



PROLEXUS BERHAD

(250857 - T)

Incorporated in Malaysia

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING	2 - 5
CORPORATE INFORMATION	6
FINANCIAL HIGHLIGHTS	7
CHAIRMAN'S STATEMENT	8 - 9
STATEMENT ON CORPORATE GOVERNANCE	10 - 16
CODE OF CONDUCT	17
AUDIT COMMITTEE - COMPOSITION AND TERMS OF REFERENCE	18 - 20
AUDIT COMMITTEE REPORT	21
STATEMENT ON INTERNAL CONTROL	22 - 23
STATEMENT ON DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS	24
CORPORATE SOCIAL RESPONSIBILITY STATEMENT	24
MATERIAL CONTRACTS	24
DIRECTORS' REPORT	25 - 27
DIRECTORS' STATEMENT	28
STATUTORY DECLARATION	28
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS	29 - 30
CONSOLIDATED BALANCE SHEET	31
CONSOLIDATED INCOME STATEMENT	32
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	33
CONSOLIDATED CASH FLOW STATEMENT	34 - 35
BALANCE SHEET	36
INCOME STATEMENT	37
STATEMENT OF CHANGES IN EQUITY	38
CASH FLOW STATEMENT	39
NOTES TO THE FINANCIAL STATEMENTS	40 - 73
PROPERTIES HELD BY THE GROUP	74
ANALYSIS OF SHAREHOLDINGS	75 - 77
PROXY FORM	

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of the Company will be held at the Conference Room of Honsin Apparel Sdn Bhd, 531, 2 ½ Miles, Jalan Kluang 83000 Batu Pahat, Johor on Wednesday, 15 December 2010 at 10.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 July 2010 together with the Reports of the Directors and Auditors thereon. **Please refer to Explanatory Note on Ordinary Business**
2. To approve the increase and payment of Directors' fees for the financial year ended 31 July 2010. **Ordinary Resolution 1**
3. To re-elect Mr. Lau Mong Ying, the Director retiring pursuant to Article 77 of the Company's Articles of Association. **Ordinary Resolution 2**
4. To re-elect Mr. Lau Mong Fah, the Director retiring pursuant to Article 77 of the Company's Articles of Association. **Ordinary Resolution 3**
5. To consider and, if thought fit, to pass the following resolution pursuant to Section 129 of the Companies Act, 1965:

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

Ordinary Resolution 4
6. To re-appoint Messrs. Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business:

7. To consider and, if thought fit, to pass the following Ordinary Resolution, with or without modifications:

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

8. To consider and, if thought fit, to pass the following Special Resolution, with or without modifications:

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"That, the Articles of Association of the Company be altered in the following manner:-

- (a) By deleting the existing Article 128 in its entirety and substituting thereof with the following new article:

(new article)

128. To whom copies of annual audited financial statements, etc may be sent

The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such annual audited financial statements and reports as are referred to in the Section. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements, the directors' and auditors' reports shall not exceed four (4) months. Annual Report including a copy of each such documents in printed form or in CD-ROM or other electronic form permitted under the Listing Requirements or any combination thereof shall, not less than twenty-one (21) days before the date of the meeting be sent to every member, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Bursa Securities shall at the same time be likewise sent to the Bursa Securities PROVIDED that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

(old article)

128. To whom copies of profit and loss accounts etc may be sent

The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance-sheets and reports as are referred to in the section. The interval between the close of a financial year of the Company and the issue of annual audited accounts, the directors' and auditors' report shall not exceed four (4) months. A copy of each such documents shall not less than twenty one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these presents. The requisite number of copies of each such document as may be required by the stock exchange upon which the Company's shares may be listed shall at the same time be likewise sent to each stock exchange: PROVIDED THAT this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the office.

Notice of Annual General Meeting (cont'd)

- (b) By deleting the existing Article 139 in its entirety and substituting thereof with the following new article:

(new article)

139. Payment by cheque or telegraphic transfer or electronic transfer or direct transfer

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant, sent through the post directed to the registered address of the holder who is named on The Register or to such person and to such address as the holder may in writing direct or, if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may in writing direct or by way of telegraphic transfer or electronic transfer or direct transfer or remittance to such account as provided to the Depository from time to time by such holder or the person entitled to such payment. Every such mode of payments shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or telegraphic transfer or electronic transfer or direct transfer or remittance shall operate as a good and full discharge to the Company in respect of the money represented thereby, notwithstanding that it may subsequently appear that the cheque or warrant has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or direct transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented. Where the members have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends out of its accounts.

(old article)

139. Payment by cheque

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the Dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

9. 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.

Special Resolution 1

BY ORDER OF THE BOARD,

LEE PENG LOON (MACS 01258)

Secretary

Penang

23 November 2010

Explanatory Notes on Appointment of Proxy:-

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 the member appoints more than one (1) proxy to attend and vote at the same meeting, such appointment shall be invalid unless the member specified the proportion of his shareholdings to be represented to 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.

Explanatory Note on Ordinary Business:

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

Explanatory Notes on Special Business:

1. **Ordinary Resolution 6 - Authority under Section 132D of the Companies Act, 1965 for the Directors to Issue Shares**

The proposed Resolution 6, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 December 2009 and which will lapse at the conclusion of the Eighteenth AGM.

The renewed General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

2. **Special Resolution 1 - Proposed Amendments to the Articles of Association of the Company**

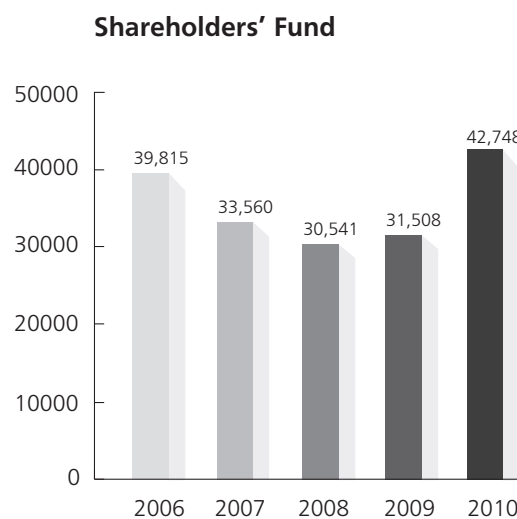
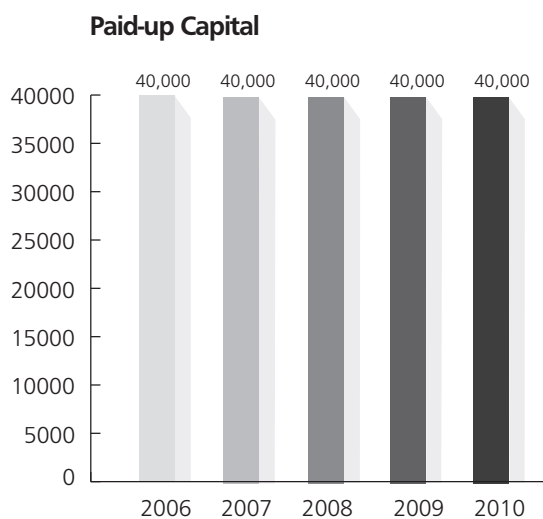
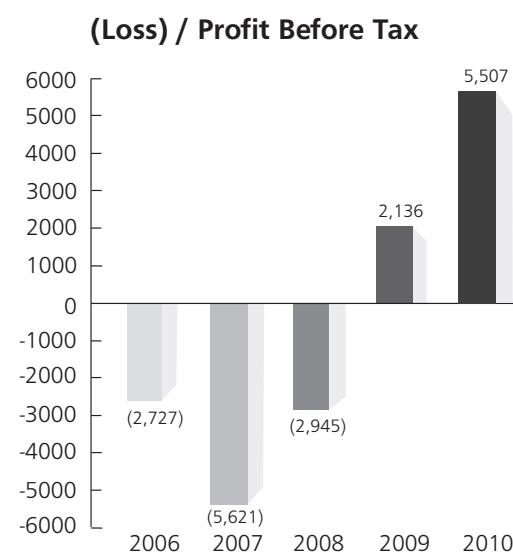
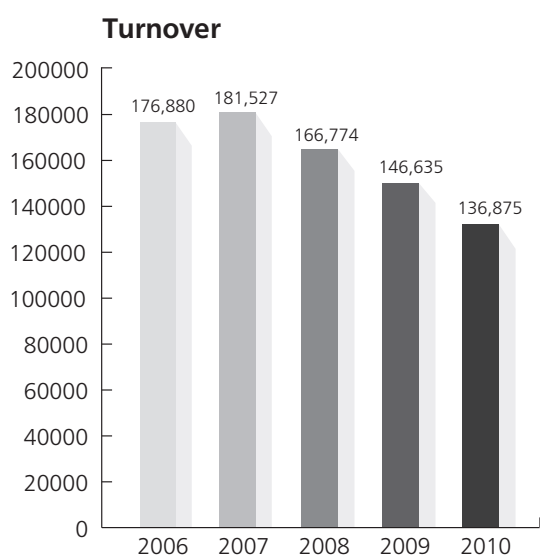
The proposed Special Resolution 1 to amend Articles 128 and 139 of the Company's Articles of Association is to allow the Company, should it be found expedient to do so, to send to its shareholders the Annual Report of the Company in CD-ROM or other electronic form and to facilitate the future payments of dividends through electronic means.

