

A-RANK BERHAD (633621-X)



annual report 2006



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**A-RANK BERHAD** (633621-X)  
Lot 2-33, Jalan Perindustrian Mahkota 7  
Taman Perindustrian Mahkota  
43700 Beranang, Selangor Darul Ehsan  
Tel : 03-8724 4662/3/7 Fax : 03-8724 4661/8723 2009  
Email : admin@arank.com.my  
www.arank.com.my or www.formosa.com.my

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A-Rank Berhad through its wholly-owned subsidiary, Formosa Shyen Horng Metal Sdn. Bhd. ("Formosa") (collectively the "Group" or "A-Rank Group") is principally involved in the manufacturing and marketing of aluminium billets. The Group is currently the largest manufacturer and supplier of aluminium billets in Malaysia and one of Asia's leading remelt plant and supplier of aluminium extrusion billets with an installed capacity of 108,000 metric tonnes per annum.

The A-Rank Group commenced operations in 1998 with an initial annual installed capacity of 12,000 metric tonnes and has registered consistent and impressive growth culminating in its listing on the Second Board of Bursa Malaysia Securities Berhad on 11 May 2005.

# corporate profile



The Group's integrated facilities include Wagstaff "Airsip" billet casting mould system, melting furnaces with regenerating burners, tilting furnace, fully automated vertical direct-chilled hydraulic-controlled casting machines, filters, in-line degassing machines, homogenising furnaces and cooling booth and billet-sawing machines. Sizes of billets manufactured range in diameters from 3" up to 9" and of any cut length up to 6 metres.

To ensure consistent quality of its products, the Group has numerous testing equipment including ultrasonic fault detectors, light emission spectrometers, AISCAN hydrogen analyser and optical microscope with Olympus software solution that enable sophisticated evaluation of quality achieved in the casting and homogenising processes. In line with its commitment to quality, Formosa has achieved the ISO 9001:2000 certification in 2003 from Moody.

The Group presently exports about 40% of its production with its export markets including Bangladesh, China, Egypt, India, Indonesia, Pakistan, Philippines, Singapore, South Africa, Spain, Thailand and Vietnam.

# notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Ujong Pandang Room, Staffield Country Resort, Batu 13, Jalan Seremban-Kuala Lumpur (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus on Wednesday, 27 December 2006 at 10.00 a.m. for the following purposes:-

## AGENDA

1. To receive and adopt the audited Financial Statements for the year ended 31 July 2006 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a first and final tax exempt dividend of 3.5 sen per share in respect of the financial year ended 31 July 2006. **(Resolution 2)**
3. To approve the payment of Directors' Fees amounting to RM78,000.00 for the financial year ended 31 July 2006. **(Resolution 3)**
4. To re-elect Dato' Shahrir Bin Abdul Jalil who retires in accordance with Article 112 of the Company's Articles of Association. **(Resolution 4)**
5. To re-appoint Messrs. BDO Binder as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
6. As SPECIAL BUSINESS, to consider, and if thought fit, to pass the following as Ordinary Resolution:-

Authority to issue shares not exceeding ten (10) per centum of the Issued Capital of the Company.

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental/regulatory authorities (if any shall be required), the Directors be and are hereby empowered to issue shares (other than bonus or rights issue) in the Company from time to time and upon such terms and

conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the resolution in any one financial year of the Company (other than by way of bonus or rights issue) does not exceed ten (10) per centum of the issued capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until conclusion of the next Annual General Meeting of the Company." **(Resolution 6)**

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

## BY ORDER OF THE BOARD

**NG BEE LIAN**  
**TAN ENK PURN**  
Company Secretaries

Seremban  
1 December 2006

## NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Annual General Meeting on 27 December 2006, the first and final tax exempt dividend of 3.5 sen per share in respect of the financial year ended 31 July 2006 will be payable on 17 January 2007 to Depositors whose names appear in the Record of Depositors on 29 December 2006.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on 29 December 2006 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

### Notes:

1. A member shall be entitled to be present and to vote on any resolution either personally or by proxy or as proxy for another member at any general meeting.
2. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
3. A member shall not appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorised. The instrument appointing a proxy together with the power of the attorney (if any) shall be left at the Registered office of the Company at 1st Floor, 275 Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus. not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
5. Explanatory Notes on Special Business

### Item 6 of the Agenda – Ordinary Resolution

Authority to issue shares not exceeding ten (10) per centum of the Issued Capital of the Company

The Ordinary Resolution proposed under item 6 of the Agenda, if passed, is to empower the Directors to issue up to a maximum of ten (10) per centum of the total issued share capital of the Company for the time being without convening a general meeting for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

# statement accompanying notice of annual general meeting

## 1. The name of the Director who is standing for re-election:-

Dato' Shahrir Bin Abdul Jalil

## 2. The details of attendance of existing Directors at Board meetings.

During the financial period, four (4) Board meetings were held.

Name of Directors	Attendance
Dato' Shahrir Bin Abdul Jalil	4/4
Tan Wan Lay	4/4
Ahmed Azhar Bin Abdullah	4/4
Dr Leong Chik Weng	4/4

## 3. Annual General Meeting of A-Rank Berhad

<b>Place</b>	Ujong Pandang Room, Staffield Country Resort Batu 13, Jalan Seremban-Kuala Lumpur (Country Road), 71700 Mantin Negeri Sembilan Darul Khusus
<b>Date &amp; Time</b>	27 December 2006 at 10.00 a.m.

## 4. Details of Director who is standing for re-election

The shareholdings of the Director standing for re-election in the Company is disclosed under Directors' Interest on page 23 in this annual report and other details of Director standing for re-election is disclosed in the Directors' Profile on page 8 in this annual report.

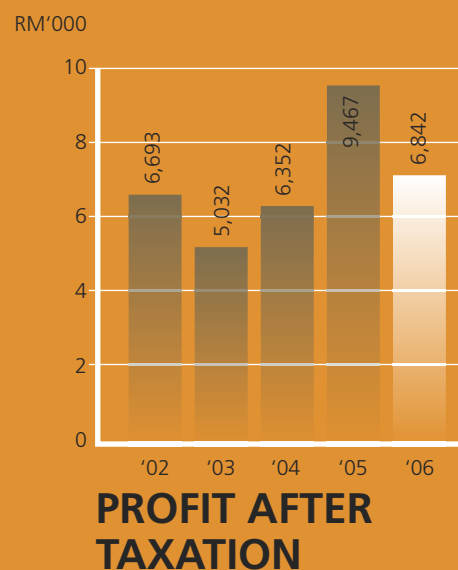
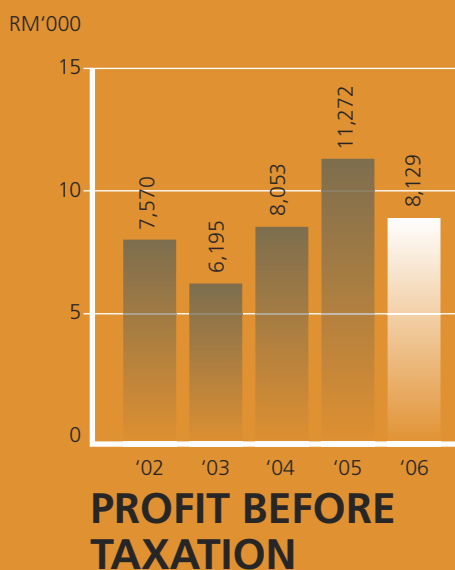
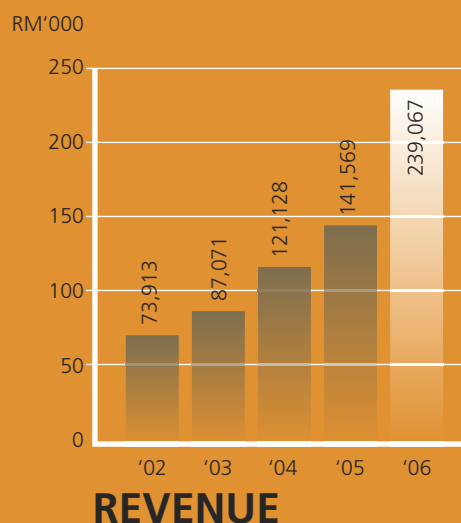
# financial highlights

The following table sets out a summary of the proforma consolidated results of the Group for the financial period ended 31 July 2002, the three (3) financial years ended 31 July 2003, 2004 and 2005 prepared on the assumption that the Group has been in existence throughout the period/years and the audited consolidated results for the financial year ended 31 July 2006.

Period/ Years ended	Revenue RM'000	Profit before taxation RM'000	Profit after taxation RM'000	Proposed Dividend RM'000
31.07.2002 +	73,913	7,570	6,693	–
31.07.2003	87,071	6,195	5,032	–
31.07.2004	121,128	8,053	6,352	–
31.07.2005	141,569	11,272	9,467	2,800
31.07.2006	239,067	8,129	6,842	2,800 *

**Denote:** + Eighteen (18) months results                      \* Proposed dividend

1. The proforma consolidated results are prepared for illustrative purposes only and are prepared based on the audited financial statements of A-Rank Berhad and its subsidiary company, Formosa Shyen Horng Metal Sdn. Bhd. ("Formosa") for the financial period/years under review. The proforma consolidated results for the financial period/years under review have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of the A-Rank Group.
2. There were no extraordinary or exceptional items for the financial period/years under review.



