www.prolexus.com.my

Prolexus Berhad (250857-T)
37-2 Block C, Jaya One, 72A, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel: 603 7954 0018 Fax: 603 7958 8359 Email: enquiries@prolexus.com.my

Prolexus Berhad (250857-T)

Annual Report 2014

PROLEXUS BERHAD
(250857-T) Incorporated in Malaysia

Annual Report 2014

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Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN THAT the Twenty-Second 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 Wednesday, 10 December 2014 at 10.00 a.m. for the following purposes:-

A G E N D A

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 July 2014 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 2014. **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) Encik Ahmad Mustapha Ghazali **Resolution 2**
   ii) Encik Khadmudin Bin Mohamed Rafik **Resolution 3**

4. To re-elect Mr. Boo Chin Liong who retires in accordance with Article 84 of the Company's Articles of Association and who, being eligible, offer himself for re-election. **Resolution 4**

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

   "That Mr. Lin, Cheng-Lang, retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 5**

6. To approve the payment of a First and Final Single Tier Dividend of 3.5 sen per ordinary share for the financial year ended 31 July 2014. **Resolution 6**

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

As Special Business:

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

   CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

   i) "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 8**

   ii) "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 9**

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 10**

10. **PROPOSED GRANTING OF OPTIONS TO BOO CHIN LIONG**

"That, pursuant to the Employees' Share Option Scheme ("ESOS") as approved by shareholders at the Extraordinary General Meeting of the Company held on 03 September 2013, the Board be and is hereby authorised at any time and from time to time to offer and grant options of up to a maximum of 200,000 ordinary shares of RM0.50 each ("Prolexus Shares") to Boo Chin Liong, the Independent Non-Executive Director of the Company, to subscribe for new Prolexus Shares under the ESOS subject always to the following provisions:-

(i) he must not participate in the deliberation or discussion of his own allocation of new Prolexus Shares under the ESOS;

(ii) not more than ten percent (10%) of the new Prolexus Shares available under the ESOS shall be allocated to him, if he, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued and paid up share capital (excluding treasury shares) of the Company; and

also subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws of the ESOS and any prevailing guidelines issued by Bursa Malaysia Securities Berhad ("Bursa Securities"), the Main Market Listing Requirements of Bursa Securities or any other relevant authorities, as amended from time to time.

And that the Board be further authorised to allot and issue such number of new Prolexus Shares pursuant to the ESOS to him from time to time pursuant to the exercise of such options." **Resolution 11**

11. **PROPOSED GRANTING OF OPTIONS TO LAU BOON HWA**

"That, pursuant to the Employees' Share Option Scheme ("ESOS") as approved by shareholders at the Extraordinary General Meeting of the Company held on 03 September 2013, the Board be and is hereby authorised at any time and from time to time to offer and grant options of up to a maximum of 400,000 ordinary shares of RM0.50 each ("Prolexus Shares") to Lau Boon Hwa, the employee of Prolexus Group who is also the brother of Lau Mong Ying, the Managing Director of the Company and Lau Mong Fah, the Non-Independent Non-Executive Director of the Company, to subscribe for new Prolexus Shares under the ESOS subject always to the following provisions:-

(i) he must not participate in the deliberation or discussion of his own allocation of new Prolexus Shares under the ESOS;

(ii) not more than ten percent (10%) of the new Prolexus Shares available under the ESOS shall be allocated to him, if he, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued and paid up share capital (excluding treasury shares) of the Company; and

Notice of **Annual General Meeting**
cont'd

also subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws of the ESOS and any prevailing guidelines issued by Bursa Malaysia Securities Berhad ("Bursa Securities"), the Main Market Listing Requirements of Bursa Securities or any other relevant authorities, as amended from time to time.

And that the Board be further authorised to allot and issue such number of new Prolexus Shares pursuant to the ESOS to him from time to time pursuant to the exercise of such options." **Resolution 12**

12. **PROPOSED GRANTING OF OPTIONS TO MOHAMMAD RAIZMAN BIN AHMAD MUSTAPHA**

"That, pursuant to the Employees' Share Option Scheme ("ESOS") as approved by shareholders at the Extraordinary General Meeting of the Company held on 03 September 2013, the Board be and is hereby authorised at any time and from time to time to offer and grant options of up to a maximum of 60,000 ordinary shares of RM0.50 each ("Prolexus Shares") to Mohammad Raizman Bin Ahmad Mustapha, the employee of Prolexus Group who is also the son of Ahmad Mustapha Ghazali, the Executive Chairman of the Company, to subscribe for new Prolexus Shares under the ESOS subject always to the following provisions:-

(i) he must not participate in the deliberation or discussion of his own allocation of new Prolexus Shares under the ESOS;

(ii) not more than ten percent (10%) of the new Prolexus Shares available under the ESOS shall be allocated to him, if he, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued and paid up share capital (excluding treasury shares) of the Company; and

also subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws of the ESOS and any prevailing guidelines issued by Bursa Malaysia Securities Berhad ("Bursa Securities"), the Main Market Listing Requirements of Bursa Securities or any other relevant authorities, as amended from time to time.

And that the Board be further authorised to allot and issue such number of new Prolexus Shares pursuant to the ESOS to him from time to time pursuant to the exercise of such options." **Resolution 13**

13. 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 2014 shall be entitled to attend the forthcoming Twenty-Second 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 2014

Penang

Notice of **Annual General Meeting**

cont'd

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.*

EXPLANATORY NOTE 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 proposed Resolutions 8 to 9, are to allow the Independent Non-Executive Directors to be retained and continue acting as Independent Non-Executive Directors to fulfill the requirements of Paragraph 3.04 of the Main Market Listing Requirements and to be in line with the recommendations 3.2 and 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 11 to 18 of the Company's 2014 Annual Report.*

8. *The proposed Resolution 10, 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.

9. *The proposed Resolutions 11 to 13, are to seek shareholders' approval for the Directors of the Company to offer and grant options to a director and persons connected to the directors of the Company to subscribe for new Prolexus Shares under the Company's ESOS approved by the shareholders on 03 September 2013.*

   Accordingly, Boo Chin Liong, the Independent Non-Executive Director of the Company has abstained and will continue to abstain from deliberation and voting on the resolution in respect of his allocation under the ESOS.

   Lau Mong Ying, the Managing Director and Lau Mong Fah, the Non-Independent Non-Executive Director of the Company have also abstained and will continue to abstain from deliberation and voting in respect of their direct and/or indirect interest in the Company and will also ensure that persons connected with them will abstain in respect of their direct and/or indirect interest in the Company, if any, pertaining to the allocation under the ESOS to Lau Boon Hwa.

   Ahmad Mustapha Ghazali, the Executive Chairman of the Company has abstained and will continue to abstain from deliberation and voting in respect of his direct and/or indirect interest in the Company and will also ensure that persons connected with him will abstain in respect of their direct and/or indirect interest in the Company, if any, pertaining to the allocation under the ESOS to Mohammad Raizman Bin Ahmad Mustapha.

Notice of **Annual General Meeting**
cont'd

2014 ANNUAL REPORT

The 2014 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 First & Final Single Tier Dividend of 3.5 sen per ordinary share for the financial year ended 31 July 2014, if approved, will be paid on 14 January 2015 to shareholders registered in the Record of Depositors of the Company on 15 December 2014.

A depositor shall qualify for entitlement only in respect of:

a. Shares transferred into the depositor's securities account before 4.00p.m. on 15 December 2014 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 2014

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

Khadmudin Bin Mohamed Rafik
Chairman, Independent Non-Executive Director

Lin, Cheng-Lang
Independent Non-Executive Director

Chin Chew Mun
Independent Non-Executive Director

Lau Mong Fah
Non-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

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, 2 ½ Miles, 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
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
Bank of China

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

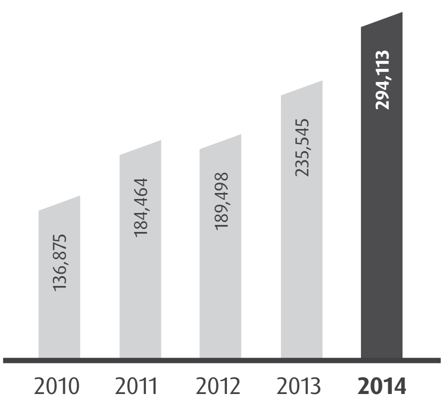
Stock Code: 8966
Stock Name: PRLEXUS

Financial **Highlights**

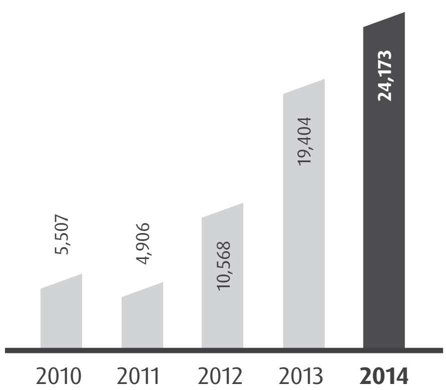
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Revenue	136,875	184,464	189,498	235,545	294,113
Profit Before Tax	5,507	4,906	10,568	19,404	24,173
Profit After Tax	3,403	5,236	10,836	17,162	20,801
Paid-up Capital	40,000	40,000	40,000	40,000	40,870
Shareholders' Funds	42,748	48,348	59,048	74,114	92,694
Earnings Per Share (sen) **	5	8	14	21	25
Dividend Per Share (sen) **	-	-	1.5	3.0	3.5
Net Tangible Asset Per Share (sen) **	55	63	77	97	119

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

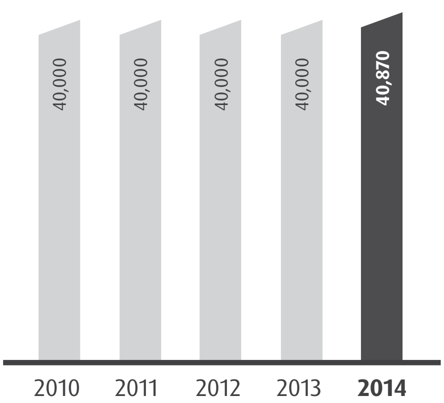
Revenue



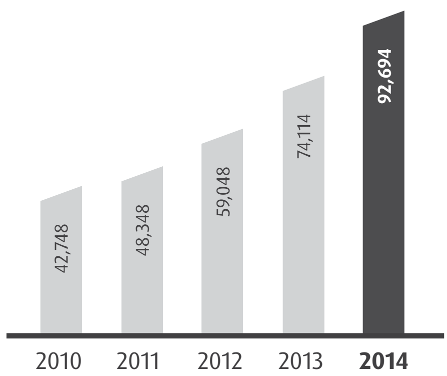
Profit Before Tax



Paid-up Capital



Shareholders' Funds



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 31 July 2014.

Chairman's **Statement**
cont'd

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

The Group had an improved performance for the financial year ended 31 July 2014 in terms of revenue and profit after tax.

- The Group's revenue increased from RM235.5 million in the previous financial year to RM294.1 million in the current financial year. This represents a growth in revenue of RM58.6 million or 25% 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.

