



PROLEXUS BERHAD

(250857 - T)

Incorporated in Malaysia



CORPORATE INFORMATION

(Addendum)

| | |
|-------------------------------|--|
| Directors | Ahmad Mustapha Ghazali (Malaysian) <i>(Chairman, Non-Independent Non-Executive Director)</i> Lau Mong Ying (Malaysian) <i>(Managing Director)</i> Cheah Chin Teong (Malaysian) <i>(Executive Director)</i> Willie Gan Wee Lee (Malaysian) <i>(Executive Director)</i> Lau Mong Fah (Malaysian) <i>(Non-Independent Non-Executive Director)</i> Lee Kuan Mang (Malaysian) <i>(Independent Non-Executive Director)</i> Lin, Cheng-Lang (Taiwanese) <i>(Independent Non-Executive Director)</i> |
| Audit Committee | Lee Kuan Mang <i>(Chairman, Independent Non-Executive Director)</i> Ahmad Mustapha Ghazali <i>(Non-Independent Non-Executive Director)</i> <i>(Member of the Malaysian Institute of Accountants)</i> Lin, Cheng-Lang <i>(Independent Non-Executive Director)</i> |
| Nomination Committee | Lee Kuan Mang <i>(Chairman, Independent Non-Executive Director)</i> Ahmad Mustapha Ghazali <i>(Non-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> |



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT THE CONFERENCE ROOM, PROLEXUS BERHAD, 6944 JALAN MAK MANDIN, KAWASAN PERUSAHAAN MAK MANDIN, 13400 BUTTERWORTH, PENANG ON THURSDAY, 5 DECEMBER 2002 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:-

AGENDA

Ordinary Resolution No. 1

To receive and adopt the Audited Financial Statements for the financial year ended 31 July 2002 together with the Reports of the Directors' and Auditors' thereon.

Ordinary Resolution No. 2

To approve the payment of a first and final dividend of 3 sen per ordinary share of RM1 each less income tax of 28% for the financial year ended 31 July 2002.

Ordinary Resolution No. 3

To approve the payment of Directors' fees for the financial year ended 31 July 2002.

Ordinary Resolution No. 4

To re-elect Mr. Lee Kuan Mang, the Director retiring under the provision of Article 77 of the Company's Articles of Association and who, being eligible, offers himself for re-election.

Ordinary Resolution No. 5

To re-elect Encik Ahmad Mustapha Ghazali, the Director retiring under the provision of Article 77 of the Company's Articles of Association and who, being eligible, offers himself for re-election.

Ordinary Resolution No. 6

To re-elect Mr. Willie Gan Wee Lee, the Director retiring under the provision of Article 84 of the Company's Articles of Association and who, being eligible, offers himself for re-election.

Ordinary Resolution No. 7

To re-appoint Messrs. JB Lau & Associates as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

Special Business

Ordinary Resolution No. 8

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

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the 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, deem 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 Kuala Lumpur Stock Exchange for the listing and quotation for the additional shares to be issued".

To transact any other business of which due notice shall have been given.

By Order of the Board,

LEE PENG LOON

Secretary (LS 00405)

Penang

13 November 2002

Explanatory Notes on Special Business

Ordinary Resolution No. 8

The ordinary resolution proposed under Resolution No. 8, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. That authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

Notes :-

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

NOTICE IS ALSO HEREBY GIVEN THAT a depositor shall qualify for entitlement to dividend only in respect of :

- a. Shares transferred into the depositor's securities account before 12.30 p.m. on 18 December 2002 in respect of ordinary transfers;
- b. Shares bought on Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved will be paid on 15 January 2003 to shareholders whose names appear in the Register of Members of the Company at the close of business on 18 December 2002.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

STATEMENT accompanying Notice of Tenth Annual General Meeting of the Company pursuant to paragraph 8.28(2) of the Kuala Lumpur Stock Exchange Listing Requirements :

(1) DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The Directors standing for re-election are :

- (a) Mr. Lee Kuan Mang
- (b) Encik Ahmad Mustapha Ghazali
- (c) Mr. Willie Gan Wee Lee

(2) DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

A total of five (5) Board Meetings were held during the financial year ended 31 July 2002.

| Name of Directors | Number of Board Meetings Attended |
|---|-----------------------------------|
| (i) Lau Mong Ying | 5 |
| (ii) Cheah Chin Teong | 5 |
| (iii) Lee Kuan Mang | 5 |
| (iv) Ahmad Mustapha Ghazali | 4 |
| (v) Lin, Cheng-Lang | 5 |
| (vi) Lau Mong Fah | 5 |
| (vii) Willie Gan Wee Lee (appointed on 23 August 2002) | Not applicable |

(3) PLACE, DATE AND HOUR OF ANNUAL GENERAL MEETING

Place : 6944, Jalan Mak Mandin,
Kawasan Perusahaan Mak Mandin,
13400 Butterworth, Penang.

Date & Time : Thursday, 5 December 2002 at
10.00 a.m.

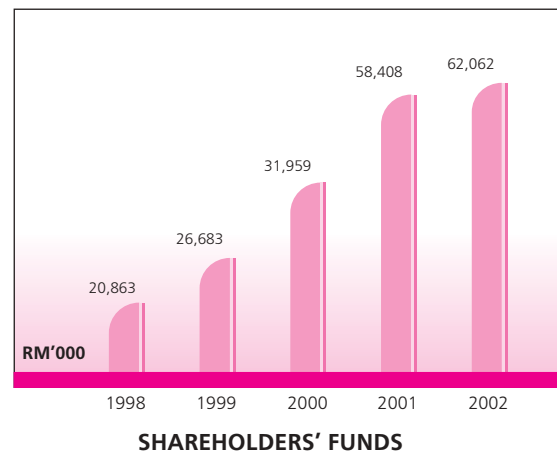
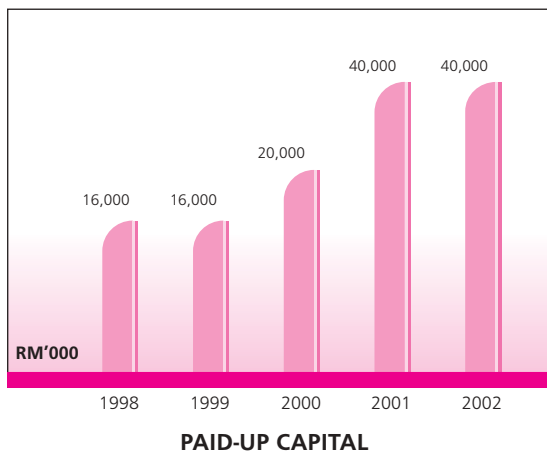
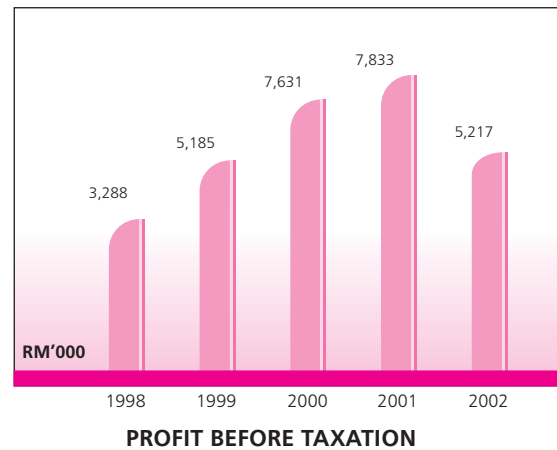
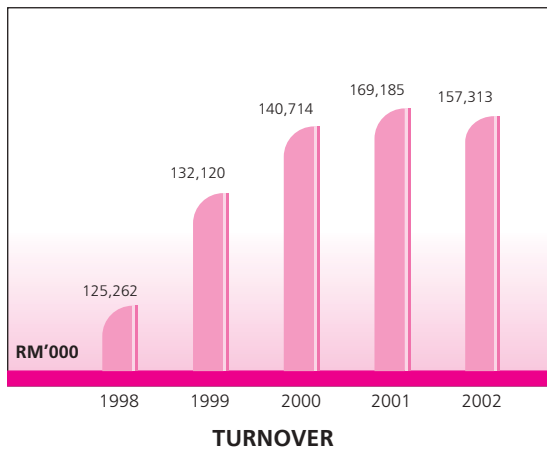


| | |
|-------------------------------|--|
| Directors | Ahmad Mustapha Ghazali (<i>Chairman, Non-Independent Non-Executive Director</i>) Lau Mong Ying (<i>Managing Director</i>) Cheah Chin Teong (<i>Executive Director</i>) Willie Gan Wee Lee (<i>Executive Director</i>) Lau Mong Fah (<i>Non-Independent Non-Executive Director</i>) Lee Kuan Mang (<i>Independent Non-Executive Director</i>) Lin, Cheng-Lang (<i>Independent Non-Executive Director</i>) |
| Company Secretary | Lee Peng Loon |
| Audit Committee | Lee Kuan Mang (<i>Chairman, Independent Non-Executive Director</i>) Ahmad Mustapha Ghazali (<i>Non-Independent Non-Executive Director</i>) (<i>Member of the Malaysian Institute of Accountants</i>) Lin, Cheng-Lang (<i>Independent Non-Executive Director</i>) |
| Registered Office | 51-21-A Menara BHL Bank Jalan Sultan Ahmad Shah 10050 Penang Tel : 04-2276888 Fax : 04-2298118 |
| Business Address | 6944 Jalan Mak Mandin Kawasan Perusahaan Mak Mandin 13400 Butterworth Penang Tel : 04-3313907 Fax : 04-3313709 |
| Registrar | Agriteum Share Registration Services Sdn. Bhd. 2nd Floor Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang Tel : 04-2282321 Fax : 04-2272391 |
| Auditors | JB Lau & Associates Chartered Accountants |
| Bankers | Bumiputra-Commerce Bank Berhad Citibank Berhad Hong Leong Bank Berhad HSBC Bank Malaysia Berhad Malayan Banking Berhad OCBC Bank (Malaysia) Berhad RHB Bank Berhad |
| Solicitors | Ghazi & Lim Zaid Ibrahim & Co. |
| Stock Exchange Listing | Second Board Of The Kuala Lumpur Stock Exchange |



FINANCIAL HIGHLIGHTS

| 31 July 1998 - 2002 | 1998 | 1999 | 2000 | 2001 | 2002 |
|------------------------------------|---------|---------|---------|---------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| TURNOVER | 125,262 | 132,120 | 140,714 | 169,185 | 157,313 |
| PROFIT BEFORE TAXATION | 3,288 | 5,185 | 7,631 | 7,833 | 5,217 |
| PROFIT AFTER TAX | 1,721 | 5,702 | 5,500 | 6,393 | 3,685 |
| PAID-UP CAPITAL | 16,000 | 16,000 | 20,000 | 40,000 | 40,000 |
| SHAREHOLDERS' FUNDS | 20,863 | 26,683 | 31,959 | 58,408 | 62,062 |
| EARNINGS PER SHARE (sen) | 14 | 30 | 20 | 16 | 11 |
| DIVIDEND PER SHARE (sen) | 0 | 0 | 1 | 2 | 3 |
| NET TANGIBLE ASSET PER SHARE (sen) | 115 | 158 | 154 | 145 | 147 |





On behalf of the Board of Directors it gives me great pleasure to present the financial results of the Group for the financial year ended 31 July 2002.

