PROLEXUS BERHAD

(250857 - T)

Incorporated in Malaysia

ANNUAL REPORT 2004 LAPORAN TAHUNAN

Contents

NOTICE IS HEREBY GIVEN THAT THE TWELFTH 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 30 NOVEMBER 2004 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 July 2004 together with the Reports of the Directors' and Auditors' thereon. **Ordinary Resolution 1**

2. To approve the payment of a first and final tax exempt dividend of 1 sen per ordinary share of RM1 each for the financial year ended 31 July 2004. **Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the financial year ended 31 July 2004. **Ordinary Resolution 3**

4. To re-elect the following Directors retiring pursuant to Article 77 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:-
   (a) Mr. Lau Mong Ying **Ordinary Resolution 4**
   (b) Encik Ahmad Mustapha Ghazali **Ordinary Resolution 5**
   (c) Mr. Lau Mong Fah **Ordinary Resolution 6**

5. 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. **Ordinary Resolution 7**

As Special Business:-
To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions:-

6. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES**
   "That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued." **Ordinary Resolution 8**

7. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**
   That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed 10% of its issued and paid-up share capital and the 10% shall always take into account any shares bought back and retained as treasury shares and that amount allocated by the Company for the Proposed Share Buy-Back is backed by an equivalent amount of audited retained profits of the Company as at 31 July 2004 amounting to RM6,302,000.00. Upon purchase by the Company of its own shares, the purchased shares will be cancelled or retained as treasury shares or both and/or dealt with in accordance with the relevant prevailing statutory provisions and guidelines.

   That, the Directors be and are hereby empowered to do all acts and things to give effect to the Proposed Share Buy-Back and to be dealt with in accordance with Bursa Securities Listing Requirements and Companies Act, 1965.

That, such authority shall commence immediately upon passing of this resolution until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required by law to be held or revoked or varied by ordinary resolution passed by shareholders in general meeting, whichever occurs first, but so as not to prejudice the completion of a purchase made before such expiry date. **Ordinary Resolution 9**

8. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board,

LEE PENG LOON (LS 00405)
Secretary

Penang
8 November 2004

Explanatory Notes on Special Business

Ordinary Resolution 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. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

Ordinary Resolution 9
The ordinary resolution proposed under Resolution No. 9, if passed, will give the Directors of the Company authority to purchase its own shares up to 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

Notes:-

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

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

a. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 31 December 2004 in respect of transfers;
b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

The dividend, if approved will be paid on 18 January 2005 to depositors who are registered in the Record of Depositors of the Company on 31 December 2004.

STATEMENT accompanying Notice of Twelfth Annual General Meeting of the Company pursuant to paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements:-

(1) **DIRECTORS WHO ARE STANDING FOR RE-ELECTION**
The Directors standing for re-election are:-

(a) Mr. Lau Mong Ying
(b) Encik Ahmad Mustapha Ghazali
(c) Mr. Lau Mong Fah

(2) **DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS**

A total of six (6) Board Meetings were held during the financial year ended 31 July 2004.

	Name of Directors	Number of Board Meetings Attended
(i)	Ahmad Mustapha Ghazali	4
(ii)	Lau Mong Ying	5
(iii)	Cheah Chin Teong	4
(iv)	Willie Gan Wee Lee	6
(v)	Lau Mong Fah	6
(vi)	Lee Kuan Mang	6
(vii)	Lin, Cheng-Lang	6
(viii)	Khadmudin Bin Hj. Mohamed Rafik	6

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

Place : The Conference Room of
Prolexus Berhad
6944, Jalan Mak Mandin
Kawasan Perusahaan Mak Mandin
13400 Butterworth, Penang

Date & Time : 30 November 2004 at 10.00 a.m.

1. INTRODUCTION

1.1 Renewal of Authority for Prolexus Berhad ("PROLEXUS" or "the Company") to Purchase Its Own Shares

At the Company's Extraordinary General Meeting held on 19 December 2003, the Board of Directors had obtained shareholders' approval for the Directors to purchase shares on Bursa Securities not exceeding ten (10%) per centum of the issued and fully paid-up share capital of the Company.

The authority obtained by the Board of Directors for purchasing the Company's own shares in accordance with Bursa Securities's Listing Requirements governing share buy-back by listed companies, lapses at the conclusion on the forthcoming Annual General Meeting ("AGM") unless a new mandate is obtained from shareholders to authorise the Directors of the Company to purchase its own shares.

It is the intention of PROLEXUS to renew the authority to purchase its own shares in the aggregate up to ten (10%) per centum of its issued and paid-up share capital and the ten (10%) per centum shall always take into account any shares bought back and retained as treasury shares in accordance with Section 67A of the Act and the requirements of Bursa Securities and/or any other relevant authorities ("Proposed Share Buy-Back" or "the Proposal"). Consequently, on 24 September 2004, the Company announced that the Board of Directors proposes to seek a fresh mandate from the shareholders for the Company to purchase its own shares on Bursa Securities through its appointed stockbroker, Hwang-DBS Securities Berhad previously approved by Bursa Securities. Such authority, if so approved, commences immediately upon obtaining the shareholders' approval in this forthcoming AGM until the conclusion of the next AGM. ("Proposed Authorised Period"). As at 30 September 2004, the issued and paid up share capital of the Company is RM40,000,000 comprising 40,000,000 ordinary shares of RM1.00 each which is inclusive of 497,900 treasury shares held by the Company.

Upon purchase by the Company of its own shares, the purchased shares will be retained as treasury shares. The Company would have the opportunity to distribute those shares as share dividends, thus benefiting the shareholders. The treasury shares may also be resold on the open market of Bursa Securities at a price higher than the purchase price, thereby realizing a potential gain for PROLEXUS without affecting the Company's issued and paid-up share capital.

1.2 Purpose of Statement

The purpose of this Statement is to provide relevant information on the Proposed Share Buy-Back and to seek your approval for the ordinary resolution which is to give effect to the Proposed Share Buy-Back to be tabled at the forthcoming AGM. A notice of the AGM together with the Proxy Form are set out in pages 2 & 3 and page 75 respectively.

2. RATIONALE FOR THE PROPOSED RENEWAL OF AUTHORITY FOR PROLEXUS TO PURCHASE ITS OWN SHARES

The Directors of the Company are of the opinion that empowering the Company to undertake the Proposed Share Buy-Back is in response to the government's call to help stabilise the stock market and in the best interest of the Company. It is to be carried out when the share price is transacted at levels which does not reflect the potential earning capability of the Group. The Proposed Share Buy-Back is expected to have the effect of stabilising the supply and demand as well as the price of the shares of the Company on Bursa Securities which may in turn have a favourable impact on the share price of the Company.

3. EVALUATION OF THE PROPOSED RENEWAL OF AUTHORITY FOR PROLEXUS TO PURCHASE ITS OWN SHARES

3.1 Advantages

The potential advantages of the Proposed Share Buy-Back are as follows:-

- allows the Company to take preventive measures against excessive speculation in particular, when the Company's shares are undervalued;
- allows the Company more flexibility in fine-tuning its capital structure;
- to stabilise a downward trend of the market price of the Company's shares;
- treasury shares can be treated as long term investments. It makes business sense to invest in our own Company as the Board of Directors are confident of PROLEXUS's future prospects and performance in the long term;
- resale of treasury shares at prices higher than the purchase prices when the market price picks up will be realised and as a result increase the working capital and net tangible assets of the Company; and
- in the event that the treasury shares are distributed as dividend by the Company, it may then serve to reward the shareholders of the Company.

3.2 Disadvantages

The potential disadvantages of the Proposed Share Buy-Back are as follows:-

- the purchases can only be made out of distributable reserves, resulting in a reduction of the amount available for distribution as dividends and bonus issues to shareholders; and
- the purchases of existing shares involve cash outflow from the Company which may otherwise be retained in the business to generate further profits.

4. PARTICULARS OF THE PROPOSED RENEWAL OF AUTHORITY FOR PROLEXUS TO PURCHASE ITS OWN SHARES

Funding

The Proposed Share Buy-Back will allow the Directors to purchase PROLEXUS's shares at any time within the Proposed Authorised Period. The proposed purchase by the Company of its own shares must be made wholly out of its retained profits. There are no restrictions on the types of funds which can be utilised so long as the buy-back is backed by an equivalent amount of retained profits. Based on the audited financial statements as at 31 July 2004, the Company's retained profits is RM6,302,000.00.

The Proposed Share Buy-Back shall be financed from internally generated funds and/or bank borrowings. The amount of bank borrowings to be used for the Proposed Share Buy-Back would depend on the prevailing interest rates and the repayment capabilities.

5. EFFECTS OF THE PROPOSED RENEWAL OF AUTHORITY FOR PROLEXUS TO PURCHASE ITS OWN SHARES

5.1 Share Capital

There will be no effect on the current issued and paid-up share capital of PROLEXUS if the shares so purchased are retained in treasury but the rights attaching to the treasury shares as to voting, dividends and participation in other distribution or otherwise will be suspended. While the PROLEXUS's shares purchased remain as treasury shares, the Act prohibits the taking into account of such shares in calculating the number or percentage of shares in the Company for any purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings and the result of votes on resolutions.

5.2 Net Tangible Assets ("NTA")

The Proposed Share Buy-Back is likely to reduce the NTA per share of the Company and the Group if the purchase price exceeds the audited NTA per share of the Group at the time of purchase and will increase the NTA per share of the Company and the Group if the purchase price is less than the audited NTA per share of the Group at the time of purchase.

For shares bought back which are kept as treasury shares, upon resale of such shares, the NTA of the Group will increase assuming that a gain has been realized. The quantum of the increase in NTA will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

5.3 Working Capital

The Proposed Share Buy-Back will reduce the working capital of the Group, the quantum of which is dependent on actual number of shares bought back and actual purchase prices of the PROLEXUS's shares. However, in the opinion of the Directors, the Proposed Share Buy-Back whether cancelled or kept as treasury shares is not expected to have a significant effect on the working capital of the Company.

5.4 Earnings

The effect of the Proposed Share Buy-Back on the earnings of the Group will depend on the actual purchase prices of PROLEXUS's shares, the number of shares purchased and the effective funding cost of the purchases. Generally, a lesser share capital subsequent to the cancellation of the shares bought back or either kept as treasury shares will have a positive impact, all else being equal, on the Group's Earnings Per Share.

6. OTHER DISCLOSURES IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR PROLEXUS TO PURCHASE ITS OWN SHARES

6.1 Public Shareholding Spread

PROLEXUS's public shareholding spread and the public shareholders as at 30 September 2004 being the latest practicable date is approximately 70.64% and 2,071 respectively. The public shareholding spread is expected to be reduced to 67.78% assuming the Proposed Share Buy-Back is implemented in full with the purchases from the market.

6.2 Malaysian Code on Take-Overs and Mergers 1998

Assuming the shareholdings of the substantial shareholders and/or parties acting in concert as at 30 September 2004 remain unchanged, none of the substantial shareholders' and/or parties acting in concert's shareholdings will exceed 33% in the event that the Proposed Share Buy-Back is carried out in full. Hence, the Proposed Share Buy-Back is not expected to trigger the Malaysia Code on Take-Overs and Mergers 1998.

6.3 Purchase of Shares

The purchases of shares made during the financial year ended 31 July 2004 are set out in pages 56 & 57, under the heading of "Treasury Shares".

