then ended.

The Directors consider that in preparing the financial statements:-

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

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

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

STATEMENT ON INTERNAL CONTROL



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

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

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

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

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

INTERNAL AUDIT DIVISION

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

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

STATEMENT ON INTERNAL CONTROL (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)
Ms. Ooi Siew Kim <i>Member</i>	(Independent Non-Executive Director)
Mr. Yeoh Yeow Cheang <i>Member</i>	(Executive Director)

TERMS OF REFERENCE

OBJECTIVES

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

COMPOSITION

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

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

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

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

AUTHORITY

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

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

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

AUDIT COMMITTEE REPORT (cont'd)



DUTIES

The duties of the Committee shall include the following:-

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

AUDIT COMMITTEE REPORT (cont'd)



RETIREMENT AND RESIGNATION

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

REVIEW OF THE AUDIT COMMITTEE

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

MEETINGS

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

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

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

The procedures of the meeting are as follows:-

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

During the financial year ended 31 July 2006, 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
Madam Ooi Siew Kim	4
Mr. Yeoh Yeow Cheang	4

AUDIT COMMITTEE REPORT (cont'd)



SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

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

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

INTERNAL AUDIT FUNCTION

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

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

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

OTHER INFORMATION



SHARE BUYBACKS, OPTIONS OR WARRANTS

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

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

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

IMPOSITION OR SANCTION AND PENALTIES

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

NON-AUDIT FEES

During the financial year, no non-audit fees were paid to external auditors of the Company.

PROFIT ESTIMATE, FORECAST OR PROJECTION

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

PROFIT GUARANTEE

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

REVALUATION POLICY ON LANDED PROPERTIES

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

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies involving Directors' and major shareholders' interests either still subsisting as at 31 July 2006 or entered into since the end of the previous financial year.

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 2006**.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation	4,325,625	3,011,597
Minority interests	(187,289)	-
Net profit for the year	<u>4,138,336</u>	<u>3,011,597</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 July 2006** 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 final dividend of 3% less 28% tax amounting to RM1,350,000 in respect of the financial year ended 31 July 2005.

The directors now recommend the payment of a first and final dividend of 4% less tax amounting to RM1,800,000 for the financial year ended **31 July 2006** for the approval of members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

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' REPORT (cont'd)



DIRECTORS

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

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

In accordance with the Company's Articles of Association, **Madam Ooi Siew Kim** and **Mr. Loh Chye Teik** 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 1.8.05	Bought	Sold	Balance at 31.7.06
The Company				
<u>Direct interest</u>				
Kan Ah Chun	29,119,250	-	-	29,119,250
Dato' Yeap Beow Chong	29,119,250	-	-	29,119,250
Yeoh Yeow Cheang	420,000	104,400	(30,000)	494,400
Saffie Bin Bakar	18,744,250	-	(11,747,125)	6,997,125
Ooi Siew Kim	100,000	-	-	100,000
Loh Chye Teik	100,000	6,500	-	106,500
The Company				
<u>Deemed interest</u>				
Kan Ah Chun	5,159,000	6,000,000	-	11,159,000
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 subsidiary companies, to the extent that it has interests.

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT (cont'd)



OTHER STATUTORY INFORMATION

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

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

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

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

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.

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 : 30 October 2006

CONSOLIDATED BALANCE SHEET

AT 31 JULY 2006



	NOTE	2006 RM	2005 RM
PROPERTY, PLANT AND EQUIPMENT	3	17,767,757	18,613,325
INTANGIBLE ASSET	5	1,760,072	1,969,190
CURRENT ASSETS			
Inventories	6	24,531,840	24,216,968
Trade receivables	7	31,307,892	28,399,278
Other receivables, deposits and prepayments	8	2,366,163	3,097,805
Tax recoverable		587,990	161,077
Fixed deposit with a licensed bank	10	6,249	6,067
Cash and bank balances	11	4,363,753	2,803,945
		63,163,887	58,685,140
CURRENT LIABILITIES			
Trade payables	12	2,591,645	2,240,831
Other payables and accruals	13	1,907,200	1,101,511
Bank borrowings	14	1,989,865	1,342,300
Dividends payable		5,744	1,801,666
Provision for taxation		179,975	505,092
		6,674,429	6,991,400
NET CURRENT ASSETS		56,489,458	51,693,740
		76,017,287	72,276,255
FINANCED BY :			
SHARE CAPITAL	15	62,500,000	62,500,000
SHARE PREMIUM	16	21,145	21,145
RETAINED PROFITS		9,684,583	6,896,247
SHAREHOLDERS' FUNDS		72,205,728	69,417,392
MINORITY INTERESTS		851,874	664,585
DEFERRED TAXATION	18	1,278,574	1,219,691
NON-CURRENT LIABILITIES	19	1,681,111	974,587
		76,017,287	72,276,255

The notes set out on pages 32 to 53 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2006