REVIEW OF OPERATIONS AND PROSPECTS

Turnover for the year decreased to RM157,313,000 from RM169,185,000, a decrease of RM11,872,000 or 7%. Similarly, profit before tax decreased to RM5,217,000 from RM7,833,000, a decrease of RM2,616,000 or 33.4%. The decrease in turnover is mainly due to the relatively soft economic environment and increasing competition from lower labour cost countries. Even though the decrease is mainly attributed to the decrease in turnover of the manufacturing division of the Group, the drop in profit of the manufacturing division is only RM709,000. The main reason for the lower profit for the year is due to the consolidation of the loss recorded by the recently acquired subsidiary company where the advertising medium provided by that subsidiary is still at its infancy. In addition, the retail business also recorded a lower turnover and a loss compared to the year before which is mainly due to the sluggish domestic retail environment.

The manufacture of garments for the export market continues to be the Group's core business. The prospects of the Group for the coming year, at the time of writing, is optimistic but cautious in view of the uncertain world economic and political situation. Notwithstanding events that are outside the control of management, the Group has embarked on the management strategy to adopt quality and delivery as its brand to achieve its mission of being the "supplier of choice" in the industry. The Bangladesh operation which has been incurring losses during the past few years should turn around during the year with new sales being secured. The Board is confident that the revenue of the advertising services subsidiary will improve to contribute towards the profitability of the Group and that despite the sluggish domestic retail environment, the turnover of the retail business will also improve and its losses minimized.

The financial position of the Group is good and the Group will be on the lookout for opportunities to diversify into other productive areas to further improve on its results.

SIGNIFICANT MATTERS

I would like to congratulate Plas Industries Sdn. Bhd., a subsidiary company of Prolexus Berhad on achieving the ISO9001:2000 certification on 19 July 2002.

The Group adopted a Code of Conduct on 25 June 2002. The Code of Conduct principally guides our directors and employees to conduct our business in accordance with the highest ethical standards for business and in full compliance with all law and regulations and is summarized on page 11.

DIVIDEND

I am pleased that the Board of Directors is proposing the payment of a first and final dividend of 3 sen per ordinary share, less income tax at 28%, amounting to RM864,000 for the financial year ended 31 July 2002. This compares to the first and final tax exempt dividend of 2 sen per ordinary share paid for the financial year ended 31 July 2001.

DIRECTORATE

I wish to welcome Mr. Willie Gan Wee Lee who was appointed to the Board of Directors on 23 August 2002 as an Executive Director.

I would like to thank the Board of Directors for appointing me as its Chairman on 1 October 2002 and also thank Mr. Lau Mong Ying for his past services as the previous Chairman who relinquished that position on the same date but remains as the Managing Director.

APPRECIATION

On behalf of the Board of Directors, I wish to express my appreciation and gratitude to my business associates, government agencies, financial institutions and valued shareholders for their continued support and co-operation. My appreciation is also extended to the employees for their dedication and invaluable contributions to the performance of the Group.

AHMAD MUSTAPHA GHAZALI

Chairman

4 November 2002



STATEMENT OF CORPORATE GOVERNANCE

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

The Group has applied the Principles in Part I and complied with the Best Practices in Part II of the Malaysian Code On Corporate Governance ("the Code") as and except where otherwise stated herein.

In pursuance of such applications and/or compliance:-

- The Audit Committee was set-up on 21 October 1993, and is at present constituted as herein before 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 of mainly non-executive directors.
- The Internal Audit Department was established on 1 June 2001. The Internal Audit Manager reports directly to the Audit Committee Chairman.
- 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 11.

DIRECTORS

The Board of Directors leads and controls the Group. It currently comprises three executive directors, two independent non-executive directors and two non-independent non-executive directors. The Board meets at least 4 times in each financial year with additional meetings convened as necessary. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. On 1 October 2002, Mr. Lau Mong Ying who until then held the post of Chairman and Managing Director relinquished the post of Chairman to Encik Ahmad Mustapha Ghazali and retained the post of Managing Director. The Board has independent and non-independent non-executive directors of the calibre and experience and minority shareholders are fairly represented and maintained a balance of not less than one third of its members being independent non-executive directors. However, with the appointment of Mr. Willie Gan Wee Lee as an executive director on 23 August 2002, such balance was not maintained and the Nomination Committee and the Board are actively reviewing the situation to restore such balance.

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

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

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

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

The Board and every member of the Board are authorized whenever necessary to take independent advice in the furtherance of their duties at the Group's expense. All Directors have access to the advice and services of the Company Secretary.



STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

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 has on 4 November 2002 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 is satisfied with the composition of the Audit Committee and the performance of the Committee collectively and each of its members individually and has resolved to retain the present composition of the Audit Committee.

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

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

The directors' profiles are as follows:

Chairman (*Non-Independent Non-Executive*)

Ahmad Mustapha Ghazali, aged 54, was appointed to the Board on 6 September 1993 and was appointed to the post of Chairman of the Board on 1 October 2002. He is a Fellow of the Chartered Association of Certified Accountants (UK) and a member of both the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants and is currently a partner of an international accounting firm.

Managing Director

Lau Mong Ying, aged 53, was appointed to the Board on 27 August 1993 and until 1 October 2002 is both the Chairman and Managing Director of the Group. On 1 October 2002, he relinquished the post of Chairman to Encik Ahmad Mustapha Ghazali and retained the post of Managing Director. He graduated with a Bachelor of Commerce in Economics from Nanyang University of Singapore in 1973 and has been involved in the garment industry since 1973.

Executive Directors

Cheah Chin Teong, aged 47, was appointed to the Board on 30 January 1993 and is the Executive Director of the Group. He was admitted as a member of the Malaysian Association of Certified Public Accountants in 1983 and of the Malaysian Institute of Accountants in 1987. He has been involved in the garment industry since 1992.

Willie Gan Wee Lee, aged 46, was appointed to the Board on 23 August 2002 and is the Executive Director – Finance primarily responsible for the financial management of the Group. He was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1980 and of the Malaysian Institute of Accountants in 1982. He joined the Group as its Financial Controller in 2001. Prior to joining the Group, he was attached to international accounting firms from 1976 to 1992 and thereafter as the Vice President – Corporate and Finance of a company listed on the Australian Stock Exchange and which has subsidiary companies involved in contract manufacturing in Malaysia and Europe.

Non-Independent Non-Executive Director

Lau Mong Fah, aged 48, was appointed to the Board on 3 September 1998. He is a Fellow Member of the Association of International Accountants, London since 1988. He is currently attached to a professional firm providing tax advisory and consulting services, and corporate secretarial and share registration services.

Independent Non-Executive Directors

Lee Kuan Mang, aged 60, was appointed to the Board on 2 May 2000. He is a Barrister-at-law (England) and an Advocate & Solicitor of the High Court, States of Malaya. He has previously served on the Board of several public listed companies, including one in Australia.

Lin, Cheng-Lang, aged 63 and from Taiwan, was appointed to the Board on 10 September 1998. He graduated from Taiwan University in 1962 and has extensive experience in the garment industry having served as a managing director with various textile companies in Taiwan until his retirement in 1994.

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



STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The Board held 5 meetings between 1 August 2001 and 31 July 2002 and the number of meetings attended by the Directors are as follows:

| Name | Number of meetings attended |
|------------------------|-----------------------------|
| Ahmad Mustapha Ghazali | 4 |
| Lau Mong Ying | 5 |
| Cheah Chin Teong | 5 |
| Lau Mong Fah | 5 |
| Lee Kuan Mang | 5 |
| Lin, Cheng-Lang | 5 |

DIRECTORS REMUNERATION

The remuneration of the executive directors is 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.

The Remuneration Committee is empowered to establish a formal and transparent procedure for developing policies on executive remuneration and recommending the remuneration packages of individual directors. Nevertheless, the ultimate responsibility to approve any directors' remuneration is the Board and directors are required to abstain from participation in decisions on their own remuneration.

Currently, the executive directors remuneration comprises basic salary, bonus and fees, which are reflective of the experience, level of responsibilities and performance. Benefits in kind such as company car are made available as appropriate. Only executive directors are entitled to share options and these are disclosed in the Directors' report.

The details of the remuneration of the directors of the Company for the financial year ended 31 July 2002 including proposed directors fees are as follows:

| | Salary and allowance RM | Bonus RM | Fees RM | Benefits- in-kind RM | EPF RM | Total 2002 RM | Total 2001 RM |
|--------------------|-------------------------------|-------------|------------|----------------------------|-----------|---------------------|---------------------|
| Executives (2) | 684,000 | 36,000 | 900,000 | 26,633 | 85,849 | 1,732,482 | 1,652,400 |
| Non-Executives (4) | – | – | 160,000 | – | – | 160,000 | 250,000 |
| Total | 684,000 | 36,000 | 1,060,000 | 26,633 | 85,849 | 1,892,482 | 1,902,400 |

The Board is of the opinion that it is advisable not to detail each directors remuneration.

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.



STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

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 Standard Practice Manuals.
- 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 indicators, 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 in the process of reviewing the adequacy and integrity of the Group's system of internal controls and for this purpose an Internal Audit Manager reporting directly to the Audit Committee Chairman has been employed on 1 June 2001.

The role of the Audit Committee is stated on pages 12 - 13 and the report of the Audit Committee is shown on page 14.

This Statement on Corporate Governance is made by the Board of Directors in accordance with a resolution of the Board of Directors dated 4 November 2002.

AHMAD MUSTAPHA GHAZALI
Chairman

LAU MONG YING
Managing Director



CODE OF CONDUCT

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

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

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

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

LAU MONG YING
Managing Director

Date: 25 June 2002



AUDIT COMMITTEE - COMPOSITION AND TERMS OF REFERENCE

1. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

Lee Kuan Mang

Chairman of Audit Committee
(Independent Non-Executive Director)

Ahmad Mustapha Ghazali

Member of Audit Committee
(Non-Independent Non-Executive Director)
(Member of the Malaysian Institute of Accountants)

Lin, Cheng-Lang

Member of Audit Committee
(Independent Non-Executive Director)

2. TERMS OF REFERENCE

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

a. Objectives

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

In addition, the Audit Committee shall:

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

b. Size and Composition

The Audit Committee shall be appointed by the Board of Directors from amongst its members and shall consist of not fewer than three members of whom majority shall be independent directors of the Company. The Committee shall include at least one person who is a member of Malaysian Institute of Accountants or a person who must have at least 3 years' working experience and has passed the examinations specified in Part I of the 1st Schedule of the Accountant Act, 1967 or is a member of one of the associations specified in Part II of the said Schedule. The members of the Committee shall elect from among themselves a chairman, who shall be an independent non-executive director.

If one or more members of the Committee resign or for any reason cease to be a member with the result that the Listing Requirements of Kuala Lumpur Stock Exchange are breached, the Board shall, within 3 months of that event, appoint such number of new member 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.

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.



AUDIT COMMITTEE - COMPOSITION AND TERMS OF REFERENCE

(cont'd)

The non-member directors, the Executive Director – Finance and the Internal Audit Manager may attend the meeting on invitation by the Committee.

The Audit Committee shall meet the External Auditors without the presence of the management at least once a year to consider the final audited financial statements and such other meetings as determined by the Committee and/or as requested by the External Auditors.

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

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

d. Duties and Responsibility

The primary duties and responsibilities of the Audit Committee are:

- i. Consider the appointment of the External Auditors, the audit fees and any questions of resignation or dismissal, and inquire into the staffing and competence of the External Auditors in performing their work.
- ii. Review with the External Auditors the scope of their audit plan, their evaluation of the system on internal control and the audit report on the financial statements (in the absence of the management if necessary).
- iii. Review the assistance given by the employees of the Company and the Group to the External Auditors.
- iv. Discuss the impact and review of any proposed changes in accounting policies, principles and practice, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards and with stock exchange and statutory and other legal requirements.
- v. Review any financial information for publication, including quarterly and annual financial statements prior to submission to the Board for approval.
- vi. Review the adequacy and relevance of the scope, functions and resources of internal audit, necessary authority to carry out internal audit work and extent of co-operation and assistance given by the employees to internal audit.
- vii. Review the internal audit plan and work programme, consider major findings of internal audit investigation and management response and ensure co-ordination between Internal and External Auditors.
- viii. Ascertain the adequacy of the Group's risk assessment and management framework in identifying and considering principal business risks and ensure the implementation of appropriate systems to manage these risks.
- ix. Keep under review the effectiveness of internal control systems and in particular to review and monitor the implementation of recommendation of the External Auditors' management letter and management's response.
- x. Consider and review any related party transaction that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- xi. Identify and direct any special projects or investigation deemed necessary.
- xii. Report any breaches of listing requirements, which have not been satisfactory resolved to the Kuala Lumpur Stock Exchange.

