

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the next course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

- (I) PROPOSED BONUS ISSUE OF UP TO 130,126,980 NEW ORDINARY SHARES IN PROLEXUS BERHAD (“PROLEXUS”) (“PROLEXUS SHARES”) (“BONUS SHARES”) ON THE BASIS OF 1 BONUS SHARE FOR EVERY 2 EXISTING PROLEXUS SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“BONUS SHARE ENTITLEMENT DATE”); AND**
  
- (II) PROPOSED BONUS ISSUE OF UP TO 195,190,470 FREE WARRANTS IN PROLEXUS (“WARRANTS B”) ON THE BASIS OF 1 WARRANT B FOR EVERY 2 EXISTING PROLEXUS SHARES ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Principal Adviser**

**TA SECURITIES**

AN UNWAVERING COMMITMENT

**TA SECURITIES HOLDINGS BERHAD**

(Registration No. 197301001467 (14948-M))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of the Company (“**EGM**”) to be conducted entirely through live streaming from the Broadcast Venue at the Conference Room of Honsin Apparel Sdn Bhd, 531 Batu 2½, Jalan Kluang, 83000 Batu Pahat, Johor on Tuesday, 8 June 2021 at 10:00 a.m. The Notice of EGM and the Proxy Form are enclosed in this Circular.

If you decide to appoint a proxy to attend and vote on your behalf at the EGM, you are to complete, sign and return the Proxy Form and deposit it at the Registered Office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang on or before the time and date indicated below. The lodging of the Proxy Form shall not preclude you from participating and voting at the EGM should you subsequently wish to do so and in such an event, your Proxy Form shall be deemed to have been revoked.

Last day, date and time for lodging the Proxy Form : Sunday, 6 June 2021 at 10:00 a.m.  
Date and time of EGM : Tuesday, 8 June 2021 at 10:00 a.m.

This Circular is dated 24 May 2021

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

<b>Act</b>	: Companies Act, 2016 of Malaysia, as amended from time to time and any re-enactment thereof
<b>Board</b>	: Board of Directors of the Company
<b>Bonus Shares</b>	: Up to 130,126,980 new Prolexus Shares to be allotted and issued pursuant to the Proposed Bonus Issue of Shares
<b>Bonus Share Entitled Shareholders</b>	: Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Bonus Share Entitlement Date
<b>Bonus Share Entitlement Date</b>	: 5.00 p.m. on a date to be determined and announced later by the Board on which the names of Shareholders must appear in the Record of Depositors of the Company in order to be entitled to the Bonus Shares
<b>Bursa Depository</b>	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
<b>Circular</b>	: This circular to Shareholders in relation to the Proposals
<b>Deed Poll B</b>	: The deed poll constituting the Warrants B to be executed by the Company in relation to the Proposed Bonus Issue of Warrants
<b>Directors</b>	: Directors of the Company for the time being and shall have the meaning ascribed to it in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
<b>EGM</b>	: Extraordinary general meeting of the Company
<b>EPS</b>	: Earnings per Share
<b>ESOS</b>	: The employees' share option scheme 2013/2023 of the Company
<b>ESOS Options</b>	: Options granted under the ESOS that are exercisable into new Prolexus Shares
<b>FYE</b>	: Financial year ended / ending
<b>Listing Requirements</b>	: Main Market Listing Requirements of Bursa Securities, as amended from time to time
<b>LPD</b>	: 17 May 2021, being the latest practicable date prior to the printing of this Circular
<b>Market Day</b>	: Any day on which Bursa Securities is open for trading of securities
<b>NA</b>	: Net assets
<b>Official List</b>	: The official list of the Main Market of Bursa Securities

