

ASIA BRANDS ●

Lot 10449, Jalan Nenas, Batu 4 1/2, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan
Tel : (603) 5161 8822 (8 Lines) Fax : (603) 5161 2728
Website : www.audrey.com.my/ www.anakku.com


ASIA BRANDS ● ANNUAL REPORT 2006

ASIA BRANDS ●

ASIA BRANDS CORPORATION BERHAD (163155-W)
(FORMERLY KNOWN AS AUDREY INTERNATIONAL (M) BHD.)



annual report 2006



**A new name
- a quantum leap into
immensurable
opportunities**

COVER RATIONALE

ASIA BRANDS marks a new dynamic era in quantum business expansion with immensurable opportunities in the Asia regions and beyond. Our passion for developing and delivering of high quality yet fashionable products to satisfy the discerning consumers, dedicated employees and other stakeholders symbolises a vision to be a leading Corporation.

Hence, the boldness of RED is used throughout our Annual Report representing confidence, strenght and growth of business; a passionate, motivated and hard working team of people who always seek to improve and succeed. The antique measuring tape marks the milestones of our success.

ASIA BRANDS shall continue to make its mark of high quality fashion for Malaysia, and now in Asia regions and beyond.

ASIA BRANDS[●]

contents

Corporate Information 02 Group Structure 03
Directors' Profile 04 Chairman's Statement 10 Corporate Governance Statement 16
Other Compliance Information 22 Statement on Internal Control 24
Audit Committee's Report 26 Statement of Directors' Responsibilities 29
Financial Statements 30 Analysis of Shareholdings 89
Analysis of Warrant Holdings 91 Notice of Annual General Meeting 93
Statement Accompanying Notice of Annual General Meeting 97
Proxy Form enclosed

Fold here



Fold here

ASIA BRANDS



annual dinner 2006

BOARD OF DIRECTORS

Tan Sri Datuk Arshad Bin Ayub (Chairman)
Dato' Ng Tiong Seng (Deputy Chairman)
Mr. Ng Chin Huat (Managing Director)
Dato' Khor Ah Hua @ Khor Choo Fong
Mr. Ong See Seng
Datuk Hj. Tajuddin Bin Abdul Rahman
Mr. Harbhajan Singh a/l Ujagar Singh
Mdm. Sia Kim Kiat
Mr. Lim Kim Meng
Mr. Law Boon Eng

REGISTERED OFFICE

Lot 10449, Jalan Nenas
Batu 4½, Kampung Jawa
41000 Klang
Selangor Darul Ehsan
Tel : (603)-5161 8822
Fax : (603)-5161 2728
Email : enquiry@asiabrandscorp.com
Website : www.audrey.com.my /
www.anakku.com

PRINCIPAL BANKERS

Southern Bank Berhad
Bumiputra Commerce Bank Berhad
Malayan Banking Berhad
AmBank Berhad

AUDIT COMMITTEE

Mr. Ong See Seng (Chairman)
Dato' Khor Ah Hua @ Khor Choo Fong
Mr. Harbhajan Singh a/l Ujagar Singh
Mdm. Sia Kim Kiat
Mr. Lim Kim Meng



AUDITORS

Ernst & Young

COMPANY SECRETARIES

Ms. Chua Siew Chuan (MAICSA 0777689)
Ms. Mak Chooi Peng (MAICSA 7017931)

REGISTRARS

Securities Services (Holdings) Sdn. Bhd. (36869-T)
Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur
Tel : (603)-2084 9000
Fax : (603)-2094 9940

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia Securities Berhad
Name: ASIABRN
Stock Code: 7994

ASIA BRANDS[®]

ASIA BRANDS CORPORATION BERHAD (163155-W)
(Formerly known as Audrey International (M) Bhd.)

| | |
|------|---|
| 100% | AIMB Marketing Sdn. Bhd. (266617-P) |
| 100% | AIMB Cottonshop Sdn. Bhd. (378890-X) |
| 100% | Audrey Body Fashion Sdn. Bhd. (23111-U) |
| 100% | Pelita Hebat Sdn. Bhd. (380461-T) |
| 100% | Anakku Holdings Sdn. Bhd. (443156-W) |
| 100% | Anakku Baby Products Sdn. Bhd. (41441-H) |
| 100% | Anakku Baby Connection Sdn. Bhd. (252394-M) |
| 100% | Anakku LSR Baby Products Sdn. Bhd. (127557-H) |
| 100% | Generasi Arif (M) Sdn. Bhd. (251823-V) |
| 100% | Weltex Knitwear Industries Sdn. Bhd. (28583-U) |



**Tan Sri Datuk
Arshad Bin Ayub**
Non-Independent
Non-Executive Director

Tan Sri Datuk Arshad Bin Ayub, aged 78, Malaysian, Chairman, Non-Independent Non-Executive Director. He was appointed to the Board on 30 May 1996. He obtained a Diploma in Agriculture from College of Agriculture, Malaya, Serdang, Selangor in 1954 and a Bachelor of Science (Hons) Degree in Economics and Statistics from University College of Wales, Aberystwyth, United Kingdom in 1958. In 1964, he obtained a Postgraduate Diploma in Business Administration (IMEDE), Lausanne Switzerland.

He joined the Malaysian Civil Service upon his graduation and had a successful career. He was the Deputy Controller, Industrial Development Division of the Ministry of Commerce and Industry (Ministry of Trade and Industry) from 1961 to 1965. He was the First Director of Mara Institute of Technology for 10 years from 1965 to 1975, Deputy Governor of Bank Negara Malaysia from 1975 to 1977, Deputy Director General in the Economic Planning Unit of the Prime Minister's Department from 1977 to 1978. He was Secretary General to the Ministry of Primary Industries (1978), Ministry of Agriculture (1979 to 1981), Ministry of Land and Regional Development (1981 to 1983). He also sat on a number of committees at national and international level. He was a Member of Justice Harun's Salaries Commission for Statutory bodies.

He sits on the Board of Directors of several public listed companies. He is a Chairman of Malayan Flour Mills Berhad, LBI Capital Berhad and Tomypak Holdings Berhad. He is a Director of Kulim (M) Berhad, KPJ Healthcare Bhd, Sindora Berhad and Top Glove Corporation Berhad.

He also sits on the Board of Directors of several private and public companies. He is a Chairman of PFM Capital Holdings Sdn Bhd, MOCCIS Trading Berhad, Ladang Moccis Sdn Bhd, Amanah Raya-JMF Asset Management Sdn Bhd, CSR Building Materials Sdn Bhd and Sato Amoy Sdn Bhd. He sits as Director of Pelaburan Johor Berhad, Bistari Johor Berhad, Land Rover (M)

Sdn Bhd, Bata (M) Sdn Bhd, Nakagawa Rubber Industries Sdn Bhd and Zalaraz Sdn Bhd. He is also a Chairman of Koperasi MOCCIS Berhad.

He currently serves as the President of the Malaysian Rubber Products Manufactures Association (MRPMA), Chairman of Malaysian Rubber Export Promotion Council (MREPC) and a member of Lembaga Getah Malaysia (LGM). He is the Pro Chancellor of UiTM, Chairman of University Malaya Board and a member of the Council of Cooperative College Malaysia. He was a member of the Council of Kolej Ugama Sultan Zainal Abidin (KUSZA) and Institute Professional Baitulmal.

He attended six out of seven Board meetings held during the financial period ended 31 March 2006 . He is the Chairman of the Remuneration Committee.

He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest in any business arrangement involving the Company and has had no convictions for any offences within the past 10 years.

Dato' Ng Tiong Seng, aged 73, Malaysian, Deputy Chairman, Non-Independent Non-Executive Director. He has been on the Board since its inception. He is one of the founding members of the Company. He is a Klang based industrialist and philanthropist. He has more than 40 years of experience in the manufacturing and trading lines, primarily in footwear, rubber and plastic products. His involvement in the ladies' undergarments industry spans a period of over 10 years. He also sits on the Board of Directors of several private companies and of LBI Capital Bhd, a company listed on the Second Board of the Bursa Securities. He is responsible for the overall business development and formulation of the Group's strategic plans and policies.

He attended five out of seven Board meetings held during the financial period ended 31 March 2006 and is a member of the Remuneration Committee.

He is the father to Ng Chin Huat and father-in-law to Sia Kim Kiat, all of whom are also Directors of the Company. He does not have any conflict of interest in any business arrangement involving the Company and has no convictions for any offences within the past 10 years.



Dato' Ng Tiong Seng
Non-Independent
Non-Executive Director

directors' profile (cont'd)



Ng Chin Huat
Non-Independent
Managing Director

Ng Chin Huat, aged 36, Malaysian, Non-Independent Managing Director. He was appointed to the Board on 4 January 1999 and was promoted to Managing Director on 15 February 2002. He holds a degree in Actuarial Science conferred by the University of Melbourne, Australia. Upon graduation, he was trained as an Actuary in Prudential Singapore for 2 years. Thereafter, he moved into the stockbroking industry in 1993, gaining employment with HLG Securities, Malaysia. He was with the Company for 5 years prior to his attachment to his current position.

He attended all seven Board meetings held during the financial period ended 31 March 2006.

He is a son of Dato' Ng Tiong Seng and brother-in-law of Sia Kim Kiat, all of whom are also Directors of the Company. He does not have any conflict of interest in any business arrangement involving the Company and has no convictions for any offences within the past 10 years.

Sia Kim Kiat, aged 41, Malaysian, Non-Independent Non-Executive Director. She was appointed to the Board on 9 May 1995 and redesignated her position from Executive Director to Non-Executive Director on 21 May 2003. She graduated from the University of New South Wales with a Bachelor Degree in Commerce, majoring in Accountancy in 1989. She started her career as a Management Consultant with Ernst & Young, an international public accounting firm, from 1990 to 1991 and then as an Audit Assistant as well as a Tax Consultant with Deloitte & Touche, also a public accounting firm, from 1991 to 1993. She was with Pokka Corporation (S) Limited, a public listed company incorporated in Singapore which involved in the manufacturing and trading of packet drinks, as an Accountant from 1994 to 1995.

She attended six out of seven Board meetings held during the financial period ended 31 March 2006 and is a member of the Audit Committee and Nomination Committee.

She is the daughter-in-law of Dato' Ng Tiong Seng and sister-in-law of Ng Chin Huat, all of whom are also Directors of the Company. She does not have any conflict of interest in any business arrangement involving the Company and has no convictions for any offences within the past 10 years.



Sia Kim Kiat
Non-Independent
Non-Executive Director

directors' profile (cont'd)



Harbhajan Singh a/l
Ujagar Singh
Non-Independent
Non-Executive Director

Harbhajan Singh a/l Ujagar Singh, aged 53, Malaysian, Non-Independent Non-Executive Director. He was appointed to the Board on 12 March 2003. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, a member of the Malaysian Institute of Accountants and a fellow member of the Malaysian Institute of Taxation.

He has served various positions in two audit firms located in London from 1977 to 1981. Since joining Perbadanan Kemajuan Negeri Perak (PKNP) on 1 September 1981, he has held various posts relating to accounting, treasury, taxation, corporate restructuring and business advisory with regard to the business activities of PKNP and its companies. He is currently the Corporate Finance Director of PKNP. He is also under job enlargement to Perak Corporation Berhad (PCB) as the Group Chief Financial Officer, a post held since September 1997. He holds directorships in a number of companies under the PCB Group and the Integrax Berhad Group.

He attended all seven Board meetings held during the financial period ended 31 March 2006 and is a member of the Audit Committee.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has no convictions for any offences within the past 10 years.

Ong See Seng, aged 67, Malaysian, Independent Non-Executive Director. He was appointed to the Board on 30 May 1996. He obtained a Bachelor of Law Degree from the University of Singapore in 1965 and was admitted as an Advocate & Solicitor High Court, Malaya in 1965 and Supreme Court, Singapore in 1979. He practiced as an Advocate and Solicitor before his appointment as Judicial Commissioner in 1989 and subsequently as High Court Judge in 1991. He retired as a High Court Judge in 1995.

He attended all seven Board meetings held during the financial period ended 31 March 2006. He is currently the Chairman of the Audit Committee and Nomination Committee and also serves as a member of the Remuneration Committee.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has no convictions for any offences within the past 10 years.



Ong See Seng
Independent
Non-Executive Director

directors' profile (cont'd)



Dato' Khor Ah Hua @
Khor Choo Fong
Independent
Non-Executive Director

Dato' Khor Ah Hua @ Khor Choo Fong, aged 58, Malaysian, Independent Non-Executive Director. He was appointed to the Board on 28 May 2002. He completed the Management Development Programme at the Asia Institute of Management Philippines and Senior Management Development Programme of Harvard Business School.

He joined Med-Bumikar MARA Sdn. Bhd. as a Manager of the company's agricultural machinery division from 1980 to 1983.

He later joined Daihatsu (Malaysia) Sdn. Bhd., the sole distributor of Daihatsu Motor vehicles in Malaysia from 1983 to 1999. He was promoted from Sales Manager to General Manager and Executive Director of the company and its wholly owned subsidiaries DMM Sales Sdn. Bhd. and DMM Engineering Sdn. Bhd. He is a Board member of Federal Auto Holding Bhd.

He attended six out of seven Board meetings held during the financial period ended 31 March 2006 and is a member of the Audit Committee.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has no convictions for any offences within the past 10 years.

Lim Kim Meng, aged 35, Malaysian, Independent Non-Executive Director. He was appointed to the Board on 15 January 2002. He graduated with a Second Class Honours Bachelor of Law Degree from the University of London and completed his certificate of legal practice in 1994. He is the Managing Partner at Messrs K M Lim & Tan, Advocates & Solicitors. His professional experiences include being a member of the Malaysia Financial Markets Association, holding the position of licensed foreign exchange and money market dealer at Southern Bank Berhad (1994-1997) and Institutional Sales Dealer and Licensed KLSE Equities Dealer with HLG Securities (1997-1998).

He attended all seven Board meetings held during the financial period ended 31 March 2006 and is a member of the Audit Committee and Nomination Committee.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has no convictions for any offences within the past 10 years.



Lim Kim Meng
Independent
Non-Executive Director

directors' profile (cont'd)



Law Boon Eng
Non-Independent
Executive Director

Law Boon Eng, aged 49, Malaysian, Non-Independent Executive Director. He was appointed to the Board on 26 May 2006. He holds a Diploma in Management from Curtin University.

He joined the Group as a General Manager of the Group's retail arm in 2003. Prior to joining the Group, he spent 18 years in merchandising and marketing with 2 major departmental store groups in Malaysia. He started his career as a Sales Officer in Marubeni Corporation Sdn. Bhd. from 1976 to 1983. He later joined the Malaysian Overseas Investment Corporation, New York as an Executive Vice President from 1983 to 1987. He was a General Manager of Merchandising and Marketing in Parkson Corporation from 1988 to 2001. He was with Ngiu Kee Corporation Bhd. as a Chief Operating Officer from 2001 to 2003.

He did not attend any of the seven Board meetings held during the financial period ended 31 March 2006 due to his recent appointment to the Board.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest in any business arrangement involving the Company. He has no convictions for any offences within the past 10 years.

Datuk Hj. Tajuddin bin Abdul Rahman, aged 58, Malaysian, Non-Independent Non-Executive Director. He was appointed to the Board on 26 July 2006. He graduated from University of Malaya with a Bachelor Degree in Economic (Hons).

He started his career at Public Service Department from 1973 to 1974. Thereafter, he joined Cycle & Carriage Sdn. Bhd. as a Marketing and Sales Manager from 1974 to 1977. From 1977 to 1981, he was a General Manager at United Assembly Sdn. Bhd. He was with Automobile Corporation (M) Sdn. Bhd. and United Straits Fuso Sdn. Bhd. as a Group Managing Director from 1979 to 1982. He is currently managing his family business and has certain political positions in UMNO and also Perak State Assemblyman for Kampung Gajah.

He did not attend any of the seven Board meetings held during the financial period ended 31 March 2006 due to his recent appointment to the Board.

He does not have any family relationship with any Director and/or major shareholder of the company nor any conflict of interest in any business arrangement involving the Company. He has no convictions for any offences within the past 10 years.



**Datuk Hj. Tajuddin bin
Abdul Rahman**
Non-Independent
Non-Executive Director

simply elegant
simply irresistible

Audrey
INTERNATIONAL

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Asia Brands Corporation Berhad (formerly known as Audrey International (M) Bhd.) for the financial period ended 31 March 2006.

Market Trend and Development

During the financial period under review, the retail industry as a whole has been affected by a number of national events, in particular, the increase in fuel prices and financial interest rates. Besides the psychological uncertainty that may have resulted, these events have, in real terms, effectively reduced the purchasing power of the masses upon which the retail industry is highly dependent on. The level of competition has also grown during this period, in particular, with competitors reacting aggressively to these circumstances and there is every reason to believe that this shall intensify further in the foreseeable future.

It is against this backdrop that we have put in place a number of initiatives in order to achieve business growth and market recognition.

A major initiative is changing of the Group's name to ASIA BRANDS to better reflect the nature of our expanding business and profiling from a single product brand manufacturer to a multiple brand marketing organisation. This provides the platform and flexibility for the Group to further acquire new renowned worldwide brands and to increase product development to support its ventures beyond its shore to new market opportunities in Asia. The Group's existing brands have been present in some Asian markets like Brunei, Singapore, Indonesia, India and Bangladesh mainly as export transactions. However, during this financial period, it has entered the Vietnam market and has local representation by the appointment of a local distributor. Locally, there has also been opening of new outlets during this financial period.

There was also the merging and streamlining of the management for both our existing brands aimed at providing the economy of scales in operation and synergy in all the business processes.



Tan Sri Datuk Arshad Bin Ayub
Chairman

4 September 2006

Financial Results

For the financial period under review, the Group continued its achievement of increased revenue and profit before tax ("PBT") by posting a revenue and PBT of RM173.0 million and RM12.4 million respectively in current period as compared to RM124.9 million and RM6.1 million respectively in the previous year. The increase of approximately 104.8% in PBT has correspondingly resulted in the increase in earnings per share ("EPS") of 117.8% from 7.86 sen in 2004 to 17.12 sen in the current financial period.

