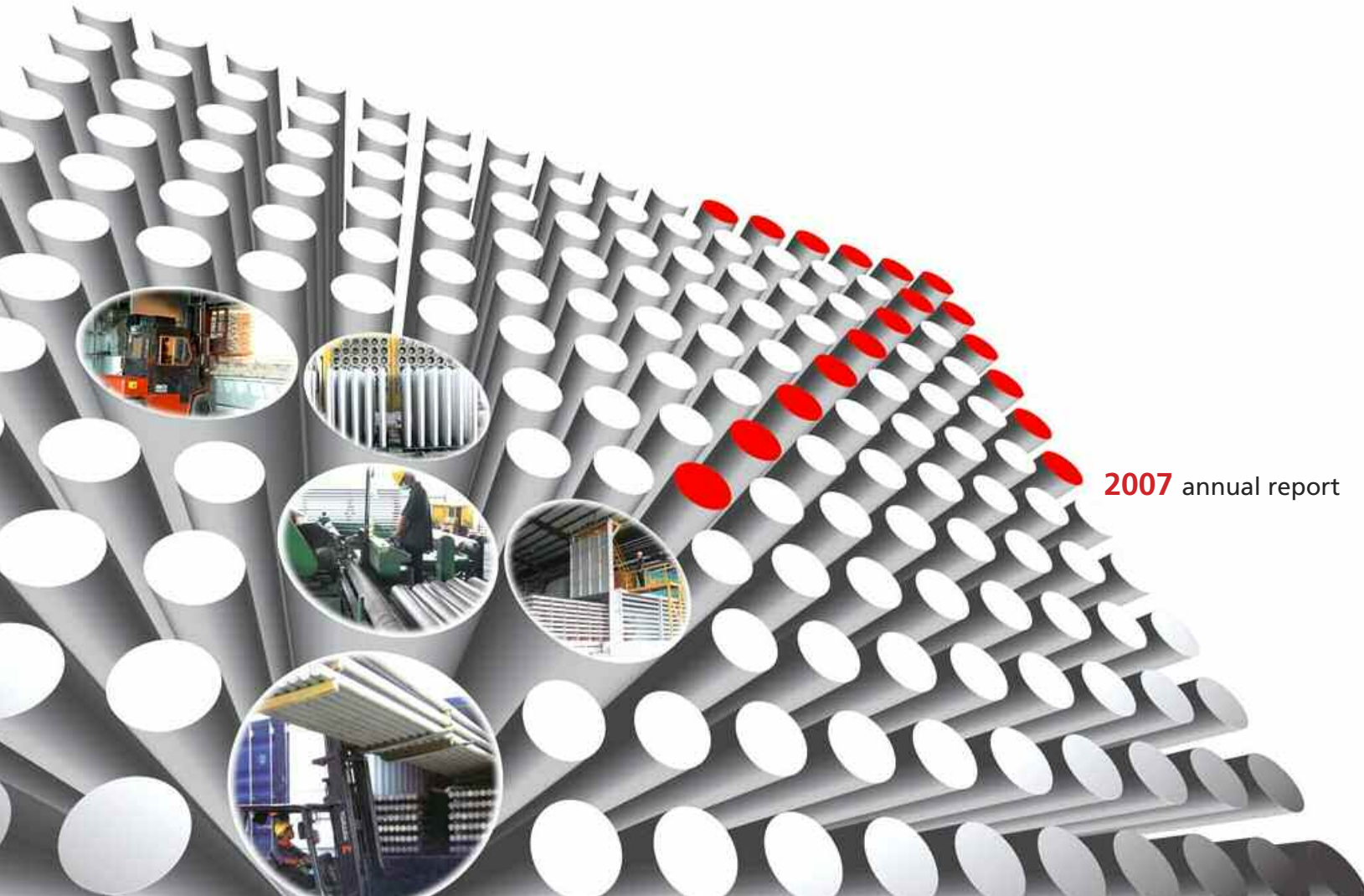


# A-RANK BERHAD

(633621-X)



**2007** annual report

# contents

To be a renowned international player and a trustworthy partnership for quality in the aluminium extrusion billets.

# vision

# mission

- We are committed to supporting our customers' success by working closely with them in developing new and innovative solutions that will enhance their products and process challenges.
- To build our reputation on the success we help the extruders achieve by focusing on two fundamental themes – delivering superior quality billets and building lasting relationships.
- We will satisfy or exceed the needs of our customers by providing supreme quality billets, reliable on-time service and competence for our business partners.

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# corporate profile

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.

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. Currently the Group has an installed capacity of 108,000 metric tonnes per annum. Turnover for the financial year ended 31 July 2007 was RM279 million.

The Group’s integrated facilities include Wagstaff “Airslip” 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, homogenizing 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 emphasis on quality, Formosa has achieved the ISO 9001:2000 certification in 2003 from Moody.

The Group presently exports about 44% of its production and its export markets include Australia, China, Europe, Middle East, South Asia, South Africa and South East Asia.



# 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 Tuesday, 18 December 2007 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 2007 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 ordinary share in respect of the financial year ended 31 July 2007. **Resolution 2**
3. To approve the payment of Directors' Fees amounting to RM78,000.00 for the financial year ended 31 July 2007. **Resolution 3**
4. To re-elect Mr. Tan Wan Lay who retire 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. **Resolution 6**  
  
"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."
7. Proposed Amendments to the Articles of Association of the Company **Special Resolution**  
  
"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix 1 attached with the Annual Report for the financial year ended 31 July 2007 be and are hereby approved.
8. 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  
23 November 2007

## NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the Annual General Meeting on 18 December 2007, the first and final tax exempt dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 July 2007 will be payable on 17 January 2008 to Depositors whose names appear in the Record of Depositors on 28 December 2007.

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

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on 28 December 2007 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 question 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.

### Item 7 of the Agenda – Special Resolution

Proposed Amendments to the Articles of Association of the Company

The Special Resolution proposed, if passed, will render the Articles of Association of the Company to be consistent with the new requirements under Chapter 7 of the Listing Requirements of Bursa Malaysia Securities Berhad pursuant to the letter dated 14 December 2006 from Bursa Malaysia Securities Berhad.

# statement accompanying notice of annual general meeting

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

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

Mr. Tan Wan Lay

## 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	3/4
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>	18 December 2007 at 10.00 a.m.

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

The shareholdings of the Director standing for re-election in the Company is disclosed in the Directors' Report under Directors' Interest of this Annual Report and other details of the Director standing for re-election is disclosed under Directors' Profile in this Annual Report.

# financial highlights

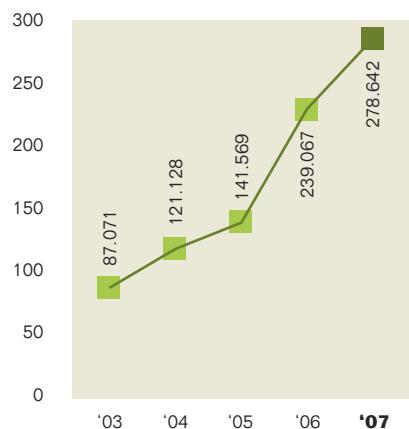
The following table sets out a summary of the proforma consolidated results of the Group for the financial year ended 31 July 2003, 2004, and 2005 prepared on the assumption that the Group has been in existence throughout the years and the audited consolidated results for the financial year ended 31 July 2006 and 2007.

Years ended	Revenue RM'000	Profit before taxation RM'000	Profit after taxation RM'000	Proposed Dividend RM'000
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	8,130	6,842	2,800
31.07.2007	278,642	8,606	7,429	2,800 *

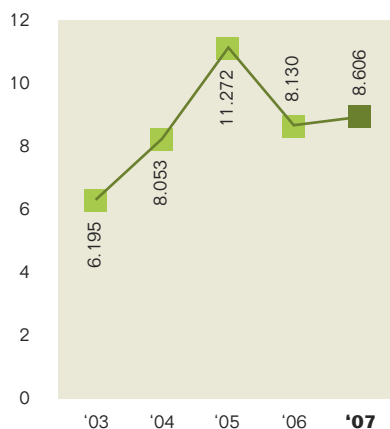
**Denote:** \* Proposed dividend subject to the approval of shareholders at the forthcoming Annual General Meeting

- 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 years under review. The proforma consolidated results for the financial 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.
- There were no extraordinary or exceptional items for the financial years under review.

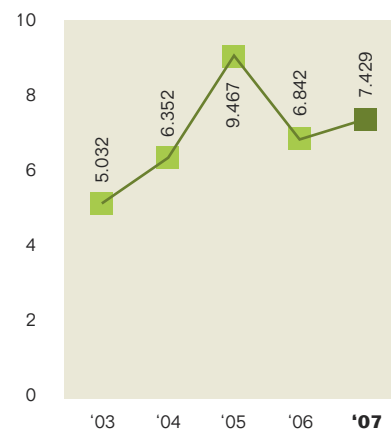
**REVENUE** (RM Million)



**PROFIT BEFORE TAXATION** (RM Million)



**PROFIT AFTER TAXATION** (RM Million)



# corporate information

## BOARD OF DIRECTORS

**DATO' SHAHRIR BIN ABDUL JALIL**  
**TAN WAN LAY**  
**AHMED AZHAR BIN ABDULLAH**  
**DR. LEONG CHIK WENG**

Non-Independent Non-Executive Chairman  
Managing Director  
Independent Non-Executive Director  
Independent Non-Executive Director

## AUDIT COMMITTEE

**AHMED AZHAR BIN ABDULLAH**  
**DR. LEONG CHIK WENG**  
**TAN WAN LAY**

Independent Non-Executive Director – Chairman  
Independent Non-Executive Director  
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 (50164-V)  
Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7784 3922  
Fax : 03-7784 1988

## CORPORATE ADVISORS

AmInvestment 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



# board of directors

**From left to right:**

DR. LEONG CHIK WENG  
TAN WAN LAY  
AHMED AZHAR BIN ABDULLAH  
DATO' SHAHRIR BIN ABDUL JALIL



# profile of directors

## **DATO' SHAHRIR BIN ABDUL JALIL** (Non-Independent Non-Executive Chairman)

Aged 46, 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 three (3) of the four (4) Board meetings held during the financial year ended 31 July 2007.

