

PROLEXUS BERHAD
Registration No. : 199201019353 (250857-T)
(Incorporated in Malaysia)

Interim Financial Report
31 October 2020

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PROLEXUS BERHAD
(Incorporated in Malaysia)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31.10.20 RM'000	Audited 31.7.20 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	196,222	198,437
Right-of-use assets	2,022	2,094
Intangible assets	51	52
Investment in a joint venture	273	308
Other investments	2,021	2,021
Goodwill on consolidation	2,712	2,712
	<u>203,301</u>	<u>205,624</u>
Current Assets		
Inventories	35,279	42,605
Trade receivables	31,467	60,555
Other receivables, deposits and prepayments	8,086	5,934
Amount due from a joint venture	224	220
Current tax assets	320	286
Other investments	611	595
Derivative financial instruments	80	79
Fixed deposits with licensed banks	22,076	13,525
Cash and bank balances	126,502	90,447
	<u>224,645</u>	<u>214,246</u>
Non-current assets held for sale	12,014	12,313
	<u>236,659</u>	<u>226,559</u>
TOTAL ASSETS	<u>439,960</u>	<u>432,183</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	107,161	106,045
Treasury shares	(1,490)	(1,490)
Reserves	21,386	22,448
Retained profits	135,196	119,966
	<u>262,253</u>	<u>246,969</u>
Non-controlling interests	29,692	28,812
Total equity	<u>291,945</u>	<u>275,781</u>
Non-Current Liabilities		
Lease liabilities	596	659
Borrowings	64,358	69,089
Finance lease payables	232	256
Deferred tax liabilities	990	53
	<u>66,176</u>	<u>70,057</u>
Current Liabilities		
Trade payables	11,714	10,704
Other payables and accruals	35,115	36,981
Contract liabilities	4,758	10,523
Lease liabilities	244	242
Borrowings	26,952	25,109
Finance lease payables	35	122
Current tax liabilities	3,021	2,664
	<u>81,839</u>	<u>86,345</u>
Total liabilities	<u>148,015</u>	<u>156,402</u>
TOTAL EQUITY AND LIABILITIES	<u>439,960</u>	<u>432,183</u>
Net assets per share attributable to owners of the parent (RM)	1.50	1.41

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 2020 and the accompanying notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	31 Oct		31 Oct	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue	83,977	98,113	83,977	98,113
Cost of sales	(57,119)	(83,907)	(57,119)	(83,907)
Gross profit	26,858	14,206	26,858	14,206
Other operating income	224	468	224	468
Administrative expenses	(5,371)	(7,607)	(5,371)	(7,607)
Selling and distribution expenses	(1,561)	(2,102)	(1,561)	(2,102)
Other operating expenses	(169)	(214)	(169)	(214)
Operating profit	19,981	4,751	19,981	4,751
Finance cost	(941)	(1,191)	(941)	(1,191)
Share of loss of joint venture	(35)	-	(35)	-
Profit before taxation	19,005	3,560	19,005	3,560
Taxation	(2,860)	(943)	(2,860)	(943)
Profit for the period	16,145	2,617	16,145	2,617
Total other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(891)	497	(891)	497
Total comprehensive income for the period	15,254	3,114	15,254	3,114
Profit attributable to:				
Owners of the parent	15,230	1,954	15,230	1,954
Non-controlling interests	915	663	915	663
	16,145	2,617	16,145	2,617
Total comprehensive income attributable to:				
Owners of the parent	14,374	2,391	14,374	2,391
Non-controlling interests	880	723	880	723
	15,254	3,114	15,254	3,114
Earnings per share attributable to owners of the parent (sen):				
- Basic	8.72	1.12	8.72	1.12
- Diluted	8.50	1.12	8.50	1.12

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 2020 and the accompanying notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter Ended 31 Oct 2020 RM'000	Cumulative Quarter Ended 31 Oct 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,005	3,560
Adjustments for :		
Amortisation of land use rights	-	72
Amortisation of intangible assets	2	-
Depreciation	3,168	3,020
Fair value (gain)/loss on derivative financial instruments	(1)	90
Gain on disposal of property, plant and equipment	(23)	-
Income distribution from unit trusts	(16)	(14)
Interest expense	941	1,191
Interest income	(132)	(133)
Share of loss of joint venture	35	-
Property, plant and equipment written off	3	45
Unrealised loss on foreign exchange	282	423
Operating profit before working capital changes	<u>23,264</u>	<u>8,254</u>
Decrease/(Increase) in inventories	7,700	(5,921)
Decrease in receivables	26,214	10,720
Decrease in payables	(653)	(2,055)
(Decrease)/increase in contract liabilities	<u>(5,765)</u>	<u>193</u>
Cash generated from operations	50,760	11,191
Tax paid	(1,616)	(405)
Interest paid	<u>(941)</u>	<u>(1,191)</u>
Net cash generated from operating activities	<u>48,203</u>	<u>9,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	129	133
Proceeds from disposal of property, plant and equipment	27	-
Purchase of property, plant and equipment	(567)	(3,607)
Withdrawal of fixed deposits	-	1,331
Net cash used in investing activities	<u>(411)</u>	<u>(2,143)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to a joint venture	(4)	(37)
Dividend paid to non-controlling interests	-	(272)
Drawdown of term loans	-	1,609
Repayment of trust receipt	(277)	(3,667)
Repayment of revolving credit	(1,000)	-
Repayment of finance lease liabilities	(111)	(111)
Repayment for lease liabilities	(61)	-
Repayment of invoice financing	(479)	-
Repayment of term loans	(1,357)	-
Proceeds from issuance of shares pursuant to ESOS	910	318
Net cash used in financing activities	<u>(2,379)</u>	<u>(2,160)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,413	5,292
Effects of foreign exchange rate changes on cash and cash equivalents	(810)	(1,597)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>101,753</u>	<u>62,979</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>146,356</u>	<u>66,674</u>
Cash and cash equivalents comprise:		
Deposits with licensed banks	22,076	12,868
Cash and bank balances	<u>126,502</u>	<u>56,006</u>
	148,578	68,874
Less: Deposits pledged with banks	<u>(2,222)</u>	<u>(2,200)</u>
Cash and cash equivalents	<u>146,356</u>	<u>66,674</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 2020 and the accompanying notes attached to this interim financial report.

