

PROLEXUS BERHAD
Company No. 250857-T

(Incorporated in Malaysia)

Interim Financial Report
31 January 2017

CONTENTS

	PAGE
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
EXPLANATORY NOTES	5 – 8
ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS	9 – 13

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31.1.17 RM'000	Audited as at 31.7.16 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	87,009	83,080
Land use rights	12,840	11,847
Investments	513	502
Intangible assets	2,712	2,712
	<u>103,074</u>	<u>98,141</u>
Current Assets		
Inventories	8,301	20,767
Trade receivables	54,927	67,450
Other receivables, deposits and prepayments	13,310	9,075
Tax recoverable	337	162
Derivative financial instruments	78	243
Fixed deposits with licensed banks	54,782	58,973
Cash and bank balances	68,043	49,010
	<u>199,778</u>	<u>205,680</u>
TOTAL ASSETS	<u>302,852</u>	<u>303,821</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	89,274	88,389
Treasury shares	(1,490)	(1,490)
Reserves	39,649	34,202
Retained profits	86,103	75,304
	<u>213,536</u>	<u>196,405</u>
Non-controlling interests	19,128	15,566
Total equity	<u>232,664</u>	<u>211,971</u>
Non-current Liabilities		
Borrowings	7,786	8,063
Deferred taxation	2,161	2,161
	<u>9,947</u>	<u>10,224</u>
Current Liabilities		
Trade payables	8,707	27,138
Other payables and accruals	30,467	38,211
Borrowings	18,389	13,710
Provision for taxation	2,678	2,567
	<u>60,241</u>	<u>81,626</u>
Total liabilities	70,188	91,850
TOTAL EQUITY AND LIABILITIES	<u>302,852</u>	<u>303,821</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.33	1.23

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's Audited Financial Statements for the financial year ended 31 July 2016 and the accompanying notes attached to this interim financial report.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	31 January		31 January	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	108,876	99,867	196,399	204,545
Cost of sales	(86,059)	(78,753)	(158,667)	(164,613)
Gross profit	22,817	21,114	37,732	39,932
Other operating income	2,113	482	4,922	3,144
Administrative expenses	(8,118)	(7,605)	(13,965)	(14,659)
Selling and distribution expenses	(3,560)	(3,026)	(5,926)	(5,823)
Other operating expenses	(263)	(144)	(472)	(254)
Operating profit	12,989	10,821	22,291	22,340
Finance cost	(316)	(306)	(682)	(535)
Profit before taxation	12,673	10,515	21,609	21,805
Taxation	(3,101)	(2,081)	(4,562)	(4,339)
Profit for the period	9,572	8,434	17,047	17,466
Total other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	2,652	(2,018)	4,095	707
Total comprehensive income for the period	12,224	6,416	21,142	18,173
Profit attributable to:				
Owners of the parent	7,648	7,017	14,088	14,745
Non-controlling interests	1,924	1,417	2,959	2,721
	9,572	8,434	17,047	17,466
Total comprehensive income attributable to:				
Owners of the parent	9,732	5,679	17,298	15,209
Non-controlling interests	2,492	737	3,844	2,964
	12,224	6,416	21,142	18,173
Earnings per share attributable to owners of the parent (sen):				
- Basic	4.47	5.24 *	8.24	11.02 *
- Diluted	4.12	5.05 *	7.58	10.62 *