Subsequent to the financial year 31 July 2004, as at 30 September 2004 being the latest practicable date, Prolexus had bought back additional 137,800 ordinary shares of RM1.00 each for approximately RM81,768 at an average price of RM0.59 per share.

6.4 Resale/Cancellation of Treasury Shares

There were no resale/cancellation of treasury shares during the period from 20 December 2003 (upon approval by shareholders in the immediate prior EGM held on 19 December 2003) until the latest practical date.

7. DIRECTORS', SUBSTANTIAL SHAREHOLDERS', PERSONS CONNECTED WITH DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors, Substantial Shareholders, persons connected with the Directors and Substantial Shareholders have any interest, direct or indirect, in the Proposed Share Buy-Back and resale of treasury shares of the Company.

8. DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interest of the Group. Accordingly, they recommend that you vote in favour of the ordinary resolution for the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

9. BURSA SECURITIES

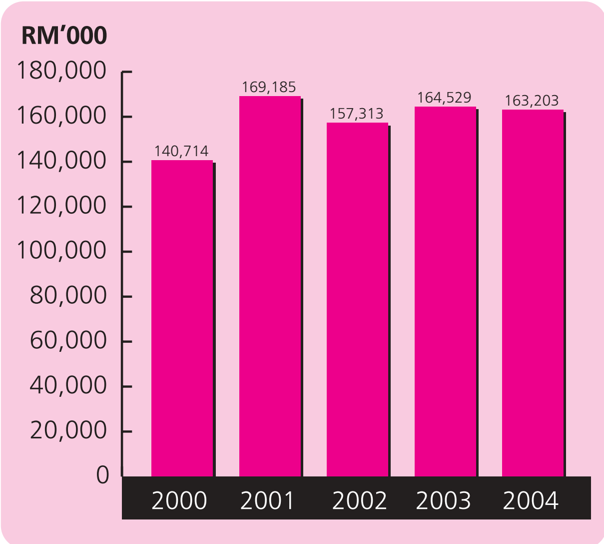
Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or reliance upon the whole or any part of the contents of this Statement.

Corporate Information

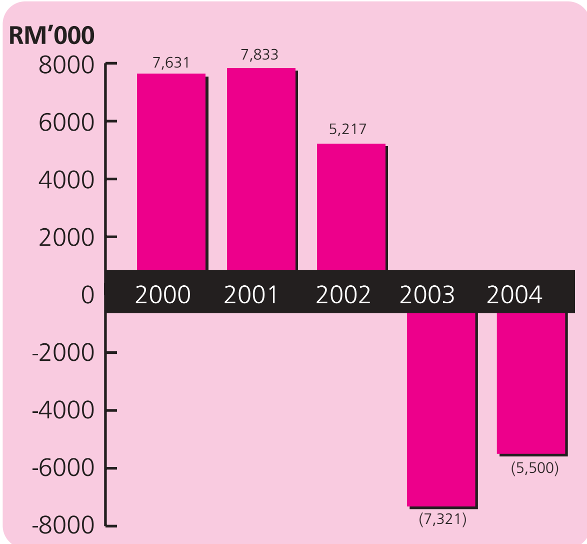
Directors	Ahmad Mustapha Ghazali *(Chairman, Non-Independent Non-Executive Director)* Lau Mong Ying *(Managing Director)* Cheah Chin Teong *(Executive Director)* Willie Gan Wee Lee *(Executive Director)* Lau Mong Fah *(Non-Independent Non-Executive Director)* Lee Kuan Mang *(Independent Non-Executive Director)* Lin, Cheng-Lang *(Independent Non-Executive Director)* Khadmudin Bin Hj. Mohamed Rafik *(Independent Non-Executive Director)*
Company Secretary	Lee Peng Loon
Audit Committee	Lee Kuan Mang *(Chairman, Independent Non-Executive Director)* Ahmad Mustapha Ghazali *(Non-Independent Non-Executive Director, Member of the Malaysian Institute of Accountants)* Lin, Cheng-Lang *(Independent Non-Executive Director)* Khadmudin Bin Hj. Mohamed Rafik *(Independent Non-Executive Director)*
Nomination Committee	Lee Kuan Mang *(Chairman, Independent Non-Executive Director)* Ahmad Mustapha Ghazali *(Non-Independent Non-Executive Director)* Lin, Cheng-Lang *(Independent Non-Executive Director)*
Remuneration Committee	Lau Mong Ying *(Chairman, Managing Director)* Lee Kuan Mang *(Independent Non-Executive Director)* Lau Mong Fah *(Non-Independent Non-Executive Director)*
Registered Office	51-21-A Menara BHL Bank Jalan Sultan Ahmad Shah 10050 Penang Tel : 04-2276888 Fax : 04-2298118
Business Address	6944 Jalan Mak Mandin Kawasan Perusahaan Mak Mandin 13400 Butterworth Penang Tel : 04-3313907 Fax : 04-3313709
Share Registrar	Agriteum Share Registration Services Sdn. Bhd. 2nd Floor, Wisma Penang Garden 42 Jalan Sultan Ahmad Shah 10050 Penang Tel : 04-2282321 Fax : 04-2272391
Auditors	JB Lau & Associates Chartered Accountants
Principal Bankers	Bumiputra-Commerce Bank Berhad Citibank Berhad EON Bank 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 Bursa Malaysia Securities Berhad

Financial Highlights

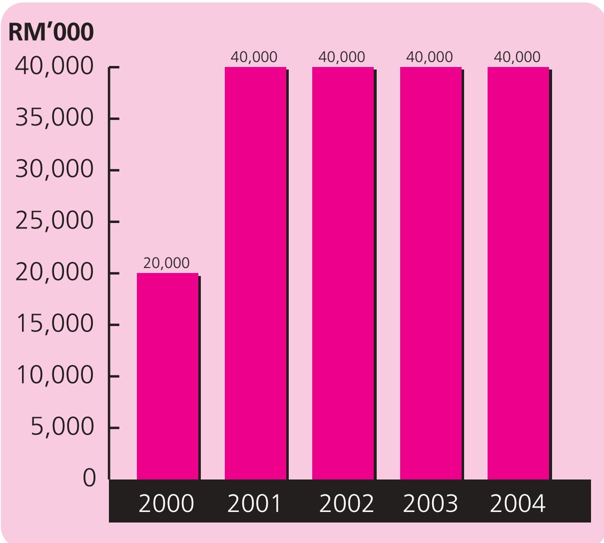
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Turnover	140,714	169,185	157,313	164,529	**163,203**
Profit/(Loss) Before Tax	7,631	7,833	5,217	(7,321)	**(5,500)**
Profit/(Loss) After Tax	5,500	6,393	3,687	(7,221)	**(5,208)**
Paid-up Capital	20,000	40,000	40,000	40,000	**40,000**
Shareholders' Funds	31,959	58,408	60,420	53,972	**48,871**
Earnings/(Loss) Per Share (sen)	20	16	11	(14)	**(11)**
Dividend Per Share (sen)	1	2	3	1	**1**
Net Tangible Asset Per Share (sen)	154	145	143	127	**116**



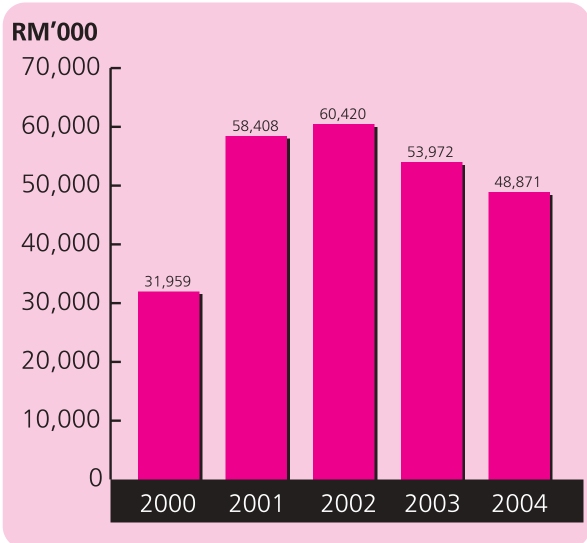
Turnover



Profit/(Loss) Before Tax



Paid-up Capital



Shareholders' Fund

On behalf of the Board of Directors, I present the financial results of the Group for the year ended 31 July 2004.

REVIEW OF OPERATIONS AND PROSPECTS

There is no significant change in turnover of the Group for the financial year.

The Group recorded a loss before tax of RM5,500,000 for the current financial year as compared to a loss before tax of RM7,321,000 for the previous financial year. The improvement in results is mainly due to the turnaround of the garment business segment.

The garment business segment continues to be the Group's core business. The prospects of the Group for the coming years are challenging in view of the expected lifting of textile quotas by quota imposing countries on 1 January 2005 in compliance with the World Trade Organization's Agreement on Textiles and Clothing. This will open up competition and provide the Group with opportunities to openly compete in the world market. In this connection, Prolexus Berhad had, on 20 April 2004, entered into a joint venture agreement with Shenyang Mengliang Down Fashion Co. Ltd of China to manufacture apparels for the export market in China. The joint venture company named A-Tex Fashion Ltd, Shenyang ("A-Tex") will have a paid up share capital of US$700,000 which will be subscribed equally by both parties to the agreement. Prolexus Berhad with the approval of Bank Negara Malaysia, remitted US$52,500 on 16 September 2004 being 15% of its 50% interest in A-Tex as the first call on capital of A-Tex. Together with our entry into China through A-Tex, the Group has also contracted out the manufacture of garments to companies in Sri Lanka to benefit from the relatively lower labour costs in these countries.

Despite the losses recorded during the year under review, the financial position of the Group remains sound.

DIVIDEND

The Board of Directors is pleased to propose the payment of a first and final tax exempt dividend of 1 sen per ordinary share amounting to RM400,000 for the financial year ended 31 July 2004. This compares to the first and final dividend of 1 sen per ordinary share, less income tax at 28% paid for the financial year ended 31 July 2003.

APPRECIATION

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

AHMAD MUSTAPHA GHAZALI
Chairman

16 October 2004

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 mainly non-executive directors.
- The Internal Audit Department was established on 1 June 2001. It 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 17.

DIRECTORS

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

In accordance 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 is 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.

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

The Board had on 4 November 2002 considered and reviewed the then present composition of the Audit Committee including the performance of the Committee collectively and each of its members individually. The Board was satisfied with the then composition of the Audit Committee and the performance of the Committee collectively and each of its members individually and resolved to retain the then present composition of the Audit Committee. Encik Khadmudin Bin Hj. Mohamed Rafik, an independent non-executive director of the Company was appointed as a member of the Audit Committee on 19 December 2003.

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

The Board through the Nomination Committee annually reviews the qualities (including skills and experience) of the Non-Executive Directors and also assesses the Board as a whole, its committees, and the contribution of each director. Such a review and an assessment were carried out on 16 October 2004 by the Nomination Committee.

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 (Malaysian), aged 56, 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 Institute of Certified Public Accountants and is currently a partner of an international accounting firm.

Managing Director

Lau Mong Ying (Malaysian), aged 55, was appointed to the Board on 27 August 1993 and until 1 October 2002 was both the Chairman and Managing Director of the Group. On 1 October 2002, he relinquished the post of Chairman to Ahmad Mustapha Ghazali and retained the post of Manging 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 (Malaysian), aged 49, 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 Institute 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 (Malaysian), aged 48, 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 Directors

Lau Mong Fah (Malaysian), aged 50, 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 (Malaysian), aged 62, 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 (Taiwanese), aged 65, was appointed to the Board on 10 September 1998. He graduated from Taiwan University in 1962 and has extensive experience in the garment industry having served as a managing director with various textile companies in Taiwan until his retirement in 1994.

