PROLEXUS BERHAD 199201019353 (250857-T)

(Incorporated in Malaysia)

Interim Financial Report 31 January 2020

CONTENTS

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 - 12

Interim report for the period ended 31 January 2020 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at	Audited as at
	31.1.20 RM'000	31.7.19 RM'000
ASSETS		
ASSE 1S Non-Current Assets		
Property, plant and equipment	203,589	202,741
Land use rights	10,589	10,804
Intangible assets	48	44
Investment in a joint venture	458	458
Other investments	2,021	2,021
Goodwill on consolidation	2,712	2,712
	219,417	218,780
Current Assets		
Inventories	43,965	39,670
Trade receivables	46,567	70,263
Other receivables, deposits and prepayments	13,460	12,200
Amount due from a joint venture	394	283
Current tax assets	113	31
Other investments	571	556
Derivative financial instruments	-	125
Fixed deposits with licensed banks	13,359	14,113
Cash and bank balances	59,192	51,066
	177,621	188,307
TOTAL ASSETS	397,038	407,087
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	106,127	105,487
Treasury shares	(1,490)	(1,490)
Reserves	20,313	21,113
Retained profits	104,018	102,859
	228,968	227,969
Non-controlling interests	27,231	26,711
Total equity	256,199	254,680
Non-Current Liabilities		
Borrowings	70,866	66,956
Deferred tax liabilities	1,567	1,296
Finance lease payables	345	377
Current Liabilities	72,778	68,629
Current Liabilities Trade payables	16,836	20,393
Other payables and accruals	29,822	33,837
Contract liabilities	2,624	3,007
Borrowings	17,132	25,243
Finance lease payables	34	117
Current tax liabilities	1,607	1,181
Derivative financial instruments	6	-
	68,061	83,778
Total liabilities	140,839	152,407
TOTAL EQUITY AND LIABILITIES	397,038	407,087
Net assets per share attributable to ordinary		
equity holders of the parent (RM)	1.31	1.31

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 2019 and the accompanying notes attached to this interim financial report.

Interim report for the period ended 31 January 2020 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 31 January		Cumulative 31 Janu	-
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue	88,667	92,616	186,780	187,115
Cost of sales	(76,511)	(80,059)	(160,418)	(158,130)
Gross profit	12,156	12,557	26,362	28,985
Other operating income	142	844	610	1,192
Administrative expenses	(6,774)	(7,786)	(14,381)	(17,584)
Selling and distribution expenses	(2,694)	(518)	(4,796)	(4,122)
Other operating expenses	(132)	(306)	(346)	(480)
Operating profit	2,698	4,791	7,449	7,991
Finance cost	(1,262)	(1,309)	(2,453)	(2,165)
Profit before taxation	1,436	3,482	4,996	5,826
Taxation	(737)	(1,637)	(1,681)	(2,261)
Profit for the period	699	1,845	3,315	3,565
Total other comprehensive income, net of tax Foreign currency translation differences for foreign operations Total comprehensive (loss)/income for the period	(1,199) (500)	(434) 1,411	(701) 2,614	997 4,562
(Loss)/Profit attributable to:				
Owners of the parent	(214)	488	1,739	1,647
Non-controlling interests	913	1,357	1,576	1,918
Non-controlling interests	699	1,845	3,315	3,565
Total comprehensive (loss)/income attributable to:		,		
Owners of the parent	(1,173)	87	1,218	2,346
Non-controlling interests	673	1,324	1,396	2,216
	(500)	1,411	2,614	4,562
Earnings per share attributable to owners of the parent (sen): - Basic - Diluted	(0.12) (0.12)	0.28 0.28	1.00 0.99	0.95 0.95
- Dhucu	(0.12)	0.20	0.33	0.95

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 2019 and the accompanying notes attached to this interim financial report.