* Comparative number of shares was restated to take into account the effect of Rights Issue.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's Audited Financial Statements for the financial year ended 31 July 2016 and the accompanying notes attached to this interim financial report.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Parent											Total Equity RM'000
	Non-distributable						Distributable					
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Foreign Translation Reserves RM'000	Warrants Reserves RM'000	Discount on Shares RM'000	Statutory Reserves RM'000	ESOS Reserves RM'000	Retained Profits RM'000	Total RM'000	Non- controlling Interests RM'000	
At 1 August 2016	88,389	(1,490)	30,845	2,169	18,477	(18,477)	606	582	75,304	196,405	15,566	211,971
Foreign currency translation differences for foreign operations	-	-	-	3,210	-	-	-	-	-	3,210	885	4,095
Profit for the period	-	-	-	-	-	-	-	-	14,088	14,088	2,959	17,047
Total comprehensive income for the period	-	-	-	3,210	-	-	-	-	14,088	17,298	3,844	21,142
Transfer to statutory reserve	-	-	-	-	-	-	371	-	(275)	96	(96)	-
Transactions with owners:												
Conversion of warrants	736	-	1,031	-	(575)	575	-	-	-	1,767	-	1,767
Share-based-payment transactions	-	-	-	-	-	-	-	746	-	746	-	746
Share options exercised	149	-	164	-	-	-	-	(75)	-	238	-	238
Dividend	-	-	-	-	-	-	-	-	(3,014)	(3,014)	-	(3,014)
Dividends to non-controlling Interests	-	-	-	-	-	-	-	-	-	-	(186)	(186)
Total transactions with owners	885	-	1,195	-	(575)	575	-	671	(3,014)	(263)	(186)	(449)
At 31 January 2017	89,274	(1,490)	32,040	5,379	17,902	(17,902)	977	1,253	86,103	213,536	19,128	232,664
At 1 August 2015	57,931	(1,490)	2,502	2,716	-	-	501	505	51,790	114,455	11,674	126,129
Foreign currency translation differences for foreign operations	-	-	-	464	-	-	-	-	-	464	243	707
Profit for the period	-	-	-	-	-	-	-	-	14,745	14,745	2,721	17,466
Total comprehensive income for the period	-	-	-	464	-	-	-	-	14,745	15,209	2,964	18,173
Transfer to statutory reserve	-	-	-	-	-	-	202	-	(315)	(113)	113	-
Transactions with owners:												
Share-based-payment transactions	-	-	-	-	-	-	-	640	-	640	-	640
Share options exercised	1,109	-	784	-	-	-	-	(368)	-	1,525	-	1,525
Dividend	-	-	-	-	-	-	-	-	(3,017)	(3,017)	-	(3,017)
Total transactions with owners	1,109	-	784	-	-	-	-	272	(3,017)	(852)	-	(852)
At 31 January 2016	59,040	(1,490)	3,286	3,180	-	-	703	777	63,203	128,699	14,751	143,450

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's Audited Financial Statements for the financial year ended 31 July 2016 and the accompanying notes attached to this interim financial report.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter Ended 31 January 2017 RM'000	Cumulative Quarter Ended 31 January 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	21,609	21,805
Adjustments for :		
Depreciation	2,266	1,761
Amortisation of land use rights	83	9
Dividend income	(11)	-
Interest expense	682	535
Interest income	(838)	(161)
Unrealised (gain)/loss on foreign exchange	(359)	79
Gain on disposal of property, plant and equipment	(48)	(119)
Fair value loss/(gain) on derivative financial instruments	165	(852)
Equity-settled share based payment	746	640
Operating profit before working capital changes	<u>24,295</u>	<u>23,697</u>
Decrease in inventories	11,466	10,966
Decrease in receivables	7,288	12,671
Decrease in payables	<u>(15,755)</u>	<u>(7,659)</u>
Cash generated from operations	<u>27,294</u>	<u>39,675</u>
Tax paid	(5,952)	(2,381)
Interest paid	(682)	(535)
Net cash generated from operating activities	<u>20,660</u>	<u>36,759</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,971)	(15,065)
Dividend income	11	-
(Placement)/withdrawal of fixed deposits	(1,007)	631
Proceeds from disposal of plant and equipment	120	151
Interest received	838	161
Net cash used in investing activities	<u>(7,009)</u>	<u>(14,122)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling interest	(186)	-
Repayment of export credit refinancing	-	(781)
(Repayment)/drawdown of term loan	(2,015)	6,721
Drawdown/(repayment) of finance lease liabilities	109	(30)
(Repayment)/drawdown of revolving credit	(1,000)	8,000
Drawdown/(repayment) of trust receipts	3,293	(4,691)
Proceeds from issuance of shares pursuant to ESOS	238	1,525
Proceeds from issuance of shares pursuant to conversion of warrants	1,767	-
Dividend paid	<u>(3,014)</u>	<u>(3,017)</u>
Net cash (used in)/generated from financing activities	<u>(808)</u>	<u>7,727</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,843	30,364
Effects of exchange rate differences on cash and cash equivalents	983	1,439
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>105,647</u>	<u>29,594</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>119,473</u>	<u>61,397</u>
Cash and cash equivalents comprise:		
Deposits with licensed banks	54,782	5,387
Cash and bank balances	<u>68,043</u>	<u>59,033</u>
	<u>122,825</u>	<u>64,420</u>
Less: Deposits with maturity more than 3 months	(2,751)	(2,440)
Less: Deposits pledged with banks	<u>(601)</u>	<u>(583)</u>
	<u>119,473</u>	<u>61,397</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's Audited Financial Statements for the financial year ended 31 July 2016 and the accompanying notes attached to this interim financial report.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