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 in the absence of the executive members of the Committee whenever deemed necessary.

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

In accordance with a resolution of the Board of Directors dated 4 November 2002.

AHMAD MUSTAPHA GHAZALI
Chairman

LAU MONG YING
Managing Director



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 2 pages. The present composition of the Audit Committee was reviewed and retained by the Board of Directors on 4 November 2002.

During the financial year ended 31 July 2002, the Committee has met four 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 | 4 |
| Ahmad Mustapha Ghazali | 3 |
| Lin, Cheng-Lang | 4 |

The Audit Committee has reviewed the annual accounts and quarterly results announcements made to the Kuala Lumpur Stock Exchange and considered selection and the re-appointment and fees of the External Auditors. The Committee, together with the Board and the Internal Auditors have assessed the effectiveness of the system of internal controls and has discussed in general, significant changes in business and external environment that affects the operations of the Group. The Audit Committee has also considered reports from External Auditors on matters identified in the course of their statutory audit.

INTERNAL AUDIT FUNCTION

Internal audit function was established at the Company on 1 June 2001 to measure and evaluate the functioning of internal controls put in place by the management at the Company and its subsidiaries. The Internal Auditor assists 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

4 November 2002



STATEMENT ON INTERNAL CONTROL

The Board acknowledges their responsibilities towards the Group's system of internal control and the review of its adequacy and integrity. Such system is designed to manage rather than to eliminate risks of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

In fulfilling their responsibilities, the Board of Directors has considered the procedures necessary to implement the Guidance set out in the "Statement on Internal Control: Guidance for Directors of Listed Companies". The Group has in place an on going process for identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives throughout the period. During the financial year, major subsidiaries of the Group prepared a "Business Risk Profile" and "Business Risk Tracking" which summarises the risks, controls and processes for managing the risks and the means for assuring management that the processes are effective. A full review of significant risks was carried out during the financial year. It is the intention of the Board to review the significant risks on a quarterly basis or earlier, if required. The Board of Directors from time to time, discuss in general, significant changes in business and external environment that affects the operations of the Group and brainstorm on strategies to minimize such effects, if any. The executive directors are responsible to implement the strategies and communicate them to the management of the subsidiaries concerned. The Board is also provided with quarterly financial results for the purpose of monitoring the Group's financial performance. Financial risks, if any, are discussed at the Board meeting.

The Board has an overall responsibility towards the Group's system of internal control that aims to safeguard shareholders' investment and the Group's assets. In fulfilling the responsibility, the executive directors, on behalf of the Board, review and supervise the operations of the Group through regular scheduled meetings with the management team at the respective subsidiaries. The Board has also reviewed quarterly management accounts, authorization limits and considered reports from the External Auditors in matters identified in the course of its statutory audit and the effectiveness of the Group's system of financial reporting.

The day-to-day operations of the major subsidiaries are guided by the ISO9002:1994 documented procedures that provide a limited scope of internal control. With effect from 19 July 2002, one of the major subsidiary obtained its ISO9001:2000 certificate and accordingly, its day to day operations are guided by such documented procedures. Reporting procedures have also been established which provides for a documented and auditable trail of accountability. These procedures are relevant across the Group operations and provide for successive assurance to be given at increasingly high level of management and finally to the Board.

An internal audit department was established on 1 June 2001 and the Internal Auditors, together with the management team at Group level, has assisted the Board in mapping the Group's risks and implementing control procedures. The internal audit department assists the Audit Committee in reviewing the adequacy of internal control procedures implemented by management, compliance to these procedures and system to identify and manage risks and monitoring timely completion of planned corrective actions. The internal audit department reports to the Audit Committee on quarterly basis or earlier as appropriate on the weaknesses identified and the recommendation.

This Statement on Internal Control is made by the Board of Directors in accordance with a resolution of the Board of Directors dated 4 November 2002.

AHMAD MUSTAPHA GHAZALI
Chairman

LAU MONG YING
Managing Director



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 Kuala Lumpur Stock Exchange, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that in preparing the financial statements for the financial year ended 31 July 2002 set out on pages 21 to 53, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements 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 are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement on Directors' Responsibility in relation to the financial statements is made in accordance with a resolution of the Board of Directors dated 4 November 2002.

AHMAD MUSTAPHA GHAZALI
Chairman

LAU MONG YING
Managing Director



DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 July 2002**.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are shown in Note 4 to the financial statements.

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

FINANCIAL RESULTS

| | GROUP RM'000 | COMPANY RM'000 |
|-----------------------------------|-----------------|-------------------|
| Net profit for the financial year | <u>4,452</u> | <u>2,918</u> |

DIVIDENDS

Since the end of the previous financial year, the Company had declared and paid a first and final tax exempt dividend of 2 sen per share amounting to RM800,000 in respect of the previous financial year.

The directors now recommend the payment of a first and final dividend of 3 sen per share, less tax, amounting to RM864,000 for the financial year ended 31 July 2002, subject to the approval of members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the notes to the financial statements.

SHARE CAPITAL

During the financial year, the Company did not issue any shares or debentures. No options were granted to any person to take up unissued shares or debentures of the Company during the financial year other than the share options granted pursuant to the Employee Share Option Scheme.

SHARE OPTIONS

Members of the Company had at the Extraordinary General Meeting held on 22 May 2000 approved the establishment of an Employee Share Option Scheme ('ESOS') for the benefit of all eligible employees of the Company and its subsidiary companies. The ESOS is for a period of five years from the date of the last approval of the relevant authorities subject however to any extension or renewal of the ESOS for another five years only as may be approved by all relevant authorities.



The ESOS became effective on 24 June 2000 and the salient features of the ESOS are as follows:

- (a) eligible employees are those confirmed employees who have served as full-time employees for at least one year in the Group on the date of offer and include executive directors of the Group. Eligible employees also include foreign executive directors of the Company who have been employed on a full time basis for a continuous period of at least three years in the Group,
- (b) the total number of shares to be offered under the ESOS shall not exceed 10% of the issued share capital of the Company at any point of time during the duration of the ESOS,
- (c) the option is personal to the grantee and is non-assignable,
- (d) the exercise price shall be at a discount of not more than 10% from the weighted average market price of the shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five market days preceding the date of offer or the par value of the ordinary shares, whichever is higher, and
- (e) the options granted can be exercised on the first five market days of every calendar month in accordance with the limits set in ESOS Bye-law 10.1 by notice in writing to the Company.

The options granted to take up unissued ordinary shares of RM1 each and the exercise price thereof are as follows :

| Date of offer | Exercise price RM | Balance at 1.8.01 | Granted | Exercised | Lapsed | Balance at 31.7.02 |
|---------------|-------------------|-------------------|-----------|-----------|-----------|--------------------|
| 23.8.00 | 1.33 | 1,358,000 | – | – | (210,000) | 1,148,000 |
| 27.11.01 | 1.00 | – | 2,552,000 | – | (238,000) | 2,314,000 |

DIRECTORS

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

Ahmad Mustapha Ghazali
Lau Mong Ying
Cheah Chin Teong
Lau Mong Fah
Lee Kuan Mang
Lin, Cheng-Lang
Willie Gan Wee Lee (appointed : 23.8.02)

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



DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

(cont'd)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the directors in office at the end of the financial year who held shares in the Company and its related corporations are as follows :

| | No. of ordinary shares of RM1 each | | | Balance at 31.7.02 |
|------------------------|------------------------------------|---------|----------|--------------------|
| | Balance at 1.8.01 | Bought | (Sold) | |
| The Company | | | | |
| Direct Interest | | | | |
| Lau Mong Ying | 7,041,134 | 535,000 | (50,000) | 7,526,134 |
| Cheah Chin Teong | 12,506 | – | – | 12,506 |
| Ahmad Mustapha Ghazali | 23,000 | – | – | 23,000 |
| Lau Mong Fah | 20,000 | – | – | 20,000 |
| Lin, Cheng-Lang | 273,374 | – | – | 273,374 |
| Deemed Interest | | | | |
| Ahmad Mustapha Ghazali | 2,118,000 | – | (65,000) | 2,053,000 |

Mr. Lau Mong Ying is also deemed to have interests in all the subsidiary companies by virtue of his interests in the Company, to the extent that it has interests.

According to the Register of Directors' Shareholdings, the directors who have interests in the Share Options of the Company are as follows :

| | No. of options for ordinary shares of RM1 each | | | Balance at 31.7.02 |
|------------------|--|---------|-----------|--------------------|
| | Balance at 1.8.01 | Granted | Exercised | |
| Lau Mong Ying | 50,000 | 50,000 | – | 100,000 |
| Cheah Chin Teong | 50,000 | 50,000 | – | 100,000 |

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 remuneration 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.

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 than the share options granted to certain directors pursuant to the ESOS.



OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate allowance has been made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, other than those already dealt with in this report and in the relevant financial statements, 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.

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 2002** have not been substantially affected by any item, transaction or event of a material and unusual nature other than the exceptional item disclosed in Note 18 to the financial statements, 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.

AUDITORS

The auditors, **JB LAU & ASSOCIATES**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors :

LAU MONG YING
Managing Director

CHEAH CHIN TEONG
Executive Director

Penang,
Date : 4 November 2002



CONSOLIDATED BALANCE SHEET AT 31 JULY 2002

| | NOTE | 2002 RM'000 | 2001 RM'000 |
|---|------|----------------|----------------|
| PROPERTY, PLANT AND EQUIPMENT | 3 | 42,131 | 20,980 |
| INVESTMENTS | 4 | * | – |
| GOODWILL ON CONSOLIDATION | 5 | 3,167 | 604 |
| CURRENT ASSETS | | | |
| Inventories | 6 | 22,370 | 20,925 |
| Trade debtors | 7 | 26,361 | 29,307 |
| Other debtors, deposits and prepayments | 8 | 2,227 | 5,504 |
| Tax recoverable | | 1,130 | 613 |
| Fixed deposits with licensed banks | 10 | 7,355 | 3,430 |
| Cash and bank balances | | 5,472 | 3,401 |
| | | 64,915 | 63,180 |
| CURRENT LIABILITIES | | | |
| Trade creditors | | 9,455 | 8,903 |
| Other creditors and accruals | 11 | 9,459 | 8,982 |
| Bank borrowings | 12 | 17,497 | 6,443 |
| Provision for taxation | | 1,077 | 1,493 |
| | | 37,488 | 25,821 |
| NET CURRENT ASSETS | | 27,427 | 37,359 |
| | | 72,725 | 58,943 |
| FINANCED BY : | | | |
| SHARE CAPITAL | 13 | 40,000 | 40,000 |
| RESERVES | 14 | 22,062 | 18,408 |
| SHAREHOLDERS' FUNDS | | 62,062 | 58,408 |
| MINORITY INTERESTS | | 6,006 | 76 |
| DEFERRED TAXATION | 15 | 1,001 | 459 |
| LONG TERM LIABILITIES | 16 | 3,656 | – |
| | | 72,725 | 58,943 |

* Represents RM1

The notes set out on pages 30 to 53 form an integral part of these financial statements.



CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

| | NOTE | 2002 RM'000 | 2001 RM'000 |
|--|------|----------------|----------------|
| REVENUE | 17 | 157,313 | 169,185 |
| COST OF SALES | | (134,461) | (143,771) |
| GROSS PROFIT | | 22,852 | 25,414 |
| OTHER OPERATING INCOME | | 450 | 386 |
| ADMINISTRATIVE EXPENSES | | (10,707) | (8,499) |
| SELLING AND DISTRIBUTION EXPENSES | | (7,351) | (8,689) |
| EXCEPTIONAL ITEM | 18 | 1,086 | – |
| OPERATING PROFIT | | 6,330 | 8,612 |
| AMORTISATION OF GOODWILL ON CONSOLIDATION | | (479) | (302) |
| FINANCE COSTS | | (633) | (477) |
| SHARE OF LOSS OF AN ASSOCIATED COMPANY | | (1) | – |
| PROFIT BEFORE TAXATION | 19 | 5,217 | 7,833 |
| TAXATION | 20 | (1,532) | (1,440) |
| PROFIT AFTER TAXATION BEFORE MINORITY INTERESTS | | 3,685 | 6,393 |
| MINORITY INTERESTS | | 767 | 113 |
| NET PROFIT FOR THE FINANCIAL YEAR | | 4,452 | 6,506 |
| DIVIDENDS PER SHARE (SEN) | | 3.00 | 2.00 |
| EARNINGS PER SHARE (SEN) | 21 | | |
| – Basic | | 11.13 | 16.27 |
| – Diluted | | 11.09 | 16.27 |



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

| | | Non distributable | | Distributable | |
|-----------------------------------|---------------|-------------------|-------------|---------------|---------------|
| | | ASSET | CURRENCY | RETAINED | TOTAL |
| NOTE | SHARE | REVALUATION | TRANSLATION | PROFITS | RM'000 |
| | CAPITAL | RESERVE | RESERVE | RM'000 | |
| | RM'000 | RM'000 | RM'000 | | RM'000 |
| 2002 | | | | | |
| Balance at beginning | 40,000 | 2,272 | (46) | 16,182 | 58,408 |
| Currency translation differences | - | - | 2 | - | 2 |
| Net profit for the financial year | - | - | - | 4,452 | 4,452 |
| Dividend | 22 | - | - | (800) | (800) |
| Balance at end | <u>40,000</u> | <u>2,272</u> | <u>(44)</u> | <u>19,834</u> | <u>62,062</u> |
| 2001 | | | | | |
| Balance at beginning | 20,000 | 2,272 | 11 | 9,676 | 31,959 |
| Rights issue | 13 | 20,000 | - | - | 20,000 |
| Currency translation differences | - | - | (57) | - | (57) |
| Net profit for the financial year | - | - | - | 6,506 | 6,506 |
| Balance at end | <u>40,000</u> | <u>2,272</u> | <u>(46)</u> | <u>16,182</u> | <u>58,408</u> |



CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

| | 2002 | 2001 |
|---|---------------|---------------|
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 5,217 | 7,833 |
| Adjustments for : | | |
| Allowance for doubtful debts | – | 51 |
| Amortisation of goodwill on consolidation | 479 | 302 |
| Bad debts | 1 | 101 |
| Depreciation | 2,886 | 1,800 |
| Exceptional item | (1,086) | – |
| Expenditure carried forward written off | – | 277 |
| Gain on disposal of property, plant and equipment | (58) | (1) |
| Interest expense | 633 | 477 |
| Interest income | (236) | (133) |
| Property, plant and equipment written off | – | 5 |
| Share of loss of an associated company | 1 | – |
| | 7,837 | 10,712 |
| Operating profit before working capital changes | 7,837 | 10,712 |
| Inventories | (1,445) | 5,830 |
| Debtors | 7,693 | (1,079) |
| Creditors | 390 | (2,500) |
| | 14,475 | 12,963 |
| Cash generated from operations | 14,475 | 12,963 |
| Income tax paid | (1,923) | (1,900) |
| Interest paid | (633) | (477) |
| Real property gains tax paid | – | (152) |
| | 11,919 | 10,434 |
| Net cash generated from operating activities | 11,919 | 10,434 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (4,161) | (6,020) |
| * Acquisition of subsidiary company, net of cash acquired | (5,283) | – |
| ** Acquisition of shares in an associated company | (1) | – |
| Interest received | 236 | 133 |
| Proceeds from disposal of property, plant and equipment | 107 | 2 |
| Withdrawal of fixed deposits | 10 | – |
| | (9,092) | (5,885) |
| Net cash used in investing activities | (9,092) | (5,885) |
| Balance carried forward | 2,827 | 4,549 |



CONSOLIDATED CASH FLOW STATEMENT

(cont'd) FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

| | 2002 RM'000 | 2001 RM'000 |
|--|----------------|----------------|
| Balance brought forward | 2,827 | 4,549 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Advance from a director of a subsidiary company | 150 | - |
| Advance from a shareholder of a subsidiary company | 100 | - |
| Bankers' acceptance | 7,983 | (8,130) |
| Export credit refinancing | (819) | 819 |
| Payment of dividend | (800) | (400) |
| Payment of hire purchase creditors | (8) | (234) |
| Proceeds from issuance of share capital | - | 15,197 |
| Proceeds from term loan | 105 | - |
| Repayment of term loans | (1,846) | (2,659) |
| Revolving credit | - | (2,700) |
| Trust receipts | (1,003) | (4,490) |
| Net cash generated from/(used in) financing activities | 3,862 | (2,597) |
| Effects of exchange rate changes | 5 | 84 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 6,694 | 2,036 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | 5,684 | 3,648 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 12,378 | 5,684 |
| Represented by : | | |
| Cash and bank balances | 5,472 | 3,401 |
| Bank overdrafts | (444) | (1,132) |
| Fixed deposits with licensed banks | 7,350 | 3,415 |
| | 12,378 | 5,684 |
| * Acquisition of property, plant and equipment | | |
| Total acquisition cost | 4,285 | 6,020 |
| Acquired under hire purchase loan | (124) | - |
| Total cash acquisition | 4,161 | 6,020 |
| ** Acquisition of subsidiary company, net of cash acquired | | |
| Property, plant and equipment | 19,804 | - |
| Debtors | 1,471 | - |
| Creditors | (1,691) | - |
| Hire purchase creditors | (39) | - |
| Term loans | (10,112) | - |
| Amount due to a director of a subsidiary company | (495) | - |
| Cash and bank balances | 189 | - |
| Minority interests | (6,697) | - |
| Share of net assets acquired | 2,430 | - |
| Goodwill on consolidation | 3,042 | - |
| Total purchase consideration | 5,472 | - |
| Less : Cash and bank balances acquired | (189) | - |
| Cash flow on acquisition of subsidiary company, net of cash acquired | 5,283 | - |

The notes set out on pages 30 to 53 form an integral part of these financial statements.



BALANCE SHEET AT 31 JULY 2002

| | NOTE | 2002 RM'000 | 2001 RM'000 |
|---|------|----------------|----------------|
| PROPERTY, PLANT AND EQUIPMENT | 3 | 837 | 381 |
| INVESTMENTS | 4 | 19,502 | 14,030 |
| CURRENT ASSETS | | | |
| Other debtors, deposits and prepayments | | 32 | 59 |
| Tax recoverable | | 666 | 613 |
| Amount due from subsidiary companies | 9 | 15,709 | 24,963 |
| Fixed deposits with licensed banks | 10 | 7,350 | 3,415 |
| Cash and bank balances | | 1,477 | 32 |
| | | 25,234 | 29,082 |
| CURRENT LIABILITY | | | |
| Accruals | | 584 | 622 |
| NET CURRENT ASSETS | | 24,650 | 28,460 |
| | | 44,989 | 42,871 |
| FINANCED BY : | | | |
| SHARE CAPITAL | 13 | 40,000 | 40,000 |
| RESERVES | 14 | 4,989 | 2,871 |
| | | 44,989 | 42,871 |



INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

| | NOTE | 2002 RM'000 | 2001 RM'000 |
|-----------------------------------|------|----------------|----------------|
| REVENUE | 17 | 5,826 | 5,448 |
| ADMINISTRATIVE EXPENSES | | (2,184) | (2,215) |
| OPERATING PROFIT | | 3,642 | 3,233 |
| FINANCE COSTS | | – | (2) |
| PROFIT BEFORE TAXATION | 19 | 3,642 | 3,231 |
| TAXATION | 20 | (724) | (928) |
| NET PROFIT FOR THE FINANCIAL YEAR | | 2,918 | 2,303 |
| DIVIDENDS PER SHARE (SEN) | | 3.00 | 2.00 |



STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

| | NOTE | SHARE CAPITAL RM'000 | Distributable RETAINED PROFITS RM'000 | TOTAL RM'000 |
|-----------------------------------|------|----------------------------|--|-----------------|
| 2002 | | | | |
| Balance at beginning | | 40,000 | 2,871 | 42,871 |
| Net profit for the financial year | | – | 2,918 | 2,918 |
| Dividend | 22 | – | (800) | (800) |
| Balance at end | | <u>40,000</u> | <u>4,989</u> | <u>44,989</u> |
| 2001 | | | | |
| Balance at beginning | | 20,000 | 568 | 20,568 |
| Rights issue | 13 | 20,000 | – | 20,000 |
| Net profit for the financial year | | – | 2,303 | 2,303 |
| Balance at end | | <u>40,000</u> | <u>2,871</u> | <u>42,871</u> |



CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 JULY 2002

| | 2002 RM'000 | 2001 RM'000 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 3,642 | 3,231 |
| Adjustments for : | | |
| Expenditure carried forward written off | – | 175 |
| Depreciation | 96 | 81 |
| Dividend income | (4,776) | (4,000) |
| Interest expense | – | 2 |
| Interest income | (975) | (1,148) |
| | <hr/> | <hr/> |
| Operating loss before working capital changes | (2,013) | (1,659) |
| Debtors | 27 | (50) |
| Creditors | (38) | 218 |
| | <hr/> | <hr/> |
| Cash used in operations | (2,024) | (1,491) |
| Income tax paid | (777) | (1,120) |
| Interest paid | – | (2) |
| | <hr/> | <hr/> |
| Net cash generated used in operating activities | (2,801) | (2,613) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (552) | (448) |
| Dividend received | 4,776 | 4,209 |
| Interest received | 975 | 1,148 |
| Investment in subsidiary company | (5,472) | – |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from investing activities | (273) | 4,909 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (800) | (400) |
| Proceeds from issuance of share capital | – | 15,197 |
| Revolving credit | – | (500) |
| Subsidiary companies | 9,254 | (17,953) |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) financing activities | 8,454 | (3,656) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | 5,380 | (1,360) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | |
| | 3,447 | 4,807 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | | |
| | 8,827 | 3,447 |
| Represented by : | | |
| Cash and bank balances | 1,477 | 32 |
| Fixed deposits with licensed banks | 7,350 | 3,415 |
| | <hr/> | <hr/> |
| | 8,827 | 3,447 |
| | <hr/> | <hr/> |

The notes set out on pages 30 to 53 form an integral part of these financial statements.



1. **GENERAL INFORMATION**

General

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on the Second Board of the Kuala Lumpur Stock Exchange.

Principal Activities

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

The principal activities of the subsidiary companies are shown in Note 4 to the financial statements.

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

2. **SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous financial years.

2.1 **Basis of Accounting**

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

2.2 **Basis of Consolidation**

The financial statements of the Group include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Inter-company balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. The results of subsidiary companies acquired/disposed off during the financial year are included in the financial statements of the Group from their respective effective dates of acquisition/disposal. Subsidiary companies are consolidated using the acquisition method of accounting except for certain subsidiary companies which are consolidated using the merger method of accounting in accordance with Malaysian Accounting Standard No. 2.