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**DEFINITIONS (CONT'D)**

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<b>Prolexus or the Company</b>	:	Prolexus Berhad (Registration No. 199201019353 (250857-T))
<b>Prolexus Group or the Group</b>	:	Collectively, Prolexus and its subsidiaries
<b>Prolexus Shares or the Shares</b>	:	Ordinary shares in Prolexus
<b>Proposals</b>	:	Collectively, the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants
<b>Proposed Bonus Issue of Shares</b>	:	Proposed bonus issue of up to 130,126,980 Bonus Shares on the basis of 1 Bonus Share for every 2 existing Shares held on the Bonus Share Entitlement Date
<b>Proposed Bonus Issue of Warrants</b>	:	Proposed bonus issue of up to 195,190,470 free Warrants on the basis of 1 Warrant B for every 2 existing Shares held on the Warrant B Entitlement Date
<b>Record of Depositors</b>	:	A record of securities holders established by Bursa Depository under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, including the Securities Industry (Central Depositories) Amendment Act, 1998
<b>RM and sen</b>	:	Ringgit Malaysia and sen respectively
<b>Shareholders</b>	:	Registered holders of Prolexus Shares
<b>TA Securities or the Principal Adviser</b>	:	TA Securities Holdings Berhad (Registration No. 197301001467 (14948-M))
<b>VWAP</b>	:	Volume weighted average price
<b>Warrants A</b>	:	Prolexus warrants 2016/2021 issued by the Company, which will expire on 14 June 2021. Each Warrant A entitles its holder to subscribe for 1 new Share at the exercise price of RM1.20
<b>Warrants B</b>	:	Up to 195,190,470 Warrants B to be allotted and issued pursuant to the Proposed Bonus Issue of Warrants
<b>Warrant B Entitled Shareholders</b>	:	Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Warrant B Entitlement Date
<b>Warrant B Entitlement Date</b>	:	5.00 p.m. on a date to be determined and announced later by the Board on which the names of Shareholders must appear in the Record of Depositors of the Company in order to be entitled to the Warrants B

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**DEFINITIONS (CONT'D)**

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All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated. Any discrepancies in the tables between the amounts stated, actual figures and the totals thereof in this Circular are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved, and the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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

**Registered Office:**

51-21-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang

24 May 2021

**Board of Directors**

Khadmudin Bin Mohamed Rafik (Independent Non-Executive Chairman)  
Lau Mong Ying (Managing Director)  
Choong Chee Mun (Executive Director)  
Lau Mong Fah (Non-Independent Non-Executive Director)  
Chin Chew Mun (Independent Non-Executive Director)  
Boo Chin Liong (Independent Non-Executive Director)  
W Norma Binti W Daud (Independent Non-Executive Director)

**To: The Shareholders**

Dear Sir / Madam,

- (I) **PROPOSED BONUS ISSUE OF SHARES; AND**
- (II) **PROPOSED BONUS ISSUE OF WARRANTS**

**(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)**

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**1. INTRODUCTION**

On 19 April 2021, TA Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

On 18 May 2021, TA Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated on 17 May 2021, granted its approval for the:-

- (i) listing and quotation of the Bonus Shares on the Main Market of Bursa Securities;
- (ii) admission of the Warrants B to the Official List; and
- (iii) listing and quotation of the Warrants B as well as the new Shares to be issued arising from the exercise of the Warrants B on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as set out in Section 6 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSALS AND TO SET OUT THE VIEWS AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

## 2. DETAILS OF THE PROPOSALS

### 2.1 Proposed Bonus Issue of Shares

#### 2.1.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue of Shares is to be implemented on the basis of 1 Bonus Share for every 2 existing Shares held by the Bonus Share Entitled Shareholders on the Bonus Share Entitlement Date.

As at the LPD, the issued share capital of the Company is RM108,350,268 comprising 184,349,920 Prolexus Shares (including 6,265,400 treasury shares). The treasury shares would be entitled to the Bonus Shares and such Bonus Shares will be treated as treasury shares held by the Company at the time the Bonus Shares are allotted.

In addition, Prolexus also has:

- (i) 54,558,750 outstanding Warrants A;
- (ii) 1,622,200 granted ESOS Options which have not been exercised; and
- (iii) up to 19,723,090 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS.