EXPLANATORY NOTES

1. Basis of preparation

The interim condensed consolidated financial statements (“Report”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: ‘Interim Financial Reporting’ and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2016. The accounting policies and presentation adopted by the Group in this Report are consistent with those adopted in the audited financial statements for the financial year ended 31 July 2016.

2. Standards issued but not yet effective

The Group has not applied the following new MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group:

Amendments to MFRS 1	Annual Improvements to MFRS Standards 2014-2016 Cycle	Effective 1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	Effective 1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB In July 2014)	Effective 1 January 2018
MFRS 15	Revenue from Contracts with Customers	Effective 1 January 2018
MFRS 16	Leases	Effective 1 January 2019
Amendments to MFRS 128	Annual Improvements to MFRS Standards 2014-2016 Cycle	Effective 1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	Effective 1 January 2018

3. Seasonality or cyclical operations

The Group is not affected by seasonality or cyclicity of operation.

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income and cash flows for the current quarter.

5. Material changes in estimates of amounts reported

There were no changes in estimates of amounts reported in prior interim period or financial year that have a material effect in the current quarter.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
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EXPLANATORY NOTES (CONT'D.)

6. Debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy backs, share cancellations and resale of treasury shares for the current quarter except for the following:

- (i) Issuance of 17,275 new ordinary shares pursuant to exercise of ESOS at RM 0.50 per share. The total cash proceeds arising from the exercise of warrants during the current quarter amounted to RM 8,637;
- (ii) Issuance of 66,425 new ordinary shares pursuant to exercise of ESOS at RM 0.722 per share. The total cash proceeds arising from the exercise of warrants during the current quarter amounted to RM 47,959;
- (iii) Issuance of 97,250 new ordinary shares pursuant to exercise of ESOS at RM 0.755 per share. The total cash proceeds arising from the exercise of warrants during the current quarter amounted to RM 75,369;
- (iv) Issuance of 24,600 new ordinary shares pursuant to exercise of ESOS at RM 1.234 per share. The total cash proceeds arising from the exercise of warrants during the current quarter amounted to RM 30,356;
- (v) Issuance of 1,465,000 new ordinary shares pursuant to the exercise of warrants at RM1.20 per share. The total cash proceeds arising from the exercise of warrants during the current quarter amounted to RM 1,758,000.

7. Dividend paid

Dividend paid during the current and previous corresponding period are as follows:

	31.1.17	31.1.16
First and final dividend for the financial year	31 July 2016	31 July 2015
Declared and approved on	16 December 2016	10 December 2015
Date payable	16 January 2017	14 January 2016
Dividend per share	1.75 sen	2.70 sen
Entitlement to dividends based on Record of Depositors as at	30 December 2016	31 December 2015
Number of ordinary shares (excluding treasury shares)	172,240,690	111,757,600
Net dividend payable	RM3,014,212	RM3,017,455

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

EXPLANATORY NOTES (CONT'D.)

8. Segmental reporting

Segment information is presented in respect of the Group's business segments:

	<u>Apparel</u>	<u>Advertising</u>	<u>Investment</u> <u> Holding</u>	<u>Elimination</u>	<u>Consolidated</u> <u> Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 31 January 2017					
REVENUE					
External sales	190,981	4,963	455	-	196,399
Inter-segment sales	-	-	3,424	(3,424)	-
Total revenue	<u>190,981</u>	<u>4,963</u>	<u>3,879</u>	<u>(3,424)</u>	<u>196,399</u>
RESULTS					
Segment results	19,157	2,034	592	(330)	21,453
Interest expense	(363)	-	(319)	-	(682)
Interest income	39	40	759	-	838
Taxation	(4,123)	(439)	-	-	(4,562)
Profit for the period	<u>14,710</u>	<u>1,635</u>	<u>1,032</u>	<u>(330)</u>	<u>17,047</u>