- The Group's profit after tax improved in the current financial year to RM20.8 million compared to RM17.2 million in the previous financial year representing an increase of RM3.6 million or 21%. The improved profitability is mainly attributable to the increased turnover of the apparel division and the better margin achieved through production efficiency. This is despite the Group having complied with the minimum wage regulation which brought significant increase in production wages cost.

- The manufacturing plants in Malaysia continue to face difficulties in recruiting production operators which remain a challenge for the Group.

- 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 21 sen to 25 sen per Share.

- Net Tangible Asset Per Share has increased from RM0.97 to RM1.19 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.

DIVIDENDS

The Group has a policy of distributing an amount of the net profit 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 2014, the Board of Directors is pleased to recommend the payment of a first and final single tier dividend of 3.5 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 and invaluable contributions to the performance of the Group.

AHMAD MUSTAPHA GHAZALI
Executive Chairman

20 October 2014

Statement on **Corporate Governance**

The Board of Directors is committed to ensuring that the highest standards of corporate governance will be practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

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.

In pursuance of such applications and/or compliance:-

- The Audit Committee was set-up on 21 October 1993, and is at present constituted as herein stated.
- The Nominating Committee was set-up on 14 April 2001, and comprises independent non-executive directors.
- The Remuneration Committee was set-up on 14 April 2001, and comprises mainly non-executive directors.
- Messrs. GovernanceAdvisory.com Sdn. Bhd., a consulting firm, is engaged to provide, inter-alia, risk based internal audit services.
- 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 ethical standards and in full compliance with all laws and regulations. The Code of Conduct is summarized on page 19.

DIRECTORS

The Board of Directors provides the overall direction of the Group. It currently comprises two executive directors, four independent non-executive directors and one non-independent non-executive director. The Board meets at least 4 times in each financial year with additional meetings convened as necessary. All Board members bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct. There is a clearly accepted division of responsibilities at the head of the Group, which will ensure a balance of power and authority. The Board has independent and non-independent non-executive directors of calibre and experience, and minority shareholders are fairly represented. A balance of not less than one third of its members being independent non-executive directors is maintained by the Board with four of its seven members being independent non-executive directors.

In accordance with the Company's Articles of Association, all new appointments to the Board are subject to re-election by shareholders immediately at the next Annual General Meeting of the Company following their appointment. All directors are required to submit themselves for re-election at regular intervals and at least once in every three years.

All directors are provided with an agenda and a set of Board papers prior to Board Meetings. This is to ensure the directors have sufficient time to obtain further information and explanations when necessary. The Board papers include, amongst others, the following:-

- financial statements
- analysis of information in the financial statements
- significant operational and financial issues

In addition, there is a schedule of matters reserved specially for the Board's decision, including the approval of corporate plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions, and changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

The Board and every member of the Board is authorized whenever necessary to take independent advice in the furtherance of their duties and the cost of such advice is borne by the Group. All directors have 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.

Khadmudin Bin Mohamed Rafik who is appointed as the Audit Committee Chairman on 21 December 2012 is the senior independent non-executive director to whom any concerns relating to the Group may be conveyed.

The Board had on 29 September 2014 considered and reviewed the present composition of the Audit Committee including the performance of the Committee collectively and each of its members individually. The Board was and remains satisfied with the composition of the Audit Committee and the performance of the Committee collectively and each of its members individually and resolved to retain the present composition of the Audit Committee.

Statement on **Corporate Governance**
cont'd

All new appointments to the Board will be proposed by the Nominating Committee, which also assesses directors on an on-going basis.

The Board through the Nominating Committee 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 2014 by the Nominating Committee.

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, will continue to be independent directors of the Company, notwithstanding having served as independent directors on the Board for more than nine years.

The Board has resolved as an express stated policy that each director shall commit at least three days annually to attend training courses of his own personal requirement as part of a continuous education programme. 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. The External Auditors also briefed the Board on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

The directors' profiles are as follows:

AHMAD MUSTAPHA GHAZALI
Executive Chairman

Ahmad Mustapha Ghazali, a Malaysian aged 66, 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 65, 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.

Statement on **Corporate Governance**
cont'd

WILLIE GAN WEE LEE *(resigned on 9 December 2013)*
Executive Director

Willie Gan Wee Lee, a Malaysian aged 58, was appointed to the Board on 23 August 2002 and is an Executive Director – Finance primarily responsible for the financial management of the Group. He is a member of the Institute of Chartered Accountants in England and Wales and of the Malaysian Institute of Accountants. He joined the Group as its Financial Controller in 2001. Prior to joining the Group, he was attached to international accounting firms from 1976 to 1992 and thereafter as the Vice President – Corporate and Finance of a company listed on the Singapore Stock Exchange and which has subsidiary companies involved in contract manufacturing in Malaysia and Europe.

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 FAH
Non-Independent Non-Executive Director

Lau Mong Fah, a Malaysian aged 60, 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 61, 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 specializing 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.

LIN, CHENG-LANG
Independent Non-Executive Director

Lin, Cheng-Lang, a Taiwanese aged 75, 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 43, was appointed to the Board on 16 November 2012. He is a Chartered Accountant of New Zealand Institute of Chartered Accountants and a member of both Malaysia 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.

Statement on **Corporate Governance**
cont'd

BOO CHIN LIONG *(appointed on 9 December 2013)*
Independent Non-Executive Director

Boo Chin Liong, a Malaysian aged 53, 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.

As an integral element of the process of appointing new directors, the Board will ensure there is an orientation programme for new directors.

The Board held 5 meetings between 1 August 2013 and 31 July 2014 and the number of meetings attended by the directors are as follows:

Name	Number of meetings attended
Ahmad Mustapha Ghazali	5/5
Lau Mong Ying	4/5
Lau Mong Fah	5/5
Khadmudin Bin Mohamed Rafik	5/5
Lin, Cheng-Lang	5/5
Chin Chew Mun	5/5
Boo Chin Liong *(appointed on 9.12.2013)*	3/3
Willie Gan Wee Lee *(resigned on 9.12.2013)*	2/2

DIRECTORS' REMUNERATION

The remuneration of the executive directors is, including fees as recommended by the Remuneration Committee, 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.

Currently, the executive directors remuneration comprises basic salary and fees (recommended by the Remuneration Committee), which are reflective of the 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 2014 including proposed directors' fees are as follows:

	Salary	Fees and Allowances	Benefits-in-kind	EPF	Equity-settled-share-based payment	Total 2014	Total 2013
	RM	RM	RM	RM	RM	RM	RM
Executives (3)	1,291,466	2,100,000	39,600	245,359	228,912	3,905,337	2,742,860
Non-Executives (5)	-	248,200	-	-	44,021	292,221	179,517
Total	1,291,466	2,348,200	39,600	245,359	272,933	4,197,558	2,922,377

Statement on **Corporate Governance**
cont'd

The remuneration band of the directors as follows:

Amount	Executive	Non-Executive
RM 1 – RM 50,000	1	1
RM 50,001 – RM 100,000		4
RM 1,550,001 – RM 1,600,000	1	
RM 2,250,001 – RM 2,300,000	1	

REMUNERATION COMMITTEE – COMPOSITION AND TERMS OF REFERENCE

Composition and Designation of Remuneration Committee

LAU MONG YING
Chairman
(Managing Director)

CHIN CHEW MUN
Member
(Independent Non-Executive Director)

LAU MONG FAH
Member
(Non-Independent Non-Executive Director)

Terms of Reference

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

a. Size and Composition

The Remuneration Committee 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.

b. Meetings

The Remuneration Committee shall meet to carry out the duties and responsibilities in item (c) as stated below. The quorum for a meeting shall be two members both of whom shall be non-executive directors.

In the absence of the Chairman of the Remuneration Committee, 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 Remuneration Committee 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.

c. Duties and Responsibilities

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

i) to recommend to the Board the remuneration package of executive directors in all its form, drawing from outside advice, if necessary.
ii) to recommend to the Board the remuneration of non-executive directors which shall be a decision of the Board as a whole, save and except where the remuneration is in respect of any member or members of this committee.
iii) to recommend to the Board the remuneration package of senior management.

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.

Statement on **Corporate Governance**
cont'd

d. Authority

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

NOMINATING COMMITTEE – COMPOSITION AND TERMS OF REFERENCE

Composition and Designation of Nominating Committee

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)

Terms of Reference

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

a. Size and Composition

The Nominating Committee 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.

b. Meetings

The Nominating Committee shall meet at least once a year to carry out the duties and responsibilities in item (c) as stated below. The Nominating Committee shall meet at least once a year to assess the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual director. The quorum for a meeting shall be two members.

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

The Company Secretary shall act as the secretary of the Nominating Committee 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.

Statement on **Corporate Governance**
cont'd

c. Duties and Responsibilities

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

The Committee'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.
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.

d. Authority

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

SHAREHOLDERS

The Group values dialogue with shareholders/investors and welcome contributions from them. Notice of Annual General Meetings 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. Executive directors and the Chairman of the Audit Committee 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 on the spot. 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 responsibility for the Group's system of internal controls covering financial, operational and compliance controls and risk management. The internal control system involves each business and key management from each business including the Board and will be designed to meet the Group's particular needs and to appropriately manage the risks. The key elements to be included in the design of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to committees of the full Board and to operating units, including authorisation levels for all aspects of the business, which are set out in an authority matrix.
- Clearly documented internal procedures set out in a series of Internal Control Procedures.
- Regular internal audit visits, which monitor compliance with procedures and assess the integrity of financial information.
- Regular and comprehensive information provided to management, covering financial performance and key business indicator, such as staff 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.
- Regular visits to operating units by members of the Board and senior management.

Statement on **Corporate Governance**
cont'd

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 Audit Committee Chairman.

The role of the Audit Committee is stated on pages 20 to 22 and the report of the Audit Committee is shown on page 23.

This Statement Of Corporate Governance is made by the Board of Directors in accordance with a resolution of the Board of Directors dated 20 October 2014.

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 - Composition and **Terms of Reference**

1. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

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)

LAU MONG FAH
Member
(Non-Independent Non-Executive Director)

2. TERMS OF REFERENCE

The Terms of Reference for the Audit Committee set out by the Board of Directors are as follows:

a. Objectives

The primary objective of the Audit Committee 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 Audit Committee shall:

i. Oversee and appraise the quality of the audit conducted both by the Company's Internal and External Auditors;

ii. Maintain, through regular scheduled meetings, a direct line of communication between the Board of Directors, Internal and External Auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;

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

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

b. Size and Composition

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

The Committee shall include at least one person who is a member of Malaysian Institute of Accountants or a person who must have at least 3 years' working experience and has passed the examinations specified in Part 1 of the 1st Schedule of the Accountant Act, 1967 or is a member of one of the associations of accountants specified in Part II of the said Schedule or a person who fulfils such other requirements as prescribed or approved by the Exchange. The members of the Audit Committee 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 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 years.

Audit Committee - Composition and **Terms of Reference**

cont'd

2. TERMS OF REFERENCE *cont'd*

c. Meetings

The Audit Committee shall hold at least four 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 members with the majority of whom shall be independent directors.

The Chairman of the Audit Committee 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 Audit Committee.

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

The non-member directors, the Chief Financial Officer, the Internal Auditors and representatives of the External Auditors may attend the meeting on invitation by the Committee.