Corporate Information

Directors	Ahmad Mustapha Ghazali (<i>Executive Chairman</i>) Lau Mong Ying (<i>Managing Director</i>) Willie Gan Wee Lee (<i>Executive Director</i>) Lau Mong Fah (<i>Non-Independent Non-Executive Director</i>) Lee Kuan Mang (<i>Independent Non-Executive Director</i>) Lin, Cheng-Lang (<i>Independent Non-Executive Director</i>) Khadmudin Bin Mohamed Rafik (<i>Independent Non-Executive Director</i>)	
Company Secretary	Lee Peng Loon (MACS 01258)	
Audit Committee	Lee Kuan Mang (<i>Chairman, Independent Non-Executive Director</i>) Lin, Cheng-Lang (<i>Independent Non-Executive Director</i>) Khadmudin Bin Mohamed Rafik (<i>Independent Non-Executive Director</i>) Lau Mong Fah (<i>Non-Independent Non-Executive Director</i>)	
Nomination Committee	Khadmudin Bin Mohamed Rafik (<i>Chairman, Independent Non-Executive Director</i>) Lee Kuan Mang (<i>Independent Non-Executive Director</i>) Lin-Cheng Lang (<i>Independent Non-Executive Director</i>)	
Remuneration Committee	Lau Mong Ying (<i>Chairman, Managing Director</i>) Lee Kuan Mang (<i>Independent Non-Executive Director</i>) Lau Mong Fah (<i>Non-Independent Non-Executive Director</i>)	
Registered Office	51-21-A Menara BHL Bank Jalan Sultan Ahmad Shah 10050 Penang Tel : 04-227 6888 Fax : 04-229 8118	
Business Address	531, Batu 2 ½, Jalan Kluang 83000 Batu Pahat Johor Tel : 07-431 8388 Fax : 07-431 0133 E-Mail : enquiries@prolexus.com.my Website : www.prolexus.com.my	6944 Jalan Mak Madin Kawasan Perusahaan Mak Madin 13400 Butterworth, Penang Tel : 04-331 9608 Fax : 04-331 9610
Share Registrar	Bina Management (M) Sdn. Bhd. Lot 10 The Highway Centre, Jalan 51/205 46050 Petaling Jaya Selangor Darul Ehsan Tel : 03-7784 3922 Fax : 03-7784 1988	
Auditors	Grant Thornton Chartered Accountants	
Principal Bankers	CIMB Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad OCBC Bank (Malaysia) Berhad RHB Bank Berhad EON Bank Berhad	
Solicitors	Ghazi & Lim Zaid Ibrahim	
Stock Exchange Listing	Main Market of Bursa Malaysia Securities Berhad	
Stock Code	8966	
Stock Name	PRLEXUS	

Financial Highlights

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Turnover	176,880	181,527	166,774	146,635	136,875
(Loss) / Profit Before Tax	(2,727)	(5,621)	(2,945)	2,136	5,507
(Loss) / Profit After Tax	(1,976)	(5,869)	(2,892)	262	3,403
Paid-up Capital	40,000	40,000	40,000	40,000	40,000
Shareholders' Funds	39,815	33,560	30,541	31,508	42,748
(Loss) / Earnings Per Share (sen)	(8)	(17)	(8)	3	11
Dividend Per Share (sen)	1	-	-	-	-
Net Tangible Asset Per Share (sen)	98	81	76	79	110



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 July 2010.

FINANCIAL PERFORMANCE

The financial year ended 31 July 2010 was a tremendous year for the Group as it marks the cornerstone for the Group's turnaround strategies as it successfully showed impressive improvement in profitability despite the challenging business environment. The financial highlights are as follows:

- Revenue for the current financial year of RM 136.9 million is marginally lower by 6.6% when compared with the previous financial year's of RM 146.6 million. The marginal decrease in revenue is attributed to the strengthening of the Ringgit against the US\$ resulting in lower revenue recorded in terms of the Ringgit. However, based on forecast sales orders received from our customers, it is expected that the revenue for the financial year ending 31 July 2011 will show a significant improvement.
- Profit before taxation for the current financial year of RM 5,507 million is significantly higher by 157.8% compared with the previous financial year's of RM 2,136 million. The significant improvement in performance is mainly attributable to the implementation of the "LEAN" manufacturing system resulting in cost rationalization and improved manufacturing efficiencies.
- Earnings Per Share has increased from 3 sen to 11 sen per Share.
- Net Tangible Asset Per Share has increased from 79 sen to 110 sen per Share.

REVIEW OF OPERATIONS

The Group continues to be "the supplier of choice" as a reputable contract garments manufacturer for the internationally renowned brands. Towards this end, it has:

- Strictly adhered to the standards of ISO 9001:2008, WRAP and meeting the necessary customers' compliance.
- Continue to enhance the human capital by training and providing a conducive working environment.
- Diversification of the Group customer's base by attracting more renowned global brands.
- Invests in machineries and automation to enhance its capacity and efficiency in production.

CORPORATE DEVELOPMENT

During the financial year under review, the Group have undertaken the following corporate exercise:

- On 3 June 2010 the Group acquired 1 share representing the entire equity interest of Honways International Limited ("HIL") which is a company incorporated in Hong Kong for a total cash consideration of US\$1.
- On 9 July 2010 the Group further invested in HIL by the subscription of 1,919,999 new shares of US\$1 each in HIL for a cash consideration of US\$1,919,999. The total investment of US\$ 1,920,000 represents a 64% interest for the Group in the enlarge share capital of US\$ 3,000,000 of HIL.
- On 27 July 2010 HIL has incorporated in China a wholly owned subsidiary, Honways Apparel Shuyang Limited.

The above corporate development is part of the Group's long-term strategy to tap into the vast China market. China, now being the second largest economy in the world, offers tremendous opportunities for the Group's expansion plans in the manufacturing and marketing activities. It is expected that in the long term, the China operations will contribute a significant portion of both the Group's revenue and profitability.

CORPORATE GOVERNANCE

The Group is committed to the best practice of corporate governance to enhance shareholders' value. To achieve this, it has put in place stringent internal controls and operating procedures to ensure that transparency, accountability and integrity are attained in managing the Group business.

DIVIDEND

No dividend has been recommended for the financial year ended 31 July 2010.

PROSPECTS

Against the backdrop of the recovery of the global economy, the Group is cautiously optimistic that it will continue to perform well in the 2011 financial year.

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

Executive Chairman

25 October 2010

Statement on Corporate Governance

The Board of Directors is committed to ensuring that the highest standards of corporate governance will be practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance 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, Chartered Accountants are engaged to provide, inter-alia, risk based internal audit services.
- A Code of Conduct was adopted on 25 June 2002 and it principally guides the directors and employees to conduct our business in accordance with the highest ethical standards and in full compliance with all laws and regulations. The Code of Conduct is summarized on page 17.

DIRECTORS

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

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

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 all information within the Group as a full board and in their individual capacity in furtherance of their duties. All Directors have access to the advice and services of the Company 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 25 October 2010 considered and reviewed the present composition of the Audit Committee including the performance of the Committee collectively and each of its members individually. The Board was and remains satisfied with the composition of the Audit Committee and the performance of the Committee collectively and each of its members individually and resolved to retain the present composition of the Audit Committee.

Statement on Corporate Governance (cont'd)

All new appointments to the Board will be proposed by the 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 25 October 2010 by the Nomination Committee.

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

The Board encourage each director to attend training courses of his own personal requirement as part of a continuing education programme.

The directors' profiles are as follows:

Ahmad Mustapha Ghazali **Executive Chairman**

Ahmad Mustapha Ghazali, a Malaysian aged 62, was appointed to the Board on 6 September 1993 and was appointed to the post of Chairman of the Board on 1 October 2002 and was redesignated as Executive Chairman on 25 January 2010. He is a Fellow of the Chartered Association of Certified Accountants (UK), an associate member of the Institute of Chartered Accountants in England and Wales and a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He has an MBA from the University of Leicester, England. He was previously attached to an international accounting firm as a partner and has more than 30 years of experience in statutory audit, financial reporting and corporate finance

He is the spouse of Narimah Mohamed Perai, a substantial shareholder of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past ten (10) years.

Lau Mong Ying **Managing Director**

Lau Mong Ying, a Malaysian aged 61, was appointed to the Board on 27 August 1993 and is the Managing Director of the Group. He graduated with a Bachelor of Commerce (Economics) from Nanyang University of Singapore in 1973 and has been involved in the garment industry since 1973.

He is the brother of Lau Mong Seng a substantial shareholder of the Company and Lau Mong Fah a director of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past ten (10) years.

Willie Gan Wee Lee **Executive Director**

Willie Gan Wee Lee, a Malaysian aged 54, was appointed to the Board on 23 August 2002 and is an Executive Director 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.

He has no family relationship with other Directors and/or substantial shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past ten (10) years.

Lau Mong Fah
Non-Independent Non-Executive Director

Lau Mong Fah, a Malaysian aged 56, 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 corporate secretarial services.

He is the brother of Lau Mong Ying a director and substantial shareholder of the Company and Lau Mong Seng a substantial shareholder of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past ten (10) years.

Lee Kuan Mang
Independent Non-Executive Director

Lee Kuan Mang, a Malaysian aged 68, 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.

He has no family relationship with other Directors and/or substantial shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past ten (10) years.

Lin, Cheng-Lang
Independent Non-Executive Director

Lin, Cheng-Lang, a Taiwanese aged 71, 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.

He has no family relationship with other Directors and/or substantial shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past ten (10) years.

Khadmudin Bin Mohamed Rafik
Independent Non-Executive Director

Khadmudin Bin Mohamed Rafik, a Malaysian aged 56, was appointed to the Board on 9 September 2003. He obtained his Australian Matriculation Certificate in 1973 and Inspectors Certificate in 1976. He joined the Royal Malaysian Police Force as Senior Police Officer from 1976 to 1995. His last position before optional retirement was the Assistant Superintendent of Police performing the duties of "Head of Prosecution Department". He is presently the managing director and owner of a private limited company specializing in knitted fabric.

He has no family relationship with other Directors and/or substantial shareholders of the Company. He has no conflict of interest with the Company. He has no conviction of offence for the past ten (10) years.

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

The Board held 5 meetings between 1 August 2009 and 31 July 2010 and the number of meetings attended by the Directors are as follows:

Name	Number of meetings attended
Ahmad Mustapha Ghazali	4
Lau Mong Ying	3
Willie Gan Wee Lee	5
Lau Mong Fah	5
Lee Kuan Mang	5
Lin, Cheng-Lang	5
Khadmudin Bin Mohamed Rafik	5
Cheah Chin Teong (resigned on 4 December 2009)	0

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 and when appropriate.