## **TAN WAN LAY** (Managing Director)

Aged 43, a Malaysian, was appointed to the Board on 11 March 2005. Mr. Tan has over 20 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 Hornig 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 2007.

## **AHMED AZHAR BIN ABDULLAH** (Independent Non-Executive Director)

Aged 46, 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 2007.

## **DR. LEONG CHIK WENG** (Independent Non-Executive Director)

Aged 44, 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 developed 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 2007.

# chairman's statement

“For the financial year under review, the Group achieved a turnover of RM278.6 million compared to RM239.1 million for the preceding year or an increase of 16.5%.”

**Dato' Shahrir  
Bin Abdul Jalil**  
Chairman/Non-Independent  
Non-Executive Director



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 2007.

## FINANCIAL PERFORMANCE

For the financial year under review, the Group achieved a turnover of RM278.6 million compared to RM239.1 million for the preceding year or an increase of 16.5%. The higher revenue was achieved on the back of increased volume of aluminium sold as well as higher selling prices owing to the increase in cost of raw materials. Profit before and after tax also showed improvement. For the year under review, profit before and after tax were RM8.6 million and RM7.4 million

respectively compared to RM8.1 million and RM6.8 million for the previous financial year. The improved performance was achieved due to the higher revenue and improved margins which were however reduced by the substantial increase in finance costs from RM1.0 million to RM2.3 million for the financial year ended 31 July 2007 as well as higher administration expenses.

The net earnings per ordinary share for the financial year ended 31 July 2007 was 9.29 sen whilst net assets per ordinary share amounted to 70.1 sen at the end of the financial year.

## CORPORATE DEVELOPMENTS

The Group does not have any significant corporate development to report as emphasis was placed on improving its internal processes and delivery system as well as developing new markets for the Group's products.

## DIVIDENDS

The Board of Directors is pleased to recommend a first and final tax-exempt dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 July 2007 subject to the approval of shareholders at the forthcoming Annual General Meeting.







## CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Board understands that as a public listed entity, the Company and its subsidiary should meet with the social needs of society and the many communities in which they operates. As such, the Company will endeavour to appreciate its social and environmental performances with respect to CSR issues and to take appropriate and timely action to address such issues, if any.

Considerations for the environment have always been an important issue in all aspects of the Group's operations. In this regard, the Group is particularly proud of its contributions towards the environment as it provides a valuable service in the recycling of aluminium, predominantly to manufacturers of aluminium products in Malaysia. Aluminium which is the major raw material input in our products is environmentally friendly and can be endlessly recycled. By recycling aluminium, we help save energy as well as raw materials which lessen the need for solid waste disposal.

From the social viewpoint, the Group has made donations to various schools in Malaysia as a gesture of its contributions and will make an effort to do more in the coming year.

## PROSPECTS

The Group will continue to focus its marketing strategy on the export market as this is vital to the future growth of the Group due, as I mentioned in my report last year, to the inherent limited size of the domestic market. We are presently exporting about half of our production and would expect this figure to climb further for the coming year. Therefore, the recent upturn in the export market which coincides with the abolishment of the export tariff rebates in China augurs well for the prospect of the Group. At least we are competing on a level playing field with the Chinese manufacturers which has motivated us to do better.

On the domestic front, the many initiatives announced by the Malaysian Government to spur and sustain development in the economy will continue to underpin our growth in the

local market given that we are the dominant player and are thus well placed to take advantage of any opportunities that may arise.

Given the scenario above, your Board is cautiously optimistic that the prospect of the Group remains good for the forthcoming year.

## APPRECIATION

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

### Dato' Shahrir Bin Abdul Jalil

Chairman/Non-Independent Non-Executive Director



# managing director's operations review



## REVIEW OF OPERATIONS

2007 has been a very difficult and highly challenging year with various aspect of the operating environment beyond our control, particularly with respect to the export market. Nonetheless, the Group managed to improve its performances over that of the previous year in terms of both revenue and profitability as elaborated in my Chairman's Statement. In addition, despite the difficult and challenging export market, we still managed to increase our export revenue to about 44% of revenue compared to 40% last year.

For the year under review, we have continued to emphasise on the export market by strengthening the export marketing team, developing new markets while at the same time enhancing our position in our existing markets. Emphasis were also placed on improving the internal process and delivery system to increase operational efficiencies, reduce wastage and improve recovery with a view to increase the bottomline. To achieve this, the Group has installed a dross recovery system which commenced operations in end-November 2006 that has resulted in improved recovery and also reduced wastage compared to the system previously employed.



expected to continue and sustain its growth. The momentum provided by these developments should provide us with the impetus to do better for the forthcoming year.

At the operational level, the management is constantly looking into ways to reduce costs, improve recovery and increase operational efficiency to boost margins which will have a direct impact on the bottomline. The Group will maintain its position as the dominant supplier of aluminium billets in Malaysia and the region by constantly upgrading its capacity and technology and to provide better quality aluminium billets and services.

In view of the above, the Directors are cautiously optimistic that, barring unforeseen circumstances, the Group will be able to sustain, if not, improve on its performance for next year.

The Group has also completed installation of a new 35 metric tonnes homogenising furnace and cooling booth in November 2006 which has alleviated the then existing bottleneck in homogenising capacity faced by the Group. The Group has also placed an order for a precision sawing machine to ensure improved accuracy in sawing especially for larger size billets so as to provide better service to our customers.

## APPRECIATION

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

## OUTLOOK

We have seen a recent pickup in orders principally in exports which have coincided with the abolishment of export tariff rebates in China. Orders have been received from customers who had previously sourced their supply from China. Additionally, our Company and its products continue to gain recognition in the export market as customers begin to appreciate the quality of our products and service. We will also participate in exhibition overseas e.g. Europe to broaden our customer base and to further develop our reputation. Developments on the domestic front, meanwhile, have also been encouraging in which the Malaysian economy is

## 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 Homg 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 performances 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 2007, 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 Secretaries and are also entitled to seek advice from investment 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 each of its members 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, Mr. Tan Wan Lay will retire by rotation, being eligible, offer 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 2007 is as follows:

	Executive Director RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	18	60	78
Salaries	227	–	227
Bonus	60	–	60
Benefits-in-kind	17	–	17
Defined contributions plan	27	–	27
<b>Total</b>	<b>349</b>	<b>60</b>	<b>409</b>

The number of Directors whose total remuneration fall within the following bands for the financial year ended 31 July 2007 is as follows:

	Executive Directors	Non-Executive Directors
Below RM50,000	–	3
RM300,001 to RM350,000	1	–

## NUMBER OF DIRECTORSHIPS IN OTHER COMPANIES

Directors of the Company do not hold more than ten (10) directorships in public listed companies and not more than fifteen (15) in non-public listed companies, as required by the Listing Requirements.

## DIRECTORS TRAINING

All Directors of the Company have completed the Mandatory Accreditation Programme ("MAP") in accordance with the Listing Requirement of the Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programs 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 for information which includes corporate information, announcements/press releases, financial information, products information and investor relations.

In addition, the Company Secretaries provide shareholders and investors with another channel of communication in which they can provide feedback to 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 of its financial results, and scrutinising information for disclosure to ensure compliance with accounting standards, 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 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 31 October 2007.



# 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 was no share buyback scheme implemented during the financial year ended 31 July 2007.

## OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

## DEBT AND EQUITY SECURITIES

The Company has not issued any debt or equity securities during the financial year under review.

## 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 2007.

## 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 2007.

## NON-AUDIT FEES

During the financial year ended 31 July 2007, non-audit fees paid and payable to external auditors amounted to RM2,500.

## 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 2007.

## 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 2007 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 2007.

## 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 2007.

# audit committee report

## MEMBERS OF THE AUDIT COMMITTEE

Name	Position
<b>Chairman</b> Ahmed Azhar Bin Abdullah	Independent Non-Executive Director
<b>Member</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 Secretaries 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, and be able to convene meetings with external auditors, and full access to any employee or member of the management without the presence of the Executive Directors, whenever deemed necessary.

The Audit Committee is authorized 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 2007, 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 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 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. Review with the external auditors the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit;
5. Reviewed the internal audit plan and the scope of work; and
6. 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 systems of internal control 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 control

## INTRODUCTION

This statement is in line with the Listing Requirements of Bursa Malaysia Securities Berhad on the Group's compliance with the Principles and Best Practices provisions relating to internal controls as stipulated in the Malaysian Code on Corporate Governance.

The Board is pleased to present hereinafter the annual update on the Group's state of internal controls plus work done for the period under review.

## RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors affirms 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 CONTROL

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 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.
- 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 control 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 in the Group.
- Quarterly and annual financial results are reviewed by the Audit Committee.
- A regular review 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 of Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 July 2007 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 systems 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. The findings of the internal audit function, including its recommendations and Management's responses, were reported to the Audit Committee. In addition, the internal audit function followed up on the implementation of recommendations from previous cycles of internal audit and updated the Audit Committee on the status of Management-agreed action plan implementation.

## **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 31 October 2007.

# financial statements

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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 2007.

## PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activity of the subsidiary is disclosed in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Profit for the financial year	<u>7,428,835</u>	<u>2,613,887</u>

## 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 ordinary share amounting to RM2,800,000 in respect of the financial year ended 31 July 2006 has been approved by the shareholders at the Annual General Meeting on 27 December 2006. The dividend was paid on 17 January 2007 and had been accounted for as an appropriation of retained earnings in the financial year ended 31 July 2007; and
- (ii) The directors propose a first and final tax exempt dividend of 3.5 sen per ordinary shares, amounting to RM2,800,000 million in respect of the financial year ended 31 July 2007 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting will be accounted for as an appropriation of retained earnings in the financial year ending 31 July 2008.