Khadmudin Bin Hj. Mohamed Rafik (Malaysian), aged 50, was appointed to the Board on 9 September 2003. He obtained his Australian Matriculation Certificate in 1973 and Inspectors Certificate in 1976. He joined the Royal Malaysian Police Force as Senior Police Officer from 1976 to 1995. His last position before optional retirement was the Assistant Superintendent of Police performing the duties of "Head of Prosecution Department". He is presently the managing director of a private owned company specializing in warp knitted fabric.

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

The Board held 6 meetings between 1 August 2003 and 31 July 2004 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	4
Willie Gan Wee Lee	6
Lau Mong Fah	6
Lee Kuan Mang	6
Lin, Cheng-Lang	6
Khadmudin Bin Hj. Mohamed Rafik	6

DIRECTORS REMUNERATION

The remuneration of the executive directors is, including fees as recommended by the Remuneration Committee, structured so as to link rewards to corporate and individual performance and for non-executive directors the level of remuneration reflects the experience and level of responsibilities undertaken.

Currently, the executive directors remuneration comprises basic salary, bonus and fees (recommended by the Remuneration Committee), which are reflective of the experience, level of responsibilities and performance. Benefits in kind such as company 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 2004 including proposed directors fees are as follows:-

	Salary and allowance RM	Bonus RM	Fees RM	Benefits-in-kind RM	EPF RM	Total 2004 RM	Total 2003 RM
Executives (3)	852,636	-	430,000	61,250	157,718	1,501,604	1,739,090
Non-Executives (5)	-	-	170,000	21,250	-	191,250	190,938
Total	852,636	-	600,000	82,500	157,718	1,692,854	1,930,028

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

REMUNERATION COMMITTEE – COMPOSITION AND TERMS OF REFERENCE

Composition and Designation of Remuneration Committee

Lau Mong Ying
Chairman of Remuneration Committee
(Managing Director)

Lee Kuan Mang
Member of Remuneration Committee
(Independent Non-Executive Director)

Lau Mong Fah
Member of Remuneration Committee
(Non-Independent Non-Executive Director)

Terms of Reference

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

a. Size and Composition

The Remuneration Committee shall be appointed by the Board of Directors from amongst its members and consisting wholly or mainly of non-executive directors. The members of the committee shall elect from among themselves a chairman.

b. Meetings

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

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

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

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

c. Duties and Responsibilities

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

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

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

d. Authority

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

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

NOMINATION COMMITTEE – COMPOSITION AND TERMS OF REFERENCE

Composition and Designation of Nomination Committee

Lee Kuan Mang
Chairman of Nomination Committee
(Independent Non-Executive Director)

Ahmad Mustapha Ghazali
Member of Nomination Committee
(Non-Independent Non-Executive Director)

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

Terms of Reference

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

a. Size and Composition

The Nomination Committee shall be appointed by the Board of Directors from amongst its members and composed exclusively of non-executive directors, a majority of whom are independent. The members of the committee shall elect from among themselves a chairman, who shall be an independent non-executive director.

b. Meetings

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

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

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

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

c. Duties and Responsibilities

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

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

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

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

d. Authority

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

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

SHAREHOLDERS

The Group values dialogue with shareholders/investors and welcome contributions from them. Notice of Annual General Meetings and related papers are sent out to shareholders at least 21 days before the date of the meeting. At each Annual General Meeting, the Board presents the progress and performance of the Group and encourages shareholders to participate in the question and answer session. Executive directors and the Chairman of the Audit Committee are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any question that cannot be readily answered on the spot. However, any information, which may be regarded as undisclosed material information about the Group, will not be given to any single shareholder or shareholder group.

ACCOUNTABILITY AND AUDIT

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

The directors acknowledge their responsibility for the Group's system of internal controls covering financial, operational and compliance controls and risk management. The internal control system involves each business and key management from each business including the Board and will be designed to meet the Group's particular needs and to appropriately manage the risks. The key elements to be included in the design of the Group's internal control system are described below:-

- Clearly defined delegation of responsibilities to committees of the full Board and to operating units, including authorisation levels for all aspects of the business, which are set out in an authority matrix.
- Clearly documented internal procedures set out in a series of Internal Control Procedures.
- Regular internal audit visits, which monitor compliance with procedures and assess the integrity of financial information.
- Regular and comprehensive information provided to management, covering financial performance and key business indicator, such as staff utilization and cash flow performance.
- A detailed budgeting process where operating units prepare budgets for the coming year, which are approved both at operating unit level and by the full Board.
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to operating units by members of the Board and senior management.

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

The Group is in the process of reviewing the adequacy and integrity of the Group's system of internal controls and for this purpose the Internal Audit Department reports directly to the Audit Committee Chairman.

The role of the Audit Committee is stated on pages 18, 19 & 20 and the report of the Audit Committee is shown on page 21.

This Statement of Corporate Governance is made by the Board of Directors in accordance with a resolution of the Board of Directors dated 16 October 2004.

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

25 June 2002

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)

Khadmudin Bin Hj. Mohamed Rafik
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 responsibility relating to the accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:-

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

b. Size and Composition

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

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

c. Meetings

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

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

The non-member directors, the Executive Director – Finance 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 Responsibilities

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

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

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 ability to consult independent experts where they consider it necessary to carry out their duties.

In accordance with a resolution of the Board of Directors dated 16 October 2004.

AUDIT COMMITTEE FUNCTION

The Audit Committee of the Board of Directors is formally constituted with written terms of reference. The details of the Audit Committee's composition and terms of reference are set out in the preceding 3 pages. The present composition of the Audit Committee was reviewed and retained by the Board of Directors on 1 November 2003.

During the financial year ended 31 July 2004, the Committee has met five times to discuss matters relating to the accounting and reporting practices of the Company and its subsidiary companies. The summary of attendance of Audit Committee is as follows:-

Name	No. of meetings attended
Lee Kuan Mang, Chairman	6
Ahmad Mustapha Ghazali	4
Lin, Cheng-Lang	6
Khadmudin Bin Hj. Mohamed Rafik (Appointed on 19 December 2003)	3

The Audit Committee has reviewed the annual accounts and quarterly results announcements made to Bursa Malaysia Securities Berhad and considered selection and the re-appointment and fees of the External Auditors. The Committee, together with the Board and the Internal Auditors 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
16 October 2004

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 "Internal Control Procedure" 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 their statutory audit and the effectiveness of the Group's system of financial reporting.

The day-to-day operations of the two major subsidiaries are guided by the ISO9001:2000 documented procedures that provide a limited scope of internal control. 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.

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 date 16 October 2004.

Statement on Directors' Responsibility in Relation to the Financial Statements

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the results of the business of the Company and of the Group for the financial year then ended. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provision of the Act.

The Directors consider that in preparing the financial statements for the year ended 31st July 2004 set out on pages 29 to 69, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have responsibility for ensuring that the Company and the Group keep accounting records which enable them to ensure that the financial statements comply with the Act. The Directors have general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 October 2004.

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 2004.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
(Loss)/Net profit after taxation for the year	(4,567)	1,787

DIVIDENDS

Since the end of the previous financial year, the Company had declared and paid a first and final dividend of 1 sen per ordinary share less tax of 28% amounting to RM288,000 in respect of the previous financial year, as proposed in the directors' report of that year.

The directors now recommend the payment of a first and final tax exempt dividend of 1 sen per ordinary share amounting to RM400,000 for the financial year ended 31 July 2004.

RESERVES AND PROVISIONS

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

TREASURY SHARES

During the financial year, the Company repurchased 360,100 of its issued ordinary shares from the open market at an average price of RM0.68 per share. The total consideration paid for the repurchase including transaction costs was RM246,000. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS") was approved by the shareholders at the Extraordinary General Meeting held on 22 May 2000. 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 Bursa Malaysia Securities Berhad for the five market days preceding the date of offer or the par value of the ordinary shares, whichever is higher,
(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, and
(f) 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 movement of the options over unissued ordinary shares of the Company granted under the ESOS during the financial year are as follows:-

Date of offer	Exercise price RM	Balance at 1.8.03	Granted	Exercised	Lapsed	Balance at 31.7.04
23.8.00	1.33	1,058,000	-	-	(135,000)	923,000
27.11.01	1.00	2,075,000	-	-	(298,000)	1,777,000

DIRECTORS

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

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

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

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the interest of the directors in office at the end of the financial year in shares and options over unissued ordinary shares of the Company and its related corporations are as follows:-

	-------- No. of ordinary shares of RM1 each --------			
	Balance at 1.8.03	**Bought**	**Sold**	**Balance at 31.7.04**
The Company				
Direct Interest				
Ahmad Mustapha Ghazali	23,000	-	-	23,000
Lau Mong Ying	7,526,134	-	-	7,526,134
Cheah Chin Teong	12,506	-	-	12,506
Lau Mong Fah	20,000	-	-	20,000
Lin, Cheng-Lang	273,374	-	-	273,374
Khadmudin Bin Hj. Mohamed Rafik	38,100	-	-	38,100
Deemed Interest				
Ahmad Mustapha Ghazali	2,053,000	-	-	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.

There have been no changes in the directors' shareholdings within 21 days after the financial year ended 31 July 2004.

	---- No. of options for ordinary shares of RM1 each ----			
	Balance at 1.8.03	**Granted**	**Exercised**	**Balance at 31.7.04**
Employee Share Option Scheme				
Lau Mong Ying	100,000	-	-	100,000
Cheah Chin Teong	100,000	-	-	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 emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

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 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

The significant events during the financial year were as follows:-

(i) The shareholders of the Company, by an ordinary resolution passed at the Extraordinary General Meeting held on 19 December 2003, approved the Company's plan and mandate to authorise the Directors of Company to buy back its own shares up to 10% of the existing total issued and paid up share capital. Further information on treasury shares is disclosed in Note 15 to the financial statements.

(ii) On 28 April 2004, the Company announced that it has entered into a joint venture agreement ("JVA") with a third party (Shenyang Mengliang Down Fashion Co. Ltd of China) to set up a joint venture company (A-Tex Fashion Ltd, Shenyang) in The People's Republic of China, for the manufacturing and sale of apparels for the export market.

Pursuant to the JVA, the joint venture company will have an issued and paid up capital of USD700,000 which will be subscribed equally by both parties. The investment is to be financed through internally generated funds of the Company.

The JVA is conditional upon approvals being obtained from the relevant authorities. The principal activity of the joint venture company will be the manufacturing and sale of apparels for the export market. The investment will expand the manufacturing base of the Group.

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: 16 October 2004

Consolidated Balance Sheet
at 31 July 2004

	NOTE	2004 RM'000	(Restated) 2003 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	36,492	38,971
INVESTMENTS	4	12,076	7,698
GOODWILL ON CONSOLIDATION	5	2,666	3,019
CURRENT ASSETS			
Inventories	6	29,111	34,704
Trade receivables	7	23,864	23,050
Other receivables, deposits and prepayments	8	3,422	2,417
Amount due from an associated company	9	7	-
Tax recoverable		2,159	2,283
Fixed deposits with licensed banks	11	3,257	2,020
Cash and bank balances	12	3,794	7,959
		65,614	72,433
CURRENT LIABILITIES			
Trade payables		8,086	11,995
Other payables and accruals		9,445	7,861
Bank borrowings	13	15,909	10,758
		33,440	30,614
NET CURRENT ASSETS		32,174	41,819
		83,408	91,507
FINANCED BY:-			
SHARE CAPITAL	14	40,000	40,000
TREASURY SHARES	15	(246)	-
RESERVES	16	9,117	13,972
SHAREHOLDERS' FUNDS		48,871	53,972
MINORITY INTERESTS		3,385	4,026
DEFERRED TAXATION	17	710	1,999
LONG TERM LIABILITIES	18	30,442	31,510
		83,408	91,507

The notes set out on pages 40 to 69 form an integral part of these financial statements.

