PROLEXUS BERHAD

(250857-T) Incorporated in Malaysia

ANNUAL REPORT 16

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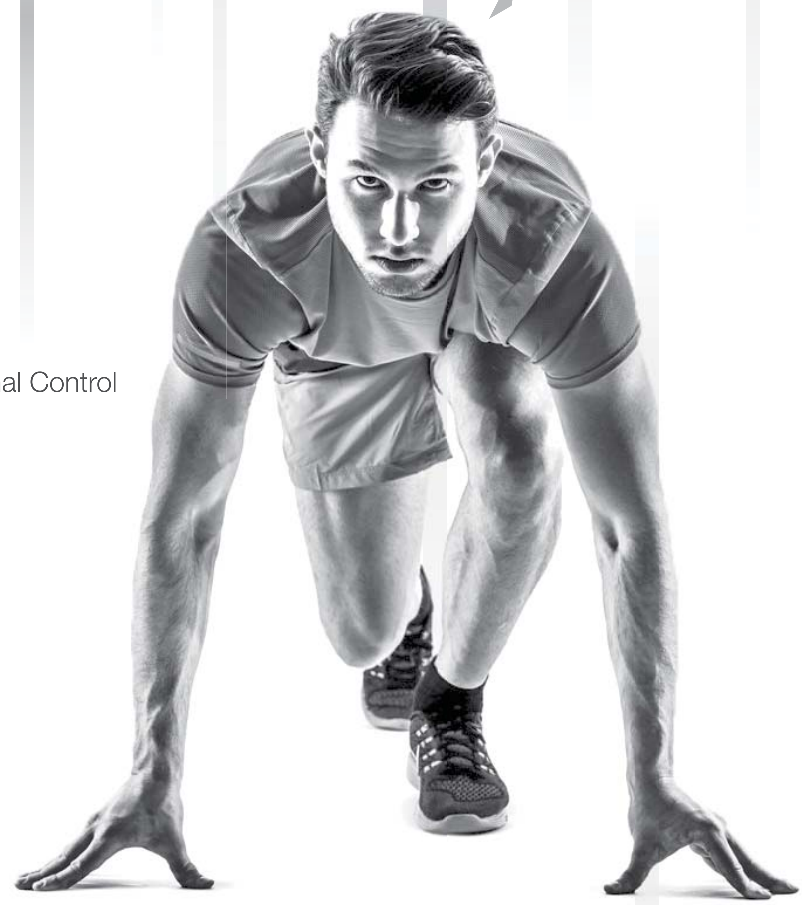


NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth Annual General Meeting ("AGM") of Prolexus Berhad ("Prolexus" or "the Company") will be held at the Conference Room of Honsin Apparel Sdn. Bhd., 531 2½ Miles, Jalan Kluang, 83000 Batu Pahat, Johor on Friday, 16 December 2016 at 10.00 a.m. for the following purposes:-

A G E N D A

As Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 July 2016 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 6**

2. To approve the increase and payment of Directors' fees for the financial year ended 31 July 2016. **Resolution 1**

3. To re-elect Mr. Lau Mong Ying, the director who retires by rotation in accordance with Article 77 of the Company's Articles of Association and who, being eligible, offer himself for re-election. **Resolution 2**

4. To re-elect Mr. Boo Chin Liong, the director who retires by rotation in accordance with Article 77 of the Company's Articles of Association and who, being eligible, offer himself for re-election. **Resolution 3**

5. To consider and if thought fit, to pass the following special resolution in accordance with Section 129(6) of the Companies Act, 1965:-

   "That Mr. Lin, Cheng-Lang, retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the next AGM of the Company." **Resolution 4**

6. To approve the payment of a single tier final dividend of 1.75 sen per ordinary share for the financial year ended 31 July 2016. **Resolution 5**

7. To re-appoint Messrs. Grant Thornton as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

As Special Business:-

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

8. **PROPOSED CONTINUATION OF ENCIK KHADMUDIN BIN HJ. MOHAMED RAFIK IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

   "That, authority be and is hereby given to Encik Khadmudin Bin Hj. Mohamed Rafik who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company." **Resolution 7**

9. **PROPOSED CONTINUATION OF MR. LIN, CHENG-LANG IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

   "That, authority be and is hereby given to Mr. Lin, Cheng-Lang who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company." **Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING
CONT'D

10. **PROPOSED RENEWAL OF GENERAL MANDATE FOR DIRECTORS TO ALLOT AND ISSUE NEW SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

    "That, subject always to provisions of the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Act, to allot and issue new shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares to be issued." **Resolution 9**

11. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 24th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 30 November 2016. Only a depositor whose name appears on the Record of Depositors as at 30 November 2016 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board,

LEE PENG LOON *(MACS 01258)*
P'NG CHIEW KEEM *(MAICSA 7026443)*
Company Secretaries

Date: 24 November 2016

Penang

NOTES ON APPOINTMENT OF PROXY

1. *A proxy may but need not be a member of the Company.*

2. *A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*

3. *Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

4. *For a proxy to be valid, the proxy form, duly completed, must be deposited at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.*

5. *In the case of corporate member, the proxy form must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised.*

NOTICE OF ANNUAL GENERAL MEETING
CONT'D

EXPLANATORY NOTES ON ORDINARY BUSINESS

6. *The Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company. Hence, the Agenda 1 is not put forward for voting.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

7. *The proposed Resolutions 7 and 8 are to seek approval for the independent non-executive directors who had served more than 9 years to be retained and continue to act as independent directors to fulfill the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to be in line with the recommendation 3.3 of the Malaysian Code of Corporate Governance 2012. The details of justifications are set out in the Statement of Corporate Governance in page 14 to 26 of the Company's 2016 Annual Report.*

8. *The proposed Resolution 9, is to seek a renewal of the general mandate for the directors of the Company to allot and issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next AGM of the Company.*

   As at the date of notice of meeting, no new shares has been issued pursuant to the general mandate granted at the last AGM of the Company held on 10 December 2015.

   The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

2016 ANNUAL REPORT

The 2016 Annual Report is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within four (4) market days from the date of receipt of the verbal or written request.

Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Ms. Veronica Sang at telephone no. 603-79540018 or email your request to veronica.sang@prolexus.com.my

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a Single Tier Final Dividend of 1.75 sen per ordinary share for the financial year ended 31 July 2016, if approved, will be paid on 16 January 2017 to shareholders registered in the Record of Depositors of the Company on 30 December 2016.

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 30 December 2016 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,

LEE PENG LOON *(MACS 01258)*
P'NG CHIEW KEEM *(MAICSA 7026443)*
Company Secretaries

Penang

Date: 24 November 2016

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements of Bursa Securities)

ELECTION OF DIRECTORS

There are no individuals who are standing for election as Directors at the forthcoming 24th Annual General Meeting of the Company.

GENERAL MANDATE FOR ISSUANCE OF SHARES

The Resolution 9 tabled under Special Business as per the Notice of 24th Annual General Meeting of the Company dated 24 November 2016 is a renewal of general mandate pursuant to Section 132D of the Companies Act, 1965 granted by shareholders of the Company at the last Annual General Meeting held on 10 December 2015.

The proposed renewal of general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of notice of meeting, no new shares has been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company.

CORPORATE INFORMATION

DIRECTORS

Ahmad Mustapha Ghazali
Executive Chairman

Lau Mong Ying
Managing Director

Lau Mong Fah
Non-Independent
Non-Executive Director

Khadmudin Bin Mohamed Rafik
Independent Non-Executive Director

Lin, Cheng-Lang
Independent Non-Executive Director

Chin Chew Mun
Independent Non-Executive Director

Boo Chin Liong
Independent Non-Executive Director

COMPANY SECRETARIES

Lee Peng Loon
(MACS 01258)

P'ng Chiew Keem
(MAICSA 7026443)

AUDIT COMMITTEE

Chin Chew Mun
Chairman,
Independent Non-Executive Director

Lau Mong Fah
Non-Independent
Non-Executive Director

Lin, Cheng-Lang
Independent Non-Executive Director

Boo Chin Liong
Independent Non-Executive Director

NOMINATING COMMITTEE

Khadmudin Bin Mohamed Rafik
Chairman,
Independent Non-Executive Director

Lin, Cheng-Lang
Independent Non-Executive Director

Chin Chew Mun
Independent Non-Executive Director

REMUNERATION COMMITTEE

Lau Mong Ying
Chairman, Managing Director

Lau Mong Fah
Non-Independent
Non-Executive Director

Chin Chew Mun
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Ahmad Mustapha Ghazali
Chairman, Executive Chairman

Lau Mong Fah
Non-Independent
Non-Executive Director

Chin Chew Mun
Independent Non-Executive Director

INVESTMENT COMMITTEE

Ahmad Mustapha Ghazali
Chairman, Executive Chairman

Lau Mong Ying
Managing Director

Khadmudin Bin Mohamed Rafik
Independent Non-Executive Director

Boo Chin Liong
Independent Non-Executive Director

REGISTERED OFFICE

51-21-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-210 8833
Fax : 04-210 8831

BUSINESS ADDRESS

531, Batu 2½, Jalan Kluang
83000 Batu Pahat
Johor Darul Takzim
Tel : 07-431 8388
Fax : 07-431 0133
E-Mail : enquiries@prolexus.com.my
Website : www.prolexus.com.my

SHARE REGISTRAR

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

AUDITORS

Grant Thornton
Chartered Accountants

PRINCIPAL BANKERS

Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
Bank of China

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : PRLEXUS
Stock Code : 8966

CORPORATE INFORMATION
CONT'D

Details of Membership in Board Committees

Directors	Board Committees				
	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee	Investment Committee
Ahmad Mustapha Ghazali				Chairman	Chairman
Lau Mong Ying			Chairman		Member
Lau Mong Fah	Member		Member	Member	
Khadmudin Bin Mohamed Rafik		Chairman			Member
Lin, Cheng-Lang	Member	Member			
Chin Chew Mun	Chairman	Member	Member	Member	
Boo Chin Liong	Member				Member

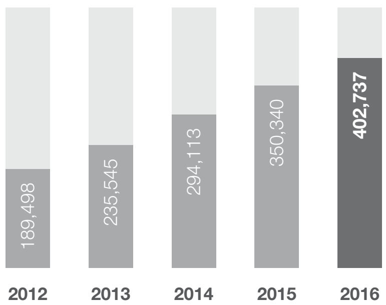
FINANCIAL HIGHLIGHTS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Financial Results:					
Revenue	189,498	235,545	294,113	350,340	402,737
Profit before tax	10,568	19,404	24,173	31,055	40,686
Profit for the year	10,836	17,162	20,801	24,023	33,247
Profit attributable to owners of the Company	9,961	15,449	18,487	20,772	28,349
Financial Position:					
Total assets	90,507	114,980	149,910	192,074	303,821
Paid-up capital	40,000	40,000	40,870	57,931	88,389
Shareholders' funds	59,048	74,114	92,694	114,455	196,405
Financial Ratios:					
Earnings per share (sen)**	8	12	14	15	19
Dividend per share (sen)*	1.5	3.0	3.5	4.2	3.3
Dividend amount (RM'000)*	830	1,863	2,688	4,649	4,683
Net tangible asset per share (sen)**	44	55	68	81	131

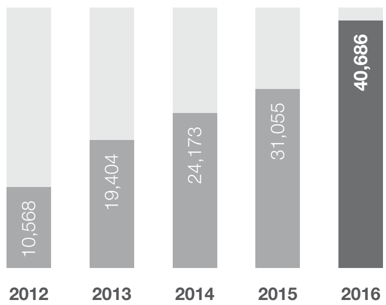
* Dividend for financial year ended 2016 includes the proposed final dividend as per Resolution 5 of the Note of AGM on page 2.

** Comparative number of shares was restated to take into account the effect of Rights Issue.

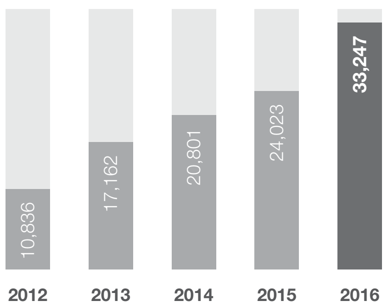
REVENUE
(RM'000)



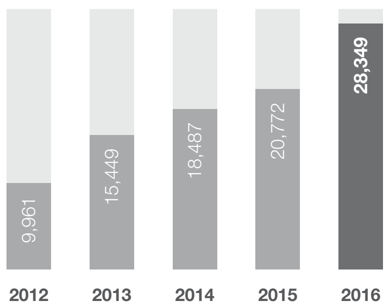
PROFIT BEFORE TAX
(RM'000)



PROFIT FOR THE YEAR
(RM'000)

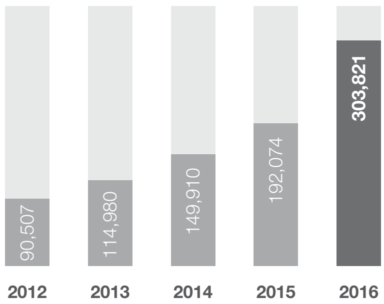


PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)

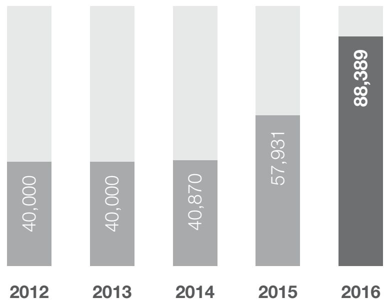


FINANCIAL HIGHLIGHTS
CONT'D

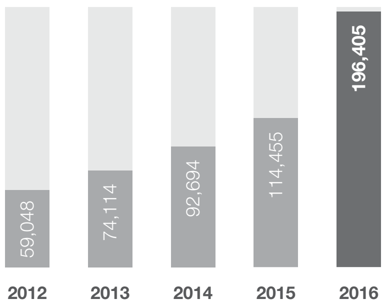
TOTAL ASSETS
(RM'000)



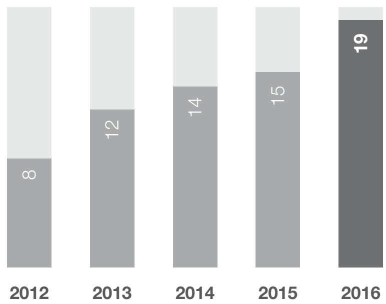
PAID-UP CAPITAL
(RM'000)



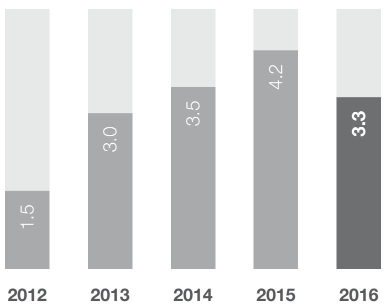
SHAREHOLDERS' FUNDS
(RM'000)



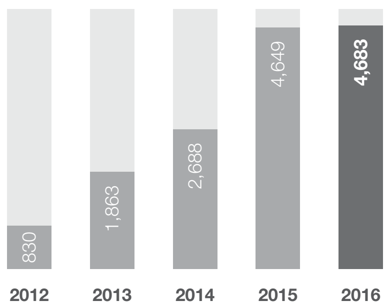
EARNINGS PER SHARE
(SEN)



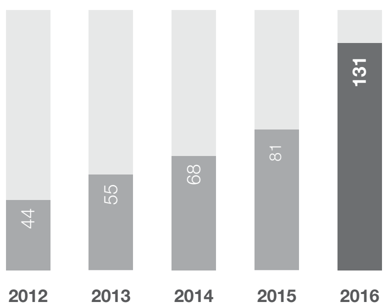
DIVIDEND PER SHARE
(SEN)



DIVIDEND AMOUNT
(RM'000)



NET TANGIBLE ASSET PER SHARE
(SEN)



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report and audited financial statements of Prolexus Berhad for the financial year ended 31 July 2016.

CHAIRMAN'S STATEMENT
CONT'D

REVIEW OF FINANCIAL PERFORMANCE

The Group recorded a revenue of RM402.7 million, an increase of 15% as compared to the preceding year's revenue of RM350.3 million. The growth is mainly derived from the apparel segment. In line with the revenue growth, the Group also posted a 38% increase in profit after tax of RM33.2 million as compared to RM24.0 million in the previous financial year. The increase in profit after tax is attributable to the increase in profits from all the business segments particularly the apparel segment through improved margin as a result of better production efficiency and cost rationalisation programmes.

EXPANSION PLANS

We have completed the factory expansion of our China subsidiary during the financial year and are cautiously optimistic that the market in China will continue to grow.

In order to further increase the production capacity to meet the expected growing demand from our existing customers and potential new customers, the Group had decided to set up a new apparel factory in Vietnam. Accordingly, during the financial year, we have secured the lease of two parcels of industrial land measuring 61,950 square meters in Long Jiang Industrial Park, Tien Giang Province in Vietnam. The initial phase of this apparel factory is expected to be commissioned in the second half of year 2017. This allows us to take advantage of the generally lower cost of production as well as the availability of a larger pool of labour force. In addition, Vietnam had recently concluded the negotiations on the free trade agreement with the European Union which is expected to spur further growth in the export market. Upon formalisation of the Trans-Pacific Partnership Agreement in which Vietnam and Malaysia is a member country, this will also benefit the textile and apparel industry mainly in the form of elimination of tariffs and duties among the TPP countries.

The Group is also setting up a fabric mill on the Group's freehold land measuring 111,590 square meters located in district of Kluang, Johor. This fabric mill is the Group's strategy in expanding into upstream fabric production to complement the existing core business of apparel manufacturing by internal procurement of knitted fabrics instead of purchasing from external suppliers. Besides own consumption, it is also our intention to sell the knitted fabrics to the market upon full commissioning of the mill. The initial phase of the fabric mill, which is also expected to be completed in the second half of year 2017, will lead to better control over the supply chain while further improving our profit margins in the long run.

STATUS OF CORPORATE PROPOSAL

During the financial year, the Group had conducted and completed a Rights Issue exercise and successfully raised RM56.8 million. The Rights Issue was completed on 20 June 2016 following the listing of and quotation for 56,832,730 Rights Shares and 56,832,730 Warrants on the Main Market of Bursa Securities. The proceeds from the Rights Issue will be used for setting up the apparel factory in Vietnam and fabric mill in Kluang, Johor.

CORPORATE GOVERNANCE

Our Group's strong emphasis on corporate governance will ensure an enhanced management and a responsive and transparent corporate structure as well as the creation of shareholders' value. For this, we have in place measures including stringent risk management and internal control procedures to ensure transparency, accountability and integrity are attained in managing the Group's businesses.

DIVIDENDS

The Group has been practicing a consistent dividend payment policy of distributing a portion of the profit attributable to shareholders of the Company after taking into account the Group's business commitments and financial resources necessary for its continuing growth. For the financial year ended 31 July 2016, the Board of Directors is pleased to recommend the payment of a single tier final dividend of 1.75 sen per ordinary share subject to the approval of shareholders at the forthcoming Annual General Meeting.

PROSPECTS

We are excited about the Group's growth prospects as we expect our core business to grow and we look forward to pursue business opportunities in the interest of long-term growth and value creation. As part of our commitment to our customers, we will continue to deliver the highest standards for our products and services which is a key element of our success.

APPRECIATION

On behalf of the Board, I wish to express my sincere appreciation and gratitude to all our valued shareholders, business associates, government agencies, financial institutions and other stakeholders for their continued support and co-operation to the Group.

I would also like to take this opportunity to thank all my fellow directors, management and employees of the Group for their hardwork, commitment, dedication and contribution towards the success of the Group.

AHMAD MUSTAPHA GHAZALI
Executive Chairman
31 October 2016

PROFILE OF DIRECTORS

AHMAD MUSTAPHA GHAZALI
Executive Chairman

Ahmad Mustapha Ghazali, a Malaysian, male, aged 68, was appointed to the Board on 6 September 1993 and was designated as Executive Chairman on 25 January 2010. He is a Fellow of the Chartered Association of Certified Accountants (UK), an associate member of the Institute of Chartered Accountants in England and Wales and a member of both the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. He has an MBA from the University of Leicester, England and a MSc from School of Oriental and African Studies, University of London. He was previously attached to an international accounting firm as a partner and has more than 30 years of experience in statutory audit, financial reporting and corporate finance.

His directorships in other public companies includes Tambun Indah Land Berhad and Malaysia Packaging Industry Berhad.

He has no family relationship with other directors and/or major shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past five (5) years.

LAU MONG YING
Managing Director

Lau Mong Ying, a Malaysian, male, aged 67, was appointed to the Board on 27 August 1993 and until 1 October 2002 is both the Chairman and Managing Director of the Group. On 1 October 2002, he relinquished the post of Chairman to Ahmad Mustapha Ghazali and retained the post of Managing Director. He graduated with a Bachelor of Commerce in Economics from Nanyang University of Singapore in 1973 and has been involved in the apparel industry since 1973.

He is the brother of Lau Mong Fah, a director and substantial shareholder of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past five (5) years.

LAU MONG FAH
Non-Independent Non-Executive Director

Lau Mong Fah, a Malaysian, male, aged 62, was appointed to the Board on 3 September 1998. He is a Fellow Member of the Association of International Accountants, London. He is currently attached to a professional firm providing tax advisory and consulting services, and corporate secretarial and share registration services.