The details of the remuneration of the directors (including past director) of the Company for the financial year ended 31 July 2010 including proposed directors fees are as follows:

	Salary and allowance	Bonus	Fees	Benefits-in-kind	EPF	Total 2010	Total 2009
	RM	RM	RM	RM	RM	RM	RM
Executives (4)	875,402	-	330,000	28,967	154,983	1,389,352	1,260,351
Non-Executives (4)	-	-	140,000	-	-	140,000	200,625
Total	875,402	-	470,000	28,967	154,983	1,529,352	1,460,976

The remuneration band of the directors are as follows:

Amount	Executive	Non-Executive
RM1 – RM50,000	-	4
RM150,001 – RM200,000	1	-
RM250,001 – RM300,000	2	-
RM650,001 – RM700,000	1	-

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.
- 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 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

Khadmudin Bin Mohamed Rafik
Chairman
(Independent Non-Executive Director)
(Appointed as a member and Chairman of Nomination Committee on 25 Jan 2010)

Lee Kuan Mang
Member
(Independent Non-Executive Director)
(Resigned as Chairman of Nomination Committee on 25 Jan 2010 and remains as a member of Nomination Committee)

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

Ahmad Mustapha Chazali
Member
(Non-Independent Non-Executive Director)
(Resigned as a member of Nomination Committee on 25 Jan 2010)

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
- 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 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 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.
- 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 18 to 20 and the report of the Audit Committee is shown on page 21.

This Statement on Corporate Governance is made by the Board of Directors in accordance with a resolution of the Board of Directors dated 25 October 2010.

AHMAD MUSTAPHA GHAZALI
Chairman

LAU MONG YING
Managing Director

Code of Conduct

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

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

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

- **We uphold the highest ethical and professional standards through fair and honest dealings with employees, suppliers, customers, stakeholders and others persons having dealings with the Group.**
- **We respect the law and act accordingly.**
- **We will endeavour to support fair practices at workplace and equal opportunities in employment regardless of race, creed, religion and national origin.**
- **We will not coerce or hold staff against their wishes in employment.**
- **We recognise and respect the right of employees to freely join any association.**
- **We do not place ourselves in situations which result in divided loyalties.**
- **We are use, protect and keep confidential all 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)

Lin, Cheng-Lang

Member
(Independent Non-Executive Director)

Khadmudin Bin Mohamed Rafik

Member
(Independent Non-Executive Director)

Lau Mong Fah

Member
(Non-Independent Non-Executive Director)
(Appointed as a member of Audit Committee on 25 January 2010)

Ahmad Mustapha Ghazali

Member
(Non-Independent Non-Executive Director)
(Resigned as a member of Audit Committee on 25 January 2010)

2. TERMS OF REFERENCE

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

a. Objectives

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

In addition, the Audit Committee shall:

- i. Oversee and appraise the quality of the audit conducted both by the Company's Internal and External Auditors;
- ii. Maintain, through regular scheduled meetings, a direct line of communication between the Board of Directors, Internal and External Auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
- iii. Keep under review the risk assessment and management framework of the Group; and
- iv. Determine the adequacy of the Group's administrative, operating and accounting controls.

b. Size and Composition

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

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

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

c. Meetings

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

The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Executive Director-Finance, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company. The head of internal audit should report directly to the Audit Committee.

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

The non-member directors, the 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 executive board members present at least twice a year and such other meetings as determined by the Committee and/or as requested by the External Auditors.

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

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

d. Duties and Responsibility

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

- (i) Consider the appointment of the External Auditors, the audit fees and any questions of resignation or dismissal, and inquire into the staffing and competence of the External Auditors in performing their work.
- (ii) Review with the External Auditors the scope of their audit plan, their evaluation of the system on internal control and the audit report on the financial statements (in absence of the management if necessary).
- (iii) Review the assistance given by the employees of the Company and the Group to the External Auditors.
- (iv) Discuss the impact and review of any proposed changes in or implementing of major accounting policy changes, principles and practice, significant adjustments resulting from the audit, significant and unusual events, the going concern assumption, compliance with accounting standards and compliance with the stock exchange and statutory and legal requirements.
- (v) Review any financial information for publication, including quarterly and annual financial statements prior to submission to the Board for approval.
- (vi) Review the adequacy and relevance of the scope, functions, competency and resources of internal audit, necessary authority to carry out internal audit work and extent of co-operation and assistance given by the employees to internal audit.
- (vii) Review any appraisal or assessment of the performance of the Internal Auditors and to approve any appointment or termination of the senior staff members of the internal auditors function and also to take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (viii) Review the internal audit plan and work programme, consider major findings of internal audit investigation and management response and ensure co-ordination between Internal and External Auditors.

- (ix) Ascertain the adequacy of the Group's risk assessment and management framework in identifying and considering principal business risks and ensure the implementation of appropriate systems to manage these risks.
- (x) Keep under review the effectiveness of internal control systems and in particular to review and monitor the implementation of recommendation of the External Auditors' management letter and management's response.
- (xi) Consider and review any related party transaction that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (xii) Identify and direct any special projects or investigation deemed necessary.
- (xiii) Report any breaches of listing requirements, which have not been satisfactory resolved to the Bursa Malaysia Securities Berhad.
- (xiv) To review and verify the allocation of options to employees under Employees Share Option Scheme.

e. Authority

The Audit Committee is authorized by the Board to investigate any activity within its Terms of Reference. It shall be provided with the resources to perform its duties 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, the Internal Auditors or both, in the absence of other directors and employees of the Company, whenever deemed necessary.

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

In accordance with a resolution of the Board of Directors dated 25 October 2010.

Audit Committee Report

AUDIT COMMITTEE FUNCTION

The Audit Committee of the Board of Directors is formally constituted with written terms of reference. The details of the Audit Committee's composition and terms of reference are set out in the preceding 3 pages. The present composition of the Audit Committee was reviewed and retained by the Board of Directors on 25 October 2010.

During the financial year ended 31 July 2010, 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
Lin, Cheng-Lang	5
Khadmudin Bin Mohamed Rafik	5
Lau Mong Fah <i>(Appointed as a member of Audit Committee on 25 January 2010)</i>	2
Ahmad Mustapha Ghazali <i>(Resigned as a member of Audit Committee on 25 January 2010)</i>	2

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

Messrs. UHY, Chartered Accountants, are the Company 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.
- 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

25 October 2010

Statement on Internal Control

Pursuant to Paragraph 15.26(b) of Bursa Securities Listing Requirements, the Board of Directors of Prolexus Berhad is pleased to provide the following statement on 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 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 ISO9001:2008 documented procedures that provide limited scope of internal control; and
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' reports, there is 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 15.23 of Bursa Securities Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 25 October 2010.

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 31 July 2010 set out on pages 31 to 73, 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 25 October 2010.

Corporate Social Responsibility Statement

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

A Code of Conduct was adopted on 25 June 2002 and it principally guides the directors and employees to conduct our business in accordance with the highest standards and in full compliance with all laws and regulations.

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

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

Material Contracts

Apart from the directors employment contracts and those related party transactions as disclosed in Note 26, there are no other material contracts involving the Directors and major shareholders with the Company and its subsidiaries.

Directors' Report for the year ended 31 July 2010

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended **31 July 2010**.

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 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
Profit after taxation for the year	<u>3,403</u>	<u>2,414</u>
Attributable to:		
Equity holders of the Company	4,046	2,414
Minority interests	(643)	-
	<u>3,403</u>	<u>2,414</u>

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 2010** 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 AND DEBENTURE

During the financial year, the Company did not issue any 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 2010, **3,588,800** are held as treasury shares by the Company. As at 31 July 2010, 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 14 to the financial statements.

Directors' Report

for the year ended 31 July 2010 (cont'd)

DIRECTORS

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

Ahmad Mustapha Ghazali
Lau Mong Ying
Willie Gan Wee Lee
Lau Mong Fah
Lee Kuan Mang
Lin, Cheng-Lang
Khadmudin Bin Mohamed Rafik
Cheah Chin Teong (resigned on 4.12.09)

DIRECTORS' INTERESTS IN SHARES

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

	--- Number of ordinary shares of RM1 each ---			Balance at 31.7.10
	Balance at 1.8.09	Bought	Sold	
Direct Interest:				
Ahmad Mustapha Ghazali	30,000	-	-	30,000
Lau Mong Ying	2,445,534	-	-	2,445,534
Lau Mong Fah	115,000	-	-	115,000
Lin, Cheng-Lang	293,374	-	-	293,374
Khadmudin Bin Mohamed Rafik	305,200	-	-	305,200
Deemed Interest:				
Ahmad Mustapha Ghazali	2,156,750	1,001,200	-	3,157,950
Willie Gan Wee Lee	8,000	-	-	8,000
Khadmudin Bin Mohamed Rafik	4,000	-	-	4,000

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:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts, and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

- (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or
- (iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

Date : 25 October 2010

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 31 to 73 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 2010** 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 : 25 October 2010

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 31 to 73 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 **25th**)
day of **October 2010**.)

Willie Gan Wee Lee

Before me,

Goh Suan Bee
No.: P125
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 sheets as at **31 July 2010** of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 73.