Consolidated Income Statement
for the financial year ended 31 July 2004

	NOTE	2004 RM'000	2003 RM'000
REVENUE	19	163,203	164,529
COST OF SALES		(147,027)	(149,079)
GROSS PROFIT		16,176	15,450
OTHER OPERATING INCOME		435	3,359
ADMINISTRATIVE EXPENSES		(11,483)	(14,183)
SELLING AND DISTRIBUTION EXPENSES		(7,029)	(8,719)
OPERATING LOSS		(1,901)	(4,093)
AMORTISATION OF GOODWILL ON CONSOLIDATION		(353)	(630)
FINANCE COSTS		(3,246)	(2,598)
LOSS BEFORE TAXATION	20	(5,500)	(7,321)
TAXATION	21	292	100
LOSS AFTER TAXATION BEFORE MINORITY INTERESTS		(5,208)	(7,221)
MINORITY INTERESTS		641	1,593
LOSS FOR THE FINANCIAL YEAR		(4,567)	(5,628)
LOSS PER SHARE (SEN)			
- Basic	22	(11.44)	(14.07)
DIVIDEND PER SHARE (SEN, NET)	23	1.00	0.72

The notes set out on pages 40 to 69 form an integral part of these financial statements.

	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	----- Non distributable ----- ASSET REVALUATION RESERVE RM'000	CURRENCY TRANSLATION RESERVE RM'000	Distributable RETAINED PROFITS RM'000	TOTAL RM'000
2004							
Balance at beginning		**40,000**	**-**	**1,449**	**-**	**12,523**	**53,972**
Loss for the financial year		**-**	**-**	**-**	**-**	**(4,567)**	**(4,567)**
Net gains and losses not recognised in the income statement		**-**	**-**	**(6)**	**-**	**6**	**-**
Purchase of treasury shares		**-**	**(246)**	**-**	**-**	**-**	**(246)**
Dividends	**23**	**-**	**-**	**-**	**-**	**(288)**	**(288)**
Balance at end		**40,000**	**(246)**	**1,443**	**-**	**7,674**	**48,871**
2003							
Balance at beginning							
As previously reported		40,000	-	2,272	(44)	19,834	62,062
Prior year adjustments		-	-	(817)	-	(825)	(1,642)
		40,000	-	1,455	(44)	19,009	60,420
Disposal of subsidiary company		-	-	-	44	-	44
Loss for the financial year		-	-	-	-	(5,628)	(5,628)
Net gains and losses not recognised in the income statement		-	-	(6)	-	6	-
Dividends	23	-	-	-	-	(864)	(864)
Balance at end		40,000	-	1,449	-	12,523	53,972

The notes set out on pages 40 to 69 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the financial year ended 31 July 2004

		2004 RM'000	2003 RM'000
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Loss before taxation	**(5,500)**	(7,321)
	Adjustments for:-		
	Allowance for doubtful debts	**139**	670
	Amortisation of goodwill on consolidation	**353**	630
	Bad debts	**241**	1,026
	Depreciation	**4,502**	4,566
	Gain on disposal of subsidiary company	**-**	(2,092)
	Gain on disposal of property, plant and equipment	**(70)**	(11)
	Gain on disposal of investment	**(112)**	-
	Interest expense	**3,246**	2,598
	Interest income	**(1,172)**	(476)
	Inventories written off	**-**	31
	Loss on disposal of property, plant and equipment	**2**	-
	Property, plant and equipment written off	**69**	6
	Operating profit/(loss) before working capital changes	**1,698**	(373)
	Inventories	**5,593**	(12,805)
	Receivables	**(2,199)**	378
	Payables	**(2,311)**	4,312
	Cash generated from/(used in) operations	**2,781**	(8,488)
	Income tax paid	**(873)**	(2,778)
	Interest paid	**(3,246)**	(2,598)
	Net cash used in operating activities	**(1,338)**	(13,864)
	CASH FLOWS FROM INVESTING ACTIVITIES		
*	Acquisition of property, plant and equipment	**(2,107)**	(1,336)
**	Acquisition of subsidiary company, net of cash acquired	**-**	(865)
***	Disposal of subsidiary company, net of cash disposed	**-**	270
	Proceeds from disposal of investment	**305**	-
	Interest received	**1,172**	476
	Purchase of investments	**(4,571)**	(7,698)
	Proceeds from disposal of property, plant and equipment	**172**	65
	Net cash used in investing activities	**(5,029)**	(9,088)
	Balance carried forward	**(6,367)**	(22,952)

The notes set out on pages 40 to 69 form an integral part of these financial statements.

	2004 RM'000	2003 RM'000
Balance brought forward	**(6,367)**	(22,952)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from a director of a subsidiary company	**93**	1,887
Advance from a shareholder of a subsidiary company	**-**	9
Associated company of a subsidiary company	**(7)**	-
Bankers acceptance	**5,020**	(7,900)
Export credit refinancing	**5,989**	1,182
Payment of dividend	**(288)**	(864)
Payment of hire purchase payables	**(170)**	(66)
Proceeds from term loan	**-**	25,000
Repayment of loan from a shareholder of a subsidiary company	**(109)**	-
Repayment of term loans	**(914)**	(3,833)
Purchase of treasury shares	**(246)**	-
Trust receipts	**(4,773)**	3,841
Net cash from financing activities	**4,595**	19,256
Effects of exchange rate changes	**-**	44
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,772)**	(3,652)
CASH AND CASH EQUIVALENTS AT BEGINNING	**8,726**	12,378
CASH AND CASH EQUIVALENTS AT END	**6,954**	8,726
Represented by:-		
Fixed deposits with licensed banks	**3,252**	2,015
Cash and bank balances	**3,794**	7,959
Bank overdrafts	**(92)**	(1,248)
	6,954	8,726
* **Acquisition of property, plant and equipment**		
Total acquisition cost	**2,196**	1,586
Acquired under hire purchase loan	**(89)**	(250)
Total cash acquisition	**2,107**	1,336

The notes set out on pages 40 to 69 form an integral part of these financial statements.

		2004 RM'000	2003 RM'000
**	**Acquisition of subsidiary company, net of cash acquired**		
	Minority interests	-	384
	Share of net assets acquired	-	384
	Goodwill on consolidation	-	481
	Total purchase consideration	-	865
	Less : Cash and bank balances acquired	-	-
	Cash flow on acquisition of subsidiary company, net of cash acquired	-	865
***	**Disposal of subsidiary company, net of cash disposed**		
	Property, plant and equipment	-	120
	Inventories	-	440
	Receivables	-	1,047
	Payables	-	(3,429)
	Bank overdraft	-	(270)
	Share of net assets disposed	-	(2,092)
	Gain on disposal	-	2,092
	Total disposal consideration	-	#
	Add : Bank overdraft disposed	-	270
	Cash flow on disposal, net of cash disposed	-	270

Represents RM1

The notes set out on pages 40 to 69 form an integral part of these financial statements.

Balance Sheet
at 31 July 2004

	NOTE	2004 RM'000	2003 RM'000
PROPERTY, PLANT AND EQUIPMENT	3	908	1,216
INVESTMENTS	4	31,842	27,464
CURRENT ASSETS			
Other receivables, deposits and prepayments		992	907
Amount due from subsidiary companies	10	32,190	33,928
Tax recoverable		692	741
Fixed deposits with licensed banks	11	3,252	2,015
Cash and bank balances	12	2,109	5,110
		39,235	42,701
CURRENT LIABILITIES			
Other payables and accruals		805	1,401
NET CURRENT ASSETS		38,430	41,300
		71,180	69,980
FINANCED BY:-			
SHARE CAPITAL	14	40,000	40,000
TREASURY SHARES	15	(246)	-
RESERVES	16	6,302	4,803
		46,056	44,803
DEFERRED TAXATION	17	-	15
LONG TERM LIABILITIES	18	25,124	25,162
		71,180	69,980

The notes set out on pages 40 to 69 form an integral part of these financial statements.

Income Statement
for the financial year ended 31 July 2004

	NOTE	2004 RM'000	2003 RM'000
REVENUE	19	6,448	7,882
ADMINISTRATIVE EXPENSES		(2,531)	(4,725)
OPERATING PROFIT		3,917	3,157
FINANCE COSTS		(2,146)	(1,429)
PROFIT BEFORE TAXATION	20	1,771	1,728
TAXATION	21	16	(1,050)
NET PROFIT FOR THE FINANCIAL YEAR		1,787	678
DIVIDEND PER SHARE (SEN, NET)	23	1.00	0.72

The notes set out on pages 40 to 69 form an integral part of these financial statements.

Statement of Changes in Equity
for the financial year ended 31 July 2004

	NOTE	SHARE CAPITAL RM'000	TREASURY SHARES RM'000	Distributable RETAINED PROFITS RM'000	TOTAL RM'000
2004					
Balance at beginning		**40,000**	**-**	**4,803**	**44,803**
Net profit for the financial year		**-**	**-**	**1,787**	**1,787**
Purchase of treasury shares		**-**	**(246)**	**-**	**(246)**
Dividends	**23**	**-**	**-**	**(288)**	**(288)**
Balance at end		**40,000**	**(246)**	**6,302**	**46,056**
2003					
Balance at beginning		40,000	-	4,989	44,989
Net profit for the financial year		-	-	678	678
Dividends	23	-	-	(864)	(864)
Balance at end		40,000	-	4,803	44,803

The notes set out on pages 40 to 69 form an integral part of these financial statements.

Cash Flow Statement
for the financial year ended 31 July 2004

	2004 RM'000	2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1,771**	1,728
Adjustments for:-		
Allowance for doubtful debts	**139**	-
Bad debts written off	**-**	1,026
Depreciation	**325**	288
Dividend income	**(3,500)**	(6,167)
Loss on disposal of property, plant and equipment	**2**	-
(Gain)/Loss on disposal of investment	**(112)**	601
Interest expense	**2,146**	1,429
Interest income	**(2,486)**	(1,400)
Operating loss before working capital changes	**(1,715)**	(2,495)
Receivables	**(224)**	(1,901)
Payables	**(590)**	762
Cash used in operations	**(2,529)**	(3,634)
Income tax refund/(paid)	**50**	(1,110)
Interest paid	**(2,146)**	(1,429)
Net cash used in operating activities	**(4,625)**	(6,173)
CASH FLOWS FROM INVESTING ACTIVITIES		
* Acquisition of property, plant and equipment	**(20)**	(417)
Proceeds from disposal of property, plant and equipment	**1**	-
Purchase of investments	**(4,571)**	(7,698)
Dividend received	**3,500**	6,167
Interest received	**2,486**	1,400
Investment in subsidiary company	**-**	(865)
Proceeds from disposal of investment	**305**	#
Net cash from/(used in) investing activities	**1,701**	(1,413)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(288)**	(864)
Repayment of hire purchase payables	**(44)**	(33)
Subsidiary companies	**1,738**	(18,219)
Purchase of treasury shares	**(246)**	-
Term loan	**-**	25,000
Net cash from financing activities	**1,160**	5,884
NET DECREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	**(1,764)**	(1,702)

The notes set out on pages 40 to 69 form an integral part of these financial statements.