## RESERVES AND PROVISIONS

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

## 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, Tan Wan Lay retires from 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 beneficial interests in the ordinary shares of the Company and its related corporation during the financial year ended 31 July 2007 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 1.8.2006	Bought	Sold	Balance as at 31.7.2007
<b>Shares in the Company</b>				
<b>Direct interests</b>				
Tan Wan Lay	5,946,000	-	-	5,946,000
Ahmed Azhar Bin Abdullah	100,000	-	-	100,000
<b>Indirect interests</b>				
Dato' Shahrir Bin Abdul Jalil	14,440,000	-	-	14,440,000
Tan Wan Lay	25,219,994	-	-	25,219,994

By virtue of their interests in the shares of the Company, Tan Wan Lay and Dato' Shahrir Bin Abdul Jalil are also deemed to be interest in the shares of the subsidiary to the extent the Company has an interest.

None of the other directors in office at the end of the financial year held any interest in the shares of the Company and its related corporation.

## 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 object 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 than from the revision of the estimated useful lives of certain plant and machinery that resulted in an increase in Group's profit for the financial year by RM296,431 as disclosed in Note 7.1(a) to the financial statements.

## **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 Director in accordance with a resolution of the directors.

**Dato' Shahrir Bin Abdul Jalil**  
Director

**Tan Wan Lay**  
Director

Kuala Lumpur  
31 October 2007



# statement by directors

In the opinion of the directors, the financial statements set out on pages 29 to 62 have been drawn up in accordance with applicable approved Financial Reporting 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 2007 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 2007.

On behalf of the Board,

**Dato' Shahrir Bin Abdul Jalil**

Director

**Tan Wan Lay**

Director

Kuala Lumpur

31 October 2007

# statutory declaration

I, **Tan Tze**, being the officer primarily responsible for the financial management of A-Rank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 62 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 at 31 October 2007                    ) **Tan Tze**

Before me:-

**A.T. Velu (W 240)**

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 29 to 62.

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 Financial Reporting 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 2007 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 have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary 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 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

31 October 2007

# balance sheets

as at 31 July 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	54,808,471	49,341,980	–	–
Investment in a subsidiary	9	–	–	25,978,559	25,978,559
Amount owing by a subsidiary	10	–	–	14,562,069	14,752,984
		54,808,471	49,341,980	40,540,628	40,731,543
<b>Current assets</b>					
Amount owing by a subsidiary	11	–	–	2,800,000	2,800,000
Inventories	12	19,870,517	16,874,748	–	–
Trade receivables	13	39,773,205	32,507,326	–	–
Other receivables, deposits and prepayments	14	354,854	1,205,552	1,000	1,000
Tax recoverable		117,806	–	–	–
Cash and bank balances		748,319	2,621,221	8,999	4,219
		60,864,701	53,208,847	2,809,999	2,805,219
<b>TOTAL ASSETS</b>		<b>115,673,172</b>	<b>102,550,827</b>	<b>43,350,627</b>	<b>43,536,762</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	15	40,000,000	40,000,000	40,000,000	40,000,000
Reserves	16	16,048,606	11,419,771	3,255,444	3,441,557
<b>Total equity</b>		<b>56,048,606</b>	<b>51,419,771</b>	<b>43,255,444</b>	<b>43,441,557</b>
<b>Non-current liabilities</b>					
Bank borrowings (interest bearing)	17	1,746,059	1,275,309	–	–
Deferred tax liabilities	19	4,643,000	3,814,000	–	–
		6,389,059	5,089,309	–	–
<b>Current liabilities</b>					
Trade payables	20	4,611,191	9,273,705	–	–
Other payables and accruals	21	2,395,537	4,873,537	95,183	95,205
Bank borrowings (interest bearing)	17	46,228,779	31,889,505	–	–
Tax liabilities		–	5,000	–	–
		53,235,507	46,041,747	95,183	95,205
<b>TOTAL LIABILITIES</b>		<b>59,624,566</b>	<b>51,131,056</b>	<b>95,183</b>	<b>95,205</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>115,673,172</b>	<b>102,550,827</b>	<b>43,350,627</b>	<b>43,536,762</b>

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

# income statements

for the financial year ended 31 July 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	22	278,641,641	239,067,244	2,800,000	2,800,000
Cost of sales		(263,671,689)	(226,640,617)	–	–
Gross profit		14,969,952	12,426,627	2,800,000	2,800,000
Other operating income		24,798	75,588	–	–
Distribution costs		(692,517)	(674,974)	–	–
Administration expenses		(3,413,775)	(2,725,463)	(186,113)	(192,938)
Profit from operations		10,888,458	9,101,778	2,613,887	2,607,062
Finance costs		(2,282,393)	(971,816)	–	–
Profit before tax	23	8,606,065	8,129,962	2,613,887	2,607,062
Tax expense	24	(1,177,230)	(1,287,842)	–	(7,504)
Profit for the financial year		7,428,835	6,842,120	2,613,887	2,599,558
Basic earnings per share (sen)	25	9.29	8.55		
Dividend per share (sen)					
– First and final tax exempt dividend	26	3.50	3.50	3.50	3.50

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

# statements of changes in equity

for the financial year ended 31 July 2007

<b>Group</b>	<b>Share capital RM</b>	<b>&lt;--- Non-distributable ---&gt; Share premium RM</b>	<b>Reserve on consolidation RM</b>	<b>Distributable Retained earnings RM</b>	<b>Total RM</b>
Balance as at 31 July 2005	40,000,000	715,938	1,582,952	5,078,761	47,377,651
Profit for the financial year, representing total income and expense for the year	–	–	–	6,842,120	6,842,120
Dividend (Note 26)	–	–	–	(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
Effect of adopting FRS 3 (Note 6.3(a)(i))	–	–	(1,582,952)	1,582,952	–
Balance as at 31 July 2006 (Restated)	40,000,000	715,938	–	10,703,833	51,419,771
Profit for the financial year, representing total income and expense for the year	–	–	–	7,428,835	7,428,835
Dividend (Note 26)	–	–	–	(2,800,000)	(2,800,000)
Balance as at 31 July 2007	40,000,000	715,938	–	15,332,668	56,048,606

<b>Company</b>	<b>Share capital RM</b>	<b>Share premium RM</b>	<b>Retained earnings RM</b>	<b>Total RM</b>
Balance as at 31 July 2005	40,000,000	715,938	2,926,061	43,641,999
Profit for the financial year, representing total income and expense for the year	–	–	2,599,558	2,599,558
Dividend (Note 26)	–	–	(2,800,000)	(2,800,000)
Balance as at 31 July 2006	40,000,000	715,938	2,725,619	43,441,557
Profit for the financial year, representing total income and expense for the year	–	–	2,613,887	2,613,887
Dividend (Note 26)	–	–	(2,800,000)	(2,800,000)
Balance as at 31 July 2007	40,000,000	715,938	2,539,506	43,255,444

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



# cash flow statements

for the financial year ended 31 July 2007

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	8,606,065	8,129,962	2,613,887	2,607,062
Adjustments for:-				
Allowance for doubtful debts no longer required	-	(45,000)	-	-
Depreciation of property, plant and equipment	2,949,865	3,138,845	-	-
Dividend income	-	-	(2,800,000)	(2,800,000)
Loss on disposal of property, plant and equipment	18,270	-	-	-
Interest expenses	2,282,393	971,816	-	-
Interest income	(12,726)	(21,833)	-	-
Property, plant and equipment written off	16,543	-	-	-
Operating profit/(loss) before working capital changes	13,860,410	12,173,790	(186,113)	(192,938)
Increase in inventories	(2,995,769)	(11,036,503)	-	-
Increase in trade receivables	(7,265,879)	(11,897,728)	-	-
Decrease/(Increase) in other receivables, deposits and prepayments	850,698	(202,373)	-	-
(Decrease)/Increase in trade payables	(4,662,514)	3,848,906	-	-
(Decrease)/Increase in other payables and accruals	(2,295,000)	(1,058,742)	(22)	7,601
Net cash used in operations	(2,508,054)	(8,172,650)	(186,135)	(185,337)
Interest paid	(190,403)	(92,563)	-	-
Tax paid	(471,036)	(462,468)	-	(5,684)
Net cash used in operating activities	(3,169,493)	(8,727,681)	(186,135)	(191,021)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividend received	-	-	2,800,000	2,800,000
Interest received	12,726	21,833	-	-
Advances from a subsidiary	-	-	190,915	192,974
Purchase of property, plant and equipment (Note 27)	(9,157,000)	(11,038,110)	-	-
Proceeds from disposal of property, plant and equipment	522,830	-	-	-
Net cash (used in)/from investing activities	(8,621,444)	(11,016,277)	2,990,915	2,992,974

# cash flow statements

for the financial year ended 31 July 2007 (cont'd)

	<b>Group</b>		<b>Company</b>	
	<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(2,800,000)	(2,800,000)	(2,800,000)	(2,800,000)
Drawdown of bankers' acceptances	4,634,654	21,850,000	–	–
Repayment of onshore foreign currency loan	–	(2,849,248)	–	–
Drawdown of term loans	3,000,000	–	–	–
Drawdown of export credit refinancing	9,934,000	6,414,000	–	–
Interest paid	(2,091,990)	(879,253)	–	–
Repayment of term loans	(2,114,500)	(1,485,859)	–	–
Net cash from/(used in) financing activities	<u>10,562,164</u>	<u>20,249,640</u>	<u>(2,800,000)</u>	<u>(2,800,000)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,228,773)</b>	<b>505,682</b>	<b>4,780</b>	<b>1,953</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<u>1,972,637</u>	<u>1,466,955</u>	<u>4,219</u>	<u>2,266</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 28)</b>	<u><u>743,864</u></u>	<u><u>1,972,637</u></u>	<u><u>8,999</u></u>	<u><u>4,219</u></u>

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

# notes to the financial statements

31 July 2007

## 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.

## 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 at 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 is disclosed in Note 9 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 Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

On 1 August 2006, the Group and the Company adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for periods beginning on or after 1 January 2006 and those that are relevant to the Group as disclosed in Note 6.