The Audit Committee shall meet the External Auditors without the presence of the executive board members at least twice 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 Audit Committee 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 Responsibility

The primary duties and responsibilities of the Audit Committee are:-

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

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

(iii) Review the assistance given by the employees of the Company and the Group to the External Auditors.

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

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

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

(vii) Review 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.

Audit Committee - Composition and **Terms of Reference**
cont'd

2. **TERMS OF REFERENCE** *cont'd*

d. **Duties and Responsibility** *cont'd*

The primary duties and responsibilities of the Audit Committee are:- *cont'd*

(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.

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

e. **Authority**

The Audit Committee is authorized 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 Audit Committee shall also have the ability to consult independent experts where they consider necessary to carry out their duties.

In accordance with a resolution of the Board of Directors dated 20 October 2014.

Audit Committee **Report**

AUDIT COMMITTEE FUNCTION

The Audit Committee of the Board of Directors is formally constituted with written terms of reference. The details of the Audit Committee's composition and terms of reference are set out in the preceding 3 pages. The present composition of the Audit Committee was reviewed and retained by the Board of Directors on 29 September 2014.

During the financial year ended 31 July 2014, the Committee has met five times to discuss matters relating to the accounting and reporting practices of the Company and its subsidiary companies. The summary of attendance of the Audit Committee is as follows:-

Name	No. of meetings attended
Khadmudin Bin Mohamed Rafik, *Chairman*	5/5
Lin, Cheng-Lang	5/5
Chin Chew Mun	5/5
Lau Mong Fah	5/5

The Audit Committee 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 Audit Committee 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.

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 Audit Committee in performing, inter alia, the following functions:

- Promoting proactive risk management awareness, monitoring results of key performance indicators and ensuring compliance with good corporate governance.
- Review and appraise the soundness, adequacy and application of accounting, financial and other operating controls and promote effective control at reasonable cost.
- Ascertain extent of compliance with established policies, plans and procedures.
- Ascertain extent to which company assets are accounted for and safeguarded from losses of all kinds.

The total costs incurred for the internal audit function of the Group for the current financial year was RM52,410.

Signed on behalf of the Audit Committee

KHADMUDIN BIN MOHAMED RAFIK
Chairman, Audit Committee

20 October 2014

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 for reviewing the effectiveness as well as the adequacy and integrity of those systems. Because of the limitations that are inherent in any system of internal control, those systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing 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 and senior management 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 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 risks relevant to the business of the respective companies to achieve their objectives.

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, the RMC of the Group and respective subsidiaries meet to review the risk status and progress of implementation of action plans. Consequently a risk management report summarizing the significant risks and status of each action plans are presented to the Audit Committee 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 a 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 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 are generally 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 20 October 2014.

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 2014 set out on pages 38 to 101, 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 20 October 2014.

Corporate Social **Responsibility Statement**

The Group recognizes 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.

Our employees are encouraged to attend external seminars in addition to attending in-house as well as outsourced training to improve their skills and knowledge.

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 years expiring on 8 September 2018. A total of 9,594,400 options had been granted to and accepted by the eligible directors and employees at an exercise price of RM 0.82 (8,604,400 options) and RM 1.266 (990,000 options). During the financial year ended 31 July 2014, a total of 1,739,800 options over ordinary shares were exercised pursuant to the ESOS. As at 31 July 2014, the actual allocation of ESOS to the directors and senior management of the Group is 56.28%.

NON-AUDIT FEES

The non-audit fees paid to the External Auditors of the Group for the financial year ended 31 July 2014 amounted to RM 79,500.

REPORTS AND FINANCIAL STATEMENTS...

Directors' **Report**

For The Financial Year Ended 31 July 2014

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 2014.

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	20,801	21,196
Attributable to:		
Owners of the parent	18,487	21,196
Non-controlling interests	2,314	-
	20,801	21,196

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 2014 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 a first and final dividend of 2 sen per share less 25% tax amounting to RM1,118,099 and a special tax exempt dividend of 1 sen per share amounting to RM745,399 in respect of the financial year ended 31 July 2013.

At the forthcoming Annual General Meeting, a first and final single tier dividend of 3.5 sen per share amounting to RM2,641,604 in respect of the financial year ended 31 July 2014 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 2015.

Directors' Report
For The Financial Year Ended 31 July 2014
cont'd

SHARE CAPITAL AND DEBENTURE

During the financial year, 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.

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 81,739,800 issued and fully paid ordinary shares as at 31 July 2014, 6,265,400 are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid is therefore 75,474,400 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:

			Number of Share Options				
Grant date	Expiry date	Exercise price	Balance at beginning	Granted and accepted	Exercised	Forfeited	Balance at end
12.9.13	8.9.18	RM0.82	-	8,604,400	(1,657,800)	(501,800)	6,444,800
7.5.14	8.9.18	RM1.266	-	990,000	(82,000)	(4,000)	904,000

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

Directors' **Report**

For The Financial Year Ended 31 July 2014
cont'd

EMPLOYEE SHARE OPTION SCHEME ("ESOS") cont'd

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 73,000 ordinary shares of RM0.50 each. The names of option holders granted options to subscribe for 73,000 or more ordinary shares of RM0.50 each during the financial year are as follows:

	Number of Share Options			
Name	**Granted and accepted**	**Exercised**	**Forfeited**	**Balance at 31.7.14**
Lau Boon Hwa	200,000	(68,000)	-	132,000
Choong Chee Mun	150,000	-	-	150,000
Goh Ming Choo	90,000	(24,000)	-	66,000
Oset Anak Awel	73,000	-	-	73,000
So Ah Sai	73,000	(19,600)	-	53,400

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
LIN, CHENG-LANG
CHIN CHEW MUN
BOO CHIN LIONG *(appointed on 9.12.13)*
WILLIE GAN WEE LEE *(resigned on 9.12.13)*

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 1.8.13 *	**Effect of share split**	**Bought**	**Sold**	**Balance at 31.7.14**
The Company					
Direct Interest:					
Ahmad Mustapha Ghazali	48,000	48,000	404,000	-	500,000
Lau Mong Ying	2,445,534	2,445,534	-	-	4,891,068
Lau Mong Fah	165,000	165,000	-	-	330,000
Khadmudin Bin Mohamed Rafik	186,000	186,000	80,000	-	452,000
Lin, Cheng-Lang	293,374	293,374	80,000	-	666,748
Chin Chew Mun	-	-	30,000	-	30,000

Directors' **Report**

For The Financial Year Ended 31 July 2014
cont'd

DIRECTORS' INTERESTS IN SHARES cont'd

	Number of ordinary shares of RM0.50 each				
	Balance at 1.8.13 *	**Effect of share split**	**Bought**	**Sold**	**Balance at 31.7.14**
Deemed Interest:					
Ahmad Mustapha Ghazali	3,859,550	3,859,550	7,800	-	7,726,900
Lau Mong Ying	-	-	8,169,250	-	8,169,250
Lau Mong Fah	-	-	8,169,250	-	8,169,250

* *As at 1 August 2013, the par value of the ordinary shares was RM1.00 before the share split.*

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.

	Number of options over ordinary shares of RM0.50 each				
	Balance at 1.8.13	**Granted and accepted**	**Exercised**	**Forfeited**	**Balance at 31.7.14**
Ahmad Mustapha Ghazali	-	2,000,000	(353,600)	-	1,646,400
Lau Mong Ying	-	2,000,000	-	-	2,000,000
Lau Mong Fah	-	200,000	-	-	200,000
Khadmudin Bin Mohamed Rafik	-	200,000	(80,000)	-	120,000
Lin, Cheng-Lang	-	200,000	(80,000)	-	120,000
Chin Chew Mun	-	200,000	(30,000)	-	170,000

Other than as disclosed above, none of the other directors holding office at 31 July 2014 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

Directors' **Report**

For The Financial Year Ended 31 July 2014
cont'd

OTHER STATUTORY INFORMATION

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

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

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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 allowance 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.

EVENT AFTER THE REPORTING PERIOD

Event after the reporting period is disclosed in Note 38 to the financial statements.

AUDITORS

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

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

AHMAD MUSTAPHA GHAZALI
Executive Chairman

LAU MONG YING
Managing Director

Date: 20 October 2014

Directors' **Statement**

In the opinion of the directors, the financial statements set out on pages 38 to 101 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 2014** 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 102 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: 20 October 2014

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 38 to 101 and the supplementary information set out on page 102 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 **20th**)
day of **October 2014**.)

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 2014 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 38 to 101.

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 2014 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 102 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

GRANT THORNTON
No. AF: 0042
Chartered Accountants

TAN CHEE BENG
No. 2664/02/15 (J)
Chartered Accountant

Date: 20 October 2014

Penang

Statements of **Financial Position**
as at 31 July 2014

		GROUP		COMPANY	
		2014	2013	2014	2013
	NOTE	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	57,974	40,833	230	294
Land use rights	5	581	607	-	-
Investment in subsidiaries	6	-	-	22,727	22,393
Goodwill on consolidation	7	2,712	2,712	-	-
		61,267	44,152	22,957	22,687
Current assets					
Inventories	8	22,442	17,903	-	-
Trade receivables	9	26,051	17,714	-	-
Other receivables, deposits and prepayments	10	5,442	6,034	388	45
Amount due from subsidiaries	11	-	-	39,918	22,263
Tax recoverable		39	39	39	39
Derivative financial instruments	12	76	-	-	-
Fixed deposits with licensed banks	13	3,108	3,061	508	-
Cash and bank balances	14	31,485	25,852	1,971	327
		88,643	70,603	42,824	22,674
Non-current asset held for sale	15	-	225	-	-
		88,643	70,828	42,824	22,674
TOTAL ASSETS		149,910	114,980	65,781	45,361
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	16	40,870	40,000	40,870	40,000
Treasury shares	17	(1,490)	(1,490)	(1,490)	(1,490)
Reserves	18	2,076	944	1,222	-
Retained profits	19	51,238	34,660	22,997	3,630
		92,694	74,114	63,599	42,140
Non-controlling interests		8,259	7,135	-	-
Total equity		100,953	81,249	63,599	42,140

Statements of **Financial Position**

as at 31 July 2014
cont'd

	NOTE	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Non-current liabilities					
Borrowings	20	4,137	171	127	155
Deferred tax liabilities	21	2,213	2,400	-	-
		6,350	2,571	127	155
Current liabilities					
Trade payables	22	16,377	10,967	-	-
Other payables and accruals	23	18,212	13,874	2,027	1,661
Amount due to subsidiaries	11	-	-	-	1,377
Derivative financial instruments	12	-	576	-	-
Borrowings	20	7,008	5,131	28	28
Provision for taxation		1,010	612	-	-
		42,607	31,160	2,055	3,066
Total liabilities		48,957	33,731	2,182	3,221
TOTAL EQUITY AND LIABILITIES		149,910	114,980	65,781	45,361

The notes set out on pages 46 to 101 form an integral part of these financial statements.