He is the brother of Lau Mong Ying, a director and substantial shareholder of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past five (5) years.

KHADMUDIN BIN MOHAMED RAFIK
Independent Non-Executive Director

Khadmudin Bin Mohamed Rafik, a Malaysian, male, aged 63, was appointed to the Board on 9 September 2003. He obtained his Australian Matriculation Certificate in 1973 and Inspectors Certificate in 1976. He joined the Royal Malaysian Police Force as Senior Police Officer from 1976 to 1995. His last position before optional retirement was the Assistant Superintendent of Police performing the duties of “Head of Prosecution Department”. He is presently the Managing Director and owner of a private limited company specialising in knitted fabric.

He has no family relationship with other directors and/or major shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past five (5) years.

PROFILE OF DIRECTORS
CONT'D

LIN, CHENG-LANG
Independent Non-Executive Director

Lin, Cheng-Lang, a Taiwanese, male, aged 77, was appointed to the Board on 10 September 1998. He graduated from Taiwan University in 1962 and has extensive experience in the apparel industry having served as a Managing Director with various textile companies in Taiwan until his retirement in 1994.

He has no family relationship with other directors and/or major shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past five (5) years.

CHIN CHEW MUN
Independent Non-Executive Director

Chin Chew Mun, a Malaysian, male, aged 45, was appointed to the Board on 16 November 2012. He is a member of Chartered Accountants Australia and New Zealand, Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. He holds a Bachelor of Commerce degree from the University of Auckland, New Zealand. He was attached to international accounting firms in Malaysia and China for more than 13 years involving in statutory and special audits of public listed companies, multinational corporations and private companies of different industries. He was also involved in various initial public offers in Malaysia and China as Reporting Accountants. He is presently in public practice as Chartered Accountant.

He has no family relationship with other directors and/or major shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past five (5) years.

BOO CHIN LIONG
Independent Non-Executive Director

Boo Chin Liong, a Malaysian, male, aged 55, was appointed to the Board on 9 December 2013. He holds a Bachelor of Law (Honours) degree from the University of Malaya in 1985 and was called to the Malaysian Bar in 1986. He is an advocate and solicitor and has been in active legal practice since 1986. He is a founding partner of Messrs. C. L. Boo & Associates.

He is also a board member of Poh Huat Resources Holdings Berhad.

He has no family relationship with other directors and/or major shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past five (5) years.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Prolexus Berhad ("the Company") is committed to ensure that the highest standards of corporate governance will be practiced throughout the Prolexus Berhad Group ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group. The Board adopts a corporate governance framework which is premised on the belief that sound corporate governance practices are fundamental towards promoting investors' confidence. It is a prerequisite towards achieving the Company's ultimate corporate objectives of protecting shareholders' interest.

This statement is made in compliance with Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Group has applied the Principles set out in the Malaysian Code on Corporate Governance 2012 ("the Code") as and except where otherwise stated herein.

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Group continues to be led by committed Board members who play a vital role in the stewardship of the Group's strategic direction. The key roles and responsibilities of the Board are set out in the Company's Board Charter which is available on the Company's website at www.prolexus.com.my. The Board Charter will be reviewed by the Board annually to ensure their relevance and compliance.

The Board has adopted a Board Charter to regulate its conducts in accordance with the principles of good corporate governance. The objective of the Board Charter is to ensure all directors acting on behalf of the Company are aware of their duties and responsibilities as Board members and to uphold the core values of integrity with due regard to their fiduciary duties and responsibilities.

The Board Charter covers amongst others, the following:-

- Responsibilities of the Board
- Ethics & Compliance
- Composition & Balance
- Remunerations
- Board Meetings
- Conflict of Interest
- Related Party Transactions
- Dealings in Securities
- Company Secretaries

The board is primarily responsible for the stewardship of the Group's business affairs. The board seeks to discharge its responsibilities by reviewing, discussing and adopting the overall business plan and overseeing the conduct of business affairs and management of the Group.

The Board, assisted by the Risk Management Committee oversees the adequacy and effectiveness of the Group's risk management. The Board sets the strategic direction for risk roles, risk identifications, risk profiling and risk reporting structures in the Risk Management Framework. Consequently, on quarterly basis, the Board endorses the risk management report summarizing the risk management activities and status of each action plan presented by the Risk Management Committee.

The Board also plays an important role in overseeing the development and implementation of investor relations programmes and shareholders' communication policies. In this respect, the Board has established a Corporate Disclosure Policy. The Board also appoints the spokespersons for communication with the shareholders, stakeholders and the public generally.

This policy regulates the review and release of information to shareholders, stakeholders and the public at large, facilitating timely and accurate disclosure of the Group's affairs, which includes internal and external corporate communications and investor relations activities. A copy of the Company's Corporate Disclosure Policy is available on the Company's website.

The Board is also responsible for key matters specifically reserved for the Board's decision following recommendations made by Board committees such as any material investments and disposals, related party transactions, financial results and new appointment or vacation of office of directors.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

Division of roles between the Chairman and the Managing Director is clearly defined to ensure there is an appropriate balance of roles, responsibilities and accountability. Both the Chairman and Managing Director are accountable to the Board for the achievement of the Group's objectives and performances.

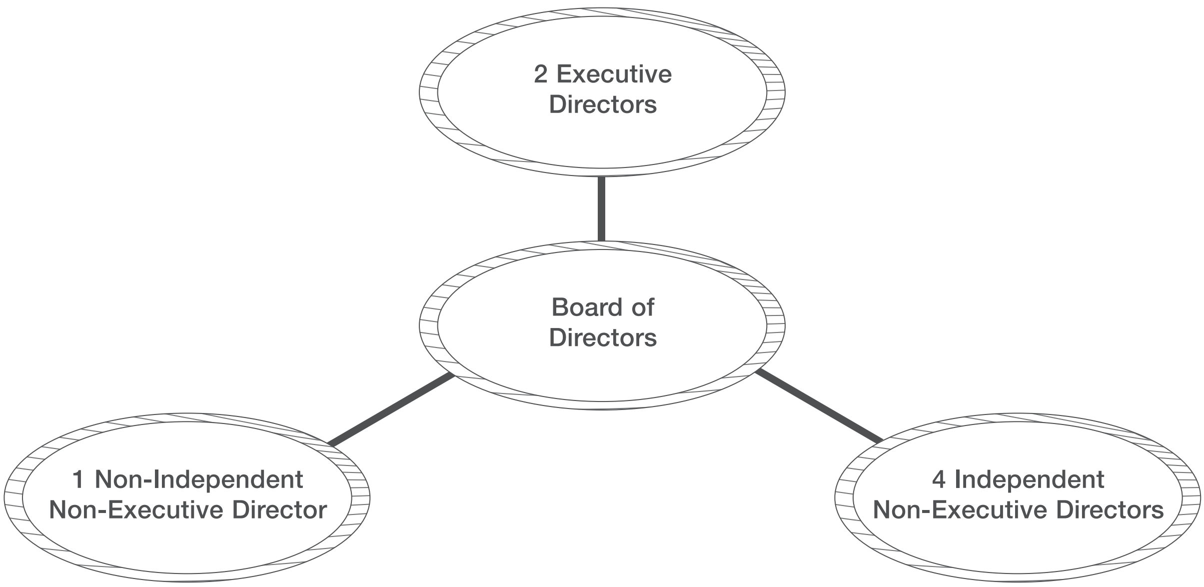
The Chairman leads the Board for the implementation of the Board's decisions into executive actions while promoting high levels of corporate governance and transparency. The Chairman ensures orderly conduct and proceedings of the Board and acts as facilitator at Board meetings to ensure that no director, whether executive or non-executive, dominates discussions and that, appropriate discussions takes place. In addition, the Chairman has executive roles and oversees functions of the Group in areas such as finance, governance and corporate development.

The Chairman also represents the Board to all shareholders and stakeholders on the performance of the Group. At the meeting of shareholders, the Chairman ensures orderly conduct and proceedings of such meetings and allow shareholders to participate actively in the meetings.

The Managing Director focuses on sustainable operational excellence and growth of the Group's business. Hence, the Managing Director oversees the day-to-day operations, sets out policies and strategies to be implemented by the Group and ensures compliance with relevant laws and regulations. The Managing Director is also responsible for the overall management competencies and succession planning of key management of the Group.

Independent Directors are responsible for providing independent and unbiased views and opinions to the Board's deliberations and decision making. They are not involved in the day-to-day operations of the Group and there are no relationships or circumstances that would affect their independent judgement towards the Board.

The Board currently has seven (7) directors comprising:-



The directors are from diverse backgrounds, bringing in depth and diversity of experience, expertise and perspective to the Group. The composition of the Board is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities which stipulates at least two (2) directors or one-third (1/3) of the Board members, whichever is higher, are independent directors. Minority shareholders are fairly represented as the Board has sufficient independent directors of calibre and experience.

The Board recognises the importance of acting ethically at all times and in ensuring that its business practices meet the highest standards of integrity in line with the values of the Company. In this respect, the Board has established a Code of Conduct that applies to all the directors and employees of the Group.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

To reinforce the standards prescribed in the Code of Conduct, the Board had established a Whistle Blowing Policy to promote responsible corporate conduct across the Group. The Whistle Blowing Policy sets out a formal communication channel for employees and stakeholders of the Group to communicate matters of concern in good faith and without fear of reprisal.

The Whistle-Blowing Policy is available on the Company's website.

The Board seeks to implement sustainability strategies which strive to achieve a balanced approach to fulfil its business objectives and expectations of its stakeholders. For further information, please refer to our Corporate Social Responsibility Statement set out in this Annual Report.

Access to information and advice

All directors have full and unrestricted access to all information within the Group as a full Board, a member of any Board Committees and in their individual capacity in furtherance of their duties. The directors also have access to the advice and services of the Company Secretary in carrying out their duties to ensure all rules, requirements and regulations are complied with.

The Board is authorised whenever necessary to seek independent and professional advice from external advisers and the cost of such service is borne by the Group.

Company Secretaries

The Company Secretaries issue notices of meetings after the agendas are firmed by the management and shall attend the meetings of the Board, Board Committees and shareholders to record the proceedings of such meetings.

The Company Secretaries are also responsible for proper maintenance of secretarial records and attend to the auditors in annual statutory audits on the Company's statutory records in connection with the audit of the financial statements of the Company.

Both Company Secretaries have tertiary education and are qualified to act as company secretaries under Section 139A of the Companies Act, 1965. The Company Secretaries regularly keep themselves abreast of the regulatory changes and developments in corporate governance through attendance at various continuous training programmes.

PRINCIPLE 2 - STRENGTHEN COMPOSITION

In compliance with the MMLR and the Code and to focus effectively on issues to be delegated to the Board Committees, the Board has constituted various Board Committees which are governed by their own sets of terms of reference duly approved by the Board.

The terms of reference sets out among others their roles and functions, operating procedures and authorities. The Chairman of the respective Board Committees shall report the outcome of the Committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board meetings.

There are three (3) Board Committees namely:-

- Audit Committee ("AC")
- Remuneration Committee ("RC")
- Nominating Committee ("NC")

a. Audit Committee

The Board has set up an AC comprising wholly non-executive directors. The AC Report is presented on pages 28 to 31 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 2 - STRENGTHEN COMPOSITION (CONT'D)

b. Remuneration Committee

The RC consists of the following members:-

- Lau Mong Ying *(Chairman/Managing Director)*
- Chin Chew Mun *(Member/Independent Non-Executive Director)*
- Lau Mong Fah *(Member/Non-Independent Non-Executive Director)*

The terms of reference of the RC set out by the Board are as follows:-

The RC shall be appointed by the Board from amongst its members and consisting mainly non-executive directors. Members of the RC shall elect from among themselves a Chairman.

The RC shall meet to carry out its duties and responsibilities stated below. Each individual director shall abstain from deliberation on his own remuneration.

The quorum for a meeting shall be two (2) members both of whom shall be non-executive directors. In the absence of the Chairman of the RC, members present shall elect a Chairman for the meeting from amongst the non-executive directors present.

The Company Secretaries shall act as the secretaries of the RC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The minutes of each meeting shall be kept and distributed to all members of the Board.

The RC's duties and responsibilities are as follows:-

(i) To recommend to the Board the remuneration package of executive directors in all its form, drawing from outside advice, if necessary.

(ii) To recommend to the Board the remuneration of non-executive directors which shall be a decision of the Board as a whole, save and except where the remuneration is in respect of any member or members of this committee.

(iii) To recommend to the Board the remuneration package of senior management.

The RC is authorised by the Board to investigate any activity within its terms of reference. It shall be provided with the resources to perform its duties in full and unrestricted access to information pertaining to the Group.

The RC shall also have the right to consult independent experts where they consider it necessary to carry out their duties.

The executive directors play no part in decisions on their remuneration. The determination of remuneration packages of non-executive directors and senior management shall be a matter for the Board as a whole. The remuneration package of the executive directors is structured so as to link rewards to corporate and individual performance and the level of responsibilities, while that of the senior management to their individual performance and level of responsibilities.

The remuneration package of non-executive directors is structured to reflect the experience and level of responsibilities undertaken.

Upon recommendation of the RC, the Board shall deliberate and propose the remuneration of directors to shareholders for approval at the annual general meeting.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 2 - STRENGTHEN COMPOSITION (CONT'D)

c. Nominating Committee

The NC consists of the following members:-

- Khadmudin Bin Mohamed Rafik *(Chairman/Independent Non-Executive Director)*
- Lin, Cheng-Lang *(Member/Independent Non-Executive Director)*
- Chin Chew Mun *(Member/Independent Non-Executive Director)*

The terms of reference of the NC set out by the Board are as follows:-

The NC shall be appointed by the Board from amongst its members and comprised exclusively non-executive directors, a majority of whom are independent. Members of the NC shall elect from among themselves a Chairman, who shall be an independent non-executive director.

The NC, with a quorum of two (2) members, shall meet at least once a year to carry out amongst others the following duties and responsibilities:-

(i) To assess the effectiveness of the Board as a whole;

(ii) To assess the effectiveness of the Board Committees;

(iii) To assess the contribution of each individual director; and

(iv) To make appropriate recommendations to the Board on matters of renewal or extension of directors' appointment, re-appointment and re-election of retiring directors.

In the absence of the Chairman of the NC, members present shall elect a Chairman for the meeting.

The Company Secretaries shall act as the secretaries of the NC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The minutes of each meeting shall be kept and distributed to all members of the Board.

One of the NC's primary responsibilities is to propose, consider and recommend to the Board, candidates for directorships to be filled in the Group.

In discharging its duties, the NC will assess the suitability of the new candidate by taking into account his background, education, skills, experiences, integrity and independency. The Board will then consider the recommendations of the NC and make its final decision as to the appointment. The Company Secretaries then ensures the relevant procedures relating to the appointment of the new director are properly executed.

The NC is authorised by the Board to investigate any activity within its terms of reference. It shall be provided with the resources to perform its duties in full and unrestricted access to information pertaining to the Group.

The NC shall also have the right to consult independent experts where they consider it necessary to carry out their duties.

The activities carried out by the NC during the year are as follows:-

(i) reviewed and assessed the effectiveness of the Board and Board Committees
(ii) reviewed and assessed the contributions of individual directors
(iii) reviewed and assessed the independence of the independent directors
(iv) reviewed and assessed the term of office and performance of Audit Committee
(v) reviewed and assessed the Non-Independent Executive Chairman
(vi) reviewed and assessed the directors due for retirement at the Annual General Meeting
(vii) reviewed and assessed the continuance of independent directors who has served more than 9 years

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 2 - STRENGTHEN COMPOSITION (CONT'D)

c. Nominating Committee (Cont'd)

The assessments of the Board, Board Committees and its directors are carried out by way of evaluation questionnaires. The responses are then compiled and presented to the NC for evaluation and consideration. The NC will evaluate and table its recommendations to the Board. The director's concern shall abstain from deliberating on his own assessment.

The NC, upon its recent annual assessment carried out, is satisfied that the current size and composition of the Board, Board Committees and its directors are adequate and appropriate with relevant mix of skills, expertise, experiences and ethnicity.

The Board unanimously agreed to the above recommendations.

Boardroom Diversity

The Board acknowledges gender diversity in Boardroom as essential combination to strengthen the composition of the Board. In this respect, the Board will take into consideration woman representative on the Board in its future selection process should the need arises.

The NC, upon its recent assessment carried out, is satisfied that the existing Boardroom has a diverse blend of ethnicity, age and culture.

In addition to the Board Committees, there are two (2) sub-committees namely:

- Risk Management Committee ("RMC")
- Investment Committee ("IC")

d. Risk Management Committee

The RMC consists of the following members:-

- Ahmad Mustapha Ghazali *(Chairman/Executive Chairman)*
- Lau Mong Fah *(Member/Non-Independent Non-Executive Director)*
- Chin Chew Mun *(Member/Independent Non-Executive Director)*
- Choong Chee Mun *(Member)*
- Chua Yew Huat, Triston *(Member)*

The terms of reference of the RMC set out by the Board are as follows:-

The RMC shall be appointed by the Board from amongst its members and management staff of the Group. Members of the RMC shall elect from among themselves a Chairman.

The RMC shall meet to carry out the duties and responsibilities stated below. The quorum for a meeting shall be two (2) members both of whom shall be directors.

In the absence of the Chairman of the RMC, members present shall elect a Chairman for the meeting from amongst the directors present.

The RMC's duties and responsibilities are as follows:-

(i) Identify, assess, manage and monitor key business risks;

(ii) Determine the Group's risk appetite and tolerance;

(iii) Promote an effective risk awareness culture where risk management is an integral aspect of the Group's management systems; and

(iv) Identify emerging risks or changes in risks and taking appropriate action promptly.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 2 - STRENGTHEN COMPOSITION (CONT'D)

d. Risk Management Committee (Cont'd)

The RMC is authorised by the Board to investigate any activity within its terms of reference. It shall be provided with the resources to perform its duties in full and unrestricted access to information pertaining to the Group.

The RMC shall also have the right to consult independent experts where they consider it necessary to carry out their duties.

e. Investment Committee

The IC consists of the following members:-

- Ahmad Mustapha Ghazali *(Chairman/Executive Chairman)*
- Lau Mong Ying *(Member/Managing Director)*
- Khadmudin Bin Mohamed Rafik *(Member/Independent Non-Executive Director)*
- Boo Chin Liong *(Member/Independent Non-Executive Director)*
- Choong Chee Mun *(Member)*
- Mohammad Raizman Mustapha *(Member)*

The terms of reference of the IC set out by the Board are as follows:-

The IC shall be appointed by the Board from amongst its members and management staff of the Group. Members of the IC shall elect from among themselves a Chairman.

The IC shall meet to carry out the duties and responsibilities stated below. The quorum for a meeting shall be two (2) members both of whom shall be directors.

In the absence of the Chairman of the IC, members present shall elect a Chairman for the meeting from amongst the directors present.

The IC's duties and responsibilities are as follows:-

(i) To review and evaluate proposals on new significant investments or disposals and recommend to the Board for approval;

(ii) To review potential fund raising activities to finance significant investments made by the Group;

(iii) To ensure investments are in line with the Group's corporate strategy; and

(iv) To monitor and evaluate performance of investment activities on a regular basis.

The IC is authorised by the Board to investigate any activity within its terms of reference. It shall be provided with the resources to perform its duties in full and unrestricted access to information pertaining to the Group.

The IC shall also have the right to consult independent experts where they consider it necessary to carry out their duties.

PRINCIPLE 3 - REINFORCE INDEPENDENCE

The Board through the NC assesses the independent directors on an annual basis with a view to ensure there is no conflict of interest or undue influences from interested directors. Where any director has an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in the discussion and voting on the matter. Evaluation questionnaires are sent to the independent directors to self-evaluate their "independence" and the NC will assess and make its recommendations to the Board.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 3 - REINFORCE INDEPENDENCE (CONT'D)

The NC, upon its recent annual assessment carried out, is satisfied that the independent directors have been able to discharge their responsibilities in an independent manner. The Board also unanimously agreed with the objectivity of the independent directors.

The Board noted Recommendation 3.2 of the Code that the tenure of an independent director should not exceed a cumulative term of nine (9) years. The NC and the Board are of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Their long service should not affect their independence as they are independent-minded and had provided the necessary checks and balances in the best interest of the shareholders.

Accordingly, Khadmudin Bin Mohamed Rafik and Lin, Cheng-Lang who have been independent non-executive directors of the Company since 9 September 2003 and 10 September 1998 respectively, subject to shareholders' approval at the forthcoming Annual General Meeting, will continue to be independent directors of the Company, notwithstanding having served as independent directors on the Board for more than nine (9) years. Key justifications to retain Khadmuddin Bin Mohamed Rafik and Lin, Cheng-Lang as independent non-executive directors include the following:-

(i) They have fulfilled the criteria of independent director as stated in the MMLR of Bursa Securities, therefore are able to provide independent and objective judgement to the Board.

(ii) Their vast experiences in relevant industries would enable them to contribute their expertise and knowledge to the Board's deliberation and decision making.

(iii) They have gained valuable insight into the Company's business operations over their tenure which would allow them to actively participate and contribute positively in Board discussions.

(iv) Over their tenure as independent non-executive directors, they have exercised due care and have carried out their duties in the best interest of the Company.