Cash Flow Statement
for the financial year ended 31 July 2004 (cont'd)

	2004 RM'000	2003 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**(1,764)**	(1,702)
CASH AND CASH EQUIVALENTS AT BEGINNING	**7,125**	8,827
CASH AND CASH EQUIVALENTS AT END	**5,361**	7,125
Represented by:-		
Fixed deposits with licensed banks	**3,252**	2,015
Cash and bank balances	**2,109**	5,110
	5,361	7,125

	2004 RM'000	2003 RM'000
* **Acquisition of property, plant and equipment**		
Total acquisition cost	**20**	667
Acquired under hire purchase loan	**-**	(250)
Total cash acquisition	**20**	417

Represents RM1

The notes set out on pages 40 to 69 form an integral part of these financial statements.

1. **GENERAL INFORMATION**

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 October 2004.

2. **SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies adopted by the Group are consistent with those adopted in the previous financial years except for the adoption of the MASB 29 - Employee Benefits for the first time during the financial year.

The adoption of this MASB Standard did not give rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in the comparative figures.

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. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom. Subsidiary companies are consolidated using the acquisition method of accounting. The Group adopts both the merger and acquisition method of consolidation.

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

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference of the cost of acquisition over the fair value of the Group's share of the subsidiary companies' identifiable net assets at the date of acquisition is reflected either as goodwill or reserve on consolidation, as appropriate.

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

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

2.3 Property, Plant and Equipment

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

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

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

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

Short leasehold land	Amortised over the 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 unexpired lease in excess of 50 years whilst short leasehold land refers to land with unexpired lease of less than 50 years, determined at balance sheet date.

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

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

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

The policy for recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.16 below.

2.4 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 2.3 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.

2.5 **Investments**

Subsidiary companies

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

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.16 below.

On disposal of investment in subsidiary companies, the difference between net disposal proceeds and their carrying amount is charged or credited to the income statement.

Associated company

Associated company is defined as a company 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.

Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting based on audited or management financial statements of the associated company. Under the equity method of accounting, the Group's share of profits less losses of the associated company during the year is included in the consolidated income statement. The Group's interest in associated company is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

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

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

Other investments

Other investments are stated at cost less accumulated impairment losses in the financial statements. The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 2.16 below.

On disposal of the investments, the difference between net disposal proceeds and their carrying amount is charged or credited to the income statement.

2.6 **Goodwill**

Goodwill on consolidation is stated at cost less accumulated amortisation and is amortised from the date of initial recognition over its estimated useful life of not more than ten years. Goodwill on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

2.7 **Inventories**

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

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

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

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

2.8 **Receivables**

Receivables are stated at their anticipated realisable value.

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

2.9 **Payables**

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

2.10 **Provisions for Liabilities**

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

2.11 **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.

2.12 **Employee Benefits**

Short term benefits
Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

2.13 **Borrowing Costs**

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

2.14 **Income Taxes**

Current tax expense is determined according to the Malaysian tax laws and include all taxes based upon taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiary companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred tax.

2.15 **Foreign Currency Translations**

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the date of the transactions.

At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at the exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

All exchange gains or losses are included in the income statement.

The financial statements of the former foreign subsidiary company were 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 principal closing rates of exchange of the foreign currencies used in the preparation of the financial statements are as follows:-

	2004	2003
	RM	RM
1 US Dollar	**3.8000**	3.8000
1 Singapore Dollar	**2.2000**	2.2000
1 Hongkong Dollar	**0.4950**	-
1 Bangladesh Taka	**-**	0.0643

2.16 **Impairment of Assets**

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

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

2.17 **Cash and Cash Equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

2.18 **Derivative Financial Instruments**

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

Forward foreign exchange contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income and expense in the income statement in the same period as the exchange differences on the underlying hedged items.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

2.19 **Financial Instruments**

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

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

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

3. **PROPERTY, PLANT AND EQUIPMENT**

GROUP
2004

	At Valuation / Cost				
	Balance at 1.8.03 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Balance at 31.7.04 RM'000
At valuation					
Freehold land	1,528	-	-	-	1,528
Short leasehold land	942	-	-	-	942
Buildings	6,279	-	-	-	6,279
At cost					
Short leasehold land	3,174	-	-	-	3,174
Buildings	3,304	-	-	-	3,304
Multimedia boards	22,654	-	-	-	22,654
Plant and machinery	15,002	488	(268)	(6)	15,216
Equipment and fixtures	8,352	1,365	(43)	-	9,674
Motor vehicles	3,556	343	(292)	-	3,607
Capital expenditure in-progress	67	-	-	(67)	-
	64,858	2,196	(603)	(73)	66,378

	Accumulated Depreciation				
	Balance at 1.8.03 RM'000	Current charge RM'000	Disposals RM'000	Written off RM'000	Balance at 31.7.04 RM'000
At valuation					
Freehold land	-	-	-	-	-
Short leasehold land	191	15	-	-	206
Buildings	577	50	-	-	627
At cost					
Short leasehold land	200	64	-	-	264
Buildings	2,884	193	-	-	3,077
Multimedia boards	6,510	2,268	-	-	8,778
Plant and machinery	8,846	692	(204)	(4)	9,330
Equipment and fixtures	4,693	692	(10)	-	5,375
Motor vehicles	1,986	528	(285)	-	2,229
Capital expenditure in-progress	-	-	-	-	-
	25,887	4,502	(499)	(4)	29,886

	Net book value at 31.7.04 RM'000
At valuation	
Freehold land	1,528
Short leasehold land	736
Buildings	5,652
At cost	
Short leasehold land	2,910
Buildings	227
Multimedia boards	13,876
Plant and machinery	5,886
Equipment and fixtures	4,299
Motor vehicles	1,378
Capital expenditure in-progress	-
	36,492

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

2003

	At Valuation / Cost					
	Balance at 1.8.02 RM'000	**Additions RM'000**	**Disposals RM'000**	**Disposal of subsidiary company RM'000**	**Written off RM'000**	**Balance at 31.7.03 RM'000**
At valuation						
Freehold land	1,528	-	-	-	-	1,528
Short leasehold land	942	-	-	-	-	942
Buildings	6,279	-	-	-	-	6,279
At cost						
Short leasehold land	3,174	-	-	-	-	3,174
Buildings	3,304	-	-	-	-	3,304
Multimedia boards	22,654	-	-	-	-	22,654
Plant and machinery	14,867	517	(53)	(321)	(8)	15,002
Equipment and fixtures	8,032	421	(17)	(84)	-	8,352
Motor vehicles	2,908	648	-	-	-	3,556
Capital expenditure in-progress	67	-	-	-	-	67
	63,755	1,586	(70)	(405)	(8)	64,858

	Accumulated Depreciation					
	Balance at 1.8.02 RM'000	**Current charge RM'000**	**Disposals RM'000**	**Disposal of subsidiary company RM'000**	**Written off RM'000**	**Balance at 31.7.03 RM'000**
At valuation						
Freehold land	-	-	-	-	-	-
Short leasehold land	175	16	-	-	-	191
Buildings	526	51	-	-	-	577
At cost						
Short leasehold land	137	63	-	-	-	200
Buildings	2,680	204	-	-	-	2,884
Multimedia boards	4,243	2,267	-	-	-	6,510
Plant and machinery	8,296	782	(9)	(221)	(2)	8,846
Equipment and fixtures	4,038	726	(7)	(64)	-	4,693
Motor vehicles	1,529	457	-	-	-	1,986
Capital expenditure in-progress	-	-	-	-	-	-
	21,624	4,566	(16)	(285)	(2)	25,887

	Net book value at 31.7.03 RM'000
At valuation	
Freehold land	1,528
Short leasehold land	751
Buildings	5,702
At cost	
Short leasehold land	2,974
Buildings	420
Multimedia boards	16,144
Plant and machinery	6,156
Equipment and fixtures	3,659
Motor vehicles	1,570
Capital expenditure in-progress	67
	38,971

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

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 and impairment losses, if any.

The historical cost of the revalued properties are as follows:-

	Freehold land RM'000	Short leasehold land RM'000	Buildings RM'000
2004			
Cost	**997**	**530**	**7,879**
Accumulated depreciation	**-**	**(121)**	**(2,991)**
Net book value	**997**	**409**	**4,888**
2003			
Cost	997	530	7,879
Accumulated depreciation	-	(110)	(2,753)
Net book value	997	420	5,126

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

	GROUP	
	2004 RM'000	2003 RM'000
At valuation		
Freehold land	**88**	88
Short leasehold land	**736**	751
Buildings	**2,115**	2,160
	2,939	2,999
At cost		
Multimedia boards	**13,876**	16,144

Included in the property, plant and equipment are motor vehicles with net book value of RM348,123 (2003 : RM142,911) being acquired under hire purchase loans.

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

COMPANY
2004

	At cost			
	Balance at 1.8.03 RM'000	Additions RM'000	Disposals RM'000	Balance at 31.7.04 RM'000
Equipment and fixtures	104	20	(7)	117
Motor vehicles	1,586	-	-	1,586
	1,690	20	(7)	1,703

	Accumulated Depreciation			
	Balance at 1.8.03 RM'000	Current charge RM'000	Disposals RM'000	Balance at 31.7.04 RM'000
Equipment and fixtures	35	8	(4)	39
Motor vehicles	439	317	-	756
	474	325	(4)	795

	Net book value at 31.7.04 RM'000
Equipment and fixtures	78
Motor vehicles	830
	908

2003

	At cost			
	Balance at 1.8.02 RM'000	Additions RM'000	Disposals RM'000	Balance at 31.7.03 RM'000
Equipment and fixtures	85	19	-	104
Motor vehicles	938	648	-	1,586
	1,023	667	-	1,690

	Accumulated Depreciation			
	Balance at 1.8.02 RM'000	Current charge RM'000	Disposals RM'000	Balance at 31.7.03 RM'000
Equipment and fixtures	26	9	-	35
Motor vehicles	160	279	-	439
	186	288	-	474

	Net book value at 31.7.03 RM'000
Equipment and fixtures	69
Motor vehicles	1,147
	1,216

4. INVESTMENTS

	GROUP 2004 RM'000	GROUP 2003 RM'000	COMPANY 2004 RM'000	COMPANY 2003 RM'000
Investment in subsidiary companies				
Unquoted shares, at cost	**-**	-	**21,830**	21,830
Less : Accumulated impairment losses	**-**	-	**(2,064)**	(2,064)
	-	-	**19,766**	19,766
Investment in an associated company				
Unquoted shares, at cost	**1**	1	**-**	-
Share of post-acquisition loss	**(1)**	(1)	**-**	-
	*****	*	**-**	-
Other investments				
Unquoted bonds	**11,176**	7,698	**11,176**	7,698
Shares quoted in Malaysia, at cost	**900**	-	**900**	-
	12,076	7,698	**31,842**	27,464
At market value				
Shares quoted in Malaysia	**577**	-	**577**	-

* Represents RM1

The Group has excluded its current year's share of losses after taxation of the associated company amounting to **RM1,815** (2003 : RM1,802) from the financial statements following the discontinuation of the equity accounting for the results of the associated company as the carrying amount of the investment has reached zero. As at 31 July 2004, the cumulative unrecognised share of losses of the associated company amounted to **RM4,491** (2003 : RM2,676).