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 2010** and of their financial performance and cash flows for the financial 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 of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 4 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 purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purpose, and
- (d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report
to the Members of Prolexus Berhad (cont'd)

Other Matters

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

Grant Thornton
No. AF : 0042
Chartered Accountants

John Lau Tiang Hua, DJN
Partner
No. 1107/03/12 (J)
Chartered Accountant

Date : 25 October 2010

Penang

Consolidated Balance Sheet at 31 July 2010

	NOTE	2010 RM'000	(Restated) 2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	32,200	27,009
Goodwill on consolidation	5	2,712	2,712
		34,912	29,721
Current assets			
Inventories	6	11,753	14,854
Trade receivables	7	21,861	16,940
Other receivables, deposits and prepayments	8	4,082	2,229
Amount due from an associate	9	18	16
Cash and bank balances	11	13,083	9,208
		50,797	43,247
Non-current assets held for sale	12	150	-
		50,947	43,247
TOTAL ASSETS		85,859	72,968
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	13	40,000	40,000
Treasury shares	14	(1,717)	(1,717)
Reserves	15	4,465	(6,775)
		42,748	31,508
Minority interests		5,568	2,755
Total equity		48,316	34,263
Non-current liabilities			
Borrowings	16	3,724	7,153
Deferred tax liabilities	17	2,728	1,120
		6,452	8,273
Current liabilities			
Trade payables	18	9,918	9,959
Other payables and accruals	19	10,154	7,934
Amount due to a director	20	-	25
Borrowings	16	10,265	11,585
Provision for taxation		754	929
		31,091	30,432
Total liabilities		37,543	38,705
TOTAL EQUITY AND LIABILITIES		85,859	72,968

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Consolidated Income Statement for the year ended 31 July 2010

	NOTE	2010 RM'000	2009 RM'000
Revenue	21	136,875	146,635
Cost of sales		(116,359)	(128,276)
Gross profit		20,516	18,359
Other income		301	699
Administrative expenses		(9,260)	(9,241)
Selling and distribution expenses		(4,808)	(6,058)
Operating profit		6,749	3,759
Finance costs		(1,242)	(1,623)
Profit before taxation	22	5,507	2,136
Taxation	23	(2,104)	(1,874)
Profit for the year		3,403	262
Attributable to:			
Equity holders of the Company		4,046	967
Minority interests		(643)	(705)
		3,403	262
Basic earnings per share attributable to equity holders of the Company (sen)	24	11	3

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 July 2010

	----- Attributable to Equity Holders of the Company -----					Minority Interests	Total Equity
	Share Capital RM'000	Treasury Shares RM'000	Asset Revaluation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	RM'000	RM'000
	-- Non-distributable --						
2010							
Balance at beginning	40,000	(1,717)	1,413	(8,188)	31,508	2,755	34,263
Profit for the year	-	-	-	4,046	4,046	(643)	3,403
Revaluation surplus	-	-	7,194	-	7,194	-	7,194
Net gain/loss not recognised in the income statement	-	-	(19)	19	-	-	-
Acquisition of investment in subsidiaries	-	-	-	-	-	3,456	3,456
Balance at end	40,000	(1,717)	8,588	(4,123)	42,748	5,568	48,316
2009							
Balance at beginning	40,000	(1,717)	1,419	(9,161)	30,541	3,460	34,001
Profit for the year	-	-	-	967	967	(705)	262
Net gain/loss not recognised in the income statement	-	-	(6)	6	-	-	-
Balance at end	40,000	(1,717)	1,413	(8,188)	31,508	2,755	34,263

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 July 2010

	2010 RM'000	(Restated) 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,507	2,136
Adjustments for:		
Allowance for doubtful debts	-	16
Bad debts	317	-
Depreciation	4,169	4,535
Interest expense	1,242	1,623
Interest income	(149)	(65)
Gain on disposal of property, plant and equipment	(90)	(165)
Property, plant and equipment written off	342	305
Unrealised gain on foreign exchange	(18)	(160)
Operating profit before working capital changes	11,320	8,225
Decrease in inventories	3,101	7,786
Increase in receivables	(7,204)	(1,335)
Increase/(Decrease) in payables	1,830	(1,950)
Cash generated from operations	9,047	12,726
Income tax paid	(2,145)	(882)
Income tax refund	-	835
Interest paid	(762)	(1,623)
Net cash from operating activities	6,140	11,056
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flow from acquisition of equity interests in a new subsidiary	3,456	-
Interest received	149	65
Placement of fixed deposit with a licensed bank	-	(16)
Proceeds from disposal of property, plant and equipment	200	245
* Purchase of property, plant and equipment	(1,294)	(1,196)
Net cash from/(used in) investing activities	2,511	(902)
Balance carried forward	8,651	10,154

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 July 2010 (cont'd)

	2010 RM'000	(Restated) 2009 RM'000
Balance brought forward	8,651	10,154
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	-	1,387
(Repayment)/Drawdown of trust receipts	(2,293)	2,186
Net change in associate's balance	(2)	(2)
Net change in director's balance	(25)	25
Net proceed from/(Repayment of) bankers acceptance	2,186	(6,992)
Net proceed from/(Repayment of) export credit refinancing	142	(2,050)
Payment of hire purchase loans	(146)	(161)
Repayment of loan to a director of a subsidiary	-	(700)
Repayment of term loans	(1,470)	(279)
Net cash used in financing activities	(1,608)	(6,586)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,043	3,568
Effects of changes in exchange rates on cash and cash equivalents	-	25
CASH AND CASH EQUIVALENTS AT BEGINNING	5,757	2,164
CASH AND CASH EQUIVALENTS AT END	12,800	5,757
Represented by:		
Fixed deposits with licensed banks	2,857	2,507
Short term placement in money market with a licensed bank	-	1,000
Cash and bank balances	10,211	5,686
Bank overdrafts	(268)	(3,436)
	12,800	5,757
* Purchase of property, plant and equipment		
Total acquisition cost	1,294	1,361
Acquired under hire purchase loans	-	(165)
Total cash acquisition	1,294	1,196

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Balance Sheet at 31 July 2010

	NOTE	2010 RM'000	2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	33	40
Investments	4	22,043	22,043
		<u>22,076</u>	<u>22,083</u>
Current assets			
Other receivables, deposits and prepayments	8	78	181
Amount due from subsidiaries	10	20,768	22,565
Tax recoverable		405	-
Cash and bank balances	11	19	37
		<u>21,270</u>	<u>22,783</u>
TOTAL ASSETS		<u>43,346</u>	<u>44,866</u>
EQUITY AND LIABILITIES			
Share capital	13	40,000	40,000
Treasury shares	14	(1,717)	(1,717)
Reserves	15	(2,069)	(4,483)
Total equity		<u>36,214</u>	<u>33,800</u>
Non-current liabilities			
Borrowings	16	3,150	5,900
Current liabilities			
Other payables and accruals	19	1,431	1,048
Amount due to subsidiaries	10	751	4,118
Borrowings	16	1,800	-
		<u>3,982</u>	<u>5,166</u>
Total liabilities		<u>7,132</u>	<u>11,066</u>
TOTAL EQUITY AND LIABILITIES		<u>43,346</u>	<u>44,866</u>

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Income Statement for the year ended 31 July 2010

	NOTE	2010 RM'000	2009 RM'000
Revenue	21	5,239	900
Other income		80	140
Administrative expenses		(1,780)	(1,529)
Operating profit/(loss)		3,539	(489)
Finance costs		(480)	(480)
Profit/(Loss) before taxation	22	3,059	(969)
Taxation	23	(645)	-
Profit/(Loss) for the year		2,414	(969)

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 July 2010

		Non-distributable		
	Share Capital RM'000	Treasury Shares RM'000	Accumulated Losses RM'000	Total Equity RM'000
2010				
Balance at beginning	40,000	(1,717)	(4,483)	33,800
Profit for the year	-	-	2,414	2,414
Balance at end	<u>40,000</u>	<u>(1,717)</u>	<u>(2,069)</u>	<u>36,214</u>
2009				
Balance at beginning	40,000	(1,717)	(3,514)	34,769
Loss for the year	-	-	(969)	(969)
Balance at end	<u>40,000</u>	<u>(1,717)</u>	<u>(4,483)</u>	<u>33,800</u>

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 July 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	3,059	(969)
Adjustments for:		
Bad debts	178	-
Depreciation	7	7
Dividend income	(4,200)	-
Interest expense	480	480
Gain on disposal of property, plant and equipment	(80)	(140)
Property, plant and equipment written off	-	14
	<hr/>	<hr/>
Operating loss before working capital changes	(556)	(608)
Increase in receivables	(75)	(161)
(Decrease)/Increase in payables	(97)	178
	<hr/>	<hr/>
Cash used in operations	(728)	(591)
Dividend received	3,150	-
	<hr/>	<hr/>
Net cash from/(used in) operating activities	2,422	(591)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in a subsidiary	-	(409)
Proceeds from disposal of property, plant and equipment	80	156
Purchase of property, plant and equipment	-	(7)
	<hr/>	<hr/>
Net cash from/(used in) investing activities	80	(260)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in subsidiaries' balances	(1,570)	964
Repayment of term loan	(950)	(100)
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(2,520)	864
 NET (DECREASE)/INCREASE IN CASH	<hr/>	<hr/>
CASH AT BEGINNING	(18)	13
	37	24
	<hr/>	<hr/>
CASH AT END	19	37
	<hr/>	<hr/>

The notes set out on pages 40 to 73 form an integral part of these financial statements.

Notes to the Financial Statements

– 31 July 2010

1. CORPORATE INFORMATION

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

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

The principal activities of the subsidiaries are 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 25 October 2010.

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 in accordance with applicable Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia.

At the beginning of the financial year, the Group and the Company had adopted new/revised FRSs for financial periods beginning on or after 1 July 2009 as described fully in Note 2.24 (i).

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 Subsidiaries and Basis of Consolidation

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 accumulated impairment losses in the Company's separate financial statements.

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

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 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. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

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.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Property, Plant and Equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at valuation based on valuations by external independent valuers, less subsequent amortisation/depreciation and impairment losses. All other property, plant and equipment are stated at cost 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.

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

Short leasehold land	Amortised over the lease period of 36 and 43 years
Short leasehold buildings	2%
Buildings	2% - 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.

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

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 its 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 Investment in An Associate

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

Investment in an associate 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 impairment loss with respect to the Group's net investment in the associates.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Investment in An Associate (cont'd)

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.

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

2.7 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 applicable.

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.

2.8 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.

2.9 Non-current Assets Held for Sale

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Other assets

At each balance sheet date, the Group reviews the carrying amounts of its assets other than 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 Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs incurred.

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Income 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.

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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Foreign Currency Translations (cont'd)

The financial statements of foreign subsidiaries are translated into Ringgit Malaysia at the approximate rate of exchange ruling on the balance sheet date for balance sheet items and at the approximate average rate of exchange ruling on transaction dates for income statement items. Exchange differences due to such currency translations are taken directly to exchange translation reserve.

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 Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

2.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the financial statements of the Group.

2.21 Equity Instruments

Ordinary shares are classified as equity which are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as a deduction from equity, net of tax, from the proceeds.

2.22 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.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 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.

2.24 New/Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations

(i) Adoption of new FRS by the Group and by the Company

On 1 August 2009, the Group and the Company adopted FRS 8 Operating Segments mandatory for financial periods beginning on or after 1 July 2009.

The adoption of this FRS did not have a material impact on the presentation and disclosure aspect.

(ii) Early adoption of amendment to FRS by the Group and by the Company

On 1 August 2009, the Group and the Company have early adopted the amendment to FRS 117 Leases mandatory for financial periods beginning on or after 1 January 2010. As the leasehold land in substance is a finance lease, the Group and the Company have accordingly reclassified the leasehold land to property, plant and equipment without any impact on the income statement.