Based on the above, the Proposed Bonus Issue of Shares would entail the issuance of up to 130,126,980 Bonus Shares, computed as follows:-

	<b>No. of Shares</b>
Issued share capital as at the LPD (excluding treasury shares)	178,084,520
Assuming treasury shares are resold in the market	6,265,400
<b>Enlarged issued share capital</b>	<b>184,349,920</b>
Assuming full exercise of Warrants A	54,558,750
Assuming full granting and exercise of ESOS Options	21,345,290
<b>Enlarged issued share capital</b>	<b>260,253,960</b>
To be issued pursuant to the Proposed Bonus Issue of Shares	130,126,980
<b>Enlarged issued share capital after the Proposed Bonus Issue of Shares</b>	<b>390,380,940</b>

The basis of 1 Bonus Share for every 2 existing Shares was determined after taking into consideration, amongst others, the following:-

- (i) the potential adjustments to the share price of Prolexus Shares arising from the Proposed Bonus Issue of Shares; and
- (ii) the enlarged total number of Prolexus Shares after the Proposed Bonus Issue of Shares.

Fractional entitlements arising from the Proposed Bonus Issue of Shares, if any, will be disregarded and/or dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient or in the interest of the Company.

The reference price of Prolexus Shares will be adjusted for the Proposed Bonus Issue of Shares. For illustrative purposes, based on the 5-day VWAP of Prolexus Shares up to the LPD and the lowest daily VWAP of Prolexus Shares during the past 3-month period up to and including 16 April 2021 (being the Market Day immediately before submission of the application to Bursa Securities on 19 April 2021), the theoretical price of Prolexus Shares after adjusting for the effects of the Proposed Bonus Issue of Shares ("**Theoretical Ex-bonus Price**") is as follows:-

	Before the Proposed Bonus Issue of Shares	After the Proposed Bonus Issue of Shares
	Market price	Theoretical Ex-bonus Price
5-day VWAP up to the LPD (RM)	1.0062	<sup>(1)</sup> 0.6708
Lowest daily VWAP during the past 3-month period up to and including 16 April 2021 (RM)	0.8013	0.5342
No. of Shares	184,349,920	Up to 390,380,940

The Board confirms that the share price adjusted for the Proposed Bonus Issue of Shares is not less than RM0.50 based on the daily VWAP during the past 3-month period up to and including 16 April 2021 (being the date immediately before submission of the application to Bursa Securities on 19 April 2021) in accordance with Paragraph 6.30(1A) of the Listing Requirements.

For illustration purposes, based on the 5-day VWAP of Prolexus Shares as at the LPD and assuming 1,000 Prolexus Shares held by a shareholder, the effect of the Proposed Bonus Issue of Shares on the Shares held by the shareholder is as follow:

	No. of Shares held	5-day VWAP of Prolexus Shares as at the LPD / Theoretical Ex-bonus Price (RM)	Total value (RM)
Before the Proposed Bonus Issue of Shares	1,000	1.0062	1,006.20
After the Proposed Bonus Issue of Shares	1,500	<sup>(1)</sup> 0.6708	1,006.20

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Note:-

(1) The Theoretical Ex-bonus Price is calculated as follows:-

$$\begin{aligned} \text{5-day VWAP of Prolexus Shares as at LPD} &= \text{RM1.0062} \\ \text{Theoretical Ex-bonus Price (based on the ratio of 1} &= \text{RM1.0062} \times \frac{2}{3} \\ \text{Bonus Share for every 2 existing Prolexus Shares)} & \\ &= \text{RM0.6708} \end{aligned}$$

The Proposed Bonus Issue of Shares is not intended to be implemented in stages over a period of time.

## 2.1.2 No capitalisation of reserves

The Bonus Shares shall be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

For the avoidance of doubt, the Proposed Bonus Issue of Shares will increase the number of Prolexus Shares but will not increase the value of the issued share capital of Prolexus.

## 2.1.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Prolexus Shares.

As the Prolexus Shares are prescribed securities under Section 14(5) of the Securities Industry (Central Depositories) Act, 1991, the Bonus Shares will be credited directly into the respective Central Depository System accounts of the Bonus Share Entitled Shareholders and no physical share certificates will be issued. For the avoidance of doubt, the Bonus Shares will be entitled to the Warrants B.