The positions of Chairman and Managing Director are held by different individuals which is in line with corporate governance practices to promote accountability, balance of power and facilitates division of responsibilities between them.

In accordance with Recommendation 3.4 and 3.5 of the Code, the Chairman of the Board must be a non-executive member of the Board and in the event that the Chairman is not an independent director, the Board must comprise a majority of independent directors.

The NC, upon its recent annual assessment carried out, is satisfied that the Group's Executive Chairman has been able to discharge its responsibilities objectively and is well placed to act on behalf of the shareholders in their best interest and it is not necessary to nominate an independent non-executive director as Chairman at this juncture.

The Board is of the view that the Chairman will remain objective in expressing his opinions and all the Board members are given the opportunity to participate and express their views in deliberations and decision making in the Board. In addition, majority of the Board members are independent directors. Hence, the Board shared the view as with the NC that the Executive Chairman is capable of acting in the best interest of the shareholders and does not see the necessity of appointing a Non-Executive Chairman at this juncture.

PRINCIPLE 4 - FOSTER COMMITMENT

The directors are aware of the time commitment expected from each of them including attendance at Board and Board Committees' meetings. Board meetings are scheduled in advance before the end of each calendar year so as to enable the directors to plan ahead and fit the year's meetings into their schedules.

The Board meets at least four (4) times in each financial year with additional meetings convened as necessary. The agenda and board papers are distributed at least seven (7) days prior to Board meetings to ensure the directors have sufficient time to peruse through the board papers. This also enables the Board meetings to be convened more effectively by focusing on the deliberations and any queries from the directors on the subject matter. Comprehensive and balanced financial and non-financial information are encapsulated in the papers covering strategic and operational issues and any other issues as identified by the Board.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 4 - FOSTER COMMITMENT (CONT'D)

In June 2016, the Board had held its meeting at the subsidiary's plant in Shuyang, China. The non-executive directors had further enhanced their understanding of the business operations to actively participate in discussions at the Board meeting. In this regard, the Board plans to hold a meeting at the plant of overseas' subsidiary each year in the foreseeable future to enable the non-executive directors to visit the overseas' operations and meet the management team as it provides them with a better insight of the business.

The Board held seven (7) meetings between 1 August 2015 and 31 July 2016 and the details of attendance of each director at Board meetings held during the financial year are as follows:-

Directors	Designation	Number of meetings attended	%
Ahmad Mustapha Ghazali	Executive Chairman	7 / 7	100
Lau Mong Ying	Managing Director	7 / 7	100
Lau Mong Fah	Non-Independent Non-Executive Director	7 / 7	100
Khadmudin Bin Mohamed Rafik	Independent Non-Executive Director	7 / 7	100
Lin, Cheng-Lang	Independent Non-Executive Director	6 / 7	86
Chin Chew Mun	Independent Non-Executive Director	7 / 7	100
Boo Chin Liong	Independent Non-Executive Director	7 / 7	100

All directors have thus more than adequately complied with the minimum requirements on attendance at Board meetings as stipulated in MMLR of Bursa Securities (minimum 50% attendance).

In line with the MMLR, none of the directors hold more than 5 directorships in public listed companies quoted on Bursa Securities as well as in public or public listed companies that are incorporated outside Malaysia or listed and quoted on other Exchanges. The directors are required to notify the Company Secretaries on their appointment and resignation in other directorships.

The NC, upon its recent annual assessment carried out, is satisfied with the level of commitment given by the directors towards fulfilling their roles and responsibilities.

The Board is also satisfied that all directors even the directors holding multiple board representations are able to and have been devoting sufficient time to discharge their responsibilities adequately.

Directors' Trainings

All the directors had attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities.

In addition to MAP, the Board has resolved as an expressed stated policy that each director shall commit at least two (2) days annually to attend training courses of his own personal requirement as part of a continuous education programme.

The Company Secretaries will inform the directors on seminars, briefings, conferences and programmes available from time to time for consideration of the directors to attend trainings as they individually considered relevant and useful in discharging their duties to the Company. The development and training programmes are mainly topics covering leadership, corporate governance, finance, accounting, business sustainability, regulatory developments and so forth. In addition, all directors are, from time to time, provided with copies of reading materials pertaining to the latest developments in areas relating to the directors' roles and responsibilities.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 4 - FOSTER COMMITMENT (CONT'D)

Directors' Trainings (Cont'd)

The continuing education programmes attended by the directors are as follows:-

Director	Trainings Attended
Ahmad Mustapha Ghazali	• 2016 Budget & Its Impact on Capital Market • Corporate Strategy & Strategic Choices • Corporate Governance Breakfast Series for Directors: Improving Board Risk Oversight Effectiveness • Focus Group Series: Corporate Governance Disclosures - "What makes good, bad and ugly corporate governance reporting" • Corporate Governance Disclosure and Key Changes in the Malaysian Code on Corporate Governance 2016 and New Companies Bill 2015 • Board Chairman Series Part 2: Leadership Excellence from the Chair • Updates on Companies Bill 2015 and Its Implications to Directors
Lau Mong Ying	• ITMA 2015 • World Textile Summit 2015 • MIDA Dialogue Session on Potential Economic Impact of Trans-Pacific Partnership Agreement (TTPA) on the Textile & Apparel Industry in Malaysia • MKMA Analytical Talk on How will TPP Benefit the Malaysian Textile Sector • Effective Water Treatment and Technology in the Dyeing Industry • ITMA ASIA + CITME 2016
Lau Mong Fah	• Audit Committee Conference 2016 • Corporate Governance Disclosure and Key Changes in the Malaysian Code of Corporate Governance 2016 and New Companies Bill 2015
Khadmudin Bin Mohamed Rafik	• ITMA 2015 • ITMA ASIA + CITME 2016 • Corporate Governance Disclosure and Key Changes in the Malaysian Code of Corporate Governance 2016 and New Companies Bill 2015
Lin, Cheng-Lang	• Audit Committee Conference 2016 • Corporate Governance Disclosure and Key Changes in the Malaysian Code of Corporate Governance 2016 and New Companies Bill 2015
Chin Chew Mun	• Corporate Governance - Future of Auditor Reporting • Audit Committee Conference 2016 • Corporate Governance Disclosure • National GST Conference 2016 • Corporate Governance Disclosure and Key Changes in the Malaysian Code of Corporate Governance 2016 and New Companies Bill 2015
Boo Chin Liong	• Audit Committee Conference 2016 • Corporate Governance Disclosure and Key Changes in the Malaysian Code of Corporate Governance 2016 and New Companies Bill 2015

PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board is committed to present a balanced and comprehensive assessment of the Group's financial performance and position, primarily through the audited financial statements and quarterly financial results. The Board, assisted by the AC, oversees the financial reporting process and the quality of the financial reporting of the Group.

The AC meets with the external auditors at least twice a year without the presence of the executive directors or the management of the Company to discuss any extraordinary matters or concerns arising from the audit of the Company and its subsidiaries that should be brought to the attention of the AC.

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

The AC also reviews and monitors the performance and independence of external auditors. The external auditors is required to declare their independence annually to the AC in accordance with the Malaysian Institute of Accountants' By-Laws on Professional Ethics, Conducts and Practice. The declaration by the external auditors is provided in the audit planning memorandum and audit completion memorandum presented to the AC. The AC then assessed their suitability and independence and makes its recommendation to the Board to retain the external auditors for the ensuing year, subject to approval of the shareholders at the annual general meeting.

The AC has considered the provision of non-audit services by the external auditors during the financial year and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The Group's and the Company's audit fees paid/payable to the external auditors for the financial year ended 31 July 2016 amounted to RM157,000 and RM27,000 respectively. The Group's and the Company's non-audit fees (tax compliance fees and reporting accountant fees for the Rights Issue exercise) paid/payable to the external auditors and its affiliates for the financial year ended 31 July 2016 amounted to RM91,700 and RM66,200 respectively. The AC had obtained assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Directors' Remuneration

The remuneration of the executive directors is, including fees as recommended by the RC, structured so as to link rewards to corporate and individual performance and for non-executive directors, the level of remuneration reflects the experience and level of responsibilities undertaken. In line with the Code, the Company aims to set remuneration for directors at levels which are sufficient to attract and retain persons of calibre to guide the Group, taking into consideration the duties and responsibilities enacted.

Currently, the executive directors remuneration comprises basic salary and fees (recommended by the RC), which are reflective of their experience, level of responsibilities, individual performance as well as corporate performance. Benefits-in-kind such as company cars are made available as appropriate.

The details of aggregate remuneration of the directors for the financial year ended 31 July 2016 including proposed directors' fees are as follows:-

	Group		Company	
	Executive Directors RM'000	**Non-Executive Directors RM'000**	**Executive Directors RM'000**	**Non-Executive Directors RM'000**
Salary	1,718	-	1,150	-
Fees & allowance	3,900	385	1,800	385
Benefits-in-kind	48	-	24	-
Defined contribution plans	291	-	218	-
Equity-settled-share-based payment	165	58	165	58
	6,122	443	3,357	443

	Group		Company	
Remuneration bands	**Executive Directors**	**Non-Executive Directors**	**Executive Directors**	**Non-Executive Directors**
RM50,000 – RM100,000	-	4	-	4
RM100,001 – RM150,000	-	1	-	1
Above RM1,000,000	2	-	2	-

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

PRINCIPLE 6 - RECOGNISE AND MANAGE RISKS

Risks Management Framework

The Board has established and maintained a sound risk management framework to safeguard the shareholders' interest and Group's assets. An overview of the Group's risk management and internal control are set out on page 32. The Internal Audit Function of the Group is outsourced to an independent internal audit consulting firm. Further details of the activities of the internal audit function are set out on pages 32 to 33.

The Board is of the opinion that the Group had adequately addressed the financial, operational and compliance risks, which are relevant and material to the Group's operations, by ensuring that the systems of risk management and internal control are operating adequately and effectively during the financial year.

PRINCIPLE 7 - ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the importance of an effective communication channel between the Board, stakeholders and investors so as to provide a clear and comprehensive understanding of the Group's performance and position as much as possible. The Group values its dialogue with both institutional shareholders and private investors and welcome contributions from them. The Group uses a number of formal channels for effective dissemination of information to the shareholders and stakeholders particularly through the annual report, announcements to Bursa Securities and the Company's website.

The Board has adopted a Corporate Disclosure Policy to ensure timely and accurate disclosures in compliance with the MMLR of Bursa Securities and for proper procedures and processes to be in place in ensuring the maintenance of confidentiality and proper handling of material price sensitive information, prior to them being announced to Bursa Securities. The policy will be reviewed and enhanced from time to time.

PRINCIPLE 8 - STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Annual General Meeting provides a useful forum for shareholders to engage directly with the directors and senior management. At each annual general meeting, the Chairman encourages shareholders to participate in the question and answer session. Executive Directors and the Chairman of the AC are available to respond to shareholders' enquiries during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any question that cannot be readily answered at the meeting. However, any information, which may be regarded as confidential material information about the Group, will not be given to any single shareholder or shareholders' group.

Notice of Annual General Meeting and related papers are sent out to shareholders at least 21 days before the date of the meeting. Each item of special business included in the Notice of Annual General Meeting will be accompanied by explanatory statement to facilitate a full understanding and evaluation of issues involved. In compliance with the recent amendments to the MMLR of Bursa Securities, all the resolutions set out in the notice of the forthcoming annual general meeting shall be voted upon by poll.

Shareholders and stakeholders of the Company may access the Company's website at www.prolexus.com.my for corporate information such as company announcements, press releases financial information, Board Charter, Code of Conducts, Whistle Blowing Policy etc.

In addition to the above, shareholders and investors may communicate with the Chief Financial Officer for any further queries with regard to the Company at the following:-

Tel: 603-7954 0018
Fax: 603-7958 8359
Email: enquiries@prolexus.com.my

STATEMENT ON CORPORATE GOVERNANCE
CONT'D

ACCOUNTABILITY AND AUDIT

In presenting and reporting the annual audited financial statements and reports and the quarterly results to shareholders, the Board aims to present a balanced and understandable announcement of the Group's position and prospects.

The directors acknowledge their responsibility for the Group's system of internal controls covering financial, operational and compliance controls and risk management. The internal control system involves each business and key management from each business including the Board and will be designed to meet the Group's particular needs and to appropriately manage the risks. The key elements to be included in the design of the Group's internal control system are described below:-

- Clearly defined delegation of responsibilities to committees of the full Board and to operating units, including authorisation levels for all aspects of the business, which are set out in an authority matrix.
- Clearly documented internal procedures set out in a series of Internal Control Procedures.
- Regular internal audit visits, which monitor compliance with procedures and assess the integrity of financial information.
- Regular and comprehensive information provided to management, covering financial performance and key business indicator, such as staff utilisation and cash flow performance.
- A detailed budgeting process where operating units prepare budgets for the coming year, which are approved both at operating unit level and by the full Board.
- Monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to operating units by members of the Board and senior management.

The system, by its nature can only provide reasonable but not absolute assurance against misstatement or loss.

The Group is constantly reviewing the adequacy and integrity of the Group's system of internal controls and for this purpose, the internal auditors report directly to the AC. The work of the internal auditors and the AC are summarised in the AC Report section of this Annual Report.

This Statement on Corporate Governance is made by the Board of Directors in accordance with a resolution of the Board of Directors dated 31 October 2016.

AHMAD MUSTAPHA GHAZALI
Executive Chairman

LAU MONG YING
Managing Director

CODE OF CONDUCT

The Board of Directors of Prolexus Berhad recognises the enduring importance of acting ethically at all times and in ensuring that our business practices meet the highest standards of integrity in line with the values of our Company. Our commitment to integrity is necessary for protecting and supporting our employees, enhancing the credibility of our business practices and safeguarding our reputation.

This code of conducts shall apply to all the directors and employees of the Group.

BUSINESS INTEGRITY AND ETHICS

- We uphold the highest of ethical and professional standards through fair and honest dealings with employees, suppliers, customers, stakeholders and any other persons having dealings with the Group.

EMPLOYMENT

- We will endeavor to support fair practices at our workplace and provide equal opportunities in employment regardless of race, creed, religion and national origin.
- We will not coerce or hold staff against their wishes in employment.
- We recognise and respect the right of employees to freely join any association.
- We do not place ourselves in situations which result in divided loyalties.

ENVIRONMENTAL, HEALTH AND SAFETY

- We organise and utilize all available resources to achieve a safe and green workplace for our employees.
- We set goals to improve our environmental performance & operating conditions to protect the safety and health of our employees.
- We comply with legal and other requirements relevant to environment, safety & health.
- We uphold values of mutual respect by maintaining a workplace that is free from harassment and violence. Any form of harassment and violence will not be tolerated.

COMPLIANCE WITH LAWS, RULES AND REGULATIONS

- We must abide by all applicable laws and regulations of the governmental and/or regulatory authorities, and the internal policies that apply to the Group's businesses.

USE OF GROUP'S INFORMATION

- We must not disclose any confidential information which we obtain in the course of performing our duties to any third parties unless such disclosure is authorised by the Board.

ACCURATE FINANCIAL INFORMATION

- We ensure all transactions are properly included in the books and records of the Group.

PROTECTION OF ASSETS

- We must protect the Group assets against waste, loss, damage, abuse, misuse or theft and ensure these assets are used responsibly in the performance of our duties.

CUSTOMERS SATISFACTION

- We value customers' satisfaction and always use our best efforts to provide good service and high quality products.

RELATIONSHIPS WITH STAKEHOLDERS

- We must seek mutually beneficial long-term relationships with customers and other stakeholders based on fair, respectful and responsible practices.

AUDIT COMMITTEE REPORT

1. COMPOSITION

The Audit Committee ("AC") is formally constituted with written terms of reference. The present composition of the AC was reviewed and retained by the Board of Directors on 29 September 2016.

Details of the composition of the AC and the attendance of each director at the five (5) AC meetings held during the financial year are as follows:-

Directors	Designation	Number of meetings attended	%
Chin Chew Mun *Chairman*	Independent Non-Executive Director	5/5	100
Lau Mong Fah *Member*	Non-Independent Non-Executive Director	5/5	100
Lin, Cheng-Lang *Member*	Independent Non-Executive Director	4/5	80
Boo Chin Liong *Member*	Independent Non-Executive Director	5/5	100

2. TERMS OF REFERENCE

The Terms of Reference for the AC set out by the Board of Directors are as follows:-

a. Objectives

The primary objective of the AC is to assist the Board of Directors in fulfilling its responsibility relating to the accounting and reporting practices of the Company and its subsidiary companies.

In addition, the AC shall:-

(i) Oversee and appraise the quality of the audit conducted both by the Company's internal and external auditors;

(ii) Maintain, through regular scheduled meetings, a direct line of communication between the Board of Directors, internal and external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;

(iii) Keep under review the risk assessment and management framework of the Group; and

(iv) Determine the adequacy of the Group's administrative, operating and accounting controls.

b. Size and Composition

The Committee shall be appointed by the Board of Directors from amongst its members and shall consist of not less than three (3) members, all of whom shall be non-executive directors and financially literate. The majority of the Committee members shall be independent directors.

The Committee shall include at least one (1) person who is a member of Malaysian Institute of Accountants or a person who must have at least 3 years' working experience and has passed the examinations specified in Part 1 of the 1st Schedule of the Accountant Act, 1967 or is a member of one of the associations of accountants specified in Part II of the said Schedule or a person who fulfils such other requirements as prescribed or approved by the Exchange. The members of the AC shall elect from among themselves a Chairman, who shall be an independent non-executive director.

If one or more members of the Committee resign or for any reason cease to be a member with the result that the Listing Requirements of Bursa Malaysia Securities Berhad are breached, the Board shall, within three (3) months of that event, appoint such number of new members as may be required to correct the breach. The Board of Directors shall review the composition of the Committee at least once every three (3) years.

AUDIT COMMITTEE REPORT
CONT'D

2. TERMS OF REFERENCE (CONT'D)

c. Meetings

The AC shall hold at least four (4) quarterly meetings per year and such additional meetings as its Chairman shall decide in order to fulfill its duties. The quorum for a meeting shall be two (2) members with the majority of whom shall be independent directors.

The Chairman of the AC shall engage on a continuous basis with senior management, such as the Chairman and the Executive Directors, and the external auditors in order to be kept informed of matters affecting the Company or the Group. The internal auditors shall report directly to the AC.

In the absence of the Chairman of the AC, members present shall elect a Chairman for the meeting from amongst the independent directors present.

The non-member directors, the Chief Financial Officer, other senior management of the Group, the internal auditors and representatives of the external auditors may attend the meeting on invitation by the Committee.

The AC shall meet the external auditors without the presence of the executive board members at least twice (2) a year and such other meetings as determined by the Committee and/or as requested by the external auditors.

The Company Secretary or the representative of the Secretary shall act as the secretary of the AC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The minutes of each meeting shall be kept and distributed to all members of the Board.

d. Duties and Responsibilities

The primary duties and responsibilities of the AC are:-

(i) Consider the appointment of the external auditors, the audit fees and any questions of resignation or dismissal, and inquire into the staffing and competence of the external auditors in performing their work;

(ii) Review with the external auditors the scope of their audit plan, their evaluation of the system on internal control and the audit report on the financial statements (in absence of the management if necessary);

(iii) Review the assistance given by the employees of the Company and the Group to the external auditors;

(iv) Discuss the impact and review of any proposed changes in or implementing of major accounting policy changes, principles and practice, significant adjustments resulting from the audit, significant and unusual events, the going concern assumption, compliance with accounting standards and compliance with the stock exchange and statutory and legal requirements;

(v) Review any financial information for publication, including quarterly and annual financial statements prior to submission to the Board for approval;

(vi) Review the adequacy and relevance of the scope, functions, competency and resources of internal audit, necessary authority to carry out internal audit work and extent of co-operation and assistance given by the employees to internal audit;

(vii) Review the internal audit plan and work programme, consider major findings of internal audit investigation and management response and ensure co-ordination between internal and external auditors;

(viii) Ascertain the adequacy of the Group's risk assessment and management framework in identifying and considering principal business risks and ensure the implementation of appropriate systems to manage these risks;

AUDIT COMMITTEE REPORT
CONT'D

2. TERMS OF REFERENCE (CONT'D)

d. Duties and Responsibilities (Cont'd)

The primary duties and responsibilities of the AC are:- (Cont'd)

(ix) Keep under review the effectiveness of internal control systems and in particular to review and monitor the implementation of recommendation of the external auditors' management letter and management's response;

(x) Consider and review any related party transaction that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(xi) Identify and direct any special projects or investigation deemed necessary;

(xii) Report any breaches of listing requirements, which have not been satisfactory resolved to the Bursa Malaysia Securities Berhad; and

(xiii) To review and verify the allocation of options to employees under Employees Share Option Scheme.

e. Authority

The AC is authorised by the Board to investigate any activity within its Terms of Reference. It shall be provided with the resources to perform its duties in full and unrestricted access to information pertaining to the Company and the Group. The Committee shall also have direct communication channels with both the Internal and external auditors and senior management of the Company and the Group including convening meetings with the external auditors, the internal auditors or both, in the absence of other directors and employees of the Company, whenever deemed necessary.

The AC shall also have the access to consult independent experts where they consider it necessary to carry out their duties.

