

PROLEXUS BERHAD
Registration No. 199201019353 (250857-T)

(Incorporated in Malaysia)

Interim Financial Report
31 January 2022

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Interim report for the period ended 31 January 2022
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31.01.22 RM'000	Audited 31.7.21 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	175,352	178,467
Right-of-use assets	1,637	1,801
Intangible assets	40	45
Investment in a joint venture	60	91
Other investments	747	747
Goodwill on consolidation	2,712	2,712
	<u>180,548</u>	<u>183,863</u>
Current Assets		
Inventories	32,738	32,159
Trade receivables	56,077	35,011
Other receivables, deposits and prepayments	6,385	5,115
Current tax assets	1,129	1,657
Other investments	6,631	9,248
Deposits with financial institutions	62,156	71,747
Cash and bank balances	42,402	43,491
	<u>207,518</u>	<u>198,428</u>
Non-current assets held for sale	12,367	15,608
	<u>219,885</u>	<u>214,036</u>
TOTAL ASSETS	<u>400,433</u>	<u>397,899</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	125,960	125,960
Treasury shares	(1,490)	(1,490)
Reserves	3,778	4,120
Retained profits	135,655	134,963
	<u>263,903</u>	<u>263,553</u>
Non-controlling interests	29,140	28,911
Total equity	<u>293,043</u>	<u>292,464</u>
Non-Current Liabilities		
Lease liabilities	277	407
Borrowings	56,820	61,181
Hire purchase payables	-	87
Deferred tax liabilities	996	973
	<u>58,093</u>	<u>62,648</u>
Current Liabilities		
Trade payables	8,185	5,198
Other payables and accruals	20,737	20,422
Contract liabilities	3,817	2,936
Derivative financial instruments	-	29
Lease liabilities	256	251
Borrowings	15,787	13,436
Hire purchase payables	87	87
Current tax liabilities	428	428
	<u>49,297</u>	<u>42,787</u>
Total liabilities	<u>107,390</u>	<u>105,435</u>
TOTAL EQUITY AND LIABILITIES	<u>400,433</u>	<u>397,899</u>
Net assets per share attributable to owners of the parent (RM)	0.99	0.99

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 2021 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 Jan		31 Jan	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue	62,021	69,510	119,844	153,487
Cost of sales	(47,900)	(57,346)	(95,369)	(114,465)
Gross profit	14,121	12,164	24,475	39,022
Other operating income	376	7,801	954	8,025
Administrative expenses	(5,039)	(4,988)	(11,030)	(10,359)
Selling and distribution expenses	(4,909)	(2,223)	(7,582)	(3,784)
Other operating expenses	(122)	(125)	(223)	(294)
Operating profit	4,427	12,629	6,594	32,610
Finance cost	(781)	(1,085)	(1,567)	(2,026)
Share of result of a joint venture	(15)	(34)	(31)	(69)
Profit before taxation	3,631	11,510	4,996	30,515
Taxation	(1,893)	(1,505)	(3,219)	(4,365)
Profit for the period	1,738	10,005	1,777	26,150
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	1,147	(1,556)	(396)	(2,447)
Total comprehensive income for the period	2,885	8,449	1,381	23,703
Profit/(loss) attributable to:				
Owners of the parent	1,001	8,849	1,494	24,079
Non-controlling interests	737	1,156	283	2,071
	1,738	10,005	1,777	26,150
Total comprehensive income/(loss) attributable to:				
Owners of the parent	1,914	7,509	1,152	21,883
Non-controlling interests	971	940	229	1,820
	2,885	8,449	1,381	23,703
Earnings per share attributable to owners of the parent (sen):				
- Basic	0.37	3.34	0.56	9.09
- Diluted	0.37	3.34	0.56	9.09