Statements of **Comprehensive Income**

for the Financial Year Ended 31 July 2014

		GROUP		COMPANY	
		2014	2013	2014	2013
	NOTE	RM'000	RM'000	RM'000	RM'000
Revenue	24	294,113	235,545	25,617	7,038
Cost of sales		(242,739)	(195,968)	-	-
Gross profit		51,374	39,577	25,617	7,038
Other income		2,390	2,504	8	59
Administrative expenses		(20,429)	(15,183)	(4,424)	(3,231)
Selling and distribution expenses		(8,258)	(6,864)	-	-
Other expenses		(626)	(499)	-	-
Operating profit		24,451	19,535	21,201	3,866
Finance costs		(278)	(131)	(5)	(3)
Profit before taxation	25	24,173	19,404	21,196	3,863
Taxation	26	(3,372)	(2,242)	-	(240)
Profit for the year		20,801	17,162	21,196	3,623
Total other comprehensive income					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations		(266)	829	-	-
Total comprehensive income for the year		20,535	17,991	21,196	3,623
Profit attributable to:					
Owners of the parent		18,487	15,449	21,196	3,623
Non-controlling interests		2,314	1,713	-	-
		20,801	17,162	21,196	3,623
Total comprehensive income attributable to:					
Owners of the parent		18,317	15,980	21,196	3,623
Non-controlling interests		2,218	2,011	-	-
		20,535	17,991	21,196	3,623
Earnings per share attributable to owners of the parent (sen)					
- Basic	27.1	25	21		
- Diluted	27.2	24	-		

The notes set out on pages 46 to 101 form an integral part of these financial statements.

Consolidated Statement of **Changes In Equity**
for the Financial Year Ended 31 July 2014

		Attributable to Owners of the Parent									
			Non-distributable					Distributable			
	NOTE	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Exchange Translation Reserve RM'000	ESOS Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
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	28	-	-	-	-	-	-	(1,863)	(1,863)	-	(1,863)
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(1,094)	(1,094)
Total transactions with owners of the Company		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

The notes set out on pages 46 to 101 form an integral part of these financial statements.

Consolidated Statement of **Changes In Equity**

for the Financial Year Ended 31 July 2014
cont'd

		Attributable to Owners of the Parent									
			Non-distributable					Distributable			
	NOTE	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Exchange Translation Reserve RM'000	ESOS Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
2013											
Balance at beginning		40,000	(1,490)	-	325	-	-	20,213	59,048	5,802	64,850
Transfer to statutory reserve		-	-	-	-	-	88	(88)	-	-	-
Foreign currency translation differences for foreign operations		-	-	-	531	-	-	-	531	298	829
Profit for the year		-	-	-	-	-	-	15,449	15,449	1,713	17,162
Total comprehensive income for the year		-	-	-	531	-	-	15,449	15,980	2,011	17,991
Transactions with owners:											
Dividends	28	-	-	-	-	-	-	(830)	(830)	-	(830)
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(412)	(412)
Acquisition of equity interest from non-controlling interests		-	-	-	-	-	-	(84)	(84)	(266)	(350)
Total transactions with owners of the Company		-	-	-	-	-	-	(914)	(914)	(678)	(1,592)
Balance at end		40,000	(1,490)	-	856	-	88	34,660	74,114	7,135	81,249

The notes set out on pages 46 to 101 form an integral part of these financial statements.

Statement of **Changes In Equity**

for the Financial Year Ended 31 July 2014

	NOTE	Share Capital RM'000	← Non-Distributable → Treasury Shares RM'000	Share Premium RM'000	ESOS Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
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	28	-	-	-	-	(1,863)	(1,863)
Total transactions with owners of the Company		870	-	869	353	(1,829)	263
Balance at end		40,870	(1,490)	869	353	22,997	63,599
2013							
Balance at beginning		40,000	(1,490)	-	-	837	39,347
Net profit, representing total comprehensive income for the year		-	-	-	-	3,623	3,623
Transactions with owners:							
Dividends	28	-	-	-	-	(830)	(830)
Balance at end		40,000	(1,490)	-	-	3,630	42,140

The notes set out on pages 46 to 101 form an integral part of these financial statements.

Statements of **Cash Flows**

for the Financial Year Ended 31 July 2014

	NOTE	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		24,173	19,404	21,196	3,863
Adjustments for:					
Allowance for impairment on trade receivable		27	-	-	-
Amortisation of land use rights		15	13	-	-
Bad debts		11	17	10	-
Deemed gain on deconsolidation of a subsidiary	6	(9)	-	-	-
Depreciation		3,850	2,887	67	41
Dividend income		-	-	(20,553)	(5,600)
Equity-settled share-based payment		663	-	329	-
Fair value changes on derivative financial instruments		(652)	691	-	-
Interest expense		278	131	5	3
Interest income		(127)	(337)	(8)	-
(Gain)/Loss on disposal of non-current asset held for sale		(50)	6	-	-
Loss/(Gain) on disposal of property, plant and equipment		180	150	-	(59)
Property, plant and equipment written off		176	7	-	-
Unrealised gain on foreign exchange		(908)	(1,890)	-	-
Operating profit/(loss) before working capital changes		27,627	21,079	1,046	(1,752)
Increase in inventories		(4,661)	(2,780)	-	-
(Increase)/Decrease in receivables		(7,613)	(10,977)	(345)	18
Increase in payables		10,312	5,102	366	375
Cash generated from/(used in) operations		25,665	12,424	1,067	(1,359)
Income tax paid		(3,149)	(675)	-	-
Income tax refund		-	39	-	-
Interest paid		(278)	(131)	(5)	(3)
Net cash from/(used in) operating activities		22,238	11,657	1,062	(1,362)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		127	337	8	-
Dividend income received from subsidiaries		-	-	20,553	5,600
Placement of fixed deposit		(555)	-	-	-
Proceeds from disposal of non-current asset held for sale		275	190	-	-
Proceeds from disposal of property, plant and equipment		120	421	-	59
Purchase of shares from non-controlling interest	6(i)	-	(350)	-	(350)
* Purchase of property, plant and equipment		(21,625)	(6,824)	(3)	(113)
Net cash (used in)/from investing activities		(21,658)	(6,226)	20,558	5,196
Balance carried forward		580	5,431	21,620	3,834

The notes set out on pages 46 to 101 form an integral part of these financial statements.

Statements of **Cash Flows**

for the Financial Year Ended 31 July 2014
cont'd

		GROUP		COMPANY	
		2014	2013	2014	2013
	NOTE	RM'000	RM'000	RM'000	RM'000
Balance brought forward		580	5,431	21,620	3,834
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(1,863)	(830)	(1,863)	(830)
Dividend paid to non-controlling interests		(1,094)	(412)	-	-
Drawdown of term loan		4,995	-	-	-
Drawdown of trust receipts		1,133	1,851	-	-
Net change in subsidiaries' balances		-	-	(19,040)	(3,008)
Payment of finance lease liabilities		(67)	(57)	(28)	(17)
Drawdown/(Repayment) of export credit refinancing		426	(73)	-	-
Repayment of foreign currency trade facilities on imports		-	(1,876)	-	-
Repayment of term loan		(359)	-	-	-
Proceeds from issuance of shares pursuant to ESOS		1,463	-	1,463	-
Net cash from/(used in) financing activities		4,634	(1,397)	(19,468)	(3,855)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,214	4,034	2,152	(21)
Effects of foreign exchange rate changes on cash and cash equivalents		102	1,167	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		27,722	22,521	327	348
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		33,038	27,722	2,479	327
Represented by:					
Fixed deposits with licensed banks	13	1,553	2,061	508	-
Cash and bank balances	14	31,485	25,852	1,971	327
Bank overdraft	20	-	(191)	-	-
		33,038	27,722	2,479	327
* **Purchase of property, plant and equipment**					
Total acquisition cost		21,625	7,024	3	313
Acquisition under finance lease		-	(200)	-	(200)
Total cash acquisition		21,625	6,824	3	113

Notes To The **Financial Statements**
31 July 2014

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 20 October 2014.

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 ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 2014
cont'd

2. **BASIS OF PREPARATION** cont'd

2.4 Adoption of New MFRSs, Amendments/Improvements to MFRSs, IC Interpretations ("IC Int") and Amendments to 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 new MFRSs, amendments/improvements to MFRSs, IC Int and amendments to IC Int that are mandatory for the current financial year:

MFRSs and IC Int effective 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 19 as amended by International Accounting Standards Board ("IASB") in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production of A Surface Mine

Amendments to MFRSs effective 1 January 2013

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Annual Improvements 2009 – 2011 Cycle issued in July 2012

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company except for the following:

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements

The effects of adopting MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements are discussed in Note 3.1 to the financial statements.

2.5 Standards Issued But Not Yet Effective

The Group and the Company have not early applied the following new MFRSs, amendments to MFRSs and IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

Amendments to MFRSs and IC Int effective for financial periods beginning on or after 1 January 2014

MFRS 10, 12 and 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Int 21	Levies

Notes To The **Financial Statements**

31 July 2014
cont'd

2. BASIS OF PREPARATION cont'd

2.5 Standards Issued But Not Yet Effective cont'd

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119 Defined Benefit Plans : Employee Contributions
Annual improvements to MFRSs 2010-2012 Cycle
Annual improvements to MFRSs 2011-2013 Cycle

Effective for financial periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants

Effective for financial periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers

Effective date yet to be confirmed

Amendments to MFRS 7	Financial Instrument: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures
MFRS 9	Financial Instruments (2009,2010)
MFRS 9	Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139

The existing MFRS 111, MFRS 118, IC Int 13, IC Int 15, IC Int 18 and IC Int 131 will be withdrawn upon the adoption of MFRS 15 on 1 January 2017.

The initial application of the above standards is not expected to have any financial impacts to the financial statements upon adoption.

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.

Notes To The **Financial Statements**

31 July 2014
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

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 reducing and straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be 3 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.

(v) Income taxes

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

Notes To The **Financial Statements**

31 July 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation

(i) Subsidiaries

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

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- 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. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. However, the adoption of MFRS 10 has no significant impact to the financial statements of the Group for the current financial year.

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.

The Group measures the cost of goodwill at the acquisition date as:

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

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

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

Notes To The **Financial Statements**

31 July 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

3.1 Basis of Consolidation cont'd

(ii) Business combination cont'd

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 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 and reducing methods to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold land	Amortised over the lease period
Buildings	2% - 5%
Multimedia boards	10% - 20%
Plant and machinery	10% - 20%
Equipment and fixtures	10% - 30%
Motor vehicles	20% - 25%

Notes To The **Financial Statements**

31 July 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

3.2 Property, Plant and Equipment cont'd

The Company adopts the straight line method of calculating depreciation while its subsidiaries adopt both the reducing and straight line methods.

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

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

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

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

3.3 Land Use Rights

Land use rights is 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 assumes 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.

Notes To The **Financial Statements**

31 July 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

3.5 Leases cont'd

Finance lease cont'd

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

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

Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property 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 Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be lesser than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

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 2014
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

(a) 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.

(b) 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.

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.

Notes To The **Financial Statements**

31 July 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

3.7 Financial Instruments cont'd

3.7.3 Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statement of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the 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 Derecognition

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

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

3.8 Impairment of Financial Assets

All financial assets (except investment in subsidiaries) 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.

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.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3.9 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments 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.

Notes To The **Financial Statements**

31 July 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

3.10 Inventories

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

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.

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.

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 Share Capital and Share Issuance Expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

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

3.12 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.

3.13 Statutory Reserve

In accordance with the relevant laws and regulations of The People's Republic of China ("The PRC"), the foreign subsidiary established in The PRC is required to transfer 10% of its 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.