## 2.1.4 Listing and quotation of the Bonus Shares

The Bonus Shares will be listed on the Main Market of Bursa Securities.

## 2.2 Proposed Bonus Issue of Warrants

### 2.2.1 Basis and number of Warrants B to be issued

The Proposed Bonus Issue of Warrants will entail the issuance of up to 195,190,470 Warrants B on the basis of 1 Warrant B for every 2 existing Shares held by the Warrant B Entitled Shareholders on the Warrant B Entitlement Date. The computation is as follows:-

	No. of Shares
Enlarged issued share capital after the Proposed Bonus Issue of Shares	390,380,940
To be issued assuming full exercise of the Warrants B	195,190,470
<b>Enlarged issued share capital after the Proposals</b>	<b>585,571,410</b>

The actual number of Warrants B to be issued pursuant to the Proposed Bonus Issue of Warrants will depend on the total number of issued Shares as at the Warrant B Entitlement Date. The implementation of the Proposed Bonus Issue of Warrants is expected to be carried out after the expiry of the Warrants A.

Fractional entitlements arising from the Proposed Bonus Issue of Warrants, if any, will be disregarded and/or dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient or in the interest of the Company.

The Proposed Bonus Issue of Warrants is not intended to be implemented in stages over a period of time. The Warrant B Entitlement Date will be determined and announced at a later date upon receipt of all relevant approvals for the Proposed Bonus Issue of Warrants.

The Board intends to make announcements regarding the Warrant B Entitlement Date and the Bonus Share Entitlement Date on the same day. Further, the price-fixing for the Warrants B will be prior to the announcement of the Warrant B Entitlement Date.

### 2.2.2 Salient terms of the Warrants B

Issuer	:	Prolexus
Issue size	:	Up to 195,190,470 Warrants B
Form	:	The Warrants B will be issued in registered form and constituted by the Deed Poll B.
Board lot	:	For purpose of trading on Bursa Securities, a board lot of Warrants B shall be 100 units of Warrants B, unless otherwise revised by the relevant authorities.
Tenure	:	5 years commencing on and including the date of issuance of the Warrants B.
Exercise Period	:	The Warrants B may be exercised at any time within the tenure of the Warrants B, commencing from and including the date of issuance of the Warrants B to the close of business at 5.00 p.m. on the Market Day immediately preceding the 5th anniversary of the date of issuance of the Warrants B. Any Warrants B not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	:	The exercise price of the Warrants B shall be determined by the Board at a later date after obtaining all the relevant approvals but prior to the announcement of the Warrant B Entitlement Date. The exercise price and/or the number of the Warrants B in issue during the Exercise Period shall however be subject to adjustments under circumstances prescribed in accordance with the terms and provisions of the Deed Poll B.
Exercise Rights	:	Each Warrant B shall entitle the holder of the Warrants B to subscribe for 1 new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with provisions of the Deed Poll B.
Mode of exercise	:	The holders of the Warrants B shall deliver the duly completed and signed exercise form to the Company's registrar and pay by way of banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia for the aggregate of the Exercise Price payable when exercising their Warrants B to subscribe for new Shares in the Company.  The payment of such fee must be made in RM.
Adjustments to the Exercise Price and/or the number of the Warrants B	:	The Exercise Price and/or the number of outstanding Warrants B in issue shall be adjusted by the Board in consultation with an approved adviser appointed by the Company or the auditors in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants B in accordance with the provisions of the Deed Poll B. Any adjustment to the Exercise Price will be rounded up to the nearest 1 sen.