3. SUMMARY OF ACTIVITIES UNDERTAKEN BY AC DURING THE FINANCIAL YEAR

The primary objectives of the said AC are mainly for the purpose of discharging its oversight role on the Company's financial reporting, external and internal audit.

a. Financial Reporting

- Reviewed and approved the unaudited quarterly results and audited financial statements prior to submission to the Board of Directors for consideration and approval.
- Reviewed all recurrent related party transactions entered into by the Company.

b. External Audit

- Discussion with external auditors on their audit plan, audit approach, reporting requirement and audit fees for the financial year ended 31 July 2016.
- Assessed the suitability and independence of the external auditors taking into consideration the adequacy of experience, their resources and professional staff assigned to carry out the audit.
- Reviewed and discussed with the external auditors the results of the audit of the financial statements and their report thereof.
- Assessed and evaluated the performance of external auditors and made the recommendation to the Board for consideration in relation to their re-appointment and audit fees.

AUDIT COMMITTEE REPORT
CONT'D

3. SUMMARY OF ACTIVITIES UNDERTAKEN BY AC DURING THE FINANCIAL YEAR (CONT'D)

c. Internal Audit

- Reviewed and approved the Internal Audit Plan for the financial year ended 31 July 2016 to ensure adequacy of scope and coverage of the auditable areas and that the resources are sufficient and competent to enable the Internal Audit to discharge and carry out its functions effectively.

- Reviewed and deliberated the audit follow-up reports to ensure the management has implemented action plans to address outstanding audit issues and to ensure major risks and control lapses have been addressed.

- Visited the major subsidiaries to obtain further insights on the operation.

- Attended the Audit Committee Conference organised by The Institute of Internal Auditors.

Internal audit function is established to measure and evaluate the internal controls put in place by the management of the Company and its subsidiaries. This internal audit function is outsourced and to assist the AC in performing, inter alia, the following functions:-

- Promoting proactive risk management awareness, monitoring results of key performance indicators and ensuring compliance with good corporate governance;

- Review and appraise the soundness, adequacy and application of accounting, financial and other operating controls and promote effective control at reasonable cost;

- Ascertain extent of compliance with established policies, plans and procedures;

- Ascertain extent to which company assets are accounted for and safeguarded from losses of all kinds.

The internal auditors report directly to AC and has direct access to the Chairman of the AC on all internal control and internal audit issues.

The Internal Audit function also conducted follow-up reviews to determine the adequacy, effectiveness and timeliness of action taken by the management on audit recommendations and provided updates on their status to the AC.

The total costs incurred for the internal audit function of the Group for the current financial year was RM37,750.

This Audit Committee Report is approved by the Board of Directors in accordance with a resolution of the Board of Directors dated 31 October 2016.

Signed on behalf of the Audit Committee

CHIN CHEW MUN
Chairman, Audit Committee

31 October 2016

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Pursuant to paragraph 15.26(b) of Bursa Securities Listing Requirements, the Board of Directors of Prolexus Berhad is pleased to provide the following statement on risk management and internal control of the Group, which has been prepared in accordance with the Malaysian Code on Corporate Governance (March 2012), the Corporate Governance Guide (October 2013) and the Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Internal Control Guidance').

RESPONSIBILITY FOR RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises the importance of an effective enterprise risk management and an ongoing risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and risk management. As the system is an on-going process designed to manage rather than to eliminate the risk of failure to achieve business objectives, it can only provide reasonable but not absolute assurance against any material misstatement of management and financial information, loss or fraud.

The Board has established an ongoing process for identifying, evaluating, managing and monitoring the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continuously reviewed by the Board and are in accordance with the Internal Control Guidance.

RISK MANAGEMENT

The Risk Management Committee ("RMC") has been established at Prolexus Berhad and its principal subsidiaries. The RMC of Prolexus Berhad comprises directors, senior management and Enterprise Risk Manager of the Group and is chaired by the Executive Chairman whereas the RMC of the principal subsidiaries comprise their respective directors, senior management and department heads. The key objectives of the RMC are to:-

- Identify, assess, manage and monitor key business risks;
- Determine the Group's risk appetite and tolerance;
- Promote an effective risk awareness culture where risk management is an integral aspect of the Group's management systems; and
- Identify emerging risks or changes in risks and taking appropriate action promptly.

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly on any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board. On a quarterly basis, risk assessment is conducted by subsidiaries' RMC and the Enterprise Risk Manager of the Group to review the risk status, progress of implementation of action plans as well as identifying new or emerging risks. Consequently quarterly enterprise risk management report summarising the significant risks and the status of each action plans are presented to the RMC of the Group for review, deliberation and recommendation for endorsement by the Board of Directors.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has engaged the services of independent internal audit consulting firm who reports directly to the Audit Committee to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on the prioritisation of their risk profiling. Scheduled internal audits are carried out by the internal auditors based on the audit plan approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that those areas are managed with adequate level of controls. For those areas with high risk and inadequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On quarterly basis or earlier as appropriate, the results of internal audit will be reported to the Audit Committee particularly on areas for improvement and will be subsequently followed up to determine the extent of actions that have been implemented.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL
CONT'D

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:-

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of standard internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- A comprehensive business planning and detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board;
- Monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- The day-to-day operations of the two major subsidiaries are guided by the ISO9001:2008 documented procedures that provide limited scope of internal control; and
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' reports, there is reasonable assurance that the Group's systems of internal control as a whole are adequate and working satisfactorily. Minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

The Board has received assurance from the Managing Director and Chief Financial Officer that the risk management and internal control system of the Group is operating adequately and effectively.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of Bursa Securities Listing Requirements and pursuant to the scope set out in the Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group. The external auditors have 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 risk management and internal control.

This statement is issued in accordance with a resolution of the Directors dated 31 October 2016.

STATEMENT ON DIRECTORS' RESPONSIBILITY
In Relation to the Financial Statements

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of their financial performance and cash flows for the financial year then ended. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that in preparing the financial statements for the financial year ended 31 July 2016 set out on pages 46 to 109, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have responsibility in ensuring that the Group and the Company keep accounting records which enable them to ensure that the financial statements comply with the Act and applicable approved accounting standards in Malaysia. The Directors have general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 31 October 2016.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the importance of its social obligations to the society in which it operates in whilst striving to achieve a balanced approach to fulfill its key business objectives and the expectations of its stakeholders.

A Code of Conduct principally guides the directors and employees to conduct our business in accordance with the highest standards and in full compliance with all laws and regulations.

The Group has in place a Safety and Health Committee who develops policies and guidelines to provide and maintain a safe and healthy workplace for all its employees, contractors and visitors. In addition, the Group observes strict compliance with environmental laws and regulations to the extent that our suppliers are qualified for compliance as well.

To strengthen gender, age and ethnic diversity and instill inclusion as part of our corporate culture, the Group is committed to provide equal opportunities, appreciate differences and embrace uniqueness among all employees to drive effective teamwork within the Group.

As part of the effort to build a stronger team, the Group recognises the importance of seminars and trainings to the employees so that the skills, capabilities and knowledge of the employees are up-to-date with the current market developments to meet current and future demands of the Group's business.

OTHER CORPORATE DISCLOSURE

MATERIAL CONTRACTS OR CONTRACTS RELATING TO LOANS

Apart from the executive directors' employment contracts and those related party transactions as disclosed in Note 32, there are no other material contracts involving the Directors and major shareholders with the Company and its subsidiaries.

EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 3 September 2013, and the ESOS will be in force for duration of five (5) years expiring on 8 September 2018.

There is no any options granted to the director and employees during the financial year. The actual allocation of ESOS to the directors and senior management of the Group is 51.21% since the commencement of the ESOS.

UTILISATION OF PROCEEDS

The status of the utilisation of proceeds of RM 56,832,730 raised from the Rights Issues exercise as at 31 July 2016 is as follows:-

Purpose	Intended Timeframe for Utilisation	Proposed Amount RM'000	Amount Utilised as at 31 July 2016 RM'000	Reallocation RM'000	Amount Unutilised as at 31 July 2016 RM'000
Construction of a new garment factory in Vietnam	within 24 months ending 30 June 2018	22,000	(17)	-	21,983
Setting up fabric mill	within 24 months ending 30 June 2018	33,233	(48)	95	33,280
Estimated expenses in relation to Rights Issue	within 1 month ended 31 July 2016	1,600	(1,505)	(95)	-
		56,833	(1,570)	-	55,263

As disclosed in the Abridged Prospectus dated 20 May 2016, any variation in the actual amount incurred for Rights Issue will be adjusted to amount allocated for the setting up of fabric mill.

REPORTS AND FINANCIAL STATEMENTS

DIRECTORS' REPORT
For the Financial Year Ended 31 July 2016

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 July 2016**.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

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

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the financial year	33,247	7,171
Attributable to:		
Owners of the Company	28,349	7,171
Non-controlling interests	4,898	-
	33,247	7,171

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 July 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the notes to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company has declared and paid the following dividends:

(i) Single tier final dividend of 2.70 sen per share amounting to RM3,017,455 in respect of the financial year ended 31 July 2015; and

(ii) Single tier interim dividend of 1.50 sen per share amounting to RM1,696,905 in respect of the financial year ended 31 July 2016.

At the forthcoming Annual General Meeting, a single tier final dividend of 1.75 sen per share amounting to RM2,985,699 in respect of the financial year ended 31 July 2016 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividends. Such dividends, if approved by the shareholders will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 July 2017.

DIRECTORS' REPORT

For the Financial Year Ended 31 July 2016
CONT'D

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company undertook the following:

(i) Increased its authorised share capital from RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each to RM250,000,000 comprising 500,000,000 ordinary shares of RM0.50 each;

(ii) Renounceable rights issue of 56,832,730 new ordinary shares of RM0.50 each ("Rights Share") together with 56,832,730 free detachable warrants at an issue price of RM1.00 per Rights Share on the basis of one (1) Rights Share together with one (1) warrant for every two (2) existing ordinary shares of RM0.50 each ("Rights Issue"); and

(iii) Issuance of 4,081,680 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.69 per ordinary share. The proceeds were used for working capital purposes.

The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

Other than the foregoing, the Company did not issue any other share or debenture and did not grant any option to anyone to take up unissued shares of the Company during the financial year.

TREASURY SHARES

During the financial year, the Company did not repurchase any of its issued ordinary shares from the open market.

Out of the total 176,777,240 issued and fully paid ordinary shares as at 31 July 2016, 6,265,400 are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid is therefore 170,511,840 ordinary shares of RM0.50 each.

Further relevant details are disclosed in Note 17 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 3 September 2013, and the ESOS will be in force for a duration of five years expiring on 8 September 2018.

The details of options over unissued ordinary shares granted to eligible employees and directors of the Group during the financial year are as follows:

		← Number of options over ordinary shares of RM0.50 each →				
Grant date	**Exercise price * RM**	**Balance at 1.8.15**	**Exercised**	**Adjustment ***	**Lapsed**	**Balance at 31.7.16**
12.9.13	0.500	6,005,140	(2,951,500)	755,770	(33,160)	3,776,250
7.5.14	0.722	811,710	(275,470)	129,335	(23,100)	642,475
5.9.14	0.775	1,821,920	(688,710)	256,315	(117,950)	1,271,575
23.12.14	0.804	614,000	(166,000)	112,000	-	560,000

* Adjustment to the exercise price and number of options pursuant to the Company's Rights Issue.

The salient features of the ESOS are disclosed in Note 37 to the financial statements.

DIRECTORS' REPORT
For the Financial Year Ended 31 July 2016
CONT'D

DIRECTORS

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

Ahmad Mustapha Ghazali
Lau Mong Ying
Lau Mong Fah
Khadmudin Bin Mohamed Rafik
Chin Chew Mun
Lin, Cheng-Lang
Boo Chin Liong

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the interests of the directors in office at the end of the financial year in shares, warrants and options in the Company during the financial year are as follows:

	Number of ordinary shares of RM0.50 each			
	Balance at 1.8.15	**Bought**	**Sold**	**Balance at 31.7.16**
The Company				
Direct Interest:				
Ahmad Mustapha Ghazali	1,624,960	2,798,545	-	4,423,505
Lau Mong Ying	7,746,214	4,944,526	-	12,690,740
Lau Mong Fah	599,200	306,300	-	905,500
Khadmudin Bin Mohamed Rafik	730,800	491,400	-	1,222,200
Chin Chew Mun	42,000	378,000	-	420,000
Lin, Cheng-Lang	1,017,447	634,723	-	1,652,170
Boo Chin Liong	30,000	268,500	-	298,500
Deemed Interest:				
Ahmad Mustapha Ghazali	10,964,660	5,717,740	-	16,682,400
Lau Mong Ying	11,480,490	6,000,210	-	17,480,700
Lau Mong Fah	11,480,490	6,000,210	-	17,480,700

By virtue of his shareholdings in the Company, Mr. Lau Mong Ying is also deemed interested in the shares of all the subsidiaries of the Company, to the extent that the Company has interests.

DIRECTORS' REPORT
For the Financial Year Ended 31 July 2016
CONT'D

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of warrants			
	Balance at 1.8.15	Bought	Sold	Balance at 31.7.16
The Company				
Direct Interest:				
Ahmad Mustapha Ghazali	-	1,518,545	-	1,518,545
Lau Mong Ying	-	4,317,926	-	4,317,926
Lau Mong Fah	-	306,300	-	306,300
Khadmudin Bin Mohamed Rafik	-	407,400	-	407,400
Chin Chew Mun	-	140,000	-	140,000
Lin, Cheng-Lang	-	550,723	-	550,723
Boo Chin Liong	-	102,500	-	102,500
Deemed Interest:				
Ahmad Mustapha Ghazali	-	5,717,740	-	5,717,740
Lau Mong Ying	-	6,000,210	-	6,000,210
Lau Mong Fah	-	6,000,210	-	6,000,210

	Number of options over ordinary shares of RM0.50 each				
	Balance at 1.8.15	Adjustment *	Exercised	Lapsed	Balance at 31.7.16
Direct Interest:					
Ahmad Mustapha Ghazali	1,280,000	-	(1,280,000)	-	-
Lau Mong Ying	2,660,000	640,000	(100,000)	-	3,200,000
Lau Mong Fah	168,000	42,000	-	-	210,000
Khadmudin Bin Mohamed Rafik	84,000	-	(84,000)	-	-
Chin Chew Mun	238,000	-	(238,000)	-	-
Lin, Cheng-Lang	84,000	-	(84,000)	-	-
Boo Chin Liong	250,000	21,000	(166,000)	-	105,000

* Adjustment to the number of options pursuant to the Company's Rights Issue.

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT
For the Financial Year Ended 31 July 2016
CONT'D

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and

(ii) to ensure that any current assets which were unlikely to realise their 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.

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

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, and

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 38 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Board of Directors:

AHMAD MUSTAPHA GHAZALI
Executive Chairman

LAU MONG YING
Managing Director

Date: 31 October 2016

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 46 to 109 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 July 2016** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 110 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors:

AHMAD MUSTAPHA GHAZALI **LAU MONG YING**

Date: 31 October 2016

STATUTORY DECLARATION

I, **Choong Chee Mun**, the officer primarily responsible for the financial management of **Prolexus Berhad** do solemnly and sincerely declare that the financial statements set out on pages 46 to 109 and the supplementary information set out on page 110 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **31st**)
day of **October 2016**.)

CHOONG CHEE MUN

Before me,

GOH SUAN BEE
No. P125
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of **Prolexus Berhad**
Company No. 250857-T (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **Prolexus Berhad**, which comprise statements of financial position as at **31 July 2016** of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 46 to 109.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 July 2016** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act,

(b) We have considered the accounts and the auditors' report of the subsidiaries of which we have not acted as auditors, which is indicated in Note 6 to the financial statements,

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

To the Members of **Prolexus Berhad**
Company No. 250857-T (Incorporated in Malaysia)
CONT'D

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 110 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON
No. AF: 0042
Chartered Accountants

TAN CHEE BENG
No. 2664/02/19 (J)
Chartered Accountant

Date: 31 October 2016

Penang

STATEMENTS OF FINANCIAL POSITION
As at 31 July 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	83,080	67,560	161	199
Land use rights	5	11,847	671	-	-
Investment in subsidiaries	6	-	-	37,063	23,656
Other investments	7	502	490	502	490
Goodwill on consolidation	8	2,712	2,712	-	-
		98,141	71,433	37,726	24,345
Current assets					
Inventories	9	20,767	23,414	-	-
Trade receivables	10	67,450	55,041	-	-
Other receivables, deposits and prepayments	11	9,075	9,214	170	398
Amount due from subsidiaries	12	-	-	45,030	39,377
Current tax assets		162	-	152	-
Derivative financial instruments	13	243	-	-	-
Deposits with financial institutions	14	58,973	6,285	56,630	2,301
Cash and bank balances	15	49,010	26,687	960	233
		205,680	120,641	102,942	42,309
TOTAL ASSETS		303,821	192,074	140,668	66,654
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	88,389	57,931	88,389	57,931
Treasury shares	17	(1,490)	(1,490)	(1,490)	(1,490)
Reserves	18	34,202	6,224	31,563	3,098
Retained profits	19	75,304	51,790	6,985	4,531
		196,405	114,455	125,447	64,070
Non-controlling interests		15,566	11,674	-	-
Total equity		211,971	126,129	125,447	64,070

The notes set out on pages 54 to 109 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
As at 31 July 2016
CONT'D

		GROUP		COMPANY	
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Borrowings	20	8,063	3,452	3,320	99
Deferred tax liabilities	21	2,161	2,098	-	-
		10,224	5,550	3,320	99
Current liabilities					
Trade payables	22	27,138	19,960	-	-
Other payables and accruals	23	38,211	29,984	2,872	2,409
Derivative financial instruments	13	-	77	-	-
Borrowings	20	13,710	7,090	9,029	28
Current tax liabilities		2,567	3,284	-	48
		81,626	60,395	11,901	2,485
Total liabilities		91,850	65,945	15,221	2,584
TOTAL EQUITY AND LIABILITIES		303,821	192,074	140,668	66,654

The notes set out on pages 54 to 109 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 July 2016

		GROUP		COMPANY	
		2016	2015	2016	2015
	NOTE	RM'000	RM'000	RM'000	RM'000
Revenue	24	402,737	350,340	13,767	6,858
Cost of sales		(321,494)	(290,214)	-	-
Gross profit		81,243	60,126	13,767	6,858
Other income		4,978	6,539	343	51
Administrative expenses		(33,098)	(25,258)	(6,273)	(5,565)
Selling and distribution expenses		(10,570)	(8,701)	-	-
Other expenses		(744)	(1,136)	-	-
Operating profit		41,809	31,570	7,837	1,344
Finance costs		(1,123)	(515)	(617)	(5)
Profit before tax	25	40,686	31,055	7,220	1,339
Tax expense	26	(7,439)	(7,032)	(49)	(109)
Profit for the financial year		33,247	24,023	7,171	1,230
Total other comprehensive (loss)/income					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations		(668)	3,173	-	-
Total comprehensive income for the financial year		32,579	27,196	7,171	1,230
Profit attributable to:					
Owners of the Company		28,349	20,772	7,171	1,230
Non-controlling interests		4,898	3,251	-	-
		33,247	24,023	7,171	1,230
Total comprehensive income attributable to:					
Owners of the Company		27,802	22,802	7,171	1,230
Non-controlling interests		4,777	4,394	-	-
		32,579	27,196	7,171	1,230
Earnings per share attributable to owners of the Company (sen)					
- Basic	27.1	19	15		
- Diluted	27.2	17	14		

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 July 2016

		Attributable to Owners of the Company											
			Non-distributable							Distributable			
	NOTE	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrants Reserve RM'000	Discount On Shares RM'000	Exchange Translation Reserve RM'000	ESOS Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
2016													
Balance at beginning		57,931	(1,490)	2,502	-	-	2,716	505	501	51,790	114,455	11,674	126,129
Transfer to statutory reserve		-	-	-	-	-	-	-	105	(165)	(60)	60	-
Foreign currency translation differences for foreign operations		-	-	-	-	-	(547)	-	-	-	(547)	(121)	(668)
Profit for the financial year		-	-	-	-	-	-	-	-	28,349	28,349	4,898	33,247
Total comprehensive income for the financial year		-	-	-	-	-	(547)	-	-	28,349	27,802	4,777	32,579
Transactions with owners:													
Issuance of shares pursuant to Rights Issue		28,417	-	28,416	18,477	(18,477)	-	-	-	-	56,833	-	56,833
Rights Issue expenses		-	-	(1,505)	-	-	-	-	-	-	(1,505)	-	(1,505)
Share based payment		-	-	-	-	-	-	738	-	44	782	-	782
Share options exercised		2,041	-	1,432	-	-	-	(661)	-	-	2,812	-	2,812
Investment in a subsidiary		-	-	-	-	-	-	-	-	-	-	182	182
Dividends	28	-	-	-	-	-	-	-	-	(4,714)	(4,714)	-	(4,714)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,127)	(1,127)
Total transactions with owners		30,458	-	28,343	18,477	(18,477)	-	77	-	(4,670)	54,208	(945)	53,263
Balance at end		88,389	(1,490)	30,845	18,477	(18,477)	2,169	582	606	75,304	196,405	15,566	211,971