Where the acquisition method is adopted, the difference between the purchase price over the fair value of the net assets of the subsidiary companies at the date of acquisition is included in the consolidated financial statements as goodwill or capital reserve on consolidation, where appropriate.

Under the merger method of accounting, the difference between the cost of acquisition and the nominal value of the share capital and reserves of the subsidiary companies is taken to merger reserve.

2.3 **Goodwill**

Goodwill on consolidation is stated at cost less accumulated amortisation and amortised from the date of initial recognition over its estimated useful life of not more than ten years.



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002

(cont'd)

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at valuation/cost less accumulated depreciation where appropriate.

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

| | |
|------------------------|--|
| Short leasehold land | Amortised over the remaining lease period of 43 - 50 years |
| 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 subsidiary companies adopt both the reducing and straight line methods.

Long leasehold land is in respect of land with remaining lease period in excess of 50 years while short leasehold land refers to land with lease period of less than 50 years as at the balance sheet date.

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

Depreciation on computer system project in-progress commences when the assets are ready for their intended use.

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 above. 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-digit method.

2.6 Investments

Subsidiary companies

Investment in subsidiary companies, which is eliminated on consolidation, is stated at cost in the Company's financial statements.

Allowance for diminution in value of investment is made when the directors are of the opinion that the diminution in value is permanent in nature.

Associated Company

An associated company is defined as one in which the Group holds a long term equity interest of between 20% to 50% and is in a position to exercise significant influence over the management of the associated company through board representation.

The Group's share of post-acquisition profits/losses less taxation of associated company is included in the consolidated income statement, and the Group's share of post-acquisition reserves is added to/deducted from the cost of investment in the consolidated balance sheet.



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 direct materials, labour and attributable production overheads and is determined on the weighted average basis and first-in first-out basis, whichever is appropriate.

Cost of raw materials and trading goods are determined on the first-in first-out basis.

2.8 **Debtors**

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

2.9 **Revenue 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.

2.10 **Foreign Currency Translations**

Assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at the rates of exchange approximating those ruling at the balance sheet date. Transactions during the year in foreign currencies are converted into Ringgit Malaysia at the rates of exchange approximating those ruling on transaction dates. All exchange gains or losses are included in the income statement.

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

The closing rates of exchange of the foreign currencies used in the preparation of the financial statements are as follows:

| | 2002 | 2001 |
|------------------|---------------|-------------|
| | RM | RM |
| US Dollar | 3.8000 | 3.8000 |
| Singapore Dollar | 2.2000 | 2.2000 |
| Bangladesh Taka | 0.0652 | 0.0656 |



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002

(cont'd)

2.11 Deferred Taxation

Provision is made by the liability method for taxation deferred in respect of all timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future.

Deferred taxation benefit is recognised in the financial statements only when there is reasonable assurance of its realisation.

2.12 Cash and Cash Equivalents

Cash comprises cash in hand and balances with banks (including bank overdrafts) while cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Expenditure Carried Forward

Expenditure carried forward was fully written off to the income statement during the previous financial year. Previously, such expenses incurred up to the date of commencement of operations were carried forward in the balance sheet at cost, to be written off upon commencement of operations. The change in accounting policy had been effected as the directors were of the opinion that such expenses were of no real value to the Company.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP 2002

| | At Valuation / Cost | | | | | | Balance at 31.7.02 RM'000 |
|-------------------------------------|-----------------------------|---|---------------------|---------------------|----------------------------|---|------------------------------|
| | Balance at 1.8.01 RM'000 | Acquisition of subsidiary company RM'000 | Additions RM'000 | Disposals RM'000 | Reclassification RM'000 | Foreign currency translations RM'000 | |
| At valuation | | | | | | | |
| Freehold land | 1,528 | – | – | – | – | – | 1,528 |
| Long leasehold land | 801 | – | – | – | (801) | – | – |
| Short leasehold land | 141 | – | – | – | 801 | – | 942 |
| Buildings | 6,279 | – | – | – | – | – | 6,279 |
| At cost | | | | | | | |
| Buildings | 6,184 | – | 294 | – | – | – | 6,478 |
| Multimedia boards | – | 22,559 | – | – | 95 | – | 22,654 |
| Plant and machinery | 12,767 | – | 2,158 | (55) | – | (3) | 14,867 |
| Equipment and fixtures | 6,344 | 240 | 931 | – | 518 | (1) | 8,032 |
| Motor vehicles | 2,137 | 80 | 806 | (115) | – | – | 2,908 |
| Computer system project in-progress | 517 | 67 | 96 | – | (613) | – | 67 |
| | 36,698 | 22,946 | 4,285 | (170) | – | (4) | 63,755 |



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

GROUP
2002

| | Balance at 1.8.01 RM'000 | Acquisition of subsidiary company RM'000 | Accumulated depreciation | | | | Foreign currency translations RM'000 | Balance at 31.7.02 RM'000 |
|---|-----------------------------------|---|-----------------------------|---------------------|----------------------------|------------|---|------------------------------------|
| | | | Current charge RM'000 | Disposals RM'000 | Reclassification RM'000 | | | |
| At valuation | | | | | | | | |
| Freehold land | – | – | – | – | – | – | – | |
| Long leasehold land | 138 | – | 13 | – | (151) | – | – | |
| Short leasehold land | 21 | – | 3 | – | 151 | – | 175 | |
| Buildings | 470 | – | 56 | – | – | – | 526 | |
| At cost | | | | | | | | |
| Buildings | 2,533 | – | 284 | – | – | – | 2,817 | |
| Multimedia boards | – | 3,006 | 1,237 | – | – | – | 4,243 | |
| Plant and machinery | 7,911 | – | 409 | (23) | – | (1) | 8,296 | |
| Equipment and fixtures | 3,222 | 101 | 715 | – | – | – | 4,038 | |
| Motor vehicles | 1,423 | 35 | 169 | (98) | – | – | 1,529 | |
| Computer system project in-progress | – | – | – | – | – | – | – | |
| | 15,718 | 3,142 | 2,886 | (121) | – | (1) | 21,624 | |

Net book
value at
31.7.02
RM'000

| | |
|--|---------------|
| At valuation | |
| Freehold land | 1,528 |
| Long leasehold land | – |
| Short leasehold land | 767 |
| Buildings | 5,753 |
| At cost | |
| Buildings | 3,661 |
| Multimedia boards | 18,411 |
| Plant and machinery | 6,571 |
| Equipment and fixtures | 3,994 |
| Motor vehicles | 1,379 |
| Computer system project in-progress | 67 |
| | 42,131 |



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002
(cont'd)

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

**GROUP
2001**

| | At Valuation / Cost | | | | | Balance at 31.7.01 RM'000 |
|--|-----------------------------------|---------------------|---------------------|--------------------------|---|------------------------------------|
| | Balance at 1.8.00 RM'000 | Additions RM'000 | Disposals RM'000 | Written off RM'000 | Foreign currency translations RM'000 | |
| | | | | | | |
| At valuation | | | | | | |
| Freehold land | 1,528 | – | – | – | – | 1,528 |
| Long leasehold land | 801 | – | – | – | – | 801 |
| Short leasehold land | 141 | – | – | – | – | 141 |
| Buildings | 6,279 | – | – | – | – | 6,279 |
| At cost | | | | | | |
| Buildings | 3,704 | 2,488 | – | (8) | – | 6,184 |
| Plant and machinery | 11,712 | 1,150 | – | – | (95) | 12,767 |
| Equipment and fixtures | 4,741 | 1,629 | (2) | – | (24) | 6,344 |
| Motor vehicles | 1,504 | 664 | (31) | – | – | 2,137 |
| Computer system project in-progress | 428 | 89 | – | – | – | 517 |
| | <u>30,838</u> | <u>6,020</u> | <u>(33)</u> | <u>(8)</u> | <u>(119)</u> | <u>36,698</u> |

| | Accumulated Depreciation | | | | | Balance at 31.7.01 RM'000 |
|--|-----------------------------------|-----------------------------|---------------------|--------------------------|---|------------------------------------|
| | Balance at 1.8.00 RM'000 | Current charge RM'000 | Disposals RM'000 | Written off RM'000 | Foreign currency translations RM'000 | |
| | | | | | | |
| At valuation | | | | | | |
| Freehold land | – | – | – | – | – | – |
| Long leasehold land | 125 | 13 | – | – | – | 138 |
| Short leasehold land | 18 | 3 | – | – | – | 21 |
| Buildings | 417 | 53 | – | – | – | 470 |
| At cost | | | | | | |
| Buildings | 2,275 | 261 | – | (3) | – | 2,533 |
| Plant and machinery | 7,132 | 796 | – | – | (17) | 7,911 |
| Equipment and fixtures | 2,816 | 412 | – | – | (6) | 3,222 |
| Motor vehicles | 1,193 | 262 | (32) | – | – | 1,423 |
| Computer system project in-progress | – | – | – | – | – | – |
| | <u>13,976</u> | <u>1,800</u> | <u>(32)</u> | <u>(3)</u> | <u>(23)</u> | <u>15,718</u> |



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

| | Net book value at 31.7.01 RM'000 |
|--|---|
| At valuation | |
| Freehold land | 1,528 |
| Long leasehold land | 663 |
| Short leasehold land | 120 |
| Buildings | 5,809 |
| At cost | |
| Buildings | 3,651 |
| Plant and machinery | 4,856 |
| Equipment and fixtures | 3,122 |
| Motor vehicles | 714 |
| Computer system project in-progress | 517 |
| | <u>20,980</u> |

GROUP

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

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

The tax effects in connection with the surplus arising from the above revaluation are not disclosed as there is no foreseeable intention to dispose of these properties. The revaluation surplus was taken to asset revaluation reserve as disclosed in Note 14 to the financial statements.

The historical cost of properties at valuation are as follows :

| | Freehold land RM'000 | Long leasehold land RM'000 | Short leasehold land RM'000 | Buildings RM'000 |
|-----------------------------|-------------------------------------|---|--|-----------------------------|
| 2002 | | | | |
| Cost | 997 | 443 | 87 | 7,879 |
| Accumulated depreciation | – | (92) | (15) | (2,585) |
| Net book value | <u>997</u> | <u>351</u> | <u>72</u> | <u>5,294</u> |



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002
(cont'd)

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

Group

| | Freehold land RM'000 | Long leasehold land RM'000 | Short leasehold land RM'000 | Buildings RM'000 |
|-----------------------------|----------------------------|-------------------------------------|--------------------------------------|---------------------|
| 2001 | | | | |
| Cost | 997 | 443 | 87 | 7,879 |
| Accumulated depreciation | – | (85) | (13) | (2,375) |
| Net book value | <u>997</u> | <u>358</u> | <u>74</u> | <u>5,504</u> |

The net book value of property, plant and equipment pledged as security for banking facilities granted to subsidiary companies are as follows :

| | GROUP | |
|----------------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| At valuation | | |
| Freehold land | 88 | 88 |
| Long leasehold land | – | 663 |
| Short leasehold land | 767 | 120 |
| Buildings | 2,207 | 2,257 |
| | <u>3,062</u> | <u>3,128</u> |
| At cost | | |
| Multimedia boards | 18,411 | – |

Included in the property, plant and equipment is net book value of motor vehicles of **RM191,975** (2001 : RM NIL) acquired under hire purchase loans.