# corporate information

## BOARD OF DIRECTORS

**DATO' SHAHRIR BIN ABDUL JALIL** *Non-Independent Non-Executive Chairman*  
**TAN WAN LAY** *Managing Director*  
**AHMED AZHAR BIN ABDULLAH** *Independent Non-Executive Director*  
**DR LEONG CHIK WENG** *Independent Non-Executive Director*

## AUDIT COMMITTEE

**AHMED AZHAR BIN ABDULLAH** *Independent Non-Executive Director/Chairman*  
**DR LEONG CHIK WENG** *Independent Non-Executive Director*  
**TAN WAN LAY** *Managing Director*

## REGISTERED OFFICE

No. 275 (1st Floor)  
Jalan Haruan 1  
Oakland Industrial Park  
70200 Seremban  
Negeri Sembilan Darul Khusus  
Tel : 06-762 3339  
Fax : 06-762 9693

## COMPANY SECRETARIES

Ng Bee Lian (MAICSA 7041392)  
Tan Enk Purn (MAICSA 7045521)

## AUDITORS

BDO Binder  
Chartered Accountant  
12th Floor, Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur





## PRINCIPAL BANKERS

AmBank (M) Berhad  
Malayan Banking Berhad  
United Overseas Bank (Malaysia) Berhad

## SOLICITORS

Soo Thien Ming & Nashrah  
Wisma Selangor Dredging  
10th Floor, South Block  
No. 142-A, Jalan Ampang  
50450 Kuala Lumpur

Stanley Ponniah, Ng & Soo  
Advocates & Solicitors  
No 9 & 10, Jalan Dato Lee Fong Yee  
70000 Seremban  
Negeri Sembilan Darul Khusus

## HEAD/MANAGEMENT OFFICE

Lot 2-33, Jalan Perindustrian Mahkota 7  
Taman Perindustrian Mahkota  
43700 Beranang  
Selangor Darul Ehsan  
Tel : 03-8724 4662/3/7  
Fax : 03-8724 4661/8723 2009  
Email : admin@arank.com.my  
Website : www.arank.com.my or  
www.formosa.com.my

## REGISTRARS

Bina Management (M) Sdn. Bhd.  
Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7784 3922  
Fax : 03-7784 1988

## CORPORATE ADVISORS

AmMerchant Bank Berhad  
22nd Floor, AmBank Group Building  
55, Jalan Raja Chulan  
50200 Kuala Lumpur

## STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia  
Securities Berhad  
Stock Code : 7214



*Left to right:*  
*Dato' Shahrir Bin Abdul Jalil*  
*Tan Wan Lay*  
*Ahmed Azhar Bin Abdullah*  
*Dr Leong Chik Weng*

# profile of directors

## Dato' Shahrir Bin Abdul Jalil

Non-Independent Non-Executive Chairman

Aged 45, a Malaysian, was appointed to the Board on 11 March 2005 and is presently the Senior Partner of Messrs. Shahrizat Rashid & Lee. He obtained an advanced Diploma in Estate Management from ITM in 1982 and was attached to CH Williams Talhar & Wong from 1982 to 1985. Thereafter, he set up his own project consultancy business whilst pursuing a law degree. He graduated with a LLB (Hons) degree from the International Islamic University, Malaysia in 1991 and worked in Rashid & Lee from 1991 to 1993 during which he was called to the Bar. In 1993, he left the firm and was one of the founding partners of Shahrizat & Tan. In 2004, Shahrizat & Tan merged with Rashid & Lee to become Shahrizat Rashid & Lee.

Dato' Shahrir does not have any family relationship with any director and/or major shareholder of A-Rank Berhad nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

He attended all four (4) Board meetings held during the financial year ended 31 July 2006.

## Tan Wan Lay

Managing Director

Aged 42, a Malaysian, was appointed to the Board on 11 March 2005. Mr Tan has over 18 years experience in the aluminium extrusion industry. He graduated with a Diploma in Civil Engineering from Federal Institute of Technology in 1986 and joined LB Aluminium Berhad in the same year. He rose through the ranks to be a Senior Production Manager in 1993 when he left to join Press Metal Berhad as Production Manager. He left Press Metal Berhad in 1997 to set up Formosa Shyen Horng Metal Sdn. Bhd.

Mr Tan does not have any family relationship with any director and/or major shareholder of A-Rank Berhad nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

He attended all four (4) Board meetings held during the financial year ended 31 July 2006.

## Ahmed Azhar Bin Abdullah

Independent Non-Executive Director

Aged 45, a Malaysian, was appointed to the Board on 11 March 2005 and is currently the Executive Director of MOCCIS Furniture Sdn. Bhd. and of MCCM Marketing Sdn. Bhd. He graduated from California State University (Fresno) with a Bachelor Of Science in Accounting in 1986 and subsequently obtained his Master of Business Administration from California State University, Dominguez Hills (Los Angeles) in 1987. Upon graduation, he joined Malaysia Mining Corporation Berhad ("MMC") as an Internal Auditor. He was subsequently seconded to head MMC's wholly-owned subsidiary in London from 1992 to 1995 and upon his return, served in various management capacities within the MMC Group. He joined Gas Malaysia Sdn. Bhd. in November 2000 and was head of the residential and commercial sales unit for natural gas and liquefied petroleum gas until March 2005.

En. Ahmed does not have any family relationship with any director and/or major shareholder of A-Rank Berhad nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

He attended all four (4) Board meetings held during the financial year ended 31 July 2006.

## Dr Leong Chik Weng

Independent Non-Executive Director

Aged 43, a Malaysian, was appointed to the Board on 11 March 2005 and is currently the founder and Chief Executive Officer of e-Lock Corporation Sdn. Bhd. Dr Leong obtained his Ph.D in Chemical Engineering in 1989 from the University of Massachusetts, Amherst, USA. After graduation, he joined Raychem Corporation in Menlo Park, California where he was subsequently promoted as Technical Director. In 1997, Dr Leong was a consultant to Guidant Corporation, one of the world's largest cardiovascular product companies, where he develop an advanced chaotic mixing screw technology to produce micro tubing using polymer alloys.

Dr Leong does not have any family relationship with any director and/or major shareholder of A-Rank Berhad nor has he any conflict of interest with the Company. He has had no conviction for any offences within the past ten (10) years.

He attended all four (4) Board meetings held during the financial year ended 31 July 2006.

## chairman's statement



“ On a full year comparison, the Group has shown a substantial increase in turnover of 69.0% from RM141.5 million in the previous year to RM239.1 million for the financial year under review. ”



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

## FINANCIAL PERFORMANCE

For the financial year under review, the Group achieved a turnover of RM239.1 million and profit before and after tax of RM8.1 million and RM6.8 million respectively. The turnover reported for the previous year was RM71.7 million whilst the profit before and after tax were RM5.9 million and RM5.1 million respectively. The previous year results were for a period of 5 months representing the post-acquisition contributions from its wholly-owned subsidiary company, Formosa Shyen Horng Metal Sdn. Bhd. ("Formosa") which was acquired on 11 March 2005 as an integral part of the Company's listing exercise. Had the acquisition of Formosa been completed at the beginning of A-Rank's financial year, the Group would have announced a turnover of RM141.5 million and profit before and after tax of RM11.3 million and RM9.5 million respectively for the financial year ended 31 July 2005.

On a full year comparison, the Group has shown a substantial increase in turnover of 69.0% from RM141.5 million in the previous year to RM239.1 million for the financial year under review. The significant increase was due mainly to changes in sales mix as sales of aluminium billets were considerably higher whereas lower tolling services were recorded coupled with the sharp increases in raw material prices i.e. aluminium to levels unseen in recent years. Despite the higher turnover, profit before tax were lower at RM8.1 million compared to RM11.3 million for the previous year. The significant reduction in profit was due mainly to lower margins as the Group embarked on an



aggressive marketing programme to export its products resulting in lower margins exacerbated by volatility in aluminium prices wherein the Group has to absorb some of the costs of the higher raw materials. Increases in depreciation charges and interest costs contribute further to the decline in profit.

The net earnings per share for the financial year ended 31 July 2006 was 8.55 sen whilst net assets per share amounted to 64.3 sen at the end of the financial year.

## CORPORATE DEVELOPMENTS

The Group does not have any significant corporate development to report as much emphasis was spend on developing new markets for the Group's products as well enhancing the Group's business in its existing markets.

## DIVIDENDS

The Board of Directors is pleased to recommend a first and final tax-exempt dividend of 3.5 sen per share in respect of the financial year ended 31 July 2006 subject to the approval of shareholders at the forthcoming annual general meeting.



## PROSPECTS

The implementation of the Ninth Malaysian Plan augurs well for the Group's prospects in the domestic market in which it is well placed to take advantage of given that it is the largest supplier of aluminium billets in Malaysia. However, in view of the inherent limited size of the Malaysian market, the Group will continue to focus its marketing strategy on the export market as this is vital to the future growth of the Group. The Group has enjoyed some success in the export market as there is a growing awareness of the Group's products and quality as well as the

achievement in developing new markets and the gaining acceptance of the Group's products in its existing market. In view of the above, your Directors are cautiously optimistic of the Group's prospects going forward.

## APPRECIATION

I would like to place on record my appreciation and gratitude for the continued support of my fellow Directors and on behalf of the Board, our heartfelt thanks to our customers, business associates, bankers and the various government agencies. Our appreciations are also extended to our shareholders and to the management and employees for your commitment, contribution and loyalty.

## DATO' SHAHRIR BIN ABDUL JALIL

Non-Independent Non-Executive Chairman

# managing director's **operations review**



## **REVIEW OF OPERATIONS**

The Group's turnover for the financial year ended 31 July 2006 has increased substantially by 69% compared to the previous year. However, profit before tax did not improve in line with the turnover. The reasons for the performance have already been explained in the Chairman's Statement and I have nothing further to add save that erosion of margins has been a major concern which we are addressing.

Continuous emphasis was placed during the year to further strengthen the export marketing team so as to develop new markets while at the same time not losing sight of our existing market. Whilst, we have some success in that new markets were developed, we continue to face stiff competition particularly billet manufacturers from China and Thailand.

We have completed construction of our new office building which is within the factory premises and all departments except for the production department has shifted into in July 2006. The Company has also acquired another four (4) pieces of land adjacent to its factory to cater for future expansion.



The Group has also acquired a new 35 metric tonnes homogenising furnace and a cooling booth which is presently under construction and are expected to commence operation by end-November 2006. The increased capacity will alleviate the current bottleneck in homogenising capacity faced by the Group. The Group has also acquired a new dross recovery system which is expected to commence operations in end-November 2006. This new dross recovery system is expected to be much more efficient than the system currently employed.

## OUTLOOK

The Group will strive to maintain its position as the leading manufacturer of aluminium billets in Malaysia and the region by constantly upgrading its capacity and technology and to provide better quality aluminium billets and services. The focus for the coming year is to increase the margins which will improve the Group's profit performance. The installation of the new dross recovery system is expected to increase the overall recovery of the Group's manufacturing processes. Recovery is the cornerstone of a billet manufacturer and any increase in recovery will have a direct impact on the bottomline especially when aluminium prices are at current high levels. The Management has also made the decision to build a new melting line to cater mainly to special alloys. Whilst demands for special alloys are

lower than the current alloys manufactured by the Group, they command much higher prices which should improve the Group's profitability.

Beside the measures above, the Management is constantly looking into ways to reduce costs and improve efficiency as another alternative to contribute to the bottomline.

I believe that the outlook for the Group continues to be encouraging as we are the dominant player in the domestic market and that the measures we have taken and continue to take would prove to be positive. The Directors believe that, barring unforeseen circumstances, the Group will be able to sustain its growth for the next year.

## APPRECIATION

I wish to take this opportunity to thank our customers, business partners, suppliers, bankers and not forgetting our shareholders for their unstinting support. My thanks are also extended to my fellow directors, management and staff for all the hard work, commitment and contribution.

