



PROLEXUS BERHAD

(250857-T) Incorporated in Malaysia



Annual Report

2015

CONTENTS

2	Notice of Annual General Meeting
5	Corporate Information
7	Financial Highlights
9	Chairman's Statement
11	Profile of Directors
13	Statement on Corporate Governance
21	Code of Conduct
22	Audit Committee Report
26	Statement on Risk Management & Internal Control
28	Statement on Directors' Responsibility
28	Corporate Social Responsibility
29	Additional Compliance Information
31	Reports and Financial Statements
101	Supplementary Information
102	Top 10 Properties Held by Group
104	Analysis of Shareholdings
	Proxy Form

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting 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 Thursday, 10 December 2015 at 10.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business:-

- | | | |
|----|---|--------------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 July 2015 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 2015. | Resolution 1 |
| 3. | To re-elect the following Directors who retire by rotation in accordance with Article 77 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:-

i) Mr. Lau Mong Fah
ii) Mr. Chin Chew Mun | Resolution 2
Resolution 3 |
| 4. | 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 Annual General Meeting of the Company." | Resolution 4 |
| 5. | To approve the payment of a Single Tier Final Dividend of 2.7 sen per ordinary share for the financial year ended 31 July 2015. | Resolution 5 |
| 6. | 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:-

- | | | |
|----|---|---------------------|
| 7. | PROPOSED CONTINUATION OF EN. KHADMUDIN BIN MOHAMED RAFIK IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"That, authority be and is hereby given to En. Khadmudin Bin 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." | Resolution 7 |
| 8. | 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." | Resolution 8 |

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

9. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES**

"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 shares in the Company at any time until the conclusion of the next Annual General Meeting 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

10. 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 only a depositor whose name appears on the Record of Depositors as at 01 December 2015 shall be entitled to attend the forthcoming Twenty-Third Annual General Meeting or appoint proxies to attend and vote on his/her behalf.

By Order of the Board,

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

Date: 18 November 2015

Penang

NOTES ON APPOINTMENT OF PROXY

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 specifies the proportions of his 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 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 and hence, the Agenda 1 is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

7. The 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 13 to 20 of the Company's 2015 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 Annual General Meeting.

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.

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.

2015 ANNUAL REPORT

The 2015 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 2.7 sen per ordinary share for the financial year ended 31 July 2015, if approved, will be paid on 15 January 2016 to shareholders registered in the Record of Depositors of the Company on 31 December 2015.

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 31 December 2015 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: 18 November 2015

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 2 ½, 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

BANKERS

CIMB Bank Berhad
Citibank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking 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 Code : 8966
Stock Name : PRLEXUS

CORPORATE INFORMATION

CONT'D

Details of Membership in Board Committees

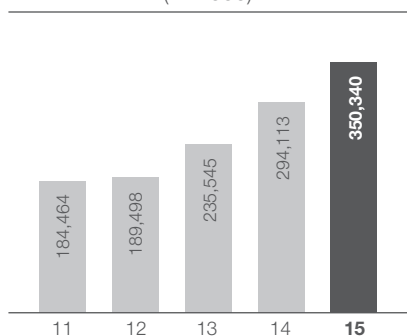
Directors	Board Committees				
	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee	Investment Committee
Ahmad Mustapha Ghazali				Chairman	Chairman
Lau Mong Ying			Chairman		Member
Lau Mong Fah	Member		Member	Member	
Khadmudin Bin Mohamed Rafik		Chairman			Member
Lin,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

FINANCIAL HIGHLIGHTS

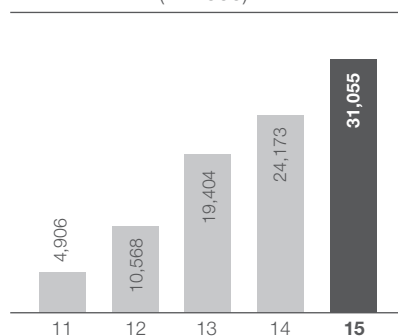
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Operating Results:-					
Revenue	184,464	189,498	235,545	294,113	350,340
Profit before tax	4,906	10,568	19,404	24,173	31,055
Profit for the year	5,236	10,836	17,162	20,801	24,023
Profit attributable to owners of the Company	5,774	9,961	15,449	18,487	20,772
Key Data on Financial Position:-					
Total assets	95,471	90,507	114,980	149,910	192,074
Paid-up capital	40,000	40,000	40,000	40,870	57,931
Shareholders' funds	48,348	59,048	74,114	92,694	114,455
Share Information:-					
Earnings per share (sen) **	6	10	15	18	19
Dividend per share (sen)	-	1.5	3.0	3.5	4.2
Dividend amount (RM'000)	-	830	1,863	2,688	4,617
Net tangible asset per share (sen) **	45	55	69	85	104

** Comparative number of shares was restated to take into account the share split and bonus issue effect, in compliance with MFRS 133.

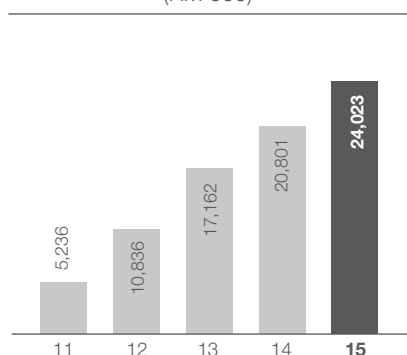
REVENUE
(RM'000)



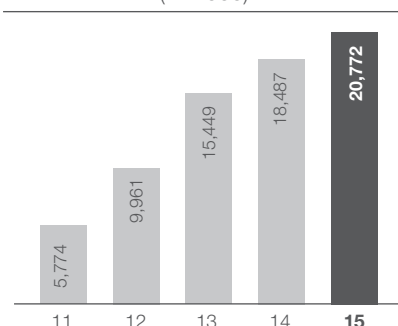
PROFIT BEFORE TAX
(RM'000)



PROFIT FOR THE YEAR
(RM'000)



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

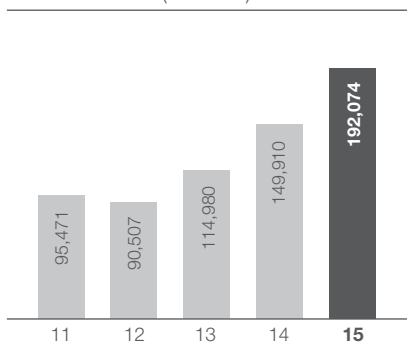


FINANCIAL HIGHLIGHTS

CONT'D

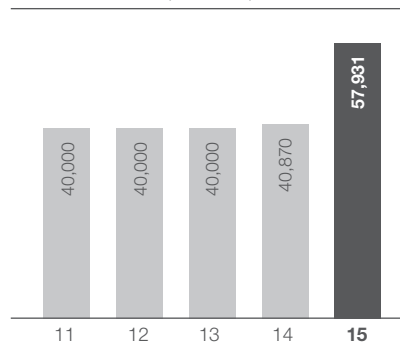
TOTAL ASSETS

(RM'000)



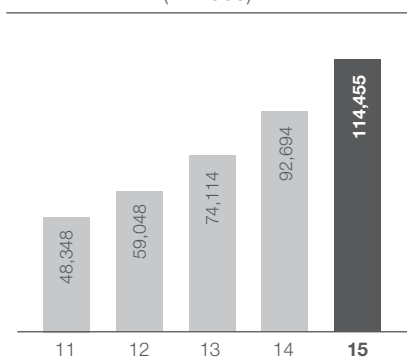
PAID-UP CAPITAL

(RM'000)



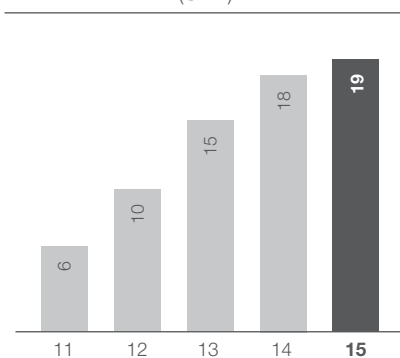
SHAREHOLDERS' FUNDS

(RM'000)



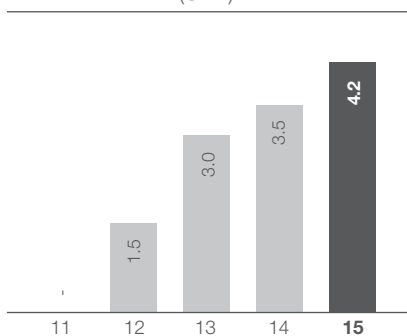
EARNINGS PER SHARE

(SEN)



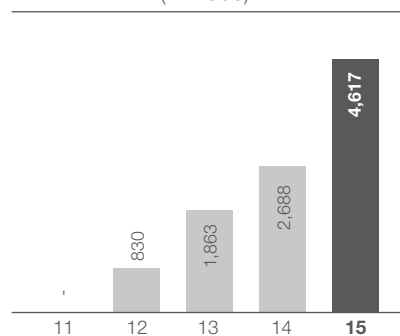
DIVIDEND PER SHARE

(SEN)



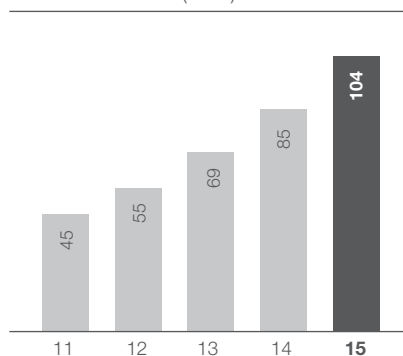
DIVIDEND AMOUNT

(RM'000)



NET TANGIBLE ASSET PER SHARE

(SEN)





Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present the **Annual Report and Audited Financial Statements** for the financial year ended 31 July 2015.

CHAIRMAN'S STATEMENT

CONT'D

The Group had an improved performance for the financial year ended 31 July 2015 in terms of revenue and profit after tax.

- The Group's revenue increased from RM294.1 million in the previous financial year to RM350.3 million in the current financial year. This represents a growth in revenue of RM56.2 million or 19% over the previous financial year. The increase in revenue is mainly from the increase in orders received by the apparel manufacturing plants in Malaysia and China. Capacity expansion and production efficiency improvement in our apparel manufacturing plants have allowed us to capitalise on the growth in sales orders.
- The Group's profit after tax improved in the current financial year to RM24.0 million compared to RM20.8 million in the previous financial year representing an increase of RM3.2 million or 15%. The improved profitability is mainly attributable to the increased turnover of the apparel division and the better margin achieved through production efficiency. The performance of our apparel division is constrained mainly by rising operational costs. However, we are confident that our growth prospects will remain positive.
- Our China manufacturing plant continues to record increased production output in line with the growing sales orders. Plans are underway to expand the production capacity to take advantage of economies of scale and the opportunities that are available in the China market.
- While the global economic outlook remains unpredictable, the Group will continue to look for opportunities to expand the business both locally and overseas. The focus will be mainly on expanding our core business, i.e. apparel manufacturing besides considering other businesses with prospect of yielding good returns on investments.
- Earnings Per Share has increased from 18 sen to 19 sen per Share.
- Net Tangible Asset Per Share has increased from RM0.85 to RM1.04 per Share.

CORPORATE GOVERNANCE

The Group is committed to the best practice of corporate governance to increase and enhance shareholders' value. On this, it has put in place stringent risk management and internal control procedures to ensure that transparency, accountability and integrity are attained in managing the Group businesses.

BONUS ISSUE

The Company undertook a bonus issue of 30,752,200 new ordinary shares of RM0.50 each on the basis of two (2) Bonus Shares for every five (5) ordinary shares held. This is to reward the existing shareholders for their continued support and loyalty by enabling them to have an opportunity to hold a larger number of Prolexus Shares whilst maintaining their respective equity interest in the Company. It also enhances the marketability and trading liquidity of Prolexus Shares by way of a larger share base and greater participation by investors.