### **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 Financial Reporting 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. In addition, the directors are also required to exercise their judgement in the process of applying the Group's accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 7. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from these estimates.

#### **5.2 Basis of consolidation**

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

Under the acquisition method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

- (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) recognise immediately in profit or loss any excess remaining after that reassessment.

Subsidiary is consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiary.

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

### 5.2 Basis of consolidation (cont'd)

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Minority interest is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiary, by the Group. It is measured at the minority's share of the fair value of the subsidiary's identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiary's equity since that date.

Where losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary, the excess and any further losses applicable to the minority are allocated against the Group's interest except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Minority interest is presented in the consolidated balance sheet within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Company.

Minority interest in the results of the Group is presented in the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and equity holders of the Company.

### 5.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred. Cost also comprises the initial estimate of dismantling and removing the item and restoring the site on which it is located for which the Group is obligated to incur when the item is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and which have different useful lives, are depreciated separately.

After initial recognition, property, plant and equipment except for freehold land is stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to its residual values on straight-line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2%
Plant and machinery	5% to 15%
Office equipment	10%
Furniture and fittings	10%
Electrical fittings	10% to 15%
Motor vehicles	20%

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

### **5.3 Property, plant and equipment and depreciation (cont'd)**

Freehold land is not depreciated.

At each balance sheet date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

During the financial year, estimated useful lives of certain items of property, plant and equipment were revised (details of the revision are disclosed in Note 7.1(a)).

### **5.4 Operating leases**

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

### **5.5 Investment in a subsidiary**

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

### **5.6 Inventories**

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

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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

### **5.7 Impairment of assets**

The carrying amount of assets, except for financial assets (excluding investment in a subsidiary), 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.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.



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

### 5.7 Impairment of assets (cont'd)

The recoverable amount of an asset is estimated for an individual asset. Where it is not probable to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in the income statement when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rate basis of the carrying amount of each asset in the CGU.

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

An impairment loss on goodwill is not reversed in subsequent period. An impairment loss for other assets is reversed if there has been a change in estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

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 Financial instruments

#### 5.8.1 Financial instruments recognised on the balance sheets

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### (a) Receivables

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

Receivables are not held for trading purposes.

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

### 5.8 Financial instruments (cont'd)

#### 5.8.1 Financial instruments recognised on the balance sheets (cont'd)

##### (b) Cash and cash equivalents

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

##### (c) Payables

Liabilities for trade and other amounts payable are recognised at fair value of the consideration to be paid in the future for goods and services received.

##### (d) Interest bearing loans and borrowings

All loans and borrowings are recognised at the fair value of the consideration received less directly attributable transactions costs.

##### (e) Equity instruments

Ordinary shares are 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 shares are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to the income statement.

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

#### 5.8.2 Financial instruments not recognised on the balance sheets

##### Foreign currency forward contracts

Foreign currency forward contracts are used to hedge foreign exposures as a result of receipts and payments in foreign currency. Any gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the dates of such transactions at which time they are included in the measurement of such transactions.

All others gains or losses relating to hedged instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items.

### 5.9 Borrowing costs

Borrowing cost that are directly attributable to 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. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

All other borrowings cost are recognised in profit or loss in the period in which they are incurred.

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

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

### 5.10 Income taxes

Income taxes in the financial statement comprise current tax expense and deferred tax.

#### (a) Current tax expense

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted by the balance sheet date.

#### (b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

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, unused tax losses and unused tax credits 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 income taxes relate to the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

### 5.11 Employee benefits

#### 5.11.1 Short term employee benefits

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.11 Employee benefits (cont'd)

#### 5.11.2 Defined contribution plans

The Company and subsidiary incorporated in Malaysia make contributions to a statutory provident fund and recognise 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.

### 5.12 Foreign currencies

#### 5.12.1 Functional and presentation currency

The separate financial statements of each entity in the Group are measured using the functional currency which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

#### 5.12.2 Foreign currency transactions and translations

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date, foreign currency monetary items are translated using the closing rates. Non-monetary items that are measured in terms of historical cost in a foreign currency is translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

### 5.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### (a) Revenue from sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customers and where the Group retained neither continuing managerial involvement over the goods, which coincides with delivery of goods and services and acceptance by customers.

#### (b) Dividend income

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

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

### 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.

## 6. ADOPTION OF NEW AND REVISED FRSs AND AMENDMENTS TO FRSs

### 6.1 New and revised FRSs adopted

New and Revised FRS that are mandatory for annual periods beginning on or after January 2006.

During the financial year, the Group and the Company adopted the following new and revised FRSs which are mandatory for annual periods beginning on or after 1 January 2006:

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

### 6.2 New FRSs and amendments to FRSs not adopted

At the date of authorisation of these financial statements, the following standards were in issue. The Group and the Company have not elected to early adopt the following standards:

- (i) FRS 6 Exploration for and Evaluation of Mineral Resources which is effective for annual periods beginning on or after 1 January 2007;
- (ii) FRS 117 Leases and FRS 124 Related Party Disclosures both of which is effective for annual periods beginning on or after 1 October 2006;
- (iii) Amendment to FRS 119 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures which is effective for annual periods beginning on or after 1 January 2007;
- (iv) Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation which is effective for annual periods beginning on or after 1 July 2007;

## 6. ADOPTION OF NEW AND REVISED FRSs AND AMENDMENTS TO FRSs (CONT'D)

### 6.2 New FRSs and amendments to FRSs not adopted (cont'd)

(v) FRS 139 Financial Instruments: Recognition and Measurement for which the MASB yet to announce the effective date.

(vi) FRSs which are effective for annual periods beginning on or after 1 July 2007

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

By virtue of exemption provided for in FRS 117, 124 and 139, the impact of applying these standards need not be disclosed. The adoption of FRS 107, 112, 118, 134 and 137 does not have any significant financial impact on the results and the financial position of the Group when these standards become effective to the Group. FRS 6, 111, 120, 126, 129 and the Amendment to FRS 119 are not applicable to the Group and the Company and hence no further disclosure is warranted.

### 6.3 Impact of FRSs and amendments to FRSs adopted

The adoption of FRS 102, 108, 110, 121, 127, 132, 133 and 136 has not resulted in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are summarised below:

#### (a) FRS 3 Business Combination

(i) The previously recognised "negative goodwill" represents the excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combination.

Under FRS 3, any excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combinations, after reassessment, is recognised immediately in profit or loss.

Prior to 1 August 2006, negative goodwill was not amortised and was presented as a separate item in equity. In accordance with transitional provisions of FRS 3, negative goodwill as at 1 August 2006 of RM1,582,952 is derecognised with a corresponding increase in retained earnings.

The change in accounting policy has no impact on amounts reported for 2006 or prior periods, as the revised accounting policy has been applied prospectively. This change has no impact on the Company's financial statements.

(ii) Accounting for acquisitions

FRS 3 requires the Group to recognise separately, at the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy its recognition criteria at that date. Prior to 1 August 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. The change has no material impact on the financial statements of the Group and the Company.



## **6. ADOPTION OF NEW AND REVISED FRSs AND AMENDMENTS TO FRSs (CONT'D)**

### **6.3 Impact of FRSs and amendments to FRSs adopted (cont'd)**

#### **(b) FRS 101 Presentation of Financial Statements**

##### **(i) Classification of financial liabilities**

FRS 101 requires a financial liability due within the next 12 months or is payable on demand whereby the entity does not have an unconditional right to defer settlement beyond the next 12 months after the balance sheet date be classified as a current liability even if an agreement to refinance or reschedule payments, on long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.

FRS 101 also requires a long-term financial liability payable on demand because the entity has breached a condition of its loan agreement on or before the balance sheet date to be classified as a current liability at the balance sheet date even if, after the balance sheet date and before the financial statements are authorised for issue, the lender had agreed not to demand payment as a consequence of the breach.

Prior to 1 August 2006, all such liabilities were classified as non-current liabilities in the financial statements. The change has no material impact on the financial statements of the Group and the Company.

##### **(ii) Disclosure and presentation of minority interest**

FRS 101 requires disclosure, on the face of the consolidated income statement, an allocation of an entity's profit or loss for the period between the profit or loss attributable to minority interest and profit or loss attributable to equity holders of the parent. FRS 101 also requires minority interest to be presented within total equity on the consolidated balance sheet at the balance sheet date.

Prior to 1 August 2006, minority interest was presented as an item of income or expense in the consolidated income statement. Minority interest in the consolidated balance sheet was presented separately from equity and liabilities.

##### **(iii) Disclosure of judgements and estimates**

FRS 101 requires disclosures of judgements made by management in the process of applying the Group's accounting policies that has the most significant effect in the amounts recognised in the financial statements and the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These disclosures are made in Note 7.

## **7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

### **7.1 Key sources of estimation uncertainty**

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

## **7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

### **7.1 Key sources of estimation uncertainty (cont'd)**

#### **(a) Changes in estimates of useful lives of property, plant and equipment**

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on the internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The revisions were accounted for prospectively as a change in accounting estimate and as a result, the depreciation charges of the Group for the current year have been reduced by RM296,431.

#### **(b) Impairment of property, plant and equipment**

The Group reviews the carrying amounts of the property, plant and equipment as at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results or operations.

The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable. Significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges.

#### **(c) Allowance for doubtful debts**

The policy for assessing the impairment of the trade receivables of the Group is based on the ongoing evaluation of the collectability and aging analysis of the trade receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial condition of any customer of the Group were to deteriorate, resulting in an impairment of its ability to make payment, additional allowance may be required.

#### **(d) Taxation – Income taxes and deferred tax**

Judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for income taxes. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the periods in which the outcome is known.

## 7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

### 7.2 Judgements made in applying the accounting policies

There are no critical judgements made by the management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in these financial statements.