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 2021 and the accompanying notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to Owners of the Parent →										
	← Non-distributable →							Distributable			
	Share Capital	Treasury Shares	Exchange Translation Reserve	Warrants Reserve	Statutory Reserve	ESOS Reserve	Fair Value Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 August 2021	125,960	(1,490)	4,124	-	329	941	(1,274)	134,963	263,553	28,911	292,464
Foreign currency translation differences for foreign operations	-	-	(342)	-	-	-	-	-	(342)	(54)	(396)
Profit/(loss) for the period	-	-	-	-	-	-	-	1,494	1,494	283	1,777
Total comprehensive income/(loss) for the period	-	-	(342)	-	-	-	-	1,494	1,152	229	1,381
Transactions with owners:											
Share options exercised	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(802)	(802)	-	(802)
Total transactions with owners	-	-	-	-	-	-	-	(802)	(802)	-	(802)
At 31 January 2022	125,960	(1,490)	3,782	-	329	941	(1,274)	135,655	263,903	29,140	293,043
At 1 August 2020	106,045	(1,490)	3,125	17,590	941	792	-	119,966	246,969	28,812	275,781
Foreign currency translation differences for foreign operations	-	-	(2,196)	-	-	-	-	-	(2,196)	(251)	(2,447)
Profit for the period	-	-	-	-	-	-	-	24,079	24,079	2,071	26,150
Total comprehensive income for the period	-	-	(2,196)	-	-	-	-	24,079	21,883	1,820	23,703
Transactions with owners:											
Share options exercised	2,305	-	-	-	-	(419)	-	-	1,886	-	1,886
Dividends	-	-	-	-	-	-	-	(1,781)	(1,781)	-	(1,781)
Total transactions with owners	2,305	-	-	-	-	(419)	-	(1,781)	105	-	105
At 31 January 2021	108,350	(1,490)	929	17,590	941	373	-	142,264	268,957	30,632	299,589

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 2021 and the accompanying notes attached to this interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter Ended 31 Jan 2022 RM'000	Cumulative Quarter Ended 31 Jan 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,996	30,515
Adjustments for :		
Accretion of interest on lease liabilities	14	18
Amortisation of intangible assets	5	5
Depreciation of property, plant and equipment	5,674	6,018
Depreciation of right-of-use assets	169	166
Fair value gain on derivative financial instruments	(29)	(453)
Fair value loss on quoted investments	194	-
Gain on disposal of property, plant and equipment	-	(110)
Income distribution from quoted investments	(315)	(17)
Reversal of inventories written down	(810)	(1,655)
Interest expense	1,553	2,008
Interest income	(390)	(278)
Liquidated ascertained damages claimed	-	(6,522)
Property, plant and equipment written off	-	32
Share of result of a joint venture	31	69
Unrealised loss on foreign exchange	255	42
Operating profit before working capital changes	11,347	29,838
Decrease in inventories	308	18,217
Increase in receivables	(22,387)	(2,786)
Increase/(Decrease) in payables	2,542	(6,866)
Increase/(Decrease) in contract liabilities	881	(6,787)
Cash (used in)/generated from operations	(7,309)	31,616
Tax paid	(2,671)	(1,328)
Interest paid	(1,553)	(2,026)
Net cash (used in)/generated from operating activities	(11,533)	28,262
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	384	275
Proceeds from disposal of property, plant and equipment	3,300	150
Purchase of property, plant and equipment	(2,462)	(1,205)
Withdrawal of quoted investment	2,738	-
Net cash generated from/(used in) investing activities	3,960	(780)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance to a joint venture	-	(7)
Dividend paid	(802)	(1,781)
Payment of hire purchase payables	(87)	(219)
Payment of lease liabilities	(139)	(121)
Repayment of revolving credit	-	(1,000)
Repayment of invoice financing	-	(479)
Repayment of term loans	(2,028)	(324)
Repayment of trust receipt	-	(508)
Proceeds from issuance of shares pursuant to ESOS	-	1,886
Net cash used in financing activities	(3,056)	(2,553)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,629)	24,929
Effects of foreign exchange rate changes on cash and cash equivalents	(57)	(2,097)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	113,008	101,753
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	102,322	124,585
Cash and cash equivalents comprise:		
Deposits with financial institutions	62,156	36,288
Cash and bank balances	42,402	90,519
	104,558	126,807
Less: Deposits pledged	(2,236)	(2,222)
Cash and cash equivalents	102,322	124,585

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 2021 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 2021, 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 2021.

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 2021 except for the adoption of the following new accounting standards, amendments and interpretations which are applicable to the Group:

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform - Phase 2	Effective 1 January 2021
Amendment to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021	Effective 1 April 2021

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 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 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9	Effective 1 January 2023
Amendments to MFRS 17 Insurance Contracts	Effective 1 January 2023
Amendments to MFRS 17 Insurance Contracts: Initial application of MFRS 17 and MFRS 9 - Comparative Information	Effective 1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	Effective 1 January 2023

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EXPLANATORY NOTES (CONT'D.)