The effect of adoption of amendment to FRS 117 is disclosed in Note 30.

(iii) New/revised FRSs, amendments/improvements to FRSs and IC Interpretations that are issued but not yet effective and have not been early adopted by the Group and by the Company

(a) Effective for financial periods beginning on or after 1 January 2010

Amendment to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 2	Share-based Payment. Amendments relating to vesting conditions and cancellations
FRS 4	Insurance Contracts
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations. Amendment relating to disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
FRS 7	Financial Instruments : Disclosures
Amendment to FRS 7	Financial Instruments : Disclosures. Amendments relating to financial assets
Amendment to FRS 8	Operating Segments. Amendment relating to disclosure information about segment assets
FRS 101 (Revised 2010)	Presentation of Financial Statements
Amendment to FRS 107	Statement of Cash Flows. Amendment relating to classification of expenditures on unrecognised assets

Notes to the Financial Statements

– 31 July 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 New/Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations (cont'd)

(iii) **New/revised FRSs, amendments/improvements to FRSs and IC Interpretations that are issued but not yet effective and have not been early adopted by the Group and by the Company** (cont'd)

(a) Effective for financial periods beginning on or after 1 January 2010 (cont'd)

Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors. Amendment relating to selection and application of accounting policies
Amendment to FRS 110	Events After the Reporting Period. Amendment relating to reason for dividend not recognised as a liability at the end of the reporting period
Amendment to FRS 116	Property, Plant and Equipment. Amendment relating to derecognition of asset
Amendment to FRS 118	Revenue. Amendment relating to Appendix of this standard and recognition and measurement
Amendment to FRS 119	Employee Benefits. Amendment relating to definition, curtailment and settlements
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance. Amendment relating to definition and government loan with a below market rate of interest
FRS 123 (Revised 2010)	Borrowing Costs
Amendment to FRS 123	Borrowing Costs. Amendment relating to components of borrowing costs
Amendment to FRS 127	Consolidated and Separate Financial Statements. Amendment relating to cost of an investment in a subsidiary, jointly controlled entity or associate
Amendment to FRS 128	Investment in Associates. Amendment relating to impairment losses in application of the equity method and the scope of this standard
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies. Amendment relating to changing of terms used
Amendment to FRS 131	Interests in Joint Ventures. Amendment relating to additional disclosure required for joint venture that does not apply FRS 131
Amendment to FRS 132	Financial Instruments : Presentation. Amendment relating to puttable financial instruments
Amendment to FRS 134	Interim Financial Reporting. Amendment relating to disclosure of earnings per share
Amendment to FRS 136	Impairment of Assets. Amendment relating to the disclosure of recoverable amount
Amendment to FRS 138	Intangible Assets. Amendment relating to recognition of an expense
FRS 139	Financial Instruments : Recognition and Measurement
Amendments to FRS 139	Financial Instruments : Recognition and Measurements. Amendments relating to eligible hedged items, reclassification of financial assets and embedded derivatives
Amendment to FRS 140	Investment Property. Amendment relating to inability to determine fair value reliably
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Notes to the Financial Statements

– 31 July 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 New/Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations (cont'd)

(iii) **New/revised FRSs, amendments/improvements to FRSs and IC Interpretations that are issued but not yet effective and have not been early adopted by the Group and by the Company** (cont'd)

(b) Effective for financial periods beginning on or after 1 March 2010

Amendment to FRS 132	Financial Instruments : Presentation. Amendments relating to classification of rights issues
----------------------	--

(c) Effective for financial periods beginning on or after 1 July 2010

FRS 1 (Revised 2010)	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment. Amendments relating to the scope of the Standard
FRS 3 (Revised 2010)	Business Combinations
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations. Amendment relating to the inclusion of non-current assets as held for distribution to owners in the standards
FRS127 (Revised 2010)	Consolidated and Separate Financial Statements
Amendments to FRS 138	Intangible Assets. Amendments relating to the revision to FRS 3
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives. Amendments relating to the scope of the IC and revision to FRS 3
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

(d) Effective for financial periods beginning on or after 1 January 2011

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendment to FRS 1	Additional Exemptions for First-time Adopters
Amendment to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendment to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

(e) Effective for financial periods beginning on or after 1 January 2012

IC Interpretation 15	Agreements for the Construction of Real Estate
----------------------	--

The existing FRS 1, FRS 3 and FRS 127 will be withdrawn upon the adoption of the revised Standards which will take effect on or after 1 July 2010. FRS 201₂₀₀₄ Property Development Activities shall be withdrawn on application of IC Interpretation 15 which will take effect on or after 1 January 2012. The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

IC Interpretation 8 and IC Interpretation 11 shall be withdrawn on application of Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2).

The directors anticipate that the other FRSs, amendments to FRSs and IC Interpretations relevant to the Group and the Company will be adopted in the financial year commencing 1 August 2010 and that the adoption of these new/revised FRSs, amendments to FRSs and IC Interpretations will have no material impact on their financial statements except for the following:

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 New/Revised FRSs, Amendments/Improvements to FRSs and IC Interpretations (cont'd)

(iii) **New/revised FRSs, amendments/improvements to FRSs and IC Interpretations that are issued but not yet effective and have not been early adopted by the Group and by the Company** (cont'd)

FRS 3 Business Combination

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Company's financial position and performance, the nature and extent of risks arising from financial instruments and the objectives, policies and processes for managing capital.

Amendment to FRS 8 Operating Segments

FRS 8, which replaces FRS 114²⁰⁰⁴ Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group identifies two sets of segments (business and geographical) using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, the identification of the Group's reportable segments may change upon the adoption of FRS 8.

FRS 101 Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the statements of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

FRS 123 Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. The Group shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

FRS 139 Financial Instruments : Recognition and Measurement

FRS 139 establishes the principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP 2010

	At valuation/cost						Balance at end RM'000
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Revaluation RM'000	Reclassified to non-current assets held for sale RM'000	
At valuation:							
Freehold land	1,528	-	-	-	2,772	-	4,300
Short leasehold land	141	-	-	-	1,839	-	1,980
Buildings	6,279	14	-	-	7,217	-	13,510
At cost:							
Short leasehold land	801	-	-	-	(801)	-	-
Short leasehold buildings	3,174	-	-	-	(2,966)	(208)	-
Buildings	5,620	-	-	-	(5,620)	-	-
Multimedia boards	24,851	147	-	-	-	-	24,998
Plant and machinery	16,581	542	(176)	(948)	-	-	15,999
Equipment and fixtures	9,796	188	-	(160)	-	-	9,824
Motor vehicles	3,127	403	(722)	-	-	-	2,808
	71,898	1,294	(898)	(1,108)	2,441	(208)	73,419

	Accumulated depreciation						Balance at end RM'000
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	Revaluation RM'000	Reclassified to non-current assets held for sale RM'000	
At valuation:							
Freehold land	-	-	-	-	-	-	-
Short leasehold land	44	6	-	-	(45)	-	5
Buildings	867	80	-	-	(907)	-	40
At cost:							
Short leasehold land	237	11	-	-	(248)	-	-
Short leasehold buildings	580	59	-	-	(581)	(58)	-
Buildings	4,221	225	-	-	(4,446)	-	-
Multimedia boards	20,397	2,237	-	-	-	-	22,634
Plant and machinery	9,162	877	(100)	(638)	-	-	9,301
Equipment and fixtures	6,960	443	-	(128)	-	-	7,275
Motor vehicles	2,421	231	(688)	-	-	-	1,964
	44,889	4,169	(788)	(766)	(6,227)	(58)	41,219

	Net carrying amount at end RM'000
At valuation:	
Short leasehold land	1,975
Freehold land	4,300
Buildings	13,470
At cost:	
Short leasehold buildings	-
Buildings	-
Multimedia boards	2,364
Plant and machinery	6,698
Equipment and fixtures	2,549
Motor vehicles	844
	32,200

Notes to the Financial Statements

– 31 July 2010 (cont'd)

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

(Restated)
2009

	At valuation/cost				Balance at end RM'000
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	
At valuation:					
Freehold land	1,528	-	-	-	1,528
Short leasehold land	141	-	-	-	141
Buildings	6,279	-	-	-	6,279
At cost:					
Short leasehold land	801	-	-	-	801
Short leasehold buildings	3,174	-	-	-	3,174
Buildings	5,723	-	-	(103)	5,620
Multimedia boards	24,566	285	-	-	24,851
Plant and machinery	16,637	861	(250)	(667)	16,581
Equipment and fixtures	10,070	215	(47)	(442)	9,796
Motor vehicles	3,852	-	(725)	-	3,127
	<u>72,771</u>	<u>1,361</u>	<u>(1,022)</u>	<u>(1,212)</u>	<u>71,898</u>

	Accumulated depreciation				Balance at end RM'000
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	
At valuation:					
Freehold land	-	-	-	-	-
Short leasehold land	40	4	-	-	44
Buildings	820	47	-	-	867
At cost:					
Short leasehold land	226	11	-	-	237
Short leasehold buildings	517	63	-	-	580
Buildings	3,981	259	-	(19)	4,221
Multimedia boards	17,921	2,476	-	-	20,397
Plant and machinery	9,000	926	(207)	(557)	9,162
Equipment and fixtures	6,776	546	(31)	(331)	6,960
Motor vehicles	2,922	203	(704)	-	2,421
	<u>42,203</u>	<u>4,535</u>	<u>(942)</u>	<u>(907)</u>	<u>44,889</u>

	Net carrying amount at end RM'000
At valuation:	
Freehold land	1,528
Short leasehold land	97
Buildings	5,412
At cost:	
Short leasehold land	564
Short leasehold buildings	2,594
Buildings	1,399
Multimedia boards	4,454
Plant and machinery	7,419
Equipment and fixtures	2,836
Motor vehicles	706
	<u>27,009</u>

Notes to the Financial Statements

– 31 July 2010 (cont'd)

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 valuations of the landed properties were updated during the financial year by independent valuers namely Henry Butcher Malaysia (Seberang Perai) Sdn. Bhd. and JS Values Property Consultant (Johore) Sdn. Bhd., based on the open market value basis.