Rights of the holders of Warrants B	: The Warrants B do not confer on their holders any voting rights or any rights to participate in any forms of distribution and/or offer of further securities in the Company until and unless the holders of such Warrants B have exercised their Warrants B to subscribe for new Shares in accordance with the provisions of the Deed Poll B and such new Shares have been allotted and issued to such holders.
Ranking of the new shares to be issued pursuant to the exercise of the Warrants B	: The new Shares to be issued pursuant to the exercise of the Warrants B in accordance with the provisions of the Deed Poll B shall, upon allotment, issuance and payment of the Exercise Price, rank pari passu in all respects with the then-existing issued Shares, save and except that the new Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions which may be declared, made or paid to shareholders, where the entitlement date of such dividend, right, allotment and/or other forms of distribution precedes the relevant date of allotment and issuance of the new Shares.
Modification of rights of the Warrant B holder	: Save as otherwise provided in the Deed Poll B, a special resolution of the Warrants B holders is required to sanction any modification, alteration or abrogation in respect of the rights of the Warrant B holders.
Modification of the Deed Poll B	: The Company may, from time to time, without the consent or sanction of the holders of the Warrants B, modify the Deed Poll B, if such modification made does not materially prejudice the interest of the Warrant B holders or is made to correct a manifest error or to comply with prevailing laws of Malaysia.  Any modification to the terms and conditions of the Deed Poll B may, subject to the approval of any relevant authority, be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll B.
Rights of the Warrant holders in the event of winding-up, compromise and/or arrangement	: Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies, then:-  (i) the Company shall give notice to the Warrants B holders within 21 days or such other time period as may be prescribed by Bursa Securities or such other relevant authorities from time to time of such a resolution in accordance with the Deed Poll B; and  (ii) for the purposes of such winding-up, compromise or arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants B, or some person designated by them for such purpose by special resolution of the holders of Warrants B, shall be a party, the terms of such winding-up, compromise and/or arrangement shall be binding on all the holders of the Warrants B; and  (iii) after the passing of such resolution for a members' voluntary winding-up of the Company, every Warrants B holder shall be entitled to exercise his / her Warrants B at any time not more than 6 weeks after the granting of the court order approving the compromise or arrangement (as the case may be) by submitting the exercise form (by irrevocable surrender of his/her Warrants B to the Company) duly completed authorising the debiting of his / her Warrants B together with payment of the relevant Exercise Price, whereupon the Company shall as soon as possible but in any event prior to the date of the general meeting, allot the relevant new Shares to the Warrant B holder credited as fully paid subject to the prevailing laws. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants B shall lapse and cease to be valid for any purpose.

Listing status	:	The Warrants B will be listed on the Main Market of Bursa Securities.
Transferability	:	The Warrants B shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 of Malaysia and the rules of Bursa Malaysia Depository Sdn Bhd.
Governing Law	:	The Warrants B and the Deed Poll B shall be governed by the laws of Malaysia.

### **2.2.3 Basis and justification of the issue price and exercise price of the Warrants B**

The Warrants B will be issued at no cost to the Warrant B Entitled Shareholders.

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.

For illustrative purpose, the indicative exercise price of Warrants B is assumed to be at RM0.60 per Warrant B, which represents a discount of approximately 10.55% to the Theoretical Ex-bonus Price of RM0.6708 each, calculated based on the 5-day VWAP of Prolexus Shares up to the LPD of RM1.0062.

### **2.2.4 Listing and quotation of the Warrants B and new Shares pursuant to the exercise of the Warrants B**

The Warrants B and new Shares pursuant to the exercise of the Warrants B will be listed on the Main Market of Bursa Securities.

### **2.2.5 Ranking of the Warrants B and the new Shares to be issued arising from the exercise of Warrants B**

The holders of the Warrants B are not recognised as Shareholders and are not entitled to any dividends, rights, allotments and/or other distributions until and unless such holders of the Warrants B have exercised their Warrants B into new Shares.

The new Shares to be issued arising from the exercise of the Warrants B shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of allotment of the new Shares.