DIVIDENDS

The Group has a policy of distributing a portion of the profit attributable to owners of the Company as dividend to the shareholders after taking into account the Group's business commitments and financial resources necessary for the continuing growth of the Group. For the financial year ended 31 July 2015, the Board of Directors is pleased to recommend the payment of a single tier final dividend of 2.7 sen per ordinary share of RM0.50 each subject to the approval of shareholders at the forthcoming Annual General Meeting.

PROSPECTS

Barring any significant economic changes and unforeseen circumstances, the Group continues to be well positioned to improve its performance in the forthcoming financial year. We are also encouraged by our buyers (customers) for continued growth and expansion in our core business.

APPRECIATION

On behalf of the Board of Directors, I wish to express my appreciation and gratitude to our business associates, government agencies, financial institutions, our valued shareholders and other stakeholders for their continued support and co-operation. Our appreciation is also extended to our employees for their dedication, invaluable contribution, skills, energy and professionalism towards the performance of the Group.

AHMAD MUSTAPHA GHAZALI

Executive Chairman

22 October 2015

PROFILE OF DIRECTORS

AHMAD MUSTAPHA GHAZALI

Executive Chairman

Ahmad Mustapha Ghazali, a Malaysian aged 67, was appointed to the Board on 6 September 1993 and was appointed to the post of Chairman of the Board on 1 October 2002 and was redesignated 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. 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 directorship in other public companies includes Tambun Indah Land Berhad, Malaysia Packaging Industry Berhad and Global Maritime Ventures 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 ten (10) years.

LAU MONG YING

Managing Director

Lau Mong Ying, a Malaysian aged 66, 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 ten (10) years.

LAU MONG FAH

Non-Independent Non-Executive Director

Lau Mong Fah, a Malaysian aged 61, 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 ten (10) years.

KHADMUDIN BIN MOHAMED RAFIK

Independent Non-Executive Director

Khadmudin Bin Mohamed Rafik, a Malaysian aged 62, 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 ten (10) years.

PROFILE OF DIRECTORS

CONT'D

LIN, CHENG-LANG

Independent Non-Executive Director

Lin, Cheng-Lang, a Taiwanese aged 76, 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 ten (10) years.

CHIN CHEW MUN

Independent Non-Executive Director

Chin Chew Mun, a Malaysian aged 44, 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 ten (10) years.

BOO CHIN LIONG

Independent Non-Executive Director

Boo Chin Liong, a Malaysian aged 54, 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 ten (10) years.

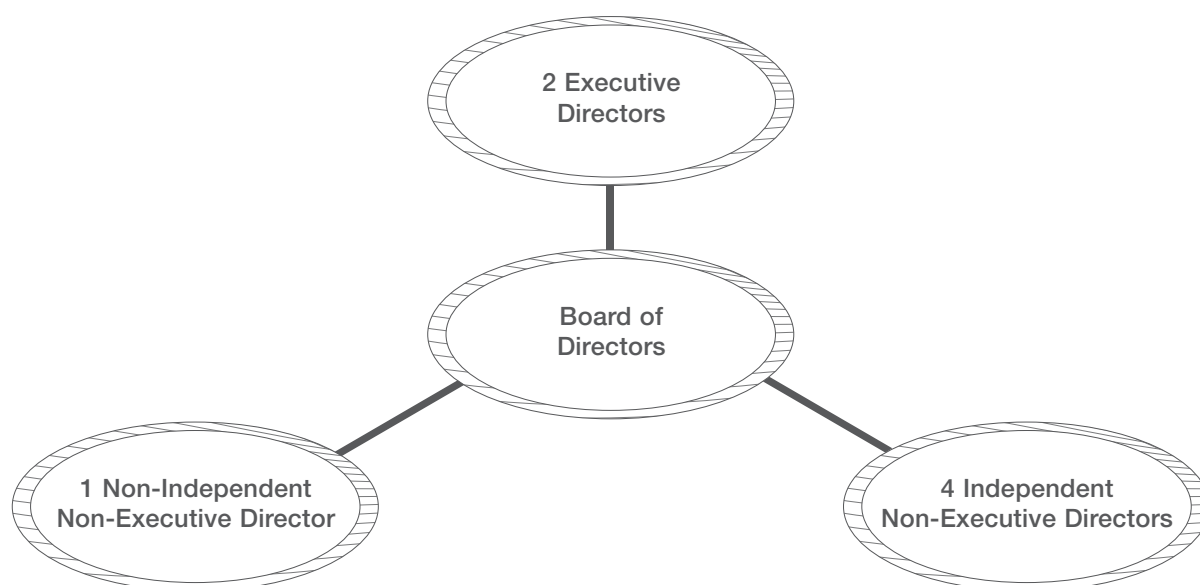
STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of Prolexus Berhad (“the Company”) is committed to ensuring the highest standards of corporate governance will be practiced throughout 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.

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.

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. There is a schedule of material matters reserved specifically for the Board’s decision, including the overall Group strategies and directions, acquisitions and investment or divestment proposals, major capital expenditures, annual budgets and significant financial matters, changes to the management and control structure within the Group and oversight of risk management procedures. The Board also monitors the overall financial and operational performance of the Group.



The Board currently comprises seven (7) directors. The directors come from diverse backgrounds, bringing depth and diversity in experience, expertise and perspectives to the Group. The composition of the Board is in compliance with Paragraph 15.02 of the Main Market Listing Requirements (“MLR”) of Bursa Malaysia Securities Berhad which stipulates at least two (2) or one-third (1/3) of the Board members shall be independent directors, whichever is higher. Minority shareholders are fairly represented as the Board has sufficient independent directors of calibre and experience.

The Board observes and adheres to the Company’s Code of Conduct which provide guidance on ethical and behavioural considerations in accomplishing their fiduciary duties and responsibilities.

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 on page 28.

The Board is authorised whenever necessary to take independent advice in furtherance of their duties and the cost of such advice is borne by the Group. All directors have unrestricted access to all information within the Group as a full board and in their individual capacity in furtherance of their duties. All directors have access to the advice and services of the Company Secretaries.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

STRENGTHEN COMPOSITION

In compliance with the MLR 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 set of Term of Reference duly approved by the Board.

There are five (5) main Board Committees namely:-

- Audit Committee ("AC")
- Remuneration Committee ("RC")
- Nominating Committee ("NC")
- Risk Management Committee ("RMC")
- Investment Committee ("IC")

a. Audit Committee

The composition, Terms of Reference and a summary of the activities of the AC are set out separately in the AC Report on pages 22 to 24.

b. Remuneration Committee

The RC consists of the following members:-

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

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

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

The RC 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 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 Secretary shall act as the secretary 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:-

- To recommend to the Board the remuneration package of executive directors in all its form, drawing from outside advice, if necessary;
- 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; and
- To recommend to the Board the remuneration package of senior management.

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 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.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

STRENGTHEN COMPOSITION (CONT'D)

b. Remuneration Committee (cont'd)

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

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 for the NC set out by the Board of Directors are as follows:-

The NC shall be appointed by the Board of Directors from amongst its members and comprised exclusively non-executive directors, a majority of whom are independent. The members of the committee 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 the duties and responsibilities as stated below:-

- i) To assess the effectiveness of the Board as a whole;
- ii) To assess the effectiveness of the Board Committees; and
- iii) To assess the contribution of each individual director.

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

The Company Secretary shall act as the secretary 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.

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

The NC's other duties and responsibilities are as follows:-

- i) To make appropriate recommendations to the Board on matters of renewal or extension of directors appointment and reappointment of retiring directors;
- ii) To annually review and assess performance of non-executive directors on annual basis; based on skills, experience and core competencies save and except where such review and assessment is in respect of any member or members of the committee;
- iii) To recommend to the Board, directors to fill the seats on Board committees; and
- iv) To annually assess the effectiveness of the Board as a whole, the committees of the Board and contribution of each individual director to the effective decision making of the Board, save and except where the assessment of performance is in respect of any member or members of the Committee.

The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Committee.

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.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

STRENGTHEN COMPOSITION (CONT'D)

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)

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

The RMC shall be appointed by the Board of Directors from amongst its members and management staff of the Group. The members of the committee 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 non-executive directors.

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

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)

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

The IC shall be appointed by the Board of Directors from amongst its members and management staff of the Group. The members of the committee 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 non-executive directors.

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

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

STRENGTHEN COMPOSITION (CONT'D)

e. Investment Committee (cont'd)

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.

REINFORCE INDEPENDENCE

All new appointments to the Board will be proposed by the NC, which also assesses directors on an on-going basis. The Board through the NC annually reviews the qualities (including skills and experience) of the non-executive directors and also assesses the Board as a whole, its committees, and the contribution of each director. Such a review and an assessment were carried out on 29 September 2015 by the NC.

The Board noted Recommendation 3.2 of the MCCG 2012 that the tenure of an independent director should not exceed a cumulative term of nine (9) years. The Board is 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.

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. The Chairman is primarily responsible for the orderly conduct and performance of the Board, whilst the Managing Director is responsible for the overall operation of the businesses, organisational effectiveness and implementation of the Group's strategies and policies.

In accordance with Recommendation 3.4 and 3.5 of the MCCG 2012, 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 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, the Board comprises a majority of independent directors and hence, the Board is of the view that the Chairman is capable of acting in the best interest of the shareholders and hence does not see the necessity of appointing a non-executive chairman at this juncture.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

FOSTER COMMITMENT

The directors are aware of the time commitment expected from each of them including attendance at Board, Board Committee and other types of meetings.

The Board meets at least four (4) times in each financial year with additional meetings convened as necessary. All Board members bring an independent judgment to deliberate on issues of strategy, performance, resources and standards of conduct. The Board held six (6) meetings between 1 August 2014 and 31 July 2015 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	6 / 6	100
Lau Mong Ying	Managing Director	6 / 6	100
Lau Mong Fah	Non-Independent Non-Executive Director	6 / 6	100
Khadmudin Bin Mohamed Rafik	Independent Non-Executive Director	6 / 6	100
Lin, Cheng-Lang	Independent Non-Executive Director	5 / 6	83
Chin Chew Mun	Independent Non-Executive Director	6 / 6	100
Boo Chin Liong	Independent Non-Executive Director	6 / 6	100

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

The agenda and board papers are distributed at least seven (7) days prior to Board Meetings to ensure that 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.

The Board has resolved as an expressed stated policy that each director shall commit at least three (3) days annually to attend training courses of his own personal requirement as part of a continuous education programmes. The directors have attended development and training programmes in areas of leadership, corporate governance, finance, regulatory developments and corporate social responsibility. 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.

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 announcements of 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 reviews and monitors the performance and independence of external auditors. 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 and the amount of fees paid for these services was not significant. The non-audit fees paid to the external auditors of the Group for the financial year ended 31 July 2015 amounted to RM27,500. 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.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

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 and performance. Benefits-in-kind such as company cars are made available as appropriate.

The details of the remuneration of the directors of the Company for the financial year ended 31 July 2015 including proposed directors' fees are as follows:-

	Salary RM'000	Fees and Allowances RM'000	Benefits- in-kind RM'000	EPF RM'000	Equity-settled- share-based payment RM'000	Total 2015 RM'000	Total 2014 RM'000
Executives (2)	1,545	3,000	40	274	165	5,024	3,905
Non-Executives (5)	-	293	-	-	66	359	292
Total	1,545	3,293	40	274	231	5,383	4,197

The remuneration band of the directors as follows:-

Amount	Executive	Non-Executive
RM50,001 – RM100,000	-	5
RM1,950,000 – RM2,000,000	1	-
RM3,000,000 – RM3,050,000	1	-

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 26. The Internal Audit Function of the Group is outsourced to an independent professional consulting firm. Further details of the activities of the internal audit function are set out on pages 26 to 27.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE AND STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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 Malaysia and company websites.