## 8. PROPERTY, PLANT AND EQUIPMENT

Group	Balance As at 1.8.2006 RM	Additions RM	Disposal RM	Written off RM	Depreciation charge for the year RM	Reclassifi- cation RM	Balance as at 31.7.2007 RM
<b>Carrying amount</b>							
Freehold land	4,795,235	853,836	(397,110)	–	–	–	5,251,961
Buildings	17,764,489	406,882	–	–	(376,958)	–	17,794,413
Plant and machinery	22,691,515	7,655,520	(383,654)	–	(2,235,067)	1,456,933	29,185,247
Plant and machinery under construction	1,536,933	–	–	–	–	(1,536,933)	–
Office equipment	327,346	63,957	(337)	(16,543)	(42,780)	–	331,643
Furniture and fittings	243,441	17,860	–	–	(27,581)	–	233,720
Electrical fittings	1,711,201	215,945	–	–	(185,861)	80,000	1,821,285
Motor vehicles	271,820	–	–	–	(81,618)	–	190,202
	49,341,980	9,214,000	(781,101)	(16,543)	(2,949,865)	–	54,808,471

	Cost RM	At 31.7.2007 Accumulated depreciation RM	Carrying amount RM
Freehold land	5,251,961	–	5,251,961
Buildings	19,050,922	(1,256,509)	17,794,413
Plant and machinery	40,472,938	(11,287,691)	29,185,247
Office equipment	443,261	(111,618)	331,643
Furniture and fittings	281,005	(47,285)	233,720
Electrical fittings	2,582,618	(761,333)	1,821,285
Motor vehicles	408,090	(217,888)	190,202
	68,490,795	(13,682,324)	54,808,471

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

Group	Balance as at 1.8.2005 RM	Additions RM	Depreciation charge for the year RM	Reclassifi- cation RM	Balance as at 31.7.2006 RM
<b>2006</b>					
<b>Carrying amount</b>					
Freehold land	3,526,465	1,268,770	–	–	4,795,235
Buildings	9,894,701	7,631,821	(224,603)	462,570	17,764,489
Building under construction	462,570	–	–	(462,570)	–
Plant and machinery	23,170,593	2,146,786	(2,625,864)	–	22,691,515
Plant and machinery under construction	–	1,536,933	–	–	1,536,933
Office equipment	119,960	230,047	(22,661)	–	327,346
Furniture and fittings	17,464	230,649	(4,672)	–	243,441
Electrical fittings	1,798,638	91,990	(179,427)	–	1,711,201
Motor vehicles	353,438	–	(81,618)	–	271,820
	<b>39,343,829</b>	<b>13,136,996</b>	<b>(3,138,845)</b>	<b>–</b>	<b>49,341,980</b>

	----- At 31.7.2006 -----		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	4,795,235	–	4,795,235
Buildings	18,644,040	(879,551)	17,764,489
Plant and machinery	32,132,208	(9,440,693)	22,691,515
Plant and machinery under construction	1,536,933	–	1,536,933
Office equipment	421,854	(94,508)	327,346
Furniture and fittings	263,145	(19,704)	243,441
Electrical fittings	2,286,673	(575,472)	1,711,201
Motor vehicles	408,090	(136,270)	271,820
	<b>60,488,178</b>	<b>(11,146,198)</b>	<b>49,341,980</b>

During the financial year, the useful lives of certain items of property, plant and equipment were increased following a review of the Group's assets residual values, useful lives and depreciation method. The changes in useful lives have resulted in decrease of depreciation expenses amounting to RM296,431.

The freehold land and buildings of the Group with net book value of RM13,470,944 (2006: RM13,212,660) have been charged to a licensed bank for banking facilities granted to the subsidiary (Note 17).

## 9. INVESTMENT IN A SUBSIDIARY

	<b>Company</b>	
	<b>2007 RM</b>	<b>2006 RM</b>
Unquoted shares, at cost	25,978,559	25,978,559

The details of the subsidiary are as follows:-

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Interest in equity held by the Company</b>		<b>Principal activities</b>
		<b>2007</b>	<b>2006</b>	
Formosa Shyen Horng Metal Sdn. Bhd. ("Formosa")	Malaysia	100%	100%	Manufacturing and marketing of aluminium billets

The subsidiary is audited by BDO Binder.

## 10. AMOUNT OWING BY A SUBSIDIARY – NON-CURRENT

### **Company**

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

## 11. AMOUNT OWING BY A SUBSIDIARY – CURRENT

### **Company**

The amount owing by a subsidiary represents dividend receivable on 27 July 2007.

## 12. INVENTORIES

	<b>Group</b>	
	<b>2007 RM</b>	<b>2006 RM</b>
<b>At cost</b>		
Raw material	18,143,145	15,207,683
Work-in-progress	610,976	713,707
Stores and spares	1,116,396	953,358
	<u>19,870,517</u>	<u>16,874,748</u>

### 13. TRADE RECEIVABLES

	Group	
	2007 RM	2006 RM
Trade receivables	39,886,768	32,620,889
Less: Allowance for doubtful debts	(113,563)	(113,563)
	39,773,205	32,507,326

The credit terms of trade receivables range from 7 days to 180 days from date of invoice.

### 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other receivables	32,499	–	–	–
Deposits	79,920	820,342	1,000	1,000
Prepayments	242,435	385,210	–	–
	354,854	1,205,552	1,000	1,000

### 15. SHARE CAPITAL

	Group and Company			
	2007		2006	
	Number of shares	RM	Number of shares	RM
Ordinary shares of RM0.50 each				
Authorised:-				
At beginning/end of year	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid:-				
At beginning/end of year	80,000,000	40,000,000	80,000,000	40,000,000

The holders of ordinary shares of RM0.50 each are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.



## 16. RESERVES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>Non-distributable</b>				
Share premium	715,938	715,938	715,938	715,938
Reserve on consolidation	–	1,582,952	–	–
<b>Distributable</b>				
Retained earnings	15,332,668	9,120,881	2,539,506	2,725,619
	<u>16,048,606</u>	<u>11,419,771</u>	<u>3,255,444</u>	<u>3,441,557</u>

The movements in reserves are shown in the statement of changes in equity.

In accordance with the transitional provisions of FRS 3, the reserve on consolidation as at 1 August 2006 has been derecognised resulting in a corresponding increase in retained earnings.

### Retained earnings

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 earnings as at 31 July 2007 as dividends without incurring additional tax liability.
- the Company and the subsidiary has tax exempt account amounting to approximately RM5,800,000 (2006: RM3,000,000) and RM8,308,000 (2006: RM10,626,000) respectively available for distribution of tax exempt dividends; and
- the subsidiary has unabsorbed reinvestment allowance of approximately RM9,787,000 (2006: RM7,387,000) available to set off against future taxable profits.

## 17. BANK BORROWINGS (INTEREST BEARING)

	Group	
	2007 RM	2006 RM
<b>Current liabilities</b>		
<b>Secured</b>		
Bankers' acceptances	28,084,653	22,437,000
Term loans (Note 18)	1,791,671	1,376,921
Export credit refinancing	3,800,000	619,000
Bank overdraft	4,455	648,584
	33,680,779	25,081,505
<b>Unsecured</b>		
Bankers' acceptances	–	1,013,000
Export credit refinancing	12,548,000	5,795,000
	46,228,779	31,889,505
<b>Non-current liabilities</b>		
<b>Secured</b>		
Term loans (Note 18)	1,746,059	1,275,309
	1,746,059	1,275,309
<b>Total borrowings</b>		
Bankers' acceptances	28,084,653	23,450,000
Term loans	3,537,730	2,652,230
Export credit refinancing	16,348,000	6,414,000
Bank overdraft	4,455	648,584
	47,974,838	33,164,814

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

## 18. TERM LOANS

	Group	
	2007 RM	2006 RM
Term loan I repayable by 60 equal monthly instalments of RM41,082 each commencing 1 December 2002	–	303,931
Term loan II repayable by 60 equal monthly instalments of RM51,352 each commencing 1 May 2003	127,600	590,999
Term loan III repayable by 84 equal monthly instalments of RM33,601 each commencing 1 October 2006	1,147,708	1,757,300
Term loan IV repayable by 35 equal monthly instalments of RM83,334 and final instalment of RM83,310 each commencing 1 November 2006	2,262,422	–
	<u>3,537,730</u>	<u>2,652,230</u>
Repayable as follows:-		
Current liabilities (Note 17) – not later than one year	1,791,671	1,376,921
Non-current liabilities (Note 17) – later than one year and not later than five years	1,746,059	1,275,309
	<u>3,537,730</u>	<u>2,652,230</u>

The weighted average effective annual interest rate is disclosed in Note 30(a).

## 19. DEFERRED TAX LIABILITIES

	Group	
	2007 RM	2006 RM
Balance as at 1 August	3,814,000	2,905,000
Recognised in income statement (Note 24)		
– current year	971,710	656,000
– (over)/underprovision in prior year	(6,710)	253,000
– Effect on tax rate changes	(136,000)	–
	<u>829,000</u>	<u>909,000</u>
Balance as at 31 July	<u>4,643,000</u>	<u>3,814,000</u>

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. TRADE PAYABLES

### Group

The credit terms granted to the Group range from 7 days to 30 days from date of invoice.

## 21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	2,037,821	4,543,493	5,183	6,675
Accruals	357,716	330,044	90,000	88,530
	<u>2,395,537</u>	<u>4,873,537</u>	<u>95,183</u>	<u>95,205</u>

Included in other payables of the Group is an amount of RM57,000 (2006: RM2,098,886) owing to vendors of property, plant and equipment.