### **2.2.6 Utilisation of proceeds**

The proceeds arising from the exercise of the Warrants B will depend on, amongst others, the number of Warrants B exercised at the relevant point in time as well as the Exercise Price. As such, the actual amount of proceeds arising from the exercise of the Warrants B as well as the timeframe for the utilisation of proceeds could not be determined at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the Warrants B, if any, for the working capital of the Group. The working capital raised from the exercise of the Warrants B will be utilised to finance the Group's day-to-day operations, including the payment of staff salaries as well as defrayment of operational and administrative expenses (e.g. utilities, inventories and other miscellaneous items such as marketing expenses).

The actual funding breakdown cannot be determined at this juncture as it will depend on, amongst others, the actual proceeds to be raised from the exercise of Warrants B as well as the working capital requirements of the Group at the relevant point in time.

### **2.3 Equity fundraising exercises undertaken in the past 12 months**

The Company has not undertaken any equity fundraising exercises in the past 12 months up to the LPD.

## **3. RATIONALE FOR THE PROPOSALS**

### **3.1 Proposed Bonus Issue of Shares**

The rationale for the Proposed Bonus Issue of Shares is as follows:-

- (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.

### **3.2 Proposed Bonus Issue of Warrants**

The rationale for the Proposed Bonus Issue of Warrants is as follows:-

- (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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## 4. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

### 4.1 Malaysian economy

The Malaysian economy experienced the full impact of the coronavirus disease 2019 (“**COVID-19**”) pandemic in the second quarter of 2020, with the real gross domestic product (“**GDP**”) contracting by 17.1%. The contraction was mainly attributed to the imposition of the movement control order (“**MCO**”) to contain the outbreak. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives. Hence, the Government has announced several stimulus packages totalling RM305 billion to support both households and businesses. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia’s GDP is expected to contract by 4.5% in 2020, before rebounding between 6.5% - 7.5% in 2021. With the bold and swift measures undertaken, Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Although domestic demand is expected to remain soft throughout 2020, there are signs of recovery in the second half of the year, particularly in private consumption. On the external front, the collapse in global demand and world trade led to a decline in exports during the year. However, current account of the balance of payments is expected to remain in surplus. On the supply side, all sectors are expected to contract, affected by the unprecedented crisis. Nevertheless, the pace of improvement gathered momentum in the third quarter, especially in the services and manufacturing sectors, with the resumption of economic activities.

*(Source: Economic Outlook 2021, Ministry of Finance Malaysia)*

### 4.2 Overview and outlook of the manufacturing sector / textiles industry in Malaysia

The manufacturing sector contracted by 8.7% during the first half of 2020, as almost all industry operations were temporarily halted, following supply chain disruptions amid the MCO. Within the export-oriented industries, the electric and electronics (“**E&E**”) cluster was severely affected as global demand decelerated sharply. Domestic-oriented industries also recorded sluggish growth, with transport equipment; and non-metallic mineral products, basic metal and fabricated metal products segments registering a double-digit contraction.

Nonetheless, the manufacturing sector is expected to improve by 2.4% in the second half of 2020, as industrial activities resume operations in line with the gradual lifting of the MCO. Within the export-oriented industries, the E&E segment is projected to improve following rising demand for computer and electronic products. Chemical and rubber products are anticipated to continue to record high growth, benefitting from higher demand for rubber gloves and pharmaceutical products. Within the domestic-oriented industries, the food products and transport equipment segments are expected to rebound, supported by higher demand. Overall, for the year, the manufacturing sector is expected to decline by 3%.

The manufacturing sector is forecast to rebound by 7% in 2021, driven by steady improvement in both the export- and domestic-oriented industries. The E&E segment is projected to accelerate in line with the digital transformation as work-from-home (WFH) and virtual communication become part of new business practices. Higher demand for integrated circuits, memory and microchips within the global semiconductor market will further support the segment. The production of chemical and rubber products is expected to expand rapidly in tandem with the increase in demand for disinfectants, sanitisers and rubber gloves. With the economic recovery, consumer-related products will benefit from higher household disposable income, while construction-related products will be supported by major infrastructure and affordable housing projects.