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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 2020, 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 2020.

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 2020 except for the adoption of the following new accounting standards, amendments and interpretations which are applicable to 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 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material	Effective 1 January 2020
Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concessions	Effective 1 June 2020

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 MFRS 9, MFRS 139, MFRS 7, MFRS 4, MFRS 16 Interest Rate Benchmark Reform-Phase 2	Effective 1 January 2021
Amendments to MFRS 3 Business Combination: Reference to the Conceptual Framework	Effective 1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use	Effective 1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	Effective 1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	Effective 1 January 2022
MFRS 17 Insurance Contracts	Effective 1 January 2023
Amendments to MFRS 17 Insurance Contracts	Effective 1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	Effective 1 January 2023
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date yet to be confirmed

The existing MFRS 4 and Amendments to MFRS 4 will be withdrawn upon the adoption of the new MFRS 17 which will take effect on or after 1 January 2023.

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EXPLANATORY NOTES

3. Seasonality or cyclical operations

The Group is not materially 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.

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 1,047,825 new ordinary shares pursuant to exercise of ESOS at RM0.500 per share;
- (ii) Issuance of 171,050 new ordinary shares pursuant to exercise of ESOS at RM0.722 per share;
- (iii) Issuance of 238,200 new ordinary shares pursuant to exercise of ESOS at RM0.775 per share; and
- (iv) Issuance of 63,500 new ordinary shares pursuant to exercise of ESOS at RM1.234 per share.

The total cash proceeds arising from the exercise of ESOS during the current quarter amounted to RM910,374.

7. Dividend paid

There was no dividend paid during the current quarter and previous corresponding quarter.

8. Segmental reporting

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

	<u>Apparels</u>	<u>Textile</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	RM'000
Period ended						
31 October 2020						
REVENUE						
External sales	80,004	1,386	2,444	143	-	83,977
Inter-segment sales	-	3,308	-	1,694	(5,002)	-
Total revenue	<u>80,004</u>	<u>4,694</u>	<u>2,444</u>	<u>1,837</u>	<u>(5,002)</u>	<u>83,977</u>
RESULTS						
Segment results	15,120	(692)	1,035	613	3,773	19,849
Share of loss of joint venture	-	(35)	-	-	-	(35)
Interest expense	(126)	(778)	(9)	(41)	13	(941)
Interest income	68	13	51	13	(13)	132
Taxation	(1,428)	-	(363)	(125)	(944)	(2,860)
Profit/(Loss) for the period	<u>13,634</u>	<u>(1,492)</u>	<u>714</u>	<u>460</u>	<u>2,829</u>	<u>16,145</u>

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EXPLANATORY NOTES (CONT'D.)

8. Segmental reporting

	<u>Apparels</u>	<u>Textile</u>	<u>Advertising</u>	<u>Investment</u>	<u>Elimination</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	<u>Holding</u>	RM'000	<u>Total</u>
				RM'000		RM'000
Period ended 31 October 2019						
REVENUE						
External sales	93,875	516	3,550	172	-	98,113
Inter-segment sales	-	643	-	1,769	(2,412)	-
Total revenue	<u>93,875</u>	<u>1,159</u>	<u>3,550</u>	<u>1,941</u>	<u>(2,412)</u>	<u>98,113</u>
RESULTS						
Segment results	6,676	(3,394)	1,506	313	(483)	4,618
Interest expense	(212)	(935)	-	(57)	13	(1,191)
Interest income	55	5	81	5	(13)	133
Taxation	(598)	-	(345)	-	-	(943)
Profit/(Loss) for the period	<u>5,921</u>	<u>(4,324)</u>	<u>1,242</u>	<u>261</u>	<u>(483)</u>	<u>2,617</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 16 December 2020, 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.

10. Changes in composition of the Group

There were no changes in the composition of the Group during the period up to 16 December 2020.