The annual general meeting provides an useful forum for shareholders to engage directly with the directors and senior management. Notice of Annual General Meeting and related papers are sent out to shareholders at least 21 days before the date of the meeting. At each annual general meeting, the Board presents the progress and performance of the Group and encourages shareholders to participate in the question and answer session. The Chairman would inform the shareholders on their rights to demand a poll for any resolutions in accordance with the Company's Articles of Association before the commencement of any general meetings.

STATEMENT ON CORPORATE GOVERNANCE

CONT'D

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE AND STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

Executive directors and the Chairman of the AC are available to respond to shareholders' questions 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 shareholder group.

ACCOUNTABILITY AND AUDIT

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

The directors acknowledge their responsibilities 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 utilization 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;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- 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 role of the AC is stated on pages 22 to 24 and the report of the AC is shown on page 25.

This Statement Of Corporate Governance is made by the Board of Directors in accordance with a resolution of the Board of Directors dated 22 October 2015.

AHMAD MUSTAPHA GHAZALI
Executive Chairman

LAU MONG YING
Managing Director

CODE OF CONDUCT

Prolexus Berhad and its subsidiaries, will conduct business in accordance with the highest ethical standards and in full compliance with all laws and regulations, and we encourage employees to address ethical questions with the management so that we can maintain our high standards.

The high standards of business ethics that has characterised our approach to business in the past, demand high professional standards and place a premium on integrity and fair dealing in relationship with our customers, suppliers, communities and employees.

The Code of Conduct is the most important document issued by the Management of Prolexus to its directors and employees as a testament of our commitment to subscribe to the following principles when conducting business.

- **We uphold the highest ethical and professional standards through fair and honest dealings with employees, suppliers, customers, stakeholders and others persons having dealings with the Group.**
- **We respect the law and act accordingly.**
- **We will endeavour to support fair practices at workplace and 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.**
- **We are to use, protect and keep confidential all assets and business information of the Group responsibly and in the best interest of Prolexus Berhad and its subsidiaries.**

AUDIT COMMITTEE REPORT

1. COMPOSITION

Details of the composition of the Audit Committee ("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 <i>Chairman</i> <i>(Re-designated as Chairman on 23 June 2015)</i>	Independent Non-Executive Director	5/5	100
Lau Mong Fah <i>Member</i>	Non-Independent Non-Executive Director	5/5	100
Lin, Cheng-Lang <i>Member</i>	Independent Non-Executive Director	5/5	100
Boo Chin Liong <i>Member</i> <i>(Appointed on 23 June 2015)</i>	Independent Non-Executive Director	N/A	N/A
Khadmudin Bin Mohamed Rafik <i>(Resigned as Chairman and Member on 23 June 2015)</i>	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:-

- Oversee and appraise the quality of the audit conducted both by the Company's Internal and External Auditors;
- 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;
- Keep under review the risk assessment and management framework of the Group; and
- 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 fewer 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.

2. TERMS OF REFERENCE (CONT'D)

b. Size and Composition (cont'd)

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 three (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.

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;

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)

- 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 any appraisal or assessment of the performance of the Internal Auditors and to approve any appointment or termination of the senior staff members of the internal auditors function and also to take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- viii) 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;
- ix) 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;
- x) 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;
- xi) 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;
- xii) Identify and direct any special projects or investigation deemed necessary;
- xiii) Report any breaches of listing requirements, which have not been satisfactory resolved to the Bursa Malaysia Securities Berhad; and
- xiv) 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 ability to consult independent experts where they consider it necessary to carry out their duties.

3. AUDIT COMMITTEE REPORT

a. Audit Committee Function

The AC of the Board of Directors 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 2015.

The AC has reviewed the annual financial statements and quarterly results announcements made to Bursa Malaysia Securities Berhad and considered the selection and the re-appointment and fees of the External Auditors. The Committee, together with the Board and the Internal Auditors has assessed the effectiveness of the system of internal controls and has discussed in general, significant changes in business and external environment that affects the operations of the Group. The AC has considered reports from External Auditors on matters identified in the course of their statutory audit. The Committee has also verified that the allocation of Employee Share Option Scheme is in compliance with the criteria on eligibility and allocation of Options.

b. Internal Audit Function

Internal audit function was established on 1 June 2001 to measure and evaluate the functioning of internal controls put in place by the management in the Company and its subsidiaries. Messrs. GovernanceAdvisory.com Sdn. Bhd., a consulting firm, was appointed as the Internal Auditors 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; and
- Ascertain extent to which company assets are accounted for and safeguarded from losses of all kinds.

The total costs incurred for the internal audit function of the Group for the current financial year was RM70,426.

This Audit Committee Report is approved by the Board of Directors in accordance with a resolution of the Board of Directors dated 22 October 2015.

Signed on behalf of the Audit Committee

CHIN CHEW MUN

Chairman, Audit Committee

22 October 2015

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 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 continually 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 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 an independent professional consulting firm, Messrs. GovernanceAdvisory.com Sdn. Bhd. 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 prioritization 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;
- Monthly 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 (2) 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 executive directors 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 22 October 2015.

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 2015 set out on pages 40 to 100, 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 for 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 22 October 2015.

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 was adopted on 25 June 2002 and it 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 recognise 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.

ADDITIONAL COMPLIANCE INFORMATION

MATERIAL CONTRACTS

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.

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 (5) years expiring on 8 September 2018. A total of 2,246,000 options had been granted to and accepted by the eligible directors and employees at an exercise price of RM 0.971 (1,786,000 options) and RM 1.007 (460,000 options). The actual allocation of ESOS to the directors and senior management of the Group is 26.49% during the financial year and 51.21% since the commencement of the ESOS.

PROFIT GUARANTEE

The Group did not make any profit guarantee during the financial year.

VARIATION IN FINANCIAL RESULTS

There was no significant variance of 10% or more between the audited financial results for the year and the unaudited financial results of the Group previously announced.





REPORTS AND FINANCIAL STATEMENTS

32	Directors' Report
37	Directors' Statement
37	Statutory Declaration
38	Independent Auditors' Report
40	Statements of Financial Position
42	Statements of Comprehensive Income
43	Consolidated Statement of Changes in Equity
45	Statement of Changes in Equity
46	Statements of Cash Flows
48	Notes to the Financial Statements

DIRECTORS' REPORT

For the Financial Year Ended 31 July 2015

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 2015.

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 year	24,023	1,230
Attributable to:-		
Owners of the Company	20,772	1,230
Non-controlling interests	3,251	-
	24,023	1,230

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 2015 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:-

- (i) a first and final single tier dividend of 3.50 sen per share amounting to RM2,688,504 in respect of the financial year ended 31 July 2014; and
- (ii) a single tier interim dividend of 1.50 sen per share amounting to RM1,631,554 in respect of the financial year ended 31 July 2015.

At the forthcoming Annual General Meeting, a single tier final dividend of 2.70 sen per share amounting to RM2,985,654 in respect of the financial year ended 31 July 2015 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 2016.

DIRECTORS' REPORT

For the Financial Year Ended 31 July 2015
CONT'D

SHARE CAPITAL AND DEBENTURE

During the 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.

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 115,862,830 issued and fully paid ordinary shares as at 31 July 2015, 6,265,400 are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid is therefore 109,597,430 ordinary shares of RM0.50 each.

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

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

Grant date	Exercise price	Number of options over ordinary shares of RM0.50 each					Balance at 31.7.15
		Balance at 1.8.14	Granted and accepted	Exercised	Effect of Bonus Issue *	Lapsed	
12.9.13	RM0.586	6,444,800	-	(2,418,660)	2,087,920	(108,920)	6,005,140
7.5.14	RM0.904	904,000	-	(354,370)	318,280	(56,200)	811,710
5.9.14	RM0.971	-	1,786,000	(567,800)	653,840	(50,120)	1,821,920
23.12.14	RM1.007	-	460,000	(30,000)	184,000	-	614,000

* Adjustment to the number of share options pursuant to the Company's Bonus 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 2015
CONT'D

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

During the financial year, the Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of the option holders, other than directors, who have been granted options to subscribe for less than 70,000 ordinary shares of RM0.50 each. The names of option holders granted options to subscribe for 70,000 or more ordinary shares of RM0.50 each during the financial year are as follows:-

Name	Number of ordinary shares of RM0.50 each				Balance at 31.7.15
	Granted and accepted	Effect of Bonus Issue	Exercised	Lapsed	
Lau Boon Hwa	200,000	80,000	-	-	280,000
Choong Chee Mun	100,000	40,000	-	-	140,000
Goh Ming Choo	60,000	24,000	-	-	84,000
Mohammad Raizman Bin Ahmad Mustapha	60,000	24,000	-	-	84,000
Lim Yeow Kwang	55,000	22,000	(15,800)	-	61,200
So Ah Sai	50,000	20,000	(28,000)	-	42,000
Koo Yeok Lee	50,000	20,000	(28,000)	-	42,000
Lee Kwee Hua	50,000	20,000	-	-	70,000

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

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 in the Company during the financial year are as follows:-

	Number of ordinary shares of RM0.50 each				Balance at 31.7.15
	Balance at 1.8.14	Effect of Bonus Issue	Bought	Sold	
The Company					
Direct Interest:-					
Ahmad Mustapha Ghazali	500,000	280,000	944,960	(100,000)	1,624,960
Lau Mong Ying	4,891,068	2,170,346	684,800	-	7,746,214
Lau Mong Fah	330,000	139,200	130,000	-	599,200
Khadmudin Bin Mohamed Rafik	452,000	208,800	70,000	-	730,800
Chin Chew Mun	30,000	12,000	-	-	42,000
Lin, Cheng-Lang	666,748	290,699	60,000	-	1,017,447
Boo Chin Liong	-	-	30,000	-	30,000

DIRECTORS' REPORT

For the Financial Year Ended 31 July 2015
CONT'D

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of ordinary shares of RM0.50 each				Balance at 31.7.15
	Balance at 1.8.14	Effect of Bonus Issue	Bought	Sold	
Deemed Interest:-					
Ahmad Mustapha Ghazali	7,726,900	3,132,760	105,000	-	10,964,660
Lau Mong Ying	8,169,250	3,280,140	31,100	-	11,480,490
Lau Mong Fah	8,169,250	3,280,140	31,100	-	11,480,490

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.

Name	Number of options over ordinary shares of RM0.50 each					Balance at 31.7.15
	Balance at 1.8.14	Granted and accepted	Effect of Bonus Issue	Exercised	Lapsed	
Ahmad Mustapha Ghazali	1,646,400	-	578,560	(944,960)	-	1,280,000
Lau Mong Ying	2,000,000	-	760,000	(100,000)	-	2,660,000
Lau Mong Fah	200,000	-	80,000	(112,000)	-	168,000
Khadmudin Bin Mohamed Rafik	120,000	-	24,000	(60,000)	-	84,000
Chin Chew Mun	170,000	-	68,000	-	-	238,000
Lin, Cheng-Lang	120,000	-	24,000	(60,000)	-	84,000
Boo Chin Liong	-	200,000	80,000	(30,000)	-	250,000

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.

OTHER STATUTORY INFORMATION

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

- 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
- 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.

DIRECTORS' REPORT

For the Financial Year Ended 31 July 2015

CONT'D

OTHER STATUTORY INFORMATION (CONT'D)

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.

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

Date: 22 October 2015

LAU MONG YING

Managing Director

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 40 to 100 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 2015** 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 101 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: 22 October 2015

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 40 to 100 and the supplementary information set out on page 101 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 **22nd**)
day of **October 2015**.)

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 2015 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 40 to 100.

