PROLEXUS BERHAD

(250857 - T)

Incorporated in Malaysia

ANNUAL REPORT

2008

LAPORAN TAHUNAN

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company will be held at the Conference Room of Prolexus Berhad, 6944 Jalan Mak Mandin, Kawasan Perusahaan Mak Mandin, 13400 Butterworth, Penang on Friday, 19 December 2008 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2008 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve the payment of Directors' fees for the financial year ended 31 July 2008. **Ordinary Resolution 2**

3. To re-elect Encik Ahmad Mustapha Ghazali, the Director retiring pursuant to Article 77 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **Ordinary Resolution 3**

4. To re-elect Mr. Lee Kuan Mang, the Director retiring pursuant to Article 77 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **Ordinary Resolution 4**

5. To re-appoint Messrs. Grant Thornton (formerly known as JB Lau & Associates) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business:
To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

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

   "That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, 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 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 and quotation for the additional shares to be issued." **Ordinary Resolution 6**

7. 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.

BY ORDER OF THE BOARD,

LEE PENG LOON (MACS 01258)
Secretary

Penang
27 November 2008

EXPLANATORY NOTE ON SPECIAL BUSINESS

Ordinary Resolution 6

The ordinary resolution proposed under Ordinary Resolution No. 6, if passed, will give the Directors of the Company authority to 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 would 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.

NOTES:-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. To be valid, the proxy form duly completed must be deposited at the Registered Office of the Company, No. 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, not less than 48 hours before the time for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

PROLEXUS BERHAD
(250857 - T)
Incorporated in Malaysia

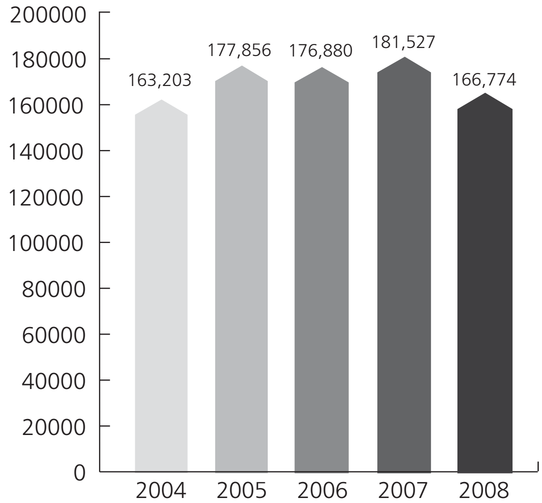
Corporate Information

Directors	Ahmad Mustapha Ghazali *(Chairman, Non-Independent Non-Executive Director)* Lau Mong Ying *(Managing Director)* Cheah Chin Teong *(Executive Director)* Willie Gan Wee Lee *(Executive Director)* Lau Mong Fah *(Non-Independent Non-Executive Director)* Lee Kuan Mang *(Independent Non-Executive Director)* Lin, Cheng-Lang *(Independent Non-Executive Director)* Khadmudin Bin Hj. Mohamed Rafik *(Independent Non-Executive Director)*
Company Secretary	Lee Peng Loon (MACS 01258)
Audit Committee	Lee Kuan Mang *(Chairman, Independent Non-Executive Director)* Ahmad Mustapha Ghazali *(Non-Independent Non-Executive Director, Member of The Malaysian Institute of Accountants)* Lin, Cheng-Lang *(Independent Non-Executive Director)* Khadmudin Bin Hj. Mohamed Rafik *(Independent Non-Executive Director)*
Nomination Committee	Lee Kuan Mang *(Chairman, Independent Non-Executive Director)* Ahmad Mustapha Ghazali *(Non-Independent Non-Executive Director)* Lin, Cheng-Lang *(Independent Non-Executive Director)*
Remuneration Committee	Lau Mong Ying *(Chairman, Managing Director)* Lee Kuan Mang *(Independent Non-Executive Director)* Lau Mong Fah *(Non-Independent Non-Executive Director)*
Registered Office	51-21-A Menara BHL Bank Jalan Sultan Ahmad Shah 10050 Penang Tel : 04-2276888 Fax : 04-2298118
Business Address	6944 Jalan Mak Mandin Kawasan Perusahaan Mak Mandin 13400 Butterworth Penang Tel : 04-3319608 Fax : 04-3319610 E-Mail : enquiries@prolexus.com.my Website : www.prolexus.com.my
Share Registrar	Agriteum Share Registration Services Sdn. Bhd. 2nd Floor Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang Tel : 04-2282321 Fax : 04-2272391
Auditors	Grant Thornton (formerly known as JB Lau & Associates) Chartered Accountants
Principal Bankers	CIMB Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad OCBC Bank (Malaysia) Berhad RHB Bank Berhad EON Bank Berhad Export-Import Bank of Malaysia Berhad
Solicitors	Ghazi & Lim Zaid Ibrahim & Co.
Stock Exchange Listing	Second Board of Bursa Malaysia Securities Berhad

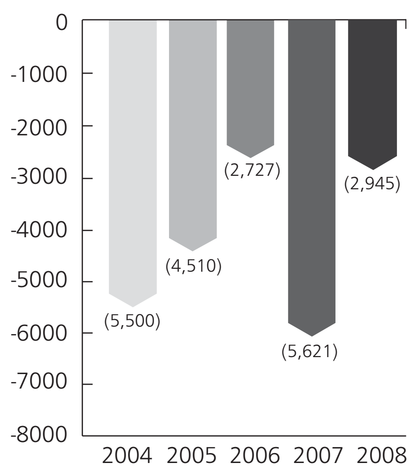
Financial Highlights

	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Turnover	163,203	177,856	176,880	181,527	166,774
Loss Before Tax	(5,500)	(4,510)	(2,727)	(5,621)	(2,945)
Loss After Tax	(5,208)	(4,598)	(1,976)	(5,869)	(2,892)
Paid-up Capital	40,000	40,000	40,000	40,000	40,000
Shareholders' Funds	48,871	44,186	39,815	33,560	30,541
Loss Per Share (sen)	(11)	(10)	(8)	(17)	(8)
Dividend Per Share (sen)	1	1	1	–	–
Net Tangible Asset Per Share (sen)	116	106	98	81	79

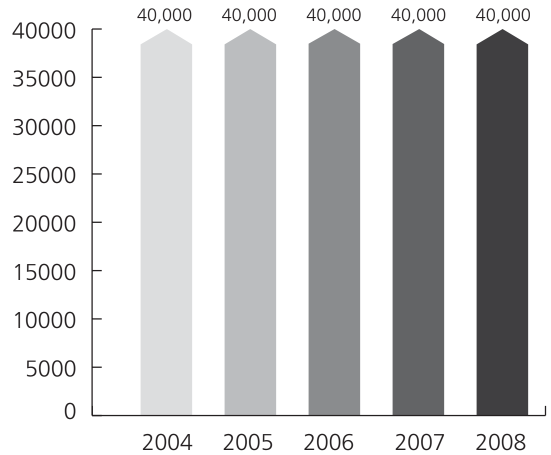
Turnover



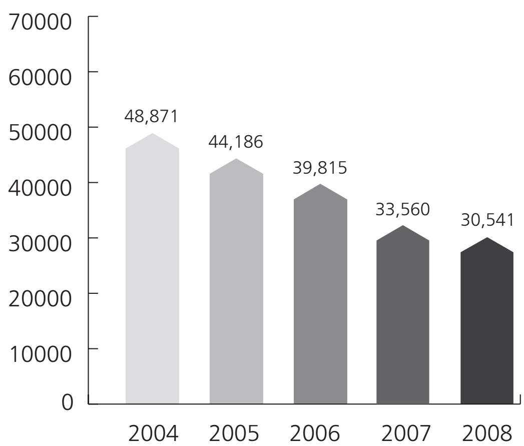
Loss Before Tax



Paid-up Capital



Shareholders' Fund



Chairman's Statement

On behalf of the Board of Directors, I present the financial results of the Group for the year ended 31 July 2008.

REVIEW OF OPERATIONS AND PROSPECTS

Revenue for the current financial year decreased by RM14,753,000 to RM166,774,000 when compared to that of the previous financial year of RM181,527,000. The decrease in revenue is mainly attributed to the decrease in revenue of the garment manufacturing division.

The Group recorded a lower loss before taxation of RM2,945,000 for the current financial year as compared to a loss before taxation of RM5,621,000 for the previous financial year. The improvement in performance is mainly due to higher margins on orders received and stringent cost control.

DIVIDEND

No dividend has been recommended for the financial year ended 31 July 2008.

APPRECIATION

On behalf of the Board of Directors, I wish to express my appreciation and gratitude to our business associates, government agencies, financial institutions and our valued shareholders 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
Chairman
10 November 2008

Statement of 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 shareholder value and the financial performance of the Group.

The Group has applied the Principles in Part I and complied with the Best Practices in Part II of the Malaysian Code On Corporate Governance ("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 Nomination Committee was set-up on 14 April 2001, and comprises non-executive directors, the majority of whom are independent;
- The Remuneration Committee was set-up on 14 April 2001, and comprises mainly non-executive directors;
- Messrs. UHY Diong, Chartered Accountants are engaged to provide, inter-alia, risk based internal audit services; and
- 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 summarised on page 13.

DIRECTORS

The Board of Directors leads and controls the Group. It currently comprises three executive directors, three independent non-executive directors and two non-independent non-executive directors. The Board meets at least 4 times in each financial year with additional meetings convened as necessary. All Board members bring an independent judgement 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 the 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 three of its eight members being independent non-executive directors.

In accordance with the Company's Articles of Association, all new appointments to the Board are subject to election by shareholders at the first Annual General Meeting of the Company after their appointment. In addition, one third of the remaining directors are required to submit themselves for re-election by rotation at each Annual General Meeting.

All directors are provided with an agenda and a set of Board papers prior to Board Meetings. This is issued in sufficient time to enable the directors 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 the advice and services of the Company Secretary.

Lee Kuan Mang who is the Audit Committee Chairman is the senior independent non-executive director to whom any concerns relating to the Group may be conveyed.

The Board had on 26 September 2008 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.

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

The Board through the Nomination 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 26 September 2008 by the Nomination Committee.

The Remuneration Committee recommends the remuneration of the Executive Directors (who are not party to any decision thereto).

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 continuing education programme.

The directors' profiles are as follows:

Chairman *(Non-Independent Non-Executive)*

Ahmad Mustapha Ghazali, aged 60, was appointed to the Board on 6 September 1993 and was appointed to the post of Chairman of the Board on 1 October 2002. He is a Fellow of the Chartered Association of Certified Accountants (UK) and a member of both the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants and is currently a partner of an international accounting firm.

Managing Director

Lau Mong Ying, aged 59, 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 garment industry since 1973.

Executive Directors

Cheah Chin Teong, aged 53, was appointed to the Board on 30 January 1993 and is the Executive Director of the Group. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He has been involved in the garment industry since 1992.

Willie Gan Wee Lee, aged 52, was appointed to the Board on 23 August 2002 and is the Executive Director – Finance primarily responsible for the financial management of the Group. He was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1980 and of the Malaysian Institute of Accountants in 1982. 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.