	NOTE	2006 RM	2005 RM
REVENUE	20	49,885,453	50,677,206
COST OF SALES		<u>(28,791,839)</u>	<u>(27,647,125)</u>
GROSS PROFIT		21,093,614	23,030,081
OTHER OPERATING INCOME		1,319,532	1,201,342
ADMINISTRATIVE EXPENSES		<u>(8,738,342)</u>	<u>(8,883,121)</u>
SELLING AND DISTRIBUTION EXPENSES		<u>(6,562,447)</u>	<u>(5,138,503)</u>
PROFIT FROM OPERATIONS		7,112,357	10,209,799
FINANCE COSTS		<u>(224,817)</u>	<u>(266,849)</u>
PROFIT AFTER FINANCE COSTS		6,887,540	9,942,950
GOODWILL ON CONSOLIDATION WRITTEN OFF		<u>(945,212)</u>	-
PROFIT BEFORE TAXATION	21	5,942,328	9,942,950
TAXATION	22	<u>(1,616,703)</u>	<u>(2,572,688)</u>
PROFIT AFTER TAXATION		4,325,625	7,370,262
MINORITY INTERESTS		<u>(187,289)</u>	<u>(188,849)</u>
NET PROFIT FOR THE YEAR		<u>4,138,336</u>	<u>7,181,413</u>
EARNINGS PER SHARE (SEN) - BASIC	23	<u>3.31</u>	<u>5.74</u>

The notes set out on pages 32 to 53 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 JULY 2006



		Non - distributable	Distributable		
	NOTE	SHARE CAPITAL RM	SHARE PREMIUM RM	RETAINED PROFITS RM	
				TOTAL RM	
2006					
Balance at beginning		62,500,000	21,145	6,896,247	69,417,392
Net profit for the year		-	-	4,138,336	4,138,336
Dividends	24	-	-	(1,350,000)	(1,350,000)
Balance at end		62,500,000	21,145	9,684,583	72,205,728
2005					
Balance at beginning		50,000,000	4,598,772	11,676,062	66,274,834
Bonus issue	15 & 16	12,500,000	(4,498,772)	(8,001,228)	-
Exercise expenses	16	-	(78,855)	-	(78,855)
Net profit for the year		-	-	7,181,413	7,181,413
Dividends	24	-	-	(3,960,000)	(3,960,000)
Balance at end		62,500,000	21,145	6,896,247	69,417,392

The notes set out on pages 32 to 53 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2006



	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,942,328	9,942,950
Adjustments for :		
Allowance for doubtful debts	322,097	598,222
Amortisation of trade mark	209,118	121,985
Bad debts	118,082	168,834
Depreciation	1,551,752	1,496,258
Gain on disposal of property, plant and equipment	(20,178)	(26,267)
Goodwill on consolidation written off	945,212	-
Interest expense	224,817	266,849
Interest income	(302,059)	(131,592)
Property, plant and equipment written off	53,061	-
Operating profit before working capital changes	9,044,230	12,437,239
Inventories	(314,872)	(2,796,886)
Receivables	(2,617,151)	1,342,574
Payables	645,892	(2,808,904)
Cash generated from operations	6,758,099	8,174,023
Income tax paid	(2,384,785)	(2,174,856)
Income tax refund	82,908	52,322
Interest paid	(224,817)	(266,849)
Net cash from operating activities	4,231,405	5,784,640
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flow on acquisition of a subsidiary *	(411,071)	-
Interest received	302,059	131,592
Placement of fixed deposit	(182)	(671)
Proceeds from disposal of property, plant and equipment	29,578	186,500
Purchase of property, plant and equipment	(768,645)	(3,592,047)
Purchase of trade mark	-	(2,091,175)
Net cash used in investing activities	(848,261)	(5,365,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bankers acceptance	54,000	(47,000)
Dividends paid	(3,145,922)	(2,158,334)
Payment of bonus issue exercise expenses	-	(78,855)
Proceeds from term loans	2,694,844	1,900,000
Repayment of hire purchase loans	(47,381)	(43,792)
Repayment of term loans	(1,457,240)	-
Net cash used in financing activities	(1,901,699)	(427,981)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,481,445	(9,142)
CASH AND CASH EQUIVALENTS AT BEGINNING	2,637,265	2,646,407
CASH AND CASH EQUIVALENTS AT END	4,118,710	2,637,265

The notes set out on pages 32 to 53 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (cont'd)

FOR THE YEAR ENDED 31 JULY 2006



	2006 RM	2005 RM
Represented by:		
Short term funds with a licensed financial institution	68,908	-
Cash and bank balances	4,294,845	2,803,945
Bank overdraft	(245,043)	(166,680)
	4,118,710	2,637,265
Cash flow on acquisition of a subsidiary *		
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 32 to 53 form an integral part of these financial statements.