4. INVESTMENTS (cont'd)

Details of the subsidiary companies and associated company are as follows:-

Name	Country of Incorporation	Effective Equity Interest 2004	2003	Principal Activities
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.
Prolexus Marketing Sdn. Bhd. (Formerly known as Vhpro Sdn. Bhd.)	Malaysia	**100.00%**	100.00%	Marketing agent for all kinds of apparels and garments.
Novel Realty Sdn. Bhd.	Malaysia	**100.00%**	100.00%	Dormant.
Laser Capital Holdings Sdn. Bhd.	Malaysia	**51.91%**	51.91%	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.
Subsidiary companies of Bixiz Kids Incorporated (M) Sdn. Bhd.				
BE Elementz Sdn. Bhd. (Formerly known as 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	**32.17%**	32.17%	Provision of advertising services on multimedia boards.
Associated company of HiQ Media (Malaysia) Sdn. Bhd.				
Acube Realty Sdn. Bhd.	Malaysia	**13.34%**	13.34%	Dormant.

* Audited by another firm of auditors

On 30 January 2003 and 30 June 2003, the Company acquired additional equity interest of 0.95% and 5.00% in Laser Capital Holdings Sdn. Bhd and HiQ Media (Malaysia) Sdn. Bhd. respectively for a total cash consideration of RM0.87 million. The acquisition was accounted for using the acquisition method of accounting. The effect of the acquisition on the financial results of the Group for the financial year ended 31 July 2003 is an increase in the loss after taxation absorbed by the Group from the minority interest of RM0.06 million.

4. INVESTMENTS (cont'd)

On 31 July 2003, the Company disposed of its entire equity interest in Prolexus-Lotus Kamal Limited for a cash consideration of RM1. The effect of the disposal on the financial results of the Group during the year up to the date of disposal is as follows:-

	2003 RM'000
Revenue	2,226
Cost of sales	(3,011)
Gross loss	(785)
Other operating income	11
Administrative expenses	(278)
Finance costs	(16)
Loss before taxation	(1,068)
Taxation	-
Loss after taxation	(1,068)

The effect of the said disposal on the financial position of the Group as at 31 July 2003, the date of disposal is as follows:-

	RM'000
Property, plant and equipment	121
Inventories	440
Receivables	1,047
Payables	(3,429)
Bank overdraft	(270)
Net liabilities	(2,091)
Gain on disposal of subsidiary company	2,091
Proceeds from disposal	*

* Represents RM1

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 cash consideration of RM5.40 million and incidental cost of RM0.07 million. The acquisition was accounted for using the acquisition method of accounting.

The effect of the acquisition of the additional equity interest in Laser Group on the financial results of the Group for the financial year ended 31 July 2003 is as follows:-

	RM'000
Revenue	4,207
Direct operating cost	(3,363)
Gross profit	844
Other operating income	50
Administrative expenses	(2,100)
Selling and distribution expenses	(50)
Operating loss	(1,256)
Finance costs	(806)
Share of loss of an associated company	-
Loss before taxation	(2,062)
Taxation	-
Loss after taxation before minority interest	(2,062)
Minority interest	981
Decrease in Group's net profit	(1,081)

4. INVESTMENTS (cont'd)

The effect of the acquisition of Laser Group on the financial position of the Group as at 31 July 2003 is as follows:-

	RM'000
Property, plant and equipment	16,534
Investment in associated company	*
Receivables	1,599
Cash and bank balances	29
Payables	(4,915)
Bank borrowings	(1,084)
Minority interests	(2,837)
Increase in Group's net assets	9,326

* Represents RM1

5. GOODWILL ON CONSOLIDATION

	GROUP	
	2004 RM'000	2003 RM'000
Arising from the acquisition of subsidiary companies:-		
Balance at beginning	**3,019**	3,167
Arising from the acquisition of subsidiary companies during the financial year	**-**	481
Amortisation for the financial year	**(353)**	(629)
Balance at end	**2,666**	3,019

6. INVENTORIES

	GROUP	
	2004 RM'000	2003 RM'000
At cost		
Raw materials	**7,164**	7,269
Work-in-progress	**20,167**	25,048
Finished goods	**-**	591
Trading goods	**1,780**	1,796
	29,111	34,704

7. TRADE RECEIVABLES

	GROUP	
	2004 RM'000	2003 RM'000
Total amount	**25,333**	24,547
Less : Allowance for doubtful debts		
Balance at beginning	**1,497**	1,117
Current year	**-**	380
Written off	**(28)**	-
Balance at end	**(1,469)**	(1,497)
	23,864	23,050

Included herein is an amount of RM18.11 million (2003 : RM9.15 million) that is denominated in US Dollar.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP	
	2004 RM'000	2003 RM'000
Total amount	**3,831**	2,706
Less : Allowance for doubtful debts		
Balance at beginning	**289**	-
Current year	**139**	289
Written off	**(19)**	-
Balance at end	**(409)**	(289)
	3,422	2,417

9. AMOUNT DUE FROM AN ASSOCIATED COMPANY

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

10. AMOUNT DUE FROM SUBSIDIARY COMPANIES

	COMPANY	
	2004 RM'000	2003 RM'000
Interest bearing at **6.00% - 7.50%** (2003 : 6.00% - 7.50%) per annum	**20,333**	25,529
Non interest bearing	**11,857**	8,399
	32,190	33,928

The amount due from subsidiary companies is unsecured and has no fixed terms of repayment.

11. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Pledged to a bank as security for banking facilities granted to a subsidiary company	**5**	5	**-**	-
Unencumbered	**3,252**	2,015	**3,252**	2,015
	3,257	2,020	**3,252**	2,015

The average effective interest rate of fixed deposits for the Group and the Company at balance sheet date is **2.70%** (2003 : 2.36%) per annum.

12. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Short term investments with licensed banks	**1,959**	4,865	**1,959**	4,865
Cash and bank balances	**1,835**	3,094	**150**	245
	3,794	7,959	**2,109**	5,110

The average effective interest rate of short term investments at balance sheet date is **1.82%** (2003 : 1.82%) per annum.

13. BANK BORROWINGS

	GROUP	
	2004	2003
	RM'000	RM'000
Secured		
Bank overdrafts	**71**	921
Bankers acceptance	**1,278**	-
Trust receipts	**-**	4,773
Term loans (Note 18)	**986**	915
Export credit refinancing	**7,171**	1,182
Unsecured		
Bank overdrafts	**21**	327
Bankers acceptance	**6,382**	2,640
	15,909	10,758

The bank borrowings are repayable within one year.

The effective interest rates of bank borrowings (excluding term loans) per annum at balance sheet date are as follows:-

	GROUP	
	2004	2003
	%	%
Secured		
Bank overdrafts	**5.50 - 7.50**	7.50 - 8.00
Bankers acceptance	**3.95**	-
Trust receipts	**5.50**	7.50 - 8.00
Export credit refinancing	**3.50**	3.50
Unsecured		
Bank overdrafts	**7.90**	7.90
Bankers acceptance	**4.14**	4.14

13. **BANK BORROWINGS** (cont'd)

The bank borrowings of the subsidiary companies, other than 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;
iii) Legal charges against certain properties of the subsidiary companies;
iv) Facility agreement;
v) Corporate guarantee of the Company; and
vi) Joint and several guarantees of a director and certain shareholders of a subsidiary company.

The details of security, interest rate and maturity profile for term loans are disclosed in Note 18.

14. **SHARE CAPITAL**

	GROUP AND COMPANY	
	2004	2003
	RM'000	RM'000
Ordinary shares of RM1 each:-		
Authorised	**100,000**	100,000
Issued and fully paid	**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 2004 are as follows:-

------------- Ordinary shares of RM1 each -------------	
Exercise price per share RM	**Number of options over ordinary shares**
1.33	**923,000**
1.00	**1,777,000**
	2,700,000

15. **TREASURY SHARES**

This amount represents the acquisition cost of treasury shares.

The shareholders of the Company, by special resolution passed at the Extraordinary General Meeting held on 19 December 2003, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of the existing total issued and paid up share capital.

The details of the shares bought back during the year are as follows:-

	------ Price per share ------			**Number of shares**	**Total consideration**
Month	**Lowest**	**Highest**	**Average**	**'000**	**RM'000**
December 2003	0.73	0.78	0.78	12	10
January 2004	0.77	0.80	0.79	28	23
February 2004	0.77	0.80	0.77	38	30
March 2004	0.76	0.83	0.78	56	44
April 2004	0.70	0.70	0.70	5	3
June 2004	0.58	0.72	0.62	110	69
July 2004	0.58	0.70	0.60	111	67
				360	246

15. **TREASURY SHARES** (cont'd)

During the financial year, the Company repurchased 360,100 of its issued ordinary shares from the open market at an average price of RM0.68 per share. The total consideration paid for the repurchase including transaction costs was RM246,000. The repurchase was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total **40,000,000** (2003 : 40,000,000) issued and fully paid ordinary shares as at 31 July 2004, **360,100** (2003: NIL) are held as treasury shares by the Company. As at 31 July 2004, the number of outstanding ordinary shares in issue and fully paid is therefore **39,639,900** (2003 : 40,000,000) ordinary shares of RM1 each.

16. **RESERVES**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Non distributable				
Asset revaluation reserve	**1,443**	1,449	**-**	-
Distributable				
Retained profits	**7,674**	12,523	**6,302**	4,803
	9,117	13,972	**6,302**	4,803

COMPANY

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

17. **DEFERRED TAXATION**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Balance at beginning				
As previously reported	**1,999**	1,001	**15**	-
Prior year adjustments on the effect of adopting MASB 25	**-**	1,647	**-**	-
As restated	**1,999**	2,648	**15**	-
Transfer (to)/from income statement	**(1,622)**	12	**-**	15
	377	2,660	**15**	15
Under/(Over) provision in prior year	**333**	(661)	**(15)**	-
Balance at end	**710**	1,999	**-**	15

17. DEFERRED TAXATION (cont'd)

The net deferred tax liability recognised are in respect of the following items:-

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Revaluation surplus	**742**	745	**-**	-
Property, plant and equipment	**998**	1,254	**-**	15
Unabsorbed tax losses	**(800)**	-	**-**	-
Unabsorbed capital allowances	**(230)**	-	**-**	-
	710	1,999	**-**	15

The net deferred tax assets which have not been recognised are in respect of the following:-

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Property, plant and equipment	**284**	314	**34**	-
Unabsorbed tax losses	**(3,439)**	(3,167)	**(98)**	-
Unabsorbed capital allowances	**(170)**	(166)	**(66)**	-
	(3,325)	(3,019)	**(130)**	-

18. LONG TERM LIABILITIES

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Unsecured loan from a director of a subsidiary company				
- Repayable after twelve months	**2,625**	2,532	**-**	-
Unsecured loan from a shareholder of a subsidiary company				
- Repayable after twelve months	**-**	109	**-**	-
Secured term loans				
Total amount repayable	**3,624**	4,538	**-**	-
Less : Repayable within twelve months included under bank borrowings (Note 13)	**(986)**	(915)	**-**	-
	2,638	3,623	**-**	-
Unsecured term loan	**25,000**	25,000	**25,000**	25,000
Hire purchase payables				
Net amount payable	**258**	339	**173**	217
Less : Payable within twelve months included in other payables and accruals	**(79)**	(93)	**(49)**	(55)
	179	246	**124**	162
	30,442	31,510	**25,124**	25,162

18. **LONG TERM LIABILITIES** (cont'd)

Maturity of other loans, term loans and hire purchase payables

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Within one year	**1,065**	1,008	**49**	55
More than one year and less than two years	**1,065**	1,174	**49**	49
More than two years and less than five years	**26,752**	27,804	**25,075**	25,113
More than five years	**2,625**	2,532	**-**	-
	31,507	32,518	**25,173**	25,217

The effective interest rates per annum of other loans, term loans and hire purchase payables at balance sheet date are as follows:-

	GROUP		COMPANY	
	2004 %	2003 %	**2004 %**	2003 %
Secured				
Term loans	**6.66**	6.66	**5.68**	5.68
Hire purchase payables	**6.28**	5.74	**3.90**	3.36
Unsecured				
Loan from a director of a subsidiary company	**7.50**	7.50	**-**	-
Loan from a shareholder of a subsidiary company	**7.50**	7.50	**-**	-
Fixed rate term loan	**8.00**	8.00	**8.00**	8.00

The term loans of a subsidiary company 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;
iii) Corporate guarantee of the Company; and
iv) Joint and several guarantees of a director and certain shareholders of a subsidiary company.