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	108
- Authorised but not contracted for	4,739
	<u>4,847</u>

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EXPLANATORY NOTES (CONT'D.)

13. Contract liabilities

	RM'000
Balance at 1 August as per MFRS 15	10,523
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning	(10,523)
Increase in contract liabilities as a result of receiving deposits from customers upon placing sales orders as at 31 October 2020	4,758
	<u>4,758</u>

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

14. Authorisation for issue

On 16 December 2020, the Board of Directors authorised the issue of this interim report.

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(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		Cumulative Quarter	
	31 Oct 2020	2019	31 Oct 2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue	83,977	98,113	83,977	98,113
Profit before taxation	<u>19,005</u>	<u>3,560</u>	<u>19,005</u>	<u>3,560</u>

Comparison with corresponding quarter of the preceding financial year

The Group recorded a revenue of RM84.0 million in the current quarter compared to the corresponding quarter of the preceding financial year of RM98.1 million. The lower revenue is mainly due to lower sales of apparels in the current quarter. However, the decline in revenue is mitigated by sales of fabric mask in the current quarter.

Profit before tax in the current quarter increased to RM19.0 million compared to the corresponding quarter of the preceding financial year of RM3.6 million. This is mainly contributed by the higher profit margin from the sales of fabric mask.

Comparison with preceding quarter

	3 months ended	3 months ended
	31 Oct 2020	31 July 2020
	RM'000	RM'000
Revenue	83,977	97,934
Profit before taxation	<u>19,005</u>	<u>27,763</u>

Revenue of the Group in the current quarter decreased to RM84.0 million compared to the preceding quarter of RM97.9 million. The decrease in revenue is mainly due to lower sales of apparels in the current quarter.

The Group recorded a profit before taxation of RM19.0 million as compared to the preceding quarter of RM27.8 million. This is mainly due to the decrease in average selling price of fabric mask in the current quarter.

2) Current year prospects

Due to the significant impact and uncertainties of COVID-19 which had caused major disruptions to the global economy, we remain cautious on the Group's financial performance in the forthcoming quarters.

The Group will continue to enhance and improve the research and development, production and sale of the reusable fabric face masks and other related products in the forthcoming quarters.

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.

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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 the following:

	Individual Quarter		Cumulative Quarter	
	31 Oct		31 Oct	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Depreciation	3,168	3,020	3,168	3,020
Amortisation of land use rights	-	72	-	72
Amortisation of intangible assets	2	-	2	-
Interest expense	941	1,191	941	1,191
Interest income	(132)	(133)	(132)	(133)
Unrealised loss on foreign exchange	282	423	282	423
Fair value (gain)/loss on derivative financial instruments	(1)	90	(1)	90
Gain on disposal of property, plant and equipment	(23)	-	(23)	-
Share of loss of joint venture	35	-	35	-
Property, plant and equipment written off	3	45	3	45
	<u>3</u>	<u>45</u>	<u>3</u>	<u>45</u>

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 Quarters	
	31 Oct		31 Oct	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Taxation	<u>2,860</u>	<u>943</u>	<u>2,860</u>	<u>943</u>

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

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

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 16 December 2020, there is no corporate proposal that is outstanding.

9) Group borrowings and debts securities

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

	Short Term RM'000	Long Term RM'000
Secured	24,045	64,358
Unsecured	2,907	-
Total	<u>26,952</u>	<u>64,358</u>

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

	Short Term RM'000
Trade financing denominated in USD	6,645
Trade financing denominated in RMB	4,220
	<u>10,865</u>

10) Material litigations

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

11) Proposed dividend

Details of the first and final single tier dividend approved at the Annual General Meeting held on 16 December 2020 is as follows:

First and final single tier dividend for the financial year	31 July 2020
Approved on	16 December 2020
Date payable	20 January 2021
Dividend per share	1.00 sen
Entitlement to dividend based on Record of Depositors as at	31 December 2020
Estimated number of ordinary shares (excluding treasury shares)	177,744,520
Estimated net dividend payable	RM 1,777,445

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

12) Earnings per share

	Individual Quarter		Cumulative Quarter	
	31 Oct 2020	2019	31 Oct 2020	2019
(a) Basic earnings per share				
Profit for the period attributable to equity holders (RM'000)	15,230	1,954	15,230	1,954
Weighted average number of ordinary shares in issue ('000)	174,728	174,652	174,728	174,652
Basic earnings per share (sen)	<u>8.72</u>	<u>1.12</u>	<u>8.72</u>	<u>1.12</u>
(b) Diluted earnings per share				
Profit for the period attributable to equity holders (RM'000)	15,230	1,954	15,230	1,954
Weighted average number of ordinary shares in issue ('000)	179,211	174,652	179,211	174,652
Diluted earnings per share (sen)	<u>8.50</u>	<u>1.12</u>	<u>8.50</u>	<u>1.12</u>

13) Audit qualification

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

By Order of the Board
PROLEXUS BERHAD

Lee Peng Loon
Company Secretary
(MACS 01258)
16 December 2020