*(Source: Economic Outlook 2021, Ministry of Finance Malaysia)*

## Textiles and Textile Products

The global textile market is expected to decline by 2.8% from US\$673.9 billion in 2019 to US\$655.2 billion in 2020, mainly resulting from the global economic slowdown across countries due to the COVID-19 outbreak and the measures taken to contain it. The market is then expected to recover and grow at a compound annual growth rate of 7% from 2021 and reach US\$795.4 billion in 2023.

As operational capabilities advanced across Asia, apparel manufacturers in the region shifted from simple 'cut, trim, and make' operations to full package manufacturing, earning them a greater share of the global market. The next phase saw some manufacturers move up the value chain to develop in-house design capabilities, while others started selling branded products of their own for the local market (OBM companies).

The COVID-19 pandemic and subsequent government reactions have had an uneven impact on the textiles and apparels industry. However, most of the industry players have shifted focus to produce Personal Protective Equipment (PPE), as the demand for face masks and protective clothing has increased significantly.

Even before the pandemic struck, e-commerce has been steadily growing since 2019, putting pressure on physical stores. Consumers have easy access to online retail shopping sites that offer transparent pricing across a wide variety of affordable apparel and footwear. Malaysia's online retail sales surged 28.9% in April 2020, although the total sales value of wholesale and retail trade dropped 36.6% as compared with April 2019.

The latest data released by the Department of Statistics (DOSM) shows the textile, apparel, leather, and footwear sectors are still struggling to recover from COVID-19's impact. While the country's industrial production growth returned to positive territory in July 2020 by 1.2%, the economically-important textile, apparel, and footwear industries shrunk by 12.9% year-on-year, as compared to the 9.6% negative growth experienced in June 2020.

In 2020, a total of 57 projects, or over double the number approved in 2019 (28) were approved in the textiles and apparels industry (including PPE production projects) with investments valued at RM1.2 billion providing 2,838 employment opportunities. This is 2.7 times the RM441 million invested in 2019, and nearly double the number of new jobs created (1,421). Domestic direct investments (DDI) dominated the industry with RM1.1 billion (91.7%) – 4.5 times 2019's figure of RM242.1 million – while foreign direct investments (FDI) was worth RM159.4 million (8.3%).

*(Source: Malaysia Investment Performance Report 2020, Malaysian Investment Development Authority)*

### **4.3 Prospects of Prolexus Group**

Prolexus Group is primarily involved in manufacturing of apparels, fabric face masks and fabrics. The sales of apparels, fabric face masks and fabrics account for more than 95% of the Group's total revenue for the past 3 financial years.

The COVID-19 pandemic has impacted the business operations of the Group particularly on the Group's revenue as sales orders received from buyers are expected to decrease due to the disruption of economic activity globally and changes in retail operations. Based on the Group's unaudited financial results for the financial period ended 31 January 2021, the decline in revenue is mainly due to lower sales in the apparel division and advertising division but was mitigated by the higher sales in the textile division.

Nonetheless, the Group has started manufacturing reusable fabric face mask back in March 2020. The manufacturing of fabric mask is complementary to the existing core business in the manufacturing of apparels. At the same time, the Group could leverage on its existing production facilities and resources to generate an additional income stream for the Group. The manufacturing of fabric mask had cushioned the decline in revenue arising from decrease in apparel orders due to the pandemic.

The Group has also added an additional source of income by introducing inner and outer headwear for the Muslim community. It is currently being sold domestically in Malaysia as well as to the Middle East and the Group intends to expand its product range and offer its products to other international markets in the near future. Premised on the above as well as the outlook and prospects of the manufacturing industry as set out in Section 4.2 above, the management is cautiously optimistic about the Group's future prospects.