The historical cost of the revalued properties are as follows:

	Freehold land RM'000	Short leasehold land RM'000	Buildings RM'000
2010			
At cost	997	942	13,161
Accumulated depreciation	-	(293)	(5,088)
Net carrying amount	<u>997</u>	<u>649</u>	<u>8,073</u>
2009			
At cost	997	-	10,195
Accumulated depreciation	-	-	(4,254)
Net carrying amount	<u>997</u>	<u>-</u>	<u>5,941</u>

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

	2010 RM'000	2009 RM'000
At valuation:		
Freehold land	200	88
Short leasehold land	1,975	-
Buildings	5,850	1,895
	<u>8,025</u>	<u>1,983</u>
At cost:		
Short leasehold buildings	-	2,592
Multimedia boards	2,362	4,452
	<u>2,362</u>	<u>7,044</u>

Notes to the Financial Statements

– 31 July 2010 (cont'd)

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

COMPANY 2010

	At cost			Balance at end RM'000
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	
Equipment and fixtures	79	-	-	79
Motor vehicles	1,042	-	(394)	648
	1,121	-	(394)	727

	Accumulated depreciation			Balance at end RM'000
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	
Equipment and fixtures	39	7	-	46
Motor vehicles	1,042	-	(394)	648
	1,081	7	(394)	694

	Net carrying amount at end RM'000
Equipment and fixtures	33
Motor vehicles	-
	33

Notes to the Financial Statements

– 31 July 2010 (cont'd)

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

- (iii) Motor vehicles with net carrying amount of **RM370,901** (2009 : RM531,402) were acquired under hire purchase loans. (cont'd)

2009

	----- At cost -----				Balance at end RM'000
	Balance at beginning RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	
Equipment and fixtures	160	7	(47)	(41)	79
Motor vehicles	1,586	-	(544)	-	1,042
	<u>1,746</u>	<u>7</u>	<u>(591)</u>	<u>(41)</u>	<u>1,121</u>

	----- Accumulated depreciation -----				Balance at end RM'000
	Balance at beginning RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	
Equipment and fixtures	90	7	(31)	(27)	39
Motor vehicles	1,586	-	(544)	-	1,042
	<u>1,676</u>	<u>7</u>	<u>(575)</u>	<u>(27)</u>	<u>1,081</u>

	Net carrying amount at end RM'000
Equipment and fixtures	40
Motor vehicles	-
	<u>40</u>

Notes to the Financial Statements

– 31 July 2010 (cont'd)

4. INVESTMENTS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Investment in subsidiaries				
Unquoted shares, at cost	-	-	24,109	24,109
Less : Accumulated impairment losses	-	-	(2,066)	(2,066)
	-	-	22,043	22,043
Investment in an associate				
Unquoted shares, at cost	1	1	-	-
Share of post-acquisition losses	(1)	(1)	-	-
	-	-	-	-
Total	-	-	22,043	22,043

The Group does not recognise further losses of the associate amounting to **RM1,498** (2009 : RM1,018) as the Group's share of losses exceeds its interest in the associate. As at **31 July 2010**, the cumulative unrecognised share of losses of the associate amounted to **RM9,988** (2009 : RM8,490).

Details of the subsidiaries and associate are as follows:

Name	Country of Incorporation	Effective Equity Interest		Principal Activities
		2010	2009	
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. However, no such business activity is undertaken by the company during the financial year.
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.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

4. INVESTMENTS (cont'd)

Name	Country of Incorporation	Effective Equity Interest		Principal Activities
		2010	2009	
Subsidiary of Plas Industries Sdn. Bhd.				
South East Garment Manufacturing Sendirian Berhad	Malaysia	95%	95%	Manufacture and sale of garments. However, no such business activity is undertaken by the company during the financial year.
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.
Subsidiary of Honsin Apparel Sdn. Bhd.				
Honways International Limited * #	Hong Kong	64.00%	-	Investment holding.
Subsidiary of Honways International Limited				
Honways Apparel Shuyang Limited * #	China	64.00%	-	Manufacture and sale of garments. However, the company has not commenced business operations.
Associate of HiQ Media (Malaysia) Sdn. Bhd.				
Acube Realty Sdn. Bhd.	Malaysia	13.34%	13.34%	Dormant.

* Not audited by Grant Thornton.

These subsidiaries were incorporated on 25 May 2010 and 27 July 2010 respectively and the consolidation is based on the unaudited financial statements of the subsidiaries as at 31 July 2010.

2010

- (i) On 3 June 2010, a wholly-owned subsidiary of the Company, Honsin Apparel Sdn. Bhd. ("Honsin") has acquired 1 share representing the entire equity interest of Honways International Limited ("HIL") for a total cash consideration of USD1. On 9 July 2010, Honsin further invested in HIL by the subscription of 1,919,999 new ordinary shares of USD 1 each for a cash consideration of USD1,919,999.
- (ii) On 27 July 2010, HIL incorporated a subsidiary, Honways Apparel Shuyang Limited ("HAL") with an authorised registered share capital of USD3,000,000 of which USD2,050,000 was duly paid-up. HAL intends to gradually increase its paid-up registered capital to USD3,000,000 where HIL shall participate and maintain its 100% equity.
- (iii) The above acquisition did not have a material effect on the Group financial results for the year ended 31 July 2010.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

4. INVESTMENTS (cont'd)

2009

- (i) On 15 July 2009, Honsin Apparel Sdn. Bhd., a wholly-owned subsidiary of the Company increased its issued and paid-up share capital from RM1,903,100 to RM2,537,466 by way of a bonus issue of 634,366 new ordinary shares of RM1 each at par, effected by capitalising RM634,366 from its retained profits.
- (ii) On 17 July 2009, Plas Industries Sdn. Bhd., a wholly-owned subsidiary of the Company increased its issued and paid-up share capital from RM2,091,088 to RM2,500,000 by way of allotment of 408,912 new ordinary shares of RM1 at par as satisfaction of the amount of RM408,912 due to the holding company.

5. GOODWILL ON CONSOLIDATION

	2010 RM'000	2009 RM'000
Arising from the acquisition of subsidiaries:		
Balance at beginning/end	<u>2,712</u>	<u>2,712</u>

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 **6.30%** (2009 : 5.50%) 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.

6. INVENTORIES

	2010 RM'000	2009 RM'000
At cost:		
Raw materials	2,921	4,728
Work-in-progress	8,467	9,642
Trading goods	365	484
	<u>11,753</u>	<u>14,854</u>

Notes to the Financial Statements

– 31 July 2010 (cont'd)

7. TRADE RECEIVABLES

	2010 RM'000	2009 RM'000
Total amount	21,877	17,784
Less: Allowance for doubtful debts		
Balance at beginning	844	828
Current year	-	16
Written off	(828)	-
Balance at end	(16)	(844)
	21,861	16,940
Analysis by currencies:		
Ringgit Malaysia	1,864	2,346
US Dollar	19,997	14,594
	21,861	16,940

The normal credit terms granted to trade receivables range from **21 to 90 days** (2009 : 21 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other receivables	2,686	660	64	178
Deposits and prepayments	1,396	1,569	14	3
	4,082	2,229	78	181
Analysis by currencies:				
Ringgit Malaysia	1,863	2,090	78	181
US Dollar	2,219	139	-	-
	4,082	2,229	78	181

9. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is non-trade related, unsecured, interest free and is repayable on demand.

10. AMOUNT DUE FROM/TO SUBSIDIARIES

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

Notes to the Financial Statements

– 31 July 2010 (cont'd)

11. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed deposits with licensed banks:				
- Pledged to a bank as security for banking facilities granted to a subsidiary	15	15	-	-
- Unencumbered	2,857	2,507	-	-
Short term placement in money market with a licensed bank	-	1,000	-	-
Cash and bank balances	10,211	5,686	19	37
	13,083	9,208	19	37
Analysis by currencies:				
Ringgit Malaysia	4,323	4,947	18	36
US Dollar	8,737	4,249	-	-
Singapore Dollar	22	10	-	-
Others	1	2	1	1
	13,083	9,208	19	37

GROUP

The average effective interest rates per annum and maturities at balance sheet date are as follows:

	2010 %	2009 %	2010 Days	2009 Days
Fixed deposits with licensed banks	1.20 to 3.70	2.00 to 3.70	30 to 365	30
Short term placement in money market with a licensed bank	-	1.20	-	30

12. NON-CURRENT ASSETS HELD FOR SALE

	2010 RM'000	2009 RM'000
Leasehold flats, at cost	150	-

Non-current assets held for sale comprise five units of leasehold flats of a subsidiary and are stated at cost. On 10 March 2010, the subsidiary has entered into a Sale and Purchase Agreement with a third party for the sale of the leasehold flats.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

13. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Authorised:				
Balance at beginning/end	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
Balance at beginning/end	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>

14. 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 29 December 2009.

Out of the total **40,000,000** (2009 : 40,000,000) issued and fully paid ordinary shares as at 31 July 2010, **3,588,800** (2009 : 3,588,800) are held as treasury shares by the Company. As at 31 July 2010, the number of outstanding ordinary shares in issue and fully paid is therefore **36,411,200** (2009 : 36,411,200) ordinary shares of RM1 each.

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

15. RESERVES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable:				
Asset revaluation reserve	8,588	1,413	-	-
Accumulated losses	(4,123)	(8,188)	(2,069)	(4,483)
	<u>4,465</u>	<u>(6,775)</u>	<u>(2,069)</u>	<u>(4,483)</u>

16. BORROWINGS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current liabilities				
Secured term loan (Note a)	404	958	-	-
Unsecured fixed rate term loan (Note b)	3,150	5,900	3,150	5,900
Hire purchase payables	170	295	-	-
	<u>3,724</u>	<u>7,153</u>	<u>3,150</u>	<u>5,900</u>

Notes to the Financial Statements

– 31 July 2010 (cont'd)

16. BORROWINGS (cont'd)

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current liabilities				
Secured:				
Bank overdrafts	268	3,436	-	-
Bankers acceptance	3,669	1,483	-	-
Export credit refinancing	2,812	2,670	-	-
Hire purchase payables	125	146	-	-
Term loan (Note a)	284	250	-	-
Trust receipts	1,307	3,600	-	-
Unsecured:				
Fixed rate term loan (Note b)	1,800	-	1,800	-
	10,265	11,585	1,800	-

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

- (i) Legal charges over the multimedia boards of a subsidiary,
 - (ii) Legal charges against certain properties of certain subsidiaries,
 - (iii) Facility agreement,
 - (iv) Corporate guarantee of the Company,
 - (v) Pledged of fixed deposit of a subsidiary, 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 monthly instalments of RM27,191 each commencing in December 2008.
- (b) 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 balance amount owing will be settled by full and final settlement within 24 months (moratorium period) from 8 October 2009.