**TAN WAN LAY**  
Managing Director

# statement on **corporate governance**

The Board of Directors of A-Rank Berhad (“A-Rank” or the “Company”) is committed to ensuring that the standards of corporate governance pursuant to the Malaysian Code of Corporate Governance (“Code”) are practised throughout the Company and its wholly-owned subsidiary, Formosa Shyen Horng Metal Sdn. Bhd. (collectively the “A-Rank Group” or “Group”) to achieve its objectives to protect and enhance shareholders’ value, safeguard the Group’s assets and improve the performance of the Group. Hence, the Board will continue to evaluate the Group’s corporate governance procedures, in so far as they are relevant to the Group, bearing in mind the nature of the Group’s businesses and the size of its business operations.

The statement below sets out the Group’s application of the principles of the Code and the extent of its compliance for the financial year under review.

## **BOARD OF DIRECTORS**

The Board currently comprises of four (4) members, two (2) of which are Independent Non-Executive Directors. The Board members, with their diverse backgrounds, bring with them a wide range of disciplines and experiences to provide stewardship to the Group. The composition of the Board complies with the Code in that at least one-third of the Board consists of Independent Non-Executive Directors. There is a balance of power and authority in the Board as the Managing Director is responsible for the normal operations and business activities of the Group whilst the Non-Independent Non-Executive Chairman and the Independent Non-Executive Directors ensure that the Board practices good governance in discharging their duties in compliance with the Code. Decision made are fully discussed and examined taking into account the long term interest of the Group, shareholders, employees, customers and the many communities in which the Group conducts its business.

No Independent Non-Executive Director has been appointed to whom any concerns pertaining to the Group may be conveyed as recommended by the Code. The Board will shoulder this responsibility collectively.

In the event of any potential conflict of interest situation, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision making process.

## **BOARD MEETINGS**

The Board meets on a scheduled basis, at least once every three (3) months. Additional meetings may be convened to resolve any major and/or ad hoc matters requiring immediate attention. During the financial year ended 31 July 2006, the Board met four (4) times. Management staff may be invited to attend Board meetings to provide the Board with detailed explanations and clarification.

## **SUPPLY OF INFORMATION**

The Directors have full and unrestricted access to all information concerning the Company and the Group. At each Board meeting, the Managing Director will brief the Board on the Group’s activities, operations and other performance factors affecting the Group’s business and performance. All meetings will be preceded by an agenda issued by the Company Secretary. The relevant reports and Board papers will be distributed prior to the Board meetings to allow for sufficient time for the Directors to peruse so as enabling effective discussions and decision making during meetings.

All Directors have access to the advice and services of the Company Secretary and are also entitled to seek advice from the merchant bankers, the external auditors and other independent professionals in the furtherance of their duties, at the Company’s expense.

## **BOARD COMMITTEES**

The Board has established the Audit Committee on 17 March 2005 comprising of the two (2) Independent Non-Executive Directors and the Managing Director to assist the Board in discharging its duties. The Board of Directors has in line with the Listing Requirements reviewed the term of office and performance of the Audit Committee and is satisfied that the Audit Committee has carried out its duties in accordance with its terms of reference. The attendance record and the Audit Committee’s activities are set out in this Annual Report.

There is no Nomination Committee formed which is not in accordance with the best practices as set out in the Code as the appointment of new Directors would be a matter for the Board as a whole. There is also no formal assessment carried out on the performance of the Board and its individual Directors as the Board is of the view that the diverse backgrounds and experiences of the existing Directors are deemed adequate in addressing the business needs and issues faced by the Group. The Independent Non-Executive Directors also ensure proper deliberations and independent judgments in the decision making process.

A Remuneration Committee has not been established which is also not in accordance with the best practices as spelt in the Code as Directors’ remuneration will be a matter decided by the Board as a whole.



## RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by the shareholders at the first Annual General Meeting ("AGM") following their appointment. The Articles further provide that at least one-third (1/3) of the Directors including the Managing Director shall be subject to re-election by rotation at least once every three (3) years at each AGM.

For the forthcoming AGM, Dato' Shahrir Bin Abdul Jalil will retire by rotation, and being eligible, offers himself for re-election.

## DIRECTORS' REMUNERATION

Remuneration of the Directors are decided by the Board as a whole with the Directors concerned abstaining from deliberations and voting on decision relating to their respective individual remuneration packages.

The aggregate remuneration of Directors for the financial year ended 31 July 2006 is as follows:

	<b>Executive Director RM'000</b>	<b>Non-Executive Directors RM'000</b>	<b>Total RM'000</b>
Fees	18	60	78
Salaries	229	–	229
Bonus	58	–	58
Benefits-in-kind	17	–	17
<b>Total</b>	<b>322</b>	<b>60</b>	<b>382</b>

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

	<b>Executive Director</b>	<b>Non-Executive Directors</b>
Below RM50,000	–	3
RM300,001 to RM350,000	1	–

## DIRECTORS' TRAINING

All Directors of the Company have completed the Mandatory Accreditation Programme ("MAP") in accordance with the Listing Requirements of the Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programs and the Continuing Education Program to further enhance their knowledge in the latest statutory and regulatory developments as well as to keep abreast with developments in the business environment to enable them to discharge their responsibilities more effectively.

## **RELATIONSHIPS WITH SHAREHOLDERS AND INVESTORS**

The Group recognises the importance of keeping shareholders and investors informed of its latest business and corporate developments. The dissemination of information is conducted through various public announcements, the Annual Report, circulars to shareholders and quarterly announcement of the Group's results

The Annual General Meeting ("AGM") provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. The Board encourages shareholders' active participation at such meetings. Members of the Board and the external auditors are also present to answer questions raised during the meetings.

The Company has also established a website ([www.arank.com.my](http://www.arank.com.my)) as another tool of communication that provide easy access to the latest corporate information of the Group.

## **ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

The Board aims to present a balanced and clear assessment of the Group's financial performance and prospects in presenting the annual financial statements and quarterly reports as well as announcements to the Bursa Malaysia Securities Berhad. The Board is assisted by the Audit Committee in reviewing the Group's financial reporting procedures and accuracy of its financial results, and scrutinising information for disclosure to ensure compliance with accounting standards, accuracy, adequacy and completeness.

### **Internal Control**

The Statement on Internal Control is set out in this Annual Report which provides an overview of the state of internal controls within the Group.

### **RELATIONSHIP WITH AUDITORS**

The Group maintains an appropriate and transparent relationship with the Group's external auditors through the Audit Committee. The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee's report in this Annual Report.

### **STATEMENT ON DIRECTORS' RESPONSIBILITY**

Directors are required under the Companies Act, 1965 (the "Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and the results and cash flows of the Company and of the Group for that period. In addition, the Directors have the general responsibilities for taking such steps as they are reasonably open to them to safeguard the Group's assets and prevent fraud and other irregularities. The Directors have ensured that the financial statements have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Act, the Listing Requirements of Bursa Malaysia Securities Berhad and that other relevant statutory requirements are complied with, consistently adopt the appropriate accounting policies and made reasonable and prudent judgments and estimates.

This Statement is made in accordance with a resolution of the Board of Directors dated 30 October 2006.

# additional compliance information

The following information is provided in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:

## UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

## SHARE BUYBACKS

There were no share buyback scheme implemented during the financial year ended 31 July 2006.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertible securities has been issued by the Company.

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

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 July 2006.

## IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiary company, Directors or management by relevant regulatory bodies during the financial year ended 31 July 2006.

## NON-AUDIT FEES

During the financial year ended 31 July 2006, non-audit fees paid and payable to external auditors amounted to RM7,200.

## VARIATION IN RESULTS

There were no material variance between the results for the financial year and the unaudited results previously announced.

## PROFIT GUARANTEE

There were no profit guarantees given or received by the Company during the financial year ended 31 July 2006.

## MATERIAL CONTRACTS

No material contract has been entered into by the Company and/or its subsidiary company which involved Directors' and/or substantial shareholders' interests, either still subsisting at the end of the financial year ended 31 July 2006 or, if not then subsisting, entered into since the end of the previous financial year.

## REVALUATION POLICY

The Company and its subsidiary company did not adopt a policy of regular revaluation of its landed properties.

## RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The Company has no transaction which involved the Directors or substantial shareholders during the financial year ended 31 July 2006.

## PROFIT ESTIMATION, FORECAST OR PROJECTION

There were no profit estimation, forecast or projection made or released by the Company or Group during the financial year ended 31 July 2006.

# audit committee report

## MEMBERS OF THE AUDIT COMMITTEE

Name	Position
<b>Chairman</b> Ahmed Azhar Bin Abdullah	Independent Non-Executive Director
<b>Members</b> Dr Leong Chik Weng Tan Wan Lay	Independent Non-Executive Director Managing Director

## TERMS OF REFERENCE

### Composition

The Audit Committee (the "Committee") shall be appointed by the Board from amongst its number and shall consist of at least three (3) members, the majority of whom must be Independent Non-Executive Directors. At least one member of the Audit Committee:-

- Must be a member of the Malaysian Institute of Accountants; or
- If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and;
  - (a) he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountant's Act 1967; or
  - (b) he/she must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountant's Act; or
- Fulfils such other requirements as prescribed by the Bursa Malaysia Securities Berhad.

The members of the Audit Committee shall elect from amongst their number a Chairman who shall be an Independent Non-Executive Director. No alternate director shall be appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above requirements, the vacancy shall be filled within 3 months.

### Quorum and Committee's Procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. A quorum shall consist of two (2) members which shall comprise of Independent Non-Executive Directors.

The Company Secretary shall be appointed Secretary of the Audit Committee and in conjunction with the Chairman, shall draw up the agenda which shall be sent to all members of the Audit Committee and other persons who may be required/invited to attend. All meetings to review the quarterly

results and annual financial statements shall be held prior to such quarterly results and annual financial statements being presented to the Board for approval.

Notwithstanding the above, upon the request of any member of the Audit Committee, the external auditors or the internal auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider matters brought to its attention.

The external auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.

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

The internal auditors, if any shall be in attendance at meetings of the Audit Committee to present and discuss the audit findings and the recommendations relating to such findings.

The Audit Committee shall regulate the manner of the proceedings of its meetings.