The improvement in the results was attributed primarily to the lower cost of goods, financing costs and borrowings, more effective control of expenditure coupled with increased sales during this financial period. The higher sales were primarily due to our employees whom we have developed through enhanced training programmes, more effective and aggressive marketing strategy.

However, the Group's profitability was reduced by the revision of the annual depreciation rate for computer equipment from 10% to 25%, provision for debtors in the Indonesian operation and provision for asset impairment as a prudent measure.

The Board is confident that continual improvement to the Group's result can be achieved in the forthcoming years.

Dividends

The Board of Directors has recommended a final dividend of 5% (2004: 3.5%) less 28% taxation on 50,706,267 ordinary shares (excluding treasury shares), amounting to a total dividend payable of RM 1,825,426 equivalent to 3.6 sen (2004: 2.5 sen) net per share.

chairman's statement

Future prospects

There are still opportunities in the relatively untapped Asian market.

The Group, with its new image and structure, is gearing itself for the challenges in the coming years. With the launching of a new product line of Anakku to target children end users and the expansion of Cottonshop lingerie targeting at the younger generation, the Group anticipates further growth in its retailing business.

Acknowledgement

On behalf of the Board, I would like to wish a very warm welcome to Mr. Law Boon Eng and Datuk Hj. Tajuddin Bin Abdul Rahman into the Board. I also take this opportunity to express my gratitude to Dato' Hj. Abdul Raman Bin Suliman and Mr. Kong Sau Kian for their past contribution to the Board.

The current achievements of the Group would not have been that commendable if not for the contributions and dedication of the management and staff at all levels, and the continuing support of our customers, business associates, bankers and shareholders. A big 'THANK YOU' to all of you.

simply adorable
simply refreshing

Anakku
JUNIOR

simply adorable

Anakku

simply refreshing

festive
celebration



staff training

ASIA BRANDS
ANNUAL REPORT 2006



The Board of Directors recognises its responsibility in ensuring proper corporate governance within the Group with the aim of enhancing shareholders' value and the financial performance of the Group. The Board is therefore pleased to present this Statement of Corporate Governance which applies the principles and best practices as set out in Part 1 and Part 2 of the Malaysian Code of Corporate Governance.

1. BOARD OF DIRECTORS

The Group is led and managed by a Board of Directors comprising members with diverse backgrounds and vast experience in business, commercial, finance and legal sectors. The wide range of skills and experience of the Directors give added strength to the leadership, thus enabling the Board to manage the Company in a dynamic and active manner. The profiles of the respective Directors are presented on pages 4 to 8 of this Annual Report.

1.1 *The Board*

The Board is responsible for the overall operations, management and corporate affairs of the Group, whose responsibilities include setting its strategic direction and succession plans, overseeing the conduct of the Group's businesses to ensure proper alignment of the Group's operations to the direction set, apart from ensuring that all statutory compliance is observed and an adequate system of internal control is in place.

The Board currently has ten members comprising two Executive Directors and eight Non-Executive Directors, three of whom are independent.

The positions of the Chairman and the Managing Director are held by two individuals. There is a clear division of responsibilities between the Chairman and the Managing Director, which will ensure a balance of power and authority. The Chairman is responsible for the conduct and working of the Board, whereas the Managing Director is solely responsible for the efficient running of the business and implementation of the policies and strategies adopted by the Board.

No individual or group of individuals dominate the Board's decision making. Although there is a significant shareholder, the Board has ensured that the investment of the remaining shareholders is fairly reflected through Board representation.

One-third of the Board comprises Independent Non-Executive Directors since the Company recognizes the contribution of Independent Non-Executive Directors as equal Board members to the development of the Company's strategy, the importance of representing the interests of public shareholders and providing a balance and independent view of the Board. The Independent Directors are independent of the management and substantial shareholders. As such, they provide independent views and judgement based on their respective professional backgrounds, which contribute to sound management and which would also serve to safeguard the interests of the minority shareholders.

The Board has identified Mr. Ong See Seng as the Senior Independent Non-Executive Director, to whom concerns may be conveyed.

corporate governance statement (cont'd)

1. BOARD OF DIRECTORS (cont'd)

1.2 *The Board Committees*

The following committees have been established to assist the Board in discharging its duties and responsibilities within clearly defined terms of reference.

| Committee | Membership |
|------------------------|---|
| Audit Committee | Full details are disclosed in Page 26 to 28 |
| Remuneration Committee | Tan Sri Datuk Arshad Bin Ayub (Chairman) Dato' Ng Tiong Seng (Member) Ong See Seng (Member) |
| Nomination Committee | Ong See Seng (Chairman) Lim Kim Meng (Member) Sia Kim Kiat (Member) <i>(appointed on 25 July 2006)</i> |



1.3 *Board Procedures/Board Meetings*

The Board resolves and approves the Group's strategic and business issues either at Board meetings or via circular resolutions. Where approvals are sought via circular resolutions, the Directors are furnished with the required information to facilitate their deliberation and decision making.

The Board meets at least 4 times in a year and every meeting will be preceded by a notice for the convening of such a meeting issued to the Directors at least 7 days before the said meeting. Additional meetings will be held as and when the Board deems it necessary.

Accompanying the notice will be the agenda of the issues to be discussed and approved, together with the relevant supporting documentation. Such notice and agenda will be issued by the Company Secretary. Minutes will be recorded by the Company Secretary during each meeting and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

All Directors have full access to the advice of the senior management, the Executive Directors, the advice and services of the Company Secretaries and other professionals to clarify any matters arising at the Company's expense.

The Company Secretaries regularly update and advise the Board on new statutory and regulatory requirements, assisting the Board to discharge its duties and responsibilities apart from ensuring compliance with Companies Act, 1965, the Listing Requirements of Bursa Malaysia Securities Berhad and any other regulatory requirements.

corporate governance statement (cont'd)

1. BOARD OF DIRECTORS (cont'd)

There were seven Board meetings held during the financial period ended 31 March 2006 and attendance at the meetings is as follows:-

| Directors | Meeting Attendance |
|--|--------------------|
| Executive Directors | |
| Ng Chin Huat | 7/7 |
| Law Boon Eng (appointed on 26 May 2006) | - |
| Non-Executive Directors | |
| Tan Sri Datuk Arshad Bin Ayub | 6/7 |
| Dato' Ng Tiong Seng | 5/7 |
| Ong See Seng | 7/7 |
| Dato' Khor Ah Hua @ Khor Choo Fong | 6/7 |
| Sia Kim Kiat | 6/7 |
| Lim Kim Meng | 7/7 |
| Dato' Hj Abd Raman B. Suliman (resigned on 3 March 2006) | 5/7 |
| Datuk Hj. Tajuddin Bin Abdul Rahman (appointed on 26 July 2006) | - |
| Harbhajan Singh a/l Ujagar Singh | 7/7 |
| Kong Sau Kian (resigned on 26 May 2006) | 6/7 |



1.4 *Re-election of Directors/appointments to the Board*

The Nomination Committee consists of three non-executive directors, two of whom are independent, with the responsibility of annually review the required mix of skills and experience and other qualities including the contribution that each individual Director should bring to the Board.

Proposed new appointments to the Board, if any, will be deliberated on by the full Board based upon a formal report prepared by the Nomination Committee on the necessity for and qualification and experience of the proposed directors.

In accordance with the Company's Articles of Association, one third (1/3) of the Directors or the number nearest one third (1/3) shall retire from office at every annual general meeting. The Articles of Association further provide that all Directors shall retire from office at least once in every three years but shall be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may, by a resolution, be reappointed as a director to hold office until the next annual general meeting.

The Nomination Committee met once during the financial period ended 31 March 2006.

corporate governance statement (cont'd)

1. BOARD OF DIRECTORS (cont'd)

1.5 Directors' Training

All the Directors with the exception of Datuk Hj. Tajuddin Bin Abdul Rahman, the newly appointed Director, have attended and successfully completed the Mandatory Accreditation Programme (MAP). Datuk Hj. Tajuddin Bin Abdul Rahman has a period of four months from the date of his appointment to complete the MAP. Apart from that, the Group provides briefings for newly appointed directors to the Board to ensure that they have a comprehensive understanding on the operations of the Group.

In addition, the Directors who fall within the ambit of Practice Note No. 15/2003 – Continuing Education Programme (CEP) have managed to accumulate their 72 CEP points within the time frames allowed by Bursa Malaysia Securities Berhad. In order to effectively discharge their duties and responsibilities, the Directors had in the financial period ended 31 March 2006 attended seminars on areas relating to risk management, corporate governance, financial reporting, finance, accounting, strategic planning and taxation.

All the Directors will attend further training programmes from time to time to keep abreast with the relevant changes and development in laws and regulations as well as business development.

2. DIRECTORS' REMUNERATION

The Remuneration Committee consists of three non-executive directors, one of whom is independent, with the responsibility of annually reviewing the remuneration of all the Directors through a formal and transparent procedure before the same is presented to the Board for approval. In the case of Executive Director, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibility undertaken by the particular Non-Executive Director concerned.

The Non-Executive Directors abstain from discussion of their own remuneration packages. Directors' fees are approved by the shareholders at the Annual General Meeting.

The Remuneration Committee met once during the financial period ended 31 March 2006.

The remuneration of the Directors in the financial period ended 31 March 2006 is as follows:-

| | Fees RM | Salaries & Other Emoluments RM | Total RM |
|-------------------------|------------|--------------------------------------|-------------|
| Executive Director | - | 681,900 | 681,900 |
| Non-Executive Directors | 302,750* | 13,325 | 316,075 |
| | 302,750 | 695,225 | 997,975 |

* Includes a director who has resigned during the financial period.

corporate governance statement (cont'd)

2. DIRECTORS' REMUNERATION (cont'd)

| Band of Categories | Executive Director | Non-Executive Directors |
|-----------------------|--------------------|-------------------------|
| Below RM50,000 | - | 7* |
| RM50,001 – RM100,000 | - | 2 |
| RM650,001 – RM700,000 | 1 | - |

* Includes a director who has resigned during the financial period.



3. RELATIONSHIP WITH SHAREHOLDERS

The Board maintains an effective communication policy that enables both the Board and the Management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are considered in the Group's business decision.

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:-

- (i) the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on the Audit Committee and Board of Directors;
- (ii) the general meeting, which provides opportunities and avenue for direct interaction between Directors and shareholders; and
- (iii) announcements made to Bursa Malaysia Securities Berhad, among which include announcements of the Group's quarterly financial results and other corporate matters.

The Annual General Meeting serves as an important means and channel for communication with shareholders. Notice of the Annual General Meeting and Annual Reports are sent to shareholders at least twenty-one (21) days prior to the meeting. Each item of special businesses included in the notice of meeting is accompanied by an explanatory statement on the effects of the proposed resolution.

The Directors are prepared to respond to queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on queries raised by the shareholders. Status of all resolutions proposed at general meetings are announced to Bursa Malaysia Securities Berhad at the end of the meeting day. Proceedings of the meetings are properly minuted.

4. ACCOUNTABILITY AND AUDIT

The Board recognises the importance of accountability and proper internal controls toward maintaining good corporate governance in order to safeguard shareholders' investment and the assets of the Group.

4. ACCOUNTABILITY AND AUDIT (cont'd)

4.1 *Financial Reporting*

The Board aims to present a balanced and understandable assessment of the Group's position and prospect through the annual financial statements and quarterly announcements of the financial results to Bursa Malaysia Securities Berhad.

4.2 *Internal Control*

The Directors acknowledge their responsibility in maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The internal control system covers not only financial controls but operational and compliance controls and risk management. The internal control system is designed to enable the Board to identify and manage the risk of failure to achieve business objectives. The internal control system is designed to provide reasonable but not absolute assurance against material misstatement and losses. The Group is continuously looking into the adequacy and integrity of its systems of internal control.

The Group's overall internal control systems is set out in the Statement on Internal Control on pages 24 to 25.

4.3 *Audit Committee*

The activities carried out by the Audit Committee during the financial period are set out in the Audit Committee's Report on pages 26 to 28.

4.4 *Relationship with the External Auditors*

Through its Audit Committee, the Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The Audit Committee meets with the Group's external auditors annually to review the scope and adequacy of the audit process, the annual audited financial statements and their audit findings.



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

1. Utilisation of Proceeds from Share Issues

The Company did not undertake any corporate proposal to raise proceeds during the financial period ended 31 March 2006.

2. Material Contracts Involving Directors and Substantial Shareholders

There were no material contracts entered into by the Company and its subsidiary companies which involved directors' and major shareholders' interests subsisting at the end of the financial period ended 31 March 2006 or entered into since the end of the previous financial year.

3. Share Buy Back

During the financial period ended 31 March 2006, the Company has made purchases of its own shares of 2,158,400 shares (all of which are retained as treasury shares) of its issued shares from the open market, details of which are set out below:-

| Date of Purchase | No. of Shares Purchased (RM) | Lowest Purchase Price (RM) | Highest Purchase Price (RM) | Average Purchase Price (RM) | Total Purchase Consideration* (RM) |
|------------------|------------------------------|----------------------------|-----------------------------|-----------------------------|------------------------------------|
| 8 June 2005 | 631,000 | 1.098 | 1.098 | 1.098 | 695,189.94 |
| 9 June 2005 | 663,500 | 1.05 | 1.11 | 1.08 | 723,987.82 |
| 10 June 2005 | 52,000 | 1.06 | 1.08 | 1.07 | 55,973.60 |
| 13 June 2005 | 224,000 | 1.07 | 1.09 | 1.08 | 243,347.10 |
| 14 June 2005 | 172,000 | 1.06 | 1.10 | 1.08 | 188,081.08 |
| 15 June 2005 | 129,000 | 1.07 | 1.09 | 1.08 | 140,127.85 |
| 16 June 2005 | 144,900 | 1.07 | 1.09 | 1.08 | 157,631.79 |
| 17 June 2005 | 142,000 | 1.07 | 1.10 | 1.08 | 154,862.83 |

* inclusive of brokerage expenses

4 Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities being exercised during the financial period ended 31 March 2006.

5. American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company does not have any ADR or GDR programme in place.

6. Imposition of Sanctions and/or Penalties

There were neither sanctions nor penalties imposed on the Company, its subsidiary companies, directors or management being a party to subsist by the regulatory bodies during the financial period ended 31 March 2006.

other compliance information (cont'd)

7. Non-audit Fees

Non-audit fees payable to the external auditors by the Group for the financial period ended 31 March 2006 are RM5,000 (2004: RM5,000).

8. Variations in Results

There were no variations of 10% or more between the audited results and the unaudited results of the Group for the financial period ended 31 March 2006. Neither there is any variation of 10% or more between the audited results and the profit estimates, forecasts, and projections.

9. Profit Guarantees

There were no profit guarantees granted/extended in favour of third parties in connection with the Company's corporate exercises or arrangements during the financial period ended 31 March 2006.

10. Recurrent Related Party Transactions of Revenue Nature

There were no Recurrent Related Party Transactions of a Revenue Nature conducted in the financial period ended 31 March 2006.

11. List of Properties

| Location | Description/ Land Area/ Build Up Area | Existing Use | Tenure | Age of Building | Net Book Value+ of Properties |
|---|--|--|----------|--------------------|-------------------------------------|
| Lot 10449 Mukim and District of Klang# | Land, warehouse, office, staff hostel (10.012 acres) | Land, warehouse, office, staff hostel | Freehold | 9 years | RM11,466,581 |

+ Net book value as at 31 March 2006

Held under Pelita Hebat Sdn. Bhd., a wholly owned subsidiary of Asia Brands Corporation Berhad (formerly known as Audrey International (M) Bhd.)

The Group has not undertaken any revaluation on its landed property during the financial period.



Responsibility

The Board is responsible for the Group's system of internal control and its effectiveness whilst the management assists the Board in implementing the Board's policies on risk and control.

However, the system of internal control is designed to manage and control rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. In pursuing these objectives, it can only provide reasonable assurance but not absolute assurance against material misstatement or losses.

Key Processes

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, and that system of internal control has been in place for the financial period under review and up to the date of approval of the annual report and the financial statements.

The process is adequately reviewed by the Board and accords with the requirements outlined in the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by Bursa Malaysia Securities Berhad's Task Force on Internal Control.

Internal Control System

Key elements of the Group's internal control system are described below:

- The Audit Committee reviews the internal control issues identified and actions taken by the management through reports prepared by the internal auditors, external auditors and management;
- There are regular internal audit visits and if the need arises, other specific assignments to monitor compliance with policies and procedures, to assess effectiveness of the internal control system and to highlight any significant findings in respect of non-compliance;
- The group's organization structure defines clearly responsibilities of the Board, the Audit Committee and Management;
- The financial and capital expenditure budget are properly prepared by the Management;
- There are policies and procedures and authorization limits imposed on executive directors and management in respect of the key aspects of the business;
- The monthly results are monitored by the management through comparison of monthly management accounts and statutory accounts against budget and/or previous year's results;



statement on internal control (cont'd)

Internal Control System (cont'd)

- There are properly documented Human Resources Operating Procedures, training for employees in areas relevant to their job functions when need arises, and structured and formal employee appraisal system that ensure employees are rewarded based on their performance.

Internal Audit Function

The Group had outsourced its internal audit function to an independent party who assists the Audit Committee as well as the Board of Directors to discharge their responsibilities by providing an independent, objective assurance and advisory services that add value and improve the operations by:

- ensuring existence of processes to monitor effectiveness and efficiency of operations and the achievement of business objectives;
- ensuring adequacy and effectiveness of internal control systems for safeguarding of assets, providing consistent, accurate financial and operational data;
- promoting risk awareness and the value and nature of an effective internal control system;
- ensuring compliance with laws, regulations, corporate policies and procedures; and
- assisting management in accomplishing its objectives by adopting a systematic and disciplined audit approach to evaluate and improve the effectiveness of risk management, control and governance processes within the companies' operations.

