

consolidated statement of changes in equity
for the year ended 31 December 2005

	Non-distributable			Distributable Retained profit/ (accumulated loss)	Total
	Share capital RM	Share premium RM	Exchange reserve RM	RM	RM
At 1 January 2004	55,410,180	38,451,919	50,800	13,507,783	107,420,682
Net loss for the year	-	-	-	(14,037,848)	(14,037,848)
At 31 December 2004	55,410,180	38,451,919	50,800	(530,065)	93,382,834
At 1 January 2005	55,410,180	38,451,919	50,800	(530,065)	93,382,834
Net loss for the year	-	-	-	(25,887,594)	(25,887,594)
At 31 December 2005	55,410,180	38,451,919	50,800	(26,417,659)	67,495,240

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

consolidated cash flow statement

for the year ended 31 December 2005

	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(25,785,420)	(14,036,160)
Adjustments for:		
Depreciation	1,996,556	2,202,504
Provision for impairment loss in investment	15,507,328	-
Write back of provision for doubtful debts	-	(4,811,878)
Provision for stock obsolescence	11,801,368	13,864,510
Property, plant and equipment written off	358	-
Loss/(gain) on disposal of property, plant and equipment	960	(85,838)
Unrealised loss on foreign exchange	343,224	44,891
Interest expense	52,017	126,244
Interest income	(5,372)	(5,194)
Operating profit/(loss) before working capital changes	3,911,019	(2,700,921)
(Increase)/decrease in receivables	(9,185,514)	3,613,325
Decrease/(increase) in inventories	3,637,226	(2,457,075)
Increase in payables	1,860,109	1,251,271
Cash generated from/(used in) operations	222,840	(293,400)
Taxes paid	(1,163)	(1,688)
Net cash generated from/(used in) operating activities	221,677	(295,088)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	603	318,828
Purchase of property, plant and equipment	-	(192,622)
Interest received	5,372	5,194
Net cash generated from investing activities	5,975	131,400
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(52,017)	(126,244)
Repayment of short term borrowings	(4,165,000)	(14,592,000)
Drawdown of short term borrowings	3,736,000	14,061,000
Net cash used in financing activities	(481,017)	(657,244)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(253,365)	(820,932)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,101,240	8,922,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,847,875	8,101,240

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

balance sheet
as at 31 December 2005

	Note	2005 RM	2004 RM
NON-CURRENT ASSETS			
Investment in subsidiaries	4	25,385,282	33,579,080
CURRENT ASSETS			
Other receivables	8	42,286,059	59,412,483
Cash and bank balances	9	1,713	1,823
		<u>42,287,772</u>	<u>59,414,306</u>
CURRENT LIABILITIES			
Other payables	12	68,897	62,242
NET CURRENT ASSETS		42,218,875	59,352,064
		<u>67,604,157</u>	<u>92,931,144</u>
FINANCED BY:			
Share capital	13	55,410,180	55,410,180
Reserves		12,193,977	37,520,964
Shareholders' equity		<u>67,604,157</u>	<u>92,931,144</u>

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

income statement

for the year ended 31 December 2005

	Note	2005 RM	2004 RM
Administrative expenses, representing			
loss from operations	15	(25,326,987)	(266,293)
Taxation	19	-	-
Net loss for the year		<u>(25,326,987)</u>	<u>(266,293)</u>

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

statement of changes in equity
for the year ended 31 December 2005

	Share capital RM	Non distributable Share premium RM	Accumulated losses RM	Total RM
At 1 January 2004	55,410,180	38,451,919	(664,662)	93,197,437
Net loss for the year	-	-	(266,293)	(266,293)
At 31 December 2004	55,410,180	38,451,919	(930,955)	92,931,144
At 1 January 2005	55,410,180	38,451,919	(930,955)	92,931,144
Net loss for the year	-	-	(25,326,987)	(25,326,987)
At 31 December 2005	55,410,180	38,451,919	(26,257,942)	67,604,157

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

cash flow statement

for the year ended 31 December 2005

	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(25,326,987)	(266,293)
Adjustment for:		
Unrealised foreign exchange gain	(403)	(3)
Provision for doubtful debts	16,917,020	-
Provision for impairment loss on investment in subsidiaries	8,193,798	-
Operating loss before working capital changes	(216,572)	(266,296)
Decrease in receivables	209,807	277,460
Increase/(decrease) in payables	6,655	(11,108)
Net cash (used in)/generated from operating activities	(110)	56
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(110)	56
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,823	1,767
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,713	1,823

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

1. CORPORATE INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are described in Note 4. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of the Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Lot 4A, Jalan Sultan Mohamed 3, Kawasan Perindustrian Bandar Sultan Suleiman, 42000 Port Klang, Selangor Darul Ehsan. The registered office of the Company is located at Level 15 - 2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Company's holding company is The Grande Holdings Limited ("GHL"), a company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong. The Company's ultimate holding company is The Grande International Holdings Limited, a company incorporated in The British Virgin Islands.

The number of employees in the Group at the end of the year was 138 (2004: 214). The accounting records of the Company are maintained by the employees of a subsidiary company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 February 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) Revenue Recognition**(i) Sale of goods**

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.

Revenue relating to sale of goods is recognised net of returns and discounts when transfer of risks and rewards has been completed.

(ii) Dividend income

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

notes to the financial statements

31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(c) 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.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The resulting debit difference between the carrying value of the investments and the nominal value of shares acquired was treated as a merger deficit. The merger deficit had been adjusted against the retained profits pursuant to the requirement of MASB 21: Business Combinations.

Other subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary 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 company 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 which were not previously recognised in the consolidated income statement.

(d) Investments in Subsidiaries and Other Investments

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

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is charged or credited to the income statement.