Interim report for the period ended 31 January 2020 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<	<i>←</i>		Attributable t Non-distri		the Parent	\rightarrow		\longrightarrow		
	Share Capital RM'000	Treasury Shares RM'000	Fair value Reserve RM'000	Exchange Translation Reserve RM'000	Warrants Reserve RM'000	Statutory Reserve RM'000	ESOS Reserve RM'000	Retained Profits RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 August 2019	105,487	(1,490)	-	1,683	17,590	908	932	102,859	227,969	26,711	254,680
Foreign currency translation differences for foreign operations Profit for the period	-	-		(521)	-	-	-	- 1,739	(521) 1,739	(180) 1,576	(701) 3,315
Total comprehensive income for the period	-	-	-	(521)	-	-	-	1,739	1,218	1,396	2,614
Transfer to statutory reserve	-	-	-	-	-	33	-	(56)	(23)	23	-
Transactions with owners: Share options exercised Dividend Dividends to non-controlling interests	640 -	-	-		-		(312)	(524)	328 (524)	- - (899)	328 (524) (899)
Total transactions with owners	640	-	-	-	-	-	(312)	(524)	(196)	(899)	(1,095)
At 31 January 2020	106,127	(1,490)	-	1,162	17,590	941	620	104,018	228,968	27,231	256,199
At 1 August 2018 Foreign currency translation	105,487	(1,490)	18	1,049	17,590	904	980	98,733	223,271	23,886	247,157
differences for foreign operations Profit for the financial year	-	-	-	699	-	-	-	- 1,647	699 1,647	298 1,918	997 3,565
Total comprehensive income for the financial year	-	-	-	699	-	-	-	1,647	2,346	2,216	4,562
Transactions with owners: Share options exercised	1						_*	1	2		2
Dividends Dividends to non-controlling	-	-	-	-	-	-	-	(870)	(870)	-	(870)
interests Total transactions with	-	-	-	-	-	-		-	-	(711)	(711)
owners At 31 January 2019	1 105,488	- (1,490)	- 18	1,748	- 17,590	- 904	-* 980	(869) 99,511	(868) 224,749	(711) 25,391	(1,579) 250,140

* Represents an amount less than RM 1,000.

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 2019 and the accompanying notes attached to this interim financial report.

Interim report for the period ended 31 January 2020 (The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarters Ended 31 January 2020 RM'000	Cumulative Quarters Ended 31 January 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,996	5,826
Adjustments for :	142	76
Amortisation of land use rights Depreciation	5,978	4,822
Fair value changes on derivative financial assets	131	
Loss/(Gain) on disposal of property, plant and equipment	4	(2)
Income distribution from unit trusts	(16)	(13)
Interest expense	2,453	2,165
Interest income	(278)	(313)
Property, plant and equipment written off	60 504	10 2,884
Unrealised loss on foreign exchange Operating profit before working capital changes	13,974	15,455
(Increase)/Decrease in inventories	(4,468)	1,616
Decrease/(Increase) in receivables	22,142	(669)
(Decrease)/Increase in payables	(7,841)	2,278
Decrease in contract liabilities	(383)	-
Cash generated from operations	23,424	18,680
Tax paid	(1,023)	(1,350)
Tax refunded	11	-
Interest paid Net cash generated from operating activities	(2,453)	(2,165) 15,165
Not easiligenerated from operating activities	19,959	15,105
CASH FLOWS FROM INVESTING ACTIVITIES		
Income distribution from unit trusts	-	13
Interest received	278	313
Investment in unquoted shares	-	(2,021)
Proceeds from disposal of plant and equipment	-	2
Purchase of property, plant and equipment	(7,120)	(21,730)
Purchase of trademark Withdrawal ((Placement) of fixed deposite	(7)	- (5)
Withdrawal / (Placement) of fixed deposits Net cash used in investing activities	<u> </u>	(5) (23,428)
The cash used in investing derivities	(5,510)	(23,420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to a joint venture	(111)	(75)
Dividend paid	(524)	(870)
Dividend paid to non-controlling interests	(899)	(711)
(Repayment)/Drawdown of term loans	(235)	47,881
Repayment of invoice financing Repayment of trust receipt	- (3,767)	(4,267) (4,208)
Repayment of revolving credit	(3,707)	(9,000)
Repayment of finance lease liabilities	(115)	(15)
Proceeds from issuance of shares pursuant to ESOS	328	-
Net cash (used in) / generated from financing activities	(5,323)	28,735
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,118	20,472
-		
Effects of foreign exchange rate changes on cash and cash equivalents	(1,746)	1,731
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>62,979</u> 70,351	<u> </u>
Cash and cash equivalents comprise:		
Deposits with licensed banks	13,359	9,458
Cash and bank balances	59,192	52,533
	72,551	61,991
Less: Deposits pledged with banks	(2,200)	(634)
Cash and cash equivalents	70,351	61,357

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 2019 and the accompanying notes attached to this interim financial report.

Interim report for the period ended 31 January 2020 (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. For the period up to and including the financial year ended 31 July 2019, the Group prepared its financial statements in accordance with MFRS, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

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 2019.

2. Significant accounting policies

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 July 2019 except for the adoption of the following new accounting standards, amendments and interpretations which are applicable to the Group:

MFRS 16 Leases	Effective 1 August 2019
Amendments to MFRS 9 Financial Instrument: Prepayment Features with	Effective 1 August 2019
Negative Compensation	
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	Effective 1 August 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	Effective 1 August 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	Effective 1 August 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle	Effective 1 August 2019

The initial application of the above accounting standards, amendments and interpretations are not expected to have any material impact to the current period and prior period financial statements of the Group.