The internal audit function has focused on high priority activities determined by risk assessment and in accordance with the audit planning memorandum approved by the Audit Committee. Please refer to the Audit Committee's Report as set out on pages 26 to 28.

Conclusion

There were no material losses incurred during the financial period as a result of weaknesses in internal control. The Board will continue to take adequate measures to strengthen the control environment in which the Group operates.

This statement is made in accordance with a resolution of the Board dated 25 July 2006.

Review of the Statement by External Auditors

The External Auditors have reviewed this Statement on Internal Control for inclusion in the annual report of the Group for the period ended 31 March 2006 and 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.

The Audit Committee is primarily responsible in overseeing the Group's financial reporting, risk management and internal control system and its terms of reference are as follows:

1.1 Composition of the Audit Committee / Membership

The Audit Committee is appointed by the Board of Directors amongst its members (who are not alternate directors) and consists of five members, of whom majority are Independent Directors. The Committee includes two members who are members of the Malaysian Institute of Accountants. In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Listing Requirements of Bursa Malaysia Securities Berhad, the Board shall appoint a new member within three months from the date of the said vacancy.

The present members of the Audit Committee of the Company are:

- i. Ong See Seng (Independent Non-Executive Director; Chairman)
- ii. Dato' Khor Ah Hua @ Khor Choo Fong (Independent Non-Executive Director)
- iii. Harbhajan Singh a/l Ujagar Singh (Non-Independent Non-Executive Director)
- iv. Sia Kim Kiat (Non-Independent Non-Executive Director)
- v. Lim Kim Meng (Independent Non-Executive Director)

1.2 Meeting and Quorum of the Audit Committee

The quorum of the Audit Committee is at least two members and the majority of whom must be Independent Directors. The Company Secretary is the Secretary of the Audit Committee.

The Audit Committee meets at least once every quarter. Additional meetings are held as and when circumstances so require. The Audit Committee meeting is normally held just before the Board meeting to ensure that all critical issues addressed are brought to the attention of the Board on an immediate basis.

Board members (outside of the Audit Committee) may attend such meetings upon the invitation of the Audit Committee. The Audit Committee may also invite to its meetings, management staff and/or representatives from the internal and external auditors, when it deems necessary, to discuss certain issues. However, at least once a year the Committee meets with the external auditors without any Executive Board member present.

1.3. Duties and Responsibilities of the Audit Committee

The duties and responsibilities of the Audit Committee include the following: -

- (i) To recommend to the Board the appointment and reappointment of the external auditors, the audit fee and any question of their resignation or dismissal.



audit committee's report (cont'd)

1.3. Duties and Responsibilities of the Audit Committee (cont'd)

- (ii) To discuss with the external auditors before the audit commences, the audit plan and subsequent to the completion of the audit, their evaluation of the Group's system of internal controls, their audit report, management letter and the level of assistance given by the employees of the Group to them.
- (iii) To review the quarterly and year-end financial statements prior to the submission to the Board for approval, focusing particularly on:
 - Any changes in the Group's accounting policies and practices;
 - Significant and unusual events; and
 - Compliance with accounting standards and other legal requirements.
- (iv) To receive and review the internal audit report from the internal auditors, evaluating the adequacy of the scope and work performed, via the Internal Audit programmes which outline the approach and processes, in ensuring that an adequate system of internal controls is in place to safeguard the Group's assets and shareholders' investments.
- (v) To review any related party transaction and conflict of interest situation that may arise within the Group, and any transaction procedure or course of conduct that raises questions of management integrity.

1.4 Rights of the Audit Committee

The following rights have been bestowed upon the Audit Committee by the Board to enable it to effectively perform its duties. The Audit Committee has:-

- (i) the authority to investigate any matter within its terms of reference;
- (ii) the available resources which are required to perform its duties;
- (iii) full and unrestricted access to any information pertaining to the Group;
- (iv) direct communication channels with the external and internal auditors;
- (v) access to the procurement of independent professional or other advice; and
- (vi) the prerogative to convene meetings with the external auditors, without the presence of the executive members of the committee, whenever it deems necessary or upon the request of the external auditors.



audit committee's report (cont'd)

Attendance at Audit Committee Meetings

The attendance of Audit Committee members in the Audit Committee meetings of the Company held during the financial period ended 31 March 2006 is as follows:-

| Directors | Meeting Attendance |
|------------------------------------|--------------------|
| Ong See Seng | 7/7 |
| Dato' Khor Ah Hua @ Khor Choo Fong | 6/7 |
| Sia Kim Kiat | 6/7 |
| Lim Kim Meng | 7/7 |
| Harbhajan Singh a/l Ujagar Singh | 7/7 |

Activities Undertaken by Audit Committee

The activities of the Audit Committee during the financial period ended 31 March 2006 were as follows:-

- (i) reviewed the Group's annual audited financial statements presented by the external auditors and recommended the same to the Board for approval;
- (ii) reviewed the announcements on quarterly financial results;
- (iii) assessed the performance and proposed fees of the external auditors;
- (iv) reviewed the audit plan, nature and scope of work with the external auditors; and
- (v) reviewed the internal audit report with the internal auditors, evaluating the adequacy of the approach and work performed via the Internal Audit programmes and results thereon.

Employee Share Option Scheme (ESOS)

The shareholders of the Company had, via an Extraordinary General Meeting, approved the by-laws governing the ESOS. The Option Committee approved by the Board to administer the said scheme according to the provisions of the by-laws as adopted.

Internal Audit Function

The Internal Auditors meet with the Audit Committee periodically to present their reports and to discuss their findings and the adequacy of the internal control system of the Group. These reports, once satisfactorily reviewed by the Audit Committee, will then be presented to the Board.

Details of the activities of the Internal Auditors are set out in the Statement on Internal Control on pages 24 and 25.



statement of directors' responsibilities in respect of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company for each financial period are drawn up in accordance with the requirements of the applicable MASB Approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad, so as to give a true and fair view of the state of affairs of the Group and of the Company and of the results and cash flows of the Group and of the Company for the financial period then ended.

In preparing the annual audited financial statements, the Directors have:-

- applied the appropriate and relevant accounting policies on a consistent basis;
- ensured that applicable MASB approved accounting standards have been complied with;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting and other statutory records are kept in compliance with the provisions of the Companies Act, 1965, so as to disclose with reasonable accuracy for the financial and corporate position of the Group and of the Company at any time.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.



financial
statements

Directors' Report [31](#) Statement by Directors [38](#)
Statutory Declaration [38](#) Report of Auditors to the Members [39](#)
Income Statements [41](#) Balance Sheets [42](#)
Consolidated Statement of Changes in Equity [44](#)
Company Statement of Changes in Equity [45](#)
Cash Flow Statements [46](#) Notes to the Financial Statements [49](#)

simple touch
simply the best

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the period of 15 months ended 31 March 2006.

CHANGE OF NAME

With effect from 6 June 2006, the Company changed its name from Audrey International (M) Bhd. to Asia Brands Corporation Berhad.

CHANGE OF YEAR END

During the period, the Company changed its accounting year end from 31 December to 31 March.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

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

RESULTS

| | Group RM | Company RM |
|-----------------------|------------------|------------------|
| Profit after taxation | <u>8,809,588</u> | <u>1,647,548</u> |

There were no material transfers to or from reserves or provisions during the financial period other than as disclosed in the statement of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The amount of dividend paid by the Company since 31 December 2004 was as follows:

RM

In respect of the financial year ended 31 December 2004 as reported in the directors' report of that year:

| | |
|--|------------------|
| Final dividend of 3.5% less 28% taxation, on 50,706,267 ordinary shares, declared on 27 June 2005 and paid on 22 September 2005 | <u>1,277,546</u> |
|--|------------------|

At the forthcoming Annual General Meeting, a final dividend in respect of the financial period ended 31 March 2006, of 5% less 28% taxation on 50,706,267 ordinary shares (excluding treasury shares), amounting to a total dividend payable of RM1,825,426 (3.6 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial period do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2007.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

| | |
|---|--|
| Tan Sri Datuk Arshad Bin Ayub | |
| Dato' Ng Tiong Seng | |
| Ng Chin Huat | |
| Sia Kim Kiat | |
| Dato' Khor Ah Hua @ Khor Choo Fong | |
| Dato' Haji Abdul Raman bin Suliman | (resigned on 3 March 2006) |
| Ong See Seng | |
| Harbhajan Singh a/l Ujagar Singh | |
| Kong Sau Kian | (resigned on 26 May 2006) |
| Lim Kim Meng | |
| Low Wee Chin | (ceased as alternate director on 25 July 2006) |
| (alternate to Dato' Ng Tiong Seng) | |
| Sharifah Hanizah binti Syed Mustaffa | (ceased as alternate director on 25 July 2006) |
| (alternate to Harbhajan Singh a/l Ujagar Singh) | |
| Law Boon Eng | (appointed on 26 May 2006) |

DIRECTORS (CONTD.)

In accordance with Article 122 of the Company's Articles of Association, Sia Kim Kiat and Lim Kim Meng retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 108 of the Company's Articles of Association, Law Boon Eng retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Tan Sri Datuk Arshad bin Ayub and Dato' Ng Tiong Seng retire pursuant to Section 129 of the Companies Act, 1965 and a resolution is being proposed for their re-appointment as directors under the provision of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

DIRECTORS' BENEFITS

Neither at the end of the financial period, nor at any time during that period, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial period in shares and options over the shares in the Company and its related corporations during the financial period were as follows:

directors' report (cont'd)

DIRECTORS' INTERESTS (CONTD.)

| | No. of ordinary shares of RM1.00 each | | | |
|--------------------------------|---------------------------------------|--------|-----------|-----------------|
| | At 1.1.2005 | Bought | Sold | At 31.3.2006 |
| The Company | | | | |
| <i>Direct interest</i> | | | | |
| Tan Sri Datuk Arshad bin Ayub | 2,044,039 | - | - | 2,044,039 |
| Ng Chin Huat | 1,825,000 | - | 800,000 | 1,025,000 |
| Sia Kim Kiat | 12,000 | - | - | 12,000 |
| <i>Indirect interest</i> | | | | |
| Tan Sri Datuk Arshad bin Ayub* | 6,278,125 | - | 1,200,000 | 5,078,125 |
| Dato' Ng Tiong Seng ** | 21,932,997 | - | 3,300,000 | 18,632,997 |
| Ng Chin Huat ** | 20,107,997 | - | 2,500,000 | 17,607,997 |
| Sia Kim Kiat ** | 21,920,997 | - | 3,300,000 | 18,620,997 |
| Low Wee Chin ** | 21,932,997 | - | 3,300,000 | 18,632,997 |

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the option holder who have been granted option of less than 100,000 shares. The name of directors and the number of options granted are set out below:

| | Option Price RM | No. of option over ordinary shares of RM 1.00 each | | | At 31.3.2006 |
|--------------|-----------------------|--|---------|-----------|-----------------|
| | | At 1.1.2005 | Granted | Exercised | |
| Ng Chin Huat | 1.40 | 300,000 | - | - | 300,000 |
| Ng Chin Huat | 1.27 | 100,000 | - | - | 100,000 |
| Sia Kim Kiat | 1.40 | 320,000 | - | - | 320,000 |

By virtue of the interest in the Company, Tan Sri Datuk Arshad bin Ayub, Dato' Ng Tiong Seng, Ng Chin Huat, Sia Kim Kiat and Low Wee Chin are also deemed to have an interest in shares of all the subsidiaries of the Company to the extent that the Company has an interest.

* Via family members and/or Zalaraz Sdn. Bhd.

** Via spouse, family members and/or Ng Tiong Seng Corporation Sdn. Bhd.

Other than as disclosed, none of the other directors in office at the end of the financial period had any interest in shares and options over ordinary shares in the Company or its related corporations during the financial period.

WARRANTS

The 2002/2012 Warrants are constituted by a Deed Poll dated 1 August 2001 executed by the Company. The warrants were listed on Bursa Malaysia Securities Berhad on 18 February 2002. The main features of the 2002/2012 Warrants are as follows:

- (a) Each warrant will entitle the registered holders to subscribe for a new ordinary share of RM1.00 each at par in the Company at an exercise price of RM1.15 each, subject to the adjustment from time to time in accordance with the conditions as stipulated in the Deed Poll.
- (b) The warrants may be exercised at any time between 18 February 2003, being the date of the first anniversary of the issue of the warrants and the expiry date of ten (10) years from the date of issue of the rights to allotment of warrants on 18 February 2002. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
- (c) The new ordinary shares of RM1.00 each to be issued pursuant to the exercise of the warrants will rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the record date of which is on or before the date of allotment and issue of the new ordinary shares of the Company pursuant to the exercise of the warrants.

For the purpose hereof, record date means the date as at the close of business on which the shareholders must be registered as members of the Company in order to participate in any dividends, rights allotments or any other distributions.

TREASURY SHARES

During the financial period, the Company repurchased 2,158,400 of its issued ordinary shares of RM1.00 each from the open market with internally generated funds at an average price of RM1.09 per share. The total consideration paid for the repurchase including transaction cost was RM2,359,202. These shares were being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The total treasury shares as at 31 March 2006 amounted to 2,168,400 shares.

Accordingly, the issued and paid up share capital of the Company with voting rights as at 31 March 2006 was 50,706,267 (2004: 52,864,667) shares. Such treasury shares are held at carrying amount of RM2,376,367 and further relevant details are disclosed in Note 24 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME

The Company implemented an Employees' Share Option Scheme ("ESOS") on 11 January 2002 in accordance with the by-laws approved by the shareholders at an Extraordinary General Meeting held on 26 June 2001. The ESOS shall be in force for a period of five (5) years expiring on 10 January 2007. Details of the ESOS are as disclosed in Note 23 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the option holder who have been granted option of less than 100,000 shares. The list of employees granted options to subscribe for 100,000 or more ordinary shares of RM 1 each during the financial period is as follows:

| | Employee | Grant Date | Expiry Date | Exercise Price | Number of Share Options | | |
|----|------------------|------------|-------------|----------------|-------------------------|-----------|-----------|
| | | | | RM | Granted | Lapsed | 31.3.2006 |
| 1. | Yap Ben Cheh | 05.07.2004 | 09.01.2007 | 1.27 | 100,000 | - | 100,000 |
| 2. | Law Boon Eng | 05.07.2004 | 09.01.2007 | 1.27 | 140,000 | - | 140,000 |
| 3. | Cheah Kong Leong | 05.07.2004 | 09.01.2007 | 1.27 | 100,000 | (100,000) | - |
| 4. | Cheah Yong Hock | 05.07.2004 | 09.01.2007 | 1.27 | 140,000 | - | 140,000 |
| 5. | Khor Joe Jack | 05.07.2004 | 09.01.2007 | 1.27 | 100,000 | (100,000) | - |
| 6. | Boon Choong Kong | 05.07.2004 | 09.01.2007 | 1.27 | 140,000 | - | 140,000 |

Details of options granted to directors are disclosed in the section on directors' interest in this report.

OTHER STATUTORY INFORMATION

- (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 allowance for doubtful debts and satisfied themselves that all known bad debts and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONTD.)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial period.
- (f) In the opinion of the directors:
 - (i) 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 period which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial period in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

Tan Sri Datuk Arshad bin Ayub

Ng Chin Huat

Selangor Darul Ehsan, Malaysia
25 July 2006

statement by directors

pursuant to section 169(15) of the companies act, 1965

ASIA BRANDS[●]
ANNUAL REPORT 2006

We, Tan Sri Datuk Arshad bin Ayub and Ng Chin Huat, being two of the directors of Asia Brands Corporation Berhad (formerly known as Audrey International (M) Bhd.), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 41 to 88 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2006 and of the results and the cash flows of the Group and of the Company for the period then ended.

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

Tan Sri Datuk Arshad bin Ayub

Ng Chin Huat

Selangor Darul Ehsan, Malaysia
25 July 2006

statutory declaration

pursuant to section 169(16) of the companies act, 1965

I, Ng Hui Tieng, being the officer primarily responsible for the financial management of Asia Brands Corporation Berhad (formerly known as Audrey International (M) Bhd.), do solemnly and sincerely declare that the financial statements set out on pages 41 to 88 are in my opinion, 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 Ng Hui Tieng at
Selangor Darul Ehsan, Malaysia
on 25 July 2006

Ng Hui Tieng

Before me,

report of auditors

to the members of Asia Brands Corporation Berhad
(formerly known as Audrey International (M) Bhd.)