2. Significant accounting policies (Con'd)

Standards issued but not yet effective (Con'd)

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies	Effective 1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	Effective 1 January 2023
Amendments on MFRS 112 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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

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.

7. Dividend paid

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

	31 January 2022	31 January 2021
First and final dividend for the financial year	31 July 2021	31 July 2020
Approved on	23 December 2021	16 December 2020
Date paid	20 January 2022	20 January 2021
Dividend per share (single tier)	0.3 sen	1.0 sen
Entitlement to dividend based on Record of Depositors as at	31 December 2021	31 December 2020
Number of ordinary shares (excluding treasury shares)	267,171,913	178,084,520
Dividend paid	RM 801,515	RM 1,780,845

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EXPLANATORY NOTES (CONT'D.)

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 January 2022						
REVENUE						
External sales	110,387	3,727	5,472	258	-	119,844
Inter-segment sales	-	1,986	-	2,536	(4,522)	-
Total revenue	110,387	5,713	5,472	2,794	(4,522)	119,844
RESULTS						
Segment results	7,663	(4,397)	2,741	132	65	6,204
Share of result of a joint venture	-	(31)	-	-	-	(31)
Interest expense	(46)	(1,508)	(13)	(26)	26	(1,567)
Interest income	289	3	97	27	(26)	390
Taxation	(2,222)	-	(792)	(182)	(23)	(3,219)
Profit/(Loss) for the period	5,684	(5,933)	2,033	(49)	42	1,777

	<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 January 2021						
REVENUE						
External sales	144,989	2,950	5,323	225	-	153,487
Inter-segment sales	-	3,811	-	3,379	(7,190)	-
Total revenue	144,989	6,761	5,323	3,604	(7,190)	153,487
RESULTS						
Segment results	22,762	2,138	2,356	1,098	3,978	32,332
Share of result of a joint venture	-	(69)	-	-	-	(69)
Interest expense	(258)	(1,687)	(18)	(88)	25	(2,026)
Interest income	148	21	102	32	(25)	278
Taxation	(2,416)	-	(723)	(225)	(1,001)	(4,365)
Profit for the period	20,236	403	1,717	817	2,977	26,150

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.

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EXPLANATORY NOTES (CONT'D.)

8. Segmental reporting (Con'd)

Geographical Segments

The Group's geographical revenue for the financial period-to-date is as follows:

	Period-to-date	
	31 Jan 2022	31 Jan 2021
	RM'000	RM'000
Malaysia	31,104	12,464
United States of America	51,673	40,179
European countries	12,937	17,878
Asia	19,180	77,094
Other countries	4,950	5,872
	<u>119,844</u>	<u>153,487</u>

9. Event subsequent to the end of reporting period

As at 28 March 2022, 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 at 28 March 2022.

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	565
- Authorised but not contracted for	-
	<u>565</u>

13. Contract liabilities

	RM'000
Balance at 1 August as per MFRS 15	2,936
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning	(2,936)
Increase in contract liabilities as a result of receiving deposits from customers upon placing sales orders as at 31 January 2022	3,817
	<u>3,817</u>

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

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EXPLANATORY NOTES (CONT'D.)

14. Authorisation for issue

On 28 March 2022, the Board of Directors authorised the issue of this interim report.

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

1) Review of Group's performance

	Individual Quarter 31 Jan		Cumulative Quarter 31 Jan	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	62,021	69,510	119,844	153,487
Profit before taxation	<u>3,631</u>	<u>11,510</u>	<u>4,996</u>	<u>30,515</u>

Comparison with corresponding quarter of the preceding financial year

The Group recorded revenue of RM62.0 million in the current quarter compared to the corresponding quarter of the preceding financial year of RM69.5 million. The decline in revenue is mainly due to lower output in the apparel division as a result of the shortage of workers. It has impacted the order fulfilment of the Group and management is taking proactive measures on its recruitment activities to cushion the impact.

The Group recorded profit before taxation in the current quarter of RM3.6 million compared to corresponding quarter of the preceding financial year of RM11.5 million. This is mainly due to lower revenue in the current quarter. The higher profit before taxation in the corresponding quarter is mainly contributed by the liquidated ascertained damages charged to a contractor.