Non-Independent Non-Executive Directors

Lau Mong Fah, aged 54, was appointed to the Board on 3 September 1998. He is a Fellow Member of the Association of International Accountants, London since 1988. He is currently attached to a professional firm providing tax advisory and consulting services, and corporate secretarial and share registration services. He is a brother of Lau Mong Ying.

Independent Non-Executive Directors

Lee Kuan Mang, aged 66, was appointed to the Board on 2 May 2000. He is a Barrister-at-law (England) and an Advocate & Solicitor of the High Court, States of Malaya. He has previously served on the Board of several public listed companies, including one in Australia.

Lin, Cheng-Lang, aged 69 and from Taiwan, was appointed to the Board on 10 September 1998. He graduated from Taiwan University in 1962 and has extensive experience in the garment industry having served as a managing director with various textile companies in Taiwan until his retirement in 1994.

Khadmudin Bin Hj. Mohamed Rafik, aged 54, was appointed to the Board on 9 September 2003. He obtained his Australian Matriculation Certificate in 1973 and Inspectors Certificate in 1976. He joined the Royal Malaysian Police Force as Senior Police Officer from 1976 to 1995. His last position before optional retirement was the Assistant Superintendent of Police performing the duties of "Head of Prosecution Department". He is presently the managing director and owner of a private limited company specialising in knitted fabric.

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 6 meetings between 1 August 2007 and 31 July 2008 and the number of meetings attended by the Directors are as follows:

Name	**Number of meetings attended**
Ahmad Mustapha Ghazali	5
Lau Mong Ying	5
Cheah Chin Teong	4
Willie Gan Wee Lee	6
Lau Mong Fah	6
Lee Kuan Mang	6
Lin, Cheng-Lang	5
Khadmudin Bin Hj. Mohamed Rafik	6

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, bonus 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 2007 including proposed directors fees are as follows:-

RM	**Salary and allowance RM**	**Bonus RM**	**Fees RM**	**Benefits-in-kind RM**	**EPF RM**	**Total 2007 RM**	**Total 2006**
Executives (3)	944,981	-	-	46,775	160,784	1,152,540	1,143,214
Non-Executives (5)	-	-	170,000	22,434	-	192,434	206,250
Total	944,981	-	170,000	69,209	160,784	1,344,974	1,349,464

The Board is of the opinion that it is advisable not to detail each director's remuneration.

REMUNERATION COMMITTEE – COMPOSITION AND TERMS OF REFERENCE

Composition and Designation of Remuneration Committee

Lau Mong Ying
Chairman
(Managing Director)

Lee Kuan Mang
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 wholly or 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; and
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.

Executive directors should play no part in decisions on their own remuneration. The determination of remuneration packages of non-executive directors, including non-executive chairman should be a matter for the board as a whole.

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 and 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.

NOMINATION COMMITTEE – COMPOSITION AND TERMS OF REFERENCE

Composition and Designation of Nomination Committee

Lee Kuan Mang
Chairman
(Independent Non-Executive Director)

Ahmad Mustapha Ghazali
Member
(Non-Independent Non-Executive Director)

Lin-Cheng Lang
Member
(Independent Non-Executive Director)

Terms of Reference

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

a. Size and Composition

The Nomination Committee shall be appointed by the Board of Directors from amongst its members and composed exclusively of 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 Nomination Committee shall meet at least once a year to carry out the duties and responsibilities in item (c) as stated below. The Nomination 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 Nomination Committee, members present shall elect a Chairman for the meeting.

The Company Secretary shall act as the secretary of the Nomination 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 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; and
iv) to annually assess the effectiveness of the Board as a whole, the committees of the Board and contribution of each individual director to the effective decision making of the Board, save and except where the assessment of performance is in respect of any member or members of the Committee.

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

d. Authority

The Nomination Committee is authorised by the Board to investigate any activity within its Terms of Reference. It shall be provided with the resources to perform its duties and full and unrestricted access to information pertaining to the Company and the Group.

The Nomination 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 undisclosed 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; and
- Regular visits to operating units by members of the Board and senior management.

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

The Group is constantly reviewing the adequacy and integrity of the Group's system of internal controls and for this purpose, the Internal Auditors report directly to the Audit Committee Chairman.

The role of the Audit Committee is stated on pages 14 to 16 and the report of the Audit Committee is shown on page 17.

This Statement Of Corporate Governance is made by the Board of Directors in accordance with a resolution of the Board of Directors dated 10 November 2008.

AHMAD MUSTAPHA GHAZALI
Chairman

LAU MONG YING
Managing Director

Code of Conduct

Prolexus Berhad and its subsidiaries, will conduct our 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 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, place a premium on integrity and fair dealing in relationships 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 of ethical and professional standards through fair and honest dealings with employees, suppliers, customers, stakeholders and other 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 the Group's assets and business information 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

Lee Kuan Mang
Chairman
(Independent Non-Executive Director)

Ahmad Mustapha Ghazali
Member
(Non-Independent Non-Executive Director)
(Member of The Malaysian Institute of Accountants)

Lin, Cheng-Lang
Member
(Independent Non-Executive Director)

Khadmudin Bin Hj. Mohamed Rafik
Member
(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 Audit Committee shall be appointed by the Board of Directors from amongst its member and shall consist of not fewer than three members of whom majority shall be independent directors of the Company. 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 I of the 1st Schedule of the Accountant Act, 1967 or is a member of one of the associations specified in Part II of the said Schedule. The members of the 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 member as maybe required to correct the breach. The Board of Directors shall review the composition of the committee at least once every three years.

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.

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 Executive Director – Finance, 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 management at least once a year to consider the final audited financial statements and such other meetings as determined by the Committee and/or as requested by the External Auditors.

The Company 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 the 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 accounting policies, principles and practice, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards and compliance with 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 and resources of internal audit, necessary authority to carry out internal audit work and extent of co-operation and assistance given by the employees to internal audit;
vii. Review the internal audit plan and work programme, consider major findings of internal audit investigation and management response and ensure co-ordination between Internal and External Auditors;
viii. Ascertain the adequacy of the Group's risk assessment and management framework in identifying and considering principal business risks and ensure the implementation of appropriate systems to manage these risks;
ix. Keep under review the effectiveness of internal control systems and in particular to review and monitor the implementation of recommendation of the External Auditors' management letter and management's response;
x. Consider and review any related party transaction that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
xi. Identify and direct any special projects or investigation deemed necessary; and
xii. Report any breaches of listing requirements, which have not been satisfactory resolved to the Bursa Malaysia Securities Berhad.

e. Authority

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It shall be provided with the resources to perform its duties and 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 in the absence of the executive members of the Committee whenever deemed necessary.

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

In accordance with a resolution of the Board of Directors dated 26 September 2008.

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 26 September 2008.

During the financial year ended 31 July 2008, 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 Audit Committee is as follows:-

Name	No. of meetings attended
Lee Kuan Mang, Chairman	5
Ahmad Mustapha Ghazali	4
Lin, Cheng-Lang	5
Khadmudin Bin Hj. Mohamed Rafik	5

The Audit Committee has reviewed the annual accounts and quarterly results announcements made to Bursa Malaysia Securities Berhad and considered 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 also considered reports from External Auditors on matters identified in the course of their statutory audit.

INTERNAL AUDIT FUNCTION

Internal audit function was established at the Company on 1 June 2001 to measure and evaluate the functioning of internal controls put in place by the management at the Company and its subsidiaries. On 30 March 2005, Messrs. UHY Diong, Chartered Accountants, was appointed as the Internal Auditors. The Internal Auditors 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; and
- Ascertain extent to which company assets are accounted for and safeguarded from losses of all kinds.

Signed on behalf of the Audit Committee

LEE KUAN MANG
Chairman, Audit Committee
26 September 2008

Statement about the State on Internal Control

Pursuant to Paragraph 15.27(b) of Bursa Securities Listing Requirements, the Board of Directors of Prolexus Berhad is pleased to provide the following statement on the state on internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Internal Control Guidance') issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

RESPONSIBILITY FOR RISK 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 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 Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly 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.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional accounting and consulting firm, Messrs. UHY Diong 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 adequate 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.

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 ISO9001:2000 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 a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of 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.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of Bursa Securities Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 26 September 2008.

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 state of affairs of the Company and of the Group at the end of the financial year and of the results of the business of the Company and of the Group 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 provision of the Act.

The Directors consider that in preparing the financial statements for the year ended 31st July 2008 set out on pages 24 to 64, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have responsibility for ensuring that the Company and the Group keep accounting records which enable them to ensure that the financial statements comply with the Act. 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 10 November 2008.

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 ethical 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 all 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.

Material Contracts

Apart from the directors employment contracts and those related party transactions as disclosed in Note 28, there are no other material contracts involving the Directors and major shareholders with the Company and its subsidiaries.

Directors' Report
for the financial year ended 31 July 2008

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended **31 July 2008**.

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 the manufacturing and sale of garments, investment holding and the provision of advertising services on multimedia boards.

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

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Loss after taxation for the year	**(2,892)**	**(3,072)**
Attributable to :		
Equity holders of the Company	**(3,019)**	**(3,072)**
Minority interests	**127**	**-**
	(2,892)	**(3,072)**

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 2008** 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.

DIVIDENDS

No dividends have been declared or paid by the Company since the end of the previous financial year.

The directors do not recommend any dividend payment for the financial year.

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.

SHARE CAPITAL

During the financial year, 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.

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 **40,000,000** issued and fully paid ordinary shares as at 31 July 2008, **3,588,800** are held as treasury shares by the Company. As at 31 July 2008, the number of outstanding ordinary shares in issue and fully paid is therefore **36,411,200** ordinary shares of RM1 each.

Further relevant details are disclosed in Note 15 to the financial statements.

DIRECTORS

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

Ahmad Mustapha Ghazali
Lau Mong Ying
Cheah Chin Teong
Willie Gan Wee Lee
Lau Mong Fah
Lee Kuan Mang
Lin, Cheng-Lang
Khadmudin Bin Hj. Mohamed Rafik

In accordance with Article 77 of the Company's Articles of Association, **Encik Ahmad Mustapha Ghazali** and **Mr. Lee Kuan Mang** retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 and its related corporations during the financial year are as follows:

	----- Number of ordinary shares of RM1 each -----			
	Balance at 1.8.07	**Bought**	**Sold**	**Balance at 31.7.08**
The Company				
Direct Interest:				
Ahmad Mustapha Ghazali	30,000	-	-	30,000
Lau Mong Ying	5,308,334	-	2,853,300	2,455,034
Cheah Chin Teong	12,506	126,200	-	138,706
Lau Mong Fah	20,000	40,000	-	60,000
Lin, Cheng-Lang	273,374	20,000	-	293,374
Khadmudin Bin Hj. Mohamed Rafik	38,100	230,000	-	268,100
Deemed Interest:				
Ahmad Mustapha Ghazali	2,053,000	30,000	-	2,083,000

DIRECTORS' BENEFITS

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

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

OTHER STATUTORY INFORMATION

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

(i) all known bad debts have been written off and adequate allowance made for doubtful debts, and

(ii) all current assets have been stated at the lower of cost and net realisable value.