### Duties & Responsibilities

In fulfilling its primary objectives, the Audit Committee shall undertake the following responsibilities and duties, and report the same to the Board; where appropriate:-

- with the external auditors, the audit scope and plan;
- with the external auditors, an evaluation of the quality and effectiveness of the accounting system;
- with the external auditors, the audit report;
- the assistance rendered by employees of the Company and its subsidiary (the "Group") to the auditors;
- with the internal auditors, the adequacy of the scope, duties and resources of the internal audit function, and that it has the necessary authority to carry out its work;

- with the internal auditors, the adequacy and integrity of the internal control system and the efficiency of the Group's operations and efforts taken to reduce the Group's operational risks;
- the internal audit programme, processes and results, and the actions taken on the recommendation of the internal audit function;
- the appointment, performance and remuneration of the internal audit staff;
- the appointment and performance of the external auditors, the audit fee and any questions of resignation or dismissal before making recommendations to the Board;
- the quarterly results and annual financial statements of the Company and Group prior to the approval by the Board, focusing particularly on:-
  - (a) any changes in or implementation of accounting policies and practices;
  - (b) significant adjustments or unusual events arising from the audit;
  - (c) the going concern assumption;
  - (d) compliance with accounting standards and other legal requirements
- any related party transaction and conflict of interest situation that may arise within the Company/Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- with the external and internal auditors, major audit findings, reservations or material weaknesses and the Management's response in resolving the audit issues reported during the year; and
- such other activities, as authorised by the Board.

## **AUTHORITY AND RIGHTS**

The Audit Committee is authorised by the Board within its term of reference and at the cost of the Group to investigate any matter and shall have the resources which are required to perform its duties.

The Audit Committee also has full and unrestricted access to any information pertaining to the Group and has direct communication channels with the internal and external auditors, be able to convene meetings with external auditors, without the presence of the Executive Directors, whenever deemed necessary.

The Audit Committee is authorised to obtain independent professional or other advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers this necessary.

## **Attendance**

During the financial year ended 31 July 2006, four (4) Audit Committee's meetings were held which were attended in full by all the members of the Committee.

## **SUMMARY OF ACTIVITIES**

The main activities carried out by the Committee during the financial year under review are as follows:-

1. Reviewed the unaudited quarterly and year-end results of the Group and the Company before recommending to the Board for their approvals and for announcement to Bursa Malaysia Securities Berhad;
2. Reviewed the annual report and the audited financial statements of the Group and of the Company prior to submission to the Board for consideration and approval;
3. Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilised;
4. Reviewed the internal audit plan and the scope of work; and
5. Reviewed the internal auditors' report and the external auditors' report and management letter, if any.

## **INTERNAL AUDIT FUNCTION**

A-Rank recognises that an internal audit function is essential to ensuring the effectiveness of the Group's system of internal controls and is an integral part of the risk management process. The Company has not set up an internal audit department but has outsourced the internal audit function so as to provide reasonable assurance that the Group's internal controls are adequate and functioning as intended and to recommend measures to management to improve and rectify weaknesses, if any.

# statement on **internal controls**

## **INTRODUCTION**

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad's Listing Requirements require Directors of listed companies to include a statement on the state of their internal controls in their Annual Reports.

## **RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL**

The Board of Directors acknowledges that it is responsible for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Board also affirms that it is responsible for ensuring the adequacy and integrity of those systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore, it should be noted that any system can provide only a reasonable and not absolute assurance against material misstatement, fraud or loss.

## **SYSTEM OF INTERNAL CONTROLS**

Key elements of the Group's system of internal controls include the following:

- Organisation structure with clearly defined lines of responsibility and delegated authority which includes defined delegation of responsibilities to the committees of the Board, the management and the operating units.
- The Audit Committee comprises non-executive members of the Board, with the majority being Independent Non-Executive Directors. The Committee has full access to both internal and external auditors. Whenever necessary, the Audit Committee also will review and discuss with key management on the actions taken on issues brought up by the internal auditors and the external auditors.
- A regular review of the high-risk area of business processes by the Group's internal auditors, which report directly to the Audit Committee, to assess the effectiveness of internal controls and to highlight any significant risk that may adversely affect the Group. The Audit Committee will monitor the status of the implementation of corrective actions to address internal control weaknesses, if any.
- The effectiveness of the system of internal controls is also reviewed through the ISO 9001:2000 Quality Management System, which is subject to regular review and audit that continuously manages and controls the quality requirement of the Group's products and services. The demanding documentation requirements of the certification further ensure a trail of accountability within the Group.
- Quarterly and annual financial results are reviewed by the Audit Committee.
- Regular reviews of the performance of the Group by the Directors at its meetings to ensure it is in line with the Group's overall objectives.

- A budgeting process which establishes plans and targets against which performance are monitored on an on-going basis.
- A management reporting system in place to facilitate timely generation and monitoring of financial information for management review and decision making.
- The Group's management team meets regularly to review the reports, monitors the business development and resolves key operational and management issues and reviews the financial performance against the budget.

## **REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS**

The external auditors have reviewed this Statement on Internal Controls for inclusion in the annual report of the Group for the financial year ended 31 July 2006 and had reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

## **Internal Audit Function**

In accordance with the Malaysian Code on Corporate Governance, the Board has established an internal audit function to review the adequacy and integrity of its system of internal controls.

The internal audit function of the Group is outsourced to a reputable international accounting/audit firm. The responsibilities of the internal auditors include conducting audits, submitting findings and the provision of independent report to the Audit Committee on the Group's system of internal controls. Being an independent function, the audit work is conducted with impartiality, proficiency and due professional care.

Internal audit plans are reviewed and approved by the Audit Committee and the plans include independent appraisal on the compliance, adequacy and effectiveness of the Group's internal controls and to assess and monitor the effectiveness and implementation of the Group's risk management policies on half-yearly basis. Follow-up reviews on previous audit recommendations are carried out to ensure compliance and appropriate actions have been implemented to address weaknesses highlighted.

## **CONCLUSION**

The Board is satisfied that during the financial year under review, there is a process to manage the Group's system of internal controls to mitigate any significant risks faced by the Group so as to safeguard shareholders' investments and the Group's assets.

This Statement was made in accordance with the resolution of the Board dated 30 October 2006.



# financial statement

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# directors' report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2006.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activity of the subsidiary company is disclosed in Note 7 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
Net profit for the financial year	6,842,120	2,599,558

## DIVIDENDS

Dividends paid and proposed since the end of previous financial year were as follows:-

- (i) As proposed and included in the last year's report, a first and final tax exempt dividend of 3.5 sen per share amounting to RM2,800,000 in respect of the financial year ended 31 July 2005 was paid on 17 January 2006; and
- (ii) The directors propose a first and final tax exempt dividend of 3.5 sen per share amounting to RM2,800,000 in respect of the financial year ended 31 July 2006 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

The Company has not issued any shares or debentures during the financial year.

## DIRECTORS

The directors who held office since the date of the last report are:-

Dato' Shahrir Bin Abdul Jalil  
Tan Wan Lay  
Ahmed Azhar Bin Abdullah  
Dr. Leong Chik Weng

In accordance with Article 112 of the Company's Articles of Association, Dato' Shahrir Bin Abdul Jalil retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.



## DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their any beneficial interests in the ordinary shares of the Company and its related corporation during the financial year ended 31 July 2006 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:-

	----- Number of ordinary shares of RM0.50 each -----			
	Balance as at 1.8.2005	Bought	Sold	Balance as at 31.7.2006
<b>Shares in the Company</b>				
<b>Direct interest</b>				
Dato' Shahrir Bin Abdul Jalil	100,000	–	(100,000)	–
Tan Wan Lay	5,946,000	–	–	5,946,000
Ahmed Azhar Bin Abdullah	100,000	–	–	100,000
Dr. Leong Chik Weng	64,000	–	(64,000)	–
<b>Indirect interest</b>				
Dato' Shahrir Bin Abdul Jalil	14,440,000	–	–	14,440,000
Tan Wan Lay	25,219,994	–	–	25,219,994

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors have 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 as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than remuneration received by a director as director of the subsidiary company.

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

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND COMPANY:-

### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:-
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## **OTHER STATUTORY INFORMATION REGARDING THE GROUP AND COMPANY (CONT'D):-**

### **(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT**

- (c) The directors are not aware of any circumstances:-
  - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the directors:-
  - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### **(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## **AUDITORS**

The auditors, BDO Binder, have expressed their willingness to continue in office.

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

**Dato' Shahrir Bin Abdul Jalil**  
Director

**Tan Wan Lay**  
Director

Kuala Lumpur  
30 October 2006

# statement by directors

In the opinion of the directors, the financial statements set out on pages 27 to 52 have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

- (i) the state of affairs of the Group and of the Company as at 31 July 2006 and of their results for the financial year then ended; and
- (ii) the cash flows of the Group and of the Company for the financial year ended 31 July 2006.

On behalf of the Board,

**Dato' Shahrir Bin Abdul Jalil**  
Director

**Tan Wan Lay**  
Director

Kuala Lumpur  
30 October 2006

# statutory declaration

I, **Tan Tze**, being the officer primarily responsible for the financial management A-Rank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 27 to 52 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 )  
Kuala Lumpur this )  
30 October 2006 ) **Tan Tze**

Before me:-

**P. Sethuraman** (W-217)  
Commissioner for Oaths

Kuala Lumpur

# report of the auditors

to the members of A-Rank Berhad

We have audited the financial statements set out on pages 27 to 52.

These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion:-

- (a) the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 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 of the Group and of the Company; and
  - (ii) the state of affairs of the Group and of the Company as at 31 July 2006 and of their results and cash flows for the financial year then ended;

and

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

We are satisfied that the financial statements of the subsidiary company that are 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 company was not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

**BDO Binder**

AF : 0206

Chartered Accountants

**Ng Chee Hoong**

2278/10/08 (J)

Partner

Kuala Lumpur

30 October 2006

# balance sheets

as at 31 July 2006

	NOTE	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>ASSETS EMPLOYED</b>					
PROPERTY, PLANT AND EQUIPMENT	6	49,341,980	39,343,829	–	–
INVESTMENT IN A SUBSIDIARY COMPANY	7	–	–	25,978,559	25,978,559
AMOUNT OWING BY A SUBSIDIARY COMPANY	8	–	–	14,752,984	17,745,958
CURRENT ASSETS					
Amount owing by a subsidiary company	9	–	–	2,800,000	–
Inventories	10	16,874,748	5,838,245	–	–
Trade receivables	11	32,507,326	20,564,598	–	–
Deposits and prepayments	12	1,205,552	1,003,179	1,000	1,000
Tax recoverable		–	1,820	–	1,820
Cash and bank balances		2,621,221	1,466,955	4,219	2,266
		53,208,847	28,874,797	2,805,219	5,086
LESS: CURRENT LIABILITIES					
Trade payables	13	9,273,705	5,424,799	–	–
Other payables and accruals	14	4,873,537	3,833,393	95,205	87,604
Bank borrowings (interest bearing)	15	31,889,505	5,714,370	–	–
Tax liabilities		5,000	90,446	–	–
		46,041,747	15,063,008	95,205	87,604
NET CURRENT ASSETS/(LIABILITIES)		7,167,100	13,811,789	2,710,014	(82,518)
		56,509,080	53,155,618	43,441,557	43,641,999
<b>FINANCED BY</b>					
SHARE CAPITAL	17	40,000,000	40,000,000	40,000,000	40,000,000
SHARE PREMIUM		715,938	715,938	715,938	715,938
NEGATIVE GOODWILL		1,582,952	1,582,952	–	–
RETAINED PROFITS	18	9,120,881	5,078,761	2,725,619	2,926,061
SHAREHOLDERS' EQUITY		51,419,771	47,377,651	43,441,557	43,641,999
NON-CURRENT AND DEFERRED LIABILITIES					
Bank borrowings (interest bearing)	15	1,275,309	2,872,967	–	–
Deferred tax liabilities	19	3,814,000	2,905,000	–	–
		5,089,309	5,777,967	–	–
		56,509,080	53,155,618	43,441,557	43,641,999

The attached notes form an integral part of the financial statements.