## 22. REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Sale of goods	278,641,641	239,067,244	–	–
Dividend income	–	–	2,800,000	2,800,000
	<u>278,641,641</u>	<u>239,067,244</u>	<u>2,800,000</u>	<u>2,800,000</u>

## 23. PROFIT BEFORE TAX

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
This is arrived at after charging:-				
Auditors' remuneration:				
– Statutory	28,000	23,000	8,000	5,000
– Non-statutory				
– current year	4,000	5,200	4,000	4,000
– (over)/underprovision in prior year	(1,500)	2,000	(1,500)	2,000
Depreciation of property, plant and equipment	2,949,865	3,138,845	–	–
Directors' remuneration:				
– fees	78,000	78,000	78,000	78,000
– emoluments other than fees	314,160	287,280	–	–
Hire of machinery	1,770	1,830	–	–
Hostel rental	9,050	5,570	–	–
Interest expense:				
– bankers' acceptances	1,341,684	351,049	–	–
– onshore foreign currency loan	–	90,754	–	–
– overdraft	190,403	92,563	–	–
– term loans	299,178	253,545	–	–
– export credit refinancing	451,128	183,905	–	–
Lease rental	132,000	–	–	–
Loss on disposal of property, plant and equipment	18,270	–	–	–
Property, plant and equipment written off	16,543	–	–	–
Realised loss on foreign exchange	77,002	76,619	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
And crediting:-				
Allowance for doubtful debts no longer required	–	45,000	–	–
Dividend income	–	–	2,800,000	2,800,000
Interest income	12,726	21,833	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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 (2006: RM17,400).

## 24. TAX EXPENSE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current tax	338,195	461,000	–	–
Deferred tax (Note 19)	835,710	656,000	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	1,173,905	1,117,000	–	–
Under/(Over) provision in prior year				
– current tax	10,035	(82,158)	–	7,504
– deferred tax (Note 19)	(6,710)	253,000	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	1,177,230	1,287,842	–	7,504

## 24. TAX EXPENSE (CONT'D)

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

	Group		Company	
	2007 RM %	2006 RM %	2007 RM %	2006 RM %
Applicable tax rate	27.0	28.0	27.0	28.0
Tax effects in respect of:-				
Non-taxable income	-	-	(28.9)	(30.1)
Non-allowable expenses	1.4	1.1	1.9	2.1
Reduction in tax rate on the first RM500,000 chargeable income	(0.4)	(0.5)	-	-
Other tax incentives	(0.7)	(0.7)	-	-
Reinvestment allowances	(10.0)	(14.2)	-	-
Effect of tax rate changes	(3.6)	-	-	-
	<u>13.7</u>	<u>13.7</u>	<u>-</u>	<u>-</u>
Under provision in prior year	-	2.1	-	0.3
Effective tax rate	<u>13.7</u>	<u>15.8</u>	<u>-</u>	<u>0.3</u>

The Malaysian income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated taxable profit for the fiscal year. The Malaysian statutory tax rate will be reduced to 26% from the current year's rate of 27% for the fiscal year of assessment 2008. The computation of deferred tax as at 31 July 2007 has reflected these changes.

## 25. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the consolidated profit for the financial year of RM7,428,835 (2006: RM6,842,120) by the number of ordinary shares in issue at year end of 80,000,000.

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.

## 26. DIVIDEND

	Group and Company	
	2007 RM	2006 RM
First and final tax exempt dividend paid in respect of previous financial year	<u>2,800,000</u>	<u>2,800,000</u>

A first and final tax exempt dividend of 3.5 sen per ordinary share, amounting to RM2,800,000 in respect of financial year ended 31 July 2006 has been approved by the shareholders at the Annual General Meeting on 27 December 2006. The dividend was paid on 17 January 2007 and had been accounted for as an appropriation of retained earnings in the financial year ended 31 July 2007.



## 26. DIVIDEND (CONT'D)

The proposed a first and final tax exempt dividend of 3.5 sen per ordinary shares, amounting to RM2,800,000 in respect of the financial year ended 31 July 2007 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting will be accounted for as an appropriation of retained earnings in the financial year ending 31 July 2008.

## 27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	<b>Group</b>	
	<b>2007 RM</b>	<b>2006 RM</b>
Purchase of property, plant and equipment (Note 8)	9,214,000	13,136,996
Included in other payables (Note 21)	(57,000)	(2,098,886)
	<hr/>	<hr/>
Cash payment on purchase of property, plant and equipment	9,157,000	11,038,110
	<hr/>	<hr/>

## 28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheets amounts:-

	<b>Group</b>		<b>Company</b>	
	<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
Bank overdraft included in bank borrowings	(4,455)	(648,584)	-	-
Cash and bank balances	748,319	2,621,221	8,999	4,219
	<hr/>	<hr/>	<hr/>	<hr/>
	743,864	1,972,637	8,999	4,219
	<hr/>	<hr/>	<hr/>	<hr/>

## 29. 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.

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

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

2007

	Malaysia RM'000	South East Asia other than Malaysia RM'000	South Asia RM'000	Africa RM'000	Others RM'000	Total RM'000
Revenue	156,488	38,097	51,362	22,791	9,904	278,642
Segment result	8,069	790	1,255	523	238	10,875
Interest income	13	–	–	–	–	13
Interest expense	(2,282)	–	–	–	–	(2,282)
Profit before tax						8,606
Tax expense						(1,177)
Profit for the financial year						7,429
<b>Other information</b>						
Segment assets	86,320	2,813	23,453	2,042	927	115,555
Unallocated corporate assets						118
Total assets						115,673
Segment liabilities	54,982	–	–	–	–	54,982
Unallocated corporate liabilities						4,643
Total liabilities						59,625
Capital expenditure	9,214	–	–	–	–	9,214
Depreciation	2,950	–	–	–	–	2,950

## 29. 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	Africa RM'000	Others RM'000	Total RM'000
Revenue	142,662	46,256	28,672	21,080	397	239,067
Segment result	6,741	1,030	786	513	10	9,080
Interest income	22	–	–	–	–	22
Interest expense	(972)	–	–	–	–	(972)
Profit before tax						8,130
Tax expense						(1,288)
Profit for the financial year						6,842
<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

## 30. FINANCIAL INSTRUMENTS

### (a) Interest rate risk

The Group ensures that it obtains bank borrowings at competitive rates under the most favourable terms and conditions.

The following tables set out the carrying amounts, the weighted average effective annual interest rates as at the balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

<b>Group At 31 July 2007</b>	<b>Weighted average effective annual interest rate %</b>	<b>Within 1 year RM</b>	<b>1 - 2 years RM</b>	<b>2 - 3 years RM</b>	<b>3 - 4 years RM</b>	<b>4 - 5 years RM</b>	<b>More than 5 years RM</b>	<b>Total RM</b>
<b>Floating rates</b>								
Bankers' acceptances	4.06	28,084,653	–	–	–	–	–	28,084,653
Bank overdraft	8.05	4,455	–	–	–	–	–	4,455
Term loans	7.07	1,791,671	1,494,679	251,380	–	–	–	3,537,730
Export credit refinancing	3.90	16,348,000	–	–	–	–	–	16,348,000
		46,228,779	1,494,679	251,380	–	–	–	47,974,838

<b>Group At 31 July 2006</b>	<b>Weighted average effective annual interest rate %</b>	<b>Within 1 year RM</b>	<b>1 - 2 years RM</b>	<b>2 - 3 years RM</b>	<b>3 - 4 years RM</b>	<b>4 - 5 years RM</b>	<b>More than 5 years RM</b>	<b>Total RM</b>
<b>Floating rates</b>								
Bankers' acceptances	4.21	23,450,000	–	–	–	–	–	23,450,000
Bank overdraft	7.88	648,584	–	–	–	–	–	648,584
Term loans	7.47	1,376,921	786,151	489,158	–	–	–	2,652,230
Export credit refinancing	3.18	6,414,000	–	–	–	–	–	6,414,000
		31,889,505	786,151	489,158	–	–	–	33,164,814

### 30. FINANCIAL INSTRUMENTS (CONT'D)

#### (b) Foreign currency risk

During the financial year, the Group enters into forward foreign currency exchange contracts to limit its exposures of foreign currency receivables and payables, and on cash flows generated from anticipate transactions denominated in foreign currency with the following nominal amounts and maturity dates.

Hedged item	Currency to be received USD	Equivalent RM	Average exchange rate	Maturity
<b>At 31 July 2007</b>				
Trade receivables	<u>8,092,000</u>	<u>27,683,693</u>	USD1.000 = RM3.421	within 3 months
		<b>Maturity within 3 months RM</b>	<b>Contract amount RM</b>	<b>Total net unrecognised gain as at 31 July 2007 RM</b>
<b>Contracts</b>				
Sales contracts used to hedge trade receivables		<u>27,566,328</u>	<u>27,683,693</u>	<u>117,365</u>

The unrecognised gain as at 31 July 2007 on the open contracts are deferred and will be recognised when the related sales are transacted, at which time they are included in the measurement of the transactions.

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

	2007 RM	2006 RM
<b>Trade receivables</b>		
US Dollar	<u>1,437,949</u>	<u>20,074,799</u>
<b>Cash and bank balances</b>		
US Dollar	<u>477,292</u>	<u>1,139,511</u>
<b>Trade payables</b>		
US Dollar	<u>2,147,889</u>	<u>6,292,887</u>
<b>Other payables</b>		
US Dollar	<u>85,054</u>	<u>343,466</u>

#### (c) Credit risk

The Group has no significant concentration of credit risk as at 31 July 2007. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheets.

### 30. 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:-

	<b>Carrying amount RM</b>	<b>Fair value RM</b>
<b>As at 31 July 2007</b>		
<b>Group</b>		
<b>Unrecognised</b>		
Foreign currency forward exchange contracts	–	27,683,693
<b>Company</b>		
<b>Recognised</b>		
Amount owing by a subsidiary – non-current	14,562,069	*
<b>Unrecognised</b>		
Financial guarantee given by the Company to financial institutions in respect of banking facilities granted to a subsidiary	–	34,151,530
<b>As at 31 July 2006</b>		
<b>Company</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	–	23,704,584

\* It is not practical to estimate the fair value of amount owing by a subsidiary. 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.
- (iii) The fair value of a forward foreign exchange contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at balance sheet date applied to a contract of similar amount and maturity profile.