ASIA BRANDS ●
ANNUAL REPORT 2006

We have audited the financial statements set out on pages 41 to 88. 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 to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those 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 presentation of the financial statements. 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 the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 March 2006 and of the results and the cash flows of the Group and of the Company for the period then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

report of auditors (cont'd)

We have considered the financial statements and the auditors' reports of the subsidiaries, as indicated in Note 11 to the financial statements, being financial statements which are included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

Ernst & Young
AF: 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/07(J)
Partner

Kuala Lumpur, Malaysia
25 July 2006

income statements

for the period ended from 1 january 2005 to 31 march 2006

| | Note | Group | | Company | |
|-----------------------------------|------|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Revenue | 3 | 173,077,751 | 124,925,087 | 8,510,600 | 6,379,600 |
| Cost of sales | | (84,960,788) | (63,232,950) | - | - |
| Gross profit | | 88,116,963 | 61,692,137 | 8,510,600 | 6,379,600 |
| Other operating income | | 671,933 | 518,452 | 261,696 | 262,731 |
| Selling and distribution expenses | | (66,161,902) | (43,958,393) | - | - |
| Administration expenses | | (8,876,529) | (10,222,102) | (6,583,898) | (4,524,084) |
| Other operating expenses | | - | (298,185) | - | - |
| Profit from operations | | 13,750,465 | 7,731,909 | 2,188,398 | 2,118,247 |
| Finance cost | | (1,335,624) | (1,670,364) | (490,293) | (757,318) |
| Profit before taxation | 4 | 12,414,841 | 6,061,545 | 1,698,105 | 1,360,929 |
| Taxation | 7 | (3,605,253) | (1,907,096) | (50,557) | (501,068) |
| Profit after taxation | | 8,809,588 | 4,154,449 | 1,647,548 | 859,861 |
| Basic earnings per share | 9 | 17.12 sen | 7.86 sen | | |
| Diluted earnings per share | 9 | 17.12 sen | 7.62 sen | | |
| Net dividend per share | 8 | 2.52 sen | 2.52 sen | 2.52 sen | 2.52 sen |

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

balance sheets as at 31 March 2006

| | Note | Group | | Company | |
|-------------------------------|------|-------------------|--------------------|-------------------|-------------------|
| | | 31.3.2006 RM | 31.12.2004 RM | 31.3.2006 RM | 31.12.2004 RM |
| NON CURRENT ASSETS | | | | | |
| Property, plant and equipment | 10 | 25,857,509 | 26,614,071 | 414,104 | 350,688 |
| Investments in subsidiaries | 11 | - | - | 67,088,970 | 67,088,970 |
| Other investments | 12 | 148,679 | 1,201,201 | 148,679 | 1,201,201 |
| Trademarks | 13 | 300,065 | 272,763 | 216,013 | 255,361 |
| Goodwill on consolidation | 14 | 4,205,000 | 4,577,731 | - | - |
| | | <u>30,511,253</u> | <u>32,665,766</u> | <u>67,867,766</u> | <u>68,896,220</u> |
| CURRENT ASSETS | | | | | |
| Inventories | 15 | 45,755,332 | 47,698,570 | - | - |
| Trade receivables | 16 | 26,827,508 | 34,119,944 | - | - |
| Other receivables | 17 | 7,432,647 | 9,927,733 | 11,425,668 | 23,439,863 |
| Cash and bank balances | 18 | 6,054,363 | 8,671,672 | 1,410,564 | 994,759 |
| | | <u>86,069,850</u> | <u>100,417,919</u> | <u>12,836,232</u> | <u>24,434,622</u> |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 19 | 3,182,840 | 11,161,944 | - | - |
| Other payables | 20 | 6,668,654 | 7,865,541 | 12,169,228 | 12,710,536 |
| Borrowings | 21 | 15,892,451 | 26,595,754 | - | 8,707,865 |
| Provision for taxation | | 257,744 | 999,134 | - | 58,220 |
| | | <u>26,001,689</u> | <u>46,622,373</u> | <u>12,169,228</u> | <u>21,476,621</u> |
| NET CURRENT ASSETS | | <u>60,068,161</u> | <u>53,795,546</u> | <u>667,004</u> | <u>2,958,001</u> |
| | | <u>90,579,414</u> | <u>86,461,312</u> | <u>68,534,770</u> | <u>71,854,221</u> |

balance sheets (cont'd)

| | Note | Group | | Company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 31.3.2006 RM | 31.12.2004 RM | 31.3.2006 RM | 31.12.2004 RM |
| FINANCED BY: | | | | | |
| Share capital | 23 | 52,874,667 | 52,874,667 | 52,874,667 | 52,874,667 |
| Share premium | | 8,693,483 | 8,693,483 | 8,693,483 | 8,693,483 |
| Retained profits | 25 | 29,887,083 | 22,355,041 | 9,342,987 | 8,972,985 |
| | | <u>91,455,233</u> | <u>83,923,191</u> | <u>70,911,137</u> | <u>70,541,135</u> |
| Less: treasury shares | 24 | (2,376,367) | (17,165) | (2,376,367) | (17,165) |
| Shareholders' funds after treasury shares | | 89,078,866 | 83,906,026 | 68,534,770 | 70,523,970 |
| Borrowings | 21 | - | 1,378,738 | - | 1,330,251 |
| Deferred taxation | 26 | 1,500,548 | 1,176,548 | - | - |
| | | <u>90,579,414</u> | <u>86,461,312</u> | <u>68,534,770</u> | <u>71,854,221</u> |

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

consolidated statement of changes in equity

for the period ended from 1 January 2005 to 31 March 2006

ASIA BRANDS
ANNUAL REPORT 2006

| | Note | Share Capital RM | Share Premium RM | Retained Profits RM | Treasury Shares RM | Total RM |
|-----------------------------|------|------------------------|------------------------|---------------------------|--------------------------|-------------------|
| At 1 January 2004 | | 52,823,667 | 8,673,083 | 19,532,908 | (17,165) | 81,012,493 |
| ESOS exercised | 23 | 51,000 | 20,400 | - | - | 71,400 |
| Profit for the year | | - | - | 4,154,449 | - | 4,154,449 |
| Dividends | 8 | - | - | (1,332,316) | - | (1,332,316) |
| At 31 December 2004 | | <u>52,874,667</u> | <u>8,693,483</u> | <u>22,355,041</u> | <u>(17,165)</u> | <u>83,906,026</u> |
| At 1 January 2005 | | 52,874,667 | 8,693,483 | 22,355,041 | (17,165) | 83,906,026 |
| Purchase of treasury shares | | - | - | - | (2,359,202) | (2,359,202) |
| Profit for the period | | - | - | 8,809,588 | - | 8,809,588 |
| Dividends | 8 | - | - | (1,277,546) | - | (1,277,546) |
| At 31 March 2006 | | <u>52,874,667</u> | <u>8,693,483</u> | <u>29,887,083</u> | <u>(2,376,367)</u> | <u>89,078,866</u> |

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

company statement of changes in equity

for the period ended from 1 january 2005 to 31 march 2006

ASIA BRANDS
ANNUAL REPORT 2006

| | Note | Share Capital RM | Share Premium RM | Retained Profits RM | Treasury Shares RM | Total RM |
|-----------------------------|------|------------------------|------------------------|---------------------------|--------------------------|-------------------|
| At 1 January 2004 | | 52,823,667 | 8,673,083 | 9,445,440 | (17,165) | 70,925,025 |
| ESOS exercised | 23 | 51,000 | 20,400 | - | - | 71,400 |
| Profit for the year | | - | - | 859,861 | - | 859,861 |
| Dividends | 8 | - | - | (1,332,316) | - | (1,332,316) |
| At 31 December 2004 | | 52,874,667 | 8,693,483 | 8,972,985 | (17,165) | 70,523,970 |
| At 1 January 2005 | | 52,874,667 | 8,693,483 | 8,972,985 | (17,165) | 70,523,970 |
| Purchase of treasury shares | | - | - | - | (2,359,202) | (2,359,202) |
| Profit for the period | | - | - | 1,647,548 | - | 1,647,548 |
| Dividends | 8 | - | - | (1,277,546) | - | (1,277,546) |
| At 31 March 2006 | | 52,874,667 | 8,693,483 | 9,342,987 | (2,376,367) | 68,534,770 |

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

cash flow statements

for the period ended from 1 january 2005 to 31 march 2006

ASIA BRANDS
ANNUAL REPORT 2006

| | Group | | Company | |
|---|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 12,414,841 | 6,061,545 | 1,698,105 | 1,360,929 |
| Adjustments for: | | | | |
| Amortisation of goodwill | 372,731 | 298,185 | - | - |
| Allowance for doubtful debts (net of recoveries) | 3,476,304 | 3,253,156 | - | - |
| Bad debts written off | 60,149 | - | 60,149 | - |
| Inventories written off | 144,487 | 32,537 | - | - |
| Allowance for obsolete inventories | 653,816 | 200,000 | - | - |
| Impairment losses in other investments | 49,400 | 48,758 | 49,400 | 48,758 |
| Short term accumulating compensated absences | 14,533 | 64,567 | - | 5,383 |
| Property, plant and equipment written off | 78,894 | 5,044 | - | - |
| Impairment of property, plant and equipment | 165,000 | - | - | - |
| Depreciation | 4,809,320 | 3,048,152 | 161,805 | 133,183 |
| Amortisation of trademarks | 57,601 | 34,318 | 39,768 | 31,794 |
| (Net write back)/Provision for employees' benefits | (61,327) | 116,550 | (7,462) | 35,327 |
| Interest expense | 1,170,327 | 1,510,968 | 468,008 | 738,683 |
| Gain on disposal of other investments | (128,530) | (65,273) | (128,530) | (65,273) |
| Gain on disposal of property plant and equipment | (85,550) | (126,895) | - | - |

cash flow statements (cont'd)

| | Group | | Company | |
|--|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Interest income | (46,788) | (7,283) | (133,024) | (187,146) |
| Dividend income | (75,600) | (81,600) | (2,075,600) | (1,581,600) |
| Operating profit before working capital changes | 23,069,608 | 14,392,729 | 132,619 | 520,038 |
| Changes in working capital: | | | | |
| Subsidiaries | - | - | 12,176,541 | 4,370,270 |
| Inventories | 1,144,935 | (4,581,536) | - | - |
| Receivables | 6,251,069 | 2,168,202 | (137,618) | (563,821) |
| Payables | (8,140,544) | (1,245,342) | (146,331) | 293,108 |
| Cash generated from operations | 22,325,068 | 10,734,053 | 12,025,211 | 4,619,595 |
| Interest paid | (1,170,327) | (1,510,968) | (468,008) | (738,683) |
| Taxation paid | (4,990,128) | (3,346,201) | - | - |
| Net cash generated from operating activities | 16,164,613 | 5,876,884 | 11,557,203 | 3,880,912 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 46,788 | 7,283 | 133,024 | 187,146 |
| Dividend received | 54,432 | 58,752 | 1,494,432 | 81,600 |
| Purchase of property, plant and equipment | (4,331,302) | (3,717,750) | (225,221) | (42,380) |
| Purchase of trademarks | (84,903) | - | (420) | - |
| Purchase of investments in quoted shares | (354,958) | (459,815) | (354,958) | (459,815) |

cash flow statements (cont'd)

| | Group | | Company | |
|---|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Proceeds from disposal of property, plant and equipment | 120,200 | 313,184 | - | 24,059 |
| Proceeds from disposal of investments in quoted shares | 1,486,610 | 668,134 | 1,486,610 | 668,135 |
| Net cash (used in)/generated from investing activities | (3,063,133) | (3,130,212) | 2,533,467 | 458,745 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Drawdown from: | | | | |
| - revolving credits | 4,500,000 | 1,750,000 | 4,500,000 | 1,750,000 |
| - bankers' acceptances | 68,636,000 | 48,461,000 | - | - |
| Repayment of: | | | | |
| - revolving credits | (11,500,000) | (2,250,000) | (11,500,000) | (2,250,000) |
| - term loans | (3,124,117) | (1,888,358) | (3,038,117) | (1,585,359) |
| - bankers' acceptances | (70,467,000) | (40,422,854) | - | - |
| - hire purchase creditor | (126,924) | (45,056) | - | - |
| Proceeds from ESOS exercised | - | 51,000 | - | 51,000 |
| Share premium utilisation | - | 20,400 | - | 20,400 |
| Purchase of own shares | (2,359,202) | - | (2,359,202) | - |
| Dividend paid | (1,277,546) | (1,332,316) | (1,277,546) | (1,332,316) |
| Net cash (used in)/generated from financing activities | (15,718,789) | 4,343,816 | (13,674,865) | (3,346,275) |
| Net (decrease)/increase in cash and cash equivalents | (2,617,309) | 7,090,488 | 415,805 | 993,382 |
| Cash and cash equivalents at beginning of period | 8,671,672 | 1,581,184 | 994,759 | 1,377 |
| Cash and cash equivalents at end of period (Note 18) | 6,054,363 | 8,671,672 | 1,410,564 | 994,759 |

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

notes to the financial statements

- 31 march 2006

ASIA BRANDS[●]
ANNUAL REPORT 2006

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 11. There have been no significant changes in the nature of these activities during the financial period.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 10449, Jalan Nenas, Batu 4 ½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan, Malaysia.

The number of employees in the Group and in the Company at the end of the financial period were 1,210 (2004: 1,099) and 75 (2004: 69) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 July 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia .

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (o). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

(d) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (o).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (o).

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

| | |
|---|-----------|
| Buildings | 2% |
| Renovation | 10% |
| Motor vehicles | 20% |
| Furniture, fixtures, fittings and equipment | 10% - 25% |
| Sewing machines and equipment | 10% - 25% |

Capital work-in-progress was fully impaired in prior year.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(f) Trademarks

Trademarks are stated at cost less amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (o).

Trademarks are amortised over a period of 20 years.

notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of raw materials comprises the original cost of purchase plus the cost of bringing the raw materials to their present location and condition.

The cost of finished goods and work-in-progress includes cost of raw material, direct labour and attributable overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance leases

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date.

All exchange rate differences are taken to the income statement.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date used are as follows:

| | 31.3.2006 | 31.12.2004 |
|----------------------|-----------|------------|
| | RM | RM |
| United States Dollar | 3.69 | 3.80 |

(i) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Provisions for Liabilities

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

(l) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(m) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

(iii) Equity Compensation Benefits

The Company's Employees' Share Option Scheme ("ESOS") allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Employee Benefits (Contd.)

(iv) Termination Benefits

The Group pays termination benefits in cases of termination of employment within the framework of a restructuring. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

(n) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of Goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Interest and Rental Income

Interest is recognised on a time proportion basis that reflects the effective yield on the assets. Rental income is recognised on an accrual basis.

(iii) Dividend Income

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

(o) Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Financial Instruments

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

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

(i) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Trade and Other Payables

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

(iii) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(iv) Other Investments

Investments in quoted shares are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (o). Cost is determined based on the weighted average basis.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

notes to the financial statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Financial Instruments (Contd.)

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statements on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is recognised in equity.

3. REVENUE

| | Group | | Company | |
|-----------------------|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Gross dividend income | | | | |
| - subsidiaries | - | - | 2,000,000 | 1,500,000 |
| - quoted shares | 75,600 | 81,600 | 75,600 | 81,600 |
| Sale of goods | 173,002,151 | 124,843,487 | - | - |
| Management services | - | - | 6,435,000 | 4,798,000 |
| | <u>173,077,751</u> | <u>124,925,087</u> | <u>8,510,600</u> | <u>6,379,600</u> |

notes to the financial statements (cont'd)

4. PROFIT BEFORE TAXATION

| | Group | | Company | |
|--|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Profit before taxation is arrived at after charging/(crediting): | | | | |
| Staff costs (Note 5) | 34,755,255 | 24,296,503 | 4,283,238 | 2,612,251 |
| Non-executive directors' remuneration (Note 6) | | | | |
| - current period | 316,075 | 263,950 | 316,075 | 263,950 |
| Auditors' remuneration | | | | |
| - current period | 118,123 | 95,000 | 23,625 | 18,000 |
| - under provided in prior year | 5,000 | - | 900 | - |
| Amortisation of goodwill | 372,731 | 298,185 | - | - |
| Depreciation (Note 10) | 4,809,320 | 3,048,152 | 161,805 | 133,183 |
| Amortisation of trademarks | 57,601 | 34,318 | 39,768 | 31,794 |
| Rental of premises | 9,869,161 | 6,802,084 | 108,000 | - |
| Interest expense | 1,170,327 | 1,510,968 | 468,008 | 738,683 |
| Allowance for doubtful debts (net of recoveries) | 3,476,304 | 3,253,156 | - | - |
| Impairment losses in other investments | 49,400 | 48,758 | 49,400 | 48,758 |
| Bad debts written off | 60,149 | - | 60,149 | - |
| Property, plant and equipment written off | 78,894 | 5,044 | - | - |
| Gain on disposal of property, plant and equipment | (85,550) | (126,895) | - | - |
| Gain on disposal of other investments | (128,530) | (65,273) | (128,530) | (65,273) |
| Interest income | | | | |
| - short term/long term deposits | (46,788) | (7,283) | (5,996) | - |
| - amount due from subsidiary | - | - | (127,028) | (187,146) |
| (Net write back)/Provision for employees' benefits | (61,327) | 116,550 | (7,462) | 35,327 |
| Impairment of property, plant and equipment | 165,000 | - | - | - |
| Allowance for obsolete inventories | 653,816 | 200,000 | - | - |
| Inventories written off | 144,487 | 32,537 | - | - |

notes to the financial statements (cont'd)

5. STAFF COSTS

| | Group | | Company | |
|---|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Wages and salaries | 30,579,081 | 21,297,734 | 3,675,593 | 2,282,242 |
| Social security costs | 370,249 | 730,737 | 33,888 | 18,398 |
| Short term accumulating compensated absences | 14,533 | 64,567 | - | 5,383 |
| Pension costs - Defined Contribution Plans | 3,038,044 | 1,757,877 | 403,953 | 260,757 |
| Other staff related expenses | 753,348 | 445,588 | 169,804 | 45,471 |
| | <u>34,755,255</u> | <u>24,296,503</u> | <u>4,283,238</u> | <u>2,612,251</u> |

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM932,960 (2004: RM807,520) and RM666,400 (2004: RM588,000) respectively as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Directors of the Company | | | | |
| Executive | | | | |
| Salaries and other emoluments | 525,000 | 420,000 | 525,000 | 420,000 |
| Bonus | 70,000 | 105,000 | 70,000 | 105,000 |
| Pension costs - Defined Contribution Plans | 71,400 | 63,000 | 71,400 | 63,000 |
| Benefits-in-kind | 15,500 | 23,950 | 15,500 | 23,950 |
| | <u>681,900</u> | <u>611,950</u> | <u>681,900</u> | <u>611,950</u> |
| Non-executive | | | | |
| Fees | 302,750 | 240,000 | 302,750 | 240,000 |
| Benefits-in-kind | 13,325 | 23,950 | 13,325 | 23,950 |
| | <u>316,075</u> | <u>263,950</u> | <u>316,075</u> | <u>263,950</u> |

notes to the financial statements (cont'd)