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 2015 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 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
- (c) 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 101 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

Date: 22 October 2015

Penang

TAN CHEE BENG

No. 2664/02/17 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	67,560	57,974	199	230
Land use rights	5	671	581	-	-
Investment in subsidiaries	6	-	-	23,656	22,727
Other investment	7	490	-	490	-
Goodwill on consolidation	8	2,712	2,712	-	-
		71,433	61,267	24,345	22,957
Current assets					
Inventories	9	23,414	22,442	-	-
Trade receivables	10	55,041	26,051	-	-
Other receivables, deposits and prepayments	11	9,214	5,442	398	388
Amount due from subsidiaries	12	-	-	39,377	39,918
Current tax assets		-	39	-	39
Derivative financial instruments	13	-	76	-	-
Deposits with licensed banks	14	6,285	3,108	2,301	508
Cash and bank balances	15	26,687	31,485	233	1,971
		120,641	88,643	42,309	42,824
TOTAL ASSETS		192,074	149,910	66,654	65,781
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	57,931	40,870	57,931	40,870
Treasury shares	17	(1,490)	(1,490)	(1,490)	(1,490)
Reserves	18	6,224	2,076	3,098	1,222
Retained profits	19	51,790	51,238	4,531	22,997
		114,455	92,694	64,070	63,599
Non-controlling interests		11,674	8,259	-	-
Total equity		126,129	100,953	64,070	63,599
Non-current liabilities					
Borrowings	20	3,452	4,137	99	127
Deferred tax liabilities	21	2,098	2,213	-	-
		5,550	6,350	99	127

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2015
CONT'D

		GROUP		COMPANY	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
NOTE					
Current liabilities					
Trade payables	22	19,960	16,377	-	-
Other payables and accruals	23	29,984	18,212	2,409	2,027
Derivative financial instruments	13	77	-	-	-
Borrowings	20	7,090	7,008	28	28
Current tax liabilities		3,284	1,010	48	-
		60,395	42,607	2,485	2,055
Total liabilities		65,945	48,957	2,584	2,182
TOTAL EQUITY AND LIABILITIES		192,074	149,910	66,654	65,781

The notes set out on pages 48 to 100 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 July 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	NOTE	RM'000	RM'000	RM'000	RM'000
Revenue	24	350,340	294,113	6,858	25,617
Cost of sales		(290,214)	(242,739)	-	-
Gross profit		60,126	51,374	6,858	25,617
Other income		6,539	2,390	51	8
Administrative expenses		(25,258)	(20,429)	(5,565)	(4,424)
Selling and distribution expenses		(8,701)	(8,258)	-	-
Other expenses		(1,136)	(626)	-	-
Operating profit		31,570	24,451	1,344	21,201
Finance costs		(515)	(278)	(5)	(5)
Profit before tax	25	31,055	24,173	1,339	21,196
Tax expense	26	(7,032)	(3,372)	(109)	-
Profit for the year		24,023	20,801	1,230	21,196
Total other comprehensive income/(loss)					
Item that will be reclassified subsequently to profit or loss:-					
Foreign currency translation differences for foreign operations		3,173	(266)	-	-
Total comprehensive income for the year		27,196	20,535	1,230	21,196
Profit attributable to:-					
Owners of the Company		20,772	18,487	1,230	21,196
Non-controlling interests		3,251	2,314	-	-
		24,023	20,801	1,230	21,196
Total comprehensive income attributable to:-					
Owners of the Company		22,802	18,317	1,230	21,196
Non-controlling interests		4,394	2,218	-	-
		27,196	20,535	1,230	21,196
Earnings per share attributable to owners of the Company (sen)					
- Basic	27.1	19	18		
- Diluted	27.2	18	17		

The notes set out on pages 48 to 100 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 July 2015

	Attributable to Owners of the Company									
	Non-distributable					Distributable				
	Share Capital	Treasury Shares	Share Premium	Exchange Translation Reserve	ESOS Reserve	Statutory Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
NOTE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 year	-	-	-	-	-	-	20,772	20,772	3,251	24,023
Total comprehensive income for the 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 transactions	-	-	-	-	826	-	52	878	-	878
Share options exercised	1,685	-	1,633	-	(635)	-	-	2,683	-	2,683
Dividends	-	-	-	-	-	-	(4,320)	(4,320)	-	(4,320)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(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

28

The notes set out on pages 48 to 100 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 July 2015

CONT'D

	Attributable to Owners of the Company									
	Non-distributable					Distributable				
	Share Capital	Treasury Shares	Share Premium	Exchange Translation Reserve	ESOS Reserve	Statutory Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
NOTE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014										
Balance at beginning	40,000	(1,490)	-	856	-	88	34,660	74,114	7,135	81,249
Transfer to statutory reserve	-	-	-	-	-	119	(119)	-	-	-
Foreign currency translation differences for foreign operations	-	-	-	(170)	-	-	-	(170)	(96)	(266)
Profit for the year	-	-	-	-	-	-	18,487	18,487	2,314	20,801
Total comprehensive income for the year	-	-	-	(170)	-	-	18,487	18,317	2,218	20,535
Transactions with owners:-										
Share-based-payment transactions	-	-	-	-	590	-	73	663	-	663
Share options exercised	870	-	869	-	(276)	-	-	1,463	-	1,463
Dividends	-	-	-	-	-	-	(1,863)	(1,863)	-	(1,863)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(1,094)	(1,094)
Total transactions with owners	870	-	869	-	314	-	(1,790)	263	(1,094)	(831)
Balance at end	40,870	(1,490)	869	686	314	207	51,238	92,694	8,259	100,953

28

The notes set out on pages 48 to 100 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 July 2015

NOTE	← Non-distributable →				Distributable	Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	ESOS Reserve RM'000	Retained Profits RM'000	
2015						
Balance at beginning	40,870	(1,490)	869	353	22,997	63,599
Net profit, representing total comprehensive income for the year	-	-	-	-	1,230	1,230
Transactions with owners:-						
Issuance of shares pursuant to Bonus Issue	15,376	-	-	-	(15,376)	-
Share-based-payment transactions	-	-	-	878	-	878
Share options exercised	1,685	-	1,633	(635)	-	2,683
Dividends	-	-	-	-	(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
2014						
Balance at beginning	40,000	(1,490)	-	-	3,630	42,140
Net profit, representing total comprehensive income for the year	-	-	-	-	21,196	21,196
Transactions with owners:-						
Share-based-payment transactions	-	-	-	629	34	663
Share options exercised	870	-	869	(276)	-	1,463
Dividends	-	-	-	-	(1,863)	(1,863)
Total transactions with owners	870	-	869	353	(1,829)	263
Balance at end	40,870	(1,490)	869	353	22,997	63,599

The notes set out on pages 48 to 100 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 July 2015

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	31,055	24,173	1,339	21,196
Adjustments for:-				
Allowance for impairment on trade receivable	(27)	27	-	-
Amortisation of land use rights	15	15	-	-
Bad debts	63	11	63	10
Debt waived	(1)	-	-	-
Deemed gain on deconsolidation of a subsidiary	-	(9)	-	-
Depreciation	7,174	3,850	81	67
Dividend income	(12)	-	(12)	-
Equity-settled share-based payment	878	663	324	329
Fair value changes on derivative financial instruments	153	(652)	-	-
Goodwill on consolidation written off	477	-	-	-
Gross dividend from subsidiaries	-	-	(1,210)	(20,553)
Impairment loss on other investment	8	-	8	-
Interest expense	515	278	5	5
Interest income	(207)	(127)	(39)	(8)
Gain on disposal of non-current asset held for sale	-	(50)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(3)	180	-	-
Property, plant and equipment written off	141	176	-	-
Unrealised gain on foreign exchange	(1,767)	(908)	-	-
Operating profit before working capital changes	38,462	27,627	559	1,046
Decrease/(Increase) in inventories	216	(4,661)	-	-
Increase in receivables	(28,756)	(7,613)	(73)	(345)
Increase in payables	12,953	10,312	382	366
Cash generated from operations	22,875	25,665	868	1,067
Income tax paid	(4,894)	(3,149)	(61)	-
Income tax refunded	39	-	39	-
Interest paid	(515)	(278)	(5)	(5)
Net cash from operating activities	17,505	22,238	841	1,062
CASH FLOWS FROM INVESTING ACTIVITIES				
* Cash flows on acquisition of a subsidiary	(300)	-	-	-
Interest received	207	127	39	8
Dividend income	12	-	12	-
Gross dividend from subsidiaries	-	-	1,210	20,553
Proceeds from disposal of non-current asset held for sale	-	275	-	-
Proceeds from disposal of property, plant and equipment	32	120	-	-
Purchase of investment in a subsidiary	-	-	(375)	-
Purchase of other investment	(498)	-	(498)	-
Purchase of property, plant and equipment	(15,143)	(21,625)	(50)	(3)
Placement of fixed deposits	(2,809)	-	-	-
Withdrawal/(Placement) of fixed deposits pledged with banks	986	(555)	-	-
Net cash (used in)/from investing activities	(17,513)	(21,658)	338	20,558
Balance carried forward	(8)	580	1,179	21,620

The notes set out on pages 48 to 100 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 July 2015

CONT'D

	NOTE	GROUP		COMPANY	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balance brought forward		(8)	580	1,179	21,620
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(4,320)	(1,863)	(4,320)	(1,863)
Dividend paid to non-controlling interests		(1,261)	(1,094)	-	-
Drawdown of foreign currency trade loan		295	-	-	-
Drawdown of term loan		-	4,995	-	-
Drawdown of trust receipts		23	1,133	-	-
Net change in subsidiaries' balances		-	-	541	(19,040)
Payment of finance lease liabilities		(45)	(67)	(28)	(28)
(Repayment)/Drawdown of export credit refinancing		(1,190)	426	-	-
Repayment of term loan		(626)	(359)	-	-
Proceeds from issuance of shares pursuant to ESOS		2,683	1,463	2,683	1,463
Net cash (used in)/from financing activities		(4,441)	4,634	(1,124)	(19,468)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,449)	5,214	55	2,152
Effects of foreign exchange rate changes on cash and cash equivalents		1,005	102	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		33,038	27,722	2,479	327
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		29,594	33,038	2,534	2,479
Cash and cash equivalents comprise:-					
Deposits with licensed banks	14	6,285	3,108	2,301	508
Cash and bank balances	15	26,687	31,485	233	1,971
		32,972	34,593	2,534	2,479
Less: Deposits with maturity more than 3 months		(2,809)	-	-	-
Less: Deposits pledged with banks		(569)	(1,555)	-	-
Cash and cash equivalents		29,594	33,038	2,534	2,479
* 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 48 to 100 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

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 22 October 2015.

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 as set out in Note 3.

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 and by the Company.

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.

2.3 Functional and Presentation Currency

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

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of Amendments/Improvements to MFRS and IC Interpretation ("IC Int")

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following standards that are mandatory for the current financial year:-

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10, 12 and 127 *Investment Entities*

Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*

Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*

IC Int 21 *Leases*

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*

Amendments to MFRS *Annual improvements to MFRS 2010-2012 Cycle*

Amendments to MFRS *Annual improvements to MFRS 2011-2013 Cycle*

Initial application of the above standards did not have any impact to the financial statements of the Group and of the Company.

2.5 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 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 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 7 *Mandatory Date of MFRS 9 and Transition Disclosures*

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces 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*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

2. BASIS OF PREPARATION (CONT'D)

2.6 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 affected future periods.

2.6.1 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.

2.6.2 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 inventories 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty (cont'd)

(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.