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, or

(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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

AUDITORS

The auditors, **Grant Thornton (formerly known as JB Lau & Associates)**, have expressed their willingness to continue in office.

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

LAU MONG YING
Managing Director

WILLIE GAN WEE LEE
Executive Director

Penang,

Date: 10 November 2008

Consolidated Balance Sheet
at 31 July 2008

	NOTE	2008 RM'000	2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**29,892**	30,363
Prepaid land lease payments	4	**676**	691
Investments	5	**-**	11,786
Goodwill on consolidation	6	**2,712**	2,712
		33,280	45,552
Current assets			
Inventories	7	**22,640**	21,618
Trade receivables	8	**14,326**	15,997
Other receivables, deposits and prepayments	9	**3,373**	6,204
Amount due from an associate	10	**14**	13
Tax recoverable		**712**	1,934
Fixed deposits with licensed banks	12	**506**	506
Cash and bank balances	13	**3,583**	3,673
		45,154	49,945
TOTAL ASSETS		**78,434**	95,497
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	14	**40,000**	40,000
Treasury shares	15	**(1,717)**	(1,717)
Reserves	16	**(7,742)**	(4,723)
		30,541	33,560
Minority interests		**3,460**	3,333
Total equity		**34,001**	36,893
Non-current liabilities			
Borrowings	17	**7,028**	1,695
Deferred tax liabilities	18	**486**	374
		7,514	2,069
Current liabilities			
Trade payables	19	**11,927**	8,542
Other payables and accruals	20	**7,900**	8,989
Borrowings	17	**16,644**	38,901
Provision for taxation		**448**	103
		36,919	56,535
Total liabilities		**44,433**	58,604
TOTAL EQUITY AND LIABILITIES		**78,434**	95,497

The notes set out on pages 35 to 64 form an integral part of these financial statements.

Consolidated Income Statement
for the year ended 31 July 2008

	NOTE	2008 RM'000	2007 RM'000
Revenue	21	**166,774**	181,527
Cost of sales		**(147,623)**	(165,062)
Gross profit		**19,151**	16,465
Other income		**472**	1,448
Administrative expenses		**(11,909)**	(13,540)
Selling and distribution expenses		**(7,616)**	(6,547)
Operating profit/(loss)		**98**	(2,174)
Investments written off	22	**(1,500)**	(662)
Finance costs		**(1,543)**	(2,785)
Loss before taxation	23	**(2,945)**	(5,621)
Taxation	24	**53**	(248)
Loss for the year		**(2,892)**	(5,869)
Attributable to:			
Equity holders of the Company		**(3,019)**	(6,135)
Minority interests		**127**	266
		(2,892)	(5,869)
Basic loss per share attributable to equity holders of the Company (sen)	25	**(8)**	(17)

The notes set out on pages 35 to 64 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2008

	NOTE	Share Capital RM'000	Treasury Shares RM'000	Asset Revaluation Reserve RM'000	Foreign Translation Reserve RM'000	(Accumulated Losses)/Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
		---- Attributable to Equity Holders of the Company ----		---- Non distributable ----					
2008									
Balance at beginning		**40,000**	**(1,717)**	**1,425**	**-**	**(6,148)**	**33,560**	**3,333**	**36,893**
Net gains/losses not recognised in the income statement	18	**-**	**-**	**(6)**	**-**	**6**	**-**	**-**	**-**
Loss for the year		**-**	**-**	**-**	**-**	**(3,019)**	**(3,019)**	**127**	**(2,892)**
Total recognised income and expense for the year		**-**	**-**	**(6)**	**-**	**(3,013)**	**(3,019)**	**127**	**(2,892)**
Balance at end		**40,000**	**(1,717)**	**1,419**	**-**	**(9,161)**	**30,541**	**3,460**	**34,001**
2007									
Balance at beginning		40,000	(1,920)	1,431	62	242	39,815	4,192	44,007
Deconsolidation	5	-	-	-	(62)	-	(62)	(512)	(574)
Net gains/losses not recognised in the income statement	18	-	-	(6)	-	6	-	-	-
Net expense recognised directly in equity		-	-	(6)	(62)	6	(62)	(512)	(574)
Loss for the year		-	-	-	-	(6,135)	(6,135)	266	(5,869)
Total recognised income and expense for the year		-	-	(6)	(62)	(6,129)	(6,197)	(246)	(6,443)
Treasury shares:	15								
- Purchased		-	(124)	-	-	-	(124)	-	(124)
- Sold		-	327	-	-	-	327	-	327
Dividend	26	-	-	-	-	(261)	(261)	-	(261)
Additional investment in a subsidiary		-	-	-	-	-	-	(613)	(613)
Balance at end		40,000	(1,717)	1,425	-	(6,148)	33,560	3,333	36,893

The notes set out on pages 35 to 64 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2008

	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(2,945)**	(5,621)
Adjustments for:		
Allowance for doubtful debts	**49**	526
Amortisation of prepaid land lease payments	**15**	15
Bad debts	**586**	55
Depreciation	**4,430**	4,365
Dividend income	**(1)**	-
Impairment loss on other investments	**-**	(29)
Interest expense	**1,543**	2,785
Interest income	**289**	(803)
Inventories written down	**-**	563
Investments written off	**1,500**	662
Loss on disposal of other investments	**152**	-
Loss/(Gain) on disposal of property, plant and equipment	**133**	(12)
Property, plant and equipment written off	**116**	577
Operating profit before working capital changes	**5,867**	3,083
Inventories	**(1,022)**	694
Receivables	**3,867**	4,241
Payables	**3,283**	(859)
Cash generated from operations	**11,995**	7,159
Dividend received	**1**	-
Income tax paid	**(324)**	(281)
Income tax refund	**2,056**	452
Interest paid	**(1,530)**	(2,785)
Net cash from operating activities	**12,198**	4,545
CASH FLOWS FROM INVESTING ACTIVITIES		
* Acquisition of property, plant and equipment	**(4,740)**	(4,610)
** Acquisition of subsidiaries, net of cash acquired	**-**	(860)
Interest received	**(289)**	802
Purchase of investments	**-**	(73)
*** Deconsolidation of a subsidiary upon investment written off	**-**	(7)
Proceeds from disposal of other investments	**9,134**	-
Proceeds from disposal of property, plant and equipment	**921**	267
Net cash from/(used in) investing activities	**5,026**	(4,481)
Balance carried forward	**17,224**	64

The notes set out on pages 35 to 64 form an integral part of these financial statements.

	2008 RM'000	2007 RM'000
Balance brought forward	**17,224**	64
CASH FLOWS FROM FINANCING ACTIVITIES		
Associate	**(1)**	(2)
Bankers acceptance	**1,038**	3,156
Dividend paid	**-**	(261)
Export credit refinancing	**(259)**	(3,210)
Payment of hire purchase loans	**(213)**	(117)
Purchase of treasury shares	**-**	(124)
Repayment of loan to a director of a subsidiary	**(815)**	(577)
Repayment of term loans	**(19,443)**	(1,138)
Sale of treasury shares	**-**	327
Trust receipts	**453**	961
Net cash used in financing activities	**(19,240)**	(985)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,016)**	(921)
CASH AND CASH EQUIVALENTS AT BEGINNING	**4,173**	5,094
CASH AND CASH EQUIVALENTS AT END	**2,157**	4,173
Represented by:		
Fixed deposits with licensed banks	**500**	500
Cash and bank balances	**3,583**	3,673
Bank overdrafts	**(1,926)**	-
	2,157	4,173
* **Acquisition of property, plant and equipment**		
Total acquisition cost	**5,129**	4,890
Acquired under hire purchase loans	**(389)**	(280)
Total cash acquisition	**4,740**	4,610

The notes set out on pages 35 to 64 form an integral part of these financial statements.

	2008 RM'000	2007 RM'000
** **Cash flow on acquisition of subsidiaries**		
Property, plant and equipment	-	9,637
Receivables	-	2,094
Associate	-	11
Cash and bank balances	-	254
Payables	-	(2,240)
Borrowings	-	(3,673)
Minority interests	-	(5,470)
Share of net assets acquired	-	613
Goodwill on consolidation	-	247
Cash flow on acquisition of subsidiaries	-	860
*** **Cash flow on deconsolidation of a subsidiary upon investment written off**		
Property, plant and equipment	-	1,270
Inventories	-	775
Receivables	-	105
Tax recoverable	-	215
Cash and bank balances	-	7
Payables	-	(1,348)
Foreign translation reserve	-	(62)
Minority interests	-	(512)
Share of net assets deconsolidated	-	450
Reversal of goodwill on consolidation	-	212
Investment written off	-	(662)
	-	-
Less : Cash and bank balances	-	(7)
Cash flow on deconsolidation of a subsidiary	-	(7)

The notes set out on pages 35 to 64 form an integral part of these financial statements.

Balance Sheet
at 31 July 2008

	NOTE	2008 RM'000	2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**70**	224
Investments	5	**21,634**	33,422
		21,704	33,646
Current assets			
Other receivables, deposits and prepayments	9	**20**	1,525
Amount due from subsidiaries	11	**25,033**	27,901
Tax recoverable		**-**	387
Cash and bank balances	13	**24**	252
		25,077	30,065
TOTAL ASSETS		**46,781**	63,711
EQUITY AND LIABILITIES			
Share capital	14	**40,000**	40,000
Treasury shares	15	**(1,717)**	(1,717)
Reserves	16	**(3,514)**	(442)
Total equity		**34,769**	37,841
Non-current liabilities			
Borrowings	17	**6,000**	44
Current liabilities			
Other payables and accruals	20	**390**	778
Amount due to subsidiaries	11	**5,622**	-
Borrowings	17	**-**	25,048
		6,012	25,826
Total liabilities		**12,012**	25,870
TOTAL EQUITY AND LIABILITIES		**46,781**	63,711

The notes set out on pages 35 to 64 form an integral part of these financial statements.

Income Statement
for the year ended 31 July 2008

	NOTE	**2008 RM'000**	2007 RM'000
Revenue	21	**186**	1,646
Administrative expenses		**(1,869)**	(2,883)
Operating loss		**(1,683)**	(1,237)
Investments written off	22	**(1,500)**	(1,331)
Finance costs		**(723)**	(2,077)
Loss before taxation	23	**(3,906)**	(4,645)
Taxation	24	**834**	162
Loss for the year		**(3,072)**	(4,483)

The notes set out on pages 35 to 64 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 July 2008

	NOTE	Share Capital RM'000	Treasury Shares RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total Equity RM'000
2008					
Balance at beginning		**40,000**	**(1,717)**	**(442)**	**37,841**
Loss for the year		**-**	**-**	**(3,072)**	**(3,072)**
Balance at end		**40,000**	**(1,717)**	**(3,514)**	**34,769**
2007					
Balance at beginning		40,000	(1,920)	4,302	42,382
Loss for the year		-	-	(4,483)	(4,483)
Treasury shares:	15				
- Purchased		-	(124)	-	(124)
- Sold		-	327	-	327
Dividend	26	-	-	(261)	(261)
Balance at end		40,000	(1,717)	(442)	37,841

The notes set out on pages 35 to 64 form an integral part of these financial statements.