3.14 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

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 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 the accrual basis.

3.17 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) below.

Notes To The **Financial Statements**

31 July 2014
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

3.17 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.

3.18 Income Tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

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

3. **SIGNIFICANT ACCOUNTING POLICIES** cont'd

3.18 Income Tax cont'd

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.

3.19 Value-added Tax

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

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

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

3.20 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.

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.

3.21 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.

Notes To The **Financial Statements**
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3. SIGNIFICANT ACCOUNTING POLICIES cont'd

3.22 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.

3.23 Dividends

Final dividends are not reflected in shareholders' equity as an appropriation of unappropriated profits until they have been approved by the shareholders in a general meeting. Upon approval by the shareholders, final dividends are deducted from unappropriated profits. Interim dividends are recognised as liability in the period in which they are declared.

Notes To The **Financial Statements**

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4. PROPERTY, PLANT AND EQUIPMENT

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

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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 mahinery RM'000	Equipment and fixtures RM'000	Motor vehicles RM'000	Capital expenditure in progress RM'000	Total RM'000
2013									
Cost									
Balance at beginning	5,345	1,600	16,601	25,057	19,386	10,311	2,963	-	81,263
Additions	3,204	-	40	893	1,843	701	343	-	7,024
Disposals	(100)	-	(130)	-	(927)	(160)	(400)	-	(1,717)
Written off	-	-	-	-	(21)	(5)	-	-	(26)
Foreign currency translation	-	-	256	-	186	269	11	-	722
Balance at end	8,449	1,600	16,767	25,950	20,467	11,116	2,917	-	87,266
Accumulated depreciation									
Balance at beginning	-	77	1,251	23,646	9,578	7,788	2,252	-	44,592
Current charge	-	30	639	328	1,225	484	181	-	2,887
Disposals	-	-	(11)	-	(587)	(148)	(400)	-	(1,146)
Written off	-	-	-	-	(16)	(3)	-	-	(19)
Foreign currency translation	-	-	31	-	40	45	3	-	119
Balance at end	-	107	1,910	23,974	10,240	8,166	2,036	-	46,433
Carrying amount	8,449	1,493	14,857	1,976	10,227	2,950	881	-	40,833

Notes To The **Financial Statements**

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cont'd

4. PROPERTY, PLANT AND EQUIPMENT cont'd

COMPANY	Equipment and fixtures RM'000	Motor vehicles RM'000	Total RM'000
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
2013			
Cost			
Balance at beginning	82	648	730
Addition	-	313	313
Disposal	-	(400)	(400)
Balance at end	82	561	643
Accumulated depreciation			
Balance at beginning	60	648	708
Current charge	5	36	41
Disposal	-	(400)	(400)
Balance at end	65	284	349
Carrying amount	17	277	294

Notes To The **Financial Statements**

31 July 2014
cont'd

4. PROPERTY, PLANT AND EQUIPMENT cont'd

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

	GROUP	
	2014	**2013**
	RM'000	**RM'000**
Freehold land	2,270	-
Leasehold land	1,463	1,493
Buildings	9,907	6,790
Multimedia boards	-	777
	13,640	9,060

(ii) Motor vehicles of the Group and of the Company with carrying amount of **RM283,934** (2013: RM364,070) and **RM214,430** (2013: RM277,190) respectively were acquired under finance lease. The leased assets are pledged as security for the related finance lease liabilities (Note 20).

5. LAND USE RIGHTS

	GROUP	
	2014	**2013**
	RM'000	**RM'000**
Cost		
Balance at beginning	636	589
Foreign currency translation	(12)	47
Balance at end	624	636
Accumulated amortisation		
Balance at beginning	29	14
Amortisation during the year	15	13
Foreign currency translation	(1)	2
Balance at end	43	29
Carrying amount	581	607

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.

Notes To The **Financial Statements**

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6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2014	**2013**
	RM'000	**RM'000**
Unquoted shares, at cost	24,459	24,459
ESOS granted to employees of subsidiaries	334	-
Less: Accumulated impairment loss	(2,066)	(2,066)
	22,727	22,393

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

Name of Entity	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
Direct Subsidiaries			
Honsin Apparel Sdn. Bhd.	100	100	Manufacturing and sale of apparels and investment holding.
Plas Industries Sdn. Bhd.	100	100	Manufacturing of apparels.
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.
Pacific Mission Sdn. Bhd.	100	100	Dormant.
* Character World Sdn. Bhd.	-	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.
Subsidiary of Honsin Apparel Sdn. Bhd.			
# Honways International Limited (Incorporated in Hong Kong)	64	64	Investment holding, trading of apparels and provision of agency services.

Notes To The **Financial Statements**

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cont'd

6. INVESTMENT IN SUBSIDIARIES cont'd

Name of Entity	Effective Equity Interest 2014 %	2013 %	Principal Activities
Subsidiary of Honways International Limited			
# Honways Apparel Shuyang Limited (Incorporated in The PRC)	64	64	Manufacturing and sale of apparels.
Subsidiary of Honways Apparel Shuyang Limited			
# Yu Xiang Industries Ltd. (Incorporated in The PRC)	64	64	Manufacturing of apparels.

Note:

* The subsidiary was struck off on 31 March 2014. The deconsolidation had the following effects on the financial position of the Group:

	2014 RM'000
Payables	(9)
Deemed gain on deconsolidation	9
Cash flows on deconsolidation	-

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

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

	2014 %	2013 %
Prolexus Berhad	21.75	21.75
Laser Capital Holdings Sdn. Bhd.	30.16	30.16
Total	51.91	51.91

2013

(i) On 27 November 2012, the Company acquired 580,000 ordinary shares of RM1.00 each in HiQ Media (Malaysia) Sdn. Bhd. ("HiQ") at RM0.70 each for a cash consideration of RM406,000 of which 80,000 ordinary shares amounting to RM56,000 are transferred to the staff of HiQ as performance bonus on 12 March 2013.

Consequently, the effective equity interest of the Company in HiQ was increased from 47.75% to 51.91%. This acquisition did not have a material effect on the financial results and position of the Group for the financial year ended 31 July 2013.

(ii) On 8 January 2013, Honways Apparel Shuyang Limited incorporated a wholly-owned subsidiary by the name of Yu Xiang Industries Ltd. with a registered and paid-up capital of RMB 2 million.

Notes To The **Financial Statements**

31 July 2014
cont'd

6. **INVESTMENT IN SUBSIDIARIES** cont'd

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:

	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	(20,952)	(2,339)	(23,291)
Net assets	14,988	6,554	21,542
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 2014
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6. INVESTMENT IN SUBSIDIARIES cont'd

	2013		
	Honways Group	**HiQ Media**	**Total**
	RM'000	**RM'000**	**RM'000**
NCI percentage of ownership interest and voting interest	36.00%	48.09%	
Carrying amount of NCI	4,190	3,027	7,217
Profit allocated to NCI	838	878	1,716
Summarised financial information before intra-group elimination			
At 31 July			
Non-current assets	9,032	2,086	11,118
Current assets	18,994	5,593	24,587
Current liabilities	(16,387)	(1,385)	(17,772)
Net assets	11,639	6,294	17,933
Year ended 31 July			
Revenue	56,863	6,667	63,530
Profit for the year	2,466	1,826	4,292
Total comprehensive income for the year	2,328	1,826	4,154
Cash flows (used in)/from operating activities	(476)	1,720	1,244
Cash flows used in investing activities	(2,726)	(944)	(3,670)
Cash flows from/(used in) financing activities	2,648	(1,057)	1,591
Net decrease in cash and cash equivalents	(554)	(281)	(835)
Dividends paid to NCI	-	311	311

7. GOODWILL ON CONSOLIDATION

	GROUP	
	2014	**2013**
	RM'000	**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.

Notes To The **Financial Statements**

31 July 2014
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7. GOODWILL ON CONSOLIDATION cont'd

Impairment test on goodwill cont'd

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%** (2013: 5%) per annum for the subsequent years.

(ii) Discount rate

The discount rate of **6.85%** (2013: 6.60%) is applied to the cash flow projections. The discount rate are estimated based on the Group's weighted average cost of capital for the year.

The values assigned to the key assumptions represent management's assessment of future trends in the industry. 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.

8. INVENTORIES

	GROUP	
	2014	**2013**
	RM'000	**RM'000**
Raw materials	4,568	8,014
Work-in-progress	14,960	7,805
Finished goods	2,877	1,996
Trading goods	37	88
	22,442	17,903

The cost of inventories recognised in profit or loss for the financial year amounted to **RM231,276,311** (2013: RM185,978,391).

9. TRADE RECEIVABLES

	GROUP	
	2014	**2013**
	RM'000	**RM'000**
Total amount	26,078	17,714
Less: Allowance for impairment	(27)	-
	26,051	17,714

Notes To The **Financial Statements**

31 July 2014
cont'd

9. TRADE RECEIVABLES cont'd

The currency profile of trade receivables is as follows:

	GROUP	
	2014	**2013**
	RM'000	**RM'000**
Ringgit Malaysia	3,224	2,296
US Dollar	21,527	14,342
Chinese Renminbi	1,300	1,076
	26,051	17,714

The trade receivables are non-interest bearing and are generally on **20 to 60 days** (2013: 20 to 90 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 **RM1,484,465** (2013: RM Nil) due from a company in which a director of a subsidiary has interest.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables	1,065	1,084	263	28
VAT recoverable	-	77	-	-
Deposits *				
Refundable deposits	756	776	24	-
Non-refundable deposits	109	681	6	-
	865	1,457	30	-
Prepayments	3,512	3,416	95	17
	5,442	6,034	388	45

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

	GROUP		COMPANY	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	2,435	2,941	388	45
US Dollar	601	942	-	-
Chinese Renminbi	2,240	2,151	-	-
Euro	166	-	-	-
	5,442	6,034	388	45

* Included in deposits is an amount of **RM103,164** (2013: RM857,500) paid for the acquisition of freehold land and building. The balance purchase consideration is disclosed as capital commitment in Note 29.

Notes To The **Financial Statements**

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11. AMOUNT DUE FROM/TO SUBSIDIARIES

The amount due from/to subsidiaries is non-trade related, unsecured, non-interest bearing and is repayable on demand.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

	GROUP	
	2014	2013
	RM'000	RM'000
Forward exchange contracts:		
- Nominal value	9,977	29,200
- Assets/(Liabilities)	76	(576)

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

13. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Pledged as security for banking facilities granted to a subsidiary	1,555	1,000	-	-
Unencumbered	1,553	2,061	508	-
	3,108	3,061	508	-

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

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest rate	3.00% - 3.40%	2.90% - 3.70%	3.00%	-
Maturity	3 - 12 months	1 - 12 months	3 months	-

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cont'd

14. CASH AND BANK BALANCES

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

	GROUP		COMPANY	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	4,268	4,178	1,971	327
US Dollar	25,813	20,359	-	-
Chinese Renminbi	1,399	1,315	-	-
Other	5	-	-	-
	31,485	25,852	1,971	327

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.