# income statements

for the financial year ended 31 July 2006

		Group		Company	
	NOTE	2006 RM	2005 RM	2006 RM	2005 RM
Revenue	20	239,067,244	71,743,084	2,800,000	3,026,875
Cost of sales		(226,640,617)	(64,693,754)	–	–
Gross profit		12,426,627	7,049,330	2,800,000	3,026,875
Other operating income		75,588	21,993	–	–
Distribution costs		(674,974)	(213,286)	–	–
Administration expenses		(2,725,463)	(842,012)	(192,938)	(95,899)
Profit from operations		9,101,778	6,016,025	2,607,062	2,930,976
Finance costs		(971,816)	(136,053)	–	–
Profit before tax	21	8,129,962	5,879,972	2,607,062	2,930,976
Tax expense	22	(1,287,842)	(796,296)	(7,504)	–
Net profit for the financial year		6,842,120	5,083,676	2,599,558	2,930,976
Basic earnings per share (sen)	23	8.55	17.09		
Dividend per share (sen)					
– Proposed first and final tax exempt dividend	24	3.50	3.50	3.50	3.50

The attached notes form an integral part of the financial statements.

# statements of changes in equity

for the financial year ended 31 July 2006

Group	<--- Non-distributable --->			Distributable retained profits/ (Accumulated loss) RM	Total RM
	Share capital RM	Share premium RM	Negative goodwill RM		
Balance as at 1 August 2004	2	–	–	(4,915)	(4,913)
Listing expenses	–	(1,292,623)	–	–	(1,292,623)
Net expense not recognised in the income statement	–	(1,292,623)	–	–	(1,292,623)
Issue of shares	27,969,998	2,008,561	–	–	29,978,559
Rights issue	12,030,000	–	–	–	12,030,000
Net profit for the financial year	–	–	–	5,083,676	5,083,676
Arising from acquisition of a subsidiary company	–	–	1,582,952	–	1,582,952
Balance as at 1 August 2005	40,000,000	715,938	1,582,952	5,078,761	47,377,651
Net profit for the financial year	–	–	–	6,842,120	6,842,120
Dividends paid (Note 24)	–	–	–	(2,800,000)	(2,800,000)
Balance as at 31 July 2006	40,000,000	715,938	1,582,952	9,120,881	51,419,771
<b>Company</b>					
Balance as at 1 August 2004	2	–	–	(4,915)	(4,913)
Listing expenses	–	(1,292,623)	–	–	(1,292,623)
Net expense not recognised in the income statement	–	(1,292,623)	–	–	(1,292,623)
Issue of shares	27,969,998	2,008,561	–	–	29,978,559
Rights issue	12,030,000	–	–	–	12,030,000
Net profit for the financial year	–	–	–	2,930,976	2,930,976
Balance as at 1 August 2005	40,000,000	715,938	–	2,926,061	43,641,999
Net profit for the financial year	–	–	–	2,599,558	2,599,558
Dividends paid (Note 24)	–	–	–	(2,800,000)	(2,800,000)
Balance as at 31 July 2006	40,000,000	715,938	–	2,725,619	43,441,557

The attached notes form an integral part of the financial statements.

# cash flow statements

for the financial year ended 31 July 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	8,129,962	5,879,972	2,607,062	2,930,976
Adjustments for:-				
Allowance for doubtful debts no longer required	(45,000)	(25,000)	–	–
Depreciation of property, plant and equipment	3,138,845	895,236	–	–
Dividend income	–	–	(2,800,000)	(3,000,000)
Interest expenses	971,816	136,053	–	–
Interest income	(21,833)	(34,158)	–	(26,875)
Operating profit/(loss) before working capital changes	12,173,790	6,852,103	(192,938)	(95,899)
(Increase)/Decrease in inventories	(11,036,503)	5,482,765	–	–
Increase in trade receivables	(11,897,728)	(8,850,592)	–	–
Increase in deposits and prepayments	(202,373)	(395,889)	–	(1,000)
Increase in trade payables	3,848,906	2,947,854	–	–
(Decrease)/Increase in other payables and accruals	(1,058,742)	(2,524,731)	7,601	86,589
Net cash (used in)/generated from operations	(8,172,650)	3,511,510	(185,337)	(10,310)
Interest income received	–	26,875	–	26,875
Interest paid	(92,563)	(9,039)	–	–
Tax paid	(462,468)	(191,820)	(5,684)	(1,820)
Net cash (used in)/from operating activities	(8,727,681)	3,337,526	(191,021)	14,745
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividend received	–	–	2,800,000	3,000,000
Interest received	21,833	7,283	–	–
Acquisition of a subsidiary company net of cash acquired (Note 25)	–	1,387,008	–	–
Advances from/(Repayment to) a subsidiary company	–	–	192,974	(17,745,958)
Purchase of property, plant and equipment (Note 26)	(11,038,110)	(5,765,904)	–	–
Net cash (used in)/from investing activities	(11,016,277)	(4,371,613)	2,992,974	(14,745,958)



## cash flow statements

for the financial year ended 31 July 2006 (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(2,800,000)	–	(2,800,000)	–
Drawdown/(Repayment) of bankers' acceptances	21,850,000	(6,150,000)	–	–
(Repayment)/Drawdown of onshore foreign currency loan	(2,849,248)	2,840,209	–	–
Drawdown of term loans	–	785,079	–	–
Drawdown of export credit refinancing	6,414,000	–	–	–
Interest paid	(879,253)	(266,706)	–	–
Proceeds from public issue of shares	–	4,000,000	–	4,000,000
Rights issue	–	10,280,000	–	12,030,000
Repayment to a director	–	(3,900)	–	(3,900)
Repayment of hire-purchase creditors	–	(33,048)	–	–
Repayment of term loans	(1,485,859)	(7,657,971)	–	–
Listing expenses paid	–	(1,292,623)	–	(1,292,623)
Net cash from/(used in) financing activities	20,249,640	2,501,040	(2,800,000)	14,733,477
NET INCREASE IN CASH AND CASH EQUIVALENTS	505,682	1,466,953	1,953	2,264
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	1,466,955	2	2,266	2
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 27)	1,972,637	1,466,955	4,219	2,266

The attached notes form an integral part of the financial statements.

# notes to the financial statements

31 July 2006

## 1. GENERAL INFORMATION

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

The registered office of the Company is located at No. 275 (1st Floor), Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus.

The principal place of business of the Company is located at Lot 2-33, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan.

The financial statements are presented in Ringgit Malaysia.

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operations expose it to a variety of financial risks. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks.

The main risks arising from the Group's financial instruments and the policies for managing each of these risks are summarised below.

### (a) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of foreign currency transactions entered into in its normal trading activities in currencies other than Ringgit Malaysia. The Group's policy is to minimise the foreign currency risk by matching foreign currency collections against payments.

### (b) 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 borrowings, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment whilst achieving a certain level of protection against rate hikes.

### (c) Credit risk

Credit risk, which arises from sales made on credit terms is managed by the application of credit approvals, limits and monitoring procedures. The Group extends credit to its customers based upon careful evaluation of the customers financial conditions and credit history.

### (d) Liquidity and cash flow risks

The Group practises prudent liquidity risk management policy which seeks to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirement and strives to maintain available banking facilities of a reasonable level to its overall debt position. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debts maturing in any one year is not beyond the Group's means to repay and refinance.

## 3. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activity of the subsidiary company is disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

#### 4. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

#### 5. SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

##### 5.2 Basis of consolidation

The consolidation financial statements incorporate the financial statements of the Company and its subsidiary company made up to the end of the financial year using the acquisition method of accounting.

The difference between the purchase price and the fair value of the net assets of subsidiary company at the date of acquisition is treated as goodwill or negative goodwill arising on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any. Negative goodwill arising on consolidation is not recognised as income and is presented as a separate item in the balance sheet. The results of the subsidiary company acquired or disposed of during the financial year are included in the consolidated financial statements from the date of their acquisition or up to the date of their disposal.

Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

##### 5.3 Property, plant and equipment and depreciation

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

No depreciation is provided for freehold land and office building and plant and machinery under construction. Office building and plant and machinery under construction will be depreciated, upon completion, on the same basis as factory building and plant and machinery respectively.

Depreciation of other property, plant and equipment is calculated to write off the costs of the assets on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:-

Buildings	2%
Plant and machinery	6.7% to 10%
Office equipment	10%
Furniture and fittings	10%
Electrical fittings	6.7% to 10%
Motor vehicles	20%

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **5.4 Investment in a subsidiary company**

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in a subsidiary company which is eliminated on consolidation are stated at cost less impairment losses, if any.

### **5.5 Inventories**

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value.

Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation and where appropriate, the cost of conversion from its existing state to finished conditions.

Cost of raw materials, stores and spares comprises the original cost incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of raw materials, direct labour and production overhead based on the normal level of activity.

### **5.6 Receivables**

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

### **5.7 Impairment of assets**

The carrying amounts of the Group's and the Company's assets, other than financial assets (other than investment in a subsidiary company), inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset.

The impairment loss is recognised in the income statement immediately. All reversals of an impairment loss are recognised as income immediately in the income statement.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **5.8 Payables**

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

### **5.9 Employee benefits**

#### **5.9.1 Short term employee benefits**

Wages, salaries, bonuses and social security contributions, paid annual leave, paid sick leave and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.9 Employee benefits (cont'd)

#### 5.9.1 Short term employee benefits (cont'd)

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

#### 5.9.2 Defined contribution plans

The Group makes contributions to a statutory provident fund and recognises the contribution payable:-

- (a) after deducting contributions already paid as a liability; and
- (b) as an expense in the financial year in which the employees render their services.