BALANCE SHEET

AT 31 JULY 2006



	NOTE	2006 RM	2005 RM
INVESTMENT IN SUBSIDIARY COMPANIES	4	60,285,609	60,285,607
CURRENT ASSETS			
Other receivables		1,000	1,000
Amount due from subsidiary companies	9	8,291,966	8,633,967
Tax recoverable		13,711	12,400
Bank balances		9,878	3,382
		8,316,555	8,650,749
CURRENT LIABILITIES			
Other payables and accruals		118,919	101,526
Amount due to a subsidiary company	9	201,850	419,110
Dividends payable		5,744	1,801,666
		326,513	2,322,302
NET CURRENT ASSETS		7,990,042	6,328,447
		68,275,651	66,614,054
FINANCED BY:			
SHARE CAPITAL	15	62,500,000	62,500,000
SHARE PREMIUM	16	21,145	21,145
RETAINED PROFITS	17	5,754,506	4,092,909
SHAREHOLDERS' FUNDS		68,275,651	66,614,054

The notes set out on pages 32 to 53 form an integral part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2006



	NOTE	2006 RM	2005 RM
REVENUE	20	4,400,000	8,380,000
ADMINISTRATIVE EXPENSES		<u>(157,714)</u>	<u>(181,047)</u>
PROFIT BEFORE TAXATION	21	4,242,286	8,198,953
TAXATION	22	<u>(1,230,689)</u>	<u>(2,355,824)</u>
NET PROFIT FOR THE YEAR		<u>3,011,597</u>	<u>5,843,129</u>
DIVIDENDS PER SHARE (SEN, NET)	24	<u>1.44</u>	<u>2.52</u>

The notes set out on pages 32 to 53 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2006



		SHARE CAPITAL RM	Non - distributable SHARE PREMIUM RM	Distributable RETAINED PROFITS RM	TOTAL RM
2006	NOTE				
Balance at beginning		62,500,000	21,145	4,092,909	66,614,054
Net profit for the year		-	-	3,011,597	3,011,597
Dividends	24	-	-	(1,350,000)	(1,350,000)
Balance at end		62,500,000	21,145	5,754,506	68,275,651
2005					
Balance at beginning		50,000,000	4,598,772	10,211,008	64,809,780
Bonus issue	15 & 16	12,500,000	(4,498,772)	(8,001,228)	-
Exercise expenses	16	-	(78,855)	-	(78,855)
Net profit for the year		-	-	5,843,129	5,843,129
Dividends	24	-	-	(3,960,000)	(3,960,000)
Balance at end		62,500,000	21,145	4,092,909	66,614,054

The notes set out on pages 32 to 53 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2006



	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,242,286	8,198,953
Adjustment for :		
Dividend income	<u>(4,400,000)</u>	(8,380,000)
Operating loss before working capital changes	(157,714)	(181,047)
Payables	<u>17,393</u>	23,773
Cash used in operations	(140,321)	(157,274)
Income tax paid	-	(824)
Net cash used in operating activities	<u>(140,321)</u>	(158,098)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	<u>3,168,000</u>	6,033,600
Investment in subsidiary company	(2)	-
Net cash from investing activities	<u>3,167,998</u>	6,033,600
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	<u>(3,145,922)</u>	(2,158,334)
Payment of exercise expenses	-	(78,855)
Subsidiary companies	<u>124,741</u>	(3,674,188)
Net cash used in financing activities	<u>(3,021,181)</u>	(5,911,377)
NET INCREASE/(DECREASE) IN CASH	6,496	(35,875)
CASH AT BEGINNING	3,382	39,257
CASH AT END	<u>9,878</u>	<u>3,382</u>

The notes set out on pages 32 to 53 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2006



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 30 October 2006.

Principal Activities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Accounting

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

2.2 Basis of Consolidation

The financial statements of the Group include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of are included from the date of acquisition or up to the date of disposal. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition.

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

Inter-company balances, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiary companies to ensure consistency of accounting policies with those of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Property, Plant and Equipment

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

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

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.11.

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

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

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

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

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

2.4 Hire Purchase

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

2.5 Intangible Asset

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

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.11.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Investment in Subsidiary Companies

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

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.11.

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

2.7 Inventories

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

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

Cost is determined on the weighted average basis.

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

2.8 Receivables

Receivables are stated at their anticipated realisable values.

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

2.9 Payables

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

2.10 Provisions for Liabilities

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

2.11 Impairment of Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 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.