15. NON-CURRENT ASSET HELD FOR SALE

	GROUP	
	2014	**2013**
	RM'000	**RM'000**
Freehold building, at valuation:		
Balance at beginning	225	421
Disposal	(225)	(196)
Balance at end	-	225

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

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16. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	2014	2013	2014	2013
	'000	'000	RM'000	RM'000
Authorised:				
Balance at beginning				
Ordinary shares of RM1.00 each	100,000	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 (2013: RM1.00 each)	200,000	100,000	100,000	100,000
Issued and fully paid:				
Balance at beginning				
Ordinary shares of RM1.00 each	40,000	40,000	40,000	40,000
Sub division of par value to RM0.50 each	40,000	-	-	-
Exercise of ESOS	1,740	-	870	-
Balance at end				
Ordinary shares of RM0.50 each (2013: RM1.00 each)	81,740	40,000	40,870	40,000

During the financial year, the Company undertook the following:

(iii) 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.

(iv) 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 **81,739,800** (2013: 40,000,000) issued and fully paid ordinary shares as at 31 July 2014, **6,265,400** (2013: 3,132,700) are held as treasury shares by the Company. As at 31 July 2014, the number of outstanding ordinary shares in issue and fully paid after the set off is therefore **75,474,400** (2013: 36,867,300) ordinary shares of **RM0.50** (2013: RM1.00) each.

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

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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.

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 to pay dividends out of the Company's retained profits.

20. BORROWINGS

	GROUP		COMPANY	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities				
Secured:-				
Finance lease liabilities				
Minimum payments:				
Within 1 year	53	78	33	33
Later than 1 year but not later than 2 years	33	53	33	33
Later than 2 years but not later than 5 years	100	100	100	100
Later than 5 years	14	47	14	47
	200	278	180	213
Future finance charges	(28)	(39)	(25)	(30)
	172	239	155	183
Amount due within 1 year included under current liabilities	(45)	(68)	(28)	(28)
Balance carried forward	127	171	127	155

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20. BORROWINGS cont'd

	GROUP		COMPANY	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Balance brought forward	127	171	127	155
Term loan				
Total amount repayable	4,636	-	-	-
Amount due within 1 year included under current liabilities	(626)	-	-	-
	4,010	-	-	-
	4,137	171	127	155
Current liabilities				
Secured:-				
Bank overdraft	-	191	-	-
Finance lease liabilities	45	68	28	28
Term loan	626	-	-	-
*Trust receipts	5,147	4,108	-	-
	5,818	4,367	28	28
Unsecured:-				
Export credit refinancing	1,190	764	-	-
	7,008	5,131	28	28
Total borrowings	11,145	5,302	155	183

* The 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,
(iv) Pledge of fixed deposits of a subsidiary, and
(v) Negative pledge over a subsidiary's assets both present and future.

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

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20. BORROWINGS cont'd

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

	Average effective interest rate per annum (%)	Total RM'000	Within 1 year RM'000	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						
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	-	-	-
2013						
Bank overdraft	9.10	191	191	-	-	-
Export credit refinancing	4.25	764	764	-	-	-
Finance lease liabilities	2.25 to 2.33	239	68	44	86	41
Trust receipts	3.35 to 3.41	4,108	4,108	-	-	-
COMPANY						
2014						
Finance lease liability	2.33	155	28	28	86	13
2013						
Finance lease liability	2.33	183	28	28	86	41

21. DEFERRED TAX LIABILITIES

	GROUP 2014 RM'000	GROUP 2013 RM'000
Revaluation surplus		
Balance at beginning	1,490	1,602
Realisation of revaluation surplus upon disposal of properties	(45)	(61)
Transfer to profit or loss	(51)	(51)
Balance at end	1,394	1,490
Temporary differences on property, plant and equipment		
Balance at beginning	910	-
Transfer from profit or loss	81	910
Over provision in prior year	(172)	-
Balance at end	819	910
	2,213	2,400

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22. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2014	2013
	RM'000	RM'000
Ringgit Malaysia	3,230	3,289
US Dollar	12,051	6,765
Chinese Renminbi	1,082	900
Others	14	13
	16,377	10,967

The trade payables are non-interest bearing and are normally settled within **30 to 90 days** (2013: 30 to 90 days) terms.

Included herein is an amount of **RM465,757** (2013: RM1,357,320) due to a company in which a director of a subsidiary has interest.

23. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
* Other payables	3,863	2,524	187	78
VAT payable	76	-	-	-
Advance billings to customers	1,502	480	-	-
Accruals	12,771	10,870	1,840	1,583
	18,212	13,874	2,027	1,661

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

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	12,227	11,090	2,027	1,661
Chinese Renminbi	4,271	2,741	-	-
US Dollar	1,714	43	-	-
	18,212	13,874	2,027	1,661

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23. OTHER PAYABLES AND ACCRUALS cont'd

* Included herein are the following:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amount due to a company in which a director of a subsidiary has interest	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.

24. REVENUE

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Gross dividend from subsidiaries	-	-	20,553	5,600
Management fee income	-	-	5,064	1,438
Invoiced value of goods sold less returns and discounts	284,964	228,878	-	-
Invoiced value of advertisement space sold net of service tax, discounts and agency commission	7,475	6,667	-	-
Provision of agency services	1,674	-	-	-
	294,113	235,545	25,617	7,038

Notes To The **Financial Statements**

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25. PROFIT BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
After charging:				
Allowance for impairment on trade receivable	27	-	-	-
Amortisation of land use rights	15	13	-	-
Audit fees				
- Company's auditors				
- statutory audit				
- current year	132	122	21	19
- prior years	(5)	5	-	4
Other auditors				
- statutory audit	19	10	-	-
Bad debts	11	17	10	-
Depreciation	3,850	2,887	67	41
* Directors' remuneration for non-executive directors	292	180	292	180
Fair value changes on derivative financial instruments	-	691	-	-
Interest expense on:				
- Bank overdraft	1	2	-	-
- Export credit refinancing	44	35	-	-
- Finance lease	11	9	5	3
- Term loan	127	-	-	-
- Trust receipts	95	85	-	-
Loss on disposal of non-current asset held for sale	-	6	-	-
Loss on disposal of property, plant and equipment	180	150	-	-
Property, plant and equipment written off	176	7	-	-
Realised loss on foreign exchange	576	1,066	-	-
Rental of advertising sites	656	726	-	-
Rental of machinery and equipment	182	29	-	-
Rental of premises	963	343	76	-
** Staff costs	57,875	43,816	2,249	1,302

Notes To The **Financial Statements**

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25. PROFIT BEFORE TAXATION cont'd

This is arrived at: cont'd

	GROUP		COMPANY	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After crediting:				
Bad debts recovered	7	-	-	-
Deemed gain on deconsolidation of a subsidiary	9	-	-	-
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	-	-	-	59
Interest income	127	337	8	-
Rental income	11	6	-	-
Realised gain on foreign exchange	232	-	-	-
Unrealised gain on foreign exchange	908	1,890	-	-

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

	GROUP		COMPANY	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
- Allowance	12	19	12	19
- Equity-settled-share-based payment	44	-	44	-
	56	19	56	19
- Fee	236	161	236	161
	292	180	292	180
Analysed as:				
- Present directors	292	159	292	159
- Past director	-	21	-	21
	292	180	292	180
** **Staff costs**				
- Wages, salaries, incentives, overtime, allowance and bonus	52,287	40,048	1,670	1,120
- Equity-settled-share-based payment	663	-	329	-
- Defined contribution plans	4,782	3,626	246	179
- SOCSO	143	142	4	3
	57,875	43,816	2,249	1,302

Notes To The **Financial Statements**

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25. PROFIT BEFORE TAXATION cont'd

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive directors of the Company:				
Directors' emoluments				
- Salaries	1,291	1,097	932	710
- Equity-settled-share-based payment	229	-	229	-
- Defined contribution plans	245	206	177	135
	1,765	1,303	1,338	845
Directors' fee	2,100	1,400	1,400	1,400
	3,865	2,703	2,738	2,245
Benefits-in-kind	40	40	22	22
	3,905	2,743	2,760	2,267
Executive directors of subsidiaries:				
Directors' emoluments				
- Salaries and bonus	641	555	-	-
- Equity-settled-share-based payment	16	-	-	-
- Defined contribution plans	42	38	-	-
	699	593	-	-
Director's fee	24	24	-	-
	723	617	-	-
Total executive directors' remuneration	4,628	3,360	2,760	2,267
Analysed as:				
- Present directors	4,588	3,360	2,720	2,267
- Past director	40	-	40	-
	4,628	3,360	2,760	2,267

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26. TAXATION

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
In Malaysia				
Current year	(2,905)	(905)	-	-
(Under)/Over provision in prior year				
- Current tax	(26)	(251)	-	(240)
- Deferred tax	172	-	-	-
Deferred tax:				
-Relating to origination and reversal of temporary differences	(116)	(910)	-	-
- Change in tax rate	35	-	-	-
	(81)	(910)	-	-
Realisation of deferred tax upon:				
- Disposal of revalued assets	45	61	-	-
- Depreciation of revalued assets	51	51	-	-
	96	112	-	-
	(2,744)	(1,954)	-	(240)
Outside Malaysia				
Current year	(713)	(288)	-	-
Over provision in prior year	85	-	-	-
	(628)	(288)	-	-
	(3,372)	(2,242)	-	(240)

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

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26. TAXATION cont'd

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

	GROUP		COMPANY	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation	24,173	19,404	21,196	3,863
Income tax at Malaysian statutory tax rate of 25%	(6,043)	(4,851)	(5,299)	(966)
Tax rates differences in foreign jurisdictions	252	23	-	-
Income tax incentive from a local government of The PRC	-	192	-	-
Income not subject to tax	862	530	5,138	1,413
Double deduction of expenses for tax purposes	23	23	-	-
Expenses not deductible for tax purposes	(923)	(494)	(133)	(52)
Annual crystallisation of deferred tax on revaluation surplus	51	51	-	-
Realisation of deferred tax upon disposal of revalued assets	45	61	-	-
Utilisation of unabsorbed allowance for increase in export	570	1,094	-	-
Utilisation of unabsorbed tax losses and capital allowances	1,374	1,953	-	-
Deferred tax movements not recognised	151	(573)	294	(395)
Change in tax rate	35	-	-	-
	(3,603)	(1,991)	-	-
Over/(Under) provision in prior years	231	(251)	-	(240)
	(3,372)	(2,242)	-	(240)

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unabsorbed tax losses	18,499	22,407	1,125	2,317
Unabsorbed capital allowances	1,790	3,764	25	13
Unabsorbed reinvestment allowance	657	657	-	-

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.

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26. TAXATION cont'd

The following (deductible)/taxable temporary differences have not been recognised in the financial statements:

	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Property, plant and equipment	3,401	3,177	27	29
Unabsorbed tax losses	(18,499)	(22,407)	(1,125)	(2,317)
Unabsorbed capital allowances	(1,790)	(3,764)	(25)	(13)
Unabsorbed reinvestment allowance	(657)	(657)	-	-
	(17,545)	(23,651)	(1,123)	(2,301)

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 assets and deferred tax liabilities are 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:

	2014	2013
Profit attributable to owners of the Company (RM'000)	18,487	15,449
Weighted average number of shares ('000)		
Issued shares at beginning	73,734	36,867
Effect of share split	-	36,867
Effect of shares issued pursuant to share options	865	-
Weighted average number of shares at end	74,599	73,734
Basic earnings per share (sen)	25	21*

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

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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:

	2014	2013
Profit attributable to owners of the Company (RM'000)	18,487	15,449
Weighted average number of issued ordinary shares as above	74,599	73,734
Adjustment for dilutive effect of ESOS	3,547	-
	78,146	73,734
Diluted earnings per share (sen)	24	-*

* There is no diluted earnings per share in the previous financial year as the Company did not have any convertible financial instruments as at 31 July 2013.