The secured term loans of a subsidiary company are repayable over 60 equal monthly instalments of RM0.10 million each.

The unsecured term loan of the Company is repayable in one lump sum in October 2007 which is five years from the date of the first drawdown.

19. **REVENUE**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Invoiced value of goods sold less returns and discounts	**156,806**	159,836	**-**	-
Invoiced value of services rendered net of service tax, discounts and agency commission	**5,116**	4,207	**-**	-
Gross dividend income	**-**	-	**3,500**	6,167
Interest income	**1,169**	486	**2,486**	1,400
Management fee income	**-**	-	**350**	315
Gain on disposal of investment	**112**	-	**112**	-
	163,203	164,529	**6,448**	7,882

20. **(LOSS)/PROFIT BEFORE TAXATION**

This is arrived at:-

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
After charging:				
Allowance for doubtful debts	**139**	670	**139**	-
Amortisation of goodwill on consolidation	**353**	629	**-**	-
Audit fee	**47**	48	**6**	6
Bad debts	**241**	1,026	**-**	1,026
Depreciation	**4,502**	4,566	**325**	288
Directors' remuneration				
Directors of the Company				
- fees	**600**	700	**200**	675
*- emoluments	**1,010**	1,158	**730**	898
- benefits-in-kind	**83**	72	**83**	72
Directors of subsidiary companies				
- fees	**24**	25	**-**	-
*- emoluments	**152**	261	**-**	-
- benefits-in-kind	**6**	9	**-**	-
Interest expense	**3,246**	2,598	**2,146**	1,429
Inventories written off	**-**	31	**-**	-
Litigation settlement	**-**	288	**-**	-
Loss on disposal of subsidiary company	**-**	-	**-**	601
Loss on disposal of property, plant and equipment	**2**	-	**2**	-
Property, plant and equipment written off	**69**	6	**-**	-
Rental of advertising site	**596**	484	**-**	-

20. **(LOSS)/PROFIT BEFORE TAXATION** (cont'd)

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
After charging:-				
Rental of machinery and equipment	**87**	60	**5**	4
Rental of premises	**450**	341	**41**	42
** Staff costs (excluding directors)	**21,036**	20,301	**643**	737
And crediting:-				
Gain on disposal of Investment	**112**	-	**112**	-
Gain on disposal of property, plant and equipment	**70**	11	**-**	-
Gain on disposal of subsidiary company	**-**	2,092	**-**	-
Gross dividends from unquoted subsidiary companies	**-**	-	**3,500**	6,167
Interest income	**1,172**	476	**2,486**	1,400
Realised gain on foreign exchange	**81**	26	**-**	-
Rental income	**200**	164	**-**	-
* **Directors' emoluments**				
- Salaries	**1,019**	1,112	**613**	631
- Bonus	**-**	133	**-**	133
- EPF	**143**	174	**117**	134
	1,162	1,419	**730**	898
** **Staff costs (excluding directors)**				
- Salaries and wages	**18,758**	17,834	**567**	549
- Bonus	**478**	621	**-**	107
- EPF	**1,603**	1,585	**72**	76
- SOCSO	**197**	261	**4**	5
	21,036	20,301	**643**	737
Number of employees at balance sheet date	**1,615**	1,672	**10**	10

21. **TAXATION**

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Based on results for the year				
- Malaysian income tax	**796**	399	**-**	1,023
- Deferred tax	**(1,622)**	12	**-**	15
	(826)	411	**-**	1,038
Under/(Over) provision in prior years				
- Malaysian income tax	**201**	150	**(1)**	12
- Deferred tax	**333**	(661)	**(15)**	-
	(292)	(100)	**(16)**	1,050

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

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

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
(Loss)/Profit before taxation	**(5,500)**	(7,321)	**1,771**	1,728
Statutory tax rate of 28%	**(1,540)**	(2,050)	**496**	484
Expense not deductible for tax purposes	**303**	828	**605**	554
Income not subject to tax	**(231)**	-	**(1,211)**	-
Double deduction expenses for tax purposes	**(5)**	-	**-**	-
Utilisation of current year's reinvestment allowance	**(19)**	(32)	**-**	-
Annual crystallisation of deferred tax on revaluation surplus	**(2)**	(2)	**-**	-
Deferred tax benefit not recognised	**913**	1,682	**110**	-
Reduced tax rate on first RM500,000 (2003 : RM100,000) chargeable income	**(40)**	(15)	**-**	-
Utilisation of unabsorbed tax losses and capital allowances	**(205)**	-	**-**	-
	(826)	411	**-**	1,038
(Over)/under provision in prior year				
- Malaysian income tax	**201**	150	**(1)**	12
- Deferred tax	**333**	(661)	**(15)**	-
	(292)	(100)	**(16)**	1,050

The amount and future availability of unabsorbed tax losses and capital allowances are as follows:-

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	**2004 RM'000**	2003 RM'000
Unabsorbed tax losses	**12,896**	11,407	**349**	-
Unabsorbed capital allowances	**5,515**	14,263	**238**	-
Unabsorbed reinvestment allowance	**468**	465	**-**	-

These unabsorbed tax losses and capital allowances are available to be carried forward for set off against future assessable income of a nature and amount sufficient for the tax losses and capital allowances to be utilised.

22. **LOSS PER SHARE**

GROUP

Basic loss per share

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

	2004	2003
Loss attributable to shareholders (RM'000)	**(4,567)**	(5,628)
Weighted average number of ordinary shares of RM1 each in issue ('000)	**39,920**	40,000
Basic loss per share (sen)	**(11.44)**	(14.07)

Diluted loss per share for the financial year ended 31 July 2004 has not been computed as the effect of the share options under ESOS is anti-dilutive in nature.

23. **DIVIDENDS**

	GROUP AND COMPANY	
	2004 RM'000	2003 RM'000
Payment of first and final dividend of		
- 1 sen less tax of 28% in respect of the financial year ended 31 July 2003	**288**	-
- 3 sen less tax of 28% in respect of the financial year ended 31 July 2002	**-**	864
	288	864

At the forthcoming Annual General Meeting, a first and final tax exempt dividend of 1 sen per ordinary share amounting to RM400,000 for the financial year ended 31 July 2004 will be proposed for shareholders' approval. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 July 2005.

24. **SEGMENTAL INFORMATION**

Segmental information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

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

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

Business Segments

The Group comprises the following main business segments:-

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

Geographical Segments

As the Group has ceased it garment operations in Bangladesh in the previous financial year, all its business segments are now confined to Malaysia.

By business segments

2004

	Garment RM'000	Advertising RM'000	Investment holding RM'000	Elimination RM'000	Total RM'000
Revenue					
External sales	156,806	5,116	112	-	162,034
Inter-Segment	-	-	3,850	(3,850)	-
Interest income	-	-	2,486	(1,317)	1,169
Total revenue	156,806	5,116	6,448	(5,167)	163,203
Result					
Segment results	(714)	(287)	1,427	(3,852)	(3,426)
Interest expense					(3,246)
Interest income					1,172
Taxation					292
Loss after taxation					(5,208)
Minority interest					641
Loss for the year					(4,567)
Other information					
Segment assets	78,130	15,771	72,212	(58,475)	107,638
Tax recoverable					2,159
Fixed deposits and cash & bank balances					7,051
Total assets					116,848
Segment liabilities	25,936	7,267	966	(13,834)	20,335
Provision for taxation and deferred taxation					710
Bank borrowings					43,547
Total liabilities					64,592
Capital expenditure	2,089	87	20	-	2,196
Depreciation and amortisation	1,806	2,371	325	353	4,855

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

2003

	Garment RM'000	Advertising RM'000	Investment holding RM'000	Elimination RM'000	Total RM'000
Revenue					
External sales	159,836	4,207	-	-	164,043
Inter-Segment	-	-	6,482	(6,482)	-
Interest income	-	-	1,400	(914)	486
Total revenue	159,836	4,207	7,882	(7,396)	164,529
Result					
Segment results	(1,596)	(1,251)	1,752	(4,104)	(5,199)
Interest expense					(2,598)
Interest income					476
Taxation					100
Loss after taxation					(7,221)
Minority interest					1,593
Loss for the year					(5,628)
Other information					
Segment assets	75,048	18,136	69,795	(53,120)	109,859
Tax recoverable					2,283
Fixed deposits and cash & bank balances					9,979
Total assets					122,121
Segment liabilities	58,056	12,313	26,597	(74,223)	22,743
Provision for taxation and deferred taxation					1,999
Bank borrowings					39,381
Total liabilities					64,123
Capital expenditure	800	119	667	-	1,586
Depreciation and amortisation	1,887	2,390	288	630	5,195

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

By geographical segments

	2004		
	Revenue RM'000	**Total assets RM'000**	**Capital expenditure RM'000**
Malaysia	**163,203**	**107,638**	**2,196**
Unallocated assets	**-**	**9,210**	**-**
	163,203	**116,848**	**2,196**

	2003		
	Revenue RM'000	**Total assets RM'000**	**Capital expenditure RM'000**
Malaysia	162,303	109,859	1,586
Bangladesh	2,226	-	-
	164,529	109,859	1,586
Unallocated assets	-	12,262	-
	164,529	122,121	1,586

25. **RELATED PARTY TRANSACTIONS**

	2004 RM'000	2003 RM'000
GROUP		
Interest expense paid to related parties		
- Mr. Lee Eng Sia, a director of a subsidiary company	**198**	70
- Mr. Chin Kuet Lee, a shareholder of a subsidiary company	**4**	9
COMPANY		
Gross dividend income from subsidiary companies		
- Plas Industries Sdn. Bhd.	**3,500**	4,167
- Honsin Apparel Sdn. Bhd.	**-**	2,000
Interest income from subsidiary companies		
- Plas Industries Sdn. Bhd.	**377**	348
- Honsin Apparel Sdn. Bhd.	**601**	331
- HiQ Media (Malaysia) Sdn. Bhd.	**182**	151
- South East Garment Manufacturing Sendirian Berhad	**166**	84
Management fee income from subsidiary companies		
- Plas Industries Sdn. Bhd.	**150**	150
- Honsin Apparel Sdn. Bhd.	**150**	150
- Bixiz Kids Incorporated (M) Sdn. Bhd.	**15**	15
- HiQ Media (Malaysia) Sdn. Bhd.	**35**	-
Rental expense to a subsidiary company		
- Plas Industries Sdn. Bhd.	**36**	36

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.