Cash Flow Statement
for the year ended 31 July 2008

	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(3,906)**	(4,645)
Adjustments for:		
Depreciation	**68**	264
Dividend income	**(1)**	-
Impairment loss on investment in a subsidiary	**2**	-
Impairment loss on other investments	**-**	(29)
Interest expense	**723**	2,077
Interest income	**175**	(1,286)
Investment written off	**1,500**	1,331
Loss on disposal of other investments	**152**	-
Operating loss before working capital changes	**(1,287)**	(2,288)
Receivables	**1,505**	(616)
Payables	**599**	(121)
Cash generated from/(used in) operations	**817**	(3,025)
Dividend received	**1**	-
Income tax refund	**1,221**	331
Interest paid	**(710)**	(2,077)
Net cash from/(used in) operating activities	**1,329**	(4,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional investment in subsidiaries	**-**	(860)
Interest received	**(371)**	1,286
Proceeds from disposal of other investments	**9,134**	-
Proceeds from disposal of property, plant and equipment	**89**	-
Purchase of investments	**-**	(73)
* Purchase of property, plant and equipment	**(3)**	(64)
Net cash from investing activities	**8,849**	289
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**-**	(261)
Payment of hire purchase loans	**(92)**	(79)
Payment of term loan	**(19,000)**	-
Purchase of treasury shares	**-**	(124)
Sale of treasury shares	**-**	327
Subsidiaries	**8,686**	3,170
Net cash (used in)/from financing activities	**(10,406)**	3,033
NET DECREASE IN CASH AND CASH EQUIVALENTS		
- carried forward	**(228)**	(1,449)

The notes set out on pages 35 to 64 form an integral part of these financial statements.

	2008 RM'000	2007 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(228)**	(1,449)
- brought forward		
CASH AND CASH EQUIVALENTS AT BEGINNING	**252**	1,701
CASH AND CASH EQUIVALENTS AT END	**24**	252

	2008 RM'000	2007 RM'000
* **Acquisition of property, plant and equipment**		
Total acquisition cost	**3**	164
Acquired under hire purchase loan	**-**	(100)
Total cash acquisition	**3**	64

The notes set out on pages 35 to 64 form an integral part of these financial statements.

1. **CORPORATE INFORMATION**

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

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

The principal activities of the subsidiaries are the manufacturing and sale of garments, investment holding and the provision of advertising services on multimedia boards.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 November 2008.

2. **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.

2.1 **Basis of Preparation**

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted new/revised Financial Reporting Standards ("FRSs") for financial periods beginning on or after 1 August 2007 as described fully in Note 2.21.

2.2 **Significant Accounting Estimates and Judgements**

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed as follows:

(i) **Depreciation of property, plant and equipment**

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 3 to 50 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) **Net realisable values of inventories**

The management reviews for 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.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.2 **Significant Accounting Estimates and Judgements** (cont'd)

(iii) **Recoverability of receivables**

The management reviews for bad and doubtful debts based on an assessment of the recoverability of receivables. Bad debts are written off and allowance for doubtful debts are made to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

2.3 **Basis of Consolidation**

The financial statements of the Group include the audited financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom. Subsidiaries are consolidated using the acquisition method of accounting. The Group adopts both the merger and acquisition method of consolidation.

Certain acquisitions of subsidiaries were accounted for using merger accounting principles in compliance with Malaysian Accounting Standard No. 2 "Accounting for Acquisitions and Mergers" the generally accepted accounting principles prevailing at that time. The results of the companies being merged are included for the full financial year and the consolidated financial statements are presented as if the companies had been combined throughout the previous financial years. Merger debit arising on consolidation, which represents the excess of the nominal value of shares in subsidiaries acquired and the nominal value of shares issued for the acquisition is set off against Group reserves.

Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill and is retained in the balance sheet. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The policy for the recognition and measurement of impairment losses in goodwill is set out in Note 2.12.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Inter-company balances, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of the acquisition fair values of the identifiable assets and liabilities of the acquiree company. Separate disclosure is made of minority interest.

2.4 **Property, Plant and Equipment**

Property, plant and equipment are initially stated at cost. Certain land and buildings are subsequently shown at valuation based on valuations by Government Valuers, less subsequent amortisation/depreciation and impairment losses. All other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.4 **Property, Plant and Equipment** (cont'd)

It is the Group's policy to state property, plant and equipment at cost. Revaluation of certain properties in 1993 were carried out primarily for the purpose of reflecting a fairer value of the properties then and were not intended to effect a change in accounting policy to one of revaluation of properties. It is envisaged that the current market values of the revalued properties are no less than their net book values. In accordance with the transitional provisions of International Accounting Standard 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1993 valuation less accumulated depreciation and accumulated impairment losses.

Surpluses arising on revaluation are credited to asset revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the asset revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

Property, plant and equipment are depreciated over their estimated useful lives at the following annual rates:

Short leasehold buildings	2%
Buildings	5%
Multimedia boards	10%
Plant and machinery	10% - 20%
Equipment and fixtures	10% - 30%
Motor vehicles	20% - 25%

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.

The residual value, useful life and depreciation method are reviewed at each balance sheet date 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 the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

2.5 **Hire Purchase**

Property, plant and equipment acquired under hire purchase contracts are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 2.4. The corresponding outstanding obligations due under the hire purchase agreements after deducting finance costs are included as liabilities in the financial statements. Finance expenses are charged to the income statement over the period of the respective agreements using the sum-of-digits method.

2.6 **Operating Leases**

Operating lease payments are recognised as an expense on a straight line and reducing balance basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line and reducing balance basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land elements and buildings elements of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight-line and reducing balance basis over the lease term.

Prepaid land lease payments on leasehold land are amortised over the lease term of the land of 43 to 60 years.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.7 **Investments**

Subsidiaries
Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom.

Investment in subsidiaries which is eliminated on consolidation is stated at cost less any accumulated impairment losses in the Company's separate financial statements.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

Upon the disposal of investment in subsidiaries, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Associates
An associate is defined as one in which the Company has significant influence, but not control, over the financial and operating policies.

Investment in associates is accounted for in the consolidated financial statements by the equity method of accounting based on audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits/losses of the associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated unless cost cannot be recovered.

The equity method of accounting is discontinued when the Group's share of losses of the associates exceeds the carrying amount of investment, unless the Group has incurred obligations or guaranteed obligations in respect of the associates.

In the Company's separate financial statements, investment in associates is stated at cost less accumulated impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

Upon the disposal of investment in an associate, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Other investments
Other investments are stated at cost less any accumulated impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.12.

Upon disposal of other investments, the difference between the net disposal proceed and its carrying amount is charged or credited to the income statement.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.8 **Inventories**

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

Cost in the case of work-in-progress and finished goods includes materials, direct labour and attributable production overheads and is determined on the weighted average basis and first-in, first-out basis, whichever is appropriate.

Cost of raw materials and trading goods 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.

2.9 **Receivables**

Receivables are stated at their anticipated realisable value. Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

2.10 **Payables**

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

2.11 **Provisions**

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

2.12 **Impairment of Assets**

Goodwill
Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

The Group reviews the carrying amount of its CGU at each balance sheet date to determine whether there is any indication of impairment or more frequently when indicators of impairment are identified. If any such indication exists, impairment is measured by comparing the carrying amount of the CGU with its recoverable amount.

CGU's recoverable amount is the higher of CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the carrying amount of CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Impairment loss recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises. Impairment loss on goodwill is not reversed in a subsequent period.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.12 **Impairment of Assets** (cont'd)

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

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

2.13 **Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses in the period in which they are incurred.

2.14 R**evenue Recognition**

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

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

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

Interest income and management fee are recognised in the income statement on the accrual basis.

2.15 **Employee Benefits**

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. 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.

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

2.16 **Income Tax**

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.16 **Income Tax** (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2.17 **Foreign Currency Translations**

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 currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, foreign currency monetary items are translated into functional currency at the exchange rates ruling at that date. All exchange gains or losses are included in the income statement.

2.18 **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.

2.19 **Derivative Financial Instruments**

Derivative financial instruments are not recognised in the financial statements on inception.

Forward foreign exchange contracts
Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions and all exchange gains or losses are included in the income statement of the same period.

2.20 **Financial Instruments**

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

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

The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.21 **New and Revised Financial Reporting Standards ("FRSs")**

The Group and the Company adopted the following new and revised FRSs and IC Interpretations during the financial year:

		Effective date
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
Amendment to FRS 119_{2004}	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The adoption of the above FRSs did not give rise to any adjustment to the opening balances of retained profits of the prior and current year or to changes in the comparative figures.

The Group and the Company have not early adopted FRS 139 : Financial Instruments : Recognition and Measurement which is effective for financial periods beginning on or after 1 January 2010. The effect of FRS 139, if any, upon its initial recognition are exempted from disclosure.

3. **PROPERTY, PLANT AND EQUIPMENT**

GROUP
2008

	At valuation/cost				
	Balance at 1.8.07 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Balance at 31.7.08 RM'000
At valuation:					
Freehold land	1,528	-	-	-	1,528
Buildings	6,279	-	-	-	6,279
At cost:					
Short leasehold buildings	3,174	-	-	-	3,174
Buildings	5,330	393	-	-	5,723
Multimedia boards	22,804	1,762	-	-	24,566
Plant and machinery	17,610	2,041	(3,014)	-	16,637
Equipment and fixtures	10,237	457	(421)	(203)	10,070
Motor vehicles	3,569	476	(193)	-	3,852
	70,531	5,129	(3,628)	(203)	71,829

	Accumulated depreciation				
	Balance at 1.8.07 RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	Balance at 31.7.08 RM'000
At valuation:					
Freehold land	-	-	-	-	-
Buildings	773	47	-	-	820
At cost:					
Short leasehold buildings	454	63	-	-	517
Buildings	3,716	265	-	-	3,981
Multimedia boards	15,592	2,329	-	-	17,921
Plant and machinery	10,232	932	(2,164)	-	9,000
Equipment and fixtures	6,608	562	(307)	(87)	6,776
Motor vehicles	2,793	232	(103)	-	2,922
	40,168	4,430	(2,574)	(87)	41,937

	Net book value at 31.7.08 RM'000
At valuation:	
Freehold land	1,528
Buildings	5,459
At cost:	
Short leasehold buildings	2,657
Buildings	1,742
Multimedia boards	6,645
Plant and machinery	7,637
Equipment and fixtures	3,294
Motor vehicles	930
	29,892

3. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

GROUP
2007

	At valuation/cost					
	Balance at 1.8.06 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Deconsolidate RM'000	Balance at 31.7.07 RM'000
At valuation:						
Freehold land	1,528	-	-	-	-	1,528
Buildings	6,279	-	-	-	-	6,279
At cost:						
Short leasehold buildings	3,174	-	-	-	-	3,174
Buildings	4,447	938	(55)	-	-	5,330
Multimedia boards	22,724	80	-	-	-	22,804
Plant and machinery	17,082	1,933	(345)	-	(1,060)	17,610
Equipment and fixtures	10,518	1,337	(135)	(1,067)	(416)	10,237
Motor vehicles	3,360	602	(388)	-	(5)	3,569
	69,112	4,890	(923)	(1,067)	(1,481)	70,531

	Accumulated depreciation					
	Balance at 1.8.06 RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	Deconsolidate RM'000	Balance at 31.7.07 RM'000
At valuation:						
Freehold land	-	-	-	-	-	-
Buildings	725	48	-	-	-	773
At cost:						
Short leasehold buildings	391	63	-	-	-	454
Buildings	3,497	223	(4)	-	-	3,716
Multimedia boards	13,314	2,278	-	-	-	15,592
Plant and machinery	9,769	826	(219)	-	(144)	10,232
Equipment and fixtures	6,671	572	(79)	(490)	(66)	6,608
Motor vehicles	2,805	355	(366)	-	(1)	2,793
	37,172	4,365	(668)	(490)	(211)	40,168

	Net book value at 31.7.07 RM'000
At valuation:	
Freehold land	1,528
Buildings	5,506
At cost:	
Short leasehold buildings	2,720
Buildings	1,614
Multimedia boards	7,212
Plant and machinery	7,378
Equipment and fixtures	3,629
Motor vehicles	776
	30,363

3. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

GROUP

(i) The landed properties at valuation were revalued by the directors on 2 August 1993 based on Government Valuers' values and as approved by the Securities Commission.

The landed properties have not been revalued since they were first revalued in 1993. Subsequent additions are shown at cost while deletions are at valuation or cost as appropriate. The revaluations were not intended to affect a change in the accounting policy on the revaluation of property, plant and equipment. As permitted under the transitional provisions of International Accounting Standards No. 16 (Revised) : Property, Plant and Equipment, these assets continue to be stated at their 1993 valuation less accumulated depreciation and impairment losses.

The historical cost of the revalued properties are as follows:

	Freehold land RM'000	**Buildings RM'000**
2008		
Cost	**997**	**7,879**
Accumulated depreciation	**-**	**(3,571)**
Net book value	**997**	**4,308**
2007		
Cost	997	7,879
Accumulated depreciation	-	(3,457)
Net book value	997	4,422

(ii) The net book value of property, plant and equipment pledged as security for banking facilities granted to subsidiaries are as follows:

	2008 RM'000	2007 RM'000
At valuation:		
Freehold land	**88**	88
Buildings	**456**	1,981
	544	2,069
At cost:		
Short leasehold buildings	**2,657**	-
Multimedia boards	**-**	7,212
	2,657	7,212

(iii) Motor vehicles with net book value of **RM533,717** (2007 : RM308,837) were acquired under hire purchase loans.

3. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

COMPANY
2008

	At cost			
	Balance at 1.8.07 RM'000	**Additions RM'000**	**Disposals RM'000**	**Balance at 31.7.08 RM'000**
Equipment and fixtures	**157**	**3**	**-**	**160**
Motor vehicles	**1,710**	**-**	**(124)**	**1,586**
	1,867	**3**	**(124)**	**1,746**

	Accumulated depreciation			
	Balance at 1.8.07 RM'000	**Current charge RM'000**	**Disposals RM'000**	**Balance at 31.7.08 RM'000**
Equipment and fixtures	**75**	**15**	**-**	**90**
Motor vehicles	**1,568**	**53**	**(35)**	**1,586**
	1,643	**68**	**(35)**	**1,676**

	Net book value at 31.7.08 RM'000
Equipment and fixtures	**70**
Motor vehicles	**-**
	70

COMPANY
2007

	At cost			
	Balance at 1.8.06 RM'000	Additions RM'000	Disposals RM'000	Balance at 31.7.07 RM'000
Equipment and fixtures	117	40	-	157
Motor vehicles	1,586	124	-	1,710
	1,703	164	-	1,867

	Accumulated depreciation			
	Balance at 1.8.06 RM'000	Current charge RM'000	Disposals RM'000	Balance at 31.7.07 RM'000
Equipment and fixtures	61	14	-	75
Motor vehicles	1,318	250	-	1,568
	1,379	264	-	1,643

	Net book value at 31.7.07 RM'000
Equipment and fixtures	82
Motor vehicles	142
	224

4. **PREPAID LAND LEASE PAYMENTS**

	GROUP	
	2008 RM'000	2007 RM'000
Short leasehold land:		
Balance at beginning	**691**	706
Less : Amortisation for the year	**(15)**	(15)
Balance at end	**676**	691

Short leasehold land refers to land with remaining lease period of less than 50 years determined as at balance sheet date.

The short leasehold land were revalued by the directors on 2 August 1993 based on Government Valuers' values and as approved by the Securities Commission.

The short leasehold land is pledged as security to a licensed bank for banking facilities granted to subsidiaries.

5. **INVESTMENTS**

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Investment in subsidiaries				
Unquoted shares, at cost	**-**	-	**23,700**	23,700
Less : Accumulated impairment losses				
Balance at beginning	**-**	-	**(2,064)**	(2,064)
Current year	**-**	-	**(2)**	-
Balance at end	**-**	-	**(2,066)**	(2,064)
	-	-	**21,634**	21,636
Investment in an associate				
Unquoted shares, at cost	**1**	1	**-**	-
Share of post-acquisition losses	**(1)**	(1)	**-**	-
	-	-	**-**	-
Other investments				
Unquoted bonds, at cost	**-**	11,337	**-**	11,337
Shares quoted in Malaysia :				
At cost	**-**	900	**-**	900
Less : Accumulated impairment losses				
Balance at beginning	**451**	480	**451**	480
Reversal	**-**	(29)	**-**	(29)
Written off	**(451)**	-	**451**	-
Balance at end	-	(451)	**-**	(451)
	-	449	**-**	449
Total	**-**	11,786	**21,634**	33,422
Market value of quoted shares	**-**	447	**-**	447

5. **INVESTMENTS** (cont'd)

The Group does not recognise further losses of the associate amounting to **RM923** (2007 : RM1,104) as the Group's share of losses exceeds its interest in the associate. As at **31 July 2008**, the cumulative unrecognised share of losses of the associate amounted to **RM5,117** (2007 : RM3,296).

Details of the subsidiaries and associate are as follows:

Name	Country of Incorporation	Effective Equity Interest 2008	2007	Principal Activities
Subsidiaries of Prolexus Berhad				
Plas Industries Sdn. Bhd.	Malaysia	**100%**	100%	Manufacture and sale of garments.
Honsin Apparel Sdn. Bhd. *	Malaysia	**100%**	100%	Manufacture and sale of garments.
Prolexus Marketing Sdn. Bhd.	Malaysia	**100%**	100%	Marketing agent for all kinds of apparels and garments.
Novel Realty Sdn. Bhd.	Malaysia	**100%**	100%	Dormant.
Laser Capital Holdings Sdn. Bhd.	Malaysia	**57.64%**	57.64%	Investment holding.
Bixiz Kids Incorporated (M) Sdn. Bhd.	Malaysia	**50.08%**	50.08%	Marketing of all kinds of children's apparels.
Subsidiary of Plas Industries Sdn. Bhd.				
South East Garment Manufacturing Sendirian Berhad	Malaysia	**95%**	95%	Manufacture and sale of garments.
Subsidiaries of Bixiz Kids Incorporated (M) Sdn. Bhd.				
BE Elementz Sdn. Bhd.	Malaysia	**50.08%**	50.08%	Marketing of apparels.
Pacific Mission Sdn. Bhd.	Malaysia	**50.08%**	50.08%	Dormant.
Character World Sdn. Bhd.	Malaysia	**50.08%**	50.08%	Dormant.
Subsidiary of Laser Capital Holdings Sdn. Bhd.				
HiQ Media (Malaysia) Sdn. Bhd.	Malaysia	**47.75%**	47.75%	Provision of advertising services on multimedia boards.
Associate of HiQ Media (Malaysia) Sdn. Bhd.				
Acube Realty Sdn. Bhd.	Malaysia	**13.34%**	13.34%	Dormant.

* Audited by another firm of auditors

5. **INVESTMENTS** (cont'd)

2007

(i) On 17 August 2006 , the Company acquired an additional 360,000 ordinary shares of RM1 each in Laser Capital Holdings Sdn. Bhd. for a total consideration of RM360,000. The additional investment increased the Company's effective equity interest in Laser Capital Holdings Sdn. Bhd. by 5.73% to 57.64%.

(ii) On 17 August 2006 , the Company acquired an additional 500,000 ordinary shares of RM1 each in HiQ Media (Malaysia) Sdn. Bhd. for a total consideration of RM500,000. The additional investments in Laser Capital Holdings Sdn. Bhd. and HiQ Media (Malaysia) Sdn. Bhd. increased the Company's effective equity interest in HiQ Media (Malaysia) Sdn. Bhd. by 7.16% to 47.75%.

(iii) During the financial year, the Company wrote off its investment in A-Tex Fashion Ltd., a subsidiary incorporated in People's Republic of China. Accordingly, the Group recognised a loss of RM662,000 in the income statement and deconsolidated A-Tex Fashion Ltd. for the financial year ended 31 July 2007.

6. **GOODWILL ON CONSOLIDATION**

	GROUP	
	2008 RM'000	2007 RM'000
Arising from the acquisition of subsidiaries:		
Balance at beginning	**2,712**	2,677
Arising from the acquisition of additional shares in subsidiaries	**-**	247
Deconsolidation of a subsidiary upon written off	**-**	(212)
Balance at end	**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.

The key assumptions for the computation of value-in-use include the discount rate, cash flow projections and growth rates applied are as follows:

(i) Discount rate
The discount rate of 8% is applied to the cash-flow projections.

(ii) Cash flow projections and growth rate
Cash flow projections are based on three year financial budget and projections approved by management. The growth rates used are consistent with the long-term average growth rate for the industry.