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 structured 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

(ii) Business combination (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment (cont'd)

During the financial year, the Group reviewed the depreciation method applied to the property, plant and equipment and as a result, a subsidiary that previously applied the diminishing balance method has changed its depreciation method to the straight line method. The Group and the Company also reviewed the estimated useful lives of the following property, plant and equipment and revised the depreciation rates so as to reflect the expected pattern of consumption of the future economic benefits embodied to these property, plant and equipment. The depreciation rates are as follows:-

GROUP

	New rate	Old rate
Buildings	Amortised over the lease period and 5%	2%
Equipment and fixtures	10% - 20%	5% - 30%
Motor vehicles	20%	10% - 25%

COMPANY

	New rate	Old rate
Equipment and fixtures	10%	20%

The effect of change in depreciation method and depreciation rates of the Group and of the Company is shown below and the profit for the year is decreased by the same amount. The changes in current depreciation charge by the respective item of property, plant and equipment are shown below:-

	Increase in current depreciation charge	
	GROUP	COMPANY
	RM'000	RM'000
Buildings	210	-
Plant and machinery	1,608	-
Equipment and fixtures	773	9
Motor vehicles	337	-
	2,928	9

All other property, plant and equipment are depreciated at the following annual rates:-

Leasehold land	Amortised over the lease period
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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment (cont'd)

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.

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 its remaining life of 45 years. 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

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

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 or the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

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 and is measured using fair value model.

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 lease payments.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.1 Initial recognition and measurement (cont'd)

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.

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.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those 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 a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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

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 Group, 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 reporting date 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 instrument, 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.

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 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 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.

3.13 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.

3.14 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 (iii).

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee Benefits (cont'd)

(iii) Retirement benefits scheme

Pursuant to the relevant regulations of 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.

3.15 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.

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.

3.16 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Income Tax (cont'd)

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.

3.17 Value-added Tax/Goods and Services 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 Group's and the Company's supply of goods and services in Malaysia is subject to goods and services tax ("GST") at the applicable standard rate of 6% or at zero rate of which certain goods and services are exempted from GST.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority at the respective entities in the Group is included as part of "other receivables" or "other payables" in the statements of financial position.

Revenues, expenses and assets are recognised net of the amount of GST/VAT except when the GST/VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the GST/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

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, foreign currency monetary items are translated into functional currency at the exchange rates ruling at that date. All exchange gains or losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Foreign Currency Translation (cont'd)

The financial statements of the foreign subsidiaries are translated into Ringgit Malaysia at the approximate rate of exchange ruling at the end of the reporting period for assets and liabilities and at the approximate average rate of exchange ruling on transaction dates for income and expenses. Exchange differences due to such currency translations are taken directly to foreign translation reserve.

3.19 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.

3.20 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.

3.21 Statutory Reserve

In accordance with the relevant laws and regulations of The People's Republic of China ("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.

3.22 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.

3.23 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

31 July 2015

CONT'D

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Multimedia boards RM'000	Plant and machinery RM'000	Equipment and fixtures RM'000	Motor vehicles RM'000	Capital expenditure in progress RM'000	Total RM'000
2015									
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

31 July 2015

CONT'D

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

GROUP	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Multimedia boards RM'000	Plant and machinery RM'000	Equipment and fixtures RM'000	Motor vehicles RM'000	Capital expenditure in progress RM'000	Total RM'000
2014									
Cost									
Balance at beginning	8,449	1,600	16,767	25,950	20,467	11,116	2,917	-	87,266
Additions	13,126	-	3,996	786	2,279	440	599	399	21,625
Disposals	-	-	-	-	(1,061)	(27)	(239)	-	(1,327)
Written off	-	-	-	(12,154)	-	(561)	-	-	(12,715)
Foreign currency translation	-	-	(66)	-	(112)	(32)	(3)	-	(213)
Balance at end	21,575	1,600	20,697	14,582	21,573	10,936	3,274	399	94,636
Accumulated depreciation									
Balance at beginning	-	107	1,910	23,974	10,240	8,166	2,036	-	46,433
Current charge	-	30	755	533	1,685	606	241	-	3,850
Disposals	-	-	-	-	(772)	(27)	(228)	-	(1,027)
Written off	-	-	-	(12,121)	-	(418)	-	-	(12,539)
Foreign currency translation	-	-	(11)	-	(31)	(12)	(1)	-	(55)
Balance at end	-	137	2,654	12,386	11,122	8,315	2,048	-	36,662
Carrying amount	21,575	1,463	18,043	2,196	10,451	2,621	1,226	399	57,974

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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

COMPANY	Equipment and fixtures RM'000	Motor vehicles RM'000	Total RM'000
2015			
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
2014			
Cost			
Balance at beginning	82	561	643
Addition	3	-	3
Balance at end	85	561	646
Accumulated depreciation			
Balance at beginning	65	284	349
Current charge	5	62	67
Balance at end	70	346	416
Carrying amount	15	215	230

- (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	
	2015 RM'000	2014 RM'000
Freehold land	12,287	2,270
Leasehold land	-	1,463
Buildings	7,577	9,907
	19,864	13,640

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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

- (ii) Motor vehicles of the Group and of the Company with carrying amount of **RM151,670** (2014: RM283,934) and **RM151,670** (2014: RM214,430) respectively are acquired under finance lease. The leased assets are pledged as security for the related finance lease liabilities (Note 20).

5. LAND USE RIGHTS

	GROUP	
	2015 RM'000	2014 RM'000
Cost		
Balance at beginning	624	636
Foreign currency translation	114	(12)
Balance at end	738	624
Accumulated amortisation		
Balance at beginning	43	29
Amortisation during the year	15	15
Foreign currency translation	9	(1)
Balance at end	67	43
Carrying amount	671	581

Land use rights represent leasehold interest on land located in Jiangsu province, The PRC. It is pledged to a licensed bank as security for banking facilities granted to a subsidiary.

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	24,834	24,459
ESOS granted to employees of subsidiaries	888	334
Less: Accumulated impairment loss	(2,066)	(2,066)
	23,656	22,727

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

6. INVESTMENT IN SUBSIDIARIES

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

Name of Entity	Effective Equity Interest		Principal Activities
	2015 %	2014 %	
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.
BE Elementz Sdn. Bhd.	100	100	Marketing of apparels and provision of marketing services.
Trans Pacific Textile (M) Sdn. Bhd. (formerly known as Pacific Mission Sdn. Bhd.)	100	100	Dormant.
# Prolexus International Limited (Incorporated in Hong Kong)	100	-	Dormant.
Subsidiary of Plas Industries Sdn. Bhd.			
South East Garment Manufacturing Sendirian Berhad	95	95	Investment holding.
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 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	-	Provision of apparel manufacturing services.
Subsidiary of Honways International Limited			
# Honways Apparel Shuyang Limited (Incorporated in The PRC)	64	64	Manufacturing of apparels.
Subsidiary of Honways Apparel Shuyang Limited			
# Yu Xiang Industries Ltd. (Incorporated in The PRC)	64	64	Provision of apparel manufacturing services.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

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:-

	2015 %	2014 %
Prolexus Berhad	21.75	21.75
Laser Capital Holdings Sdn. Bhd.	30.16	30.16
	51.91	51.91

2015

- (i) 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). Prolexus International Limited will be principally involved in marketing and trading of apparel products. However, Prolexus International Limited has not commenced operations during the financial year.
- (ii) On 1 January 2015, the Company's wholly-owned subsidiary, 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 financial year are disclosed in the consolidated statement of cash flows.

Non-controlling interests in subsidiaries

The Group's subsidiaries, namely Honways International Limited, Honways Apparel Shuyang Limited and Yu Xiang Industries Ltd. ("collectively known as Honways Group") and HiQ Media (Malaysia) Sdn. Bhd. ("HiQ Media") have material non-controlling interests ("NCI"), details of which are disclosed as follows:-

	2015		
	Honways Group RM'000	HiQ Media RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	36.00%	48.09%	
Carrying amount of NCI	8,471	3,270	11,741
Profit allocated to NCI	1,904	1,261	3,165
Summarised financial information before intra-group elimination			
At 31 July			
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

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Non-controlling interests in subsidiaries (cont'd)

	2015		
	Honways Group RM'000	HiQ Media RM'000	Total RM'000
Year ended 31 July			
Revenue	110,010	10,379	120,389
Profit for the year	5,748	2,622	8,370
Total comprehensive income for the year	5,288	2,622	7,910
Cash flows from operating activities	4,349	4,617	8,966
Cash flows used in investing activities	(4,247)	(204)	(4,451)
Cash flows used in financing activities	(359)	(2,360)	(2,719)
Net (decrease)/increase in cash and cash equivalents	(257)	2,053	1,796
Dividends paid to NCI	134	622	756
	2014		
	Honways Group RM'000	HiQ Media RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	36.00%	48.09%	
Carrying amount of NCI	5,392	3,152	8,544
Profit allocated to NCI	1,336	981	2,317
Summarised financial information before intra-group elimination			
At 31 July			
Non-current assets	8,995	2,841	11,836
Current assets	26,945	6,052	32,997
Current liabilities	(20,962)	(2,339)	(23,301)
Net assets	14,978	6,554	21,532
Year ended 31 July			
Revenue	91,977	7,475	99,452
Profit for the year	3,897	2,039	5,936
Total comprehensive income for the year	3,711	2,039	5,750
Cash flows from operating activities	5,036	2,885	7,921
Cash flows used in investing activities	(1,525)	(1,346)	(2,871)
Cash flows from/(used in) financing activities	1,559	(1,810)	(251)
Net increase/(decrease) in cash and cash equivalents	5,070	(271)	4,799
Dividends paid to NCI	105	466	571

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

7. OTHER INVESTMENT

	GROUP AND COMPANY	
	2015 RM'000	2014 RM'000
Available-for-sale financial assets		
Unit trusts quoted in Malaysia	498	-
Less: Impairment loss	(8)	-
	490	-
Market value of quoted unit trusts in Malaysia	490	-

8. GOODWILL ON CONSOLIDATION

	GROUP	
	2015 RM'000	2014 RM'000
Arising from the acquisition of a subsidiary	2,712	2,712

Impairment test 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 is in excess of its carrying amount.

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%** (2014: 5%) per annum for the subsequent years.

(ii) Discount rate

The discount rate of **6.49%** (2014: 6.85%) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

9. INVENTORIES

	GROUP	
	2015	2014
	RM'000	RM'000
Raw materials	8,416	4,568
Work-in-progress	12,095	14,960
Finished goods	2,885	2,877
Trading goods	18	37
	23,414	22,442

The cost of inventories recognised in profit or loss for the financial year amounted to **RM276,878,465** (2014: RM231,276,311).

10. TRADE RECEIVABLES

	GROUP	
	2015	2014
	RM'000	RM'000
Total amount	55,041	26,078
Less: Allowance for impairment		
Balance at beginning	(27)	-
Current year	-	(27)
No longer required	27	-
Balance at end	-	(27)
	55,041	26,051

The currency profile of trade receivables is as follows:-

	GROUP	
	2015	2014
	RM'000	RM'000
Ringgit Malaysia	3,140	3,224
US Dollar	50,938	21,527
Chinese Renminbi	963	1,300
	55,041	26,051

The trade receivables are non-interest bearing and are generally on **20 to 60 days** (2014: 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 **RM1,565,784** (2014: RM1,484,465) due from a company in which a director of a subsidiary has interest.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
* Other receivables	1,346	1,065	239	263
VAT/GST recoverable	2,118	-	-	-
^ Deposits				
Refundable deposits	1,016	756	26	24
Non-refundable deposits	990	109	-	6
	2,006	865	26	30
Prepayments	3,744	3,512	133	95
	9,214	5,442	398	388

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

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	5,126	2,435	398	388
US Dollar	229	601	-	-
Chinese Renminbi	3,722	2,240	-	-
Euro	137	166	-	-
	9,214	5,442	398	388

* Included in the Group's and the Company's other receivables is an amount of **RM104,310** (2014: RM Nil) due from a firm in which a director of the Company is a partner.