2.13 Employee Benefits

Short term benefits

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

Defined contribution plans

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

2.14 Foreign Currency Translations

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

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

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

	2006	2005
	RM	RM
1 Chinese Renminbi	0.4582	-
1 Hong Kong Dollar	0.4700	0.4900
1 Singapore Dollar	2.3160	2.2000
1 Sterling Pound	6.8163	6.6000
1 US Dollar	3.6535	3.8250

2.15 Borrowing Costs

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Income Taxes

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

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

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

2.17 Cash and Cash Equivalents

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

2.18 Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of the financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



3. PROPERTY, PLANT AND EQUIPMENT

GROUP

2006

	At Valuation / Cost				Balance at 31.7.06 RM
	Balance at 1.8.05 RM	Additions RM	Disposals RM	Written off RM	
At valuation					
Short leasehold land	2,350,000	-	-	-	2,350,000
At cost					
Long leasehold land	1,083,333	-	-	-	1,083,333
Freehold shoplots	180,000	-	-	-	180,000
Buildings	8,666,234	-	-	-	8,666,234
Long leasehold commercial lots	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
	23,996,240	768,645	(96,425)	(171,745)	24,496,715

	Accumulated Depreciation				Balance at 31.7.06 RM
	Balance at 1.8.05 RM	Current charge RM	Disposals RM	Written off RM	
At valuation					
Short leasehold land	170,380	54,348	-	-	224,728
At cost					
Long leasehold land	21,588	11,775	-	-	33,363
Freehold shoplots	25,200	3,600	-	-	28,800
Buildings	486,885	152,088	-	-	638,973
Long leasehold commercial lots	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
	5,382,915	1,551,752	(87,025)	(118,684)	6,728,958

	Net book value at 31.7.06 RM
At valuation	
Short leasehold land	2,125,272
At cost	
Long leasehold land	1,049,970
Freehold shoplots	151,200
Buildings	8,027,261
Long leasehold commercial lots	588,405
Machinery and factory equipment	1,461,217
Renovation	77,073
Furniture, fittings and office equipment	3,295,538
Motor vehicles	991,821
	17,767,757

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



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

2005

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

	----- Accumulated Depreciation -----			Balance at 31.7.05 RM
	Balance at 1.8.04 RM	Current charge RM	Disposals RM	
At valuation				
Short leasehold land	116,032	54,348	-	170,380
At cost				
Long leasehold land	9,813	11,775	-	21,588
Freehold shoplots	21,600	3,600	-	25,200
Buildings	356,033	130,852	-	486,885
Long leasehold commercial lots	-	6,538	-	6,538
Machinery and factory equipment	897,538	296,720	-	1,194,258
Renovation	37,109	13,525	-	50,634
Furniture, fittings and office equipment	1,725,636	554,711	-	2,280,347
Motor vehicles	871,123	424,189	(148,227)	1,147,085
	<u>4,034,884</u>	<u>1,496,258</u>	<u>(148,227)</u>	<u>5,382,915</u>

	Net book value at 31.7.05 RM
At valuation	
Short leasehold land	2,179,620
At cost	
Long leasehold land	1,061,745
Freehold shoplots	154,800
Buildings	8,179,349
Long leasehold commercial lots	594,943
Machinery and factory equipment	1,672,338
Renovation	90,599
Furniture, fittings and office equipment	3,519,332
Motor vehicles	<u>1,160,599</u>
	<u>18,613,325</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



GROUP

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

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

	2006	2005
	RM	RM
Cost	492,751	492,751
Accumulated depreciation	(89,928)	(59,952)
Net book value	402,823	432,799

- ii) A motor vehicle with net book value amounting to **RM47,083** (2005 : RM97,727) was acquired under hire purchase loans.

COMPANY

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

4. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2006	2005
	RM	RM
Unquoted shares, at cost	60,285,609	60,285,607

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

Name of Company	Effective Equity Interest		Principal Activities
	2006	2005	
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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Name of Company	Effective Equity Interest		Principal Activities
	2006	2005	
Held by the Company			
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%	Wholesaling of apparels and footwear.
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.
Sebico Jaya Trading Co. Sdn. Bhd.*	100%	100%	Retail of ready-made clothing, handbags and personal effects.
Cosmotion Sdn. Bhd. (Formerly known as Syabas Lagenda Sdn. Bhd.)	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%	Dormant.

* Not audited by JB Lau & Associates.

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)
Increase in Group's net liabilities	<u>(945,210)</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



5. INTANGIBLE ASSET

	GROUP	
	2006 RM	2005 RM
At cost		
Trade mark	2,091,175	2,091,175
Amortisation of trade mark		
Balance at beginning	(121,985)	-
Current year	(209,118)	(121,985)
Balance at end	(331,103)	(121,985)
	1,760,072	1,969,190

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

6. INVENTORIES

	GROUP	
	2006 RM	2005 RM
At cost		
Raw materials	1,260,431	1,402,537
Work-in-progress	1,314,406	830,645
Finished goods	13,915,562	14,246,399
Trading goods	8,020,193	7,719,881
Consumables	21,248	17,506
	24,531,840	24,216,968

7. TRADE RECEIVABLES

	GROUP	
	2006 RM	2005 RM
Total amount	33,993,831	30,825,606
Allowance for doubtful debts		
Balance at beginning	(2,426,328)	(2,472,557)
Arising from acquisition of subsidiary company	(54,915)	-
Current year	(322,097)	(471,707)
Doubtful debts recovered	117,401	517,936
Balance at end	(2,685,939)	(2,426,328)
	31,307,892	28,399,278