6. DIRECTORS' REMUNERATION (CONTD.)

| | Group | | Company | |
|---|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Other Directors | | | | |
| Executive | | | | |
| Salaries and other emoluments | 210,000 | 168,000 | - | - |
| Bonus | 28,000 | 28,000 | - | - |
| Pension costs - Defined Contribution Plans | 28,560 | 23,520 | - | - |
| | <u>266,560</u> | <u>219,520</u> | <u>-</u> | <u>-</u> |
| Total | <u>1,264,535</u> | <u>1,095,420</u> | <u>997,975</u> | <u>875,900</u> |
| Analysis excluding benefits-in-kind: | | | | |
| Total executive directors' remuneration excluding benefits-in-kind (Note 5) | 932,960 | 807,520 | 666,400 | 588,000 |
| Total non-executive directors' remuneration excluding benefits-in-kind | <u>302,750</u> | <u>240,000</u> | <u>302,750</u> | <u>240,000</u> |
| Total directors' remuneration excluding benefits-in-kind | <u>1,235,710</u> | <u>1,047,520</u> | <u>969,150</u> | <u>828,000</u> |

The number of directors of the Company whose total remuneration during the period fell within the following bands is analysed below:

| | Number of Directors | |
|-----------------------|---------------------|------------|
| | 31.3.2006 | 31.12.2004 |
| Executive directors: | | |
| RM600,001 - RM650,000 | - | 1 |
| RM650,001 - RM700,000 | 1 | - |

notes to the financial statements (cont'd)

6. DIRECTORS' REMUNERATION (CONTD.)

| | Number of Directors | |
|--------------------------|---------------------|------------|
| | 31.3.2006 | 31.12.2004 |
| Non-executive directors: | | |
| Below RM50,000 | 7 | 7 |
| RM50,001 - RM100,000 | 2 | 2 |

7. TAXATION

| | Group | | Company | |
|--|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
| Tax expense for the period: | | | | |
| Malaysian income tax | 4,400,482 | 1,957,006 | 496,678 | 501,068 |
| (Over)/underprovision in prior years: | (1,119,229) | 56,542 | (446,121) | - |
| Deferred taxation relating to origination and reversal of temporary differences (Note 26) | 324,000 | (106,452) | - | - |
| | <u>3,605,253</u> | <u>1,907,096</u> | <u>50,557</u> | <u>501,068</u> |

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% of the estimated assessable profit for the period. Certain subsidiaries with a paid-up capital of RM2,500,000 and below are subject to tax at rate of 20% on chargeable income up to RM500,000. For chargeable income in excess of RM500,000, tax at rate of 28% is still applicable.

notes to the financial statements (cont'd)

7. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

| Group | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
|--|---|--|
| Profit before taxation | 12,414,841 | 6,061,545 |
| Taxation at statutory tax rate of 28% (2004: 28%) | 3,476,155 | 1,697,233 |
| Effect of different tax rate on subsidiaries with paid-up capital RM2.5 million and below | (115,403) | (101,556) |
| Effect of income not subject to tax | (67,266) | (677,484) |
| Effect of expenses not deductible for tax purposes | 1,430,289 | 901,534 |
| Utilisation of previously unabsorbed capital allowances | - | (12,912) |
| Deferred tax asset not recognised during the period | 707 | 43,739 |
| (Over)/underprovided in prior years | (1,119,229) | 56,542 |
| Tax expense for the period | <u>3,605,253</u> | <u>1,907,096</u> |
| Company | | |
| Profit before taxation | 1,698,105 | 1,360,929 |
| Taxation at statutory tax rate of 28% (2004: 28%) | 475,469 | 381,060 |
| Effect of income not subject to tax | (38,078) | (206,831) |
| Effect of expenses not deductible for tax purposes | 59,287 | 326,839 |
| Over provided in prior years | (446,121) | - |
| Tax expense for the period | <u>50,557</u> | <u>501,068</u> |

notes to the financial statements (cont'd)

8. DIVIDENDS

| | Group/Company | | Amount | |
|---|------------------------|-------------|------------------|------------------|
| | Net dividend per share | | | |
| | 1.1.2005 | 1.1.2004 | 1.1.2005 | 1.1.2004 |
| | to | to | to | to |
| | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 |
| | Sen | Sen | RM | RM |
| In respect of financial period ended 31 December/31 March | | | | |
| - Final dividend of 3.5% less tax at 28%, paid on | | | | |
| 22 September 2005/2004 | 2.52 | 2.52 | 1,277,546 | 1,332,316 |
| | <u>2.52</u> | <u>2.52</u> | <u>1,277,546</u> | <u>1,332,316</u> |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial period ended 31 March 2006, of 5% less 28% taxation on 50,706,267 ordinary shares (excluding treasury shares), amounting to a total dividend payable of RM1,825,426 (3.6 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial period do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2007.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the financial period. In arriving at the weighted average number of ordinary shares in issue during the financial period, treasury shares held by the Company had been excluded.

| | Group | |
|---|-------------------|-------------------|
| | 1.1.2005 | 1.1.2004 |
| | to | to |
| | 31.3.2006 | 31.12.2004 |
| Profit after taxation (RM) | <u>8,809,588</u> | <u>4,154,449</u> |
| Weighted average number of ordinary shares in issue | <u>51,471,216</u> | <u>52,851,647</u> |
| Basic earnings per shares (sen) | <u>17.12</u> | <u>7.86</u> |

notes to the financial statements (cont'd)

9. EARNINGS PER SHARE (CONTD.)

(b) Diluted

No account is taken of the outstanding 2002/2012 Warrants and ESOS as at the end of the financial period in the computation of diluted earnings per share as it is improbable that the 2002/2012 Warrants and ESOS will be exercised given that the unit price of the Company's shares is below the exercisable price pursuant to the terms of the 2002/2012 Warrants and ESOS. Accordingly the diluted earnings per share for the current period is presented as equal to basic earnings per share.

For the purpose of calculating diluted earnings per share for year ended 31 December 2004, the net profit for that year and the weighted average number of ordinary shares in issue during that financial year have been adjusted for the effects of dilutive potential ordinary shares from the exercise of the warrants and the ESOS. The exercise price for warrants is RM1.15 and for ESOS is RM1.40, RM1.53 and RM1.27 respectively as disclosed in Note 23 to the financial statements.

The adjusted weighted average number of ordinary shares is the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares which would be issued in the event of warrants and ESOS being exercised.

| | Group | |
|---|-----------------------------|------------------------------|
| | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 |
| Profit after taxation (RM) | 8,809,588 | 4,154,449 |
| Weighted average number of ordinary shares in issue | 51,471,216 | 52,851,647 |
| Adjustment for assumed warrants exercised | - | 1,470,199 |
| Adjustment for assumed ESOS exercised | - | 195,645 |
| Adjusted weighted average number of ordinary shares in issue and issuable | 51,471,216 | 54,517,491 |
| Diluted earnings per share (sen) | 17.12 | 7.62 |

notes to the financial statements (cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold Land RM | Buildings RM | Renovation RM | Motor Vehicles RM | Furniture, Fixtures, Fittings & Equipment RM | Sewing Machines & Equipment RM | Capital Work - In - Progress RM | Total RM |
|---|------------------------|------------------|------------------|-------------------------|--|---|--|-------------------|
| Cost | | | | | | | | |
| At 1 January 2005 | 3,413,032 | 9,386,801 | 2,016,111 | 1,969,114 | 31,449,733 | 32,161 | 381,024 | 48,647,976 |
| Additions | - | - | 1,172,364 | 382,420 | 2,776,518 | - | - | 4,331,302 |
| Disposals | - | - | - | (276,251) | - | - | - | (276,251) |
| Written off | - | - | (59,799) | (165,296) | (38,560) | - | - | (263,655) |
| At 31 March 2006 | <u>3,413,032</u> | <u>9,386,801</u> | <u>3,128,676</u> | <u>1,909,987</u> | <u>34,187,691</u> | <u>32,161</u> | <u>381,024</u> | <u>52,439,372</u> |
| Accumulated Depreciation and Impairment Losses | | | | | | | | |
| At 1 January 2005 | - | 1,098,582 | 483,026 | 1,546,995 | 18,493,140 | 31,138 | 381,024 | 22,033,905 |
| Depreciation charge for the period (Note 4) | - | 234,670 | 287,594 | 215,797 | 4,070,622 | 637 | - | 4,809,320 |
| Disposals | - | - | - | (241,601) | - | - | - | (241,601) |
| Impairment | - | - | - | - | 165,000 | - | - | 165,000 |
| Written off | - | - | (6,730) | (165,295) | (12,736) | - | - | (184,761) |
| At 31 March 2006 | <u>-</u> | <u>1,333,252</u> | <u>763,890</u> | <u>1,355,896</u> | <u>22,716,026</u> | <u>31,775</u> | <u>381,024</u> | <u>26,581,863</u> |
| Net Book Value | | | | | | | | |
| At 31 March 2006 | <u>3,413,032</u> | <u>8,053,549</u> | <u>2,364,786</u> | <u>554,091</u> | <u>11,471,665</u> | <u>386</u> | <u>-</u> | <u>25,857,509</u> |
| At 31 December 2004 | <u>3,413,032</u> | <u>8,288,219</u> | <u>1,533,085</u> | <u>422,119</u> | <u>12,956,593</u> | <u>1,023</u> | <u>-</u> | <u>26,614,071</u> |
| Depreciation charge for 2004 (Note 4) | <u>-</u> | <u>187,736</u> | <u>119,338</u> | <u>208,123</u> | <u>2,532,955</u> | <u>-</u> | <u>-</u> | <u>3,048,152</u> |

notes to the financial statements (cont'd)

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

| | Office Equipment RM | Furniture and Fittings RM | Capital Work- in Progress RM | Motor Vehicles RM | Renovation RM | Total RM |
|---|---------------------------|---------------------------------|------------------------------------|-------------------------|------------------|-------------|
| Company | | | | | | |
| Cost | | | | | | |
| At 1 January 2005 | 40,720 | 1,660 | 381,024 | 973,402 | - | 1,396,806 |
| Additions | 146,011 | 34,879 | - | - | 44,331 | 225,221 |
| At 31 March 2006 | 186,731 | 36,539 | 381,024 | 973,402 | 44,331 | 1,622,027 |
| Accumulated Depreciation and Impairment Losses | | | | | | |
| At 1 January 2005 | 1,568 | 138 | 381,024 | 663,388 | - | 1,046,118 |
| Depreciation charge for the period (Note 4) | 40,268 | 1,225 | - | 119,236 | 1,076 | 161,805 |
| At 31 March 2006 | 41,836 | 1,363 | 381,024 | 782,624 | 1,076 | 1,207,923 |
| Net Book Value | | | | | | |
| At 31 March 2006 | 144,895 | 35,176 | - | 190,778 | 43,255 | 414,104 |
| At 31 December 2004 | 39,152 | 1,522 | - | 310,014 | - | 350,688 |
| Depreciation charge for 2004 (Note 4) | 1,568 | 138 | - | 131,477 | - | 133,183 |

Net book values of property, plant and equipment held under hire purchase arrangements are as follows:

| | Group | |
|----------------|-----------|------------|
| | 31.3.2006 | 31.12.2004 |
| | RM | RM |
| Motor vehicles | 1 | 82,480 |

notes to the financial statements (cont'd)

11. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|-------------------------|------------|------------|
| | 31.3.2006 | 31.12.2004 |
| | RM | RM |
| Unquoted shares at cost | 67,088,970 | 67,088,970 |

11,352,326 ordinary shares of RM1.00 each at par of a subsidiary, Anakku Holdings Sdn. Bhd., costing RM11,352,326 are pledged to a commercial bank for bank borrowings of the Company as referred to in Note 21.

Details of the subsidiaries are as follows:

| | Principal Activities | Country of Incorporation | Effective Equity Interest | |
|----------------------------------|---|--------------------------|---------------------------|------------|
| | | | 31.3.2006 | 31.12.2004 |
| | | | % | % |
| AIMB Marketing Sdn. Bhd. | Marketing and trading of lingerie and ladies' leisure wear | Malaysia | 100 | 100 |
| Audrey Body Fashion Sdn. Bhd. | Inactive | Malaysia | 100 | 100 |
| Pelita Hebat Sdn. Bhd. | Investment holding and provision of rental of properties | Malaysia | 100 | 100 |
| Anakku Holdings Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |
| Anakku Baby Connection Sdn. Bhd. | Trading and retailing of children's wear, care and related products | Malaysia | 100 | 100 |

notes to the financial statements (cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONTD.)

| | Principal Activities | Country of Incorporation | Effective Equity Interest | |
|---|---|--------------------------|---------------------------|--------------|
| | | | 31.3.2006 % | 31.12.2004 % |
| Anakku Baby Products Sdn. Bhd. | Trading and retailing of children's wear, care and related products | Malaysia | 100 | 100 |
| Anakku LSR Baby Products Sdn. Bhd. | Inactive | Malaysia | 100 | 100 |
| Generasi Arif (M) Sdn. Bhd. | Inactive | Malaysia | 100 | 100 |
| Weltex Knitwear Industries Sdn. Bhd. | Inactive | Malaysia | 100 | 100 |
| Subsidiary company of AIMB Marketing Sdn. Bhd. | | | | |
| AIMB Cottonshop Sdn. Bhd. | Marketing and trading of lingerie and ladies' leisure wear | Malaysia | 100 | 100 |

notes to the financial statements (cont'd)

12. OTHER INVESTMENTS

| | Group/Company | |
|-------------------------------------|----------------|------------------|
| | 31.3.2006 | 31.12.2004 |
| | RM | RM |
| Quoted shares in Malaysia, at cost | 521,837 | 1,524,959 |
| Less: Accumulated impairment losses | (373,158) | (323,758) |
| | <u>148,679</u> | <u>1,201,201</u> |
| Market value of quoted shares | <u>148,679</u> | <u>1,201,201</u> |

13. TRADEMARKS

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 |
| | RM | RM | RM | RM |
| At 1 January 2005/1 January 2004 | 888,919 | 888,919 | 635,870 | 635,870 |
| Addition | 84,903 | - | 420 | - |
| Accumulated amortisation | (673,757) | (616,156) | (420,277) | (380,509) |
| | <u>300,065</u> | <u>272,763</u> | <u>216,013</u> | <u>255,361</u> |

14. GOODWILL ON CONSOLIDATION

| | Group | |
|----------------------------------|------------------|------------------|
| | 31.3.2006 | 31.12.2004 |
| | RM | RM |
| At 1 January 2005/1 January 2004 | 5,963,692 | 5,963,692 |
| Less: Accumulated amortisation | (1,758,692) | (1,385,961) |
| | <u>4,205,000</u> | <u>4,577,731</u> |

notes to the financial statements (cont'd)

15. INVENTORIES

| | Group | |
|----------------|------------|------------|
| | 31.3.2006 | 31.12.2004 |
| | RM | RM |
| At cost: | | |
| Finished goods | 45,755,332 | 47,542,280 |
| Raw materials | - | 156,290 |
| | 45,755,332 | 47,698,570 |

The cost of inventories recognised as an expense during the financial period in the Group amounted to RM84,960,788 (2004: RM61,740,843).

16. TRADE RECEIVABLES

| | Group | |
|------------------------------|-------------|-------------|
| | 31.3.2006 | 31.12.2004 |
| | RM | RM |
| Trade debtors | 32,073,877 | 40,086,882 |
| Allowance for doubtful debts | (5,246,369) | (5,966,938) |
| | 26,827,508 | 34,119,944 |

The Group's normal trade credit terms ranges from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

17. OTHER RECEIVABLES

| | Group | | Company | |
|-----------------------|-----------|------------|------------|------------|
| | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 |
| | RM | RM | RM | RM |
| Due from subsidiaries | | | | |
| - interest bearing | - | - | 6,270,742 | 11,411,120 |
| - interest free | - | - | 4,261,603 | 11,685,281 |
| Deposits | 2,441,168 | 2,594,685 | 91,957 | 2,500 |
| Prepayments | 3,113,541 | 747,123 | 144,985 | 56,345 |
| Sundry receivables | 119,401 | 3,006,201 | - | 73,625 |
| Tax recoverable | 1,758,537 | 3,579,724 | 656,381 | 210,992 |
| | 7,432,647 | 9,927,733 | 11,425,668 | 23,439,863 |

notes to the financial statements (cont'd)

17. OTHER RECEIVABLES (CONTD.)

The amount due from subsidiaries are unsecured, interest free and have no fixed terms of repayment except for advances due from a subsidiary which bear interest rate of 1.34% per annum (2004: 1.34% per annum).

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

18. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|------------------------------|------------------|------------------|------------------|----------------|
| | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 |
| | RM | RM | RM | RM |
| Cash on hand and at banks | 2,185,684 | 8,506,852 | 760,564 | 994,759 |
| Deposits with licensed banks | 3,868,679 | 164,820 | 650,000 | - |
| Cash and cash equivalents | <u>6,054,363</u> | <u>8,671,672</u> | <u>1,410,564</u> | <u>994,759</u> |

In prior year, deposits with licensed banks of the Group amounting to RM164,820 were pledged to banks for credit facilities granted to certain subsidiaries as referred to in Note 21.

The weighted average effective interest rates and average maturities of deposits at the balance sheet date were as follows:

| Group | Weighted average effective interest rates | | Average maturities | |
|----------------|---|------------|--------------------|------------|
| | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 |
| | % | % | Days | Days |
| Licensed banks | <u>3.0</u> | <u>3.2</u> | <u>30</u> | <u>30</u> |

19. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 120 days.

notes to the financial statements (cont'd)

20. OTHER PAYABLES

| | Group | | Company | |
|--------------------------------|------------------|------------------|-------------------|-------------------|
| | 31.3.2006 RM | 31.12.2004 RM | 31.3.2006 RM | 31.12.2004 RM |
| Due to subsidiaries | - | - | 11,564,270 | 11,951,785 |
| Due to directors | 288,690 | 229,152 | 288,690 | 229,152 |
| Due to a corporate shareholder | - | 1,546,639 | - | - |
| Accruals | 4,413,104 | 2,994,033 | 63,343 | 72,087 |
| Sundry payables | 1,966,860 | 3,095,717 | 252,925 | 457,512 |
| | <u>6,668,654</u> | <u>7,865,541</u> | <u>12,169,228</u> | <u>12,710,536</u> |

The amounts due to subsidiaries, directors and a corporate shareholder are unsecured, interest-free and have no fixed terms of repayment.