	<u>Apparel</u>	<u>Advertising</u>	<u>Investment</u> <u> Holding</u>	<u>Elimination</u>	<u>Consolidated</u> <u> Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended 31 January 2016					
REVENUE					
External sales	198,117	5,792	636	-	204,545
Inter-segment sales	-	-	2,779	(2,779)	-
Total revenue	<u>198,117</u>	<u>5,792</u>	<u>3,415</u>	<u>(2,779)</u>	<u>204,545</u>
RESULTS					
Segment results	19,551	2,287	341	-	22,179
Interest expense	(280)	-	(255)	-	(535)
Interest income	66	38	57	-	161
Taxation	(3,827)	(468)	(44)	-	(4,339)
Profit for the period	<u>15,510</u>	<u>1,857</u>	<u>99</u>	<u>-</u>	<u>17,466</u>

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and the terms of which have been established on a negotiated basis that are not materially different from that obtainable in transactions with unrelated parties. Those transactions are eliminated on consolidation.

9. Event subsequent to the end of reporting period

As at 27 March 2017, there were no material events subsequent to the end of the current financial period-to-date that have not been reflected in the financial statements.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

EXPLANATORY NOTES (CONT'D.)

10. Changes in composition of the Group

There were no changes in the composition of the Group during the period ended 31 January 2017.

11. Contingent liabilities

There were no significant changes in contingent liabilities since the last reporting period.

12. Capital commitments

As at the reporting date, the capital commitment of the Group is as follows:

Property, plant and equipment:	RM'000
- Authorised and contracted for	27,306
- Authorised but not contracted for	99,840
	<u>127,146</u>

13. Authorisation for issue

On 27 March 2017, the Board of Directors authorised the issue of this interim report.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS

1) Review of Group performance

	Individual Quarter		Cumulative Quarter	
	31 January		31 January	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	108,876	99,867	196,399	204,545
Profit before taxation	<u>12,673</u>	<u>10,515</u>	<u>21,609</u>	<u>21,805</u>

Comparison with corresponding quarter of the preceding financial year

Revenue of the Group for the current quarter of RM 108,876,000 is higher when compared with the revenue of the corresponding quarter of the preceding financial year of RM 99,867,000. The increase in revenue is mainly from the apparel division.

Profit before taxation increased from RM 10,515,000 for the corresponding quarter of the preceding year to RM 12,673,000 for the current quarter mainly due to higher contribution from the apparel division.

Comparison with preceding quarter

	3 months ended	3 months ended
	31 January 2017	31 October 2016
	RM'000	RM'000
Revenue	108,876	87,523
Profit before taxation	<u>12,673</u>	<u>8,936</u>

Revenue of the Group for the current quarter of RM 108,876,000 is higher when compared with the revenue of the preceding quarter of RM 87,523,000. The higher revenue is mainly from the apparel division. Consequently, the profit for the current quarter is higher when compared with that of the preceding quarter.

2) Current year prospects

Barring any significant economic changes and unforeseen circumstances, the Group's performance for the forthcoming quarters is expected to be challenging due to uncertainties of the global economy.

3) Profit forecast

The Group did not make any profit forecast or profit guarantee during the current financial period.

4) Variance of actual profit from forecast results or profit guarantee

Not applicable.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS (CONT'D.)

5) Profit for the period

Included in profit for the period are as follows:

	Individual Quarter		Cumulative Quarter	
	31 January		31 January	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Depreciation	888	940	2,266	1,761
Amortisation of land use rights	7	2	83	9
Interest expense	316	306	682	535
Interest income	(364)	(65)	(838)	(161)
Unrealised loss/(gain) on foreign exchange	531	1,361	(359)	79
Fair value (gain)/loss on derivative financial instruments	(337)	(869)	165	(852)
Equity-settled share based payment	286	57	746	640
Gain on disposal of property, plant and equipment	-	(96)	(48)	(119)

Other than the above items, there were no gain or loss on disposal of quoted or unquoted investments, write off of receivables or inventories, impairment of assets as well as exceptional items.

6) Taxation

	Individual Quarter		Cumulative Quarter	
	31 January		31 January	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Taxation	3,101	2,081	4,562	4,339

The effective tax rate of the Group is lower than the statutory tax rate due principally to utilisation of unabsorbed tax losses brought forward and tax incentives for foreign subsidiaries.