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



7. TRADE RECEIVABLES (cont'd)

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

	GROUP	
	2006	2005
	RM	RM
Singapore Dollar	1,090	6,533
Sterling Pound	6,249,379	3,675,547
US Dollar	228,030	59,911

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

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP	
	2006	2005
	RM	RM
Total amount	2,492,678	3,224,320
Allowance for doubtful debts		
Balance at beginning	(126,515)	-
Current year	-	(126,515)
Balance at end	(126,515)	(126,515)
	2,366,163	3,097,805

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

	GROUP	
	2006	2005
	RM	RM
Chinese Renminbi	1,521,536	-
Hong Kong Dollar	38,800	-
Sterling Pound	157,068	157,068
US Dollar	7,986	722,225

9. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

COMPANY

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



10. FIXED DEPOSIT WITH A LICENSED BANK

GROUP

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

The interest rate and maturity of fixed deposit with a licensed bank at balance sheet date is **3%** (2005 : 2%) per annum and **1 year** (2005 : 1 year) respectively.

11. CASH AND BANK BALANCES

	GROUP	
	2006	2005
	RM	RM
Short term funds with a licensed financial institution	68,908	-
Cash and bank balances	4,294,845	2,803,945
	4,363,753	2,803,945

Short term funds represent investments with redeemable period of less than **7 days**.

The interest rate of short term funds with a licensed financial institution at balance sheet date is **2.18%** per annum.

12. TRADE PAYABLES

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

	GROUP	
	2006	2005
	RM	RM
Chinese Renmimbi	4,911	-
Hong Kong Dollar	31,908	1,161,542
US Dollar	768,074	265,678

The normal credit terms for trade payables are 30 to 120 days.

13. OTHER PAYABLES AND ACCRUALS

GROUP

Included herein is an amount of **RM100,000** (2005 : RM100,000) due to Mr. Wong Kum Khoo, a shareholder of a subsidiary company, and is unsecured, interest free and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



14. BANK BORROWINGS

	GROUP	
	2006 RM	2005 RM
Bankers acceptance	280,000	226,000
Bank overdraft	245,043	166,680
Term loans (Note 19)	1,464,822	949,620
	1,989,865	1,342,300

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

- (i) Negative pledge over all the present and future assets of certain subsidiary companies,
- (ii) Facilities agreement for RM2,200,000 plus interest thereon,
- (iii) Corporate guarantee of the holding company, and
- (iv) Corporate guarantee of a subsidiary company.

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

	GROUP	
	2006 %	2005 %
Bankers acceptance	4.00	1.25
Bank overdraft	8.25	7.50

The maturity of the bankers acceptance as at balance sheet date is **180 days** (2005 : 180 days).

15. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised :				
Balance at beginning/end	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid :				
Balance at beginning	125,000,000	100,000,000	62,500,000	50,000,000
Bonus issue	-	25,000,000	-	12,500,000
Balance at end	125,000,000	125,000,000	62,500,000	62,500,000

2005

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



16. SHARE PREMIUM

	2006 RM	2005 RM
Balance at beginning	21,145	4,598,772
Bonus issue	-	(4,498,772)
	21,145	100,000
Less : Bonus issue exercise expenses	-	(78,855)
Balance at end	21,145	21,145

Included in the bonus issue exercise expenses is an amount of **RMNil** (2005 : RM5,500) paid to the auditors for non-audit services.

17. RETAINED PROFITS

COMPANY

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

18. DEFERRED TAXATION

	GROUP	
	2006 RM	2005 RM
Balance at beginning	1,219,691	1,177,421
Transfer from income statement	70,283	102,592
	1,289,974	1,280,013
Over provision in prior year	(11,400)	(60,322)
Balance at end	1,278,574	1,219,691

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

	GROUP	
	2006 RM	2005 RM
Capital allowance in excess of depreciation of property, plant and equipment	1,540,100	1,471,406
Inventories – tax effect on unrealised profit	(261,526)	(251,715)
	1,278,574	1,219,691

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



19. NON-CURRENT LIABILITIES

	GROUP	
	2006 RM	2005 RM
Term loans		
Total amount payable	3,137,604	1,900,000
Less: Repayable within the next one year included in bank borrowing (Note 14)	(1,464,822)	(949,620)
Repayable more than one year and less than five years	1,672,782	950,380
Hire purchase payable		
Total amount payable	25,504	76,468
Less: Interest in suspense	(1,297)	(4,880)
Less: Payable within the next one year included in other payables and accruals	(24,207)	71,588
Repayable more than one year and less than five years	8,329	24,207
	1,681,111	974,587

The particulars of the term loans are as follows :

Principal RM	Interest Rate		Security	Repayment Terms
	2006 %	2005 %		
i. 1,900,000 *	4.95	4.95	Corporate guarantee of the Company	5 equal quarterly installments of RM316,540 each and last installment of RM317,300 commencing 8 November 2005.
ii. 720,000	4.50	-	Corporate guarantee of the Company	20 equal quarterly installments of RM45,000 each commencing 1 October 2005.
iii. 1,467,224	4.50	-	Corporate guarantee of the Company	60 installments of RM33,558, RM34,561 and RM35,208 each commencing 17 September 2005.