^ Included in the Group's deposits is an amount of **RM990,000** (2014: RM103,164) 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

The 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	
	2015 RM'000	2014 RM'000
Forward exchange contracts:-		
- Nominal value	8,710	9,977
- (Liabilities)/Assets	(77)	76

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

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 LICENSED BANKS

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed deposits	3,984	3,108	-	508
Short term deposits	2,301	-	2,301	-
	6,285	3,108	2,301	508
Pledged as security for banking facilities granted to a subsidiary	569	1,555	-	-
Unencumbered	5,716	1,553	2,301	508
	6,285	3,108	2,301	508

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

	GROUP		COMPANY	
	2015	2014	2015	2014
Interest rate (%)				
Fixed deposits	2.95 to 3.80	3.00 to 3.40	-	3.00
Short term deposits	2.68 to 3.09	-	2.68 to 3.09	-
Maturities (Days)				
Fixed deposits	60 to 365	90 to 365	-	90
Short term deposits	1	-	1	-

15. CASH AND BANK BALANCES

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

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	6,538	4,268	233	1,971
US Dollar	19,797	25,813	-	-
Chinese Renminbi	349	1,399	-	-
Others	3	5	-	-
	26,687	31,485	233	1,971

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

15. CASH AND BANK BALANCES (CONT'D)

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.

16. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
Authorised:-				
Balance at beginning				
Ordinary shares of RM0.50 (2014: RM1.00) each	200,000	100,000	100,000	100,000
Sub division of par value to RM0.50 each	-	100,000	-	-
Balance at end				
Ordinary shares of RM0.50 each	200,000	200,000	100,000	100,000
Issued and fully paid:-				
Balance at beginning				
Ordinary shares of RM0.50 (2014: RM1.00) each	81,740	40,000	40,870	40,000
Sub division of par value to RM0.50 each	-	40,000	-	-
Bonus Issue	30,752	-	15,376	-
Exercise of ESOS	3,371	1,740	1,685	870
Balance at end				
Ordinary shares of RM0.50 each	115,863	81,740	57,931	40,870

2015

The Company undertook the following:-

- 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
- 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

16. SHARE CAPITAL (CONT'D)

2014

The Company undertook the following:-

- (i) A share split exercise which entails the subdivision of its share capital of every one (1) ordinary share of RM1 each into two (2) ordinary shares of RM0.50 each.

The Memorandum and Articles of Association of the Company was amended to reflect the subdivision of par value of the authorised share capital of the Company from RM1 per ordinary share to RM0.50 per ordinary share; thereby resulting in the alteration of authorised share capital of the Company from RM100,000,000 comprising 100,000,000 ordinary shares of RM1 per share into RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 per share.

- (ii) Issued 1,739,800 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.84 per ordinary share. The proceeds were used for working capital purposes.

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 **115,862,830** (2014: 81,739,800) issued and fully paid ordinary shares as at 31 July 2015, **6,265,400** (2014: 6,265,400) are held as treasury shares by the Company. As at 31 July 2015, the number of outstanding ordinary shares in issue and fully paid after the set off is therefore **109,597,430** (2014: 75,474,400) ordinary shares of **RM0.50** (2014: 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 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.

18.3 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

18. RESERVES (CONT'D)

18.4 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Secured:-				
<u>Finance lease liabilities</u>				
Minimum payments:-				
Within 1 year	33	53	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	81	100	81	100
Later than 5 years	-	14	-	14
	147	200	147	180
Future finance charges	(20)	(28)	(20)	(25)
	127	172	127	155
Amount due within 1 year included under current liabilities	(28)	(45)	(28)	(28)
	99	127	99	127
<u>Term loan</u>				
Total amount repayable	4,010	4,636	-	-
Amount due within 1 year included under current liabilities	(657)	(626)	-	-
	3,353	4,010	-	-
	3,452	4,137	99	127

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

20. BORROWINGS (CONT'D)

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Secured:-				
Finance lease liabilities	28	45	28	28
* Foreign currency trade loan	295	-	-	-
Term loan	657	626	-	-
* Trust receipts	6,110	5,147	-	-
	7,090	5,818	28	28
Unsecured:-				
Export credit refinancing	-	1,190	-	-
	7,090	7,008	28	28
Total borrowings	10,542	11,145	127	155

* 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
- (iv) Pledge of fixed deposits of a subsidiary.

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

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	Later than 1 year but not later than 2 years RM'000	Later than 2 years but not later than 5 years RM'000	Later than 5 years RM'000
GROUP						
2015						
Finance lease liabilities	2.33	127	28	28	71	-
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	-	-	-
2014						
Export credit refinancing	4.15	1,190	1,190	-	-	-
Finance lease liabilities	2.25 to 2.33	172	45	28	86	13
Term loan	4.75	4,636	626	657	2,168	1,185
Trust receipts	3.55 to 3.68	5,147	5,147	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

20. BORROWINGS (CONT'D)

	Average effective interest rate per annum (%)	Total RM'000	Within 1 year RM'000	Later than 1 year but not later than 2 years RM'000	Later than 2 years but not later than 5 years RM'000	Later than 5 years RM'000
COMPANY						
2015						
Finance lease liability	2.33	127	28	28	71	-
2014						
Finance lease liability	2.33	155	28	28	86	13

21. DEFERRED TAX LIABILITIES

	GROUP	
	2015 RM'000	2014 RM'000
Revaluation surplus		
Balance at beginning	1,394	1,490
Realisation of revaluation surplus upon disposal of properties	-	(45)
Transfer from/(to) profit or loss	141	(51)
Balance at end	1,535	1,394
Temporary differences on property, plant and equipment		
Balance at beginning	819	910
Transfer (to)/from profit or loss	(276)	81
Under/(Over) provision in prior year	20	(172)
Balance at end	563	819
	2,098	2,213

22. TRADE PAYABLES

The currency profile of trade payables is as follows:-

	GROUP	
	2015 RM'000	2014 RM'000
Ringgit Malaysia	4,750	3,230
US Dollar	13,643	12,051
Chinese Renminbi	1,546	1,082
Others	21	14
	19,960	16,377

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

22. TRADE PAYABLES (CONT'D)

The trade payables are non-interest bearing and are normally settled within **30 to 90 days** (2014: 30 to 90 days) terms.

Included herein is an amount of **RM751,655** (2014: RM465,757) due to a company in which a director of a subsidiary has interest.

23. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
* Other payables	5,850	3,863	366	187
VAT/GST payable	242	76	43	-
Advance billings to customers	1,479	1,502	-	-
Accruals	22,413	12,771	2,000	1,840
	29,984	18,212	2,409	2,027

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	18,696	12,227	2,140	2,027
Chinese Renminbi	7,021	4,271	269	-
US Dollar	4,267	1,714	-	-
	29,984	18,212	2,409	2,027

* Included herein are the following:-

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amount due to companies in which a director of a subsidiary has interest	3,384	1,325	-	-
Amount due to a firm in which a director of the Company is a partner	-	100	-	100

The amounts are unsecured, non-interest bearing and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

24. REVENUE

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Gross dividend from subsidiaries	-	-	1,210	20,553
Management fee income	-	-	5,648	5,064
Invoiced value of goods sold less returns and discounts	338,734	284,964	-	-
Invoiced value of advertisement space sold less discounts and agency commission	10,379	7,475	-	-
Provision of agency services	1,227	1,674	-	-
	350,340	294,113	6,858	25,617

25. PROFIT BEFORE TAX

This is arrived at:-

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Allowance for impairment on trade receivable	-	27	-	-
Amortisation of land used rights	15	15	-	-
Auditors' remuneration				
- Grant Thornton				
- audit fees				
- current year	147	132	23	21
- prior years	-	(5)	-	-
- non-audit fees	8	-	8	-
- Other auditors				
- statutory audit	33	19	-	-
Bad debts	63	11	63	10
Depreciation	7,174	3,850	81	67
* Directors' remuneration for non-executive directors	359	292	359	292
Fair value changes on derivative financial instruments	153	-	-	-
Goodwill on consolidation written off	477	-	-	-
Impairment loss on other investment	8	-	8	-
Interest expense on:-				
- Bankers acceptance	28	-	-	-
- Bank overdraft	1	1	-	-
- Export credit refinancing	31	44	-	-
- Finance lease	7	11	5	5
- Term loan	207	127	-	-
- Trust receipts	241	95	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

25. PROFIT BEFORE TAX (CONT'D)

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Loss on disposal of property, plant and equipment	-	180	-	-
Property, plant and equipment written off	141	176	-	-
Realised loss on foreign exchange	-	576	-	-
Rental of advertising sites	981	656	-	-
Rental of machinery and equipment	209	182	-	-
Rental of premises	1,016	963	77	76
** Staff costs	68,658	57,875	2,646	2,249
And crediting:-				
Allowance for impairment no longer required	27	-	-	-
Bad debts recovered	-	7	-	-
Debt waived	1	-	-	-
Deemed gain on deconsolidation of a subsidiary	-	9	-	-
Dividend income	12	-	12	-
Fair value changes on derivative financial instruments	-	652	-	-
Gain on disposal of non-current asset held for sale	-	50	-	-
Gain on disposal of property, plant and equipment	3	-	-	-
Interest income	207	127	39	8
Rental income	33	11	-	-
Realised gain on foreign exchange	4,011	232	-	-
Unrealised gain on foreign exchange	1,767	908	-	-

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
- Allowance	19	12	19	12
- Equity-settled-share-based payment	66	44	66	44
	85	56	85	56
- Fee	274	236	274	236
	359	292	359	292

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

25. PROFIT BEFORE TAX (CONT'D)

** Staff costs

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
- Wages, salaries, incentives, overtime, allowance and bonus	60,766	52,287	2,028	1,670
- Equity-settled-share-based payment	878	663	324	329
- Defined contribution plans	6,862	4,782	289	246
- SOCSO	152	143	5	4
	68,658	57,875	2,646	2,249

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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Executive directors of the Company:-				
Directors' emoluments				
- Salaries	1,545	1,291	1,080	932
- Equity-settled-share-based payment	165	229	165	229
- Defined contribution plans	274	245	205	177
	1,984	1,765	1,450	1,338
Directors' fee	3,000	2,100	1,400	1,400
	4,984	3,865	2,850	2,738
Benefits-in-kind	40	40	22	22
	5,024	3,905	2,872	2,760
Executive directors of subsidiaries:-				
Directors' emoluments				
- Salaries and bonus	901	641	-	-
- Equity-settled-share-based payment	45	16	-	-
- Defined contribution plans	48	42	-	-
	994	699	-	-
Director's fee	60	24	-	-
	1,054	723	-	-
Total executive directors' remuneration	6,078	4,628	2,872	2,760
Analysed as:-				
- Present directors	6,078	4,588	2,872	2,720
- Past director	-	40	-	40
	6,078	4,628	2,872	2,760

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

26. TAX EXPENSE

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
In Malaysia				
Current year	(5,704)	(2,905)	(107)	-
(Under)/Over provision in prior year				
- Current tax	(694)	(26)	(2)	-
- Deferred tax	(20)	172	-	-
Deferred tax:-				
- Relating to origination and reversal of temporary differences	135	(116)	-	-
- Changes in tax rate	-	35	-	-
	135	(81)	-	-
Realisation of deferred tax upon:-				
- Disposal of revalued assets	-	45	-	-
- Depreciation of revalued assets	-	51	-	-
	-	96	-	-
	(6,283)	(2,744)	(109)	-
Outside Malaysia				
Current year	(915)	(713)	-	-
Over provision in prior year	166	85	-	-
	(749)	(628)	-	-
	(7,032)	(3,372)	(109)	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

26. TAX EXPENSE (CONT'D)

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax	31,055	24,173	1,339	21,196
Income tax at Malaysian statutory tax rate of 25%	(7,764)	(6,043)	(335)	(5,299)
Tax rates differences in foreign jurisdictions	237	252	-	-
Income not subject to tax	718	862	311	5,138
Double deduction of expenses for tax purposes	29	23	-	-
Expenses not deductible for tax purposes	(1,799)	(930)	(332)	(133)
Annual crystallisation of deferred tax on revaluation surplus	51	51	-	-
Realisation of deferred tax upon disposal of revalued assets	-	45	-	-
Utilisation of unabsorbed allowance for increase in export	885	570	-	-
Utilisation of unabsorbed tax losses and capital allowances	1,545	1,687	246	298
Deferred tax movements not recognised	(420)	(177)	(7)	(4)
Changes in tax rate	34	57	10	-
	(6,484)	(3,603)	(107)	-
(Under)/Over provision in prior years	(548)	231	(2)	-
	(7,032)	(3,372)	(109)	-

The amount and future availability of unabsorbed tax losses, capital allowances and reinvestment allowance at the end of the reporting period are as follows:-

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Unabsorbed tax losses	12,459	18,347	-	986
Unabsorbed capital allowances	859	1,150	-	-
Unabsorbed reinvestment allowance	117	117	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

26. TAX EXPENSE (CONT'D)

The following deductible temporary differences have not been recognised in the financial statements:-

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,397	3,017	37	28
Unabsorbed tax losses	(12,459)	(18,347)	-	(986)
Unabsorbed capital allowances	(859)	(1,150)	-	-
Unabsorbed reinvestment allowance	(117)	(117)	-	-
	(12,038)	(16,597)	37	(958)

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 Malaysian corporate tax rate will be reduced to 24% from the year of assessment 2016 as announced in the Budget 2014. Consequently, deferred tax is measured using this tax rate.