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 July 2016
CONT'D

		Attributable to Owners of the Company											
			Non-distributable							Distributable			
	NOTE	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrants Reserve RM'000	Discount On Shares RM'000	Exchange Translation Reserve RM'000	ESOS Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
2015													
Balance at beginning		40,870	(1,490)	869	-	-	686	314	207	51,238	92,694	8,259	100,953
Transfer to statutory reserve		-	-	-	-	-	-	-	294	(576)	(282)	282	-
Foreign currency translation differences for foreign operations		-	-	-	-	-	2,030	-	-	-	2,030	1,143	3,173
Profit for the financial year		-	-	-	-	-	-	-	-	20,772	20,772	3,251	24,023
Total comprehensive income for the financial year		-	-	-	-	-	2,030	-	-	20,772	22,802	4,394	27,196
Transactions with owners:													
Issuance of shares pursuant to Bonus Issue		15,376	-	-	-	-	-	-	-	(15,376)	-	-	-
Share based payment		-	-	-	-	-	-	826	-	52	878	-	878
Share options exercised		1,685	-	1,633	-	-	-	(635)	-	-	2,683	-	2,683
Dividends	28	-	-	-	-	-	-	-	-	(4,320)	(4,320)	-	(4,320)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,261)	(1,261)
Total transactions with owners		17,061	-	1,633	-	-	-	191	-	(19,644)	(759)	(1,261)	(2,020)
Balance at end		57,931	(1,490)	2,502	-	-	2,716	505	501	51,790	114,455	11,674	126,129

The notes set out on pages 54 to 109 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 July 2016

	NOTE	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrants Reserve RM'000	Discount on Shares RM'000	ESOS Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
		← Non-distributable					→	Distributable	
2016									
Balance at beginning		57,931	(1,490)	2,502	-	-	596	4,531	64,070
Net profit, representing total comprehensive income for the financial year		-	-	-	-	-	-	7,171	7,171
Transactions with owners:									
Issuance of shares pursuant to Rights Issue		28,417	-	28,416	18,477	(18,477)	-	-	56,833
Rights Issue expenses		-	-	(1,505)	-	-	-	-	(1,505)
Share based payment							783	(3)	780
Share options exercised		2,041	-	1,432	-	-	(661)	-	2,812
Dividends	28	-	-	-	-	-	-	(4,714)	(4,714)
Total transactions with owners		30,458	-	28,343	18,477	(18,477)	122	(4,717)	54,206
Balance at end		88,389	(1,490)	30,845	18,477	(18,477)	718	6,985	125,447
2015									
Balance at beginning		40,870	(1,490)	869	-	-	353	22,997	63,599
Net profit, representing total comprehensive income for the financial year		-	-	-	-	-	-	1,230	1,230
Transactions with owners:									
Issuance of shares pursuant to Bonus Issue		15,376	-	-	-	-	-	(15,376)	-
Share based payment		-	-	-	-	-	878	-	878
Share options exercised		1,685	-	1,633	-	-	(635)	-	2,683
Dividends	28	-	-	-	-	-	-	(4,320)	(4,320)
Total transactions with owners		17,061	-	1,633	-	-	243	(19,696)	(759)
Balance at end		57,931	(1,490)	2,502	-	-	596	4,531	64,070

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 July 2016

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	40,686	31,055	7,220	1,339
Adjustments for:				
Allowance for impairment on trade receivable no longer required	-	(27)	-	-
Amortisation of land use rights	52	15	-	-
Bad debts	-	63	-	63
Debt waived	-	(1)	-	-
Depreciation	4,836	7,174	70	81
Equity-settled share based payment	782	878	304	324
Fair value (gain)/loss on derivative financial instruments	(321)	153	-	-
Gain on disposal of plant and equipment	(191)	(3)	(20)	-
Goodwill on consolidation written off	-	477	-	-
Gross dividends from subsidiaries	-	-	(8,210)	(1,210)
Income distribution from unit trusts	(20)	(12)	(20)	(12)
Impairment loss on other investment	8	8	8	8
Interest expense	1,123	515	617	5
Interest income	(469)	(207)	(302)	(39)
Plant and equipment written off	81	141	-	-
Unrealised loss/(gain) on foreign exchange	1,178	(1,767)	(1)	-
Operating profit/(loss) before working capital changes	47,745	38,462	(334)	559
Decrease in inventories	2,507	216	-	-
(Increase)/decrease in receivables	(13,626)	(28,756)	228	(73)
Increase in payables	16,091	12,953	461	382
Cash generated from operations	52,717	22,875	355	868
Income tax paid	(8,212)	(4,894)	(249)	(61)
Income tax refunded	-	39	-	39
Interest paid	(1,123)	(515)	(617)	(5)
Net cash from/(used in) operating activities	43,382	17,505	(511)	841
CASH FLOWS FROM INVESTING ACTIVITIES				
* Cash flows on acquisition of a subsidiary	-	(300)	-	-
Interest received	469	207	302	39
Gross dividends received from subsidiaries	-	-	8,210	1,210
Payment for land use rights	(11,580)	-	-	-
Proceeds from disposal of property, plant and equipment	387	32	20	-
Purchase of investment in subsidiaries	-	-	(12,929)	(375)
Purchase of other investments	-	(486)	-	(486)
Purchase of property, plant and equipment	(21,046)	(15,143)	(32)	(50)
Withdrawal/(placement) of fixed deposits	1,042	(2,809)	-	-
Withdrawal of fixed deposits pledged with banks	-	986	-	-
Net cash (used in)/from investing activities	(30,728)	(17,513)	(4,429)	338
Balance carried forward	12,654	(8)	(4,940)	1,179

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 July 2016
CONT'D

	NOTE	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
Balance brought forward		12,654	(8)	(4,940)	1,179
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(4,714)	(4,320)	(4,714)	(4,320)
Dividends paid to non-controlling interests		(1,127)	(1,261)	-	-
(Repayment)/drawdown of foreign currency trade loan		(295)	295	-	-
Drawdown of term loans		7,720	-	5,000	-
(Repayment)/drawdown of trust receipts		(2,536)	23	-	-
Drawdown of revolving credit		8,000	-	8,000	-
Net change in subsidiaries' balances		-	-	(5,653)	541
Payment of finance lease liabilities		(28)	(45)	(28)	(28)
Payment of Rights Issue expenses		(1,505)	-	(1,505)	-
Repayment of export credit refinancing		-	(1,190)	-	-
Repayment of term loans		(1,682)	(626)	(750)	-
Proceeds from issuance of shares pursuant to ESOS		2,812	2,683	2,812	2,683
Proceeds from Rights Issue		56,833	-	56,833	-
Net cash from/(used in) financing activities		63,478	(4,441)	59,995	(1,124)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		76,132	(4,449)	55,055	55
Effects of foreign exchange rate changes on cash and cash equivalents		(79)	1,005	1	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		29,594	33,038	2,534	2,479
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		105,647	29,594	57,590	2,534
Cash and cash equivalents comprise:					
Deposits with financial institutions	14	58,973	6,285	56,630	2,301
Cash and bank balances	15	49,010	26,687	960	233
		107,983	32,972	57,590	2,534
Less: Deposits with maturity more than 3 months		(1,744)	(2,809)	-	-
Less: Deposits pledged with banks		(592)	(569)	-	-
Cash and cash equivalents		105,647	29,594	57,590	2,534
* **Cash flows on acquisition of a subsidiary**					
Property, plant and equipment		-	18	-	-
Trade receivables		-	32	-	-
Current tax assets		-	15	-	-
Other payables		-	(242)	-	-
Share of net liabilities acquired		-	(177)	-	-
Goodwill on consolidation		-	477	-	-
Net cash outflow on acquisition of a subsidiary		-	300	-	-

The notes set out on pages 54 to 109 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 July 2016

1. CORPORATE INFORMATION

General

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

The registered office of the Company is located at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at 531 Batu 2 ½ Jalan Kluang, 83000 Batu Pahat, Johor Darul Takzim.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 October 2016.

Principal Activities

The principal activities of the Company consist of investment holding and the provision of management services.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of Measurement (Cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency.

2.4 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

Effective for annual periods beginning on or after 1 January 2016
MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
Amendments to MFRS 127 Equity Method in Separate Financial Statements
Amendments to MFRS Annual Improvements to MFRS 2012–2014 Cycle

Effective for financial periods beginning on or after 1 January 2017
Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives
Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures

Effective for financial periods beginning on or after 1 January 2019
MFRS 16 Leases

Effective date yet to be confirmed
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

NOTES TO THE FINANCIAL STATEMENTS

31 July 2016
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2. BASIS OF PREPARATION (CONT'D)

2.4 Standards Issued But Not Yet Effective (Cont'd)

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption except as mentioned below:

MFRS 9 Financial Instruments
MFRS 9 replaces *MFRS 139 Financial Instruments: Recognition and Measurement* and all previous version of *MFRS 9*. This new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of *MFRS 9*, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of *MFRS 9*, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of *MFRS 9* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 9*.

MFRS 15 Revenue from Contracts with Customers
MFRS 15 represents new requirements for the recognition of revenue, replacing the guidance in *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC Int 13 Customer Loyalty Programmes*, *IC Int 15 Agreements for Construction of Real Estate*, *IC Int 18 Transfers of Assets from Customers* and *IC Int 131 Revenue – Barter Transactions Involving Advertising Services*. The principles of *MFRS 15* provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under *MFRS 15*, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of *MFRS 15* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 15*.

MFRS 16 Leases
MFRS 16 replaces *MFRS 117 Leases*. *MFRS 16* eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a 'right-of-use' asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to increase substantially.

This standard will come into effect on or after 1 January 2019 with early adoption permitted, provided *MFRS 15 Revenue from Contract with Customers* is also applied. The adoption of *MFRS 16* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 16*.

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives
The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

2.5 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2016
CONT'D

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant Accounting Estimates and Judgements (Cont'd)

2.5.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

2.5.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of depreciable assets

The depreciable costs of plant and equipment are depreciated on the straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be 5 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore, future depreciation charges could be revised.

(ii) Impairment of plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

(iii) Inventories

The management reviews inventory to identify damaged, slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(iv) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

(v) Income taxes

The Group and the Company are subject to income taxes whereby significant judgement is required in determining the provision for taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS
31 July 2016
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below:

3.1 Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of investment in subsidiaries, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2016
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (Cont'd)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation or amortisation and accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimate useful life at the following annual rates:

Leasehold land	Amortised over the lease period
Buildings	Amortised over the lease period and 5%
Equipment and fixtures	10% - 20%
Motor vehicles	20%
Multimedia boards	10% - 20%
Plant and machinery	10%

Freehold land is not depreciated as it has an infinite life.

Depreciation on capital expenditure in progress commences when the assets are ready for their intended use.

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

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 July 2016
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Land Use Rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over their remaining life. Land use rights represent up-front payment to acquire long-term interests in the usage of land.

3.4 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance lease

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Operating leases

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU").

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.7 Financial Instruments

3.7.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.7.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(i) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2016

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (Cont'd)

3.7.2 Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (Cont'd)

(i) Loans and receivables (Cont'd)

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

(ii) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(iii) Fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition. The derivatives entered into by the Group include forward foreign exchange contracts.

These financial assets are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Derivatives are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than financial liabilities categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract) or financial liabilities that are specifically designated into this category upon initial recognition. The derivatives entered into by the Group include forward foreign exchange contracts.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2016
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (Cont'd)

3.7.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statement of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

3.7.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.7.5 Derecognition

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.8 Impairment of Financial Assets

All financial assets (except for investment in subsidiaries and financial assets categorised as fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity investment, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 July 2016
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short term highly liquid investments with a maturity of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.10 Inventories

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

Cost of raw materials and trading goods refer to invoiced cost of goods plus incidental handling and freight charges and is determined on the first-in, first-out basis.

Cost in the case of work-in-progress and finished goods include materials, direct labour and attributable production overheads and are determined on the weighted average basis.

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

3.11 Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period 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.

3.12 Income Recognition

(i) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Provision of services

Revenue arising from provision of services is recognised on the dates the services are rendered and completed.

(iii) Dividend income

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

(iv) Management fee

Management fee is recognised on the accrual basis.

(v) Interest income

Interest income is recognised on a time proportion basis using the applicable effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. 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 such contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. The Group's China subsidiaries also make contributions to its country's statutory pension scheme, details of which are described in 3.13(iii).

(iii) Retirement benefits scheme

Pursuant to the relevant regulations of The People's Republic of China ("The PRC") government, the China subsidiaries participate in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the China subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There is no provision under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(iv) Share-based compensation

The Company's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3.14 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Capitalisation of borrowing costs is suspended or ceases when substantially, all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

NOTES TO THE FINANCIAL STATEMENTS
31 July 2016
CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Borrowing Costs (Cont'd)

Other borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.15 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.16 Goods and Services Tax

The Group's sale of goods in Malaysia is subjected to Goods and Services Tax ("GST"). GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input tax that a company incurs on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Value-added Tax

The Group's sale of goods in The PRC is subjected to value-added tax ("VAT") at the applicable tax rate of 17% for The PRC domestic sales. Input VAT on purchases can be deducted from output VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "other receivables" or "other payables" in the statement of financial position.

Revenues, expenses and assets are recognised net of the amount of VAT except when the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

3.18 Foreign Currency Translation

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign translation reserve ("FTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FTR in equity.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Warrants

Warrants are classified as equity instruments and its value is allocated based on the Black-Scholes model upon issuance. The issuance of the ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital and share premium. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

3.20 Share Capital, Share Issuance Expenses and Dividends

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared.

Share premium includes any premiums received upon issuance of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Costs directly attributable to the issuance of instruments classified as equity are recognised as a deduction from equity.

3.21 Treasury Shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

3.22 Statutory Reserve

In accordance with the relevant laws and regulations of The PRC, the foreign subsidiaries established in The PRC are required to transfer 10% of their net profit for the financial year (after offsetting prior years' losses) to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or for capitalisation as paid-up capital.

3.23 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.24 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.25 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) The entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) The entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the Group.
- (viii) The entity, or any member of a group when it is a part, provides key management personnel services to the Group or to the parent of the Group.

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4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Multimedia boards RM'000	Plant and mahinery RM'000	Equipment and fixtures RM'000	Motor vehicles RM'000	Capital expenditure in progress RM'000	Total RM'000
2016									
At cost									
Balance at beginning	26,633	1,600	24,277	15,232	24,022	11,251	3,580	4,480	111,075
Additions	10,309	-	932	69	2,806	2,925	1,247	2,758	21,046
Disposals	-	-	-	-	(952)	(231)	(1,269)	-	(2,452)
Written off	-	-	-	-	(1,242)	(1,823)	-	-	(3,065)
Reclassification	-	-	6,171	-	-	714	(76)	(6,809)	-
Foreign currency translation	-	-	(409)	-	(165)	(111)	(10)	137	(558)
Balance at end	36,942	1,600	30,971	15,301	24,469	12,725	3,472	566	126,046
Accumulated depreciation									
Balance at beginning	-	604	3,863	13,050	14,107	9,210	2,681	-	43,515
Current charge	-	71	1,239	664	1,748	726	388	-	4,836
Disposals	-	-	-	-	(860)	(184)	(1,212)	-	(2,256)
Written off	-	-	-	-	(1,215)	(1,769)	-	-	(2,984)
Reclassification	-	-	-	-	73	3	(76)	-	-
Foreign currency translation	-	-	(29)	-	(73)	(41)	(2)	-	(145)
Balance at end	-	675	5,073	13,714	13,780	7,945	1,779	-	42,966
Carrying amount	36,942	925	25,898	1,587	10,689	4,780	1,693	566	83,080

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP (CONT'D)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Multimedia boards RM'000	Plant and mahinery RM'000	Equipment and fixtures RM'000	Motor vehicles RM'000	Capital expenditure in progress RM'000	Total RM'000
2015									
At cost									
Balance at beginning	21,575	1,600	20,697	14,582	21,573	10,936	3,274	399	94,636
Arising from acquisition of a subsidiary	-	-	-	-	122	36	-	-	158
Additions	5,058	-	2,950	251	1,629	743	272	4,240	15,143
Disposals	-	-	-	-	(193)	(2)	-	-	(195)
Written off	-	-	-	-	(277)	(818)	-	-	(1,095)
Reclassification	-	-	-	399	-	-	-	(399)	-
Foreign currency translation	-	-	630	-	1,168	356	34	240	2,428
Balance at end	26,633	1,600	24,277	15,232	24,022	11,251	3,580	4,480	111,075
Accumulated depreciation									
Balance at beginning	-	137	2,654	12,386	11,122	8,315	2,048	-	36,662
Arising from acquisition of a subsidiary	-	-	-	-	114	26	-	-	140
Current charge	-	467	1,084	664	2,920	1,422	617	-	7,174
Disposals	-	-	-	-	(165)	(1)	-	-	(166)
Written off	-	-	-	-	(247)	(707)	-	-	(954)
Foreign currency translation	-	-	125	-	363	155	16	-	659
Balance at end	-	604	3,863	13,050	14,107	9,210	2,681	-	43,515
Carrying amount	26,633	996	20,414	2,182	9,915	2,041	899	4,480	67,560

NOTES TO THE FINANCIAL STATEMENTS

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY

	Equipment and fixtures RM'000	Motor vehicles RM'000	Total RM'000
2016			
At cost			
Balance at beginning	135	561	696
Additions	32	-	32
Disposal	-	(248)	(248)
Balance at end	167	313	480
Accumulated depreciation			
Balance at beginning	88	409	497
Current charge	2	68	70
Disposal	-	(248)	(248)
Balance at end	90	229	319
Carrying amount	77	84	161
2015			
At cost			
Balance at beginning	85	561	646
Additions	50	-	50
Balance at end	135	561	696
Accumulated depreciation			
Balance at beginning	70	346	416
Current charge	18	63	81
Balance at end	88	409	497
Carrying amount	47	152	199

(i) The carrying amount of property, plant and equipment pledged as security for banking facilities granted to the Company and certain subsidiaries are as follows:

	GROUP	
	2016 RM'000	**2015 RM'000**
Freehold land	12,000	12,287
Buildings	13,688	7,577
	25,688	19,864

NOTES TO THE FINANCIAL STATEMENTS
31 July 2016
CONT'D

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(ii) Motor vehicles of the Group and of the Company with a carrying amount of **RM83,680** (2015: RM151,670) is acquired under finance lease. The leased asset is pledged as security for the related finance lease liability (Note 20).

5. LAND USE RIGHTS

	GROUP	
	2016	2015
	RM'000	RM'000
At cost		
Balance at beginning	738	624
Addition	11,580	-
Foreign currency translation	(355)	114
Balance at end	11,963	738
Accumulated amortisation		
Balance at beginning	67	43
Amortisation during the year	52	15
Foreign currency translation	(3)	9
Balance at end	116	67
Carrying amount	11,847	671

Land use rights represent leasehold interest on land located in Jiangsu province, The PRC and Tien Giang province, Vietnam.

Included herein is a land with carrying amount of **RM635,318** (2015: RM671,033) pledged to a licensed bank as security for banking facilities granted to a subsidiary.

On 29 April 2016, Trans Pacific Textile (VN) Co., Ltd. ("TPTVN"), a wholly-owned subsidiary of the Company entered into a lease agreement with Long Jiang Industrial Park Development Co., Ltd. to lease two parcels of industrial land in Long Jiang Industrial Park for a land rental of USD2,787,750 (equivalent to RM11,579,756) for a lease term of 41 years.

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	37,763	24,834
ESOS granted to employees of subsidiaries	1,366	888
Less: Accumulated impairment loss	(2,066)	(2,066)
	37,063	23,656

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31 July 2016
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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries, all of which are incorporated in Malaysia, except where indicated are as follows:

Name of Entity	Effective Equity Interest 2016 %	2015 %	Principal Activities
Direct subsidiaries			
Honsin Apparel Sdn. Bhd.	100	100	Manufacturing of apparels and investment holding.
Plas Industries Sdn. Bhd.	100	100	Provision of apparel manufacturing services.
Prolexus Marketing Sdn. Bhd.	100	100	Dormant.
Novel Realty Sdn. Bhd.	100	100	Property investment.
Laser Capital Holdings Sdn. Bhd.	57.64	57.64	Investment holding.
Bixiz Kids Incorporated (M) Sdn. Bhd.	100	100	Provision of marketing services.
Trans Pacific Textile (M) Sdn. Bhd.	100	-	Manufacturing of fabric. The company has not commenced operations.
# Prolexus International Limited (Incorporated in Hong Kong)	100	100	Trading of apparels.
# Trans Pacific Textile (HK) Limited (Incorporated in Hong Kong)	100	-	Investment holding.
Subsidiaries of Honsin Apparel Sdn. Bhd.			
# Honways International Limited (Incorporated in Hong Kong)	64	64	Investment holding, trading of apparels and provision of agency services.
Jia Yong Industries Sdn. Bhd.	100	100	Provision of apparel manufacturing services.
Subsidiary of Plas Industries Sdn. Bhd.			
South East Garment Manufacturing Sendirian Berhad	95	95	Dormant.
Subsidiary of Laser Capital Holdings Sdn. Bhd.			
^ HiQ Media (Malaysia) Sdn. Bhd.	51.91	51.91	Provision of advertising services on multimedia boards.
Subsidiaries of Bixiz Kids Incorporated (M) Sdn. Bhd.			
BE Elementz Sdn. Bhd.	100	100	Marketing of apparels and provision of marketing services.
Trans Pacific Textile (M) Sdn. Bhd.	-	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS
31 July 2016
CONT'D

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries, all of which are incorporated in Malaysia, except where indicated are as follows: (Cont'd)

Name of Entity	Effective Equity Interest 2016 %	Effective Equity Interest 2015 %	Principal Activities
Subsidiary of Trans Pacific Textile (HK) Limited			
# Trans Pacific Textile (VN) Co., Ltd. (Incorporated in Vietnam)	100	-	Manufacturing of apparels. The company has not commenced operations.
Subsidiary of Honways International Limited			
# Honways Apparel Shuyang Limited (Incorporated in The PRC)	64	64	Manufacturing of apparels and investment holding.
Subsidiaries of Honways Apparel Shuyang Limited			
# Yu Xiang Industries Ltd. (Incorporated in The PRC)	64	64	Provision of apparel manufacturing services. The company has ceased operations during the financial year.
# HK Apparel Shuyang Limited (Incorporated in The PRC)	44.8	-	Provision of apparel printing services. The company has not commenced operations.