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 References to the Conceptual Framework in MFRS Standards	Effective 1 January 2020
Amendments to MFRS 3 Business Combinations: Definition of a Business	Effective 1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108	Effective 1 January 2020
Accounting Policies, Changes in Accounting Estimates and Errors: Definition of	
Material	
MFRS 17 Insurance Contracts	Effective 1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128	Effective date yet to be
Investments in Associates and Joint Ventures - Sale or Contribution of Assets	confirmed
between an Investor and its Associate or Joint Venture	

3. Seasonality or cyclical operations

The Group is not materially affected by seasonality or cyclicality of operation.

4. Unusual items

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

Interim report for the period ended 31 January 2020 (The figures have not been audited)

EXPLANATORY NOTES (CONT'D.)

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.

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 12,250 new ordinary shares pursuant to exercise of ESOS at RM0.775 per share.

The total cash proceeds arising from the exercise of ESOS during the current quarter amounted to RM9,494.

7. Dividend paid

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

	31 January 2020	31 January 2019
First and final dividend for the financial year	31 July 2019	31 July 2018
Approved on	12 December 2019	14 December 2018
Date paid	20 January 2020	18 January 2019
Dividend per share (single tier)	0.30 sen	0.50 sen
Entitlement to dividend based on Record of Depositors as at	31 December 2019	31 December 2018
Number of ordinary shares (excluding treasury shares)	174,724,770	174,085,020
Dividend paid	RM524,174	RM870,425

8. Segmental reporting

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

Segment information is present	in respect of the c	broup s ousin	ess segments.	Investment		Consolidated
	<u>Apparels</u>	<u>Textile</u>	Advertising	<u>Holding</u>	Elimination	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended						
31 January 2020						
REVENUE						
External sales	178,122	1,028	7,349	281	-	186,780
Inter-segment sales	-	835	-	4,358	(5,193)	-
Total revenue	178,122	1,863	7,349	4,639	(5,193)	186,780
RESULTS						
Segment results	10,981	(6,620)	3,230	345	(765)	7,171
Interest expense	(440)	(1,923)	-	(115)	25	(2,453)
Interest income	113	8	136	46	(25)	278
Taxation	(991)	-	(690)	-	-	(1,681)
Profit/(Loss) for the period	9,663	(8,535)	2,676	276	(765)	3,315

Interim report for the period ended 31 January 2020 (The figures have not been audited)

EXPLANATORY NOTES (CONT'D.)

8. Segmental reporting (Cont'd.)

				Investment		Consolidated
	<u>Apparels</u>	<u>Textile</u>	Advertising	<u>Holding</u>	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Period ended						
31 January 2019						
REVENUE						
External sales	177,961	681	8,053	420	-	187,115
Inter-segment sales	-	396	-	3,549	(3,945)	-
Total revenue	177,961	1,077	8,053	3,969	(3,945)	187,115
RESULTS						
Segment results	10,289	(6,792)	3,741	1,302	(862)	7,678
Interest expense	(514)	(1,463)	-	(264)	76	(2,165)
Interest income	55	143	164	27	(76)	313
Taxation	(1,617)	-	(540)	(104)	-	(2,261)
Profit/(Loss) for the period	8,213	(8,112)	3,365	961	(862)	3,565

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

The World Health Organisation declared the 2019 Novel Coronavirus outbreak ('COVID-19') a pandemic on 11 March 2020. This was followed by our Government issuing a Gazette Order known as the Movement Control Order ('MCO') which was effective for the period from 18 March 2020 to 31 March 2020. On 25 March 2020, the Government announced the extension of the MCO for another 2 weeks until 14 April 2020. Subsequently, on 10 April 2020, the Government has further extended the MCO period from 15 April 2020 to 28 April 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is considered as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period. Consequently, the financial statements for current financial period are not adjusted for any effects arising from this non-adjusting event which may impact on the carrying amounts of the Group's and Company's assets as at 31 January 2020.

However, the COVID-19 pandemic is expected to impact the Group's financial performance for the financial year ending 31 July 2020 (FYE 2020) due to the disruption of economic activity globally.

The financial impact on the Group's performance, if any, will be reflected in the FYE 2020 financial statements. At this juncture, the management is not in a position to quantify the potential impact on the Group's performance as there are many uncertainties prevailing within and outside the industries that our businesses operate in.

10. Changes in composition of the Group

There were no changes in the composition of the Group during the period up to 22 April 2020.

11. Contingent liabilities

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

Interim report for the period ended 31 January 2020 (The figures have not been audited)

EXPLANATORY NOTES (CONT'D.)

12. Capital commitments

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

RM'000
2,397
9,326
11,723
RM'000
3,007
(3,007)
2,624
2,624

Contract liabilities comprised of advances received from customers for rendering services.

