

## PROLEXUS BERHAD

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE FULLY VIRTUAL 28<sup>TH</sup> 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.

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### 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.