\# Not audited by Grant Thornton. However, component audit has been carried out by Grant Thornton on these subsidiaries for the purpose of forming a group opinion.

^ HiQ Media (Malaysia) Sdn. Bhd. is invested through the companies below:

	Equity interest held by the Group 2016 %	Equity interest held by the Group 2015 %
Prolexus Berhad	21.75	21.75
Laser Capital Holdings Sdn. Bhd.	30.16	30.16
	51.91	51.91

NOTES TO THE FINANCIAL STATEMENTS
31 July 2016
CONT'D

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.1 Incorporation of new subsidiaries

6.1.1 Current financial year

In the current financial year, the Group incorporated the following subsidiaries:

(i) On 26 October 2015, the Company incorporated a wholly-owned subsidiary by the name of Trans Pacific Textile (HK) Limited ("TPTHK") with a paid-up capital of USD3,000,000 (equivalent to RM12,711,000).

(ii) On 13 April 2016, TPTHK incorporated a wholly-owned subsidiary by the name of Trans Pacific Textile (VN) Co., Ltd. ("TPTVN") with a paid up capital of USD3,000,000 (equivalent to RM11,630,700).

(iii) On 28 July 2016, Honways Apparel Shuyang Limited ("HASL") incorporated a subsidiary by the name of HK Apparel Shuyang Limited ("HKA") with an authorised registered share capital of RMB1,000,000 of which HASL has subscribed 70% of the equity interest in HKA, for a total cash consideration of RMB700,000 (equivalent to RM424,894).

6.1.2 Previous financial year

On 3 November 2014, the Company incorporated a wholly-owned subsidiary by the name of Prolexus International Limited, with a paid-up capital of USD100,000 (equivalent to RM375,000).

6.2 Acquisition of a subsidiary

6.2.1 Previous financial year

On 1 January 2015, Honsin Apparel Sdn. Bhd. acquired 300,000 ordinary shares of RM1 each in Jia Yong Industries Sdn. Bhd. for a cash consideration of RM300,000.

The acquired subsidiary which qualified as business combination did not have a material effect on the Group's results for the financial year ended 31 July 2015. The effects of the acquisition on the financial position of the Group as at the end of the previous financial year are disclosed in the consolidated statement of cash flows.

6.3 Subsidiaries with material non-controlling interests

The Group's subsidiaries, namely Honways International Limited ("HIL"), HASL, Yu Xiang Industries Ltd. ("YXI") and HKA ("collectively known as Honways Group") and HiQ Media (Malaysia) Sdn. Bhd. ("HIQ") have material non-controlling interests which are set out below. The equity interests held by non-controlling interests are as follows:

	Equity interest held by non-controlling interests	
	2016	**2015**
	%	**%**
HIL	36.00	36.00
HASL	36.00	36.00
YXI	36.00	36.00
* HKA	55.20	-
HIQ	48.09	48.09

* HKA is a subsidiary with effect from 28 July 2016.

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Subsidiaries with material non-controlling interests (Cont'd)

Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before intercompany elimination.

GROUP

	Honways Group RM'000	HIQ RM'000	Total RM'000
As at 31 July 2016			
Non-current assets	18,015	1,733	19,748
Current assets	57,068	9,955	67,023
Non-current liabilities	-	(90)	(90)
Current liabilities	(41,476)	(4,507)	(45,983)
Net assets	33,607	7,091	40,698
Year ended 31 July 2016			
Revenue	148,471	9,759	158,230
Profit for the financial year, representing total comprehensive income for the financial year	10,235	2,671	12,906
Total comprehensive income/(loss) attributable to:			
- Owners of the company	10,250	2,671	12,921
- Non-controlling interests	(15)	-	(15)
	10,235	2,671	12,906
Year ended 31 July 2016			
Net cash generated from/(used in):			
Operating activities	17,300	2,901	20,201
Investing activities	(6,796)	93	(6,703)
Financing activities	(2,622)	(2,438)	(5,060)
Net change in cash and cash equivalents	7,882	556	8,438
Dividends paid to non-controlling interests	-	622	622

NOTES TO THE FINANCIAL STATEMENTS
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6. INVESTMENT IN SUBSIDIARIES (CONT'D)

6.3 Subsidiaries with material non-controlling interests (Cont'd)

	Honways Group RM'000	HiQ RM'000	Total RM'000
As at 31 July 2015			
Non-current assets	13,868	2,388	16,256
Current assets	41,378	8,066	49,444
Non-current liabilities	-	(192)	(192)
Current liabilities	(31,716)	(3,463)	(35,179)
Net assets	23,530	6,799	30,329
Year ended 31 July 2015			
Revenue	110,010	10,379	120,389
Profit for the financial year, representing total comprehensive income for the financial year	5,748	2,622	8,370
Year ended 31 July 2015			
Net cash generated from/(used in):			
Operating activities	4,349	4,617	8,966
Investing activities	(4,247)	(204)	(4,451)
Financing activities	(359)	(2,360)	(2,719)
Net change in cash and cash equivalents	(257)	2,053	1,796
Dividends paid to non-controlling interests	134	622	756

7. OTHER INVESTMENT

	GROUP AND COMPANY	
	2016 RM'000	2015 RM'000
Available-for-sale financial assets		
Unit trusts quoted in Malaysia	510	498
Less: Impairment loss	(8)	(8)
	502	490
Market value of quoted unit trusts in Malaysia	502	490

8. GOODWILL ON CONSOLIDATION

	GROUP 2016 RM'000	GROUP 2015 RM'000
Arising from the acquisition of a subsidiary	2,712	2,712

Impairment testing on goodwill

Goodwill acquired through business combinations has been allocated to its advertising segment as its cash generating unit ("CGU").

For annual impairment testing purposes, the recoverable amount of the CGU, which is a reportable business, is determined based on its value-in-use. The value-in-use calculations apply a discounted cash flow model using the cash flow projections based on financial budget and projections approved by management.

No impairment loss is required for the goodwill as its recoverable amount exceeded the carrying amount of the CGU.

The key assumptions on which the management has based on for the computation of value-in-use are as follows:

(i) Cash flow projections and growth rate

The five-year cash flow projections are based on the most recent budget approved by the management and extrapolated using a steady growth rate of **5%** (2015: 5%) per annum for the subsequent years.

(ii) Discount rate

The discount rate of **6.33%** (2015: 6.49%) is applied to the cash flow projections. The discount rate is estimated based on the weighted average cost of capital of the CGU for the year.

The management believes that no reasonably possible changes in any key assumptions would cause the recoverable amount of the CGU to differ materially from its carrying amount except for changes in prevailing operating environment which is not ascertainable.

9. INVENTORIES

	GROUP 2016 RM'000	GROUP 2015 RM'000
Raw materials	7,879	8,416
Work-in-progress	8,565	12,095
Finished goods	4,260	2,885
Trading goods	63	18
	20,767	23,414

The cost of inventories recognised in profit or loss for the financial year amounted to **RM279,299,135** (2015: RM276,878,465).

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10. TRADE RECEIVABLES

	GROUP	
	2016	2015
	RM'000	RM'000
Total amount	67,450	55,041
Less: Allowance for impairment		
Balance at beginning	-	(27)
No longer required	-	27
Balance at end	-	-
	67,450	55,041

The currency profile of trade receivables is as follows:

	GROUP	
	2016	2015
	RM'000	RM'000
Ringgit Malaysia	4,554	3,140
US Dollar	55,756	50,938
Chinese Renminbi	7,140	963
	67,450	55,041

The trade receivables are non-interest bearing and are generally on **20 to 60 days** (2015: 20 to 60 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of **RMNil** (2015: RM1,565,784) due from a company in which a director of a subsidiary has interest.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
* Other receivables	891	1,346	-	239
VAT/GST recoverable	1,440	2,118	37	-
^ Deposits				
Refundable deposits	891	1,016	26	26
Non-refundable deposits	-	990	-	-
	891	2,006	26	26
Prepayments	5,853	3,744	107	133
	9,075	9,214	170	398

NOTES TO THE FINANCIAL STATEMENTS
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11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The currency profile of other receivables, deposits and prepayments is as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	5,385	5,126	170	398
US Dollar	1,127	229	-	-
Chinese Renminbi	2,375	3,722	-	-
Euro	188	137	-	-
	9,075	9,214	170	398

* Included in the Group's and the Company's other receivables is an amount of **RMNil** (2015: RM104,310) due from a firm in which a director of the Company is a partner. It is unsecured, non-interest bearing and is repayable on demand.

^ Included in the Group's deposits is an amount of **RMNil** (2015: RM990,000) paid for the acquisition of freehold land and building. The balance purchase consideration is disclosed as capital commitment in Note 29.

12. AMOUNT DUE FROM SUBSIDIARIES

Amount due from subsidiaries is non-trade related, unsecured, non-interest bearing and is repayable on demand.

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held for trading at fair value through profit or loss is as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Forward exchange contracts:		
- Nominal value	12,313	8,710
- Assets/(liabilities)	243	(77)

Forward exchange contracts are used to manage the foreign currency exposure arising from a subsidiary's sales denominated in US Dollar. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

14. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed deposits	2,343	3,984	-	-
Short term placements	56,630	2,301	56,630	2,301
	58,973	6,285	56,630	2,301
Pledged as security for banking facilities granted to a subsidiary	592	569	-	-
Unencumbered	58,381	5,716	56,630	2,301
	58,973	6,285	56,630	2,301

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14. DEPOSITS WITH FINANCIAL INSTITUTIONS (CONT'D)

The effective interest rates per annum and maturities of the deposits with financial institutions at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
Interest rate (%)				
Fixed deposits	3.00 to 4.00	2.95 to 3.80	-	-
Short term placements	3.12 to 3.48	2.68 to 3.09	3.12 to 3.48	2.68 to 3.09
Maturities (Days)				
Fixed deposits	90 to 180	60 to 365	-	-
Short term placements	1	1	1	1

15. CASH AND BANK BALANCES

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	8,952	6,538	939	233
US Dollar	39,562	19,797	21	-
Chinese Renminbi	473	349	-	-
Others	23	3	-	-
	49,010	26,687	960	233

The Chinese Renminbi is not freely convertible into foreign currencies. Under The PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the China subsidiaries are permitted to exchange Chinese Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

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16. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Authorised:				
Balance at beginning	200,000	200,000	100,000	100,000
Creation	300,000	-	150,000	-
Balance at end	500,000	200,000	250,000	100,000
Issued and fully paid:				
Balance at beginning	115,863	81,740	57,931	40,870
Rights Issue	56,833	-	28,417	-
Bonus Issue	-	30,752	-	15,376
Exercise of ESOS	4,081	3,371	2,041	1,685
Balance at end	176,777	115,863	88,389	57,931

2016

During the financial year, the Company undertook the following:

(i) Increased its authorised share capital from RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each to RM250,000,000 comprising 500,000,000 ordinary shares of RM0.50 each;

(ii) Renounceable rights issue of 56,832,730 new ordinary shares of RM0.50 each ("Rights Share") together with 56,832,730 free detachable warrants at an issue price of RM1.00 per Rights Share on the basis of one (1) Rights Share together with one (1) warrant for every two (2) existing ordinary shares of RM0.50 each ("Rights Issue"); and

(iii) Issuance of 4,081,680 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.69 per ordinary share. The proceeds were used for working capital purposes.

2015

In the previous financial year, the Company undertook the following:

(i) A bonus issue of 30,752,200 new ordinary shares of RM0.50 each ("Bonus Shares") on the basis of two (2) Bonus Shares for every five (5) ordinary shares held ("Bonus Issue"); and

(ii) Issuance of 3,370,830 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.80 per ordinary share. The proceeds were used for working capital purposes.

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17. TREASURY SHARES

The shareholders of the Company, by a special resolution passed at the Extraordinary General Meeting on 30 November 2005, approved the Company's plan and mandate to authorise the directors of the Company to buy back its own shares up to 10% of the existing total issued and paid up share capital.

Of the total **176,777,240** (2015: 115,862,830) issued and fully paid ordinary shares as at 31 July 2016, **6,265,400** (2015: 6,265,400) are held as treasury shares by the Company. As at 31 July 2016, the number of outstanding ordinary shares in issue and fully paid after the set off is therefore **170,511,840** (2015: 109,597,430) ordinary shares of **RM0.50** (2015: RM0.50) each.

Treasury shares have no rights to voting, dividends and participation in other distribution.

18. RESERVES

18.1 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

18.2 Warrants reserve and discount on shares

On 20 May 2016, the Company issued 56,832,730 5-year free detachable warrants ("Warrants") pursuant to the Company's Rights Issue. The Warrants are constituted by a deed poll dated 5 May 2016. The Warrants are listed on Bursa Malaysia on 20 June 2016. During the financial year, no Warrants were exercised.

The main features of the Warrants are as follows:

(i) Each Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share of RM0.50 each in the Company at an exercise price of RM1.20 per ordinary share.

(ii) The exercise price and/or the number of Warrants in issue shall be subject to adjustments in accordance with the provisions of the deed poll during the exercise period.

(iii) The Warrants may be exercised at any time within five (5) years commencing on and including the date of issuance of the Warrants until the last market day prior to the fifth anniversary of the date of issuance of the Warrants.

(iv) The Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless such Warrant holders exercise their Warrants for the new ordinary shares.

(v) All new ordinary shares to be issued upon the exercise of the Warrants shall, on allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Company save and except that they shall not be entitled to any dividends, rights, allotments and other distributions, the entitlement date of which is prior to the date of allotment of such new ordinary shares, and will be subject to all provisions of the Articles of Association of the Company.

(vi) At the expiry of the exercise period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

The warrants reserve is in respect of the allocated fair value of the 56,832,730 Warrants issued and the discount on shares is a reserve account that is created to preserve the par value of the ordinary shares.

18.3 Exchange translation reserve

The exchange translation reserve is in respect of foreign exchange differences on translation of the financial statements of the Group's foreign subsidiaries.

18. RESERVES (CONT'D)

18.4 ESOS reserve

The fair value of equity-settled share options granted was estimated using Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The expected life of the option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

18.5 Statutory reserve

In accordance with the relevant laws and regulations of The PRC, the subsidiaries of the Company established in The PRC are required to transfer 10% of their profits after taxation prepared in accordance with the accounting regulation of The PRC to the statutory reserve until the reserve balance reaches 50% of their respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

19. RETAINED PROFITS

COMPANY

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

20. BORROWINGS

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities				
Finance lease liabilities				
Minimum payments:				
Within 1 year	33	33	33	33
Later than 1 year but not later than 2 years	33	33	33	33
Later than 2 years but not later than 5 years	48	81	48	81
	114	147	114	147
Future finance charges	(15)	(20)	(15)	(20)
	99	127	99	127
Amount due within 1 year included under current liabilities	(29)	(28)	(29)	(28)
Balance carried forward	70	99	70	99

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20. BORROWINGS (CONT'D)

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Balance brought forward	70	99	70	99
Term loans				
Total amount repayable	10,048	4,010	4,250	-
Amount due within 1 year included under current liabilities	(2,055)	(657)	(1,000)	-
	7,993	3,353	3,250	-
	8,063	3,452	3,320	99
Current liabilities				
Finance lease liabilities	29	28	29	28
Foreign currency trade loan	-	295	-	-
Revolving credit	8,000	-	8,000	-
Term loans	2,055	657	1,000	-
Trust receipts	3,626	6,110	-	-
	13,710	7,090	9,029	28
Total borrowings	21,773	10,542	12,349	127

The foreign currency trade loan and trusts receipts are denominated in US Dollar.

The borrowings (other than finance lease liabilities) are secured by:

(i) Legal charges over certain properties of the subsidiaries,
(ii) Facility agreement,
(iii) Corporate guarantee of the Company and a subsidiary, and
(iv) Pledge of fixed deposits of a subsidiary.

The finance lease liabilities are secured over the leased assets (Note 4).

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20. BORROWINGS (CONT'D)

A summary of the average effective interest rates and the maturities of the borrowings are as follows:

	Average effective interest rate per annum (%)	Total RM'000	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	More than 2 years and less than 5 years RM'000	More than 5 years RM'000
GROUP						
2016						
Finance lease liabilities	2.33	99	29	29	41	-
Revolving credit	5.46	8,000	8,000	-	-	-
Term loans	4.20 to 5.44	10,048	2,055	2,102	5,164	727
Trust receipts	3.85 to 3.86	3,626	3,626	-	-	-
2015						
Finance lease liabilities	2.33	127	28	29	70	-
Foreign currency trade loan	1.75	295	295	-	-	-
Term loan	4.75	4,010	657	689	2,273	391
Trust receipts	3.55 to 3.70	6,110	6,110	-	-	-
COMPANY						
2016						
Finance lease liabilities	2.33	99	29	29	41	-
Revolving credit	5.46	8,000	8,000	-	-	-
Term loan	5.44	4,250	1,000	1,000	2,000	250
2015						
Finance lease liabilities	2.33	127	28	29	70	-

NOTES TO THE FINANCIAL STATEMENTS

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21. DEFERRED TAX LIABILITIES

	GROUP	
	2016 RM'000	2015 RM'000
Revaluation surplus		
Balance at beginning	1,343	1,394
Recognised in profit or loss	(42)	(51)
Balance at end	1,301	1,343
Temporary differences on property, plant and equipment		
Balance at beginning	755	819
Recognised in profit or loss	72	(84)
Under provision in prior year	33	20
Balance at end	860	755
	2,161	2,098

22. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2016 RM'000	2015 RM'000
Ringgit Malaysia	1,669	4,750
US Dollar	22,300	13,643
Chinese Renminbi	3,149	1,546
Others	20	21
	27,138	19,960

The trade payables are non-interest bearing and are normally settled within **30 to 90 days** (2015: 30 to 90 days) terms.

Included herein is an amount of **RMNil** (2015: RM751,655) due to a company in which a director of a subsidiary has interest.

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23. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other payables	7,496	5,850	92	366
VAT/GST payable	183	242	-	43
Advance billings to customers	2,695	1,479	-	-
Accruals	27,837	22,413	2,780	2,000
	38,211	29,984	2,872	2,409

The currency profile of other payables and accruals is as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	24,544	18,696	2,872	2,140
Chinese Renminbi	9,175	7,021	-	269
US Dollar	4,492	4,267	-	-
	38,211	29,984	2,872	2,409

Included in the Group's other payables is an amount of **RMNil** (2015: RM3,383,911) due to companies in which a director of a subsidiary has interest.

The amount is unsecured, non-interest bearing and is repayable on demand.