7. **INVENTORIES**

	GROUP	
	2008	2007
	RM'000	RM'000
At cost:		
Raw materials	**5,491**	10,999
Work-in-progress	**16,452**	8,914
Trading goods	**697**	1,705
	22,640	21,618

8. **TRADE RECEIVABLES**

	GROUP	
	2008	2007
	RM'000	RM'000
Total amount	**15,154**	16,906
Less : Allowance for doubtful debts		
Balance at beginning	**909**	422
Current year	**49**	487
Written off	**(130)**	-
Balance at end	**(828)**	(909)
	14,326	15,997
Analysis by currencies:		
Ringgit Malaysia	**4,233**	4,471
US Dollar	**10,921**	12,435
	15,154	16,906

The normal credit terms granted to trade receivables range from **21 to 90 days** (2007 : 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

9. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Other receivables	**1,690**	4,039	**17**	1,185
Less : Allowance for doubtful debts				
Balance at beginning	**39**	139	**-**	139
Current year	**-**	39	**-**	-
Written off	**(39)**	(139)	**-**	(139)
Balance at end	**-**	(39)	**-**	-
	1,690	4,000	**17**	1,185
Deposits and prepayments	**1,683**	2,204	**3**	340
	3,373	6,204	**20**	1,525

9. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS** (cont'd)

	GROUP		**COMPANY**	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Analysis by currencies:				
Ringgit Malaysia	**2,896**	4,719	**20**	1,261
US Dollar	**473**	1,260	**-**	-
Sterling Pound	**4**	264	**-**	264
	3,373	6,243	**20**	1,525

10. **AMOUNT DUE FROM AN ASSOCIATE**

GROUP

The amount due from an associate is non-trade related, unsecured and has no fixed terms of repayment.

11. **AMOUNT DUE FROM/TO SUBSIDIARIES**

	COMPANY	
	2008	2007
	RM'000	RM'000
Amount due from subsidiaries:		
Interest bearing at **6.00%** to **7.50%** (2007 : 6.00% to 7.50%) per annum	**5,648**	9,408
Non interest bearing	**19,385**	18,493
	25,033	27,901
Amount due to subsidiaries:		
Non interest bearing	**5,622**	-

The amount due from/to subsidiaries is non-trade related, unsecured and has no fixed terms of repayment.

12. **FIXED DEPOSITS WITH LICENSED BANKS**

	GROUP	
	2008	2007
	RM'000	RM'000
Pledged to a bank as security for banking facilities granted to a subsidiary	**6**	6
Unencumbered	**500**	500
	506	506

The interest rates and maturity of fixed deposits of the Group at balance sheet date range from **3.00% to 3.20%** (2007 : 3.00% to 3.20%) per annum and **90 days** (2007 : 90 days) respectively.

13. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Short term investments with licensed banks	**-**	2	**-**	2
Cash and bank balances	**3,583**	3,671	**24**	250
	3,583	3,673	**24**	252
Analysis by currencies:				
Ringgit Malaysia	**307**	1,783	**23**	251
US Dollar	**3,275**	1,889	**-**	-
Chinese Renminbi	**1**	1	**1**	1
	3,583	3,673	**24**	252

The interest rate of short term investments at balance sheet date was 1.66% per annum.

14. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2008 '000	2007 '000	**2008 RM'000**	2007 RM'000
Authorised:				
Balance at beginning/end	**100,000**	100,000	**100,000**	100,000
Issued and fully paid:				
Balance at beginning/end	**40,000**	40,000	**40,000**	40,000

15. TREASURY SHARES

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

The shareholders of the Company, by special resolution passed at the Extraordinary General Meeting held 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. This mandate was renewed at the last Annual General Meeting of the Company, held on 21 December 2007.

Out of the total **40,000,000** (2007 : 40,000,000) issued and fully paid ordinary shares as at 31 July 2008, **3,588,800** (2007 : 3,588,800) are held as treasury shares by the Company. As at 31 July 2008, the number of outstanding ordinary shares in issue and fully paid is therefore **36,411,200** (2007 : 36,411,200) ordinary shares of RM1 each.

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

16. **RESERVES**

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable				
Asset revaluation reserve	**1,419**	1,425	**-**	-
Accumulated losses	**(9,161)**	(6,148)	**(3,514)**	(442)
	(7,742)	(4,723)	**(3,514)**	(442)

17. **BORROWINGS**

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Non-current liabilities				
Unsecured interest free loan from Mr. Lee Eng Sia, a director of HiQ Media (Malaysia) Sdn. Bhd., a sub-subsidiary				
- Repayable after twelve months	**700**	1,515	**-**	-
Secured term loan:				
Total amount repayable	**-**	443	**-**	-
Less : Repayable within twelve months included under current liabilities	**-**	(443)	**-**	-
	-	-	**-**	-
Unsecured fixed rate term loan:				
Total amount repayable	**6,000**	25,000	**6,000**	25,000
Less : Repayable within twelve months included under current liabilities	**-**	(25,000)	**-**	(25,000)
	6,000	-	**6,000**	-
Hire purchase payables:				
Net amount payable	**437**	261	**-**	92
Less : Payable within twelve months included under current liabilities	**(109)**	(81)	**-**	(48)
	328	180	**-**	44
	7,028	1,695	**6,000**	44
Current liabilities				
Secured:				
Bankers acceptance	**8,475**	7,437	**-**	-
Bank overdrafts	**1,926**	-	**-**	-
Export credit refinancing	**4,720**	4,979	**-**	-
Hire purchase payables	**109**	81	**-**	48
Term loan	**-**	443	**-**	-
Trust receipts	**1,414**	961	**-**	-
	16,644	13,901	**-**	48
Unsecured:				
Fixed rate term loan	**-**	25,000	**-**	25,000
	16,644	38,901	**-**	25,048

17. **BORROWINGS** (cont'd)

The borrowings (other than hire purchase payables and unsecured fixed rate term loan) of the Group are secured by:

i) Debentures covering first fixed and floating charge over a subsidiary's assets,
ii) Legal charges over the multimedia boards of a subsidiary,
iii) Legal charges against certain properties of certain subsidiaries,
iv) Facility agreement,
v) Corporate guarantee of the Company, and
vi) Joint and several guarantees of a director and certain shareholders of a subsidiary.

(a) The secured term loan of a subsidiary is repayable over 60 equal instalments of RM102,000 each commencing January 2003.

(b) The unsecured fixed rate term loan of the Company is repayable in one lump sum in December 2007 which is five years from the date of the first drawdown.

The lender has assigned and transferred all its right, title and interest to the loan to Aegis One Bhd. (Issuer) pursuant to a primary collateralised loan obligations transaction. The Issuer in turn has issued Bonds to fund this purchase.

The Company had defaulted on its full principal repayment on 29 November 2007 of which partial payment of RM14,000,000 and RM5,000,000 were made on 29 November 2007 and 15 January 2008 respectively leaving a balance of RM6,000,000 still outstanding.

The Bondholders had on 22 August 2008 resolved the balance amount owing will be settled by full and final settlement within 12 months (moratorium period) from the date of signing an agreement between the Company and the Issuer.

During the moratorium period, the Company will be charged with an interest at a rate equivalent to the rate charged by the Issuer on the Company's facility agreement.

The Company will also reduce the principal amount outstanding by at least RM100,000 a month starting from the date of the moratorium period and will also execute an assignment of the sale proceeds of the disposal of its assets to the Issuer or the Trustee, of which the cost of the assignment will be borne by the Company.

The Company had on 10 September 2008 appealed for the repayment period to be made within 24 months instead of twelve months with a repayment of RM100,000 for the first twelve months of the moratorium period and RM150,000 for the second twelve months of the moratorium period.

The appeal is still pending as at the date of this report.

The interest rates per annum of borrowings at balance sheet date are as follows:

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	%	%	**%**	%
Secured:				
Bankers acceptance	**3.71 - 8.00**	3.66 - 4.93	**-**	-
Bank overdrafts	**8.25 - 9.25**	-	**-**	-
Export credit refinancing	**4.05**	4.05	**-**	-
Hire purchase payables	**2.58 - 4.24**	2.85 - 3.90	**-**	2.75 - 3.90
Term loan	**-**	8.25	**-**	-
Trust receipts	**5.25 - 8.00**	5.75 - 8.50	**-**	-
Unsecured:				
Fixed rate term loan	**8.00**	8.00	**8.00**	8.00

17. **BORROWINGS** (cont'd)

The maturity of bankers acceptance, export credit refinancing and trust receipts are as follows:

	GROUP		COMPANY	
	2008 Days	2007 Days	**2008 Days**	2007 Days
Bankers acceptance	**21 - 90**	15 - 90	**-**	-
Export credit refinancing	**120**	120	**-**	-
Trust receipts	**89 - 120**	88 - 90	**-**	-

The maturity of the loans and hire purchase payables are as follows:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Within one year	**815**	25,534	**-**	25,051
More than one year and less than five years	**6,376**	194	**6,000**	45
More than five years	**-**	1,515	**-**	-
	7,191	27,243	**6,000**	25,096
Less : Unexpired interest	**(54)**	(24)	**-**	(4)
	7,137	27,219	**6,000**	25,092

18. **DEFERRED TAX LIABILITIES**

	GROUP	
	2008 RM'000	2007 RM'000
Balance at beginning	**374**	377
Transfer from/(to) income statement	**112**	(3)
Balance at end	**486**	374

The deferred tax liabilities are represented by temporary differences arising from revaluation surplus. In addition, an amount of **RM6,270** (2007 : RM6,270) was transferred in the year from revaluation reserve to retained profits.

The deferred tax liabilities/(assets) which have not been recognised are in respect of the following:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Property, plant and equipment	**746**	2,450	**17**	21
Unabsorbed tax losses	**(6,190)**	(6,732)	**(343)**	(948)
Unabsorbed capital allowances	**(2,888)**	(3,434)	**(5)**	(85)
Allowance for doubtful debts	**-**	(10)	**-**	-
	(8,332)	(7,726)	**(331)**	(1,012)

The unabsorbed tax losses and capital allowances are available to be carried forward for set off against future taxable income.

19. **TRADE PAYABLES**

	GROUP	
	2008	2007
	RM'000	RM'000
Analysis by currencies:		
Ringgit Malaysia	**7,541**	6,279
US Dollar	**4,322**	2,204
Singapore Dollar	**54**	49
Euro	**6**	6
Hong Kong Dollar	**4**	4
	11,927	8,542

The normal credit terms granted by trade payables range from **30 to 90 days** (2007 : 30 to 90 days).

20. **OTHER PAYABLES AND ACCRUALS**

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Other payables	**1,185**	1,434	**35**	5
Accruals	**6,715**	7,555	**355**	773
	7,900	8,989	**390**	778
Analysis by currencies:				
Ringgit Malaysia	**7,840**	8,400	**390**	778
US Dollar	**60**	589	**-**	-
	7,900	8,989	**390**	778

21. **REVENUE**

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Gross dividend from quoted shares in Malaysia	**1**	-	**1**	-
Invoiced value of goods sold less returns and discounts	**161,063**	174,468	**-**	-
Invoiced value of services rendered net of service tax, discounts and agency commission	**6,081**	6,407	**-**	-
Interest income				
- current year	**165**	652	**361**	1,286
- over provision in prior years	**(536)**	-	**(536)**	-
Management fee income	**-**	-	**360**	360
	166,774	181,527	**186**	1,646

22. **INVESTMENT WRITTEN OFF**

2008

A condition of the term loan facility is that the Company must invest 10% of the principal sum in Subordinated Bonds to be issued by the Issuer. In this connection, the Company has invested RM2.5 million in the Subordinated Bonds but in view of defaults by other borrowers of the collaterised loan obligations, the Subordinated Bonds were redeemed at RM1.0 million and irredeemable balance of RM1.5 million has to be written off. See Note 17(b).

