

PROLEXUS BERHAD

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE VIRTUAL 29TH ANNUAL GENERAL MEETING OF PROLEXUS BERHAD ("PROLEXUS" OR "THE COMPANY") HELD AT THE BROADCAST VENUE AT THE CONFERENCE ROOM OF HONSIN APPAREL SDN. BHD., 531 BATU 2½, JALAN KLUANG, 83000 BATU PAHAT, JOHOR ON THURSDAY, 23 DECEMBER 2021 AT 10.00 A.M.

Key matters discussed at the 29th AGM are summarised as follows:

- 1) The Company's Profit After Tax declined to RM17.2 million in FYE 2021 compared to RM20.8 million in FYE 2020. The decline was mainly attributable to the pandemic which affected its businesses. (Page 10 of AR 2021)**

What are the Company's plans to enhance its profitability in FYE 2022?

Reply: The Company is operating in a labour-intensive industry and industrial automation can only reduce reliance on labour to a certain extent. The gradual reduction of labour since the beginning of the pandemic has limited the Company's ability to secure orders in the short and medium term unless the government opens up foreign worker intake from more countries in the near future. Given the capacity limitation, the Company will focus on higher margin products and also embark on its OBM venture to mitigate the impact.

- 2) The Company relies extensively on foreign labour to operate its factories especially for its apparel and textile businesses.**

- (a) What was the ratio of foreign labour to total workforce in FYE 2021?**

Reply: Foreign worker accounts for 47% of total workforce of the Group as at 31 July 2021.

- (b) In view of the Government tightening the requirements to hire foreign labour, what are steps taken by the Company to mitigate this?**

Reply: In addition to its effort in hiring more local workers which is ongoing, the Company is also working closely with other factories to enhance its order fulfilment.

- 3) Since the beginning of the COVID-19 outbreak, the Company has produced a functional fabric face mask, ProXmask™, which is both protective and preventive against the virus as it has water repellency, anti-viral, anti-microbial and microfiltration function. (Page 11 of AR 2021)**

(a) What was the revenue contribution of ProXmask sales to the Company in FYE 2021?

Reply: Revenue contribution from ProXmask and other OEM masks was 23.7% of Group revenue.

(b) What are the Company's plans in further expanding the sales of this product?

Reply: Besides creating awareness on the importance of wearing a quality and environmental friendly face mask, the Company is also leveraging on the power of digital media to promote its product and continue to adapt to market demand. There has also been ongoing collaboration with SIRIM as part of its promotional effort.

4) The Company had recently launched its modest wear brand "Arumn" to expand its income stream. (Page 12 of AR 2021)

(a) What are the projected sales from this brand in FYE 2022?

Reply: Similar to any other new brand, it takes time for the brand to build momentum and it is not expected to contribute substantially to the Group's revenue in FYE 2022. Nevertheless, the initial response for Arumn has been encouraging thus far.

(b) What are the Company's plans to develop this brand further in terms of revenue contribution?

Reply: Besides targeting on B2C, both offline and online, the Company also intend to build its B2B segment in Malaysia and overseas.

5) Other Income of the Company rose significantly in FYE 2021 to RM15.7 million from RM2.1 million in FYE 2020. (Page 55 of AR 2021)

What was the nature of this Income and is it expected to recur in FYE 2022?

Reply: Included in Other Income in FYE2021 are one-off gain on disposal of property, plant and equipment and liquidated ascertained damages charged to a contractor.

**6) May I know what is the Company's future outlook?
What is the problem exactly facing in textile operation?
Why has the ramp-up a disappointment thus far, and what are the strategies to counter the said situation?
Are we facing any labour related issue? Including living condition etc.**

Reply: We have been experiencing labour shortage and have been seeking avenues to mitigate this issue so that the Group is able to offer more capacity to buyers. Being the OEM manufacturer for international brands we comply with international and domestic labour laws including the living conditions of our foreign workers.

- 7) The development of the “Branding division” should technically “offend” existing Apparel operation clients, has our order decline because of the said matter?**

Reply: Our OBM business is not in a competing business with existing buyers. The Company is currently facing manpower shortage issue.

- 8) How much is cost saving of this virtual AGM as compared to physical AGM?**

Reply: The cost for a virtual AGM is less than RM20,000. Even though the cost is higher as compared to a physical AGM, the Board is of the view that a virtual meeting is to the best interest of our shareholders and employees.