24. REVENUE

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Gross dividend from subsidiaries	-	-	8,210	1,210
Management fee income	-	-	5,557	5,648
Invoiced value of goods sold less returns and discounts	391,584	338,734	-	-
Invoiced value of advertisement space sold less discounts and agency commission	9,759	10,379	-	-
Provision of agency services	1,394	1,227	-	-
	402,737	350,340	13,767	6,858

NOTES TO THE FINANCIAL STATEMENTS

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25. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
After charging:				
Amortisation of land used rights	52	15	-	-
Auditors' remuneration				
- Grant Thornton				
- audit fees				
- current year	157	147	27	23
- non-audit fees	29	8	29	8
- Other auditors				
- statutory audit	39	33	-	-
Bad debts	-	63	-	63
Depreciation	4,836	7,174	70	81
* Directors' remuneration for non-executive directors	443	359	443	359
Fair value loss on derivative financial instruments	-	153	-	-
Goodwill on consolidation written off	-	477	-	-
Impairment loss on other investment	8	8	8	8
Interest expense on:				
- Bankers acceptance	1	28	-	-
- Bank overdraft	-	1	-	-
- Export credit refinancing	-	31	-	-
- Finance lease	5	7	5	5
- Revolving credit	397	-	397	-
- Term loans	497	207	215	-
- Trust receipts	223	241	-	-
Plant and equipment written off	81	141	-	-
Rental of advertising sites	960	981	-	-
Rental of machinery and equipment	248	209	-	-
Rental of premises	1,118	1,016	76	77
** Staff costs	83,773	68,658	3,014	2,646
Unrealised loss on foreign exchange	1,178	-	-	-
And crediting:				
Allowance for impairment no longer required	-	27	-	-
Debt waived	-	1	-	-
Fair value gain on derivative financial instruments	321	-	-	-
Gain on disposal of plant and equipment	191	3	20	-
Income distribution from unit trusts	20	12	20	12
Interest income	469	207	302	39
Rental income	57	33	-	-
Realised gain on foreign exchange	1,604	4,011	-	-
Unrealised gain on foreign exchange	-	1,767	1	-

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25. PROFIT BEFORE TAX (CONT'D)

* Directors' remuneration for non-executive directors are as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Allowance	24	19	24	19
- Equity-settled-share-based payment	58	66	58	66
	82	85	82	85
- Fee	361	274	361	274
	443	359	443	359

** Staff costs

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Wages, salaries, incentives, overtime, allowance and bonus	74,189	60,766	2,366	2,028
- Equity-settled-share-based payment	782	878	304	324
- Defined contribution plans	8,640	6,862	339	289
- SOCSO	162	152	5	5
	83,773	68,658	3,014	2,646

Directors' remuneration

Included in the staff costs of the Group and of the Company is the aggregate amount of remuneration received and receivable by directors of the Company and its subsidiaries as shown below:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive directors of the Company:				
Directors' emoluments				
- Salaries	1,718	1,545	1,150	1,080
- Equity-settled-share-based payment	165	165	165	165
- Defined contribution plans	291	274	218	205
	2,174	1,984	1,533	1,450
Directors' fee	3,900	3,000	1,800	1,400
	6,074	4,984	3,333	2,850
Benefits-in-kind	48	40	24	22
Carried forward	6,122	5,024	3,357	2,872

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25. PROFIT BEFORE TAX (CONT'D)

Directors' remuneration (Cont'd)

Included in the staff costs of the Group and of the Company is the aggregate amount of remuneration received and receivable by directors of the Company and its subsidiaries as shown below: (Cont'd)

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Brought forward	6,122	5,024	3,357	2,872
Executive directors of subsidiaries:				
Directors' emoluments				
- Salaries and bonus	877	901	-	-
- Equity-settled-share-based payment	36	45	-	-
- Defined contribution plans	51	48	-	-
	964	994	-	-
Director's fee	60	60	-	-
	1,024	1,054	-	-
Total executive directors' remuneration	7,146	6,078	3,357	2,872

26. TAX EXPENSE

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
In Malaysia				
Current year	(6,209)	(5,704)	(80)	(107)
Over/(under) provision in prior year				
- Current tax	997	(694)	31	(2)
- Deferred tax	(33)	(20)	-	-
Deferred tax relating to origination and reversal of temporary differences	(72)	84	-	-
Realisation of deferred tax upon depreciation of revalued assets	42	51	-	-
	(5,275)	(6,283)	(49)	(109)
Outside Malaysia				
Current year	(2,164)	(915)	-	-
Over provision in prior year	-	166	-	-
	(2,164)	(749)	-	-
	(7,439)	(7,032)	(49)	(109)

Tax expense for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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26. TAX EXPENSE (CONT'D)

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

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	40,686	31,055	7,220	1,339
Income tax at Malaysian statutory tax rate of **24%** (2015: 25%)	(9,764)	(7,764)	(1,733)	(335)
Tax rates differences in foreign jurisdictions	309	237	-	-
Income not subject to tax	1,230	718	2,092	311
Double deduction of expenses for tax purposes	-	29	-	-
Expenses not deductible for tax purposes	(1,630)	(1,799)	(447)	(332)
Annual crystallisation of deferred tax on revaluation surplus	42	51	-	-
Utilisation of unabsorbed allowance for increase in export	315	885	-	-
Utilisation of unabsorbed tax losses and capital allowances	1,112	1,545	-	246
Deferred tax movements not recognised	(17)	(420)	8	(7)
Changes in tax rate	-	34	-	10
	(8,403)	(6,484)	(80)	(107)
Over/(under) provision in prior years	964	(548)	31	(2)
	(7,439)	(7,032)	(49)	(109)

As at the end of the reporting period, the Group and the Company have not recognised the following deferred tax (assets)/liabilities (stated at gross):

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment	1,372	1,443	62	31
Unabsorbed tax losses	(8,285)	(12,384)	-	-
Unabsorbed capital allowances	(326)	(859)	-	-
Unabsorbed reinvestment allowance	(117)	(117)	-	-
	(7,356)	(11,917)	62	31

Deferred tax assets have not been recognised on the above temporary differences as it is not probable that taxable profit will be available in the foreseeable future to the extent that the above deductible temporary differences can be utilised.

The unabsorbed tax losses and unabsorbed allowances are available to be carried forward for set off against future assessable income of the subsidiaries.

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27. EARNINGS PER SHARE

27.1 Basic earnings per share

The basic earnings per share of the Group is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2016	2015
Profit attributable to owners of the Company (RM'000)	28,349	20,772
Weighted average number of shares ('000)	148,040	137,457
Basic earnings per share (sen)	19	15*

27.2 Diluted earnings per share

The diluted earnings per share of the Group is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted to assume conversion of all dilutive potential ordinary shares arising from share options granted to employees and directors as follows:

	2016	2015
Profit attributable to owners of the Company (RM'000)	28,349	20,772
Weighted average number of issued ordinary shares as above	148,040	137,457
Adjustment for dilutive effect of ESOS	4,206	6,422
Adjustment for dilutive effect of warrants	9,784	-
	162,030	143,879
Diluted earnings per share (sen)	17	14*

* Comparative number of shares was restated to take into account the effect of Rights Issue.

28. DIVIDENDS

	COMPANY	
	2016	2015
	RM'000	RM'000
In respect of financial year ended 31 July 2016:		
- A single tier interim dividend of 1.50 sen per share	1,697	-
In respect of financial year ended 31 July 2015:		
- A single tier final dividend of 2.70 sen per share	3,017	-
- A single tier interim dividend of 1.50 sen per share	-	1,632
In respect of financial year ended 31 July 2014:		
- A first and final single tier dividend of 3.50 sen per share	-	2,688
	4,714	4,320

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28. DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a single tier final dividend of 1.75 sen per share amounting to RM2,985,699 in respect of the financial year ended 31 July 2016 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividends. Such dividends, if approved by the shareholders will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 July 2017.

29. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment:				
- Approved and contracted for	401	11,892	9	-
- Approved but not contracted for	130,200	-	-	-
	130,601	11,892	9	-

30. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2016 RM'000	2015 RM'000
Corporate guarantee for banking facilities given to a subsidiary		
- Limit	66,115	62,285
- Amount utilised	18,111	13,015

The corporate guarantees do not have a determinable effect on the terms of the credit facilities due to the banks' requirement of the parent guarantee as a pre-condition for approving the credit facilities granted to the subsidiary. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiary. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

31. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business Segments

The Group comprises the following main business segments:

(1) Apparels — Manufacturing of apparels and provision of apparel manufacturing services.

(2) Advertising — Provision of advertising services on multimedia boards.

(3) Others — Investment holding, property investment, provision of management services and provision of agency services.

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31. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Apparels		Advertising		Others		Elimination			Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	Note	2016 RM'000	2015 RM'000
Revenue											
External sales	391,584	338,734	9,759	10,379	1,394	1,227	-	-		402,737	350,340
Inter-segment sales	-	-	-	-	13,767	6,858	(13,767)	(6,858)	A	-	-
Total revenue	391,584	338,734	9,759	10,379	15,161	8,085	(13,767)	(6,858)		402,737	350,340
Results											
Segment results	37,783	26,774	3,491	3,604	8,776	6,028	(8,710)	(5,043)		41,340	31,363
Interest expense	(506)	(510)	-	-	(617)	(5)	-	-		(1,123)	(515)
Interest income	87	97	81	71	301	39	-	-		469	207
Tax expense	(6,489)	(5,879)	(900)	(1,053)	(50)	(100)	-	-		(7,439)	(7,032)
Profit/(loss) for the financial year	30,875	20,482	2,672	2,622	8,410	5,962	(8,710)	(5,043)		33,247	24,023
Assets											
Segment assets	226,222	171,926	7,407	6,037	112,587	87,979	(150,783)	(106,840)		195,433	159,102
Current tax assets	10	-	-	-	152	-	-	-		162	-
Derivative financial assets	243	-	-	-	-	-	-	-		243	-
Deposits with licensed banks	599	2,175	1,744	1,809	56,630	2,301	-	-		58,973	6,285
Cash and bank balances	40,899	16,387	3,174	3,246	1,702	6,793	3,235	261		49,010	26,687
Total assets	267,973	190,488	12,325	11,092	171,071	97,073	(147,548)	(106,579)		303,821	192,074
Liabilities											
Segment liabilities	133,631	101,813	3,842	2,611	19,413	21,126	(91,537)	(75,606)		65,349	49,944
Borrowings	9,425	10,415	-	-	12,348	127	-	-		21,773	10,542
Deferred tax liabilities	1,760	1,595	90	192	-	-	311	311		2,161	2,098
Derivative financial liabilities	-	77	-	-	-	-	-	-		-	77
Current tax liabilities	1,902	2,383	665	853	-	48	-	-		2,567	3,284
Total liabilities	146,718	116,283	4,597	3,656	31,761	21,301	(91,226)	(75,295)		91,850	65,945
Other information											
Additions to non-current assets	32,307	14,457	80	275	239	411	-	-	B	32,626	15,143
Depreciation and amortisation	4,052	5,844	736	728	100	617	-	-		4,888	7,189
Non-cash expenses/(income) other than depreciation and amortisation	1,252	(446)	(6)	22	291	346	-	-	C	1,537	(78)

31. SEGMENTAL INFORMATION (CONT'D)

By business segments (Cont'd)

Notes to segment information:

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consists of:

	2016 RM'000	2015 RM'000
Property, plant and equipment	21,046	15,143
Land use rights	11,580	-
	32,626	15,143

C Other non-cash expenses/(income) consist of the following items:

	2016 RM'000	2015 RM'000
Allowance for impairment on trade receivable	-	(27)
Bad debts	-	63
Debt waived	-	(1)
Equity-settled share-based payment	782	878
Fair value (gain)/loss on derivative financial instruments	(321)	153
Gain on disposal of property, plant and equipment	(191)	(3)
Goodwill on consolidation written off	-	477
Impairment loss on other investments	8	8
Property, plant and equipment written off	81	141
Unrealised loss/(gain) on foreign exchange	1,178	(1,767)
	1,537	(78)

Geographical Segments

The Group's location of its customers is in the principal geographical regions, namely Malaysia, China, United States and the European countries.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	10,120	11,386	68,914	57,565
China	17,173	8,728	18,015	13,868
United States of America	223,629	206,726	-	-
European countries	91,223	66,498	-	-
Vietnam	-	-	11,212	-
Other countries	60,592	57,002	-	-
	402,737	350,340	98,141	71,433

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31. SEGMENTAL INFORMATION (CONT'D)

Information about major customers

Total revenue from **4** (2015: 2) major customers which individually contributed more than 10% of the Group's revenue from the apparels segment amounted to **RM374,651,337** (2015: RM275,419,273).

32. RELATED PARTY DISCLOSURES

(i) Identity of related parties

The Group has related party relationship with its subsidiaries, key management personnel and the following parties:

Related party		Relationship
C L Boo & Associates	:	A firm in which a director of the Company, Mr. Boo Chin Liong is a partner.
Ahmad Mustapha & Co	:	A firm in which a director of the Company, En. Ahmad Mustapha Ghazali is a partner.
* Champ Bloom Incorporated and F.D. Way Industrial Co., Ltd.	:	Companies in which a director of a subsidiary, Mr. Chen, Cheng-Chun has interest.

* Champ Bloom Incorporated and F.D. Way Industrial Co., Ltd. ceased to be related parties with effect from 8 December 2015 and 23 November 2015 respectively.

(ii) Related party transactions

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross dividend income from subsidiaries				
- Honsin Apparel Sdn. Bhd.	-	-	7,000	-
- HiQ Media (Malaysia) Sdn. Bhd.	-	-	522	522
- Laser Capital Holdings Sdn. Bhd.	-	-	688	688
Management fee income from subsidiaries				
- Honsin Apparel Sdn. Bhd.	-	-	4,680	4,680
- HiQ Media (Malaysia) Sdn. Bhd.	-	-	96	96
- Plas Industries Sdn. Bhd.	-	-	216	247
- BE Elementz Sdn. Bhd.	-	-	276	306
- Bixiz Kids Incorporated (M) Sdn. Bhd.	-	-	276	306
- Laser Capital Holdings Sdn. Bhd.	-	-	13	13
Purchases from F.D. Way Industrial Co., Ltd.	3,840	8,225	-	-
Agency services charged to Champ Bloom Incorporated	487	1,227	-	-
Professional fee charged by C L Boo & Associates	132	243	33	-

32. RELATED PARTY DISCLOSURES (CONT'D)

(ii) Related party transactions (Cont'd)

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental expenses charged by Ahmad Mustapha & Co	76	76	76	76
Handling fees charged by Champ Bloom Incorporated	591	1,946	-	-

(iii) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly.

The Group and the Company have no other members of key management personnel apart from the Board of Directors of the Company and of the subsidiaries, which their compensation has been shown in Note 25.

33. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as:

(i) Loans and receivables ("L&R");
(ii) Available-for-sale financial assets ("AFS");
(iii) Financial liabilities measured at amortised cost ("FL"); and
(iv) Fair value through profit or loss ("FVTPL").

	Carrying amount RM'000	L&R RM'000	AFS RM'000	FL RM'000	FVTPL RM'000
GROUP					
2016					
Financial assets					
Other investments	502	-	502	-	-
Trade receivables	67,450	67,450	-	-	-
Other receivables and refundable deposits	3,222	3,222	-	-	-
Derivative financial instruments	243	-	-	-	243
Deposits with financial institutions	58,973	58,973	-	-	-
Cash and bank balances	49,010	49,010	-	-	-
	179,400	178,655	502	-	243
Financial liabilities					
Trade payables	27,138	-	-	27,138	-
Other payables and accruals	35,516	-	-	35,516	-
Borrowings	21,773	-	-	21,773	-
	84,427	-	-	84,427	-

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33. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

	Carrying amount RM'000	L&R RM'000	AFS RM'000	FL RM'000	FVTPL RM'000
GROUP					
2015					
Financial assets					
Other investments	490	-	490	-	-
Trade receivables	55,041	55,041	-	-	-
Other receivables and refundable deposits	4,480	4,480	-	-	-
Deposits with financial institutions	6,285	6,285	-	-	-
Cash and bank balances	26,687	26,687	-	-	-
	92,983	92,493	490	-	-
Financial liabilities					
Trade payables	19,960	-	-	19,960	-
Other payables and accruals	28,505	-	-	28,505	-
Derivative financial instruments	77	-	-	-	77
Borrowings	10,542	-	-	10,542	-
	59,084	-	-	59,007	77
COMPANY					
2016					
Financial assets					
Other investments	502	-	502	-	-
Other receivables and refundable deposits	63	63	-	-	-
Amount due from subsidiaries	45,030	45,030	-	-	-
Deposits with financial institutions	56,630	56,630	-	-	-
Cash and bank balances	960	960	-	-	-
	103,185	102,683	502	-	-
Financial liabilities					
Other payables and accruals	2,872	-	-	2,872	-
Borrowings	12,349	-	-	12,349	-
	15,221	-	-	15,221	-
2015					
Financial assets					
Other investments	490	-	490	-	-
Other receivables and refundable deposits	265	265	-	-	-
Amount due from subsidiaries	39,377	39,377	-	-	-
Deposits with financial institutions	2,301	2,301	-	-	-
Cash and bank balances	233	233	-	-	-
	42,666	42,176	490	-	-
Financial liabilities					
Other payables and accruals	2,409	-	-	2,409	-
Borrowings	127	-	-	127	-
	2,536	-	-	2,536	-

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34. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative activities.

34.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade receivables. The Company's exposure to credit risk arises principally from advances and financial guarantees given to its subsidiaries.

34.1.1 Trade receivables

The Group extends to existing customers credit terms that range between **20 to 60 days** (2015: 20 to 60 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, debt monitoring procedures are performed on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The ageing of trade receivables of the Group is as follows:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2016			
Not past due	55,928	-	55,928
Past due 1 - 30 days	8,090	-	8,090
Past due 31 - 60 days	1,444	-	1,444
Past due 61 - 90 days	1,016	-	1,016
Past due more than 90 days	972	-	972
	11,522	-	11,522
	67,450	-	67,450
2015			
Not past due	39,159	-	39,159
Past due 1 - 30 days	9,485	-	9,485
Past due 31 - 60 days	3,404	-	3,404
Past due 61 - 90 days	1,931	-	1,931
Past due more than 90 days	1,062	-	1,062
	15,882	-	15,882
	55,041	-	55,041

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

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34. FINANCIAL RISK MANAGEMENT (CONT'D)

34.1 Credit risk (Cont'd)

34.1.1 Trade receivables (Cont'd)

The Group has trade receivables of **RM11,522,018** (2015: RM15,882,363) that are past due but not impaired as the management is of the view that these debts will be recovered in due course.

The Group has significant concentration of credit risk in the form of outstanding balance due from **3 customers** (2015: 2 customers) representing **64%** (2015: 69%) of the total trade receivables.

34.1.2 Intercompany balances

The Company provides advances to its subsidiaries and monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries. Nevertheless, these advances are not regarded as overdue and are repayable on demand.

34.1.3 Financial guarantees

The Company provides unsecured corporate guarantee to banks in respect of banking facilities granted to subsidiaries as disclosed in Note 30.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any of the subsidiaries would default on repayment.

34.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

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34. FINANCIAL RISK MANAGEMENT (CONT'D)

34.2 Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	More than 2 years and less than 5 years RM'000	More than 5 years RM'000
GROUP						
2016						
Non-derivative financial liabilities						
Interest bearing borrowings	21,773	22,711	14,005	2,378	5,576	752
Trade payables	27,138	27,138	27,138	-	-	-
Other payables and accruals	35,516	35,516	35,516	-	-	-
	84,427	85,365	76,659	2,378	5,576	752
2015						
Non-derivative financial liabilities						
Interest bearing borrowings	10,542	11,113	7,271	866	2,580	396
Trade payables	19,960	19,960	19,960	-	-	-
Other payables and accruals	28,505	28,505	28,505	-	-	-
Derivative financial liabilities						
Forward exchange contracts:						
Outflow-net	77	77	77	-	-	-
	59,084	59,655	55,813	866	2,580	396

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34. FINANCIAL RISK MANAGEMENT (CONT'D)

34.2 Liquidity risk (Cont'd)

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	More than 2 years and less than 5 years RM'000	More than 5 years RM'000
COMPANY						
2016						
Non-derivative financial liabilities						
Interest bearing borrowings	12,349	12,595	9,088	1,088	2,156	263
Other payables and accruals	2,872	2,872	2,872	-	-	-
Financial guarantee	-	18,111	18,111	-	-	-
	15,221	33,578	30,071	1,088	2,156	263
2015						
Non-derivative financial liabilities						
Interest bearing borrowings	127	147	33	33	81	-
Other payables and accruals	2,409	2,409	2,409	-	-	-
Financial guarantee	-	13,015	13,015	-	-	-
	2,536	15,571	15,457	33	81	-

34.3 Interest rate risk

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

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34. FINANCIAL RISK MANAGEMENT (CONT'D)

34.3 Interest rate risk (Cont'd)

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on their carrying amounts as at the end of the reporting period is as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets	2,343	3,984	-	-
Financial liabilities	3,725	6,532	99	127
Floating rate instruments				
Financial assets	56,630	2,301	56,630	2,301
Financial liabilities	18,048	4,010	12,250	-

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Sensitivity analysis for variable rate instruments

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	GROUP Effect on profit for the year		COMPANY Effect on profit for the year	
	RM'000	RM'000	RM'000	RM'000
2016 (+/-25bp)	(21)	21	(5)	5
2015 (+/-25bp)	(8)	8	3	(3)

34.4 Foreign currency risk

The objectives of the Group's and the Company's foreign exchange policies are to allow the Group and the Company to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group and the Company to unnecessary foreign exchange risks.

The Group and the Company is exposed to foreign currency risk mainly on sales and purchases that are denominated in a currency other than the Company's functional currency. The Group and the Company also hold cash and bank balances denominated in foreign currencies for working capital purposes. The currency giving rise to this risk is primarily US Dollar ("USD").

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34. FINANCIAL RISK MANAGEMENT (CONT'D)

34.4 Foreign currency risk (Cont'd)

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period is as follows:

	2016		2015	
	USD	OTHERS	USD	OTHERS
	RM'000	RM'000	RM'000	RM'000
GROUP				
Trade receivables	55,756	-	50,938	-
Other receivables	1,127	188	229	137
Cash and bank balances	39,562	23	19,797	3
Borrowings	(3,626)	-	(6,405)	-
Trade payables	(22,300)	(20)	(13,643)	(21)
Other payables	(4,492)	-	(4,267)	(269)
Derivative financial instruments	243	-	(77)	-
Net exposure	66,270	191	46,572	(150)
COMPANY				
Cash and bank balances	21	-	-	-
Other payables	-	-	-	(269)
Net exposure	21	-	-	(269)

Sensitivity analysis for foreign currency risk

The table below illustrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's and the Company's profit before tax. A +/-10% change in RM against the following currencies at the end of the reporting period would have decreased/increased profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

If RM had strengthened against the foreign currencies, the effect to profit for the year would be as follows:

	GROUP			COMPANY		
	USD	OTHERS	Total	USD	OTHERS	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016	(6,627)	(19)	(6,646)	(2)	-	(2)
2015	(4,657)	15	(4,642)	-	27	27

If RM had weakened against the foreign currencies, the effect to profit for the year would be the opposite.