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 for the first 12 months of the Moratorium Period and RM150,000 a month for the second 12 months of the Moratorium Period and had executed 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.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

16. BORROWINGS (cont'd)

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

GROUP	Average effective interest rate per annum (%)	Total RM'000	Within one year RM'000	More than one year and less than five years RM'000
2010				
Bank overdrafts	8.05	268	268	-
Bankers acceptance	2.80 to 4.82	3,669	3,669	-
Export credit refinancing	3.50 to 3.60	2,812	2,812	-
Fixed rate term loan	8.00	4,950	1,800	3,150
Hire purchase payables	2.25 to 4.03	295	125	170
Term loan	7.05 to 7.55	688	284	404
Trust receipts	8.05	1,307	1,307	-
2009				
Bank overdrafts	6.80 to 8.80	3,436	3,436	-
Bankers acceptance	3.98 to 4.00	1,483	1,483	-
Export credit refinancing	3.30	2,670	2,670	-
Fixed rate term loan	8.00	5,900	-	5,900
Hire purchase payables	2.58 to 4.24	441	146	295
Term loan	8.00	1,208	250	958
Trust receipts	7.30	3,600	3,600	-
COMPANY				
2010				
Fixed rate term loan	8.00	4,950	1,800	3,150
2009				
Fixed rate term loan	8.00	5,900	-	5,900

Notes to the Financial Statements

– 31 July 2010 (cont'd)

17. DEFERRED TAX LIABILITIES

	2010 RM'000	2009 RM'000
Revaluation surplus		
Balance at beginning	370	372
Addition during the year	1,474	-
Transfer to income statement	(7)	(2)
	<hr/>	<hr/>
Balance at end	1,837	370
Excess of capital allowances over depreciation on property, plant and equipment		
Balance at beginning	750	114
Transfer from income statement	141	636
	<hr/>	<hr/>
Balance at end	891	750
	<hr/>	<hr/>
	2,728	1,120

18. TRADE PAYABLES

	2010 RM'000	2009 RM'000
Analysis by currencies:		
Ringgit Malaysia	6,019	6,888
US Dollar	3,887	3,044
Others	12	27
	<hr/>	<hr/>
	9,918	9,959
	<hr/>	<hr/>

The normal credit terms granted by trade payables range from **30 to 90 days** (2009 : 30 to 90 days).

19. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other payables	1,067	526	60	7
Accruals	9,063	7,408	1,371	1,041
	<hr/>	<hr/>	<hr/>	<hr/>
	10,130	7,934	1,431	1,048
	<hr/>	<hr/>	<hr/>	<hr/>
Analysis by currencies:				
Ringgit Malaysia	9,927	7,847	1,431	1,048
US Dollar	203	87	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	10,130	7,934	1,431	1,048
	<hr/>	<hr/>	<hr/>	<hr/>

20. AMOUNT DUE TO A DIRECTOR

The amount due to a director of a subsidiary was non-trade related, unsecured, interest free and was repayable on demand.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

21. REVENUE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gross dividend from a subsidiary	-	-	4,200	-
Invoiced value of goods sold less returns and discounts	132,523	141,958	-	-
Invoiced value of services rendered net of service tax, discounts and agency commission	4,352	4,677	-	-
Management fee income	-	-	1,039	900
	136,875	146,635	5,239	900

22. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2010 RM'000	(Restated) 2009 RM'000	2010 RM'000	2009 RM'000
After charging:				
Allowance for doubtful debts	-	16	-	-
Audit fee	71	53	14	12
Bad debts	317	-	178	-
Depreciation	4,169	4,535	7	7
Directors' fee for non-executive directors	-	190	-	190
Interest expense	1,242	1,623	480	480
Loss on disposal of property, plant and equipment	4	11	-	-
Property, plant and equipment written off	342	305	-	14
Realised loss on foreign exchange	29	-	-	-
Rental of advertising site	437	486	-	-
Rental of machinery and equipment	126	158	-	-
Rental of premises	716	820	-	-
* Staff costs	25,105	27,087	1,272	1,352
And crediting:				
Gain on disposal of property, plant and equipment	94	176	80	140
Gross dividend from a subsidiary	-	-	4,200	-
Interest income	149	65	-	-
Realised gain on foreign exchange	-	289	-	-
Rental income	17	6	-	-
Unrealised gain on foreign exchange	18	160	-	-

Notes to the Financial Statements

– 31 July 2010 (cont'd)

22. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
* Staff costs				
- Wages, salaries, incentives, overtime, allowance, casual labour and bonus	23,533	25,463	1,114	1,185
- EPF	1,410	1,454	155	163
- SOCSO	162	170	3	4
	25,105	27,087	1,272	1,352

Directors' emoluments

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive directors of the Company:				
Directors' emoluments				
- Salaries	875	869	635	629
- EPF	155	154	121	120
	1,030	1,023	756	749
Directors' fee	-	200	-	200
	1,030	1,223	756	949
Benefits-in-kind	29	37	29	37
	1,059	1,260	785	986
Executive director of a subsidiary:				
Directors' emoluments				
- Salaries	80	76	-	-
- EPF	10	9	-	-
	90	85	-	-
Directors' fee	24	24	-	-
	114	109	-	-
Total executive directors' remuneration	1,173	1,369	785	986
Represented by:				
- Present directors	997	1,369	609	986
- Past director	176	-	176	-
	1,173	1,369	785	986
Non-executive director of the Company				
Benefits-in-kind	-	11	-	11

Notes to the Financial Statements

– 31 July 2010 (cont'd)

23. TAXATION

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysian income tax:				
Based on results for the year				
- Current tax	(1,865)	(1,350)	(645)	-
- Deferred tax relating to the origination and reversal of temporary differences	(134)	(634)	-	-
	(1,999)	(1,984)	(645)	-
(Under)/Over provision of current tax in prior years	(105)	110	-	-
	(2,104)	(1,874)	(645)	-

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

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit/(Loss) before taxation	5,507	2,136	3,059	(969)
Income tax at Malaysian statutory tax rate of 25%	(1,377)	(534)	(765)	242
Effects of:				
- Income not subject to tax	22	173	17	32
- Double deduction of expenses for tax purposes	18	14	-	-
- Expenses not deductible for tax purposes	(514)	(919)	(180)	(128)
- Annual crystallisation of deferred tax on revaluation surplus	7	3	-	-
- Utilisation of previously unabsorbed tax losses and capital allowances	557	34	285	-
- Deferred tax movements not recognised	(712)	(755)	(2)	(146)
	(1,999)	(1,984)	(645)	-
(Under)/Over provision in prior years	(105)	110	-	-
	(2,104)	(1,874)	(645)	-

Notes to the Financial Statements

– 31 July 2010 (cont'd)

23. TAXATION (cont'd)

The amount and future availability of tax losses, capital allowances and reinvestment allowance for which the related tax effects have not been accounted for at balance sheet date are as follows:

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unabsorbed tax losses	23,492	24,511	-	1,138
Unabsorbed capital allowances	9,215	11,061	6	5
Unabsorbed reinvestment allowance	1,259	1,250	-	-

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available against which the respective items can be utilised.

24. EARNINGS PER SHARE

GROUP

Basic earnings per share

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

	GROUP	
	2010	2009
Profit attributable to shareholders (RM'000)	4,046	967
Weighted average number of ordinary shares of RM1 each in issue excluding treasury shares ('000)	36,411	36,411
Basic earnings per share (sen)	11.11	2.66

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at 31 July 2010.

25. 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.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

25. SEGMENTAL INFORMATION (cont'd)

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

2010	Garments RM'000	Advertising RM'000	Investment holding RM'000	Elimination RM'000	Total RM'000
Revenue					
External sales	132,523	4,352	-	-	136,875
Inter-segment sales	-	-	5,239	(5,239)	-
Total revenue	132,523	4,352	5,239	(5,239)	136,875
Results					
Segment results	9,466	(1,161)	(1,705)	-	6,600
Interest expense	(688)	(74)	(480)	-	(1,242)
Interest income	149	-	-	-	149
Taxation	(2,104)	-	(645)	645	(2,104)
Profit/(Loss) for the year	6,823	(1,235)	(2,830)	645	3,403
Assets					
Segment assets	76,505	4,220	52,954	(60,903)	72,776
Cash and bank balances	11,859	1,189	35	-	13,083
Total assets	88,364	5,409	52,989	(60,903)	85,859
Liabilities					
Segment liabilities	36,146	653	7,983	(24,710)	20,072
Deferred tax liabilities	2,728	-	-	-	2,728
Borrowings	8,286	753	4,950	-	13,989
Provision for taxation	754	-	-	-	754
Total liabilities	47,914	1,406	12,933	(24,710)	37,543
Other information					
Capital expenditure	1,134	160	-	-	1,294
Depreciation	1,826	2,336	7	-	4,169
Non-cash expenses other than depreciation	453	-	98	-	551

Notes to the Financial Statements

– 31 July 2010 (cont'd)

25. SEGMENTAL INFORMATION (cont'd)

By business segments (cont'd)