28. DIVIDENDS

	GROUP AND COMPANY	
	2014	**2013**
	RM'000	**RM'000**
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	-
In respect of financial year ended 31 July 2012:		
- A first and final dividend of 3 sen per share less 25% tax	-	830
	1,863	830

At the forthcoming Annual General Meeting, a first and final single tier dividend of 3.5 sen per share amounting to RM2,641,604 in respect of the financial year ended 31 July 2014 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 2015.

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29. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment:				
- Approved and contracted for	1,181	6,559	-	-
- Approved but not contracted for	8,026	-	-	-
	9,207	6,559	-	-

30. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2014	2013
	RM'000	RM'000
Corporate guarantee for banking facilities given to subsidiaries		
- Limit	53,245	53,650
- Amount utilised	5,826	960

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 subsidiaries. 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 subsidiaries. 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	Manufacture and sale of apparels.
(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.

31. SEGMENTAL INFORMATION cont'd

By business segments

	Apparels		Advertising		Investment Holding and Others		Elimination			Total	
	2014	2013	2014	2013	2014	2013	2014	2013		2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Note	RM'000	RM'000
Revenue											
External sales	284,964	228,878	7,475	6,667	1,674	-	-	-		294,113	235,545
Inter-segment sales	-	-	-	-	25,617	7,038	(25,617)	(7,038)	A	-	-
Total revenue	284,964	228,878	7,475	6,667	27,291	7,038	(25,617)	(7,038)		294,113	235,545
Results											
Segment results	20,347	18,948	1,998	1,795	1,979	(1,545)	-	-		24,324	19,198
Interest expense	(274)	(128)	-	-	(4)	(3)	-	-		(278)	(131)
Interest income	66	295	52	42	9	-	-	-		127	337
Taxation	(3,368)	(1,998)	(11)	(11)	7	(233)	-	-		(3,372)	(2,242)
Profit/(Loss) for the year	16,771	17,117	2,039	1,826	1,991	(1,781)	-	-		20,801	17,162
Assets											
Segment assets	115,750	92,665	6,520	5,034	87,370	52,706	(94,438)	(64,377)		115,202	86,028
Tax recoverable	-	-	-	-	39	39	-	-		39	39
Derivative financial assets	76	-	-	-	-	-	-	-		76	-
Fixed deposits with licensed banks	1,562	1,545	1,038	1,516	508	-	-	-		3,108	3,061
Cash and bank balances	25,310	23,941	1,335	1,129	4,840	782	-	-		31,485	25,852
Total assets	142,698	118,151	8,893	7,679	92,757	53,527	(94,438)	(64,377)		149,910	114,980

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31. **SEGMENTAL INFORMATION** cont'd

By business segments cont'd

	Apparels		Advertising		Investment Holding and Others		Elimination			Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	Note	2014 RM'000	2013 RM'000
Liabilities											
Segment liabilities	79,137	50,512	2,329	1,377	19,928	10,075	(66,805)	(37,123)		34,589	24,841
Borrowings	10,990	5,119	-	-	155	183	-	-		11,145	5,302
Deferred tax liabilities	1,894	2,073	-	-	319	327	-	-		2,213	2,400
Derivative financial liabilities	-	576	-	-	-	-	-	-		-	576
Provision for taxation	1,000	604	10	8	-	-	-	-		1,010	612
Total liabilities	93,021	58,884	2,339	1,385	20,402	10,585	(66,805)	(37,123)		48,957	33,731
Other information											
Additions to non-current assets	9,713	2,520	1,398	986	10,514	3,518	-	-	B	21,625	7,024
Depreciation and amortisation	3,097	2,385	609	381	159	134	-	-		3,865	2,900
Non-cash (income)/expenses other than depreciation and amortisation	(869)	(977)	48	17	259	(59)	-	-	C	(562)	(1,019)

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31. SEGMENTAL INFORMATION 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:

	2014 RM'000	2013 RM'000
Allowance for impairment on trade receivable	27	-
Bad debts	11	17
Deemed gain on deconsolidation of a subsidiary	(9)	-
Fair value changes on derivative financial instruments	(652)	691
(Gain)/Loss on disposal of non-current asset held for sale	(50)	6
Loss on disposal of property, plant and equipment	180	150
Property, plant and equipment written off	176	7
Equity-settled share-based payment	663	-
Unrealised gain on foreign exchange	(908)	(1,890)
	(562)	(1,019)

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	8,004	7,217	52,272	35,120
China	4,895	4,292	8,995	9,032
United States of America	186,398	167,259	-	-
European countries	53,940	34,022	-	-
Other countries	40,876	22,755	-	-
	294,113	235,545	61,267	44,152

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 **RM261,652,266** (2013: RM204,601,955).

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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 either directly or indirectly.

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	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross dividend income from subsidiaries				
- Honsin Apparel Sdn. Bhd.	-	-	16,450	5,202
- HiQ Media (Malaysia) Sdn. Bhd.	-	-	392	261
- Laser Capital Holdings Sdn. Bhd.	-	-	711	137
- Plas Industries Sdn. Bhd.	-	-	3,000	-
Management fee income from subsidiaries				
- Honsin Apparel Sdn. Bhd.	-	-	4,139	1,104
- HiQ Media (Malaysia) Sdn. Bhd.	-	-	96	96
- Plas Industries Sdn. Bhd.	-	-	210	72
- BE Elementz Sdn. Bhd.	-	-	306	80
- Bixiz Kids Incorporated (M) Sdn. Bhd.	-	-	306	80
- Laser Capital Holdings Sdn. Bhd.	-	-	7	1
- South East Garment Manufacturing Sendirian Berhad	-	-	-	1
- Prolexus Marketing Sdn. Bhd.	-	-	-	1
- Pacific Mission Sdn. Bhd.	-	-	-	1

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32. RELATED PARTY DISCLOSURES cont'd

(ii) Related party transactions cont'd

	GROUP 2014 RM'000	GROUP 2013 RM'000	COMPANY 2014 RM'000	COMPANY 2013 RM'000
Management fee income from subsidiaries				
- Character World Sdn. Bhd.	-	-	-	1
- Novel Realty Sdn. Bhd.	-	-	-	1
Purchases from F.D. Way Industrial Co., Ltd.	3,463	3,654	-	-
Agency services charged to Champ Bloom Incorporated	1,502	-	-	-
Professional fee paid to C L Boo & Associates	30	-	-	-
Rental expenses charged by Ahmad Mustapha & Co	76	-	76	-
Handling fees charged by Champ Bloom Incorporated	1,878	-	-	-

(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.

Notes To The **Financial Statements**

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33. CATEGORIES OF FINANCIAL INSTRUMENTS

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

(i) Loans and receivables ("L&R");
(ii) Financial liabilities measured at amortised cost ("FL"); and
(iii) Fair value through profit or loss ("FVTPL").

	Carrying amount RM'000	L&R 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
Fixed 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	-
2013				
Financial assets				
Trade receivables	17,714	17,714	-	-
Other receivables and refundable deposits	1,937	1,937	-	-
Fixed deposits with licensed banks	3,061	3,061	-	-
Cash and bank balances	25,852	25,852	-	-
	48,564	48,564	-	-
Financial liabilities				
Trade payables	10,967	-	10,967	-
Other payables and accruals	13,394	-	13,394	-
Derivative financial instruments	576	-	-	576
Borrowings	5,302	-	5,302	-
	30,239	-	29,663	576

Notes To The **Financial Statements**

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33. CATEGORIES OF FINANCIAL INSTRUMENTS cont'd

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

	Carrying amount RM'000	L&R RM'000	FL RM'000	FVTPL RM'000
COMPANY				
2014				
Financial assets				
Other receivables and refundable deposits	287	287	-	-
Amount due from subsidiaries	39,918	39,918	-	-
Fixed 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	-
2013				
Financial assets				
Other receivables and refundable deposits	28	28	-	-
Amount due from subsidiaries	22,263	22,263	-	-
Cash and bank balances	327	327	-	-
	22,618	22,618	-	-
Financial liabilities				
Other payables and accruals	1,661	-	1,661	-
Amount due to subsidiaries	1,377	-	1,377	-
Borrowings	183	-	183	-
	3,221	-	3,221	-

Notes To The **Financial Statements**
31 July 2014
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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** (2013: 20 to 90 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
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
2013			
Not past due	9,310	-	9,310
Past due 1 - 30 days	4,824	-	4,824
Past due 31 - 60 days	2,739	-	2,739
Past due 61 - 90 days	552	-	552
Past due more than 90 days	289	-	289
	8,404	-	8,404
	17,714	-	17,714

Notes To The **Financial Statements**

31 July 2014
cont'd

34. FINANCIAL RISK MANAGEMENT cont'd

34.1 Credit risk cont'd

34.1.1 Trade receivables cont'd

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 **RM3,419,299** (2013: RM8,404,524) that are past due but not impaired as the management is of the view that these debts will be recovered in due course.

The Group has significant concentration of credit risk in the form of outstanding balance due from **2 customers** (2013: 2 customers) representing **75%** (2013: 86%) of the total trade receivables.

34.1.2 Intercompany balances

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

The maximum exposure to credit risk is represented by their carrying amount in the Company's statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

34.1.3 Financial guarantees

The Company provides unsecured corporate guarantee to banks in respect of credit facilities granted to certain 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.

Notes To The **Financial Statements**

31 July 2014

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34. FINANCIAL RISK MANAGEMENT cont'd

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	Contractual cash flows	Within 1 year	More than 1 year and less than 2 years	More than 2 years and less than 5 years	More than 5 years
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP						
2014						
Non-derivative financial liabilities						
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	-	-	-
	44,232	45,017	40,309	866	2,599	1,243
2013						
Non-derivative financial liabilities						
Interest bearing borrowings	5,302	5,341	5,141	53	100	47
Trade payables	10,967	10,967	10,967	-	-	-
Other payables and accruals	13,394	13,394	13,394	-	-	-
Derivative financial liabilities						
Forward exchange contracts	576	576	576	-	-	-
	30,239	30,278	30,078	53	100	47

Notes To The **Financial Statements**

31 July 2014
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
COMPANY						
2014						
Non-derivative financial liabilities						
Interest bearing borrowings	155	180	33	33	100	14
Other payables and accruals	2,027	2,027	2,027	-	-	-
	2,182	2,207	2,060	33	100	14
2013						
Non-derivative financial liabilities						
Interest bearing borrowings	183	213	33	33	100	47
Other payables and accruals	1,661	1,661	1,661	-	-	-
Amount due to subsidiaries	1,377	1,377	1,377	-	-	-
	3,221	3,251	3,071	33	100	47

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.