2007

	Group RM'000	Company RM'000
Loss arising from the write-off of a foreign subsidiary	662	1,331

23. **LOSS BEFORE TAXATION**

This is arrived at:

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
After charging:				
Allowance for doubtful debts	**49**	526	**-**	-
Amortisation of prepaid land lease payments	**15**	15	**-**	-
Audit fee				
- statutory audit				
- current year	**51**	47	**10**	8
- (over)/under provision in prior years	**(22)**	5	**(10)**	-
- other services	**3**	-	**3**	-
Bad debts	**586**	55	**-**	-
Depreciation	**4,430**	4,365	**68**	264
Directors' fee for non-executive directors				
- current year	**170**	115	**170**	115
- (over)/under provision in prior years	**(255)**	25	**(255)**	-
Impairment loss on investment in a subsidiary	**-**	-	**2**	-
Impairment loss on other investments	**-**	(29)	**-**	(29)
Interest expense	**1,543**	2,785	**723**	2,077
Inventories written down	**-**	563	**-**	-
Investments written off	**1,500**	662	**1,500**	1,331
Loss on disposal of other investments	**152**	-	**152**	-
Loss on disposal of property, plant and equipment	**163**	45	**-**	-
Property, plant and equipment written off	**116**	577	**-**	-
Realised loss on foreign exchange	**174**	44	**-**	-
Rental of advertising site	**555**	512	**-**	-
Rental of machinery and equipment	**116**	131	**1**	2
Rental of premises	**801**	1,170	**21**	36
* Staff costs	**28,627**	27,176	**1,390**	1,895
And crediting:				
Gain on disposal of property, plant and equipment	**30**	57	**-**	-
Gross dividend from quoted shares	**1**	-	**1**	-
Interest income				
- current year	**247**	803	**361**	1,286
- over provision in prior years	**(536)**	-	**(536)**	-
Realised gain on foreign exchange	**-**	958	**-**	-
Rental income	**6**	19	**-**	-

* **Staff costs**				
- Wages, salaries, incentives, overtime, allowance, casual labour and bonus	**26,819**	25,304	**1,191**	1,626
- EPF	**1,614**	1,680	**195**	262
- SOCSO	**194**	192	**4**	7
	28,627	27,176	**1,390**	1,895

23. **LOSS BEFORE TAXATION** (cont'd)

Included in the staff costs of the Group and of the Company are directors' emoluments as shown below:

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Executive directors of the Company:				
Directors' emoluments				
- Salaries	**945**	929	**628**	600
- EPF	**161**	163	**119**	115
	1,106	1,092	**747**	715
Benefits-in-kind	**47**	72	**47**	72
	1,153	1,164	**794**	787
Executive director of a subsidiary:				
Director's fee	**24**	24	**-**	-
Total executive directors' remuneration	**1,177**	1,188	**794**	787
Non-executive director of the Company				
Benefits-in-kind	**22**	-	**22**	-

24. **TAXATION**

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax:				
Based on results for the year				
- Current tax	**(680)**	(253)	**-**	-
- Deferred tax relating to the origination and reversal of temporary differences	**(112)**	3	**-**	-
	(792)	(250)	**-**	-
Over provision in prior years				
- Current tax	**814**	2	**834**	162
- Real property gains tax	**31**	-	**-**	-
	845	2	**834**	162
	53	(248)	**834**	162

24. **TAXATION** (cont'd)

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

	GROUP		COMPANY	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Loss before taxation	**(2,945)**	(5,621)	**(3,906)**	(4,645)
Income tax at Malaysian statutory tax rate of **26%** (2007 : 27%)	**765**	1,518	**1,015**	1,254
Effects of:				
- Income not subject to tax	**2**	5	**-**	-
- Double deduction of expenses for tax purposes	**382**	5	**-**	-
- Expenses not decuctible for tax purposes	**(1,703)**	(1,316)	**(683)**	(322)
- Annual crystallisation of deferred tax on revaluation surplus	**3**	3	**-**	-
- Utilisation of previously unabsorbed tax losses and capital allowances	**-**	1,580	**-**	-
- Reduced tax rate on first RM500,000 chargeable income	**32**	51	**-**	-
- Deferred tax assets not recognised	**(273)**	(2,096)	**(332)**	(932)
	(792)	(250)	**-**	-
Over provision in prior years	**845**	2	**834**	162
	53	(248)	**834**	162

The reinvestment allowance amounting to **RM1,130,000** (2007 : RM884,000) is available to be carried forward for set off against future taxable income of the respective subsidiaries indefinitely in accordance with the provisions of the Income Tax Act, 1967.

The corporate tax rate will be further reduced to 25% for the year of assessment 2009.

25. **LOSS PER SHARE**

GROUP

Basic loss per share

The basic loss per share of the Group is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year as follows:

	2008	2007
Loss attributable to shareholders (RM'000)	**(3,019)**	(6,135)
Weighted average number of ordinary shares of RM1 each in issue ('000)	**36,411**	37,028
Basic loss per share (sen)	**(8.29)**	(16.57)

There is no diluted loss per share as the Company does not have any convertible financial instruments as at 31 July 2008.

26. **DIVIDEND**

	2008 **RM'000**	2007 RM'000
Payment of first and final dividend of:		
- 1 sen per share less tax in respect of the financial year ended 31 July 2006	**-**	261

27. **SEGMENTAL INFORMATION**

Segmental information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is 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. Unallocated items comprise mainly interest earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments

The Group comprises the following main business segments:

(i)	Garments	Manufacture and sale of garments and apparels
(ii)	Advertising	Provision of advertising services on multimedia boards
(iii)	Investment holding	Investment holding and the provision of management services

Geographical Segments

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

By business segments

2008	**Garments RM'000**	**Advertising RM'000**	**Investment holding RM'000**	**Elimination RM'000**	**Total RM'000**
Revenue					
External sales	**161,063**	**6,081**	**(370)**	**-**	**166,774**
Inter-segment sales	**-**	**-**	**556**	**(556)**	**-**
Total revenue	**161,063**	**6,081**	**186**	**(556)**	**166,774**
Results					
Segment results	**1,971**	**326**	**(3,410)**	**-**	**(1,113)**
Interest expense	**(1,001)**	**(15)**	**(723)**	**196**	**(1,543)**
Interest income	**82**	**-**	**(175)**	**(196)**	**(289)**
Taxation	**(781)**	**-**	**834**	**-**	**53**
Profit/(Loss) for the year	**271**	**311**	**(3,474)**	**-**	**(2,892)**

27. **SEGMENTAL INFORMATION** (cont'd)

By business segments (cont'd)

2008	**Garments RM'000**	**Advertising RM'000**	**Investment holding RM'000**	**Elimination RM'000**	**Total RM'000**
Assets					
Segment assets	**61,689**	**9,141**	**49,470**	**(46,667)**	**73,633**
Tax recoverable	**712**	**-**	**-**	**-**	**712**
Fixed deposits with licensed banks	**506**	**-**	**-**	**-**	**506**
Cash and bank balances	**3,559**	**1**	**23**	**-**	**3,583**
Total assets	**66,466**	**9,142**	**49,493**	**(46,667)**	**78,434**
Liabilities					
Segment liabilities	**44,162**	**1,548**	**6,058**	**(31,941)**	**19,827**
Provision for taxation	**448**	**-**	**-**	**-**	**448**
Deferred tax liabilities	**486**	**-**	**-**	**-**	**486**
Borrowings	**16,667**	**1,005**	**6,000**	**-**	**23,672**
Total liabilities	**61,763**	**2,553**	**12,058**	**(31,941)**	**44,433**
Other information					
Capital expenditure	**3,218**	**1,908**	**3**	**-**	**5,129**
Depreciation and amortisation	**1,933**	**2,444**	**68**	**-**	**4,445**
Non-cash expenses other than depreciation and amortisation	**884**	**1**	**1,651**	**-**	**2,536**

2007	Garments RM'000	Advertising RM'000	Investment holding RM'000	Elimination RM'000	Total RM'000
Revenue					
External sales	174,468	6,407	652	-	181,527
Inter-segment sales	598	-	994	(1,592)	-
Total revenue	175,066	6,407	1,646	(1,592)	181,527
Results					
Segment results	(780)	333	(3,192)	-	(3,639)
Interest expense	(1,227)	(115)	(2,077)	634	(2,785)
Interest income	151	-	1,286	(634)	803
Taxation	(410)	-	162	-	(248)
(Loss)/Profit for the year	(2,266)	218	(3,821)	-	(5,869)
Assets					
Segment assets	66,003	9,778	68,264	(54,661)	89,384
Tax recoverable	1,547	-	387	-	1,934
Deposits with licensed banks	506	-	-	-	506
Cash and bank balances	3,366	54	253	-	3,673
Total assets	71,422	9,832	68,904	(54,661)	95,497

27. **SEGMENTAL INFORMATION** (cont'd)

By business segments (cont'd)

2007	Garments RM'000	Advertising RM'000	Investment holding RM'000	Elimination RM'000	Total RM'000
Liabilities					
Segment liabilities	45,869	1,366	840	(30,544)	17,531
Provision for taxation	103	-	-	-	103
Deferred tax liabilities	374	-	-	-	374
Borrowings	13,378	2,127	25,091	-	40,596
Total liabilities	59,724	3,493	25,931	(30,544)	58,604
Other information					
Capital expenditure	4,378	348	164	-	4,890
Depreciation and amortisation	1,728	2,388	264	-	4,380
Non-cash expenses/(income) other than depreciation and amortisation	1,723	(14)	633	-	2,342

By geographical segments

	2008		
	Revenue RM'000	**Total assets RM'000**	**Capital expenditure RM'000**
Malaysia	**6,077**	**78,434**	**5,129**
United States	**114,420**	**-**	**-**
European countries	**39,466**	**-**	**-**
Others	**6,811**	**-**	**-**
	166,774	**78,434**	**5,129**

	2007		
	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
Malaysia	7,527	95,497	4,890
United States	107,648	-	-
European countries	56,563	-	-
Others	9,789	-	-
	181,527	95,497	4,890

28. RELATED PARTY DISCLOSURES

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
(i) Related party transactions				
Consultancy fee paid to a director of a subsidiary	**33**	144	**-**	-
Management fee received from subsidiaries	**-**	-	**360**	360
Rental expense paid to a subsidiary	**-**	-	**21**	36
Interest income from subsidiaries	**-**	-	**196**	634

(ii) Compensation of key management personnel

The Group and the Company have no other members of key management personnel apart from the Board of Directors which compensation has been shown in Note 23.

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

29. CONTINGENT LIABILITIES (UNSECURED)

COMPANY

The Company has issued corporate guarantees to financial institutions for banking facilities granted to certain subsidiaries up to a limit of **RM46.31 million** (2007 : RM46.01 million) of which **RM15.86 million** (2007 : RM13.89 million) of the said banking facilities have been utilised at balance sheet date.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate resources are available for the development of the Group's business whilst managing its credit, interest rate, foreign currency and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

Credit risk

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

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

30. **FINANCIAL INSTRUMENTS** (cont'd)

Interest rate risk

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

In addition the Group invests its excess funds in financial assets which give a reasonable yield to mitigate its cost of borrowings.