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:-

	2015	2014
Profit attributable to owners of the Company (RM'000)	20,772	18,487
Weighted average number of shares ('000)		
Issued shares at beginning	105,351	73,735
Effect of bonus issue	-	30,752
Effect of shares issued pursuant to share options	1,602	864
Weighted average number of shares at end	106,953	105,351
Basic earnings per share (sen)	19	18*

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

27. EARNINGS PER SHARE (CONT'D)

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:-

	2015	2014
Profit attributable to owners of the Company (RM'000)	20,772	18,487
Weighted average number of issued ordinary shares as above	106,953	105,351
Adjustment for dilutive effect of ESOS	6,422	3,547
	113,375	108,898
Diluted earnings per share (sen)	18	17*

* Comparative number of shares was restated to take into account the Bonus Issue effect, in compliance with MFRS 133.

28. DIVIDENDS

	GROUP AND COMPANY	
	2015	2014
	RM'000	RM'000
In respect of financial year ended 31 July 2015:-		
- 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	-
In respect of financial year ended 31 July 2013:-		
- A first and final dividend of 2 sen per share less 25% tax	-	1,118
- A special tax exempt dividend of 1 sen per share	-	745
	4,320	1,863

At the forthcoming Annual General Meeting, a single tier final dividend of 2.70 sen per share amounting to RM2,985,654 in respect of the financial year ended 31 July 2015 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 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

29. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment:-				
- Approved and contracted for	11,892	1,181	-	-
- Approved but not contracted for	-	8,026	-	-
	11,892	9,207	-	-

30. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2015	2014
	RM'000	RM'000
Corporate guarantee for banking facilities given to a subsidiary		
- Limit	62,285	53,245
- Amount utilised	4,305	5,826

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) Investment holding and others Investment holding, provision of management services and provision of agency services.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

31. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Apparels		Advertising		Investment holding and others		Elimination		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
External sales	338,734	284,964	10,379	7,475	1,227	1,674	-	-	350,340	294,113
Inter-segment sales	-	-	-	-	6,858	25,617	(6,858)	(25,617)	-	-
Total revenue	338,734	284,964	10,379	7,475	8,085	27,291	(6,858)	(25,617)	350,340	294,113
Results										
Segment results	26,774	20,347	3,604	1,998	985	1,979	-	-	31,363	24,324
Interest expense	(510)	(274)	-	-	(5)	(4)	-	-	(515)	(278)
Interest income	97	66	71	52	39	9	-	-	207	127
Tax (expense)/income	(5,879)	(3,368)	(1,053)	(11)	(100)	7	-	-	(7,032)	(3,372)
Profit for the year	20,482	16,771	2,622	2,039	919	1,991	-	-	24,023	20,801
Assets										
Segment assets	171,926	115,750	6,037	6,520	87,979	87,370	(106,840)	(94,438)	159,102	115,202
Current tax assets	-	-	-	-	-	39	-	-	-	39
Derivative financial assets	-	76	-	-	-	-	-	-	-	76
Deposits with licensed banks	2,175	1,562	1,809	1,038	2,301	508	-	-	6,285	3,108
Cash and bank balances	16,387	25,310	3,246	1,335	6,793	4,840	261	-	26,687	31,485
Total assets	190,488	142,698	11,092	8,893	97,073	92,757	(106,579)	(94,438)	192,074	149,910
Liabilities										
Segment liabilities	101,813	79,137	2,611	2,329	21,126	19,928	(75,606)	(66,805)	49,944	34,589
Borrowings	10,415	10,990	-	-	127	155	-	-	10,542	11,145
Deferred tax liabilities	1,595	1,894	192	-	-	319	311	-	2,098	2,213
Derivative financial liabilities	77	-	-	-	-	-	-	-	77	-
Current tax liabilities	2,383	1,000	853	10	48	-	-	-	3,284	1,010
Total liabilities	116,283	93,021	3,656	2,339	21,301	20,402	(75,295)	(66,805)	65,945	48,957
Other information										
Additions to non-current assets	14,457	9,713	275	1,398	411	10,514	-	-	15,143	21,625
Depreciation and amortisation	5,844	3,097	728	609	617	159	-	-	7,189	3,865
Non-cash (income)/expenses other than depreciation and amortisation	(446)	(869)	22	48	346	259	-	-	(78)	(562)

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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 property, plant and equipment.
- C Other non-cash expenses/(income) consist of the following items:-

	2015 RM'000	2014 RM'000
Allowance for impairment on trade receivable	(27)	27
Bad debts	63	11
Debt waived	(1)	-
Deemed gain on deconsolidation of a subsidiary	-	(9)
Equity-settled share-based payment	878	663
Fair value changes on derivative financial instruments	153	(652)
Gain on disposal of non-current asset held for sale	-	(50)
(Gain)/Loss on disposal of property, plant and equipment	(3)	180
Goodwill on consolidation written off	477	-
Impairment loss on other investment	8	-
Property, plant and equipment written off	141	176
Unrealised gain on foreign exchange	(1,767)	(908)
	(78)	(562)

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	11,386	8,004	57,573	52,272
China	8,728	4,895	13,868	8,995
United States of America	206,726	186,398	-	-
European countries	66,498	53,940	-	-
Other countries	57,002	40,876	-	-
	350,340	294,113	71,441	61,267

Information about major customers

Total revenue from major customers which individually contributed more than 10% of the Group's revenue from the apparels segment amounted to **RM275,419,273** (2014: RM261,652,266).

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

32. RELATED PARTY DISCLOSURES

(i) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and to the Company, if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making any financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. Key management personnel includes all the Directors of the Group and of the Company and certain members of senior management of the Group and of the Company.

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

Related party relationship:-

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.

(ii) Related party transactions

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Gross dividend income from subsidiaries				
- Honsin Apparel Sdn. Bhd.	-	-	-	16,450
- HiQ Media (Malaysia) Sdn. Bhd.	-	-	522	392
- Laser Capital Holdings Sdn. Bhd.	-	-	688	711
- Plas Industries Sdn. Bhd.	-	-	-	3,000
Management fee income from subsidiaries				
- Honsin Apparel Sdn. Bhd.	-	-	4,680	4,139
- HiQ Media (Malaysia) Sdn. Bhd.	-	-	96	96
- Plas Industries Sdn. Bhd.	-	-	247	210
- BE Elementz Sdn. Bhd.	-	-	306	306
- Bixiz Kids Incorporated (M) Sdn. Bhd.	-	-	306	306
- Laser Capital Holdings Sdn. Bhd.	-	-	13	7
Purchases from F.D. Way Industrial Co., Ltd.	8,225	3,463	-	-
Agency services charged to Champ Bloom Incorporated	1,227	1,674	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

32. RELATED PARTY DISCLOSURES (CONT'D)

(ii) Related party transactions (cont'd)

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Professional fee paid to C L Boo & Associates	243	30	-	-
Rental expenses charged by Ahmad Mustapha & Co	76	76	76	76
Handling fees charged by Champ Bloom Incorporated	1,946	2,093	-	-

(iii) Compensation of key management personnel

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					
2015					
Financial assets					
Other investment	490	-	490	-	-
Trade receivables	55,041	55,041	-	-	-
Other receivables and refundable deposits	4,480	4,480	-	-	-
Deposits with licensed banks	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

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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					
2014					
Financial assets					
Trade receivables	26,051	26,051	-	-	-
Other receivables and refundable deposits	1,821	1,821	-	-	-
Derivative financial instruments	76	-	-	-	76
Deposits with licensed banks	3,108	3,108	-	-	-
Cash and bank balances	31,485	31,485	-	-	-
	62,541	62,465	-	-	76
Financial liabilities					
Trade payables	16,377	-	-	16,377	-
Other payables and accruals	16,710	-	-	16,710	-
Borrowings	11,145	-	-	11,145	-
	44,232	-	-	44,232	-
COMPANY					
2015					
Financial assets					
Other investment	490	-	490	-	-
Other receivables and refundable deposits	265	265	-	-	-
Amount due from subsidiaries	39,377	39,377	-	-	-
Deposits with licensed banks	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	-
2014					
Financial assets					
Other receivables and refundable deposits	287	287	-	-	-
Amount due from subsidiaries	39,918	39,918	-	-	-
Deposits with licensed banks	508	508	-	-	-
Cash and bank balances	1,971	1,971	-	-	-
	42,684	42,684	-	-	-
Financial liabilities					
Other payables and accruals	2,027	-	-	2,027	-
Borrowings	155	-	-	155	-
	2,182	-	-	2,182	-

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

34. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from its 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** (2014: 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
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
2014			
Not past due	22,631	-	22,631
Past due 1 - 30 days	1,676	-	1,676
Past due 31 - 60 days	277	-	277
Past due 61 - 90 days	179	-	179
Past due more than 90 days	1,315	(27)	1,288
	3,447	(27)	3,420
	26,078	(27)	26,051

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.

The Group has trade receivables of **RM15,882,363** (2014: RM3,419,299) that are past due but not impaired as the management is of the view that these debts will be recovered in due course.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

34. FINANCIAL RISK MANAGEMENT (CONT'D)

34.1 Credit risk (cont'd)

34.1.1 Trade receivables (cont'd)

The Group has significant concentration of credit risk in the form of outstanding balance due from **2 customers** (2014: 2 customers) representing **69%** (2014: 75%) 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.

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.

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.

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						
2015						
<i>Non-derivative financial liabilities</i>						
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	-	-	-
Financial guarantee	-	4,305	4,305	-	-	-
	59,007	63,883	60,041	866	2,580	396

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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
GROUP						
2014						
<i>Non-derivative financial liabilities</i>						
Interest bearing borrowings	11,145	11,930	7,222	866	2,599	1,243
Trade payables	16,377	16,377	16,377	-	-	-
Other payables and accruals	16,710	16,710	16,710	-	-	-
Financial guarantee	-	5,826	5,826	-	-	-
	44,232	50,843	46,135	866	2,599	1,243
COMPANY						
2015						
<i>Non-derivative financial liabilities</i>						
Interest bearing borrowings	127	147	33	33	81	-
Other payables and accruals	2,409	2,409	2,409	-	-	-
Financial guarantee	-	4,305	4,305	-	-	-
	2,536	6,861	6,747	33	81	-
2014						
<i>Non-derivative financial liabilities</i>						
Interest bearing borrowings	155	180	33	33	100	14
Other payables and accruals	2,027	2,027	2,027	-	-	-
Financial guarantee	-	5,826	5,826	-	-	-
	2,182	8,033	7,886	33	100	14

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 floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	6,285	3,108	2,301	508
Financial liabilities	6,532	6,509	127	155
Floating rate instruments				
Financial liabilities	4,010	4,636	-	-

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

An increase of 25 basis point at the end of the reporting period would have decreased profit before tax by **RM10,879** (2014: RM6,705) and a corresponding decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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 also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currency giving rise to this risk is primarily US Dollar ("USD").