- 9) Will the Board consider giving shareholders with door gifts, the face mask as a token of appreciation for attending today’s RPV.**

Reply: As a token of appreciation, we will be sending ProXmask to shareholders who had attended today’s AGM.

- 10) How was Seni Jaya’s consolidating of the OOH media industry affected our advertising operation?**

Reply: Our advertising division is focusing on outdoor digital billboard and we have 14 digital screens throughout Malaysia as part of our national coverage strategy. We do not foresee any major impact arising from Seni Jaya’s consolidating of the OOH media industry as their main focus is on static billboards.



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SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE EXTRAORDINARY GENERAL MEETING OF (“PROLEXUS” OR THE “COMPANY”) HELD VIRTUALLY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT THE CONFERENCE ROOM OF HONSIN APPAREL SDN. BHD., 531 2½ MILES, JALAN KLUANG, 83000 BATU PAHAT, JOHOR ON TUESDAY, 08 JUNE 2021 AT 10.00 AM.

Key matters discussed at the EGM were summarised as follows:

- 1) I would like to request for face mask manufactured by the company as a token of appreciation for attending this RPV. May I know how much does the Company spend on this virtual EGM?**

Answer: The Company would not be giving any face mask to shareholders who participated in this virtual EGM as the purpose is to establish communication between the Board and shareholders to resolve Board's proposal. The total cost for convening this virtual EGM was less than RM20,000.

- 2) What will be the new bonus warrant exercise price? How will it be determined?**

Answer: With reference to section 2.2.3, page 7 of the Circular to Shareholders dated 24 May 2021, the exercise price of the Warrants B shall be determined and announced by the Board at a later date after obtaining all relevant approvals but prior to the announcement of the Warrant B Entitlement Date.

The Board in determining the exercise price of the Warrants B will take into consideration, amongst others, the prevailing market conditions, the market price of the Shares and the future prospects of the Company. The price-fixing announcement will also include the basis and justification for the exercise price of the Warrants B.

The Board intends to fix the exercise price of the Warrants B at a discount of up to 20% to the Theoretical Ex-bonus Price. The Board is of the view that the said discount range is sufficiently attractive to increase the likelihood of the Warrants B being exercised and by doing so, allow the Company to raise additional funds from the exercise of the Warrants B.

3) What is/are the reason of the bonus issue?

Answer: The Chairman had earlier informed members of the rationale/reasons for the proposed bonus issue of shares and the proposed bonus issue of warrants (“Proposals”).

With reference to section 3, page 8 of the Circular to Shareholders dated 24 May 2021, the rationale for the Proposals were as follows:

Proposed Bonus Issue of Shares

- (i) provide the Shareholders with greater participation in the equity of the Company in terms of number of Prolexus Shares held and maintaining their percentage of equity interest in the Company;
- (ii) improve the trading liquidity and marketability of the Prolexus Shares on Bursa Securities in view of the increase in number of Prolexus Shares in circulation in the open market; and
- (iii) attract greater participation from a broader range of investors, with the improved trading liquidity and marketability of the Shares.

Proposed Bonus Issue of Warrants

- (i) reward Shareholders for their continuous support by enabling them to participate in convertible securities of the Company, which are tradeable on Bursa Securities, without incurring any cost;
- (ii) provide Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants B, and to allow Shareholders to further participate in the future growth of the Company when the Warrants B are exercised; and
- (iii) provide the Company with additional working capital when the Warrants B are exercised in the future. The exercise of the Warrants B will allow the Company to obtain proceeds without incurring interest expenses as compared to bank borrowings.

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SUMMARY OF KEY MATTERS DISCUSSED AT THE FULLY VIRTUAL 28TH ANNUAL GENERAL MEETING OF PROLEXUS BERHAD ("PROLEXUS" OR "THE COMPANY") HELD AT THE BROADCAST VENUE AT THE CONFERENCE ROOM OF HONSIN APPAREL SDN. BHD., 531 BATU 2½, JALAN KLUANG, 83000 BATU PAHAT, JOHOR ON WEDNESDAY, 16 DECEMBER 2020 AT 10.00 A.M.

SUMMARY OF KEY MATTERS DISCUSSED

Operational & Financial Matters

- 1) The COVID-19 pandemic has impacted the business operations, particularly on revenue as sales orders received from buyers declined. The Company started manufacturing reusable fabric face mask ("fabric mask") in March 2020 (Page 135 of AR). How will the manufacturing of fabric masks contribute to financial performance of the Company for financial year ending 31 July 2021?
Reply: Barring any unforeseen circumstances, we expect the sales of fabric mask will continue to contribute positively to the financial performance of the Company for the financial year ending 31 July 2021.