### 5.10 Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax.

#### 5.10.1 Current tax expense

Current tax expense is based on taxable profits.

#### 5.10.2 Deferred tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to the same taxation authority.

### 5.11 Foreign currency transactions and translations

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange on the balance sheet date.

All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.11 Foreign currency transactions and translations (cont'd)

The principal closing rates used in the translation of foreign currency amounts are as follows:-

	2006 RM	2005 RM
1 US Dollar	3.6535	3.7505
1 Australian Dollar	–	2.9000

### 5.12 Revenue recognition

Revenue from sale of goods is recognised in the income statement upon delivery of goods or performance of services and customer's acceptance.

Dividend income is recognised when the shareholder's right to receive payments is established.

Interest income is recognised on an accrual basis.

### 5.13 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdraft, deposits and other short term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

### 5.14 Segment information

No business segment information has been provided as the Group is principally engaged in the business of manufacturing and marketing of aluminum billets. Segment information in respect of geographical segment is presented as the Group risk and rates of return are affected predominantly by differences in geographical location of customers.

A segment with a majority of operating income earned from providing products or services to external clients and whose operating income, results or assets are 10 percent or more of all the segments is reported separately. Segment results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

### 5.15 Financial instruments

#### 5.15.1 Share capital

Ordinary shares recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium. Otherwise, they are charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared.

#### 5.15.2 Borrowings

Interest bearing borrowings are recorded at the amount of proceeds received, net of transaction cost.

#### 5.15.3 Other financial instruments

The accounting policies for other financial instruments recognised on the balance sheet are disclosed in the individual policies associated with each item.

## 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.16 Borrowing costs

Cost incurred on borrowings to finance the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to the income statement.

## 6. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.8.2005 RM	Additions RM	Reclassification RM	Balance as at 31.7.2006 RM
<b>Cost</b>				
Freehold land	3,526,465	1,268,770	–	4,795,235
Buildings	10,549,649	7,631,821	462,570	18,644,040
Building under construction	462,570	–	(462,570)	–
Plant and machinery	29,985,422	2,146,786	–	32,132,208
Plant and machinery under construction	–	1,536,933	–	1,536,933
Office equipment	191,807	230,047	–	421,854
Furniture and fittings	32,496	230,649	–	263,145
Electrical fittings	2,194,683	91,990	–	2,286,673
Motor vehicles	408,090	–	–	408,090
	47,351,182	13,136,996	–	60,488,178

	Balance as at 1.8.2005 RM	Charge for the financial year RM	Balance as at 31.7.2006 RM
<b>Accumulated depreciation</b>			
Freehold land	–	–	–
Buildings	654,948	224,603	879,551
Building under construction	–	–	–
Plant and machinery	6,814,829	2,625,864	9,440,693
Plant and machinery under construction	–	–	–
Office equipment	71,847	22,661	94,508
Furniture and fittings	15,032	4,672	19,704
Electrical fittings	396,045	179,427	575,472
Motor vehicles	54,652	81,618	136,270
	8,007,353	3,138,845	11,146,198

## 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group				
2005	Balance as at 1.8.2004 RM	Additions RM	Acquisition of a subsidiary company RM	Balance as at 31.7.2005 RM
<b>Cost</b>				
Freehold land	–	–	3,526,465	3,526,465
Buildings	–	2,101,212	8,448,437	10,549,649
Building under construction	–	462,570	–	462,570
Plant and machinery	–	8,313,507	21,671,915	29,985,422
Office equipment	–	6,128	185,679	191,807
Furniture and fittings	–	1,384	31,112	32,496
Electrical fittings	–	1,326,213	868,470	2,194,683
Motor vehicles	–	–	408,090	408,090
	–	12,211,014	35,140,168	47,351,182
<b>Accumulated depreciation</b>				
Freehold land	–	–	–	–
Buildings	–	56,094	598,854	654,948
Building under construction	–	–	–	–
Plant and machinery	–	752,100	6,062,729	6,814,829
Office equipment	–	7,929	63,918	71,847
Furniture and fittings	–	1,308	13,724	15,032
Electrical fittings	–	43,797	352,248	396,045
Motor vehicles	–	34,008	20,644	54,652
	–	895,236	7,112,117	8,007,353
<b>Net book value</b>				
			<b>Group</b>	
			<b>2006</b>	<b>2005</b>
			<b>RM</b>	<b>RM</b>
Freehold land			4,795,235	3,526,465
Buildings			17,764,489	9,894,701
Building under construction			–	462,570
Plant and machinery			22,691,515	23,170,593
Plant and machinery under construction			1,536,933	–
Office equipment			327,346	119,960
Furniture and fittings			243,441	17,464
Electrical fittings			1,711,201	1,798,638
Motor vehicles			271,820	353,438
			49,341,980	39,343,829

Included in the property, plant and equipment was borrowing cost capitalised of RM139,692 in 2005.

The freehold land and buildings of the Group with net book value of RM13,212,660 (2005: RM13,421,166) have been charged to a licensed bank for banking facilities granted to the subsidiary company (Note 15).



## 7. INVESTMENT IN A SUBSIDIARY COMPANY

	Company	
	2006 RM	2005 RM
Unquoted shares, at cost	25,978,559	25,978,559

The details of the subsidiary company are as follows:-

Name of Company	Country of incorporation	Interest in equity held by the Company		Principal activities
		2006	2005	
Formosa Shyen Horng Metal Sdn. Bhd. ("Formosa")	Malaysia	100%	100%	) Manufacturing and marketing of aluminium billets

The subsidiary company is audited by BDO Binder.

In the previous financial year, the Group acquired the entire issued and paid-up share capital of Formosa. The effect of this acquisition on the financial results of the Group during previous financial year was as follows:-

	Total RM	Pre-acquisition RM	Post acquisition RM
Revenue	141,542,265	69,826,057	71,716,208
Operating income	63,853	46,089	17,764
Operating costs	(130,264,800)	(64,479,824)	(65,784,976)
	11,341,318	5,392,322	5,948,996
Tax expense	(1,805,666)	(1,009,370)	(796,296)
Increase in Group net profit	9,535,652	4,382,952	5,152,700

The effect of this acquisition on the financial position of the Group at the end of previous financial year was as follows:-

	2005 RM
Property, plant and equipment	39,343,829
Inventories	5,838,245
Trade receivables	20,564,598
Deposits and prepayments	1,002,179
Cash and bank balances	1,464,689
Trade payables	(5,424,799)
Other payables and accruals	(3,745,789)
Bank borrowings	(8,587,337)
Tax liabilities	(90,446)
Deferred tax liabilities	(2,905,000)
Increase in Group net assets	47,460,169

## 8. AMOUNT OWING BY A SUBSIDIARY COMPANY – NON-CURRENT

### Company

The amount owing by a subsidiary company represents advances and payments made on behalf which is unsecured, interest-free and not repayable within the next twelve months.

## 9. AMOUNT OWING BY A SUBSIDIARY COMPANY – CURRENT

### Company

The amount owing by a subsidiary company represents dividend receivable on 28 July 2006.

## 10. INVENTORIES

	Group	
	2006 RM	2005 RM
<b>At cost</b>		
Raw material	15,207,683	5,215,956
Work-in-progress	713,707	365,446
Stores and spares	953,358	256,843
	<u>16,874,748</u>	<u>5,838,245</u>

## 11. TRADE RECEIVABLES

	Group	
	2006 RM	2005 RM
Trade receivables	32,620,889	20,723,161
Less: Allowance for doubtful debts	(113,563)	(158,563)
	<u>32,507,326</u>	<u>20,564,598</u>

The credit terms of trade receivables range from cash term to 180 days from date of invoice.

## 12. DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits	820,342	888,354	1,000	1,000
Prepayments	385,210	114,825	–	–
	<u>1,205,552</u>	<u>1,003,179</u>	<u>1,000</u>	<u>1,000</u>

### 13. TRADE PAYABLES

#### Group

The credit terms granted to the Group range from cash term to 60 days from date of invoice.

### 14. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	4,543,493	3,420,253	6,675	5,074
Accruals	330,044	413,140	88,530	82,530
	<u>4,873,537</u>	<u>3,833,393</u>	<u>95,205</u>	<u>87,604</u>

Included in other payables of the Group is an amount of RM2,098,886 (2005: RM1,941,083) owing to vendors of property, plant and equipment.

### 15. BANK BORROWINGS (INTEREST BEARING)

	Group	
	2006 RM	2005 RM
<b>Current liabilities</b>		
<b>Secured</b>		
Bankers' acceptances	22,437,000	1,600,000
Term loans (Note 16)	1,376,921	1,265,122
Export credit refinancing	619,000	–
Bank overdraft	648,584	–
	<u>25,081,505</u>	<u>2,865,122</u>
<b>Unsecured</b>		
Bankers' acceptances	1,013,000	–
Onshore foreign currency loan	–	2,849,248
Export credit refinancing	5,795,000	–
	<u>31,889,505</u>	<u>5,714,370</u>
<b>Non-current liabilities</b>		
<b>Secured</b>		
Term loans (Note 16)	<u>1,275,309</u>	<u>2,872,967</u>

## 15. BANK BORROWINGS (INTEREST BEARING) (CONT'D)

	Group	
	2006 RM	2005 RM
<b>Total borrowings</b>		
Bankers' acceptances	23,450,000	1,600,000
Onshore foreign currency loan	–	2,849,248
Term loans	2,652,230	4,138,089
Export credit refinancing	6,414,000	–
Bank overdraft	648,584	–
	33,164,814	8,587,337

Certain bank borrowings of the subsidiary company are secured by legal charges over seven pieces of freehold land of the subsidiary company and factory buildings erected thereon and guaranteed by the Company.