21. BANK BORROWINGS

| | Group | | Company | |
|------------------------------|-------------------|-------------------|-----------------|------------------|
| | 31.3.2006 RM | 31.12.2004 RM | 31.3.2006 RM | 31.12.2004 RM |
| Short Term Borrowings | | | | |
| Secured: | | | | |
| Revolving credits | - | 5,000,000 | - | 5,000,000 |
| Bankers' acceptances | 10,152,000 | 11,585,000 | - | - |
| Term loans | - | 1,793,866 | - | 1,707,865 |
| Hire purchase (Note 22) | 1,451 | 79,888 | - | - |
| | <u>10,153,451</u> | <u>18,458,754</u> | <u>-</u> | <u>6,707,865</u> |
| Unsecured: | | | | |
| Revolving credits | - | 2,000,000 | - | 2,000,000 |
| Bankers' acceptances | 5,739,000 | 6,137,000 | - | - |
| | <u>5,739,000</u> | <u>8,137,000</u> | <u>-</u> | <u>2,000,000</u> |
| | <u>15,892,451</u> | <u>26,595,754</u> | <u>-</u> | <u>8,707,865</u> |

notes to the financial statements (cont'd)

21. BANK BORROWINGS (CONTD.)

| | Group | | Company | |
|---|-------------------|-------------------|-----------|-------------------|
| | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 |
| | RM | RM | RM | RM |
| Long Term Borrowings | | | | |
| Secured: | | | | |
| Term loans | - | 1,330,251 | - | 1,330,251 |
| Hire purchase (Note 22) | - | 48,487 | - | - |
| | <u>-</u> | <u>1,378,738</u> | <u>-</u> | <u>1,330,251</u> |
| Total Borrowings | | | | |
| Revolving credits | - | 7,000,000 | - | 7,000,000 |
| Bankers' acceptances | 15,891,000 | 17,722,000 | - | - |
| Term loans | - | 3,124,117 | - | 3,038,117 |
| Hire purchase (Note 22) | 1,451 | 128,375 | - | - |
| | <u>15,892,451</u> | <u>27,974,492</u> | <u>-</u> | <u>10,038,117</u> |
| Maturity of borrowings (excluding hire purchase) | | | | |
| Within one year | 15,891,000 | 26,467,379 | - | 8,707,866 |
| More than 1 year and less than 2 years | - | 1,378,738 | - | 1,330,251 |
| | <u>15,891,000</u> | <u>27,846,117</u> | <u>-</u> | <u>10,038,117</u> |

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase, were as follows:

| | Group | | Company | |
|-----------------------------|-----------|------------|-----------|------------|
| | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 |
| | % | % | % | % |
| Bank overdrafts | 8.25 | 7.50 | 8.25 | - |
| Revolving credits | 4.80 | 5.20 | 4.80 | 5.20 |
| Term loans (floating rates) | 8.25 | 7.50 | 8.25 | 7.50 |
| Bankers' acceptances | 4.40 | 3.30 | - | - |

notes to the financial statements (cont'd)

21. BANK BORROWINGS (CONTD.)

The bank overdrafts, term loan and bankers' acceptances of the Group are secured by the following:

- (a) Fixed and floating charge over the assets of certain subsidiaries; and
- (b) Corporate guarantee from the Company.

The term loans and revolving credits of the Company were settled during the period. The facilities, which are secured by a pledge on 11,352,326 ordinary shares of RM1.00 each at par of a subsidiary, Anakku Holdings Sdn. Bhd. as disclosed in Note 11, is now pending discharge following the full settlement of these borrowings during the period.

22. HIRE PURCHASE

| | Group | |
|---|-----------|------------|
| | 31.3.2006 | 31.12.2004 |
| | RM | RM |
| Minimum hire purchase payments: | | |
| Not later than 1 year | 1,892 | 97,418 |
| Later than 1 year and no later than 2 years | - | 58,577 |
| Later than 2 year and no later than 5 years | - | 1,220 |
| | 1,892 | 157,215 |
| Less: Future finance charges | (441) | (28,840) |
| Present value of finance lease liabilities | 1,451 | 128,375 |
| Present value of hire purchase liabilities | | |
| Not later than 1 year | 1,451 | 79,888 |
| Later than 1 year and no later than 2 years | - | 48,487 |
| | 1,451 | 128,375 |
| Analysed as: | | |
| Due within 12 months (Note 21) | 1,451 | 79,888 |
| Due after 12 months (Note 21) | - | 48,487 |
| | 1,451 | 128,375 |

The hire purchase bore interest at the balance sheet date of 5.75% (2004: 4.6%) per annum.

notes to the financial statements (cont'd)

23. SHARE CAPITAL

| | Group/Company | | | |
|---|---|---------------------|-------------------|-------------------|
| | Number of Ordinary Share of RM1 Each | | Amount | |
| | 31.3.2006 Units | 31.12.2004 Units | 31.3.2006 RM | 31.12.2004 RM |
| Authorised: | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Issued and fully paid: | | | | |
| At 1 January 2005/1 January 2004 | 52,874,667 | 52,823,667 | 52,874,667 | 52,823,667 |
| Issued and paid up during the year: | | | | |
| - Exercise of Employees' Share Options | - | 51,000 | - | 51,000 |
| | <u>52,874,667</u> | <u>52,874,667</u> | <u>52,874,667</u> | <u>52,874,667</u> |

(a) On 11 January 2002, the Company established the ESOS. The main features of the ESOS are as follows:

- (i) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the full time employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of directors;
- (ii) The total number of shares to be offered shall not exceed in aggregate 10% of the issued share and paid-up share capital of the Company at any point of time during the duration of the ESOS, which shall be in force for a period of five years from the effective date;

notes to the financial statements (cont'd)

23. SHARE CAPITAL (CONTD.)

(a) On 11 January 2002, the Company established the ESOS. The main features of the ESOS are as follows: (contd.)

(iii) The option price for each share shall be the higher of the following;

1) at a discount of not more than 10% from the weighted average market quotation of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days preceding the date of offer; or

2) the par value of the shares.

(iv) No offer shall be made for less than 1,000 shares nor more than 500,000 shares to any eligible employee;

(v) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company before the expiry of five years from the date of the offer or such shorter period as may be specified in such offer; and

(vi) The number of shares under option or the option price or both so far as the option remains unexercised may be adjusted following any variation in the issued share capital of the Company by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of the Company's shares made by the Company.

Information with respect to the movement in the number of options granted under the ESOS is as follows:

| | Number of Share Options | |
|----------------------------------|-------------------------|------------------|
| | 31.3.2006 | 31.12.2004 |
| At 1 January 2005/1 January 2004 | 4,495,000 | 2,123,000 |
| Granted | - | 2,505,000 |
| Exercised | - | (51,000) |
| Resigned | (681,000) | (82,000) |
| | <u>3,814,000</u> | <u>4,495,000</u> |

notes to the financial statements (cont'd)

23. SHARE CAPITAL (CONTD.)

Details of share options granted during the period:

| Exercise Period | Exercise Price RM | Number of Share Options | |
|-------------------------|----------------------|-------------------------|------------|
| | | 31.3.2006 | 31.12.2004 |
| 05.07.2004 - 09.01.2007 | 1.27 | - | 2,505,000 |

Details of share options exercised during the period and the fair value, at exercise date, of shares issued are as follows:

| Exercise Date | Exercise Price RM | Consideration Received RM | Number of Share Options Exercised | | Fair Value of Shares Issued RM |
|---------------|----------------------|------------------------------|-----------------------------------|---------------|-----------------------------------|
| | | | 31.3.2006 | 31.12.2004 | |
| 24.02.2004 | 1.40 | 5,600 | - | 4,000 | 1.57 |
| 01.03.2004 | 1.40 | 11,200 | - | 8,000 | 1.56 |
| 07.03.2004 | 1.40 | 9,800 | - | 7,000 | 1.56 |
| 22.03.2004 | 1.40 | 21,000 | - | 15,000 | 1.56 |
| 30.03.2004 | 1.53 | 7,650 | - | 5,000 | 1.56 |
| 08.04.2004 | 1.40 | 9,800 | - | 7,000 | 1.48 |
| 08.12.2004 | 1.27 | 6,350 | - | 5,000 | 1.39 |
| | | <u>71,400</u> | <u>-</u> | <u>51,000</u> | |

The terms of share options outstanding as at the end of the period are as follows:

| Exercise Period | Exercise Price RM | Number of Share Options Outstanding | |
|-------------------------|----------------------|-------------------------------------|------------------|
| | | 31.3.2006 | 31.12.2004 |
| 17.05.2003 - 09.01.2007 | 1.40 | 1,629,000 | 1,650,000 |
| 02.01.2004 - 09.01.2007 | 1.53 | 360,000 | 360,000 |
| 05.07.2004 - 09.01.2007 | 1.27 | 1,825,000 | 2,485,000 |
| | | <u>3,814,000</u> | <u>4,495,000</u> |

notes to the financial statements (cont'd)

23. SHARE CAPITAL (CONTD.)

- (b) The 2002/2012 Warrants issued in financial year ended 31 December 2002 entitle the registered holders to subscribe for one new ordinary share of RM1.00 each at par in the Company at an exercise price of RM1.15 each, exercisable at any time within a period between 18 February 2003, being the date of the first anniversary of the issue of the warrants and the expiry date of ten (10) years from the date of issue of the rights to allotment of warrants on 18 February 2002. The exercise price of the 2002/2012 Warrants is subject to adjustment from time to time in accordance with the condition as stipulated in the Deed Poll executed by the Company on 1 August 2001.

The movement of warrants is as follows:

| | Number of Warrants | |
|-----------------------------|--------------------|------------|
| | 31.3.2006 | 31.12.2004 |
| At beginning/ end of period | 6,166,667 | 6,166,667 |

24. TREASURY SHARES

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by a special resolution passed in a general meeting held on 27 June 2005, renewed their approval for the Company's plan to repurchase its own shares. The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The Company had during the financial period, repurchased 2,158,400 of its issued ordinary shares from the open market at an average price of RM1.09 per share. The consideration for the repurchase including transaction costs totalling RM2,359,202 was paid with internally generated funds. These shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The total treasury shares as at 31 March 2006 amounted to 2,168,400 shares. Accordingly, the issued and paid up share capital of the Company with voting rights as at 31 March 2006 was 50,706,267 (2004: 52,864,667) shares.

notes to the financial statements (cont'd)

25. RETAINED PROFITS

As at 31 March 2006, the Company has tax exempt profits available for distribution of approximately RM3,616,000 (2004: RM3,616,000), 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 the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 March 2006.

26. DEFERRED TAXATION

Movement of deferred tax liabilities of the Group during the financial period are as follows:

| Group | 31.3.2006 RM | 31.12.2004 RM |
|---|-----------------|---|
| At 1 January 2005/1 January 2004 | 1,176,548 | 1,283,000 |
| Recognised in the income statement (Note 7) | 324,000 | (106,452) |
| | 1,500,548 | 1,176,548 |
| | | Property, Plant and Equipment RM |
| At 1 January 2005 | | 1,176,548 |
| Recognised in the income statement | | 324,000 |
| At 31 March 2006 | | 1,500,548 |
| At 1 January 2004 | | 1,283,000 |
| Recognised in the income statement | | (106,452) |
| At 31 December 2004 | | 1,176,548 |

Deferred tax assets have not been recognised in respect of the following items:

| | Group 31.3.2006 RM | 31.12.2004 RM |
|-------------------------------|--------------------------|------------------|
| Unused tax losses | 520,537 | 767,352 |
| Unabsorbed capital allowances | - | 460,670 |
| | 520,537 | 1,228,022 |

notes to the financial statements (cont'd)

26. DEFERRED TAXATION (CONTD.)

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a history of losses.

| Company | 31.3.2006 RM | 31.12.2004 RM |
|-----------------------------------|------------------|------------------|
| Management fee from subsidiaries | 6,435,000 | 4,798,000 |
| Interest income from subsidiaries | 127,028 | 187,146 |
| Gross dividends from subsidiaries | <u>2,000,000</u> | <u>1,500,000</u> |

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

28. CONTINGENT LIABILITIES

| Company | 31.3.2006 RM | 31.12.2004 RM |
|---|-------------------|-------------------|
| Unsecured | | |
| Corporate guarantees given to financial institutions in respect of credit facilities extended to: | | |
| - subsidiaries | <u>47,800,000</u> | <u>38,737,000</u> |

notes to the financial statements (cont'd)

29. COMMITMENTS

Non-Cancellable Operating Lease Commitments

| | 1.1.2005 to 31.3.2006 RM | 1.1.2004 to 31.12.2004 RM |
|--|-----------------------------------|------------------------------------|
| Group | | |
| Future minimum rentals payable: | | |
| Not later than 1 year | 2,031,230 | 5,486,858 |
| Later than 1 year and not later than 5 years | 6,085,743 | 5,248,799 |
| | <u>8,116,973</u> | <u>10,735,657</u> |

Operating lease payments represents rentals payable by the Group for use of shoplots in shopping complexes and buildings. Generally, the leases are negotiated for an average term of 2 years to 3 years.

30. COMPARATIVES

The year end of the Company was changed from 31 December to 31 March during the period. Accordingly, comparative amounts for the income statements, statements of changes in equity, cash flow statements and the related notes are not in respect of comparable periods.

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 March 2006.

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

The investments in financial assets are long-term in nature and they are not held for speculative purposes.

31. FINANCIAL INSTRUMENTS (CONTD.)

(c) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(d) Credit Risk

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

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

(e) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Company as at the end of the financial period are represented as follows:

notes to the financial statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONTD.)

(e) Fair Values (contd.)

| Company | Carrying Amount RM | Fair Value RM |
|------------------------------|--------------------------|------------------|
| Financial Assets | | |
| As at 31 March 2006 | | |
| Amount due from subsidiaries | 10,532,345 | # |
| As at 31 December 2004 | | |
| Amount due from subsidiaries | 23,096,401 | # |
| Financial Liabilities | | |
| As at 31 March 2006 | | |
| Amount due to subsidiaries | 11,564,270 | # |
| As at 31 December 2004 | | |
| Amount due to subsidiaries | 11,951,785 | # |

It is not practical to estimate the fair values of amounts due to/from subsidiaries mainly due to lack of fixed repayment term entered between the parties involved and without incurring excessive costs.

notes to the financial statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONTD.)

(e) Fair Values (Contd.)

The nominal/notional amount and net fair value of financial instruments not recognised in the balance sheet of the Company as at the end of the financial period are:

| | Notional Amount RM | Net Fair Value RM |
|--|--------------------------|-------------------------|
| At 31 March 2006: Contingent liabilities | 47,800,000 | ## |
| At 31 December 2004: Contingent liabilities | 38,737,000 | ## |

It is not practical to estimate the fair value of contingent liabilities due to uncertainties of timing, costs and eventual outcome.

The following methods and assumptions are used to estimate the fair value of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables, Payables and Short Term Borrowings

The carrying amounts approximate the fair values due to the relatively short term maturity of these financial instruments.

(ii) Other Investments

The fair value of quoted shares is determined by reference to stock exchange quoted market prices at the close of the business on the balance sheet date.

notes to the financial statements (cont'd)

32. SEGMENTAL REPORTING

BUSINESS SEGMENTS

| | Trading | | Manufacturing | | Investment Holding | | Consolidated | |
|------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| REVENUE | | | | | | | | |
| Sales | 191,813,828 | 145,005,644 | - | 1,272,553 | 9,760,517 | 7,123,360 | 201,574,345 | 153,401,557 |
| Inter-segment sales | (18,812,089) | (20,592,042) | - | (842,668) | (9,684,505) | (7,041,760) | (28,496,594) | (28,476,470) |
| Total external revenue | 173,001,739 | 124,413,602 | - | 429,885 | 76,012 | 81,600 | 173,077,751 | 124,925,087 |

RESULT

| | | | | | | | | |
|------------------------|------------|------------|---|-------------|-------------|-------------|-------------|-------------|
| Segment result | 20,795,631 | 13,853,153 | - | (1,030,356) | (7,257,251) | (5,257,567) | 13,538,380 | 7,565,230 |
| Interest expense | | | | | | | (1,170,327) | (1,510,968) |
| Interest income | | | | | | | 46,788 | 7,283 |
| Profit before taxation | | | | | | | 12,414,841 | 6,061,545 |
| Income taxes | | | | | | | (3,605,253) | (1,907,096) |
| Profit after taxation | | | | | | | 8,809,588 | 4,154,449 |

notes to the financial statements (cont'd)

32. SEGMENTAL REPORTING (CONTD.)

| | Trading | | Manufacturing | | Investment Holding | | Consolidated | |
|-------------------------|-------------------|--------------------|---------------|----------------|--------------------|-------------------|--------------------|--------------------|
| | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 | 31.3.2006 | 31.12.2004 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| ASSETS | | | | | | | | |
| Segment assets | 95,470,353 | 108,063,586 | - | 71,844 | 19,352,213 | 15,939,648 | 114,822,566 | 124,075,078 |
| Unallocated assets | 1,026,008 | 2,499,023 | - | 87,152 | 732,529 | 6,422,432 | 1,758,537 | 9,008,607 |
| | <u>96,496,361</u> | <u>110,562,609</u> | <u>-</u> | <u>158,996</u> | <u>20,084,742</u> | <u>22,362,080</u> | <u>116,581,103</u> | <u>133,083,685</u> |
| LIABILITIES | | | | | | | | |
| Segment liabilities | 26,185,105 | 34,495,544 | - | 27,599 | 1,059,388 | 12,249,682 | 27,244,493 | 46,772,825 |
| Unallocated liabilities | 245,211 | 1,847,580 | - | - | 12,533 | 557,254 | 257,744 | 2,404,834 |
| | <u>26,430,316</u> | <u>36,343,124</u> | <u>-</u> | <u>27,599</u> | <u>1,071,921</u> | <u>12,806,936</u> | <u>27,502,237</u> | <u>49,177,659</u> |

notes to the financial statements (cont'd)

32. SEGMENTAL REPORTING (CONTD.)

| | Trading | | Manufacturing | | Investment Holding | | Consolidated | |
|--|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 | 1.1.2005 to 31.3.2006 | 1.1.2004 to 31.12.2004 |
| | RM | RM | RM | RM | RM | RM | RM | RM |
| OTHER INFORMATION | | | | | | | | |
| Capital expenditure | 4,106,081 | 3,690,986 | - | - | 225,221 | 16,290 | 4,331,302 | 3,707,276 |
| Amortisation of | | | | | | | | |
| - goodwill | - | - | - | - | 372,731 | 298,185 | 372,731 | 298,185 |
| - trademark | 17,833 | 2,524 | - | - | 39,768 | 31,794 | 57,601 | 34,318 |
| Depreciation | 4,384,734 | 2,704,743 | - | - | 424,568 | 343,409 | 4,809,302 | 3,048,152 |
| Non-cash expenses other than amortisation and depreciation | | | | | | | | |
| - allowance for doubtful debts (net of recoveries) | 3,476,304 | 3,253,156 | - | - | - | - | 3,476,304 | 3,253,156 |
| - bad debts written off | - | - | - | - | 60,149 | - | 60,149 | - |
| - impairment losses in other investment | - | - | - | - | 49,400 | 48,758 | 49,400 | 48,758 |
| - short term accumulating compensated absences | 14,533 | 64,567 | - | - | - | - | 14,533 | 64,567 |
| - allowance for obsolete inventories | 653,816 | 200,000 | - | - | - | - | 653,816 | 200,000 |
| - property, plant and equipment written off | 78,894 | 5,044 | - | - | - | - | 78,894 | 5,044 |
| - inventories written off | 144,487 | 32,537 | - | - | - | - | 144,487 | 32,537 |

32. SEGMENTAL REPORTING (CONTD.)

The principal activities of the respective business segments are as follows:

- (a) Trading - marketing and trading of lingerie, ladies' leisure wear, children's wear, care and related products.
- (b) Manufacturing - manufacturing of lingerie, ladies' leisure wear, children's wear and related products. This business segment has been discontinued during prior year.
- (c) Investment holding - provision of management services and rental of properties.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Segmental information relating to geographical areas of operation has not been presented as the Group operates in Malaysia.