14. Authorisation for issue

On 22 April 2020, the Board of Directors authorised the issue of this interim report.

Interim report for the period ended 31 January 2020 (The figures have not been audited)

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

1) Review of Group's performance

	Individual Quarter 31 January		Cumulative Quarters 31 January	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	88,667	92,616	186,780	187,115
Profit before taxation	1,436	3,482	4,996	5,826

Comparison with corresponding quarter of the preceding financial year

The Group recorded a revenue of RM88.7 million in the current quarter which represents a decrease of 4.3% compared to the corresponding quarter of the preceding financial year. The decline in revenue is mainly due to the reduced sales orders for our China operations.

Profit before tax in the current quarter decreased by 58.8% to RM1.4 million compared to the corresponding quarter of the preceding financial year. This is mainly due to higher selling and distribution expenses incurred in the current quarter.

Comparison with preceding quarter

	3 months ended	3 months ended
	31 January 2020	31 October 2019
	RM'000	RM'000
Revenue	88,667	98,113
Profit before taxation	1,436	3,560

Revenue of the Group in the current quarter declined by 9.6% to RM88.7 million compared to the preceding quarter. The decline in revenue is mainly caused by lower sales orders from the apparels division in the current quarter.

Profit before tax in the current quarter also declined by 59.7% to RM1.4 million compared to the preceding quarter. This is mainly due to lower sales orders from the apparels division which had an impact on the Group's profitability margin in the current quarter.

2) Current year prospects

Due to the significant impact of COVID-19 on the global economy which had caused major disruptions to the global supply chain, we remain cautious on the Group's financial performance in the forthcoming quarters. In order to cushion the negative impact of this disruption to our business operations, the Group had taken immediate steps to venture into the production of Personal Protective Equipment ("PPE") which currently only limited to fabric face masks. We are also exploring other PPE options.

The Government unveiled an economic stimulus package which was aimed to benefit all Malaysians including businesses affected by COVID-19. The Group is expected to benefit from assistance provided in the stimulus package such as wage subsidy programme, moratorium for credit facilities and reduction of levy on foreign workers to a certain extent.

Interim report for the period ended 31 January 2020 (The figures have not been audited)

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

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.

5) Profit for the period

Included in profit for the period are the following:

	Individual Quarter 31 January		Cumulative Quarters 31 January	
	2020 2019		2020	2019
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,958	3,412	5,978	4,822
Amortisation of land use rights	70	5	142	76
Interest expense	1,262	1,309	2,453	2,165
Interest income	(145)	(219)	(278)	(313)
Fair value changes on derivative				
financial assets	41	-	131	-
Unrealised loss on foreign exchange	81	1,687	504	2,884
Loss/(Gain) on disposal of property,				
plant and equipment	4	(2)	4	(2)
Property, plant and equipment				
written off	15	10	60	10

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 31 January		Cumulative Quarters 31 January	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Taxation	737	1,637	1,681	2,261

The effective tax rate of the Group for the current quarter is higher than statutory tax rate mainly due to losses incurred in the textile mill.

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.

Interim report for the period ended 31 January 2020 (The figures have not been audited)

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

8) Status of corporate proposal

As at 22 April 2020, there is no corporate proposal that is outstanding.

9) Group borrowings and debts securities

Details of the Group's borrowings as at 31 January 2020 are as follows:

	Short Term	Long Term	
	RM'000	RM'000	
Secured	13,117	70,866	
Secured	13,117	70,800	
Unsecured	4,015		
Total	17,132	70,866	

Borrowings denominated in foreign currency as at 31 January 2020 are as follows:

	Short Term RM'000
Trade financing denominated in USD	6,637
Trade financing denominated in RMB	4,015
	10,652

10) Material litigations

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

11) Proposed dividend

No dividend was proposed during the current and previous corresponding quarter.

Interim report for the period ended 31 January 2020 (The figures have not been audited)

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

12) Earnings per share

	Individual Quarter 31 January 2020 2019		Cumulative Quarters 31 January 2020 2019	
(a) Basic earnings per share				
(Loss)/Profit for the period attributable to equity holders (RM'000)	(214)	488	1,739	1,647
Weighted average number of ordinary shares in issue ('000)	174,581	174,085	174,581	174,085
Basic earnings per share (sen)	(0.12)	0.28	1.00	0.95
(b) Diluted earnings per share				
(Loss)/Profit for the period attributable to equity holders (RM'000)	(214)	488	1,739	1,647
Weighted average number of ordinary shares in issue ('000)	175,342	174,085	175,342	174,085
Diluted earnings per share (sen)	(0.12)	0.28	0.99	0.95

13) Audit qualification

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

By Order of the Board PROLEXUS BERHAD 199201019353 (250857-T)

Lee Peng Loon Company Secretary (MACS 01258) 22 April 2020