Comparison with preceding quarter

	3 months ended 31 Jan 2022 RM'000	3 months ended 31 Oct 2021 RM'000
	Revenue	62,021
Profit before taxation	<u>3,631</u>	<u>1,365</u>

Revenue of the Group in the current quarter increased to RM62.0 million compared to the preceding quarter of RM57.8 million. The increase in revenue is mainly due to higher sales in the apparel and advertising division in the current quarter as the operations are fully resumed after Movement Control Order 3.0 lifted in September 2021.

The group recorded a profit before taxation of RM3.6 million compared to preceding quarter of RM1.4 million. This is mainly due to reversal of inventories written down and higher profitability in the apparel and advertising division in the current quarter.

2) Current year prospects

The on-going COVID-19 pandemic has presented unprecedented challenges to the global economy and the Group's businesses are expected to remain challenging in the forthcoming quarters.

Notwithstanding the shortage of workers and the uncertainty in the global economic recovery, we are seeking avenues to enhance the performance of the Group.

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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		Cumulative Quarter	
	31 Jan 2022	2021	31 Jan 2022	2021
	RM'000	RM'000	RM'000	RM'000
Accretion of interest on lease liabilities	7	9	14	18
Amortisation of intangible assets	2	3	5	5
Depreciation of property, plant and equipment	2,841	2,934	5,674	6,018
Depreciation of right-of-use assets	84	82	169	166
Fair value gain on derivative financial instruments	40	(452)	(29)	(453)
Fair value (gain)/loss on quoted investments	(77)	-	194	-
Gain on disposal of property, plant and equipment	-	(87)	-	(110)
Income distribution from quoted investments	(48)	(1)	(315)	(17)
Interest expense	774	1,076	1,553	2,008
Interest income	(169)	(146)	(390)	(278)
Liquidated ascertained damages claimed	-	(6,522)	-	(6,522)
Property, plant and equipment written off	-	29	-	32
Unrealised (gain)/loss on foreign exchange	(658)	(240)	255	42
Reversal of inventories written down	(810)	(1,655)	(810)	(1,655)

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.

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

6) Taxation

	Individual Quarter 31 Jan		Cumulative Quarter 31 Jan	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Taxation	<u>1,893</u>	<u>1,505</u>	<u>3,219</u>	<u>4,365</u>

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

7) Status of corporate proposal

As at 28 March 2022, there is no corporate proposal that is outstanding.

8) Group borrowings and debts securities

Details of the Group's borrowings as at 31 January 2022 are as follows:

	Secured RM'000
Short term	15,787
Long term	<u>56,820</u>
Total	<u>72,607</u>

Borrowings denominated in foreign currency as at 31 January 2022 are as follows:

	Short Term RM'000
Trade financing denominated in RMB	<u>1,974</u>

9) Material litigations

The arbitration proceedings between Trans Pacific Textile (M) Sdn Bhd and Pembinaan Thong Lian Sdn Bhd as announced on 8 April 2021 and 9 April 2021 remains unchanged as at 28 March 2022.

10) Proposed dividend

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

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11) Earnings per share

	Individual Quarter		Cumulative Quarter	
	31 Jan 2022	2021	31 Jan 2022	2021
(a) Basic earnings per share				
Profit for the period attributable to equity holders (RM'000)	1,001	8,849	1,494	24,079
Weighted average number of ordinary shares in issue ('000)	267,172	264,835	267,172	264,835
Basic earnings per share (sen)	<u>0.37</u>	<u>3.34</u>	<u>0.56</u>	<u>9.09</u>

	Individual Quarter		Cumulative Quarter	
	31 Jan 2022	2021	31 Jan 2022	2021
(b) Diluted earnings per share				
Profit for the period attributable to equity holders (RM'000)	1,001	8,849	1,494	24,079
Weighted average number of ordinary shares in issue ('000)	267,202	264,835	267,202	264,835
Diluted earnings per share (sen)	<u>0.37</u>	<u>3.34</u>	<u>0.56</u>	<u>9.09</u>

12) 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 (MACS 01258)
P'ng Chiew Keem (MAICSA 7026443)
Company Secretaries
28 March 2022