* denominated in US Dollar

The interest rate of hire purchase payable at balance sheet date is **3.90%** (2005 : 3.90%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



20. REVENUE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Invoiced value of goods and services sold less returns and discounts	49,885,453	50,677,206	-	-
Gross dividends from subsidiary companies	-	-	4,400,000	8,380,000
	49,885,453	50,677,206	4,400,000	8,380,000

21. PROFIT BEFORE TAXATION

This is arrived at :

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
After charging :				
Allowance for doubtful debts	322,097	598,222	-	-
Amortisation of trade mark	209,118	121,985	-	-
Audit fee	64,030	61,885	10,000	10,000
Bad debts	118,082	168,834	-	-
Depreciation	1,551,752	1,496,258	-	-
* Directors' emoluments				
- Directors of the Company	756,760	688,600	-	-
- Director of a subsidiary company	91,000	98,000	-	-
Directors' fees	90,000	60,000	90,000	60,000
Goodwill on consolidation written off	945,212	-	-	-
Interest expense	224,817	266,849	-	-
Property, plant and equipment written off	53,061	-	-	-
Realised loss on foreign exchange	-	1,286	-	-
Rental of premises	1,584,524	1,329,787	-	-
** Staff costs (excluding directors)	7,945,373	6,537,076	-	-
And crediting:				
Bad debts recovered	316,355	-	-	-
Doubtful debts recovered	117,401	517,936	-	-
Gain on disposal of property plant and equipment	20,178	26,267	-	-
Gross dividends from subsidiary companies	-	-	4,400,000	8,380,000
Interest income	302,059	131,592	-	-
Realised gain on foreign exchange	65,409	29,119	-	-
Rental income	156,800	46,800	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



21. PROFIT BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
* Directors' emoluments				
Directors of the Company				
- Salaries and allowances	688,000	625,000	-	-
- EPF	68,760	63,600	-	-
	756,760	688,600	-	-
- Benefits-in-kind	54,116	53,267	-	-
	810,876	741,867	-	-
Director of a subsidiary company				
- Salaries and bonus	91,000	98,000	-	-
** Staff costs (excluding directors)				
- Salaries, allowances and bonus	7,391,107	6,032,438	-	-
- EPF	477,455	436,426	-	-
- SOCSO	76,811	68,212	-	-
	7,945,373	6,537,076	-	-
Number of employees at balance sheet date (including directors)	343	355	-	-

22. TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Malaysian income tax:				
Based on profit for the year				
- Current tax	(1,565,471)	(2,479,779)	(1,224,000)	(2,334,000)
- Deferred tax relating to the origination and reversal of temporary differences	(70,283)	(102,592)	-	-
	(1,635,754)	(2,582,371)	(1,224,000)	(2,334,000)
Over/(Under) provision in prior year				
- Income tax	7,651	(50,639)	(6,689)	(21,824)
- Deferred tax	11,400	60,322	-	-
	19,051	9,683	(6,689)	(21,824)
	(1,616,703)	(2,572,688)	(1,230,689)	(2,355,824)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



22. TAXATION (cont'd)

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before taxation	5,942,328	9,942,950	4,242,286	8,198,953
Income tax at Malaysian statutory tax rate of 28%	(1,663,852)	(2,784,026)	(1,187,840)	(2,295,707)
Income not subject to tax	-	2,038	-	-
Expenses not deductible for tax purposes	(468,505)	(213,986)	(36,160)	(38,293)
Reduced tax rate on first RM500,000 chargeable income	289,758	322,552	-	-
Utilisation of unabsorbed tax losses and capital allowance from a newly acquired subsidiary	157,737	-	-	-
Utilisation of reinvestment allowance	38,274	80,217	-	-
Annual crystallisation of deferred tax	10,834	10,834	-	-
	(1,635,754)	(2,582,371)	(1,224,000)	(2,334,000)
Over/(Under) provision in prior year	19,051	9,683	(6,689)	(21,824)
	(1,616,703)	(2,572,688)	(1,230,689)	(2,355,824)

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 as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Unabsorbed reinvestment allowance	170,000	276,000	-	-
Unabsorbed tax losses	1,024,000	58,000	-	-
Unabsorbed capital allowances	37,000	37,000	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



23. EARNINGS PER SHARE

GROUP

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

	2006	2005
	RM	RM
Net profit for the year (RM)	4,138,336	7,181,413
Weighted average number of ordinary shares of RM0.50 each	125,000,000	100,000,000
Effect of bonus shares issued during the year	-	25,000,000
	125,000,000	125,000,000
Basic earnings per share (sen)	3.31	5.74