**COMPANY
2002**

| | At cost | | | |
|------------------------|-----------------------------------|-----------------------------|---------------------|------------------------------------|
| | Balance at 1.8.01 RM'000 | Additions RM'000 | Disposals RM'000 | Balance at 31.7.02 RM'000 |
| Equipment and fixtures | 77 | 8 | – | 85 |
| Motor vehicles | 394 | 544 | – | 938 |
| | <u>471</u> | <u>552</u> | <u>–</u> | <u>1,023</u> |
| | Accumulated Depreciation | | | |
| | Balance at 1.8.01 RM'000 | Current charge RM'000 | Disposals RM'000 | Balance at 31.7.02 RM'000 |
| Equipment and fixtures | 18 | 8 | – | 26 |
| Motor vehicles | 72 | 88 | – | 160 |
| | <u>90</u> | <u>96</u> | <u>–</u> | <u>186</u> |



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002
(cont'd)

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

| | Net book value at 31.7.02 RM'000 |
|------------------------|---|
| Equipment and fixtures | 59 |
| Motor vehicles | 778 |
| | <hr/> 837 <hr/> |

**Company
2001**

| | At cost | | | |
|------------------------|-------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| | Balance at 1.8.00 RM'000 | Additions RM'000 | Disposals RM'000 | Balance at 31.7.01 RM'000 |
| Equipment and fixtures | 23 | 54 | – | 77 |
| Motor vehicles | – | 394 | – | 394 |
| | <hr/> 23 | <hr/> 448 | <hr/> – | <hr/> 471 <hr/> |

| | Accumulated Depreciation | | | |
|------------------------|-------------------------------------|----------------------------------|-----------------------------|--------------------------------------|
| | Balance at 1.8.00 RM'000 | Current charge RM'000 | Disposals RM'000 | Balance at 31.7.01 RM'000 |
| Equipment and fixtures | 9 | 9 | – | 18 |
| Motor vehicles | – | 72 | – | 72 |
| | <hr/> 9 | <hr/> 81 | <hr/> – | <hr/> 90 <hr/> |

| | Net book value at 31.7.01 RM'000 |
|------------------------|---|
| Equipment and fixtures | 59 |
| Motor vehicles | 322 |
| | <hr/> 381 <hr/> |



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002

(cont'd)

4. INVESTMENTS

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Investment in subsidiary companies | | | | |
| Unquoted shares, at cost | – | – | 21,566 | 16,094 |
| Less: Allowance for diminution in value | – | – | (2,064) | (2,064) |
| | – | – | 19,502 | 14,030 |
| Investment in an associated company | | | | |
| Unquoted shares, at cost | 1 | – | – | – |
| Share of post-acquisition loss | (1) | – | – | – |
| | * | – | 19,502 | 14,030 |
| | * | – | 19,502 | 14,030 |
| Represented by: | | | | |
| Share of net assets | * | – | | |

* Represents RM 1

Details of the subsidiary companies are as follows :

| Name | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|--|--------------------------|---------------------------|---------|--|
| | | 2002 | 2001 | |
| Subsidiary companies of Prolexus Berhad | | | | |
| Honsin Apparel Sdn. Bhd. * | Malaysia | 100.00% | 100.00% | Manufacture and sale of garments. |
| Plas Industries Sdn. Bhd. | Malaysia | 100.00% | 100.00% | Manufacture and sale of garments. |
| Bixiz Kids Incorporated (M) Sdn. Bhd. | Malaysia | 50.08% | 50.08% | Marketing of all kinds of children's apparels. |
| Vhpro Sdn. Bhd. | Malaysia | 100.00% | 100.00% | Dormant. |
| Novel Realty Sdn. Bhd. | Malaysia | 100.00% | 100.00% | Dormant. |
| Prolexus-Lotus Kamal Limited * | Bangladesh | 51.00% | 51.00% | Manufacture and sale of garments. |
| Laser Capital Holdings Sdn. Bhd. | Malaysia | 50.96% | – | Investment holding. |
| Subsidiary company of Plas Industries Sdn. Bhd. | | | | |
| South East Garment Manufacturing Sendirian Berhad | Malaysia | 95.00% | 95.00% | Manufacture and sale of garments. |



4. INVESTMENTS (cont'd)

| Name | Country of Incorporation | Effective Equity Interest 2002 | Effective Equity Interest 2001 | Principal Activities |
|---|--------------------------|--------------------------------|--------------------------------|---|
| Subsidiary companies of Bixiz Kids Incorporated (M) Sdn. Bhd. | | | | |
| BK Wear Sdn. Bhd. | Malaysia | 50.08% | 50.08% | Marketing of all kinds of children's apparels. |
| Pacific Mission Sdn. Bhd. | Malaysia | 50.08% | 50.08% | Dormant. |
| Character World Sdn. Bhd. | Malaysia | 50.08% | 50.08% | Dormant. |
| Subsidiary company of Laser Capital Holdings Sdn. Bhd. | | | | |
| HiQ Media (Malaysia) Sdn. Bhd. | Malaysia | 26.67% | – | Provision of advertising services on multimedia boards. |
| Associated company of HiQ Media (Malaysia) Sdn. Bhd. | | | | |
| Acube Realty Sdn. Bhd. (Formerly known as Design-Ed Marketing Sdn. Bhd.) | Malaysia | 13.34% | – | Dormant. |

* Audited by another firm of auditors

On 22 December 2001, the Company acquired 50.96% equity interest in Laser Capital Holdings Sdn. Bhd. with its subsidiary company, HiQ Media (Malaysia) Sdn. Bhd. ("Laser Group") for a consideration of RM5,400,000 and incidental cost of RM71,526. The acquisition was accounted for using the acquisition method of accounting.

The effect of the acquisition of Laser Group on the financial results of the Group for the financial year ended 31 July 2002 is as follows :

| | RM'000 |
|--|---------------|
| Revenue | 1,954 |
| Direct operating cost | (1,953) |
| Gross profit | 1 |
| Other operating income | 47 |
| Administrative expenses | (786) |
| Selling and distribution expenses | (30) |
| Operating loss | (768) |
| Finance costs | (357) |
| Share of loss of an associated company | (1) |
| Loss before taxation | (1,126) |
| Taxation | – |
| Loss after taxation before minority interest | (1,126) |
| Minority interest | 843 |
| Decrease in Group's net profit | (283) |



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002

(cont'd)

4. INVESTMENTS (cont'd)

The effect of the acquisition of Laser Group on the financial position of the Group as at 31 July 2002 is as follows :

| | RM'000 |
|----------------------------------|---------------|
| Property, plant and equipment | 18,805 |
| Investment in associated company | * |
| Debtors | 1,237 |
| Cash and bank balances | 207 |
| Creditors | (2,468) |
| Bank borrowings | (8,371) |
| Minority interests | (5,863) |
| | <hr/> |
| Increase in Group net assets | 3,547 |
| | <hr/> |

* Represents RM1

5. GOODWILL ON CONSOLIDATION

| | GROUP | |
|--|---------------|---------------|
| | 2002 | 2001 |
| | RM'000 | RM'000 |
| Arising from the acquisition of subsidiary companies : | | |
| Balance at beginning | 604 | 906 |
| Arising from the acquisition of subsidiary company | 3,042 | – |
| Amortisation for the financial year | (479) | (302) |
| | <hr/> | <hr/> |
| Balance at end | 3,167 | 604 |
| | <hr/> | <hr/> |

6. INVENTORIES

| | GROUP | |
|----------------------------------|---------------|---------------|
| | 2002 | 2001 |
| | RM'000 | RM'000 |
| At cost | | |
| Raw materials | 6,087 | 4,128 |
| Work-in-progress | 14,615 | 12,319 |
| Finished goods | 646 | 1,838 |
| Trading goods | 812 | 2,640 |
| Goods in transit – raw materials | 210 | – |
| | <hr/> | <hr/> |
| | 22,370 | 20,925 |
| | <hr/> | <hr/> |



7. **TRADE DEBTORS**

GROUP

This is arrived at after deducting allowance for doubtful debts of **RM1,116,929** (2001 : RM1,116,929).

8. **OTHER DEBTORS, DEPOSITS AND PREPAYMENTS**

GROUP

This is arrived at after deducting allowance for doubtful debts of **RM NIL** (2001 : RM51,196).

9. **AMOUNT DUE FROM SUBSIDIARY COMPANIES**

COMPANY

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

It is also interest free, except for an amount of **RM8,321,147** (2001 : RM18,634,312) which bears interest at **6%** to **7.5%** (2001 : 6%) per annum.

10. **FIXED DEPOSITS WITH LICENSED BANKS**

| | GROUP | | COMPANY | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Pledged to a bank as security for banking facilities granted to a subsidiary company | 5 | 15 | – | – |
| Unencumbered | 7,350 | 3,415 | 7,350 | 3,415 |
| | 7,355 | 3,430 | 7,350 | 3,415 |

11. **OTHER CREDITORS AND ACCRUALS**

GROUP

Included herein is an amount of **RM15,527** (2001 : RM NIL) due to a shareholder of a subsidiary company.



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002
(cont'd)

12. BANK BORROWINGS

| | GROUP | |
|---------------------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| Secured | | |
| Bank overdrafts | 342 | 509 |
| Trust receipts | 932 | 1,935 |
| Term loans (Note 16) | 5,581 | – |
| Bankers' acceptance | 8,366 | – |
| Unsecured | | |
| Bankers' acceptance | 2,174 | 2,557 |
| Bank overdrafts | 102 | 623 |
| Export credit refinancing | – | 819 |
| | 17,497 | 6,443 |

The Group's bank borrowings, other than term loans, are secured by way of legal charges and debenture over the fixed and floating assets of certain subsidiary companies.

Interest for the above bank borrowings except bankers' acceptance and term loans is charged at between **1.5%** to **2.5%** (2001 : 1.5% to 2.5%) per annum above the lenders' base lending rates. Bankers' acceptance interest is charged at the lender's prevailing bankers' acceptance discount rate.

The details of security and interest rate for term loans are disclosed in Note 16.

13. SHARE CAPITAL

| | GROUP AND COMPANY | |
|-------------------------------|-------------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| Ordinary shares of RM1 each : | | |
| Authorised | 100,000 | 100,000 |
| Issued and fully paid | | |
| Balance at beginning | 40,000 | 20,000 |
| Rights issue | – | 20,000 |
| Balance at end | 40,000 | 40,000 |

The details of options granted under the Company's Employee Share Option Scheme to subscribe for ordinary shares which will expire on 23 June 2005 and are outstanding at 31 July 2002 are as follows :

| Ordinary shares of RM1 each | |
|-----------------------------------|---|
| Exercise price per share RM | Number of options over ordinary shares |
| 1.33 | 1,148,000 |
| 1.00 | 2,314,000 |
| | 3,462,000 |



14. RESERVES

| | GROUP | | COMPANY | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Non distributable | | | | |
| Asset revaluation reserve | 2,272 | 2,272 | - | - |
| Currency translation reserve | (44) | (46) | - | - |
| | <u>2,228</u> | <u>2,226</u> | <u>-</u> | <u>-</u> |
| Distributable | | | | |
| Retained profits | 19,834 | 16,182 | 4,989 | 2,871 |
| | <u>22,062</u> | <u>18,408</u> | <u>4,989</u> | <u>2,871</u> |

COMPANY

The Company has sufficient Section 108 tax credit and tax exempt account under the Income Tax Act, 1967, subject to the agreement of the Inland Revenue Board, to frank the payment of dividends out of all its retained profits at balance sheet date.

15. DEFERRED TAXATION

| | GROUP | |
|--------------------------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| Balance at beginning | 459 | 340 |
| Transfer from income statement | 542 | 119 |
| Balance at end | <u>1,001</u> | <u>459</u> |

There are no material timing differences not accounted for.