33. CURRENCY

All amounts are stated in Ringgit Malaysia.

analysis of shareholdings as at 8 august 2006

Authorised Share Capital : RM 100,000,000.00
 Issued and Paid-up Share Capital : RM 50,706,267.00
 Class of Shares : Ordinary shares of RM1.00 each
 Voting Rights : One vote per ordinary share

Distribution of Shareholdings

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Shares Held |
|---|---------------------|-------------------|--------------------|------------------|
| Less than 100 | 139 | 12.43 | 3,998 | 0.01 |
| 100 - 1,000 | 134 | 11.99 | 115,458 | 0.22 |
| 1,001 – 10,000 | 750 | 67.08 | 2,548,589 | 5.03 |
| 10,001 – 100,000 | 75 | 6.71 | 1,858,794 | 3.67 |
| 100,001 – 2,643,732 (less than 5% of issued shares) | 17 | 1.52 | 18,212,764 | 35.92 |
| 2,643,733 (5% of issued shares) and above | 3 | 0.27 | 27,966,664 | 55.15 |
| Total | 1,118 | 100.00 | 50,706,267 | 100.00 |

Directors' Direct and Indirect Interests in Shares in the Company

Other than as disclosed below, there is no other Director of the Company who has interests, direct or indirect, in shares in the Company.

| | Direct | | Indirect | |
|-------------------------------|--------------------|------------------|--------------------|------------------|
| | No. of Shares Held | % of Shares Held | No. of Shares Held | % of Shares Held |
| Tan Sri Datuk Arshad Bin Ayub | 2,044,039 | 4.03 | 5,078,125 | 10.01 |
| Dato' Ng Tiong Seng | - | - | 18,836,997 | 37.15 |
| Ng Chin Huat | 1,025,000 | 2.02 | 17,811,997 | 35.13 |
| Sia Kim Kiat | 12,000 | 0.02 | 18,824,997 | 37.13 |

The above directors are also deemed interested in shares in subsidiaries of the Company to the extent that the Company has an interest.

Substantial Shareholders as Per Register of Substantial Shareholders

| | Direct | | Indirect | |
|-------------------------------------|--------------------|------------------|--------------------|------------------|
| | No. of Shares Held | % of Shares Held | No. of Shares Held | % of Shares Held |
| Ng Tiong Seng Corporation Sdn. Bhd. | 17,799,997 | 35.10 | - | - |
| Perak Corporation Berhad | 11,666,667 | 23.01 | - | - |
| Zalaraz Sdn. Bhd. | 5,078,125 | 10.01 | - | - |
| Tan Sri Datuk Arshad Bin Ayub | 2,044,039 | 4.03 | 5,078,125 | 10.01 |
| Dato' Ng Tiong Seng | - | - | 18,836,997 | 37.15 |
| Ng Chin Huat | 1,025,000 | 2.02 | 17,811,997 | 35.13 |
| Sia Kim Kiat | 12,000 | 0.02 | 18,824,997 | 37.13 |
| Low Wee Chin | - | - | 18,836,997 | 37.15 |
| Datin Chan Lai Har | - | - | 18,836,997 | 37.15 |
| Ng Chin Heng | - | - | 18,836,997 | 37.15 |
| Ng Chin Hoong | - | - | 18,836,997 | 37.15 |
| Ng Chin Loong | - | - | 18,836,997 | 37.15 |
| Ng Siew Leng | 62,000 | 0.12 | 18,836,997 | 37.15 |
| Yeap Bee Ling | 90,000 | 0.18 | 18,836,997 | 37.15 |

analysis of shareholdings (cont'd)

Top Thirty Securities Account Holders

(without aggregating the securities from different securities accounts belonging to the same Depositor)

| No. | Name | No. of Shares Held | % of Shares Held |
|-----|--|--------------------|------------------|
| 1. | RC Nominees (Tempatan) Sdn. Bhd. - Perak Corporation Berhad | 11,666,667 | 23.01 |
| 2. | Ng Tiong Seng Corporation Sdn. Bhd. | 9,149,997 | 18.05 |
| 3. | RC Nominees (Tempatan) Sdn. Bhd. - Ng Tiong Seng Corporation Sdn. Bhd. (SBB TIKPS) | 7,150,000 | 14.10 |
| 4. | Audrey International (M) Bhd Share Buy Back Account | 2,168,400 | 4.28 |
| 5. | Malaysia Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Zalaraz Sdn. Bhd. (01-00259-000) | 2,000,000 | 3.94 |
| 6. | Malaysia Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Tan Sri Datuk Arshad Bin Ayub (01-00207-000) | 1,790,000 | 3.53 |
| 7. | Unique Portfolio Sdn. Bhd. | 1,664,300 | 3.28 |
| 8. | Zalaraz Sdn. Bhd. | 1,578,125 | 3.11 |
| 9. | HLB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Ng Tiong Seng Corporation Sdn. Bhd. | 1,500,000 | 2.96 |
| 10. | Prestasio Sdn. Bhd. | 1,260,000 | 2.48 |
| 11. | Abdul Aziz Bin Mohamed Hussain | 1,200,000 | 2.37 |
| 12. | Tandaraya Sdn. Bhd. | 1,051,200 | 2.07 |
| 13. | Ng Chin Huat | 1,025,000 | 2.02 |
| 14. | Mayban Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Zalaraz Sdn. Bhd. (514011644302) | 1,000,000 | 1.97 |
| 15. | Hikmat Bahagia Sdn Bhd | 1,000,000 | 1.97 |
| 16. | Choo Bay See | 800,000 | 1.58 |
| 17. | Sia Yoke Lian | 796,500 | 1.57 |
| 18. | Ching Chooi Kuan | 526,800 | 1.04 |
| 19. | Mayban Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Zalaraz Sdn. Bhd. (51401189284A) | 500,000 | 0.99 |
| 20. | HLB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Chu Siew Siang | 266,800 | 0.53 |
| 21. | Arshad Bin Ayub | 254,039 | 0.50 |
| 22. | Chen Fui Chung | 93,000 | 0.18 |
| 23. | Yeap Bee Ling | 90,000 | 0.18 |
| 24. | Jimmy Lim Thaw Chay | 80,000 | 0.16 |
| 25. | Yip Kim Leng | 71,600 | 0.14 |
| 26. | Lee Choon Hooi | 69,000 | 0.14 |
| 27. | Ng Siew Leng | 62,000 | 0.12 |
| 28. | Kong Tiam | 59,000 | 0.12 |
| 29. | Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Tan Chee @ Tan Choo (STC) | 54,000 | 0.11 |
| 30. | Sim Nyong Thon | 43,000 | 0.08 |
| | Total | 48,969,428 | 96.58 |

analysis of warrant holdings as at 8 august 2006

Distribution of Warrant Holdings

| Size of Warrant Holdings | No. of Warrant Holders | % of Warrant Holders | No. of Warrant Holders | % of Warrant Holders |
|---|------------------------|----------------------|------------------------|----------------------|
| Less than 100 | 115 | 11.76 | 2,396 | 0.04 |
| 100 -1,000 | 470 | 48.06 | 299,948 | 4.86 |
| 1,001 – 10,000 | 323 | 33.03 | 1,186,352 | 19.24 |
| 10,001 – 100,000 | 65 | 6.65 | 1,887,940 | 30.62 |
| 100,001 – 308,332 (less than 5% of issued warrants) | 3 | 0.31 | 378,800 | 6.14 |
| 308,333 (5% of issued warrants) and above | 2 | 0.20 | 2,411,231 | 39.10 |
| Total | 978 | 100.00 | 6,166,667 | 100.00 |

Directors' Direct and Indirect Interests in Warrants in the Company

Other than as disclosed below, there is no other Director of the Company who has interests, direct or indirect, in warrants in the Company.

| | Direct | | Indirect | |
|---------------------|----------------------|--------------------|----------------------|--------------------|
| | No. of Warrants Held | % of Warrants Held | No. of Warrants Held | % of Warrants Held |
| Dato' Ng Tiong Seng | - | - | 1,885,000 | 30.57 |
| Ng Chin Huat | - | - | 1,885,000 | 30.57 |
| Sia Kim Kiat | - | - | 1,885,000 | 30.57 |

Substantial Warrant Holders as Per Register of Substantial Warrant Holders

| | Direct | | Indirect | |
|-------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | No. of Warrants Held | % of Warrants Held | No. of Warrants Held | % of Warrants Held |
| Ng Tiong Seng Corporation Sdn. Bhd. | 1,885,000 | 30.57 | - | - |
| Unique Portfolio Sdn. Bhd. | 526,231 | 8.53 | - | - |
| Dato' Ng Tiong Seng | - | - | 1,885,000 | 30.57 |
| Ng Chin Huat | - | - | 1,885,000 | 30.57 |
| Sia Kim Kiat | - | - | 1,885,000 | 30.57 |
| Low Wee Chin | - | - | 1,885,000 | 30.57 |
| Datin Chan Lai Har | - | - | 1,885,000 | 30.57 |
| Ng Chin Heng | - | - | 1,885,000 | 30.57 |
| Ng Chin Hoong | 25,304 | 0.41 | 1,885,000 | 30.57 |
| Ng Chin Loong | - | - | 1,885,000 | 30.57 |
| Ng Siew Leng | - | - | 1,885,000 | 30.57 |
| Yeap Bee Ling | - | - | 1,885,000 | 30.57 |

analysis of warrant holdings (cont'd)

Top Thirty Warrant Account Holders

(without aggregating the warrants from different warrant accounts belonging to the same Depositor)

| No. | Name | No. of Warrants Held | % of Warrants Held |
|-----|--|----------------------|--------------------|
| 1. | Ng Tiong Seng Corporation Sdn. Bhd. | 1,885,000 | 30.57 |
| 2. | Unique Portfolio Sdn. Bhd. | 526,231 | 8.53 |
| 3. | Ch'ng Gim Chew | 149,800 | 2.43 |
| 4. | HDM Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Curahan Cekal Sdn. Bhd. | 128,000 | 2.08 |
| 5. | Cheng Ah Kow | 101,000 | 1.64 |
| 6. | Md Ali Bin Md Dewal | 100,000 | 1.62 |
| 7. | Lee Seng Pin | 90,000 | 1.46 |
| 8. | Tan Chun Hwee, Vincent (Chen Junhui, Vincent) | 75,000 | 1.22 |
| 9. | Hang Siew Eng | 73,000 | 1.18 |
| 10. | Cheah Jye Pey | 68,000 | 1.10 |
| 11. | Mayban Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Yap Sin Kok (REM 130-Margin) | 66,000 | 1.07 |
| 12. | Lee Teck Hoe | 64,000 | 1.04 |
| 13. | Mayban Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account For Koay Poon Hock (338AB3071) | 61,000 | 0.99 |
| 14. | ECM Libra Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Chan Boon Yong | 55,000 | 0.89 |
| 15. | HLB Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Lim Tiong Seng | 55,000 | 0.89 |
| 16. | Siow Chung Peng | 50,000 | 0.81 |
| 17. | Chen Fui Chung | 45,000 | 0.73 |
| 18. | TA Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Loke Shee Ann | 43,334 | 0.70 |
| 19. | Cheah Wei Jeng | 42,000 | 0.68 |
| 20. | CIMSEC Nominees (Tempatan) Sdn. Bhd. - BCB for Pek Kiam Kek (MM0606) | 40,000 | 0.65 |
| 21. | Lim Poh Mei | 36,000 | 0.58 |
| 22. | Tan Seok Kheng | 35,000 | 0.57 |
| 23. | Mayban Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Ong Wei Hue (868AW2183) | 32,700 | 0.53 |
| 24. | Yio Kim Sim | 31,000 | 0.50 |
| 25. | They Yok Koi | 30,000 | 0.49 |
| 26. | Chia See Huat | 30,000 | 0.49 |
| 27. | Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Wong Ting Ik | 30,000 | 0.49 |
| 28. | Lawrence Albert Kueh Keh Siah @ Jui Sern | 28,100 | 0.46 |
| 29. | Chua Keng Kuan | 26,000 | 0.42 |
| 30. | Ng Chin Hoong | 25,304 | 0.41 |
| | Total | 4,021,469 | 65.22 |

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Company will be held at the Registered Office of the Company at Lot 10449, Jalan Nenas, Batu 4¹/₂, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan on Tuesday, 26 September 2006 at 11.00 a.m. for the following purposes:-



1. To receive the Audited Financial Statements for the financial period ended 31 March 2006 together with the Directors' Report and Auditors' Report thereon. RESOLUTION 1

2. To approve the declaration of a Final Dividend of 5% less 28% income tax in respect of the financial period ended 31 March 2006. RESOLUTION 2

3. To approve the payment of Directors' fees for the financial period ended 31 March 2006. RESOLUTION 3

4. To re-elect the following Directors who shall retire pursuant to Article 122 of the Articles of Association of the Company:-
 - (i) Sia Kim Kiat RESOLUTION 4
 - (ii) Lim Kim Meng RESOLUTION 5

5. To re-elect the following Directors who shall retire pursuant to Article 108 of the Articles of Association of the Company:-
 - (i) Law Boon Eng RESOLUTION 6
 - (ii) Datuk Hj. Tajuddin bin Abdul Rahman RESOLUTION 7

6. To consider and, if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965:-

"That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Datuk Arshad bin Ayub, who has exceeded the age of seventy (70) years, be re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." RESOLUTION 8

"That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Ng Tiong Seng, who has exceeded the age of seventy (70) years, be re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." RESOLUTION 9

7. To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. RESOLUTION 10

notice of annual general meeting (cont'd)

8. As Special Business:-

To consider and, if thought fit, to pass the following ordinary resolutions:-

Ordinary Resolution 1

- Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act, 1965, the Articles of Association of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issues." RESOLUTION 11

Ordinary Resolution 2

- Proposed renewal of authority for Share Buy-Back

"That subject always to the Companies Act, 1965 ("the Act"), the Company's Articles of Association, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the approvals of all relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up ordinary share capital through Bursa Securities, provided that:-

- (a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the existing issued and paid-up ordinary share capital of the Company;*
- (b) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits available for dividend and share premium account of the Company; and*
- (c) the authority conferred by this resolution shall continue to be in force until:-*
 - (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;*
 - (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or*
 - (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,*

notice of annual general meeting (cont'd)

whichever is earlier,

AND THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

- (i) cancel all the shares so purchased; and/or*
- (ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; and/or*
- (iii) retain part thereof as treasury shares and cancel the remainder.*

AND FURTHER THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."

RESOLUTION 12

9. To transact any other ordinary business of which due notice has been given in accordance with the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a Final Dividend of 5% less 28% income tax in respect of the financial period ended 31 March 2006 will be payable on 18 October 2006 to depositors who are registered in the Record of Depositors at the close of business on 28 September 2006, if approved by Members at the forthcoming Nineteenth Annual General Meeting on Tuesday, 26 September 2006.

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

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 28 September 2006 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)
Company Secretaries

Dated: 4 September 2006

notice of annual general meeting (cont'd)

Explanatory Notes to Special Business:-

1. Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed adoption of Ordinary Resolution 1 is primarily to give flexibility to the Board of Directors to allot and issue shares in the Company, up to an amount not exceeding in total 10% of the issued share capital of the Company, any time in their absolute discretion without convening a general meeting.

2. Proposed renewal of authority for Share Buy-Back

The proposed adoption of Ordinary Resolution 2 will allow the Board of Directors to exercise the power of the Company to purchase its own shares, up to 10% of the issued and paid-up share capital of the Company, at any time within the time period stipulated in the Listing Requirements of Bursa Malaysia Securities Berhad.