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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:-

GROUP

	2015		2014	
	USD RM'000	OTHERS RM'000	USD RM'000	OTHERS RM'000
Trade receivables	50,938	-	21,527	-
Other receivables	229	137	601	166
Cash and bank balances	19,797	3	25,813	5
Borrowings	(6,405)	-	(5,147)	-
Trade payables	(13,643)	(21)	(12,051)	(14)
Other payables	(4,267)	(269)	(1,714)	-
Derivative financial instruments	(77)	-	76	-
Net exposure	46,572	(150)	29,105	157

COMPANY

	2015		2014	
	USD RM'000	OTHERS RM'000	USD RM'000	OTHERS RM'000
Other payables	-	(269)	-	-

Sensitivity analysis for foreign currency risk

The table below demonstrates 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% strengthening of the 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.

	GROUP		COMPANY	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
USD	(4,657)	(2,911)	-	-
Other currencies	15	(16)	27	-
(Decrease)/Increase in profit before tax	(4,642)	(2,927)	27	-

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

GROUP AND COMPANY

The carrying amounts of the 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 Group and the Company use the following hierarchy for determining the fair value of all financial instruments carried at fair value:-

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Input that are based on observable market data, either directly or indirectly

Level 3 - Input that are not based on observable market data

The table below analyses financial instruments carried at fair value which fair value 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					
2015					
Financial assets					
Forward exchange contracts	-	77	-	77	77
Quoted unit trusts	490	-	-	490	490
2014					
Financial liabilities					
Forward exchange contracts	-	76	-	76	76
COMPANY					
2015					
Financial assets					
Quoted unit trusts	490	-	-	490	490
2014					
Financial assets					
Quoted unit trusts	-	-	-	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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 1.1 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.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2015

CONT'D

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:-

Grant date	Exercise price	← Number of options over ordinary shares of RM0.50 each →					Balance at 31.7.15
		Balance at 1.8.14	Granted and accepted	Exercised	Effect of Bonus Issue *	Lapsed	
12.9.13	RM0.586	6,444,800	-	(2,418,660)	2,087,920	(108,920)	6,005,140
7.5.14	RM0.904	904,000	-	(354,370)	318,280	(56,200)	811,710
5.9.14	RM0.971	-	1,786,000	(567,800)	653,840	(50,120)	1,821,920
23.12.14	RM1.007	-	460,000	(30,000)	184,000	-	614,000

* Adjustment to the number of share options pursuant to the Company's Bonus 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. NON-CURRENT ASSET HELD FOR SALE

	GROUP	
	2015 RM'000	2014 RM'000
Freehold building:-		
Balance at beginning	-	225
Disposal	-	(225)
Balance at end	-	-

A subsidiary of the Company entered into a Sale and Purchase Agreement to dispose of the freehold land and building of which the disposal was completed in the previous financial year.

The non-current asset held for sale was pledged to a licensed bank for banking facilities granted to the subsidiary in the previous financial year.

SUPPLEMENTARY INFORMATION

39. 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	63,950	59,388	4,531	22,997
- Unrealised	1,051	741	-	-
	65,001	60,129	4,531	22,997
Less: Consolidation adjustments	(13,211)	(8,891)	-	-
	51,790	51,238	4,531	22,997

TOP 10 PROPERTIES HELD BY GROUP

Location	Description	Land area/ (built-up area)	Existing use	Tenure/ (approximate age of building)	Carrying amount as at 31 July 2015 RM'000	Year of acquisition/ revaluation
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 Office	Freehold (16 1/2 years to 20 years)	9,661	2010*
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	3,827 metre ² (1,871 metre ²)	Vacant	Freehold (2 years)	5,469	2013
10,10A,10B Jalan Keris, Taman Pasifik Selatan, 83000 Batu Pahat, Johor.	3 storey shop houses	N/A (429 metre ²)	Shops	Freehold (32 years)	611	2015
Lot 4373 Mukim Simpang Kanan, Batu Pahat, Johor.	Vacant land	8,094 metre ²	Vacant	Freehold	3,418	2015
HONWAYS APPAREL SHUYANG LIMITED						
Land Certification No. 27141 Property Certification No. 0101524 Shuyang Development Zone, Jiangsu, China.	A factory with 13 units of buildings	26,667 metre ² (12,089 metre ²)	Factory Office Hostel Canteen Warehouse	Leasehold 50 years expiring on 16.11.2055 (9 years)	3,231	2010
PLAS INDUSTRIES SDN. BHD.						
Plot No. 255 (iii) Kawasan Perusahaan Mak Mandin, Mukim 14, Seberang Perai Tengah, Pulau Pinang.	3 storey factory	6,898 metre ² (3,861 metre ²)	Factory Warehouse Office	Leasehold 60 years expiring on 21.2.2052 (15 years)	3,016	2010*
# Plot No. 255 (iii) Kawasan Perusahaan Mak Mandin, Mukim 14, Seberang Perai Tengah, Pulau Pinang.	A single-storey factory with an annexed two- storey office block in front	6,898 metre ² (2,507 metre ²)	Factory Office	Leasehold 60 years expiring on 21.2.2052 (23 years)	2,338	2010*

TOP 10 PROPERTIES HELD BY GROUP

CONT'D

Location	Description	Land area/ (built-up area)	Existing use	Tenure/ (approximate age of building)	Carrying amount as at 31 July 2015 RM'000	Year of acquisition/ revaluation
NOVEL REALTY SDN BHD						
Lot 2937 Mukim of Simpang Kanan, Batu Pahat, Johor.	Vacant land	16,169 metre ²	Vacant	Freehold	3,149	2013
Lot 6631 Mukim of Sri Gading, Batu Pahat, Johor.	Vacant land	9,753 metre ²	Vacant	Freehold	1,240	2013
Lot 1606 GM 16 Mukim of Tanjung Kupang, Kg Pok Kechil Tanjung Kupang, Johor Bahru, Johor.	Vacant land	25,774 metre ²	Vacant	Freehold	8,657	2013
					40,790	

Acquired from South East Garment Manufacturing Sendirian Berhad during the financial year.

* Year of revaluation.
At the date of transition to MFRSs 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 MFRSs. Upon transition to MFRSs, 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 30 October 2015

SHARE CAPITAL AS AT 30 OCTOBER 2015

Authorised share capital : 200,000,000 ordinary shares of RM0.50 each
 Issued and fully paid-up : 110,579,760 ordinary shares of RM0.50 each (excluding 6,265,400 treasury shares)
 Voting rights : One vote per ordinary share (on a poll)

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 30 OCTOBER 2015

Size of Holdings	No. of Depositors	No. of Shares Held	% of Issued Capital
Less than 100	118	3,833	0.00
100 - 1,000	236	118,912	0.11
1,001 - 10,000	978	5,038,332	4.56
10,001 - 100,000	457	14,065,437	12.72
100,001 - 5,528,987	114	79,114,446	71.54
5,528,988 and above	2	12,238,800	11.07
TOTAL	1,905	110,579,760	100.00

30 LARGEST SHAREHOLDERS AS AT 30 OCTOBER 2015

	Normal Holdings	Holdings %
1 JE HOLDINGS SDN BHD	6,463,520	5.85
2 RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAU MONG YING</i>	5,775,280	5.22
3 JE HOLDINGS SDN BHD	5,016,970	4.54
4 NARSPA HOLDINGS SDN BHD	4,340,000	3.92
5 METRO CAPITAL ASSET MANAGEMENT SDN BHD	3,619,560	3.27
6 AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR NARSPA HOLDINGS SDN BHD (TERM)</i>	2,947,000	2.67
7 CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)</i>	2,895,000	2.62
8 MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)</i>	2,600,000	2.35
9 CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND</i>	2,383,100	2.16
10 CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND</i>	2,209,900	2.00
11 LAU MONG YING	2,174,080	1.97
12 CITIGROUP NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)</i>	2,021,280	1.83
13 LIM HOEI BOON	1,915,620	1.73
14 AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC OPPORTUNITIES FUND</i>	1,855,400	1.68
15 TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YAP KIM CHOO</i>	1,841,700	1.67

ANALYSIS OF SHAREHOLDINGS

As at 30 October 2015

CONT'D

30 LARGEST SHAREHOLDERS AS AT 30 OCTOBER 2015 (CONT'D)

		Normal Holdings	Holdings %
16	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (FINLAND)</i>	1,813,000	1.64
17	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI</i>	1,624,960	1.47
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)</i>	1,500,000	1.36
19	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)</i>	1,350,800	1.22
20	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>RHB TRUSTEES BERHAD FOR KAF VISION FUND</i>	1,300,000	1.18
21	NG CHING HOON	1,215,040	1.10
22	LIN, CHENG-LANG	1,101,447	1.00
23	HSBC NOMINEES (ASING) SDN BHD <i>BBH AND CO BOSTON FOR DAIWA ASEAN INTRAREGIONAL DEMAND EQUITY FUND (JTSB RB)</i>	1,057,800	0.96
24	GOH MING CHOO	1,038,425	0.94
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA INSURANCE BERHAD (GROWTH FUND)</i>	1,000,000	0.90
26	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>CIMB COMMERCE TRUSTEE BERHAD-AMB SMALLCAP TRUST FUND</i>	992,900	0.90
27	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE - SGD)</i>	987,200	0.89
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)</i>	942,800	0.85
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA INSURANCE BERHAD (PREM EQUITY FD)</i>	800,000	0.72
30	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD <i>CIMB-PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI</i>	795,100	0.72
		65,577,882	59.30

ANALYSIS OF SHAREHOLDINGS

As at 30 October 2015

CONT'D

1. Directors' shareholdings as at 30 October 2015

		No. of ordinary shares of RM0.50 each			
		Direct	%	Deemed	%
i	Ahmad Mustapha Ghazali	1,624,960	1.47%	10,964,660 ⁽¹⁾	9.92%
ii	Lau Mong Ying	7,976,614	7.21%	11,480,490 ⁽²⁾	10.38%
iii	Lau Mong Fah	599,200	0.54%	11,480,490 ⁽²⁾	10.38%
iv	Khadmudin Bin Mohamed Rafik	730,800	0.66%	-	-
v	Lin, Cheng-Lang	1,101,447	1.00%	-	-
vi	Chin Chew Mun	42,000	0.04%	-	-
vii	Boo Chin Liong	30,000	0.03%	-	-

⁽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) according to the Register of Substantial Shareholders as at 30 October 2015

		No. of ordinary shares of RM0.50 each			
		Direct	%	Deemed	%
i	Lau Mong Ying	7,976,614	7.21%	11,480,490 ⁽¹⁾	10.38%
ii	Lau Mong Fah	599,200	0.54%	11,480,490 ⁽¹⁾	10.38%
iii	Narspa Holdings Sdn. Bhd.	7,287,000	6.59%	-	-
iv	Ahmad Mustapha Ghazali	1,624,960	1.47%	10,906,560 ⁽²⁾	9.86%
v	Lau Boon Hwa	382,400	0.35%	11,480,490 ⁽¹⁾	10.38%

⁽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

Proxy Form

* I/We _____ (NRIC No./Passport No./
 Company No. _____) of _____
 _____ being a *member/members of the abovenamed
 Company, hereby appoint _____ (NRIC 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-Third 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 Thursday, 10
 December 2015 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 _____, 2015.

No. of shares held

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:-		
	No. of Shares	%
Proxy 1		
Proxy 2		
		100

Signature(s)/Common Seal of member(s)

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 specifies the proportions of his 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 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 01 December 2015 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.

Fold This Flap For Sealing

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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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