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002
(cont'd)

16. LONG TERM LIABILITIES

| | GROUP | |
|---|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 |
| Loan from a director of a subsidiary company | | |
| – Repayable after twelve months | 645 | – |
| Loan from a shareholder of a subsidiary company | | |
| – Repayable after twelve months | 100 | – |
| Term loans | | |
| Total amount repayable | 8,371 | – |
| Less : Repayable within twelve months included under bank borrowings (Note 12) | (5,581) | – |
| | 2,790 | – |
| Hire purchase creditors | | |
| Net amount payable | 155 | – |
| Less : Payable within twelve months included under other creditors and accruals | (34) | – |
| | 121 | – |
| | 3,656 | – |

The loans advanced by a director and a shareholder of a subsidiary company is unsecured and interest free.

The term loans are secured by:

- i) Debentures covering first fixed and floating charge over a subsidiary company's assets,
- ii) Legal charges over the multimedia boards of a subsidiary company, and
- iii) Joint and several guarantees of a director and certain shareholders of a subsidiary company.

The term loans are repayable over 12 and 13 equal quarterly instalments and bear interest rates of **5.2%** to **8.4%** per annum.

The repayment terms of the hire purchase arrangements are as follows :

| | 2002 RM'000 | 2001 RM'000 |
|----------------------------|----------------|----------------|
| Within one year | 46 | – |
| Between two and five years | 139 | – |
| | 185 | – |
| Less : Unexpired interest | (30) | – |
| | 155 | – |



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002 (cont'd)

17. REVENUE

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Invoiced value of goods sold less returns and discounts | 155,131 | 169,057 | – | – |
| Invoiced value of services rendered net of service tax, discounts and agency commission | 1,954 | – | – | – |
| Gross dividend income | – | – | 4,776 | 4,000 |
| Interest income | 228 | 128 | 975 | 1,148 |
| Management fee income | – | – | 75 | 300 |
| | 157,313 | 169,185 | 5,826 | 5,448 |

18. EXCEPTIONAL ITEM

GROUP

This relates to discounts received on negotiated settlement of debts due to certain trade creditors of a subsidiary company.



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002

(cont'd)

19. PROFIT BEFORE TAXATION

This is arrived at : -

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| After charging : | | | | |
| Allowance for doubtful debts | - | 51 | - | - |
| Amortisation of goodwill on consolidation | 479 | 302 | - | - |
| Audit fee | | | | |
| - current year | 46 | 40 | 6 | 6 |
| - over provision in previous year | (3) | - | - | - |
| - other services | 2 | 4 | - | - |
| Bad debts | 1 | 101 | - | - |
| Depreciation | | | | |
| - current year | 3,141 | 1,800 | 96 | 81 |
| - over provision in prior years | (255) | - | - | - |
| Directors' remuneration | | | | |
| Directors of the Company | | | | |
| - fees | 1,060 | 1,100 | 500 | 472 |
| - other emoluments | 806 | 752 | 498 | 494 |
| - benefits-in-kind | 27 | 23 | 27 | 23 |
| Directors of subsidiary companies | | | | |
| - fees | 134 | - | - | - |
| - other emoluments | 286 | - | - | - |
| - benefits-in-kind | 8 | 8 | - | - |
| Past director of the Company | | | | |
| - other emoluments | - | 50 | - | - |
| Expenditure carried forward written off | - | 277 | - | 175 |
| Interest expense | 633 | 477 | - | 2 |
| Property, plant and equipment written off | - | 5 | - | - |
| Realised loss on foreign exchange | 1 | 3 | - | - |
| Rental of advertising site | 234 | - | - | - |
| Rental of machinery | 65 | 3 | - | - |
| Rental of premises | 375 | 325 | 36 | 15 |
| * Staff costs (excluding directors) | 19,964 | 18,307 | 733 | 392 |
| And crediting : | | | | |
| Bad debts recovered | 13 | - | - | - |
| Gain on disposal of property, plant and equipment | 58 | 1 | - | - |
| Gross dividends from unquoted subsidiary companies | - | - | 4,776 | 4,000 |
| Interest income | 236 | 133 | 975 | 1,148 |
| Realised gain on foreign exchange | 108 | - | - | - |
| Rental income | 164 | 215 | - | - |
| * Number of employees at balance sheet date | 1,809 | 1,825 | 10 | 9 |



20. TAXATION

| | GROUP | | COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| Malaysian income tax | | | | |
| Based on profit for the financial year | | | | |
| - Current taxation | (1,232) | (956) | (491) | (928) |
| - Transfer to deferred taxation | (542) | (119) | - | - |
| | <u>(1,774)</u> | <u>(1,075)</u> | <u>(491)</u> | <u>(928)</u> |
| - Over/(under) provision in prior years | 242 | (213) | (233) | - |
| | <u>(1,532)</u> | <u>(1,288)</u> | <u>(724)</u> | <u>(928)</u> |
| Real property gains tax | - | (152) | - | - |
| | <u>(1,532)</u> | <u>(1,440)</u> | <u>(724)</u> | <u>(928)</u> |

GROUP

The effective tax rate for the Group is higher than the statutory income tax rate as the tax charge relates to tax on profits of certain subsidiary companies which cannot be set-off against losses of other subsidiary companies for tax purposes as group relief is not available.

The amount and future availability of unabsorbed tax losses and capital allowances, subject to the agreement of the Inland Revenue Board and for which the related tax effects have not been accounted for at balance sheet date is estimated at **RM7,180,000** (2001 : RM6,989,000) and **RM11,754,000** (2001 : RM184,000) respectively.

COMPANY

The effective tax rate for the Company is lower than the statutory income tax rate as certain dividend income is tax exempted.

The amount and future availability of unabsorbed tax losses and capital allowances, subject to the agreement of the Inland Revenue Board and for which the related tax effects have not been accounted for at balance sheet date is estimated at **RM158,000** (2001 : RM158,000) and **RM106,000** (2001 : RM55,000) respectively.



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002

(cont'd)

21. EARNINGS PER SHARE

GROUP

Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

| | 2002 | 2001 |
|--|---------------|--------------|
| Net profit attributable to shareholders (RM'000) | <u>4,452</u> | <u>6,506</u> |
| Weighted average number of ordinary shares of RM1 each in issue ('000) | <u>40,000</u> | 40,000 |
| Basic earnings per share (sen) | <u>11.13</u> | 16.27 |

Diluted earnings per share

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

| | 2002 | 2001 |
|--|---------------|---------------|
| Net profit attributable to shareholders (RM'000) | <u>4,452</u> | 6,506 |
| Number of ordinary shares as above | 40,000 | 40,000 |
| Effect of share options ('000) | 155 | – |
| | <u>40,155</u> | <u>40,000</u> |
| Diluted earnings per share (sen) | <u>11.09</u> | 16.27 |

22. DIVIDEND

| | GROUP AND COMPANY | |
|---|--------------------------|--------|
| | 2002 | 2001 |
| | RM'000 | RM'000 |
| Payment of first and final tax exempt dividend of 2 sen in respect of the financial year ended 31 July 2001 | <u>800</u> | – |

A first and final dividend of 3 sen per share less tax in respect of the financial year ended 31 July 2002 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. These financial statements do not reflect this first and final dividend which, when approved by shareholders, will be accounted for as an appropriation of retained profits from the shareholders' equity in the financial year ending 31 July 2003.



23. SEGMENTAL REPORTING

GROUP

Analysis by industry

| | Revenue RM'000 | Profit/(Loss) Before Taxation RM'000 | Total Assets Employed RM'000 |
|--------------------|-------------------|---|------------------------------------|
| 2002 | | | |
| Investment holding | 228 | (2,414) | 13,583 |
| Manufacturing | 152,539 | 9,147 | 74,054 |
| Retailing | 2,592 | (376) | 2,345 |
| Services | 1,954 | (1,139) | 20,231 |
| Associated company | – | (1) | – |
| | <u>157,313</u> | <u>5,217</u> | <u>110,213</u> |
| 2001 | | | |
| Investment holding | 128 | (2,422) | 5,162 |
| Manufacturing | 165,446 | 9,856 | 75,313 |
| Retailing | 3,611 | 399 | 4,289 |
| | <u>169,185</u> | <u>7,833</u> | <u>84,764</u> |

Analysis by geographical location

| | Revenue RM'000 | Profit/(Loss) Before Taxation RM'000 | Total Assets Employed RM'000 |
|-------------|-------------------|---|------------------------------------|
| 2002 | | | |
| Malaysia | 156,255 | 5,688 | 109,221 |
| Bangladesh | 1,058 | (471) | 992 |
| | <u>157,313</u> | <u>5,217</u> | <u>110,213</u> |
| 2001 | | | |
| Malaysia | 167,160 | 8,509 | 83,694 |
| Bangladesh | 2,025 | (676) | 1,070 |
| | <u>169,185</u> | <u>7,833</u> | <u>84,764</u> |

Inter-segmental pricing is based on negotiated terms.



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002
(cont'd)

24. RELATED PARTY TRANSACTIONS

| | COMPANY | |
|---|----------------|---------------|
| | 2002 | 2001 |
| | RM'000 | RM'000 |
| Gross dividend income from subsidiary companies | | |
| - Plas Industries Sdn. Bhd. | 2,778 | 4,000 |
| - Honsin Apparel Sdn. Bhd. | 1,998 | – |
| Interest income from subsidiary companies | | |
| - Plas Industries Sdn. Bhd. | 188 | 512 |
| - Honsin Apparel Sdn. Bhd. | 547 | 508 |
| - HiQ Media (Malaysia) Sdn. Bhd. | 12 | – |
| Management fee income from subsidiary companies | | |
| - Plas Industries Sdn. Bhd. | 38 | 150 |
| - Honsin Apparel Sdn. Bhd. | 37 | 150 |
| Rental expense to a subsidiary company | | |
| - Plas Industries Sdn. Bhd. | 36 | 15 |

The directors of the Company are of the opinion that the above transactions were entered into in the normal course of business and the terms of which have been established on a negotiated basis.

25. CAPITAL COMMITMENT

| | GROUP | |
|---------------------------------|---------------|---------------|
| | 2002 | 2001 |
| | RM'000 | RM'000 |
| Contracted but not provided for | | |
| Analysed as follows : | | |
| - Property, plant and equipment | – | 93 |

26. CONTINGENT LIABILITIES (UNSECURED)

GROUP

A civil suit has been taken by Cape Elegance Sdn. Bhd. ("the Plaintiff") against a subsidiary company for alleged breaches of contract in respect of an agreement entered into between the subsidiary company and the Plaintiff. In this suit, the Plaintiff is seeking monetary relief in respect of special damages in the form of various payments allegedly outstanding and damages to be assessed, interest and costs amounting to RM1,630,000.

The subsidiary company has filed a defence against the Plaintiff's claims in the suit as well as a counterclaim for damages in respect of loss suffered by the subsidiary company. The counterclaim included special damages amounting to RM79,116, interest, general damages and costs to be assessed by the Court. The Court has yet to fix a hearing date of the subsidiary company's application to amend.

Both the Plaintiff and the subsidiary company are currently in negotiations towards reaching an out of court settlement which, if successful, will bring about the discontinuation of the action. Accordingly, no provision has been made by the directors of the subsidiary company.



26. **CONTINGENT LIABILITIES (UNSECURED)** (cont'd)

COMPANY

The Company has issued corporate guarantees to financial institutions for banking facilities granted to certain subsidiary companies up to a limit of **RM37,000,000** (2001 : RM43,500,000) of which **RM11,374,112** (2001 : RM4,630,254) of the said banking facilities have been utilised at balance sheet date.

27. **SIGNIFICANT EVENTS**

The shareholders of the Company, by an ordinary resolution passed at an extraordinary general meeting held on 7 December 2001, approved the Company's plan to buy back its own shares up to 10% of the existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buy back can be applied in the best interest of the Company and its shareholders.

On 22 December 2001, the Company acquired 50.96% equity interest in Laser Capital Holdings Sdn. Bhd. with its subsidiary company, HiQ Media (Malaysia) Sdn. Bhd. for a consideration of RM5,400,000 and incidental cost of RM71,526.