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

24. DIVIDENDS

	2006	2005
	RM	RM
Final dividend of 3% less tax in respect of the financial year ended 31 July 2005	1,350,000	-
An interim dividend of 4% less tax in respect of the financial year ended 31 July 2005	-	1,800,000
First and final dividend of 6% less tax in respect of the financial year ended 31 July 2004	-	2,160,000
	1,350,000	3,960,000

At the forthcoming Annual General Meeting, a first and final dividend of 4% less tax amounting to RM1,800,000 for the financial year ended 31 July 2006 will be proposed for shareholders' approval. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 July 2007.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



25. CONTINGENT LIABILITY (UNSECURED)

COMPANY

The Company has issued corporate guarantees to financial institutions for banking facilities granted to subsidiary companies up to a limit of **RM30,845,000** (2005 : RM23,250,000) of which **RM3,137,604** (2005 : RM1,900,000) of the said banking facilities have been utilised as at balance sheet date.

26. 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.

	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	-
	49,885,453	82,691,716	768,645

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



27. COMMITMENTS

	GROUP	
	2006 RM	2005 RM
Non-cancellable operating lease commitments		
Future minimum rentals payable :		
Not later than 1 year	580,456	418,570
Later than 1 year and not later than 5 years	416,647	547,794
	997,103	966,364

Operating lease payments represent rentals payable for use of buildings. Leases are negotiated for terms ranging from 1 to 3 years.

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Credit risk

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

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

Interest rate risk

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

Foreign currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 JULY 2006



28. FINANCIAL INSTRUMENTS (cont'd)

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.

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 23 to 53 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 2006** 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 : 30 October 2006

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 23 to 53 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 **30th**)
day of **October 2006**.)

Yeoh Yeow Cheang

Before me,

Commissioner for Oaths

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



We have audited the financial statements set out on pages 23 to 53. 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 2006** and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

JB LAU & ASSOCIATES
NO. AF : 0042
CHARTERED ACCOUNTANTS

JOHN LAU TIANG HUA
NO. 1107/03/08 (J)

DATE : 30 October 2006

ANALYSIS OF SHAREHOLDINGS

AS AT 30 NOVEMBER 2006



A. Authorised Share Capital	:	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 HOLDINGS	NO OF DEPOSITORS	NO OF SHARES HELD	% OF TOTAL ISSUED CAPITAL
Less than 100	68	3,310	0.00
100 - 1,000	59	33,500	0.03
1,001 - 10,000	1274	5,104,850	4.08
10,001 - 100,000	476	13,851,940	11.08
100,001 - 6,249,999	51	29,861,775	23.89
6,250,000 - 125,000,000	4	76,144,625	60.92
TOTAL	1932	125,000,000	100

C. SUBSTANTIAL SHAREHOLDERS

Name	Number of Shares Held					
	Direct	%	Deemed	%	Total	%
Kan Ah Chun	29,119,250	23.30	11,159,000 ①	8.93	40,278,250	32.22
Beach Capital Sdn. Bhd.	11,159,000	8.93	29,119,250	23.30	40,278,250	32.22
Dato' Yeap Beow Chong	35,866,375	28.69	742,500 ②	0.59	36,608,875	29.29
Lim Tiam Eng	742,500	0.59	35,866,375 ③	28.69	36,608,875	29.29

D. DIRECTORS' SHAREHOLDINGS

Name	Number of Shares Held					
	Direct	%	Deemed	%	Total	%
Kan Ah Chun	29,119,250	23.30	11,159,000 ①	8.93	40,278,250	32.22
Dato' Yeap Beow Chong	35,866,375	28.69	742,500 ②	0.59	36,608,875	29.29
Yeoh Yeow Cheang	565,400	0.45	-	-	565,400	0.45
Saffie Bin Bakar	250,000	0.20	-	-	250,000	0.20
Ooi Siew Kim	100,000	0.08	-	-	100,000	0.08
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.
- 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 2006



E. THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of shares	% of total issued capital
1 KAN AH CHUN	29,119,250	23.30
2 YEAP BEOW CHONG	28,866,375	23.09
3 BEACH CAPITAL SDN. BHD.	11,159,000	8.93
4 EB NOMINEES (ASING) SENDIRIAN BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR YEAP BEOW CHONG (PEN)</i>	7,000,000	5.60
5 CHONG WANN KUEN	3,715,200	2.97
6 AMANAH RAYA BERHAD SBB DANA AL-FAIZ	3,614,525	2.89
7 KANG CHIU YEE	3,150,000	2.52
8 LIM IN FOO	2,600,000	2.08
9 NG CHOO HAI	2,483,750	1.99
10 YEONG AI VEE	1,299,450	1.04
11 TAN KHEOK CHUAN	949,450	0.76
12 HDM NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEOH TEIK TOE (M01)</i>	824,375	0.66
13 LIM TIAM ENG	742,500	0.59
14 LAU ENG FONG	619,750	0.50
15 HO SIEW POH	578,475	0.46
16 CHONG IK POH	572,000	0.46
17 YEOH YEOW CHEANG	565,400	0.45
18 TOK JIAK YONG	493,750	0.40
19 KAN ZI YAO	444,500	0.36
20 KANG CHIN CHIAT	402,425	0.32
21 ANUAL BIN HASSAN	400,000	0.32
22 NG KOK BENG	300,150	0.24
23 HOO KUONG	293,750	0.24
24 CHONG CHA KAW	285,125	0.23
25 GERALD JOHN RICHARDS	282,000	0.23
26 KHAW SIOK KIM	262,000	0.21
27 MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHOOI PAK MENG</i>	254,000	0.20
28 SAFFIE BIN BAKAR	250,000	0.20
29 CHAI KHUAN JOONG	250,000	0.20
30 LIM SENG HUAT	250,000	0.20
TOTAL	102,027,200	81.62