### 31. CAPITAL COMMITMENTS

	<b>Group</b>	
	<b>2007 RM</b>	<b>2006 RM</b>
Capital expenditure in respect of purchase of property, plant and equipment:-		
Approved but not contracted for	134,869	–
Contracted but not provided for	–	3,024,938
	<u>134,869</u>	<u>3,024,938</u>

### 32. OPERATING LEASE COMMITMENTS

	<b>Group</b>	
	<b>2007 RM</b>	<b>2006 RM</b>
Future minimum lease payments		
– not later than one year	396,000	–
– later than one year and not later than five years	396,000	–
	<u>792,000</u>	<u>–</u>

### 33. CONTINGENT LIABILITIES – UNSECURED

	<b>Company</b>	
	<b>2007 RM</b>	<b>2006 RM</b>
Guarantees for banking facilities granted to the subsidiary	34,151,530	23,704,584
	<u>34,151,530</u>	<u>23,704,584</u>

### 34. STAFF COSTS

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

	<b>Group</b>	
	<b>2007 RM</b>	<b>2006 RM</b>
Salary, bonus and wages	2,795,063	2,632,562
Defined contributions plan	219,249	192,618
Director's remuneration	314,160	287,280
Other staff costs	317,237	261,722
	<u>3,645,709</u>	<u>3,374,182</u>

### 35. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors on 31 October 2007.

# list of properties

as at 31 July 2007

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, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang 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, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang Selangor Darul Ehsan	10	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, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	10	Freehold	3,521 m <sup>2</sup> (1,364 m <sup>2</sup> )	Industrial land with single storey factory and 2 storey production office	646,494	19 Sep 97
4. Lot 2-34, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	6	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, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang Selangor Darul Ehsan	6	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, Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang Selangor Darul Ehsan	3	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), Jalan Perindustrian Mahkota 7, Taman Perindustrian Mahkota, 43700 Beranang, Selangor Darul Ehsan	3	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 2-42, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang Selangor Darul Ehsan	–	Freehold	3,521 m <sup>2</sup>	Vacant Land	386,551	3 Apr 07
9. Lot 2-43, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang Selangor Darul Ehsan	–	Freehold	3,521 m <sup>2</sup>	Vacant Land	467,285	30 Jul 06
10. Lot 2-44, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang Selangor Darul Ehsan	–	Freehold	3,521 m <sup>2</sup>	Vacant Land	397,110	31 Dec 05
11. Lot 2-45, Jalan Perindustrian Mahkota 9, Taman Perindustrian Mahkota, 43700 Beranang Selangor Darul Ehsan	1	Freehold	4,209 m <sup>2</sup> (1,487 m <sup>2</sup> )	Industrial land with three storey office building	474,550	31 Dec 05



# analysis of shareholdings

as at 31 October 2007

## 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 RM0.50 each
Voting Rights	:	Registered shareholders are entitled to one vote per ordinary share held at all general meetings
No. of Shareholders	:	1,436

## ANALYSIS OF ORDINARY SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	No. of Shareholdings	% of Shareholding
Less than 100	1	50	0.00
100 to 1,000	577	561,800	0.70
1,001 to 10,000	609	3,007,450	3.86
10,001 to 100,000	214	6,614,406	8.03
100,001 to less than 5% of issued shares	27	9,826,400	25.31
5% and above of issued shares	9	59,989,894	62.10
<b>Total</b>	<b>1,436</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>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 Shareholding
1.	A-Rank Group Sdn Bhd	25,193,994	31.49
2.	Rentak Naluri Sdn Bhd	14,440,000	18.05
3.	Tan Wan Lay	5,946,000	7.43
4.	Lembaga Tabung Angkatan Tentera	4,300,000	5.38
		<b>49,879,994</b>	<b>62.35</b>

# analysis of shareholdings

as at 31 October 2007 (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.	Tan Wan Lay	5,746,000	7.18
4.	Lembaga Tabung Angkatan Tentera	4,300,000	5.38
5.	Lin, Chih-Chang	3,330,000	4.16
6.	Lin, Hsien-Tang	3,315,000	4.14
7.	TA Nominees (Asing) Sdn Bhd Pledged Securities Account for Tsang Yip, Shuk-Ying	1,304,000	1.63
8.	Anitha A/P Krishna Murthi	1,256,900	1.57
9.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Mah Realty (M) Sdn Bhd	1,104,000	1.38
10.	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	1,000,000	1.25
11.	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia	1,000,000	1.25
12.	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Didik	1,000,000	1.25
13.	LB Aluminium Berhad	1,000,000	1.25
14.	Permodalan Nasional Berhad	1,000,000	1.25
15.	TA Nominees (Asing) Sdn Bhd Pledged Securities Account for Cheng Teck Loong	699,100	0.87
16.	AMSEC Nominees (Tempatan) Sdn Bhd AmMerchant Bank Bhd for Chua Sing Keong	550,000	0.69
17.	Koperasi Polis Diraja Malaysia Berhad	499,000	0.62
18.	Peak Perform International Ltd	462,000	0.58
19.	Chiang Siong Chiew @ Chiong Siong Chiew	405,000	0.51
20.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities for Hong Leong Piau	306,000	0.38
21.	Gan Kah Yaw	268,000	0.34
22.	Tan Chez Chooi	250,000	0.31
23.	Lee Chin Poh	229,600	0.29
24.	Gooi Han Chiou	213,000	0.27
25.	JCA Builders (M) Sdn Bhd	203,000	0.25
26.	Tan Wan Lay	200,000	0.25
27.	AMSEC Nominees (Tempatan) Sdn Bhd AmMerchant Bank Bhd for Tan Kar Pin	150,000	0.19
28.	Leow Chong Fatt	143,000	0.18
29.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities for Soo Kam Cheong	136,500	0.17
30.	Cho Hung-Ju	115,200	0.14
<b>Total</b>		<b>69,819,294</b>	<b>87.27</b>

# proposed amendments to the Articles of Associations

## Appendix 1

pursuant to the letter dated 14 December 2006 from Bursa Malaysia Berhad

Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
7.02 Definitions	<p><b>Definitions:-</b></p> <p><b>Article 2</b></p> <p>“Approved Market Place” means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption (No.2) Order 1998 or any statutory modification, amendment or re-enactment thereof for the time being in force.</p> <p>“Central Depositories Act” means Securities Industry (Central Depositories) Act 1991 and includes any statutory modifications, amendment or re-enactment thereof and any regulation made thereunder for the time being in force.</p> <p>“Depositor” means A holder of Securities Account.</p> <p>“Malaysian Register” means The Register of Holders maintained by the Registrar of Companies in the jurisdiction of the Approved Market Place.</p> <p>“Foreign Register” means The Register of Holders maintained by the Registrar of the Company in Malaysia.</p>	<p><b>To delete and replace with the new definitions:-</b></p> <p><b>Article 2</b></p> <p>Deleted</p> <p>“Central Depositories Act” means The Securities Industry (Central Depositories) Act 1991 and any statutory modification, amendment or re-enactment thereof and any and every other legislation for the time being in force made thereunder.</p> <p>“Depositor” means a holder of a securities account established by the Depository.</p> <p>“Malaysian Register” means The Register of Holders maintained by the Registrar of the Company in Malaysia.</p> <p>“Foreign Register” means The Register of Holders maintained by the Registrar of Company in the jurisdiction of the Approved Market Place.</p>	Alteration of Existing Article
Para 7.17 Notices of Meetings	<p><b>Article 64</b></p> <p>An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution, shall be called by twenty-one days’ notice in writing at the least and any other extraordinary general meeting by fourteen (14) days’ notice in writing at the least (exclusive in either case of the day on which it is served or deemed to be served and of the day from which it is served or deemed to be served and of the day from which it is given) given in the manner hereinafter mentioned to the Auditors and to all Members other than such as are not under the provisions of these Articles entitled to</p>	<p><b>To delete the existing Article 64 in its entirety and substitute the following new article:-</b></p> <p><b>Article 64</b></p> <p>“The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days’ notice or 21 days’ notice in the case where any special resolution is proposed or where it is the annual general</p>	Alteration of Existing Article

Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
	<p>receive such notices from the Company and Provided that the accidental omission to give notice to or the non-receipt at any general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. In addition, at least fourteen (14) days' notice or twenty-one days' notice in the case where any special resolution is proposed or where it is the annual general meeting of every such meeting shall be given by advertisement in any daily press and in writing to each Exchange upon which the company is listed.</p>	<p>meeting, of every such meeting shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each Stock Exchange upon the Company is listed.</p>	
<p><b>Para 7.18 (1), (2) &amp; (3) Records of Depositors</b></p>	<p><b>Article 65 (d) and (e)</b></p> <p><b>Article 65</b></p> <p>(d) The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company.</p> <p>(e) The Company shall also request the Depository in accordance with the Rules, to issue the Record of Depositors, as at a date not less than 3 Market Days before the general meeting. Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable) and notwithstanding any provision of the Act, the General Meeting Record of Depositors shall be the final record of all depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meetings.</p>	<p><b>To delete Article 65(d) and (e) in its entirety and to substitute with the following new article:-</b></p> <p><b>Article 65</b></p> <p>(d) The Company shall request the Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company."</p> <p>(e) The Company shall also request the Bursa Malaysia Depository Sdn. Bhd. in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than 3 market days before a general Meeting (hereinafter referred to as "the General Meeting Record of Depositors."</p> <p>The General Meeting Record of Depositors shall be the final record of all depositors who shall be deemed to be the registered holders of ordinary shares of the Company eligible to be present and vote at such meetings.</p>	<p>Alteration of Articles</p>
<p><b>Para 7.05 Issue of preference shares</b></p>	<p><b>Article 4(3)(b)</b></p> <p>(b) No issue of preference shares shall be made which would result in the total nominal value of the issued preference shares exceeding the total nominal value of the issued ordinary shares at any time.</p>	<p>Deleted</p>	<p>Deletion of Existing Article</p>

Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
<p><b>Para 7.08 Rights of Preference Shareholders</b></p>	<p><b>Article 5(2)</b></p> <p>The holder of a preference share shall be entitled to a return of capital in preference to holders of ordinary shares when the company is wound-up.</p>	<p>Deleted</p>	<p>Deletion of Existing Article</p>
<p><b>Para 7.14 Transmission of securities from Foreign Register</b></p>	<p><b>Article 39</b></p> <p><b>39 (1) Where:-</b></p> <p>(a) the securities of the Company are listed on an Approved Market Place; and</p> <p>(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act 1991 or Section 29 of the Central Depositories Act, as the case may be, under the Rules in respect of such securities;</p> <p>the Company shall, upon the request of a security holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the share registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the share registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") subject to the following conditions:-</p> <p>(i) there shall be no change in the ownership of such securities.</p> <p>(ii) the transmission shall be executed by causing such securities to be credited into the securities account of such securities holder.</p> <p>(2) For the avoidance of doubt, the Company which fulfils the requirements of paragraph 1(a) and (b) above shall not allow any transmission of securities from the Malaysian Register into the Foreign Register.</p>	<p><b>To delete the existing Article 39 in its entirety and replaces with the following new article:-</b></p> <p><b>Article 39 (1) Where:-</b></p> <p>(a) the securities of a company are listed on another stock exchange; and</p> <p>(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities;</p> <p>the Company shall, upon the request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.</p> <p>(2) Deleted</p>	<p>Alteration of Existing Article</p>

Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
<p><b>Para 7.20</b> Voting right of members and proxy</p>	<p><b>Article 77</b></p> <p>On a show of hands every Member who is present in person or by proxy shall have one vote. In the case of a poll every Member holding ordinary shares who is present in person or by proxy shall have one vote for every ordinary share held by him.</p> <p><b>Article 79</b></p> <p>Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator shall carry the same voting power when such right is exercisable.</p> <p><b>Article 80</b></p> <p>A Member shall be entitled to be present and to vote on any question either personally or by proxy or as proxy for another Member at any general meeting or upon a poll and to be reckoned in a quorum in respect of any fully paid up shares and any shares upon which call due and payable to the Company shall have been paid.</p>	<p><b>To delete the existing Article 77, 79 and 80 in its entirety and replaces with the following new article 77:-</b></p> <p><b>Article 77</b></p> <p>Subject to any rights or restriction for the time being attached to any class or classes of shares, at meetings of Members or classes of Members each member entitled to vote may vote in person or by proxy or by attorney or in the case of a corporation by a representative on any question and on a show of hands, a holder of ordinary shares or preference shares who is personally present or a member's representative or proxy or attorney and entitled to vote shall be entitled to one (1) vote each, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A person entitled to more than one vote need not use all his votes or cast all the votes he uses on a poll in the same way.</p> <p>Where the capital of a company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class when reduced to a common denominator shall carry the same voting power when such right is exercisable.</p>	<p>Alteration of Existing Article</p>
<p><b>Para 7.23</b> Directors</p>	<p><b>Article 89</b></p> <p>Until otherwise recommended by the Board of Directors and confirmed by the Company in general meeting the number of Directors shall not be less than two(2) and not more than nine(9), all of which shall be natural persons.</p>	<p><b>To delete the existing Article 89 in its entirety and substitute with the following:- (To note: is still provided under S122(2) of the Companies Act, 1965)</b></p> <p><b>Article 89</b></p> <p>Until otherwise recommended by the Board of Directors and confirmed by the Company in general meeting the number of Directors shall not be less than two and not more than nine(9).</p>	<p>Alteration of Existing Article</p>

Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
<p><b>Para 7.22 Appointment of at least one proxy</b></p>	<p><b>Article 82</b></p> <p>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 shareholding to be represented by each proxy. Where a Member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account, it holds with ordering shares of the Company standing to the credit of the said securities account.</p>	<p><b>To delete the existing Article 82 in its entirety and to replace with a new Article 82</b></p> <p><b>Article 82</b></p> <p>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 shareholding to be represented by each proxy. Where a member of the company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.</p>	<p>Alteration of Existing Article</p>
<p><b>Cost of serving notice</b></p>	<p>Nil</p>	<p><b>Insertion of a new Article 115A</b></p> <p><b>Article 115A</b></p> <p>The cost of serving the notice as required to propose the election of a Director, where the nomination is made by a member, shall be borne by the member making the nomination.</p>	<p>Insertion of new Article 115A</p>
<p><b>Para 7.29 Vacation of office of director</b></p>	<p><b>Article 91</b></p> <p>Subject as otherwise provided for in these Articles and to the terms of any subsisting agreement, the office of Director shall become vacant:-</p> <p>(a) If he ceases to be a Director by virtue of the Act;</p> <p>(b) If he becomes bankrupt, or makes any arrangement or composition with his creditors generally;</p> <p>(c) If he be found lunatic or become of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;</p>	<p><b>To delete the existing Article 91 in its entirety and replace with the following new article:-</b></p> <p><b>Article 91</b></p> <p>The office of Director shall become vacant if the Director:-</p> <p>(a) ceases to be a Director by virtue of the Act;</p> <p>(b) becomes a bankrupt or makes any arrangement or composition with his creditors generally during his term of office;</p> <p>(c) has been convicted by a court of law, whether within Malaysia or elsewhere, of:-</p> <p>(i) an offence in connection with the promotion, formation or management of a company;</p>	<p>Alteration of Existing Article</p>

Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
	<p>(d) If he becomes prohibited by law from acting as a Director;</p> <p>(e) If he be convicted of any sizable offence;</p> <p>(f) If by notice in writing given to the Company he resigns his office;</p> <p>(g) If he is removed by ordinary resolution of the Company subject to the provisions of these Articles; or</p> <p>(h) If he absents himself for more than 50% of the total Board of Directors' meetings held during a financial year unless an exemption or waiver is obtained from the Exchange</p> <p>(i) In the case of an alternate Director, if the Director appointing him ceases to be a Director.</p>	<p>(ii) an offence involving fraud or dishonesty or where the conviction involved a finding that he acted fraudulently or dishonestly; or</p> <p>(iii) an offence under the securities laws or the Companies Act, 1965</p> <p>within a period of five years from the date of conviction or if sentenced to imprisonment, from the date of release from prison, as the case may be;</p> <p>(d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;</p> <p>(e) resigns his office by notice in writing to the Company;</p> <p>(f) for more than six months is absent without permission of the Directors from meeting of the Directors held during that period;</p> <p>(g) without the consent of the Company in general meeting holds any other office of profit under the Company except that of Managing Director or Manager; or</p> <p>(h) is directly or indirectly interested in any contract or proposed contract with the Company and fails to declare the nature of his interest in manner required by the Act</p> <p>(i) is absent from more than 50% of the total Board of Directors' meetings held during a financial year unless approval is sought and obtained from the Exchange".</p> <p>(j) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given;</p> <p>For the purpose of sub paragraph (i) above, if a director is appointed after the commencement of a financial year, then only the Board of Directors' Meetings held after his appointment will be taken into account.</p>	



Chapter 7 of Bursa Listing Requirements	Existing Articles	Proposed Amendments	Remarks
<p><b>Para 9.19 (1)</b>  <b>When transfer books and register may be called</b></p>	<p><b>Article 41</b></p> <p>The registration of transfers may be suspended at such time and for such period as the Directors may from time to time determine, PROVIDED ALWAYS that such registration shall not be suspended for more than thirty (30) days in any year. At least twelve (12) Market Days' notice of such closure shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Exchange stating the period and purpose or purposes of such closure. For the purpose of general meetings, the Company shall request the Depository in accordance with the Rules to prepare a Record of Depositors as at a date not less than three (3) Market Days before the Meeting.</p>	<p><b>To delete the existing Article 41 in its entirety and replaces with the following new article:-</b></p> <p><b>Article 41</b></p> <p>The registration of transfers may be suspended at such time and for such period as the Directors may from time to time determine provided always that it shall not be suspended for more than thirty (30) days in any year. Any notice of intention to fix the books closing date and the reason therefore shall be given to the Bursa and such notice shall state the books closing date, which shall be at least ten (10) Market Days after the date of announcement to the Bursa or such other period as may be prescribed by the Bursa, and the address of share registry at which documents will be accepted for registration. The said notice shall also state the purpose or purposes for which the register is being closed. The Company shall give notice to the Depository in accordance with the Rules to enable the Depository to prepare the appropriate Record of Depositors.</p>	<p>Alteration of Existing Article</p>
<p><b>Para 9.23A</b>  <b>Issuance of annual report in CD-Rom</b></p>	<p>Nil</p>	<p><b>Insertion of a new Article 144(A)</b></p> <p><b>Article 144(A)</b></p> <p>Subject to the compliance with the requirements of the Bursa and any other relevant authorities, if any, the Company may issue its annual report in compact disc read-only memory ("CD ROM") or digital video disc read-only memory format or in any other format whatsoever (whether available now or in the future) through which images, data, information or other material may be viewed whether electronically or digitally or howsoever.</p>	<p>Insertion of new Article 144(A)</p>

# 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 Tuesday, 18 December 2007 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 2007 and the Reports of the Directors and Auditors thereon.		
2.	To declare a first and final tax exempt dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 July 2007.		
3.	To approve the payment of Directors' Fees		
4.	To re-elect Mr. Tan Wan Lay as Director		
5.	To re-appoint Messrs. BDO Binder as Auditors and to authorise the Directors to fix their remuneration.		
6.	To authorise Directors to issue shares not exceeding 10% of the issued capital of the Company.		
7.	Special Resolution – To propose Amendments to the Articles of Association 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 \_\_\_\_\_ 2007.

<b>Number of Ordinary Shares held</b>

\_\_\_\_\_  
Signature

#### Notes:

1. A member shall be entitled to be present and to vote on any question 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 authorized 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.

**A-RANK BERHAD** (633621-X)

Lot 2-33, Jalan Perindustrian Mahkota 7

Taman Perindustrian Mahkota

43700 Beranang, Selangor Darul Ehsan, Malaysia

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