Notes:

1. A member shall be entitled to attend and vote at this meeting is entitled to appoint a person who is not a member as his proxy.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same general meeting.
3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 10449, Jalan Nenas, Batu 4½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or at any adjournment thereof.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney duly authorised.



statement accompanying notice of annual general meeting

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

Directors Standing for Re-election

The Directors standing for re-election at the Nineteenth Annual General Meeting of the Company to be held at the Registered Office of the Company at Lot 10449, Jalan Nenas, Batu 4 1/2 , Kampung Jawa, 41000 Klang, Selangor Darul Ehsan on Tuesday, 26 September 2006 at 11.00 a.m. are as follows:-

| Name of Directors | Details of Attendance at Board Meetings | Details of Individual Director and other Disclosure Requirements |
|---|---|--|
| Sia Kim Kiat (Article 122 of the Company's Articles of Association) | Refer to Page 18 of Annual Report | Refer to Page 5 of Annual Report |
| Lim Kim Meng (Article 122 of the Company's Articles of Association) | Refer to Page 18 of Annual Report | Refer to Page 7 of Annual Report |
| Law Boon Eng (Article 108 of the Company's Articles of Association) | Refer to Page 18 of Annual Report | Refer to Page 8 of Annual Report |
| Datuk Hj. Tajuddin bin Abdul Rahman (Article 108 of the Company's Articles of Association) | Refer to Page 18 of Annual Report | Refer to Page 8 of Annual Report |
| Tan Sri Datuk Arshad bin Ayub (Section 129(6) of the Companies Act, 1965) | Refer to Page 18 of Annual Report | Refer to Page 4 of Annual Report |
| Dato' Ng Tiong Seng (Section 129(6) of the Companies Act, 1965) | Refer to Page 18 of Annual Report | Refer to Page 4 of Annual Report |

Pursuant to Paragraph 12.06[2(a)] of the Listing Requirements of Bursa Malaysia Securities Berhad

Share Buy-Back Statement

1. Disclaimer Statement

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the Share Buy-Back Statement ("Statement") prior to its issuance as it is an exempt document. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability, whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

statement accompanying notice of annual general meeting (cont'd)

Share Buy-Back Statement (cont'd)

2. Rationale for renewal of authority from the shareholders of the Company to enable the Company to purchase and/or hold up to ten percent (10%) of its issued and paid-up share capital pursuant to Section 67A of the Companies Act, 1965 ("Proposed Renewal of Authority for Share Buy-Back")

The Proposed Renewal of Authority for Share Buy-Back, if exercised, is expected to potentially benefit the Company and its shareholders in the following manners:-

- (a) Depending on the effective cost of funding of the shares to be purchased, the earnings per share of the Group may be enhanced (in the case where the shares so purchased are cancelled), and thereby long term investors are expected to enjoy a corresponding increase in the value of their investments in the Company;
- (b) If the purchased shares are kept as treasury shares, the treasury shares may be realised with potential gain without affecting the total issued and paid-up share capital of the Company. Alternatively, the purchased shares can be distributed as share dividends to reward the shareholders of the Company; and
- (c) The Company may be able to stabilize the supply and demand of its shares in the open market and thereby supporting its fundamental value.

3. Retained Profits and Share Premium

Based on the Audited Financial Statements of the Company for the financial period ended 31 March 2006, the retained profits and share premium account of the Company stood at RM9,342,987 and RM8,693,483 respectively.

4. Source of Funds

The amount allocated for the share buy-back will be financed by internally generated funds and/or bank borrowings, the proportion of which will depend on the quantum of the purchase consideration as well as the availability of internally generated funds and the repayment capability of the Company, if financed by bank borrowings, at the date(s) of the purchase(s).

In the event that the Company decides to utilise external borrowings to finance the share buy-back, there will be a decline in its net cashflow to the extent of the interest cost associated with such borrowings. However, the Board of Directors does not foresee any difficulty in servicing the interest and repayment of borrowings used for the share buy-back, if any.

5. Direct and Indirect Interests of the Directors and Substantial Shareholders in the Proposed Renewal of Authority for Share Buy-Back

Save for the inadvertent proportionate increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a consequence of the share buy-back, none of the Directors and/or substantial shareholders nor persons connected with the Directors and/or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Renewal of Authority for Share Buy-Back and the proposed resale of treasury shares, if any.

As such, none of the Directors and/or substantial shareholders nor persons connected with them need to abstain from voting in respect of their direct and indirect shareholdings on the ordinary resolution approving the Proposed Renewal of Authority for Share Buy-Back.

The effects of the proposed share buy-back on the shareholdings of the Directors and substantial shareholders as at 8 August 2006 are set out below based on the following assumptions:-

- (a) the proposed share buy-back is implemented in full, i.e. up to 10% of the enlarged issued and paid-up share capital or 6,068,000 of the Company's shares are purchased;

statement accompanying notice of annual general meeting (cont'd)

Share Buy-Back Statement (cont'd)

(b) the outstanding Warrants of the Company and ESOS options are fully exercised; and

(c) the shares so purchased are from shareholders other than the substantial shareholders and Directors of the Company.

| Directors | Before Proposed Share Buy-Back | | | | After Proposed Share Buy-Back | | | |
|-------------------------------------|--------------------------------|------|---------------|-------|-------------------------------|------|---------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| Tan Sri Datuk Arshad Bin Ayub | 2,044,039 | 4.03 | 5,078,125@ | 10.01 | 2,044,039 | 3.74 | 5,078,125 @ | 9.30 |
| *Dato' Ng Tiong Seng | - | - | 18,836,997# | 37.15 | - | - | 18,836,997# | 34.49 |
| *Ng Chin Huat | 1,025,000 | 2.02 | 17,811,997# | 35.13 | 1,025,000 | 1.88 | 17,811,997# | 32.61 |
| *Sia Kim Kiat | 12,000 | 0.02 | 18,824,997# | 37.13 | 12,000 | 0.02 | 18,824,997# | 34.47 |
| Datuk Hj. Tajuddin Bin Abdul Rahman | - | - | - | - | - | - | - | - |
| Harbhajan Singh a/l Ujagar Singh | - | - | - | - | - | - | - | - |
| Ong See Seng | - | - | - | - | - | - | - | - |
| Dato' Khor Ah Hua @ Khor Choo Fong | - | - | - | - | - | - | - | - |
| Lim Kim Meng | - | - | - | - | - | - | - | - |
| Law Boon Eng | - | - | - | - | - | - | - | - |

| Substantial Shareholders | Before Proposed Share Buy-Back | | | | After Proposed Share Buy-Back | | | |
|--------------------------------------|--------------------------------|-------|---------------|-------|-------------------------------|-------|---------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| *Ng Tiong Seng Corporation Sdn. Bhd. | 17,799,997 | 35.10 | - | - | 17,799,997 | 32.59 | - | - |
| *Perak Corporation Berhad | 11,666,667 | 23.01 | - | - | 11,666,667 | 21.36 | - | - |
| Zalaraz Sdn. Bhd. | 5,078,125 | 10.01 | - | - | 5,078,125 | 9.30 | - | - |
| Tan Sri Datuk Arshad Bin Ayub | 2,044,039 | 4.03 | 5,078,125@ | 10.01 | 2,044,039 | 3.74 | 5,078,125 @ | 9.30 |
| *Dato' Ng Tiong Seng | - | - | 18,836,997# | 37.15 | - | - | 18,836,997# | 34.49 |
| *Ng Chin Huat | 1,025,000 | 2.02 | 17,811,997# | 35.13 | 1,025,000 | 1.88 | 17,811,997# | 32.61 |
| *Sia Kim Kiat | 12,000 | 0.02 | 18,824,997# | 37.13 | 12,000 | 0.02 | 18,824,997# | 34.47 |
| Low Wee Chin | - | - | 18,836,997# | 37.15 | - | - | 18,836,997# | 34.49 |
| Datin Chan Lai Har | - | - | 18,836,997# | 37.15 | - | - | 18,836,997# | 34.49 |
| Ng Chin Heng | - | - | 18,836,997# | 37.15 | - | - | 18,836,997# | 34.49 |
| Ng Chin Hoong | - | - | 18,836,997# | 37.15 | - | - | 18,836,997# | 34.49 |
| Ng Chin Loong | - | - | 18,836,997# | 37.15 | - | - | 18,836,997# | 34.49 |
| Ng Siew Leng | 62,000 | 0.12 | 18,836,997# | 37.15 | 62,000 | 0.11 | 18,836,997# | 34.49 |
| Yeap Bee Ling | 90,000 | 0.18 | 18,836,997# | 37.15 | 90,000 | 0.16 | 18,836,997# | 34.49 |

Notes:

@ Deemed interest by virtue of his interest in Zalaraz Sdn. Bhd.

Deemed interest by virtue of his/her interest in Ng Tiong Seng Corporation Sdn. Bhd. and persons connected

statement accompanying notice of annual general meeting (cont'd)

Share Buy-Back Statement (cont'd)

6. Potential Advantages and Disadvantages of the Proposed Renewal of Authority for Share Buy-Back

The potential advantages of the Proposed Renewal of Authority for Share Buy-Back to the Company and its shareholders are stated in Section 2 above.

The potential disadvantages of the Proposed Renewal of Authority for Share Buy-Back to the Company and its shareholders are as follows:-

- (a) the amount of financial resources available for distribution to the shareholders of the Company will decline and this may result in the Group having to forgo feasible investment opportunities that may emerge in the future; and
- (b) the working capital of the Company will be affected as the share buy-back will reduce the Company's cashflow, the quantum depending on the number of shares purchased and their corresponding purchase price(s).

The Proposed Renewal of Authority for Share Buy-Back is not expected to have any potential material disadvantages to the Company and its shareholders, as it will be exercised only after in depth consideration of the financial resources of the Company and of the resultant impact on its shareholders. The Board of Directors in exercising any decision on the share buy-back will be mindful of the interest of the Company and its shareholders.

7. Financial Effects of the Proposed Renewal of Authority for Share Buy-Back

On the assumption that the share buy-back is carried out in full, the effects of the Proposed Renewal of Authority for Share Buy-Back on the share capital, net asset (NA) per share, working capital and earnings per share (EPS) of the Company are set out below:-

(a) On Share Capital

The effect of the share buy-back on the share capital of the Company will depend on the intention of the Board of Directors with regard to the purchased shares. As at 8 August 2006, the issued and paid-up share capital of the Company is RM52,874,667 comprising 52,874,667 shares (including 2,168,400 shares bought and retained as treasury shares).

Assuming that the Company's Warrants and outstanding ESOS options are fully exercised, the enlarged issued and paid-up share capital of the Company will be RM60,686,934 comprising 60,686,934 shares. Further assuming that the maximum number of shares that could be acquired pursuant to the Proposed Renewal of Authority for Share Buy-Back is purchased, i.e. 6,068,000 shares, and that the shares so purchased are subsequently cancelled, the Proposed Renewal of Authority for Share Buy-Back will result in a reduction in the issued and paid-up share capital of the Company to RM54,618,934.

If the shares so purchased are retained as treasury shares, the issued and paid-up share capital of the Company will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these shares remain as treasury shares, the Companies Act, 1965 prohibits the taking into account of such shares in calculating the number of percentage of shares in the Company for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

statement accompanying notice of annual general meeting (cont'd)

Share Buy-Back Statement (cont'd)

7. Financial Effects of the Proposed Renewal of Authority for Share Buy-Back (cont'd)

(b) On NA

The effect of the proposed share buy-back on the NA per share of the Company is dependent on the number of shares purchased, purchase price of the shares, the funding cost, if any, and the subsequent treatment of the shares so purchased.

If all the shares purchased are cancelled, the proposed share buy-back is likely to reduce the NA per share of the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase and conversely, will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

For shares so purchased, which are kept as treasury shares, upon its resale, the NA of the Group may be affected depending on the actual selling price of the treasury shares and the actual number of treasury shares resold.

(c) On Working Capital

The proposed share buy-back will reduce the working capital of the Group, the quantum of which depends on, amongst others, the number of shares eventually purchased and the purchase price of the shares.

(d) On EPS

Depending on the number of shares purchased and purchase price of shares and the effective cost as well as the opportunity cost of funding the shares, the proposed share buy-back may increase the EPS of the Group. Similarly, on the assumption that the shares so purchased are treated as treasury shares, the extent of the effect of the earnings of the Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising.

Any cancellation of shares so purchased is expected to give rise to increased EPS to the Company and the Group due to the reduced number of shares in issue.

(e) On Dividends

For the financial period ended 31 March 2006, the Board of Directors of the Company has recommended a Final Dividend of 5% less 28% Malaysian Income Tax, subject to the approval of members at the forthcoming Annual General Meeting ("AGM").

Assuming the proposed share buy-back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of the Company. The proposed share buy-back may have an impact on the Company's dividend policy as it would reduce the cash available, which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

(f) On Shareholdings

The effect of the proposed share buy-back on the percentage of shareholdings of the Directors and substantial shareholders of the Company would depend on the timing of the purchase, the number of shares purchased, if any, and their actual shareholdings at the time of such purchase.

Please refer to Section 5 above for further details on the shareholding structure of Directors and substantial shareholders of the Company.

statement accompanying notice of annual general meeting (cont'd)

Share Buy-Back Statement (cont'd)

8. Implication under the Malaysian Code on Take-Overs and Mergers 1998 (the "Code")

Under the Code, a director and any person acting in concert with him or a relevant shareholder will be required to make a mandatory general offer for the remaining ordinary shares of the Company not already owned by him/them if his/their stake in the Company is increased beyond thirty-three (33%) or if his/their existing shareholding is between thirty-three percent (33%) and fifty percent (50%) and exceeds by another two percent (2%) in any six (6) months period.

In the event the number of shares bought back subsequent to the date of this Statement resulted in the said substantial shareholders and/or parties acting in concert triggering the Code, such substantial shareholders and/or parties acting in concert may consider seeking an exemption under Practice Note 2.9.10 of the Code.

9. Purchase, Resale and Cancellation of shares made in the previous fifteen (15) months

In the previous fifteen (15) months, the Company has made purchases of 2,158,400 shares, details of which are set out in Page 22 of the Annual Report. The total number of shares retained as treasury shares as at the date of this Statement therefore remained at 2,168,400 shares. The Company has not resold or cancelled any treasury shares in the same period.

10. Public Shareholding Spread

As at 8 August 2006, the public shareholding spread of the Company was 24.74 %. The Company was automatically granted an extension of time of six (6) months by Bursa Malaysia Securities Berhad to comply with the public shareholding spread as required under Paragraph 8.15(1) of Bursa Malaysia Securities Berhad Listing Requirements. The said extension of time will expire on 13 January 2007.

The Board is mindful of the shareholding spread requirement and will continue to be mindful of the requirement when making any purchase of shares by the Company.

11. Directors' Statement

This Statement has been seen and approved by the Board of Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Statement and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Having considered all aspects of the proposed share buy-back, the Board of Directors is of the opinion that the Proposed Renewal of Authority for Share Buy-Back is fair, reasonable and in the best interest of the Company.

12. Directors' Recommendation

The Board of Directors recommends that you vote in favour of the Ordinary Resolution for the Proposed Renewal of Authority for Share Buy-Back to be tabled at the forthcoming AGM.

13. Other Information

There is no other information concerning the Proposed Renewal of Authority for Share Buy-Back as shareholders and their professional advisers would reasonably require and expect to find in this Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Authority for Share Buy-Back and the extent of the risks involved in doing so.

Proxy form

CDS Account No.

No. of Shares Held

I/We, NRIC/Co. No.
 of
 being a member/members of ASIA BRANDS CORPORATION BERHAD (formerly known as Audrey International (M) Bhd),
 hereby appoint NRIC No.
 (FULL NAME IN BLOCK LETTERS)

of
 (FULL ADDRESS)

or failing whom, NRIC No.
 (FULL NAME IN BLOCK LETTERS)

of
 (FULL ADDRESS)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at the Registered Office of the Company at Lot 10449, Jalan Nenas, Batu 4½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan on Tuesday, 26 September 2006 at 11.00 a.m. and at every adjournment thereof for/against the resolutions to be proposed thereat.

| Resolutions | For | Against |
|---|-----|---------|
| 1. To receive the Audited Financial Statements for the financial period ended 31 March 2006 together with the Directors' Report and Auditors' Report thereon. | | |
| 2. To approve the declaration of a Final Dividend of 5% less 28 % income tax in respect of the financial period ended 31 March 2006. | | |
| 3. To approve the payment of Directors' Fees for the financial period ended 31 March 2006. | | |
| 4. To re-elect Sia Kim Kiat, who retires pursuant to Article 122 of the Articles of Association of the Company. | | |
| 5. To re-elect Lim Kim Meng, who retires pursuant to Article 122 of the Articles of Association of the Company. | | |
| 6. To re-elect Law Boon Eng, who retires pursuant to Article 108 of the Articles of Association of the Company. | | |
| 7. To re-elect Datuk Hj. Tajuddin bin Abdul Rahman, who retires pursuant to Article 108 of the Articles of Association of the Company. | | |
| 8. To re-appoint Tan Sri Datuk Arshad bin Ayub pursuant to Section 129(6) of the Companies Act, 1965. | | |
| 9. To re-appoint Dato' Ng Tiong Seng pursuant to Section 129(6) of the Companies Act, 1965. | | |
| 10. To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | | |
| 11. Authority to allot shares pursuant to Section 132D of the Companies Act, 1965 | | |
| 12. Proposed renewal of authority for Share Buy-Back | | |

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this _____ day of _____ 2006



.....
 Signature of Member(s)

.....
 Affixation of Company's Common Seal
 (if applicable)

Notes:

1. A member shall be entitled to attend and vote at this meeting is entitled to appoint a person who is not a member as his proxy.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same general meeting.
3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 10449, Jalan Nenas, Batu 4½, Kampung Jawa, 41000 Klang, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or at any adjournment thereof.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or under the hand of the attorney duly authorised.