- 2) Prolexus's textile division commenced its business in November 2018. The segment is yet to achieve its optimal capacity, operating with high depreciation and finance costs (Page 12 of AR).
 - i) What is the optimum operating capacity for textile division?
Reply: The annual production capacity for the initial phase is 18 million meters of fabrics.

 - ii) What are the plans for this division to achieve better returns?
Reply: The focus will be continuous product development & innovation and extensive marketing activities to penetrate the global market. The fabric mask is one of the successful innovative products.

- 3) The advertising division contributed 3.1% of Prolexus's revenue and 20.1% of the Company's profit after tax in FY 2020 (Page 12 of AR). With relatively higher profitability as compared to other divisions, what is the Company's strategy to expand this division?
Reply: The advertising division's business proposition is mainly focusing in securing strategic locations for digital billboards. At the same time, the Company is also looking into regional expansion in Southeast Asia countries.

- 4) The production of apparel products depends heavily on labour especially for sewing related activities. The on-going shortage of the local workforce has affected several industries including the textile industry. This has resulted in the employment of a high number of foreign workers in the Malaysian factories (Page 13 of AR). What are the:

- i) Efforts in recruiting more locals to reduce dependency of foreign workers.
Reply: We have participated in numerous job fairs, advertisements, place and train programmes, employee referral programme, etc.
- ii) Plans to reduce dependency on manual labour i.e., prioritising automation towards improving efficiency in the production and packaging processes.
Reply: One of our main strategy is to continue to enhance on LEAN manufacturing and embrace on Industry 4.0 in automating the processes as far as possible.
- 5) Inventories for finished goods increased by more than double to RM11.6 million as at 31 July 2020 (FY 2019: RM5.0 million). Meanwhile, there was also a write down of inventories valued at RM5.3 million for FY 2020 (FY 2019: RM Nil) (Page 102 of AR 2020).
- i) Please share the cause of increase in inventories level.
Reply: The increase in finished goods is mainly due to winter garments produced under consignment basis for a new customer in China.
- ii) What is the reason of inventories write-down in FY 2020?
Reply: The write-down of inventories mainly comprised of 2 reasons:
a) Write down of finished goods under consignment basis after China experienced a warm winter and the Covid-19 lockdown earlier this year.
b) Write down of raw materials as a result of orders cancellation from buyers.
In the event these inventories are sold in subsequent period, these provisions will be written back accordingly.
- 6) Credit term for trade receivable has been extended i.e., 14 to 120 days (FY 2019: 14 to 75 days) (Page 103 of AR 2020). Is there any deterioration in debtors' profile?
Reply: No change in debtors' profile as it is merely a business negotiation.

Corporate Governance ("CG") Matters

1. Prolexus in its CG Report states that it has departed from Practice 4.5 which requires the board to disclose in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. Currently, the Company has one female director on the Board.
The Board does not have any policy on gender diversity policies and targets. When does the Board plan to disclose in its annual report the company's policies on gender diversity, its targets and measures to meet those targets?
Reply: The Board has no intention to formalise a policy on gender diversity at this juncture given that the Board has been practicing a policy emphasizing on the capability rather than gender. The Board will keep an open mind in its future selection process to increase female director (if any) based on key competencies, knowledge and experience that could further strengthen the Board. Currently, women director comprised 11% of the total board members.

2. Practice 7.1 of Malaysian Code on Corporate Governance (“MCCG”) advocates the detailed disclosure, on named basis, of the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments. The Company has stated in its CG Report that it has departed from this Practice whereby the remuneration of directors is disclosed in RM50,000 bands in the Corporate Governance Overview Statement section of the Annual Report as an alternative. This departure is also in breach of Appendix 9C, Part A (11) of the Main Market Listing Requirements. The breach of this rule may result in sanction from Bursa Malaysia. When does the Board plan to adopt this Practice?
Reply: The Board will adopt with immediate effect.

3. Pursuant to Paragraph 9.21 of the Main Market Listing Requirements, listed issuers are required to ensure that its website is current, informative and contains all information. This includes providing a summary of the key matters discussed at the AGM, as soon as practicable after the conclusion of the AGM. The summary of key matters discussed is unavailable upon checking on 25 November 2020. Prolexus is required to maintain a corporate website to disclose the aforementioned.
Reply: There were no key matters discussed at the last AGM. As such, Prolexus is in compliance with Paragraph 9.21 of the Main Listing Requirements.