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Financial assets	3,108	3,061	508	-
Financial liabilities	6,509	5,111	155	183
Floating rate instruments				
Financial liabilities	4,636	191	-	-

Notes To The **Financial Statements**

31 July 2014
cont'd

34. FINANCIAL RISK MANAGEMENT cont'd

34.3 Interest rate risk cont'd

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 taxation by **RM6,705** (2013: RM55) 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 foreign exchange policies are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

The Group is exposed to foreign currency risk mainly on sales and purchases that are denominated in a currency other than the Group'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").

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

	2014		2013	
	USD RM'000	OTHERS RM'000	USD RM'000	OTHERS RM'000
Trade receivables	21,527	-	14,342	-
Other receivables	601	166	942	-
Cash and bank balances	25,813	5	20,359	-
Borrowings	(5,147)	-	(4,108)	-
Trade payables	(12,051)	(14)	(6,765)	(13)
Other payables	(1,714)	-	(43)	-
Derivative financial instruments	76	-	(576)	-
Net exposure	29,105	157	24,151	(13)

Notes To The **Financial Statements**

31 July 2014
cont'd

34. FINANCIAL RISK MANAGEMENT cont'd

34.4 Foreign currency risk cont'd

Sensitivity analysis for foreign currency risk

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 profit before taxation. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have decreased profit before taxation by the amount shown below and a corresponding decrease would have an equal but opposite effect.

	GROUP	
	2014	**2013**
	RM'000	**RM'000**
USD	(2,911)	(2,415)
Others	(16)	1
Decrease in profit before taxation	(2,927)	(2,414)

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 table below analyses financial instrument carried at fair value together with its fair value and carrying amount shown in the statement of financial position.

	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying Amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2014					
Financial assets					
Forward exchange contracts	-	76	-	76	76
2013					
Financial liabilities					
Forward exchange contracts	-	576	-	576	576

Notes To The **Financial Statements**

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS cont'd

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.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial liabilities, either directly or indirectly.

Derivatives

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

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.

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.

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37. EMPLOYEE SHARE OPTION SCHEME ("ESOS") cont'd

The salient features of the ESOS are as follows: cont'd

(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.

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:

			← Options over ordinary shares of RM0.50 each →				
Grant date	**Expiry date**	**Exercise price**	**Balance at beginning**	**Granted and accepted**	**Exercised**	**Forfeited**	**Balance at end**
12.9.13	8.9.18	RM0.82	-	8,604,400	(1,657,800)	(501,800)	6,444,800
7.5.14	8.9.18	RM1.266	-	990,000	(82,000)	(4,000)	904,000

The fair value of the share options granted on 12 September 2013 and 7 May 2014 were RM0.15 and RM0.50 respectively and 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-Sept-13	**7-May-14**
Expected volatility (%)	10.09	36.89
Risk-free interest rate (% p.a.)	3.82	3.91
Dividend yield (%)	3.11	1.96
Borrowings cost (%)	2.56	2.56
Expected life of option (years)	4.99	4.34
Weighted average share price (RM)	0.96	1.51

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. EVENT AFTER THE REPORTING PERIOD

On 5 September 2014, the Company has granted 1,800,000 options to its eligible employees at an exercise price of RM1.36 per share, out of which 1,786,000 options were accepted.

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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	59,388	42,168	22,997	3,630
- Unrealised	741	289	-	-
	60,129	42,457	22,997	3,630
Less: Consolidation adjustments	(8,891)	(7,797)	-	-
	51,238	34,660	22,997	3,630

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 2014 RM'000	Year of acquisition/ revaluation
HONSIN APPAREL SDN. BHD.						
Lot 590 (New Lot 2596) Mukim of Simpang Kanan District of Batu Pahat Johor	A knitting factory cum office with storage building	12,146.88 $metre^2$ (7,413.65 $metre^2$)	Factory and office	Freehold (15 1/2 years to 19 years)	10,147	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	3,827.30 $metre^2$ (1,870.64 $metre^2$)	Vacant	Freehold (1 year)	5,643	2013
1, Jalan Tupai Terbang 4 Taman Sri Saga 83000 Batu Pahat Johor	Double storey bungalow house	505 $metre^2$ (975 $metre^2$)	Hostel	Freehold (19 years)	503	2014
HONWAYS APPAREL SHUYANG LIMITED						
Land Certification No. 27141 Property Certification No. 0101524 Shuyang Development Zone Jiangsu, China.	A factory with 13 units of Buildings	26,667.00 $metre^2$ (12,089.19 $metre^2$)	Factory Office Hostel Canteen Warehouse	Leasehold 50 years expiring on 16.11.2055 (8 years)	3,429	2010
PLAS INDUSTRIES SDN. BHD.						
Plot No. 255 (iii) Kawasan Perusahaan Mak Mandin Mukim 14 Seberang Perai Tengah Pulau Pinang	3 storey factory	N/A (3,861 $metre^2$)	Factory Warehouse Office	Leasehold 60 years expiring on 21.2.2052 (14 years)	3,099	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 2014 RM'000	Year of acquisition/ revaluation
SOUTH EAST GARMENT MANUFACTURING SENDIRIAN BERHAD						
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 $metre^2$ (2,506.7 $metre^2$)	Factory and Office	Leasehold 60 years expiring on 21.2.2052 (22 years)	2,844	2010*
NOVEL REALTY SDN BHD						
Lot 20315 Mukim of Simpang Kanan District of Batu Pahat Johor	A double storey bungalow house	794.45 $metre^2$ (418.07 $metre^2$)	Vacant	Freehold (18 years)	816	2012
Lot 2937 Mukim of Simpang Kanan District of 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	9,753.3 $metre^2$	Vacant	Freehold	1,240	2013
Lot 1606 GM 16 Mukim of Tanjung Kupang Kg Pok Kechil Tanjung Kupang Johor Bahru Johor	Vacant land	25,774.33 $metre^2$	Vacant	Freehold	8,657	2013
					39,527	

Note:-

* *Year of revaluation*

Analysis of **Shareholdings**
as at 31 October 2014

Share Capital as at 31 October 2014

Authorised share capital	:	200,000,000 ordinary shares of RM0.50 each
Issued and fully paid-up	:	76,214,100 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 31 October 2014

Size of Holdings	No. of Depositors	No. of Shares Held	% of Issued Capital
Less than 100	72	1,338	0.00
100 - 1,000	229	114,692	0.15
1,001 - 10,000	1,338	6,915,364	9.08
10,001 - 100,000	537	15,952,136	20.93
100,001 - 3,810,704	91	44,488,570	58.37
3,810,705 - 76,214,100	2	8,742,000	11.47
TOTAL	2,269	76,214,100	100.00

30 Largest Shareholders as at 31 October 2014

		Normal Holdings	Holdings %
1	JE HOLDINGS SDN BHD	4,616,800	6.06
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LAU MONG YING	4,125,200	5.41
3	NARSPA HOLDINGS SDN BHD	3,100,000	4.07
4	JE HOLDINGS SDN BHD	3,083,620	4.05
5	METRO CAPITAL ASSET MANAGEMENT SDN BHD	2,585,400	3.39
6	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG HONG KONG (FOREIGN)	2,298,700	3.02
7	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR NARSPA HOLDINGS SDN BHD (TERM)	2,100,000	2.76
8	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NA, SINGAPORE (JULIUS BAER)	1,734,200	2.28
9	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (FINLAND)	1,495,000	1.96
10	LIM HOEI BOON	1,371,872	1.80
11	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP KIM CHOO	1,315,500	1.73
12	NG CHING HOON	1,192,100	1.56
13	LAU MONG YING	1,006,200	1.32
14	LIM HENG LOONG	990,600	1.30

Analysis of **Shareholdings**
as at 31 October 2014
cont'd

30 Largest Shareholders as at 31 October 2014 cont'd

		Normal Holdings	Holdings %
15	WONG FOCK WAH	923,200	1.21
16	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	800,000	1.05
17	GOH MING CHOO	738,000	0.97
18	LIN, CHENG-LANG	666,748	0.87
19	YIP YUEN KUAN	662,700	0.87
20	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI	640,000	0.84
21	TEH GUAT HONG	630,300	0.83
22	SANG BEE YIAN	600,900	0.79
23	TAN HOON CHENG	600,000	0.79
24	GOO MOI	591,000	0.78
25	CHONG TECK SENG	568,400	0.75
26	CHEN, CHENG-CHUN	538,000	0.71
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JE HOLDINGS SDN BHD (KULS)	499,930	0.66
28	AMIN HALIM	480,000	0.63
29	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI KIN CHONG @ OUI KIN CHONG (8063257)	472,800	0.62
30	CARTABAN NOMINEES (TEMPATAN) SDN BHD NOMURA ISLAMIC ASSET MANAGEMENT SDN BHD FOR JURUDATA SDN BHD	460,000	0.60
		40,887,170	53.68

1. Directors' shareholdings as at 31 October 2014

		No. of ordinary shares of RM0.50 each			
		Direct	%	Deemed	%
i	Ahmad Mustapha Ghazali	700,000	0.92%	7,826,900 (1)	10.27%
ii	Lau Mong Ying	5,162,468	6.77%	8,200,350 (2)	10.76%
iii	Lau Mong Fah	348,000	0.46%	8,200,350 (2)	10.76%
iv	Khadmudin Bin Mohamed Rafik	462,000	0.61%	-	-
v	Lin, Cheng-Lang	666,748	0.87%	-	-
vi	Chin Chew Mun	30,000	0.04%	-	-
vii	Boo Chin Liong	-	-	-	-

(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*

Analysis of **Shareholdings**

as at 31 October 2014

cont'd

2. Substantial Shareholders (excluding bare trustees) according to the Register of Substantial Shareholders as at 31 October 2014

		No. of ordinary shares of RM0.50 each			
		Direct	**%**	**Deemed**	**%**
i	Lau Mong Ying	5,162,468	6.77%	8,200,350 [(1)]	10.76%
ii	Lau Mong Fah	348,000	0.46%	8,200,350 [(1)]	10.76%
iii	Narspa Holdings Sdn. Bhd.	5,200,000	6.82%	-	-
iv	Ahmad Mustapha Ghazali	700,000	0.92%	7,785,400 [(2)]	10.22%
v	Lau Boon Hwa	266,000	0.35%	8,200,350 [(1)]	10.76%

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

[(2)] *Deemed interested by virtue of his interest in Narspa Holdings Sdn. Bhd. and Metro Capital Asset Management Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965*

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PROLEXUS BERHAD
(250857-T) Incorporated in Malaysia

Proxy **Form**

* I/We ______________________________ (NRIC No./Passport No./

Company No. ______________) of ______________________________

______________________________ being a *member/members of the

abovenemed 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-Second 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 Wednesday, 10 December 2014 at 10.00 a.m., and at any adjournment thereof.

RESOLUTION	**1**	**2**	**3**	**4**	**5**	**5**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
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______________ ,2014.

No. of shares held ______________

____

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

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	**%**
Proxy 1		
Proxy 2		
		100

Notes:

1. *A proxy may but need not be a member of the Company.*
2. *Where a member appoints a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he 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. If this form is sent by facsimile to the registered office before forty-eight (48) hours before 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.*

** strike out whichever is not desired.*

Fold This Flap For Sealing

2nd fold here

Stamp

The Company Secretary

PROLEXUS BERHAD
(Company No. 250857-T)

51-21-A, Manara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

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