2009	Garments RM'000	Advertising RM'000	Investment holding RM'000	Elimination RM'000	Total RM'000
Revenue					
External sales	141,958	4,677	-	-	146,635
Inter-segment sales	-	-	900	(900)	-
Total revenue	141,958	4,677	900	(900)	146,635
Results					
Segment results	6,299	(1,273)	(1,332)	-	3,694
Interest expense	(1,067)	(76)	(480)	-	(1,623)
Interest income	65	-	-	-	65
Taxation	(1,874)	-	-	-	(1,874)
Profit/(Loss) for the year	3,423	(1,349)	(1,812)	-	262
Assets					
Segment assets	54,626	6,256	47,486	(44,608)	63,760
Cash and bank balances	8,156	959	93	-	9,208
Total assets	62,782	7,215	47,579	(44,608)	72,968
Liabilities					
Segment liabilities	41,997	666	5,216	(29,961)	17,918
Provision for taxation	929	-	-	-	929
Deferred tax liabilities	1,120	-	-	-	1,120
Borrowings	11,528	1,310	5,900	-	18,738
Total liabilities	55,574	1,976	11,116	(29,961)	38,705
Other information					
Capital expenditure	1,064	290	7	-	1,361
Depreciation	1,930	2,598	7	-	4,535
Non-cash expenses/(income) other than depreciation	355	16	(126)	-	245

Notes to the Financial Statements

– 31 July 2010 (cont'd)

25. SEGMENTAL INFORMATION (cont'd)

By geographical segments

	2010		
	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
Malaysia	5,538	79,299	1,294
China	-	6,560	-
United States	105,538	-	-
European countries	10,911	-	-
Other countries	14,888	-	-
	136,875	85,859	1,294

	2009		
	Revenue RM'000	Total assets RM'000	Capital expenditure RM'000
Malaysia	5,398	72,968	1,361
United States	99,344	-	-
European countries	30,235	-	-
Other countries	11,658	-	-
	146,635	72,968	1,361

26. RELATED PARTY DISCLOSURES

	COMPANY	
	2010 RM'000	2009 RM'000
(i) Related party transactions		
Gross dividend from a subsidiary	4,200	-
Management fee from subsidiaries	1,039	900

(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 22.

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.

27. CAPITAL COMMITMENT

	GROUP	
	2010 RM'000	2009 RM'000
Authorised but not provided for:		
- Property, plant and equipment	3,680	-

28. 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** (2009 : RM46.31 million) of which **RM7.31 million** (2009 : RM9.10 million) of the said banking facilities have been utilised at balance sheet date.

29. 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.

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 repricing or maturity dates and effective interest rates of financial assets and liabilities 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 **RM11,764,660** (2009 : RM15,745,740) and the maturity is within one year.

The net unrecognised gains as at **31 July 2010** on forward contracts used to hedge trade receivables which are expected to occur between August 2010 to December 2010 amounted to **RM309,662** and are deferred until the related transactions occur, at which time they will be included in the measurement of foreign exchange gains and losses.

Notes to the Financial Statements

– 31 July 2010 (cont'd)

29. FINANCIAL INSTRUMENTS (cont'd)

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.

30. COMPARATIVE FIGURES

In previous years, the short leasehold land has been included under prepaid land lease payments. This amount has been reclassified as property, plant and equipment in this financial year, to conform with the adoption of amendment to FRS 117 Leases.

	As previously reported RM'000	Reclassification RM'000	Restated RM'000
Consolidated Balance Sheet			
Property, plant and equipment	26,348	661	27,009
Prepaid land lease payments	661	(661)	-
Consolidated Cash Flow Statement			
Amortisation of prepaid land lease payments	15	(15)	-
Depreciation	4,520	15	4,535

Properties held by the Group

Location	Description	Land area/ (built-up area)	Existing use	Tenure/ (approximate age of building)	Net carrying amount as at 31 July 2010 RM'000	Year of acquisition/ revaluation
HONSIN APPAREL SDN. BHD.						
Lot 590 (New Lot 2596) Mukim of Simpang Kanan District of Batu Pahat Johor	A knitting factory cum office with storage building	12,146.88 metre ² (7,413.65 metre ²)	Factory and office	Freehold (35 years)	11,469	2010*
Lot PTD 16109 Mukim of Simpang Kanan District of Batu Pahat Johor	A single-storey bungalow	535.96 metre ² (211.8 metre ²)	Hostel	Freehold (20 years)	249	2010*
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	1,009 metre ² (1,291.35 metre ²)	Factory and office	Leasehold 60 years expiring on 30.9.2045 (18 years)	899	2010*
Lot No. 4122 & 4123 Nibong Tebal Mk. 11 Seberang Perai Selatan Pulau Pinang	Two units of two mid-terraced shop-house	228 metre ² (453.74 metre ²)	Production factory	Freehold (14 years)	460	2010*
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 (235 metre ²)	Hostel	Leasehold 99 years expiring on 22.4.2092 (8 years)	200	2010*
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 metre ²)	Hostel	Leasehold 99 years expiring on 22.4.2092 (9 years)	150#	1997
Plot No. 255 (iii) Kawasan Perusahaan Mak Mandin, Mukim 14 Seberang Perai Tengah Pulau Pinang	3 storey factory	N/A (3,861 metre ²)	Factory and office	Leasehold 60 years expiring on 21.2.2052 (10 years)	3,374	2010*
SOUTH EAST GARMENT MANUFACTURING SDN. BHD.						
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 (2,506.7 metre ²)	Factory and office	Leasehold 60 years expiring on 21.2.2052 (18 years)	3,094	2010*
					19,895	

* Year of revaluation

The 5 continuous unit of three bedrooms flats have been reclassified as non-current assets held for sale as at balance sheet date of 31 July 2010.

Analysis of Shareholdings

– as at 29 October 2010

Share Capital as at 29 October 2010

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 29 October 2010

Size of Holdings	No. of Depositors	No. of Shares Held	% of Issued Capital
Less than 100	149	5,160	0.014
100 - 1,000	191	150,114	0.412
1,001 - 10,000	1,006	4,201,431	11.539
10,001 - 100,000	252	7,124,628	19.567
100,001 - 1,820,559	42	20,338,467	55.858
1,820,560 - 40,000,000	2	4,591,400	12.610
TOTAL	1,642	36,411,200	100.000

30 Largest Shareholders as at 29 October 2010

NAME	NORMAL HOLDINGS	HOLDINGS %
1 LAU MONG SENG	2,528,800	6.945
2 AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LAU MONG YING	2,062,600	5.665
3 NARSPA HOLDINGS SDN BHD	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 AMSEC NOMINEES (ASING) SDN BHD KIM ENG SECURITIES PTE LTD FOR HORIZON GROWTH FUND N.V.	1,405,500	3.860
7 TAN CHING CHING	1,110,000	3.049
8 METRO CAPITAL ASSET MANAGEMENT SDN BHD	1,068,400	2.934
9 SONG KIM LEE	964,000	2.648
10 TAN HAN CHUAN	919,000	2.524
11 MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG HUEY PENG (REM 650)	773,900	2.125
12 LIM HOEI BOON	720,936	1.980
13 TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP KIM CHOO	657,750	1.806
14 CHEW BOON SENG	648,500	1.781
15 POO CHOO @ ONG POO CHOI	593,000	1.629

Analysis of Shareholdings

– as at 29 October 2010 (cont'd)

30 Largest Shareholders as at 29 October 2010 (cont'd)

NAME	NORMAL HOLDINGS	HOLDINGS %
16 AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON PANSY	570,000	1.565
17 AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR NARSPA HOLDINGS SDN BHD (TERM)	566,000	1.554
18 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU MONG YING (100188)	367,400	1.009
19 MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JE HOLDINGS SDN BHD (KULS)	347,865	0.955
20 SANG BEE YIAN	345,000	0.948
21 TAN BOON KUAN	300,084	0.824
22 A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP HON KEONG	300,000	0.824
23 LIN, CHENG-LANG	293,374	0.806
24 SONG KIM NAI	286,000	0.785
25 KHADMUDIN BIN MOHAMED RAFIK	267,100	0.734
26 TEO PENG BOON	257,100	0.706
27 TEO PENG BOON	253,300	0.696
28 AMIN HALIM	240,000	0.659
29 PAMELA KOH LI LIAN	205,500	0.564
30 FOO SU HOONG	204,000	0.560
	22,836,369	62.717

1. Directors' shareholdings as at 29 October 2010

		No. of ordinary shares of RM1 each			
		Direct Interest	%	Deemed Interest	%
i.	Lau Mong Ying	2,445,534	6.716	-	-
ii.	Ahmad Mustapha Ghazali	30,000	0.082	3,198,950 ⁽¹⁾	8.786
iii.	Lau Mong Fah	115,000	0.316	-	-
iv.	Lin, Cheng-Lang	293,374	0.806	-	-
v.	Lee Kuan Mang	-	-	-	-
vi.	Willie Gan Wee Lee	-	-	8,000 ⁽²⁾	0.020
vii.	Khadmudin Bin Mohamed Rafik	305,200	0.838	4,000 ⁽³⁾	0.010

Analysis of Shareholdings

– as at 29 October 2010 (cont'd)

2. Substantial Shareholders (excluding bare trustees) according to the Register of Substantial Shareholders as at 29 October 2010

		No. of ordinary shares of RM1 each			
		Direct Interest	%	Deemed Interest	%
i.	Lau Mong Seng	2,528,800	6.945	-	-
ii.	Lau Mong Ying	2,445,534	6.716	-	-
iii.	Narspa Holdings Sdn. Bhd.	2,116,000	5.811	-	-
iv.	Ahmad Mustapha Ghazali	30,000	0.082	3,178,200 ⁽⁴⁾	8.729
v.	Narimah Mohamed Perai	20,750	0.057	2,116,000 ⁽⁵⁾	5.811
vi.	JE Holdings Sdn Bhd	1,904,125	5.230	-	-
vii.	Lau Boon Hwa	193,000	0.530	1,904,125 ⁽⁶⁾	5.230
viii.	Lau Boon Puh	11,000	0.030	1,904,125 ⁽⁷⁾	5.230

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

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

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

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

This page is intentionally
left blank.

PROXY FORM

* 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 Eighteenth Annual General Meeting of the Company to be held at the Conference Room of Honsin Apparel Sdn. Bhd., 531, 2 ½ Miles Jalan Kluang, 83000 Batu Pahat, Johor on Wednesday, 15 December 2010 at 10.00 a.m. and at any adjournment thereof.

RESOLUTION	ORDINARY						SPECIAL
	1	2	3	4	5	6	1
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"	%
		<u>100%</u>

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 _____ 2010

* *Strike out whichever is not applicable.*

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.



The Company Secretary

Prolexus Berhad

(Company No. 250857-T)

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

STAMP