7) Profit on disposal of quoted or unquoted investments or properties

There were no disposals of quoted or unquoted investments or properties during the current quarter.

8) Status of corporate proposal

As at 27 March 2017, there is no corporate proposal that is outstanding.

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS (CONT'D.)

9) Utilisation of proceeds

On 20 June 2016, the Rights Issue exercise has been completed upon listing of the Rights Shares and Warrants.

The status of the utilisation of proceeds of RM 56,832,730 raised from the Rights Issues and Warrants as at 31 January 2017 is as follows:

Purpose	Intended Timeframe for Utilisation	Proposed Amount RM'000	Amount Utilised as at 31 January 2017		Amount Unutilised as at 31 January 2017	
			RM'000	Reallocation RM'000	RM'000	RM'000
Construction of a new garment factory in Vietnam	within 24 months ending 30 June 2018	22,000	(149)	-	21,851	
Setting up fabric mill	within 24 months ending 30 June 2018	33,233	(4,691)	95	28,637	
Estimated expenses in relation to Rights Issue	within 1 month ended 31 July 2016	1,600	(1,505)	(95)	-	
		<u>56,833</u>	<u>(6,345)</u>	<u>-</u>	<u>50,488</u>	

10) Group borrowings and debts securities

Details of the Group's borrowings as at 31 January 2017 are as follows:

	Short Term RM'000	Long Term RM'000
Secured	18,389	7,786
Unsecured	-	-
Total	<u>18,389</u>	<u>7,786</u>

Borrowings denominated in foreign currency as at 31 January 2017 are as follows:

	Secured Short Term RM'000
Trade financing denominated in USD	<u>9,922</u>

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS (CONT'D.)

11) Derivative financial instruments

	Contract/ Notional amount RM'000	Assets/ (Liabilities) RM'000
<u>31 January 2017</u>		
Current		
Non-hedging derivatives:		
Forward currency contract	<u>8,716</u>	<u>78</u>

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge a subsidiary's sales denominated in US Dollar for which firm commitments existed at the end of the reporting period, extending to June 2017.

During the quarter, the Group recognised a gain of RM 337,000 arising from fair value changes on derivative financial instruments.

12) Material litigations

There was no material litigation pending since the last reporting period.

13) Proposed Dividend

No dividend was proposed during the current period. In the previous corresponding period, the Board of Directors had declared an interim dividend of 1.5 sen per ordinary share of RM0.50 each for the financial year ended 31 July 2016.

14) Realised and unrealised profits/losses disclosure

	As at 31 January 2017 RM'000	As at 31 July 2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	107,830	93,727
- Unrealised	<u>(1,025)</u>	<u>(1,716)</u>
	106,805	92,011
Less : Consolidation adjustments	<u>(20,702)</u>	<u>(16,707)</u>
Total Group's retained profits as per consolidated accounts	<u>86,103</u>	<u>75,304</u>

PROLEXUS BERHAD (250857-T)
(Incorporated in Malaysia)

Interim report for the period ended 31 January 2017
(The figures have not been audited)

ADDITIONAL INFORMATION AS REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA LISTING REQUIREMENTS (CONT'D.)

15) Earnings per share

	Individual Quarter		Cumulative Quarter	
	31 January 2017	2016	31 January 2017	2016
(a) Basic earnings per share				
Profit for the period attributable to equity holders (RM'000)	7,648	7,017	14,088	14,745
Weighted average number of ordinary shares in issue ('000)	170,964	133,826	170,964	133,826
Basic earnings per share (sen)	<u>4.47</u>	<u>5.24</u> *	<u>8.24</u>	<u>11.02</u> *
(b) Diluted earnings per share				
Profit for the period attributable to equity holders (RM'000)	7,648	7,017	14,088	14,745
Weighted average number of ordinary shares in issue ('000)	185,764	138,827	185,764	138,827
Diluted earnings per share (sen)	<u>4.12</u>	<u>5.05</u> *	<u>7.58</u>	<u>10.62</u> *

* Comparative number of shares was restated to take into account the effect of Rights Issue.

16) Audit qualification

The audit report of the Group's preceding year financial statements is not qualified.

By Order of the Board
PROLEXUS BERHAD (250857-T)

Lee Peng Loon
Company Secretary
(MACS 01258)
27 March 2017