## 16. TERM LOANS

	Group	
	2006 RM	2005 RM
Term loan I repayable by 60 equal monthly instalments of RM41,082 each commencing 1 December 2002	303,931	875,164
Term loan II repayable by 60 equal monthly instalments of RM51,352 each commencing 1 May 2003	590,999	1,023,382
Term loan III repayable by 84 equal monthly instalments of RM33,601 each commencing 1 October 2005	1,757,300	2,239,543
	2,652,230	4,138,089
Repayable as follows:-		
Current liabilities (Note 15)		
– not later than one year	1,376,921	1,265,122
Non-current liabilities (Note 15)		
– later than one year and not later than five years	1,275,309	2,117,557
– later than five years	–	755,410
	1,275,309	2,872,967
	2,652,230	4,138,089

## 17. SHARE CAPITAL

	Group and Company			
	2006		2005	
	Number of shares	RM	Number of shares	RM
Ordinary shares of RM0.50 each				
Authorised:-				
Balance as at 1 August	200,000,000	100,000,000	200,000	100,000
Created during the financial year	-	-	199,800,000	99,900,000
As at 31 July	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid:-				
Balance as at 1 August	80,000,000	40,000,000	4	2
Issue of shares during the financial year	-	-	79,999,996	39,999,998
As at 31 July	80,000,000	40,000,000	80,000,000	40,000,000

## 18. RETAINED PROFITS

Subject to the agreement of the Inland Revenue Board:-

- the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and balance in the tax exempt accounts to frank and distribute the entire retained profits as at 31 July 2006 as dividends without incurring additional tax liability;
- the Company and the subsidiary company has tax exempt account amounting to approximately RM3,000,000 (2005: RM3,000,000) and RM10,626,000 (2005: RM7,160,000) respectively available for distribution of tax exempt dividends; and
- the subsidiary company has unabsorbed reinvestment allowance of approximately RM7,387,000 (2005: RM7,193,000) available to set off against future taxable profits.

## 19. DEFERRED TAX LIABILITIES

	Group	
	2006 RM	2005 RM
Balance as at 1 August	2,905,000	–
Acquisition of a subsidiary company	–	1,946,277
Recognised in income statement (Note 22)		
– current year	656,000	958,723
– underprovision in prior year	253,000	–
	909,000	958,723
Balance as at 31 July	3,814,000	2,905,000

The components of deferred tax liabilities as at the end of the financial year comprise tax effect of excess of capital allowances over corresponding depreciation.

## 20. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of goods	239,067,244	71,716,209	–	–
Dividend income	–	–	2,800,000	3,000,000
Interest income	–	26,875	–	26,875
	239,067,244	71,743,084	2,800,000	3,026,875
	239,067,244	71,743,084	2,800,000	3,026,875

## 21. PROFIT BEFORE TAX

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
This is arrived at after charging:-				
Auditors' remuneration:				
- Statutory				
- current year	23,000	9,250	5,000	3,000
- underprovision in prior year	-	200	-	200
- Non-statutory				
- current year	5,200	-	4,000	-
- underprovision in prior year	2,000	-	2,000	-
Depreciation of property, plant and equipment	3,138,845	895,236	-	-
Directors' remuneration:				
- fees	78,000	78,000	78,000	78,000
- emoluments other than fees	287,280	81,200	-	-
Hire of machinery	1,830	2,250	-	-
Hostel rental	5,570	1,750	-	-
Interest expense:				
- bankers' acceptances	351,049	64,168	-	-
- hire-purchase	-	589	-	-
- onshore foreign currency loan	90,754	864	-	-
- overdraft	92,563	9,039	-	-
- term loans	253,545	61,393	-	-
- export credit refinancing	183,905	-	-	-
Realised loss on foreign exchange	76,619	-	-	-
And crediting:-				
Allowance for doubtful debts no longer required	45,000	25,000	-	-
Dividend income	-	-	2,800,000	3,000,000
Interest income	21,833	34,158	-	26,875
Realised gain on foreign exchange	-	4,230	-	-

The estimated monetary value of benefits-in-kind received by the director of the Group and of the Company during the financial year amounted to RM17,400 (2005: RM7,250).

## 22. TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expense	461,000	(162,427)	–	–
Deferred tax expense (Note 19)	656,000	958,723	–	–
	1,117,000	796,296	–	–
Underprovision of tax expense in prior year				
– tax expense	(82,158)	–	7,504	–
– deferred tax expense (Note 19)	253,000	–	–	–
	1,287,842	796,296	7,504	–

The numerical reconciliation between the effective tax rate and the applicable tax rate are as follows:-

	Group		Company	
	2006 RM %	2005 RM %	2006 RM %	2005 RM %
Applicable tax rate	28.0	28.0	28.0	28.0
Tax effects in respect of:-				
Non taxable income	–	(0.5)	(30.1)	(28.0)
Non allowable expenses	1.1	1.6	2.1	–
Reduction in tax rate on the first RM500,000 chargeable income	(0.5)	(0.4)	–	–
Other tax incentives	(0.7)	–	–	–
Reinvestment allowances	(14.2)	(15.1)	–	–
	13.7	13.6	–	–
Underprovision in prior year	2.1	–	0.3	–
Effective tax rate	15.8	13.6	0.3	–

## 23. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the consolidated net profit for the financial year of RM6,842,120 (2005: RM5,083,676) by the number of ordinary shares in issue at year end of 80,000,000 and by the weighted average number of ordinary shares in issue during previous financial year of 29,750,468.

There are no diluted earnings per share, as the Group does not have any convertible financial instruments as at the end of the financial year.



## 24. DIVIDEND PER SHARE

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Proposed first and final tax exempt dividend	2,800,000	2,800,000

The proposed first and final tax exempt dividend of 3.5 sen per share, amounting to RM2,800,000 in respect of the current financial year has yet to be approved by the shareholders. This dividend, upon approval by the shareholders, will be accounted for as an appropriation of retained profits in the financial year ending 31 July 2007.

## 25. ACQUISITION OF A SUBSIDIARY COMPANY

In the previous financial year, the Group acquired the entire issued and paid-up share capital of Formosa. The fair value of the assets acquired and the liabilities assumed were as follows:

	<b>Group</b>
	<b>2005</b>
	<b>RM</b>
Property, plant and equipment	28,028,051
Inventories	11,321,010
Trade receivables	11,689,006
Deposits and prepayments	607,290
Cash and bank balances	1,387,008
Trade payables	(2,476,945)
Other payables and accruals	(4,416,026)
Amounts owing to former shareholders	(1,619,236)
Amounts owing to former directors	(130,764)
Bank borrowings	(14,438,733)
Tax liabilities	(442,873)
Deferred tax liabilities	(1,946,277)
Net assets acquired	27,561,511
Negative goodwill	(1,582,952)
Total purchase consideration	25,978,559
Less: Cash and bank balances of the subsidiary company acquired	(1,387,008)
Less: Purchase consideration satisfied by issuance of ordinary shares	(25,978,559)
Cash flow on acquisition, net of cash acquired	(1,387,008)

## 26. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Purchase of property, plant and equipment (Note 6)	13,136,996	12,211,014
Financed by term loans	–	(4,364,335)
Included in other payables (Note 14)	(2,098,886)	(1,941,083)
Interest capitalised and paid	–	(139,692)
Cash payment on purchase of property, plant and equipment	11,038,110	5,765,904

## 27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Bank overdraft included in bank borrowings	(648,584)	–	–	–
Cash and bank balances	2,621,221	1,466,955	4,219	2,226
	1,972,637	1,466,955	4,219	2,226

## 28. SEGMENT REPORTING OF THE GROUP

### (a) Business segments

No business segment information has been provided as the Group is principally engaged in the business of manufacturing and marketing of aluminium billets.

### (b) Geographical segments

The Group operates mainly in Malaysia. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. There is no sale between the segments. Segment assets are based on the geographical location of assets.

#### 2006

	Malaysia RM'000	South East Asia other than Malaysia RM'000	South Asia RM'000	Others RM'000	Total RM'000
Revenue	142,662	46,256	28,672	21,477	239,067
Segment result	6,741	1,030	786	523	9,080
Interest income	22	–	–	–	22
Interest expense	(972)	–	–	–	(972)
Profit before tax					8,130
Tax expense					(1,288)
Net profit for the financial year					6,842

## 28. SEGMENT REPORTING OF THE GROUP (CONT'D)

### (b) Geographical segments (cont'd)

#### 2006

	Malaysia RM'000	South East Asia other than Malaysia RM'000	South Asia RM'000	Others RM'000	Total RM'000
<b>Other information</b>					
Segment assets	82,183	6,011	12,380	1,977	102,551
Unallocated corporate assets					–
Total assets					102,551
Segment liabilities	47,312	–	–	–	47,312
Unallocated corporate liabilities					3,819
Total liabilities					51,131
Capital expenditure	13,137	–	–	–	13,137
Depreciation	3,139	–	–	–	3,139

#### 2005

Revenue	46,033	16,284	8,965	461	71,743
Segment result	5,199	450	336	24	6,009
Interest income	7	–	–	–	7
Interest expense	(136)	–	–	–	(136)
Profit before tax					5,880
Tax expense					(796)
Net profit for the financial year					5,084
<b>Other information</b>					
Segment assets	55,898	4,291	8,028	–	68,217
Unallocated corporate assets					2
Total assets					68,219
Segment liabilities	17,846	–	–	–	17,846
Unallocated corporate liabilities					2,995
Total liabilities					20,841
Capital expenditure	12,211	–	–	–	12,211
Depreciation	895	–	–	–	895

## 29. FINANCIAL INSTRUMENTS

### (a) Interest rate risk

The effective annual interest rates of the financial liabilities are as follows:-

	<b>2006</b>	<b>2005</b>
	%	%
Bankers' acceptances	4.21	3.89
Bank overdraft	7.88	–
Onshore foreign currency loan	4.61	4.60
Term loans	7.47	7.38
Export credit refinancing	3.18	–
	<hr/>	<hr/>

### (b) Foreign currency risk

The net unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:-

	<b>2006</b>	<b>2005</b>
	RM	RM
<b>Cash and bank balances</b>		
US Dollar	1,139,511	815,038
	<hr/>	<hr/>
<b>Trade receivables</b>		
US Dollar	20,074,799	12,071,875
	<hr/>	<hr/>
<b>Trade payables</b>		
US Dollar	6,292,887	3,228,717
	<hr/>	<hr/>
<b>Other payables</b>		
US Dollar	343,466	153,827
Australian Dollar	–	3,138
	<hr/>	<hr/>
<b>Bank borrowings</b>		
US Dollar	–	2,849,248
	<hr/>	<hr/>

### (c) Credit risk

The Group has no significant concentration of credit risk as at 31 July 2006. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### (d) Fair values

The carrying amounts of the financial instruments of the Group and of the Company as at balance sheet date approximate their fair values except as set out below:-

	Company	
	Carrying amount RM	Fair value RM
<b>As at 31 July 2006</b>		
<b>Recognised</b>		
Amount owing by a subsidiary company – non-current	14,752,984	*
<b>Unrecognised</b>		
Financial guarantee given by the Company to financial institutions in respect of banking facilities granted to a subsidiary company	–	23,704,584
<b>As at 31 July 2005</b>		
<b>Recognised</b>		
Amount owing by a subsidiary company – non-current	17,745,958	*
<b>Unrecognised</b>		
Financial guarantee given by the Company to financial institutions in respect of banking facilities granted to a subsidiary company	–	–

\* It is not practical to estimate the fair value of amount owing by a subsidiary company. This is principally due to the lack of fixed repayment terms and the inability to estimate fair value without incurring excessive costs. However, the Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be received.