28. **EXPENDITURE CARRIED FORWARD**

| | GROUP | | COMPANY | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2002 RM'000 | 2001 RM'000 | 2002 RM'000 | 2001 RM'000 |
| At cost | | | | |
| Preliminary expenses | - | 10 | - | - |
| Pre-operating expenses | - | 219 | - | - |
| Deferred expenditure | - | 175 | - | 175 |
| | <u>-</u> | <u>404</u> | <u>-</u> | <u>175</u> |
| Less : | | | | |
| Accumulated amortisation | - | (82) | - | - |
| Written off | - | (277) | - | (175) |
| Foreign currency translations | - | (45) | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

GROUP AND COMPANY

Deferred expenditure comprises expenses incurred in connection with the implementation of the Company's bonus issue, rights issue and employee share option scheme. The expenditure was fully written off in the financial year ended 31 July 2001 as the above corporate exercise was completed during that year.



NOTES TO THE FINANCIAL STATEMENTS – 31 JULY 2002

(cont'd)

29. COMPARATIVE FIGURES

COMPANY

Cash flows to subsidiary companies have been reclassified from operating activities to financing activities to conform with the current year's presentation as follows:

| | As restated RM'000 | As previously reported RM'000 |
|--|-----------------------------------|--|
| Cash Flow Statement | | |
| Cash used in operations | (1,491) | (19,444) |
| Net cash used in operating activities | (2,613) | (20,566) |
| Net cash generated from/(used in) financing activities | (3,656) | 14,297 |



DIRECTORS' STATEMENT

We, **Lau Mong Ying** and **Cheah Chin Teong**, being two of the directors of **Prolexus Berhad** state that in the opinion of the directors, the financial statements set out on pages 21 to 53 are properly drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at **31 July 2002** and of the results of the operations and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the directors:

LAU MONG YING

CHEAH CHIN TEONG

Date : 4 November 2002

STATUTORY DECLARATION

I, **Willie Gan Wee Lee**, the officer primarily responsible for the financial management of **Prolexus Berhad** do solemnly and sincerely declare that the financial statements set out on pages 21 to 53 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 5th)
day of November 2002)
)

WILLIE GAN WEE LEE

Before me,

Commissioner for Oaths



REPORT OF THE AUDITORS

We have audited the financial statements set out on pages 21 to 53. The preparation of these financial statements is the responsibility of the Company's directors. 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. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company at **31 July 2002** and of the results of the operations and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 4 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under subsection (3) of Section 174 of the Act.

JB LAU & ASSOCIATES
NO. AF : 0042
CHARTERED ACCOUNTANTS

JOHN LAU TIANG HUA
NO. 1107/03/04 (J)

DATE : 4 November 2002



PROPERTIES HELD BY THE GROUP

| Location | Description | Land area/ (built-up area) | Existing use | Tenure/ (approximate age of building) | Net book value as at 31 July 2002 RM'000 | Years 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 (9 1/2 years to 13 years) | 5,512 | 1993* |
| 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 (19 years) | 98 | 1993* |
| PLAS INDUSTRIES SDN. BHD. | | | | | | |
| Lot No. PT1487 (Plot No. 19) HS (D) 2754 Mk 1 Kawasan Perusahaan Prai Seberang Perai Tengah Pulau Pinang | A factory with office and storage building | 1,007.96 metre ² (2,204.67 metre ²) | Factory and office | Leasehold 60 years expiring on 30.9.2045 (16 years) | 510 | 1993* |
| Lot No. 4122 & 4123 Nibong Tebal Mk. 11 Seberang Perai Selatan Pulau Pinang | Two units of two mid-terraced shop-house | 230.02 metre ² (465.99 metre ²) | Production factory | Freehold (12 years) | 229 | 1993* |
| Taman Pelangi Prai F95, H.S. (D) 3296 No. PT2971 Mk. 11 Seberang Perai Tengah Pulau Pinang | 5 continuous units of two bedrooms flats | N/A (232.25 metre ²) | Hostel | Leasehold 99 years expiring on 22.4.2092 (6 years) | 156 | 1997 |
| Taman Pelangi Prai F95, H.S. (D) 3296 No. PT2971 Mk. 11 Seberang Perai Tengah Pulau Pinang | 5 continuous units of three bedrooms flats | N/A (325.15 metre ²) | Hostel | Leasehold 99 years expiring on 22.4.2092 (6 years) | 210 | 1997 |
| SOUTH EAST GARMENT MANUFACTURING SENDIRIAN BERHAD | | | | | | |
| Plot No. 255 (iii) Kawasan Perusahaan Mak Mandin, Mukim 14 Seberang Perai Tengah Pulau Pinang | A single-storey factory with an annexed two-storey office block in front | 1.70448 acres (2,481.27 metre ²) | Factory and office | Leasehold 60 years expiring on 21.2.2052 (10 years) | 2,323 | 1993* |
| PLAS INDUSTRIES SDN. BHD. | | | | | | |
| Plot No. 255 (iii) Kawasan Perusahaan Mak Mandin, Mukim 14 Seberang Perai Tengah Pulau Pinang | 3 storey factory | (3,617.51 metre ²) | Factory and office | Leasehold 60 years expiring on 21.2.2052 (2 years) | 2,671 | 2001 |
| | | | | | 11,709 | |

* Year of revaluation



ANALYSIS OF SHAREHOLDINGS

Share Capital as at 18 October 2002

| | |
|--------------------------|---|
| Authorised share capital | : 100,000,000 ordinary shares of RM1 each |
| Issued and fully paid-up | : 40,000,000 ordinary shares of RM1 each |
| Voting rights | : One vote per ordinary share (on a poll) |

Distribution schedule of shareholdings as at 18 October 2002

| Size Of Holdings | No Of Holders | Total Holdings | % |
|------------------------|---------------|----------------|----------|
| 1 - 999 | 124 | 23,092 | 0.0577 |
| 1,000 - 10,000 | 1,814 | 6,558,464 | 16.3962 |
| 10,001 - 100,000 | 252 | 6,134,624 | 15.3366 |
| 100,001 - 1,999,999 | 35 | 17,191,868 | 42.9797 |
| 2,000,000 - 40,000,000 | 3 | 10,091,952 | 25.2298 |
| Total | 2,228 | 40,000,000 | 100.0000 |

30 largest shareholders as at 18 October 2002

| | No. of shares | % of Issued Capital |
|--|---------------|---------------------|
| 1. Lembaga Tabung Haji | 3,974,000 | 9.9350 |
| 2. Amsec Nominees (Tempatan) Sdn Bhd (Amfinance Berhad for Lau Mong Ying) | 3,815,000 | 9.5375 |
| 3. Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lau Mong Ying) | 2,302,952 | 5.7574 |
| 4. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Narspa Holdings Sdn Bhd) | 1,600,000 | 4.0000 |
| 5. Tan Ching Ching | 1,110,000 | 2.7750 |
| 6. Tan Han Chuan | 919,000 | 2.2975 |
| 7. Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ong Huey Peng) | 852,000 | 2.1300 |
| 8. Tham Kien Wei | 810,000 | 2.0250 |
| 9. Mayban Nominees (Asing) Sdn Bhd (Pledged Securities Account for Fisco Enterprise Pte Ltd) | 804,115 | 2.0103 |
| 10. Mayfin Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for JE Holdings Sdn Bhd) | 690,865 | 1.7272 |
| 11. Chen Lai Fun | 689,000 | 1.7225 |
| 12. JE Holdings Sdn Bhd | 665,960 | 1.6649 |
| 13. TA Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yap Kim Choo) | 657,750 | 1.6444 |
| 14. JB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lau Mong Ying) | 652,734 | 1.6318 |
| 15. Chay Yoong Piau | 620,750 | 1.5519 |
| 16. Poo Choo@Ong Poo Choi | 593,000 | 1.4825 |
| 17. AllianceGroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lau Mong Ying) | 540,000 | 1.3500 |
| 18. Tan Boon Kuan | 536,084 | 1.3402 |
| 19. Citicorp Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lim Hoei Boon) | 515,000 | 1.2875 |
| 20. Chew Boon Seng | 495,000 | 1.2375 |
| 21. Narspa Holdings Sdn Bhd | 453,000 | 1.1325 |
| 22. Lim Hoei Boon | 435,934 | 1.0898 |
| 23. Cartaban Nominees (Asing) Sdn Bhd (Bank of Tokyo Mitsubishi Luxembourg S.A. for Osterreichische Volksbanken AG) | 431,250 | 1.0781 |
| 24. TCL Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kua Boon Hwa) | 401,000 | 1.0025 |
| 25. Yeoh Swee Kee | 395,000 | 0.9875 |
| 26. Amsec Nominees (Tempatan) Sdn Bhd (Amfinance Berhad for Lim Cheng Pow) | 340,000 | 0.8500 |
| 27. Lin, Cheng-Lang | 273,374 | 0.6834 |
| 28. Amin Halim | 240,000 | 0.6000 |
| 29. Lau Mong Ying | 215,448 | 0.5386 |
| 30. Ong Chong Jing | 190,000 | 0.4750 |
| Total | 26,218,216 | 65.5455 |



ANALYSIS OF SHAREHOLDINGS

(cont'd)

Substantial Shareholders (excluding bare trustees) According to the Register of substantial Shareholders as at 18 October 2002

| No. | Name of Shareholders | No. of ordinary shares of RM 1 each | | | |
|-----|-------------------------|-------------------------------------|-------|-----------------|------|
| | | Direct Interest | % | Deemed Interest | % |
| 1. | Lau Mong Ying | 7,526,134 | 18.82 | – | – |
| 2. | Lembaga Tabung Haji | 3,974,000 | 9.94 | – | – |
| 3. | Narspa Holdings Sdn Bhd | 2,053,000 | 5.13 | – | – |
| 4. | Ahmad Mustapha Ghazali | 23,000 | 0.06 | 2,053,000 | 5.13 |
| 5. | Narimah Mohamed Perai | 20,750 | 0.05 | 2,053,000 | 5.13 |

Directors' shareholdings as at 18 October 2002

| No. | Name of Shareholders | No. of ordinary shares of RM 1 each | | | |
|-----|------------------------|-------------------------------------|-------|-----------------|------|
| | | Direct Interest | % | Deemed Interest | % |
| 1. | Lau Mong Ying | 7,526,134 | 18.82 | – | – |
| 2. | Cheah Chin Teong | 12,506 | 0.03 | – | – |
| 3. | Ahmad Mustapha Ghazali | 23,000 | 0.06 | 2,053,000 | 5.13 |
| 4. | Lau Mong Fah | 20,000 | 0.05 | – | – |
| 5. | Lin, Cheng-Lang | 273,374 | 0.68 | – | – |
| 6. | Lee Kuan Mang | – | – | – | – |
| 7. | Willie Gan Wee Lee | – | – | – | – |



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)

of failing him, the Chairman of the meeting, as * my/our proxy to vote for * me/us on * my/our behalf at the Tenth Annual General Meeting of the Company to be held at the Conference Room, Prolexus Berhad, 6944 Jalan Mak Mandin, Kawasan Perusahaan Mak Mandin, 13400 Butterworth, Penang on Thursday, 5 December 2002 at 10.00 a.m. and at any adjournment thereof.

| ORDINARY RESOLUTION | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---------------------|---|---|---|---|---|---|---|---|
| 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 | % |
| Second proxy | % |
| | <u>100%</u> |

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

No. of Share Held: _____

Signature of shareholder

Dated this _____ day of _____ 2002.

* Strike out whichever not desired.

Notes:-

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



The Company Secretary

Prolexus Berhad

(Company No. 250857-T)

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

STAMP