LIST OF PROPERTIES

AS AT 31 JULY 2006



ACQUISITION DATE	BENEFICIAL OWNER/ LOCATION	DESCRIPTION/ EXISTING USAGE	TENURE/ AGE OF BUILDING	AREA (SQ.FEET)	NBV @ 31.07.06 (RM)
EVATECH SDN. BHD.					
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	2,373,188
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	5 years	59,576	5,990,721
UNI JEANS CARE SDN. BHD.					
01.08.2001	Lot 9233, Hala Kampung Jawa 1 Kawasan Perindustrian Bayan Lepas (Fasa 3) 11900 Bayan Lepas, Pulau Pinang	Factory Building	5 years	9,840	1,476,028
TWIN ACCESS SDN. BHD.					
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 / 12 years	8,160	1,610,482
G.A BLUE CORPORATION SDN. BHD.					
11.06.1996	Unit No.1236-1-5, Taman Indah Jalan Paya Terubong, 11060 Penang	Residential Flat	Freehold / 13 years	1,400	151,200
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 / 5 years	499	512,560

NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Tekukur Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 19 January 2007 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 2006 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of a First and Final Dividend of 4% less Malaysian Income Tax of 28% for the financial year ended 31 July 2006. **Resolution 2**
3. To approve the payment of Directors' fees of RM90,000 in respect of the financial year ended 31 July 2006. **Resolution 3**
4. To re-elect the following Directors retiring pursuant to Article 129 of the Company's Articles of Association :-

(i) Ms. Ooi Siew Kim **Resolution 4**
(ii) Mr. Loh Chye Teik **Resolution 5**
5. To re-appoint Messrs. JB Lau & Associates as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

Special Business

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

6. **Authority to issue shares**
"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**
7. 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 2006

NOTICE OF ANNUAL GENERAL MEETING (cont'd)



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 Note 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.

STATEMENT ACCOMPANYING NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

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

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

Place : Tekukur Room

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

Date : Friday, 19 January 2007

Hour : 11.30 a.m.

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

(a) Ms. Ooi Siew Kim; and

(b) Mr. Loh Chye Teik

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

3. The details of attendance of Directors of the Company at Board meetings held during the financial year ended 31 July 2006 are disclosed in the Corporate Governance Report set out on page 8 of this Annual Report.

NOTICE OF DIVIDEND ENTITLEMENT



NOTICE IS HEREBY GIVEN THAT a First and Final Dividend of 4% less Malaysian Income Tax of 28% in respect of the financial year ended 31 July 2006, if approved, will be paid on 26 February 2007 to depositors registered in the Record of Depositors at the close of business at 5.00 p.m. on 12 February 2007.

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

- a. shares transferred into the depositor's securities account before 4.00 p.m. on 12 February 2007 in respect of transfers; and
- b. shares bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

By Order of the Board,

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

Penang

Date : 28 December 2006



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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 Fifth Annual General Meeting of the Company to be held at Tekukur Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 19 January 2007 at 11.30 a.m. and any adjournment thereof.

No. of Resolution	Resolutions	For	Against
1	To receive and adopt the Reports and Financial Statements		
2	To approve a First and Final Dividend of 4% less tax		
3	To approve the payment of Directors' fees		
	To re-elect the following Directors retiring under the provisions of the Articles of Association of the Company :-		
4	(i) Ms. Ooi Siew Kim		
5	(ii) Mr. Loh Chye Teik		
6	To re-appoint Auditors		
7	To authorise Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		

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 , 2007.

.....
 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



The Company Secretary

G.A. BLUE INTERNATIONAL BHD

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

Please fold across the lines and close



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

Penang, MALAYSIA

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

Tel : 604-646 1600

Fax : 604-645 7448

Petaling Jaya, MALAYSIA

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

Tel : 603-5633 6488

Fax : 603-5634 8488



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www.loisjeans.com



www.mustang-jeans.com



www.undergroundproducts.com



www.pmforgoever.com



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www.dexterwong.com