The following methods and assumptions are used to determine the fair values of financial instruments:-

- (i) The carrying values of the financial assets and liabilities maturing within 12 months are stated at approximately their fair values due to the relatively short-term maturity of these financial instruments; and
- (ii) The fair values of the Group's term loans are estimated based on the current rates offered to the Group for loans of the same remaining maturities.

## 30. CAPITAL COMMITMENT

	Group	
	2006 RM	2005 RM
Capital expenditure in respect of purchase of property, plant and equipment:-		
Contracted but not provided for	3,024,938	4,489,875

### 31. CONTINGENT LIABILITIES – UNSECURED

	Company	
	2006 RM	2005 RM
Guarantees for banking facilities granted to the subsidiary company	23,704,584	–

### 32. NUMBER OF EMPLOYEES AND STAFF COSTS

	Group	
	2006	2005
The number of employees of the Group, including an executive director, at the end of the financial year	143	117

The total staff costs recognised in income statement are as follows:-

	Group	
	2006 RM	2005 RM
Salary, bonus and wages	2,632,562	969,775
Defined contributions plan	192,618	45,666
Director's remuneration	287,280	81,200
Other staff costs	261,722	130,073
	<u>3,374,182</u>	<u>1,226,714</u>

### 33. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 30 October 2006.

# list of properties

as at 31 July 2006

Location	Approximate Age of Building (years)	Tenure	Land Area (Build-up Area)	Description of Property	Net Book Value (RM)	Date of Acquisition
1. Lot 2-31 H.S. (D) 58354 PT 3380, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	–	Freehold	4,209 m <sup>2</sup>	Industrial land with Container Storage Yard	792,865	1 Nov 01
2. Lot 2-32 H.S. (D) 58355 PT 3381, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	9	Freehold	3,521 m <sup>2</sup> (1,364 m <sup>2</sup> )	Industrial land with single storey factory	312,555	5 Oct 99
3. Lot 2-33 H.S. (D) 58356 PT 3382, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	9	Freehold	3,521 m <sup>2</sup> (1,364 m <sup>2</sup> )	Industrial land with single storey factory and 2 storey office building	646,494	19 Sep 97
4. Lot 2-34 H.S. (D) 58357 PT 3383, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	5	Freehold	3,521 m <sup>2</sup> (1,740 m <sup>2</sup> )	Industrial land with single storey factory	457,807	10 Jun 00
5. Lot 2-35 H.S. (D) 58358 PT 3384, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	5	Freehold	3,521 m <sup>2</sup> (1,740 m <sup>2</sup> )	Industrial land with single storey factory	459,546	13 Dec 00
6. Lot 2-36 H.S. (D) 58359 PT 3385, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	2	Freehold	3,521 m <sup>2</sup> (2,030 m <sup>2</sup> )	Industrial land with single storey factory	466,591	4 Jul 01
7. Lot 2-36(A) H.S. (D) 58360 PT 3386 Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	2	Freehold	3,521 m <sup>2</sup> (2,030 m <sup>2</sup> )	Industrial land with single storey factory	390,607	27 Aug 02
8. Lot 2-40 H.S. (D) 58360 PT 3390, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	–	Freehold	3,521 m <sup>2</sup>	Vacant Land	397,110	13 Dec 05
9. Lot 2-44 H.S. (D) 58368 PT 3394, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	–	Freehold	3,521 m <sup>2</sup>	Vacant Land	397,110	13 Dec 05
10. Lot 2-45 H.S. (D) 58369 PT 3395, Mukim Beranang Daerah Ulu Langat Selangor Darul Ehsan	–	Freehold	4,209 m <sup>2</sup> (1,487m <sup>2</sup> )	Industrial Land with three storey office building	474,550	13 Dec 05

In addition to the abovementioned properties, the Group, through its wholly-owned subsidiary, Formosa Shyen Horng Metal Sdn. Bhd., had on 20 July 2006 entered into an agreement to acquire one piece of land at Lot 2-43 in Mukim Beranang, Daerah Ulu Langat, Selangor Darul Ehsan for a total purchase consideration of RM459,000 which consideration was subsequently fully settled by 12 September 2006.

# analysis of shareholdings

as at 31 October 2006

## SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000.00
Issued and Fully Paid-up Share Capital	:	RM40,000,000.00
Class of Shares	:	Ordinary Shares of 50 sen each
Voting Rights	:	Registered shareholders are entitled to one vote per ordinary share held at all general meetings
No of shareholders	:	1,012

## ANALYSIS OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	No. of Shareholdings	% of Shareholdings
Less than 100	1	50	0.00
100 to 1,000	607	596,400	0.75
1,001 to 10,000	323	1,260,250	1.57
10,001 to 100,000	51	1,965,706	2.46
100,001 to less than 5% of issued shares	20	9,571,300	11.96
5% and above of issued shares	10	66,606,294	83.26
<b>Total</b>	<b>1,012</b>	<b>80,000,000</b>	<b>100.00</b>

## DIRECTORS' INTEREST

No. Name	Direct Interest		Indirect Interest	
	No. of Shares held	% of Total Shares	No. of Shares held	% of Total Shares
1. Dato Shahrir Bin Abdul Jalil	–	–	14,440,000 +	18.05
2. Tan Wan Lay	5,946,000	7.43	25,219,994 ++	31.52
3. Ahmed Azhar Bin Abdullah	100,000	0.13	–	–
4. Dr Leong Chik Weng	–	–	–	–
<b>Total</b>	<b>6,046,000</b>	<b>7.56</b>	<b>39,659,994</b>	<b>49.57</b>

+ By virtue of his substantial shareholdings in Rentak Naluri Sdn. Bhd.

++ By virtue of his substantial shareholdings in A-Rank Group Sdn. Bhd. and shares held by his brother.

## SUBSTANTIAL SHAREHOLDERS

According to the register to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:-

No. Name	No. of Shares	% of Total Shareholdings
1. A-Rank Group Sdn. Bhd.	25,193,994	31.49
2. Rentak Naluri Sdn. Bhd.	14,440,000	18.05
3. Cho Hung-Ju	6,645,000	8.31
4. Tan Wan Lay	5,946,000	7.43
5. Lembaga Tabung Angkatan Tentera	4,300,000	5.38
	<b>56,524,994</b>	<b>70.66</b>



## analysis of **shareholdings** as at 31 October 2006 (cont'd)

### THE THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	% of Total Shareholdings
1.	A-Rank Group Sdn. Bhd.	25,193,994	31.49
2.	Rentak Naluri Sdn. Bhd.	14,440,000	18.05
3.	Cho Hung-Ju	6,645,000	8.31
4.	Tan Wan Lay	5,746,000	7.18
5.	Lembaga Tabung Angkatan Tentera	4,300,000	5.38
6.	Lin, Chih-Chang	3,330,000	4.16
7.	Lin, Hsien-Tang	3,315,000	4.14
8.	TA Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Tsang Yip, Shuk-Ying	1,300,900	1.63
9.	Anitha A/P Krishna Murthi	1,251,400	1.56
10.	Kong Mah Realty (M) Sdn. Bhd.	1,084,000	1.36
11.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. Skim Amanah Saham Bumiputera	1,000,000	1.25
12.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. Amanah Saham Malaysia	1,000,000	1.25
13.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. Amanah Saham Didik	1,000,000	1.25
14.	LB Aluminium Berhad	1,000,000	1.25
15.	Permodalan Nasional Berhad	1,000,000	1.25
16.	Ritma Bebas Sdn. Bhd.	760,000	0.95
17.	AMSEC Nominees (Tempatan) Sdn. Bhd. AmMerchant Bank Bhd for Chua Sing Keong	550,000	0.69
18.	Koperasi Polis Diraja Malaysia Berhad	500,000	0.63
19.	Peak Perform International Ltd.	462,000	0.58
20.	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Cheng Teck Loong	353,100	0.44
21.	Cheng Teck Loong	341,500	0.43
22.	Gan Kah Yaw	268,000	0.34
23.	Tan Chez Chooi	250,000	0.31
24.	JCA Builders (M) Sdn. Bhd.	203,000	0.25
25.	Tan Wan Lay	200,000	0.25
26.	AM Nominees (Tempatan) Sdn. Bhd. Majlis Sukan Negara Malaysia	159,700	0.20
27.	AMSEC Nominees (Tempatan) Sdn. Bhd. Ammerchant Bank Bhd for Tan Kar Pin	150,000	0.19
28.	Leow Chong Fatt	142,000	0.18
29.	Lee Chin Poh	118,000	0.15
30.	Fam Lian Fatt	114,000	0.14
<b>Total</b>		<b>76,117,594</b>	<b>95.24</b>



# proxy form



I/We \_\_\_\_\_ NRIC No. \_\_\_\_\_  
of \_\_\_\_\_  
being a member(s) of A-Rank Berhad, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_

or failing him/her the Chairman of the Meeting as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of the Company to be held at Ujong Pandang Room, Staffield Country Resort, Batu 13 Jalan Seremban-Kuala Lumpur (Country Road), 71700 Mantin, Negeri Sembilan Darul Khusus on Thursday, 27 December 2006 at 10.00 a.m. or at any adjournment thereof:

	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the audited Financial Statements for the year ended 31 July 2006 and the Reports of the Directors and Auditors thereon.		
2.	To declare a First and Final Tax Exempt Dividend of 3.5 sen per share in respect of the Financial Year ended 31 July 2006.		
3.	To approve the payment of Directors' Fees		
4.	To re-elect Dato' Shahrir Bin Abdul Jalil as Director		
5.	To re-appoint Messrs. BDO Binder as Auditors and to authorize the Directors to fix their remuneration.		
6.	To authorise Directors to issue shares not exceeding 10% of the issued capital of the Company.		

(Please indicate with an "X" in the spaces provided above, how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.)

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Number of Ordinary Shares held	
--------------------------------	--

\_\_\_\_\_  
Signature

## Notes:

1. A member shall be entitled to be present and to vote on any resolution either personally or by proxy or as proxy for another member at any general meeting.
2. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
3. A member shall not appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hands of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation under its common seal, or the hand of its attorney duly authorised. The instrument appointing a proxy together with the power of the attorney (if any) shall be left at the Registered office of the Company at 1st Floor, 275 Jalan Haruan 1, Oakland Industrial Park, 70200 Seremban, Negeri Sembilan Darul Khusus not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.