26. **CONTINGENT LIABILITIES (UNSECURED)**

COMPANY

The Company has issued corporate guarantees to financial institutions for banking facilities granted to certain subsidiary companies up to a limit of **RM37.00 million** (2003 : RM37.00 million) of which **RM13.71 million** (2003 : RM10.36 million) of the said banking facilities have been utilised at balance sheet date.

27. **CAPITAL COMMITMENTS**

	GROUP	
	2004	2003
	RM'000	RM'000
Contracted but not provided for		
- Investment in a joint venture company	**1,330**	-

28. **MATERIAL LITIGATION**

GROUP

In the financial year ended 31 July 2003, 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. However, during the financial year, both the Plaintiff and the subsidiary company has successfully negotiated towards reaching an out of court settlement which led to the signing of a settlement agreement amounting to RM288,000 to be borne by the subsidiary company. This amount has been accrued in the financial statements for the year ended 31 July 2003.

29. **FINANCIAL INSTRUMENTS**

Financial risk management objectives and policies

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

Credit risk

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

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

The normal credit terms for trade receivables and payables are 30 to 90 days. Other credit terms for trade receivables are assessed and approved on a case-by-case basis.

Interest rate risk

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

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

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

Foreign currency risk

The objectives of the Group's foreign exchange policies are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

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

The Group hedges its trade receivables by entering into forward foreign exchange contracts.

Liquidity risk

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

Fair values

The carrying amounts of financial assets and financial liabilities as at balance sheet date approximate their fair values except as set out below:-

	GROUP AND COMPANY			
	2004		2003	
	Carrying Amount RM'000	**Fair Value RM'000**	Carrying Amount RM'000	Fair Value RM'000
Other investments				
Unquoted bonds	**11,176**	*****	7,698	*
Quoted shares	**900**	**577**	-	-

* It is not practical to estimate the fair value as there is no market price.

The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 26) are not recognised in the balance sheet as at 31 July 2004 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

30. **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation.

	As previously reported RM'000	**Reclassification RM'000**	**As restated RM'000**
Consolidated Balance Sheet			
Current Liabilities			
Trade payables	11,820	175	11,995
Other payables and accruals	8,036	(175)	7,861

31. **SIGNIFICANT EVENTS**

The significant events during the financial year were as follows:-

(i) The shareholders of the Company, by an ordinary resolution passed at the Extraordinary General Meeting held on 19 December 2003, approved the Company's plan and mandate to authorise the Directors of Company to buy back its own shares up to 10% of the existing total issued and paid up share capital. Further information on treasury shares is disclosed in Note 15 to the financial statements.

(ii) On 28 April 2004, the Company announced that it has entered into a joint venture agreement ("JVA") with a third party (Shenyang Mengliang Down Fashion Co. Ltd of China) to set up a joint venture company (A-Tex Fashion Ltd, Shenyang) in The People's Republic of China, for the manufacturing and sale of apparels for the export market.

Pursuant to the JVA, the joint venture company will have an issued and paid up capital of USD700,000 which will be subscribed equally by both parties. The investment is to be financed through internally generated funds of the Company.

The JVA is conditional upon approvals being obtained from the relevant authorities. The principal activity of the joint venture company will be the manufacturing and sale of apparels for the export market. The investment will expand the manufacturing base of the Group.

32. **MATERIAL CONTRACT**

The Group and the Company did not enter into any material contract during the financial year other than those disclosed in Note 31 to the financial statements.

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 29 to 69 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 the state of affairs of the Group and of the Company at **31 July 2004** and of the results 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: 16 October 2004

Statutory Declaration

I, **Willie Gan Wee Lee**, the director primarily responsible for the financial management of **Prolexus Berhad** do solemnly and sincerely declare that the financial statements set out on pages 29 to 69 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 **16th**)
day of **October 2004**)
) **WILLIE GAN WEE LEE**

Before me,

Commissioner for Oaths

We have audited the financial statements set out on pages 29 to 69. 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 2004** and of the results 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. 1107/03/06 (J)

DATE: 16 OCTOBER 2004

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 2004 RM'000	Year of acquisition/ revaluation
HONSIN APPAREL SDN. BHD.						
Lot 590 (New Lot 2596) Mukim of Simpang Kanan District of Batu Pahat Johor	A knitting factory cum office with storage building	12,146.88 metre² (7,413.65 metre²)	Factory and office	Freehold (11 1/2 years to 15 years)	**5,115**	1993*
Lot PTD 16109 Mukim of Simpang Kanan District of Batu Pahat Johor	A single-storey bungalow	535.96 metre² (211.8 metre²)	Hostel	Freehold (21 years)	**89**	1993*
PLAS INDUSTRIES SDN. BHD.						
Lot No. PT1487 (Plot No. 19) HS (D) 2754 Mk 1 Kawasan Perusahaan Prai Seberang Perai Tengah Pulau Pinang	A factory with office and storage building	1,007.96 metre² (2,204.67 metre²)	Factory and office	Leasehold 60 years expiring on 30.9.2045 (18 years)	**486**	1993*
Lot No. 4122 & 4123 Nibong Tebal Mk. 11 Seberang Perai Selatan Pulau Pinang	Two units of two mid-terraced shop-house	230.02 metre² (465.99 metre²)	Production factory	Freehold (14 years)	**222**	1993*
Taman Pelangi Prai F95, H.S. (D) 3296 No. PT2971 Mk. 11 Seberang Perai Tengah Pulau Pinang	5 continuous units of two bedrooms flats	N/A (232.25 metre²)	Hostel	Leasehold 99 years expiring on 22.4.2092 (8 years)	**149**	1997
Taman Pelangi Prai F95, H.S. (D) 3296 No. PT2971 Mk. 11 Seberang Perai Tengah Pulau Pinang	5 continuous units of three bedrooms flats	N/A (325.15 metre²)	Hostel	Leasehold 99 years expiring on 22.4.2092 (8 years)	**200**	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 metre²)	Factory and office	Leasehold 60 years expiring on 21.2.2052 (12 years)	**2,231**	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 metre²)	Factory and office	Leasehold 60 years expiring on 21.2.2052 (4 years)	**2,561**	2001
					11,053	

* Year of revaluation

Share Capital as at 30 September 2004

Authorised share capital	:	100,000,000 ordinary shares of RM1 each
Issued and fully paid-up	:	39,502,100 ordinary shares of RM1 each (excluding 497,900 treasury shares)
Voting rights	:	One vote per ordinary share (on a poll)

Distribution schedule of shareholdings as at 30 September 2004

SIZE OF HOLDINGS	NO OF DEPOSITORS	% OF DEPOSITORS	NO OF SHARES HELD	% OF ISSUED CAPITAL
1 - 99	82	3.7684	2,154	0.0055
100 - 1,000	305	14.0165	260,279	0.6589
1,001 - 10,000	1480	68.0147	6,032,473	15.2713
10,001 - 100,000	273	12.5460	6,547,172	16.5742
100,001 - 1,999,999	33	1.5165	15,715,336	39.7835
2,000,000 - 40,000,000	3	0.1379	10,944,686	27.7066
TOTAL	2176	100.0000	39,502,100	100.0000

30 Largest Shareholders as at 30 September 2004

	NAME	NO OF SHARES	HOLDINGS %
1	AMSEC NOMINEES (TEMPATAN) SDN BHD AMFINANCE BERHAD FOR LAU MONG YING	4,015,000	10.1640
2	LEMBAGA TABUNG HAJI	3,974,000	10.0602
3	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU MONG YING	2,955,686	7.4824
4	BBL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NARSPA HOLDINGS SDN BHD	1,353,000	3.4251
5	TAN CHING CHING	1,110,000	2.8100
6	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG HUEY PENG	942,500	2.3859
7	TAN HAN CHUAN	919,000	2.3265
8	THAM KIEN WEI	805,000	2.0379
9	MAYBAN NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FISCO ENTERPRISE PTE LTD	804,115	2.0356
10	NARSPA HOLDINGS SDN BHD	700,000	1.7721
11	MAYFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JE HOLDINGS SDN BHD	690,865	1.7489
12	JE HOLDINGS SDN BHD	665,960	1.6859
13	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP KIM CHOO	657,750	1.6651
14	CHAY YOONG PIAU	620,750	1.5714
15	POO CHOO @ ONG POO CHOI	593,000	1.5012
16	CHEW BOON SENG	551,900	1.3971
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU MONG YING	540,000	1.3670
18	TAN BOON KUAN	536,084	1.3572
19	CITICORP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM HOEI BOON	515,000	1.3037
20	TCL NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR KUA BOON HWA	510,500	1.2923
21	LIM HOEI BOON	435,934	1.1036
22	YEOH SWEE KEE	405,000	1.0253
23	CHEN LAI FUN	366,900	0.9288
24	LIN, CHENG-LANG	273,374	0.6920
25	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIONG KIONG CHOON	241,100	0.6103
26	AMIN HALIM	240,000	0.6076
27	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA ENG HO WAA @ CHUA ENG WAH	157,900	0.3997
28	LAU MONG SENG	142,000	0.3595
29	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW AH SUAN	138,000	0.3493
30	CITICORP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SAI MING	133,000	0.3367
	TOTAL	25,993,318	65.8023

Substantial Shareholders (excluding bare trustees) According to the Register of Substantial Shareholders as at 30 September 2004

		No. of ordinary shares of RM 1 each			
No.	**Name of Shareholders**	**Direct Interest**	**%**	**Deemed Interest**	**%**
1.	Lau Mong Ying	7,526,134	19.05	–	–
2.	Lembaga Tabung Haji	3,974,000	10.06	–	–
3.	Narspa Holdings Sdn Bhd	2,053,000	5.20	–	–
4.	Ahmad Mustapha Ghazali	23,000	0.06	2,053,000	5.20
5.	Narimah Mohamed Perai	20,750	0.05	2,053,000	5.20

Directors' shareholdings as at 30 September 2004

		No. of ordinary shares of RM 1 each			
No.	**Name of Directors**	**Direct Interest**	**%**	**Deemed Interest**	**%**
1.	Lau Mong Ying	7,526,134	19.05	–	–
2.	Cheah Chin Teong	12,506	0.03	–	–
3.	Ahmad Mustapha Ghazali	23,000	0.06	2,053,000	5.20
4.	Lau Mong Fah	20,000	0.05	–	–
5.	Lin, Cheng-Lang	273,374	0.69	–	–
6.	Lee Kuan Mang	–	–	–	–
7.	Willie Gan Wee Lee	–	–	–	–
8.	Khadmudin Bin Hj. Mohamed Rafik	38,100	0.10	–	–

PROXY FORM

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

of ____
(Address)

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

____
(Full Name in Block Letters)

of ____
(Address)

or failing him, the Chairman of the meeting, as * my/our proxy to vote for * me/us on * my/our behalf at the Twelfth 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 30 November 2004 at 10.00 a.m. and at any adjournment thereof.

ORDINARY RESOLUTION	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
FOR									
AGAINST									

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

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

First proxy	"A"	%
Second proxy	"B"	%
		100%

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

No. of Share Held: ____________________

____
Signature of shareholder

Dated this _____________ day of _______________ 2004.

* Strike out whichever not desired.

Notes:-

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

STAMP

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

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