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS

GROUP AND COMPANY

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to the insignificant impact of discounting.

The table below analyses financial instruments carried at fair value which fair value grouped into Level 1 to 3 based is disclosed together with their fair value and carrying amounts shown in the statements of financial position.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
GROUP					
2016					
Financial assets					
Forward exchange contracts	-	243	-	243	243
Quoted unit trusts	502	-	-	502	502
2015					
Financial assets					
Quoted unit trusts	490	-	-	490	490
Financial liabilities					
Forward exchange contracts	-	77	-	77	77
COMPANY					
2016					
Financial assets					
Quoted unit trusts	502	-	-	502	502
2015					
Financial assets					
Quoted unit trusts	490	-	-	490	490

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 during the financial year.

Derivatives

The fair value of the outstanding forward exchange contracts is obtained from the financial institutions which the Group obtained the facility from.

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36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made in the objective, policy and process during the financial year under review as compared to the previous financial year.

A licensed bank in which a subsidiary of the Group obtains credit facilities has imposed a debt covenant that requires this subsidiary to ensure its gearing ratio does not exceed 1.0 at all times. The subsidiary did not breach the covenant imposed by the licensed bank.

Other than the aforementioned, the Group is not subject to any externally imposed capital requirements. The Group manages capital by regularly monitoring its liquidity requirements rather than using debt/equity ratio.

37. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 3 September 2013, and the ESOS will be in force for duration of five years expiring on 8 September 2018.

The salient features of the ESOS are as follows:

(i) The total number of new ordinary shares which are available to be issued under the ESOS shall not in aggregate exceed fifteen percent (15%) of the total issued and fully paid-up share capital (excluding treasury shares) of the Company at any point in time during the duration of the scheme.

(ii) A person shall be eligible to participate in the ESOS if, as at the date of offer, has attained the age of at least eighteen (18) years old; not be an undischarged bankrupt nor subject to any bankruptcy proceedings; be a director of the Company or be a full-time Malaysian employee confirmed in service and served at least one (1) continuous year within the Group ("Eligible Person"). Eligibility to participate in the scheme does not confer on an Eligible Person a claim or right to participate in the scheme unless the ESOS Committee has made an offer and the Eligible Person has accepted the offer in accordance with the terms of the offer and the scheme. The selection of any Eligible Person to participate in the scheme shall be at the discretion of the ESOS Committee.

(iii) The option price at which the grantee is entitled to subscribe for each new ordinary share shall not be lower than the par value and be either at a premium or discount of not more than 10% (or such lower or higher limit in accordance with any prevailing guidelines, rules or regulations issued by the Bursa Securities) of the 5-day volume weighted average market price of the Company's share as at the offer date.

(iv) The options offered to the grantee may, subject to the compliance or fulfilment by the grantee of the vesting conditions, be vested in the grantee in such number or tranche or tranches as shall be determined by the ESOS Committee.

(v) The new ordinary shares to be allotted upon the exercise of the option will, upon allotment, rank pari passu in all respects with the then existing issued and fully paid-up shares of the Company, except that the new ordinary shares so allotted will not be entitled to any rights, dividends, allotments or other forms of distribution, the entitlement date of which is declared prior to the date of allotment of the ordinary shares and will be subject to all the provisions of the Articles of Association of the Company and the Listing Requirements relating to transfer, transmission and otherwise.

(vi) The ESOS shall continue to be in force for a period of five (5) years from the effective date of the ESOS. However, the ESOS may at the discretion of the ESOS Committee be extended without any approval from the shareholders of the Company in any general meeting provided that the extension of the ESOS shall not in aggregate exceed a duration of ten (10) years.

37. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D)

The details of the outstanding share options for ordinary shares of RM0.50 each granted to the Group's employees and directors and its related exercise price are as follows:

		Number of options over ordinary shares of RM0.50 each				
Grant date	**Exercise price * RM**	**Balance at 1.8.15**	**Exercised**	**Adjustment ***	**Lapsed**	**Balance at 31.7.16**
12.9.13	0.500	6,005,140	(2,951,500)	755,770	(33,160)	3,776,250
7.5.14	0.722	811,710	(275,470)	129,335	(23,100)	642,475
5.9.14	0.775	1,821,920	(688,710)	256,315	(117,950)	1,271,575
23.12.14	0.804	614,000	(166,000)	112,000	-	560,000

* Adjustment to the exercise price and number of options pursuant to the Company's Rights Issue.

The fair value of the share options granted were estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the Black Scholes model for the ESOS granted:

	12-Sep-13	**7-May-14**	**5-Sep-14**	**23-Dec-14**
Fair value (RM)	0.14	0.50	0.44	0.42
Expected volatility (%)	10.09	36.89	36.58	35.09
Risk-free interest rate (% p.a.)	3.82	3.91	4.03	4.01
Dividend yield (%)	3.11	1.96	1.97	2.19
Borrowings cost (%)	2.56	2.56	2.56	3.38
Expected life of option (years)	4.99	4.34	4.01	3.71
Weighted average share price (RM)	0.96	1.51	1.51	1.60

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 5 February 2016, the Company entered into a Memorandum of Understanding ("MOU") with Men-Chuen Fibre Industry Co., Ltd. ("MC") for the purpose of forming a strategic partnership between both parties to further enhance business activities and complement each other's businesses.

39. EVENTS AFTER THE REPORTING PERIOD

(i) On 2 September 2016, the Company, MC and Trans Pacific Textile (M) Sdn. Bhd. ("TPTM") entered into a Shareholders Agreement for the subscription of shares in TPTM. Subject to the terms and conditions of the Shareholders Agreement, the total issued and paid-up capital of TPTM shall be increased from RM500,000 to RM36,000,000 of which MC shall be obliged to subscribe for 4,000,000 ordinary shares of RM1 each in TPTM, representing 11.1% equity interest in TPTM for a total cash consideration of RM4,000,000. The remaining 31,500,000 ordinary shares of RM1 each in TPTM shall be subscribed by the Company.

(ii) On 8 September 2016, the Company has granted 1,500,000 options to its eligible employees at an exercise price of RM1.234 per share, out of which 1,491,000 options were accepted.

SUPPLEMENTARY INFORMATION

40. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of retained profits of the Group and of the Company as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained profits of the Company and its subsidiaries				
- Realised	93,727	63,950	6,985	4,531
- Unrealised	(1,716)	1,051	-	-
	92,011	65,001	6,985	4,531
Less: Consolidation adjustments	(16,707)	(13,211)	-	-
	75,304	51,790	6,985	4,531

TOP 10 PROPERTIES HELD BY GROUP

No	Company	Location	Description	Land area/ (built up area)	Existing use	Tenure (approximate age of building)	Carrying Amount as at 31 July 2016 (RM'000)	Year of acquisition/ revaluation
1	Honsin Apparel Sdn Bhd	Lot 590 (New Lot 2596) Mukim of Simpang Kanan, Batu Pahat, Johor.	An apparel factory cum office with storage building	12,147 metre^2 (12,639 metre^2)	Factory and office	Freehold (17 1/2 years to 21 years)	9,288	2010*
2	Honsin Apparel Sdn Bhd	HS (M) 5216, PTD 11249, Taman Perindustrian Ulu Choh, Mukim of Jeram Batu, Pontian, Johor.	A single storey detached factory with a double storey office	3871 metre^2 (1871 metre^2)	Vacant	Freehold (3 years)	5,294	2013
3	Honsin Apparel Sdn Bhd	Lot 4373, Mukim Simpang Kanan, Batu Pahat, Johor.	Land	8094 metre^2	Vacant	Freehold	3,418	2015
4	Honways Apparel Shuyang Limited	Land Certification No. 27141, Property Certification No. 0101524, Shuyang Development Zone, Jiangsu, China.	A factory with 14 units of buildings	26,667 metre^2 (17,856 metre^2)	Factory, office, hostel, canteen and warehouse	Leasehold 50 years expiring on 16.11.2055 (10 years)	9,253	2010
5	Novel Realty Sdn Bhd	Lot 1606 GM 16, Mukim of Tanjung Kupang, Kg Pok Kechil Tanjung Kupang, Johor Bahru, Johor.	Land	27,797 metre^2	Vacant	Freehold	8,657	2013
6	Novel Realty Sdn Bhd	Lot 2937,Mukim of Simpang Kanan, Batu Pahat, Johor.	Land	16,162 metre^2	Vacant	Freehold	3,149	2013
7	Trans Pacific Textile (M) Sdn Bhd	Lot 4769, Mukim Kluang, Kluang, Johor.	Land	37,534 metre^2	Vacant	Freehold	3,467	2016
8	Trans Pacific Textile (M) Sdn Bhd	Lot 4768, Mukim Kluang, Kluang, Johor.	Land	37,458 metre^2	Vacant	Freehold	3,460	2016
9	Trans Pacific Textile (M) Sdn Bhd	Lot 4767, Mukim Kluang, Kluang, Johor.	Land	36,598 metre^2	Vacant	Freehold	3,382	2016
10	Trans Pacific Textile (VN) Co., Ltd	Lot No. 125 & 126, Long Jiang Industrial Park, Tan Lap 1 Commune, Tan Phuoc District, Tien Giang Province, Vietnam.	Land	61,950 metre^2	Vacant	Leasehold 41 years expiring on 26.11.2057 (41 years)	11,212	2016

* Years of revaluation
At the date of transition to MFRS in the financial year ended 31 July 2013, the Group and the Company had elected to apply optional exemption to use the previous revaluation of the said assets, adjusted for depreciation (if any) as deemed costs under MFRS. Upon transition to MFRS, the Group and the Company had elected to measure all its property, plant and equipment using the cost model under MFRS 116, Property, Plant and Equipment.

ANALYSIS OF SHAREHOLDINGS
As at 31 October 2016

Authorised share capital	:	500,000,000 ordinary shares of RM0.50 each
Issued and fully paid-up capital	:	170,611,365 ordinary shares of RM0.50 each (excluding 6,265,400 treasury shares)
Voting rights	:	One vote per ordinary share

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 31 OCTOBER 2016

Size of holdings	No. of shareholders	%	No. of shares held	%
Less than 100	125	4.93	3,571	*
100 – 1,000	296	11.68	140,737	0.08
1,001 – 10,000	1,251	49.35	6,377,868	3.74
10,001 – 100,000	706	27.85	20,069,591	11.76
100,001 – 8,530,567	155	6.11	117,330,192	68.78
8,530,568 and above	2	0.08	26,689,406	15.64
TOTAL	2,535	100.00	170,611,365	100.00

* Negligible

30 LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2016

		No. of shares held	%
1	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JE HOLDINGS SDN BHD*	16,596,200	9.73
2	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU MONG YING*	10,093,206	5.92
3	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NARSPA HOLDINGS SDN BHD*	6,609,300	3.87
4	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR METRO CAPITAL ASSET MANAGEMENT SDN BHD*	5,511,900	3.23
5	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR NARSPA HOLDINGS SDN BHD (TERM)*	4,488,100	2.63
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)*	4,398,100	2.58
7	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPPORTUNITIES FUND*	4,332,250	2.54
8	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)*	4,101,700	2.40
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)*	3,900,000	2.29
10	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)*	3,029,250	1.78
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)*	3,000,000	1.76
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND*	2,772,500	1.63

ANALYSIS OF SHAREHOLDINGS
As at 31 October 2016
CONT'D

30 LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2016 (CONT'D)

		No. of shares held	%
13	LAU MONG YING	2,720,794	1.59
14	LIM HOEI BOON	2,562,620	1.50
15	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI*	2,324,505	1.36
16	NG CHING HOON	2,127,000	1.25
17	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI (SMART)*	1,949,000	1.14
18	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC TREASURES GROWTH FUND*	1,941,550	1.14
19	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAUZAN (5170)*	1,877,750	1.10
20	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP KIM CHOO*	1,841,700	1.08
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (F.TEMISLAMIC)*	1,714,200	1.00
22	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)*	1,694,100	0.99
23	LIN, CHENG-LANG	1,652,170	0.97
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA INSURANCE BERHAD (GROWTH FUND)*	1,524,500	0.89
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA TAKAFUL BERHAD (SHAREHOLDERS FD)*	1,524,000	0.89
26	GOH MING CHOO	1,520,000	0.89
27	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (FINLAND)*	1,400,000	0.82
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)*	1,374,300	0.81
29	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KHADMUDIN BIN MOHAMED RAFIK*	1,222,200	0.72
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KNGA SML CAP FD)*	1,201,500	0.70
		101,004,395	59.20

ANALYSIS OF SHAREHOLDINGS

As at 31 October 2016
CONT'D

1. Directors' shareholdings as at 31 October 2016

		No. of ordinary shares of RM0.50 each			
		Direct	**%**	**Deemed**	**%**
i	Ahmad Mustapha Ghazali	4,423,505	2.59%	16,682,400 (1)	9.78%
ii	Lau Mong Ying	12,814,240	7.51%	17,480,700 (2)	10.25%
iii	Lau Mong Fah	905,500	0.53%	17,480,700 (2)	10.25%
iv	Khadmudin Bin Mohamed Rafik	1,222,200	0.72%	-	-
v	Lin, Cheng-Lang	1,652,170	0.97%	-	-
vi	Chin Chew Mun	420,000	0.25%	-	-
vii	Boo Chin Liong	298,500	0.17%	-	-

(1) Deemed interested by virtue of his interest in Narspa Holdings Sdn. Bhd. and Metro Capital Asset Management Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and includes shares in the Company held by his spouse pursuant to Section 134(12) of the Companies Act, 1965

(2) Deemed interested by virtue of his interest in JE Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

2. Substantial Shareholders (excluding bare trustees) as at 31 October 2016

		No. of ordinary shares of RM0.50 each			
		Direct	**%**	**Deemed**	**%**
i	Lau Mong Ying	12,814,240	7.51%	17,480,700 (1)	10.25%
ii	Lau Mong Fah	905,500	0.53%	17,480,700 (1)	10.25%
iii	JE Holdings Sdn. Bhd.	17,480,700	10.25%	-	-
iv	Narspa Holdings Sdn. Bhd.	11,097,400	6.50%	-	-
v	Ahmad Mustapha Ghazali	4,423,505	2.59%	16,609,300 (2)	9.74%
vi	Lau Boon Hwa	709,700	0.42%	17,480,700 (1)	10.25%

(1) Deemed interested by virtue of his interest in JE Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

(2) Deemed interested by virtue of his interest in Narspa Holdings Sdn. Bhd. and Metro Capital Asset Management Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

ANALYSIS OF WARRANT HOLDINGS
As at 31 October 2016

Number of outstanding warrants	:	56,824,930
Exercise period	:	The exercise period is any time within a period of 5 years from the date of issue up to the expiry date of 14 June 2021
Exercise price	:	RM1.20 each
Warrant entitlement	:	Each warrant entitles the registered holder during the exercise period to subscribe for one new ordinary share of RM0.50 each

DISTRIBUTION SCHEDULE OF WARRANT HOLDINGS AS AT 31 OCTOBER 2016

Size of warrant holdings	No. of warrant holders	%	No. of warrants held	%
Less than 100	33	2.68	1,105	*
100 – 1,000	160	12.98	90,916	0.16
1,001 – 10,000	597	48.42	2,821,234	4.96
10,001 – 100,000	366	29.68	12,695,764	22.34
100,001 – 2,841,246	75	6.08	31,201,785	54.92
2,841,247 and above	2	0.16	10,014,126	17.62
TOTAL	1,233	100.00	56,824,930	100.00

* Negligible

30 LARGEST WARRANT HOLDERS AS AT 31 OCTOBER 2016

		No. of warrants held	%
1	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JE HOLDINGS SDN BHD*	5,696,200	10.02
2	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU MONG YING*	4,317,926	7.60
3	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NARSPA HOLDINGS SDN BHD*	2,269,300	3.99
4	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR METRO CAPITAL ASSET MANAGEMENT SDN BHD*	1,892,340	3.33
5	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR NARSPA HOLDINGS SDN BHD (TERM)*	1,541,100	2.71
6	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPPORTUNITIES FUND*	1,420,750	2.50
7	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)*	1,380,420	2.43
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)*	1,351,400	2.38
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)*	1,300,000	2.29
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)*	1,000,000	1.76

ANALYSIS OF WARRANT HOLDINGS

As at 31 October 2016

CONT'D

30 LARGEST WARRANT HOLDERS AS AT 31 OCTOBER 2016 (CONT'D)

		No. of warrants held	%
11	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)*	950,150	1.67
12	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI*	799,545	1.41
13	NG CHING HOON	730,160	1.28
14	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI (SMART)*	669,000	1.18
15	LIM HOEI BOON	657,000	1.16
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHIN HOOI*	600,000	1.06
17	TAI HOOI LIN	580,000	1.02
18	TEOH KIAN FUH	555,500	0.98
19	LIN, CHENG-LANG	550,723	0.97
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA INSURANCE BERHAD (GROWTH FUND)*	524,500	0.92
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA TAKAFUL BERHAD (SHAREHOLDERS FD)*	524,000	0.92
22	TAN KIN SENG	523,000	0.92
23	GOH MING CHOO	520,400	0.92
24	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAUZAN (5170)*	483,750	0.85
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA INSURANCE BERHAD (PREM EQUITY FD)*	419,600	0.74
26	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KHADMUDIN BIN MOHAMED RAFIK*	407,400	0.72
27	CHONG KIM FOO	400,000	0.70
28	CHEN, CHENG-CHUN	394,600	0.69
29	CHONG TECK SENG	337,880	0.59
30	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)*	323,940	0.57
		33,120,584	58.28

ANALYSIS OF WARRANT HOLDINGS
As at 31 October 2016
CONT'D

1. Directors' warrant holdings as at 31 October 2016

		No. of warrants held			
		Direct	%	Deemed	%
i	Ahmad Mustapha Ghazali	1,518,545	2.67%	5,717,740 (1)	10.06%
ii	Lau Mong Ying	4,317,926	7.60%	6,000,210 (2)	10.56%
iii	Lau Mong Fah	306,300	0.54%	6,000,210 (2)	10.56%
iv	Khadmudin Bin Mohamed Rafik	407,400	0.72%	-	-
v	Lin, Cheng-Lang	550,723	0.97%	-	-
vi	Chin Chew Mun	140,000	0.25%	-	-
vii	Boo Chin Liong	102,500	0.18%	-	-

(1) Deemed interested by virtue of his interest in Narspa Holdings Sdn. Bhd. and Metro Capital Asset Management Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and includes shares in the Company held by his spouse pursuant to Section 134(12) of the Companies Act, 1965

(2) Deemed interested by virtue of his interest in JE Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

2. Substantial warrant holders as at 31 October 2016

		No. of warrants held			
		Direct	%	Deemed	%
i	Lau Mong Ying	4,317,926	7.60%	6,000,210 (1)	10.56%
ii	Lau Mong Fah	306,300	0.54%	6,000,210 (1)	10.56%
iii	JE Holdings Sdn. Bhd.	6,000,210	10.56%	-	-
iv	Narspa Holdings Sdn. Bhd.	3,810,400	6.71%	-	-
v	Ahmad Mustapha Ghazali	1,518,545	2.67%	5,702,740 (2)	10.04%
vi	Lau Boon Hwa	243,500	0.43%	6,000,210 (1)	10.56%

(1) Deemed interested by virtue of his interest in JE Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

(2) Deemed interested by virtue of his interest in Narspa Holdings Sdn. Bhd. and Metro Capital Asset Management Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

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CDS Account No.

PROLEXUS BERHAD
(250857-T) Incorporated in Malaysia

Proxy Form

*I/We____(*IC No./Passport No./

Company No.______________________________) of ____

____ being a *member/members of the abovenamed

Company, hereby appoint ____ (*IC No./Passport

No. _____________________________) of ____

____ or failing whom, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Twenty-Fourth Annual General Meeting of the Company to be held at the Conference Room of Honsin Apparel Sdn. Bhd., 531 2½ Miles, Jalan Kluang, 83000 Batu Pahat, Johor on Friday, 16 December 2016 at 10.00 a.m., and at any adjournment thereof.

RESOLUTION	1	2	3	4	5	6	7	8	9
FOR									
AGAINST									

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

Signed this _________ day of_______________, 2016.

No. of shares held

____

Signature(s)/Common Seal of member(s)

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:-		
	No. of Shares	**%**
Proxy 1		
Proxy 2		
		100

Notes

1. *A proxy may but need not be a member of the Company.*

2. *Where a member appoints a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*

3. *Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*

4. *For a proxy to be valid, this form, duly completed, must be deposited at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.*

5. *In the case of a corporate member, this form must be executed under the corporation's Common Seal or under the hand of its attorney.*

6. *Only a depositor whose name appears on the Record of Depositors as at 30 November 2016 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*

** strike out whichever is not desired.*

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Stamp

The Company Secretary

PROLEXUS BERHAD
(Company No. 250857-T)

51-21-A Manara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

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