The information on maturity dates and interest rates of liablities are disclosed in their respective notes.

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.

Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures. The Group sells its products in the international market and is thus exposed to various foreign currencies, mainly US Dollar.

The Group hedges its trade receivables and anticipated sales by entering into forward foreign exchange contracts of **RM15,829,645** (2007 : RM45,024,365) and the maturity is within one year.

The net unrecognised gains as at **31 July 2008** on forward contracts used to hedge trade receivables which are expected to occur in March 2009 amounted to **RM85,555** and are deferred until the related transactions occur, at which time they will be included in the measurement of foreign exchange gains and losses.

Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

Fair values

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidated sale.

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at balance sheet date approximate their fair values.

Directors' Statement

We, **Lau Mong Ying** and **Willie Gan Wee Lee**, being two of the directors of **Prolexus Berhad** state that in the opinion of the directors, the financial statements set out on pages 24 to 64 are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at **31 July 2008** and of their financial performance and cash flows for the financial year then ended.

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

LAU MONG YING **WILLIE GAN WEE LEE**

Date: 10 November 2008

Statutory Declaration

I, **Willie Gan Wee Lee**, the director primarily responsible for the financial management of **Prolexus Berhad** do solemnly and sincerely declare that the financial statements set out on pages 24 to 64 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 **10th**)
day of **November 2008**.) **WILLIE GAN WEE LEE**

Before me,

Karupayee Kamalam A/P R. Mottai (PO15)
Commissioner for Oaths

Independent Auditors' Report
to the Members of Prolexus Berhad

Report on the Financial Statements

We have audited the financial statements of **Prolexus Berhad**, which comprise the balance sheet as at **31 July 2008** of the Group and of the Company, and the income statement, statement of changes in equity and cash flow statement of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 64.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 Company's preparation and fair presentation of the financial statements 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 Company'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 have been properly drawn up in accordance with Financial Reporting Standards and 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 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the accounts and the auditors' reports of a subsidiary of which we have not acted as auditors, which is indicated in Note 5 to the financial statements,

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

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

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
(formerly known as JB Lau & Associates)
AF : 0042
Chartered Accountants

JOHN LAU TIANG HUA, DJN
Partner
No. 1107/03/10 (J)
Chartered Accountant

Date: 10 November 2008

Penang

Properties held by the Group

Location	Description	Land area/ (built-up area)	Existing use	Tenure/ (approximate age of building)	Net book value as at 31 July 2008 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 metre² (7,413.65 metre²)	Factory and office	Freehold (9 1/2 years to 13 years)	**6,630**	1993*
Lot PTD 16109 Mukim of Simpang Kanan District of Batu Pahat Johor	A single-storey bungalow	535.96 metre² (211.8 metre²)	Hostel	Freehold (19 years)	**72**	1993*
PLAS INDUSTRIES SDN. BHD.						
Lot No. PT1487 (Plot No. 19) HS (D) 2754 Mk 1 Kawasan Perusahaan Prai Seberang Perai Tengah Pulau Pinang	A factory with office and storage building	1,007.96 metre² (2,204.67 metre²)	Factory and office	Leasehold 60 years expiring on 30.9.2045 (16 years)	**656**	1993*
Lot No. 4122 & 4123 Nibong Tebal Mk. 11 Seberang Perai Selatan Pulau Pinang	Two units of two mid-terraced shop-house	230.02 metre² (465.99 metre²)	Production factory	Freehold (12 years)	**208**	1993*
Taman Pelangi Prai F95, H.S. (D) 3296 No. PT2971 Mk. 11 Seberang Perai Tengah Pulau Pinang	5 continuous units of two bedrooms flats	N/A (232.25 metre²)	Hostel	Leasehold 99 years expiring on 22.4.2092 (6 years)	**137**	1997
Taman Pelangi Prai F95, H.S. (D) 3296 No. PT2971 Mk. 11 Seberang Perai Tengah Pulau Pinang	5 continuous units of three bedrooms flats	N/A (325.15 metre²)	Hostel	Leasehold 99 years expiring on 22.4.2092 (7 years)	**180**	1997
Plot No. 255 (iii) Kawasan Perusahaan Mak Mandin, Mukim 14 Seberang Perai Tengah Pulau Pinang	3 storey factory	N/A (3,617.51 metre²)	Factory and office	Leasehold 60 years expiring on 21.2.2052 (2 years)	**2,131**	2001
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	1.70448 acres (2,481.27 metre²)	Factory and office	Leasehold 60 years expiring on 21.2.2052 (10 years)	**2,048**	1993*
					12,062	

* Year of revaluation

Analysis of Shareholdings
– as at 31 October 2008

Share Capital as at 31 October 2008

Authorised share capital	:	100,000,000 ordinary shares of RM1 each
Issued and fully paid-up	:	36,411,200 ordinary shares of RM1 each (excluding 3,588,800 treasury shares)
Voting rights	:	One vote per ordinary share (on a poll)

Distribution schedule of shareholdings as at 31 October 2008

Size of Holdings	No. of Depositors	No. of Shares Held	% of Issued Capital
Less than 100	131	4,640	0.013
100 - 1,000	200	158,729	0.436
1,001 - 10,000	1,060	4,425,873	12.155
10,001 - 100,000	271	7,565,566	20.778
100,001 - 1,820,559	44	22,193,792	60.953
1,820,560 - 40,000,000	1	2,062,600	5.665
TOTAL	1,707	36,411,200	100.0000

30 Largest Shareholders as at 31 October 2008

	NAME	NORMAL HOLDINGS	HOLDINGS %
1	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LAU MONG YING	2,062,600	5.665
2	LAU MONG SENG	1,713,400	4.706
3	BBL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NARSPA HOLDINGS SDN BHD (309895)	1,550,000	4.257
4	JE HOLDINGS SDN BHD	1,516,260	4.164
5	TAI HOOI LIN	1,515,000	4.161
6	TAN CHING CHING	1,110,000	3.049
7	TAN HAN CHUAN	919,000	2.524
8	YEOH SWEE KEE	814,900	2.238
9	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG HUEY PENG (REM 650)	773,900	2.125
10	LIM HOEI BOON	720,936	1.98
11	MAYBAN SECURITIES NOMINEES (ASING) SDN BHD MALAYAN BANKING BERHAD FOR FISCO ENTERPRISE PRIVATE LIMITED (25I LOAN)	668,915	1.837
12	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP KIM CHOO	657,750	1.806
13	CHEW BOON SENG	648,500	1.781
14	POO CHOO @ ONG POO CHOI	593,000	1.629
15	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON PANSY	570,000	1.565
16	TAN BOON KUAN	536,084	1.472
17	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR NARSPA HOLDINGS SDN BHD (TERM)	533,000	1.464
18	SONG KIM LEE	466,000	1.28
19	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JE HOLDINGS SDN BHD (KULS)	387,865	1.065
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU MONG YING (100188)	367,400	1.009
21	TEO KIM POI	356,100	0.978
22	LIM KIM YEW	350,000	0.961
23	TAN AH KOW @ TAN BOON HOO	325,000	0.893
24	SANG BEE YIAN	315,000	0.865
25	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP HON KEONG	300,000	0.824
26	TEO PENG BOON	295,700	0.812
27	LIN, CHENG-LANG	293,374	0.806
28	SONG KIM NAI	286,000	0.785
29	YU LEE LIN	285,600	0.784
30	TEO PENG BOON	257,100	0.706
		21,188,384	58.191

1. Directors' shareholdings as at 31 October 2008

		No. of ordinary shares of RM1 each			
		Direct Interest	**%**	**Deemed Interest**	**%**
i.	Lau Mong Ying	2,445,534	6.12	-	-
ii.	Cheah Chin Teong	138,706	0.38	-	-
iii.	Ahmad Mustapha Ghazali	30,000	0.08	2,136,750 (1)	5.87
iv.	Lau Mong Fah	115,000	0.32	-	-
v.	Lin, Cheng-Lang	293,374	0.81	-	-
vi.	Lee Kuan Mang	-	-	-	-
vii.	Willie Gan Wee Lee	-	-	8,000 (2)	0.02
viii.	Khadmudin Bin Hj Mohamed Rafik	268,100	0.74	4,000 (3)	0.01

2. Substantial Shareholders (excluding bare trustee) according to the Register of Substantial Shareholders as at 31 October 2008

		No. of ordinary shares of RM1 each			
		Direct Interest	**%**	**Deemed Interest**	**%**
i.	Lau Mong Ying	2,445,534	6.12	-	-
ii.	Narspa Holdings Sdn. Bhd.	2,116,000	5.81	-	-
iii.	Ahmad Mustapha Ghazali	30,000	0.08	2,116,000 (4)	5.81
iv.	Narimah Mohamed Perai	20,750	0.06	2,116,000 (5)	5.81
v.	JE Holdings Sdn Bhd	1,904,125	5.23	-	-
vi.	Lau Boon Hwa	193,000	0.53	1,904,125 (6)	5.23
vii.	Lau Boon Puh	11,000	0.03	1,904,125 (7)	5.23

(1) *Deemed interested by virtue of his interest in Narspa Holdings 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)(c) of the Companies Act, 1965*

(2) *Shares in the Company held by his spouse pursuant to Section 134(12)(c) of the Companies Act, 1965*

(3) *Shares in the Company held by his spouse pursuant to Section 134(12)(c) of the Companies Act, 1965*

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

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

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

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

PROXY FORM

PROLEXUS BERHAD
(250857-T)
Incorporated in Malaysia

* I/We ____
(Full Name in Block Letters)

of ____
(Address)

being * a member/members of the abovenamed Company, hereby appoint ______________________________

____
(Full Name in Block Letters)

of ____
(Address)

or failing him, the Chairman of the meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at the Conference Room of Prolexus Berhad, 6944 Jalan Mak Mandin, Kawasan Perusahaan Mak Mandin, 13400 Butterworth, Penang on Friday, 19 December 2008 at 10.00 a.m. and at any adjournment thereof.

ORDINARY RESOLUTION	**1**	**2**	**3**	**4**	**5**	**6**
FOR						
AGAINST						

Please indicate with an "X" in the appropriate box provided on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

The proportion of my holding to be represented by my proxies are as follows:-

First proxy "A" %

Second proxy "B"______________%

100%

In case of vote taken by a show of hand *first proxy "A"/*second proxy "B" shall vote on my behalf.

No. of Shares Held: ______________________

____
Signature of member

Dated this ____________ day of ______________ 2008

** Strike out whichever not desired.*

Notes:-

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.*
2. *To be valid, the proxy form duly completed must be deposited at the Registered Office of the Company, No. 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, not less than 48 hours before the time for holding the meeting.*
3. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.*
4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
5. *If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.*

STAMP

The Company Secretary
Prolexus Berhad
(Company No. 250857-T)

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

PROLEXUS BERHAD
(250857 - T)
Incorporated in Malaysia

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