## 5. EFFECTS OF THE PROPOSALS

### 5.1 Issued share capital

The pro forma effect of the Proposals on the issued share capital of the Company is as follows:-

	Total issued Shares	Share capital (RM)
Issued share capital as at the LPD	178,084,520	106,860,891
Assuming treasury shares are resold in the market	6,265,400	1,489,377
<b>Enlarged issued share capital</b>	<b>184,349,920</b>	<b>108,350,268</b>
Assuming full exercise of Warrants A <sup>(1)</sup>	54,558,750	83,060,500
Assuming full granting and/or exercise of ESOS Options <sup>(2)</sup>	21,345,290	19,834,013
<b>Enlarged issued share capital</b>	<b>260,253,960</b>	<b>211,244,781</b>
New Shares to be issued pursuant to the Proposed Bonus Issue of Shares	130,126,980	(3)-
<b>Enlarged issued share capital after the Proposed Bonus Issue of Shares</b>	<b>390,380,940</b>	<b>211,244,781</b>
To be issued assuming full exercise of the Warrants B	195,190,470	<sup>(4)</sup> 117,114,282
<b>Enlarged issued share capital after the Proposals</b>	<b>585,571,410</b>	<b>328,359,063</b>

Notes:-

- (1) Assuming all Warrants A are fully converted into new Shares based on an exercise price of RM1.20 each and after accounting for the reversal of warrants reserve.
- (2) After accounting for the reversal of ESOS reserve and based on the:-
  - (i) exercise price of RM0.50 for the 139,475 ESOS Options granted on 12 September 2013 which have yet to be exercised;
  - (ii) exercise price of RM0.722 for the 202,450 ESOS Options granted on 7 May 2014 which have yet to be exercised;
  - (iii) exercise price of RM0.775 for the 329,575 ESOS Options granted on 5 September 2014 which have yet to be exercised;
  - (iv) exercise price of RM0.804 for the 105,000 ESOS Options granted on 23 December 2014 which have yet to be exercised;
  - (v) exercise price of RM1.234 for the 845,700 ESOS Options granted on 8 September 2016 which have yet to be exercised; and
  - (vi) illustrative exercise price of RM0.9056 (based on the 5-day VWAP of Prolexus Shares up to and including the LPD of RM1.0062 less 10% discount) for the remaining 19,723,090 ESOS Options which have yet to be granted and exercised.
- (3) The Bonus Shares will be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.
- (4) Based on an illustrative exercise price of RM0.60 per Warrant B.



## 5.2 NA and gearing

The pro forma effects of the Proposals on the NA and gearing of the Group is as follows:-

	(i) Audited as at 31 July 2020 (RM'000)	(i) After subsequent events <sup>(1)</sup> (RM'000)	(ii) After (i) and assuming that the treasury shares are resold and the outstanding ESOS and Warrants A are fully exercised <sup>(2)(3)</sup> (RM'000)	(iii) After (ii) and the Proposed Bonus Issue of Shares <sup>(4)</sup> (RM'000)	(iv) After (iii) and assuming full exercise of Warrants B <sup>(5)</sup> (RM'000)
Share capital	106,045	108,350	211,245	211,245	328,359
Treasury shares	(1,490)	(1,490)	(6)	-	-
Reserves	22,448	22,029	4,066	4,066	4,066
Retained profits	119,966	119,966	119,966	119,716	119,716
<b>Shareholders' equity / NA</b>	<b>246,969</b>	<b>248,855</b>	<b>335,277</b>	<b>335,027</b>	<b>452,141</b>
Non-controlling interests	28,812	28,812	28,812	28,812	28,812
<b>Total equity</b>	<b>275,781</b>	<b>277,667</b>	<b>364,089</b>	<b>363,839</b>	<b>480,953</b>
No. of Shares in issue ('000)	175,025	178,085	260,254	390,381	585,571
NA per Share (RM)	1.58	1.56	1.40	0.93	0.82
Total borrowings (RM'000)	95,477	95,477	95,477	95,477	95,477
Gearing (times)	0.35	0.34	0.26	0.26	0.20

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**Notes:-**

- (1) *After accounting for the reversal of ESOS reserve, the granting and issuance of 63,500, 238,200, 171,050, 1,047,825, 65,000, 120,000, 111,025, 903,150, 10,000, 230,000, 50,000 and 50,000 new Shares arising from the exercise of ESOS Options at the exercise price of RM1.234, RM0.775, RM0.722, RM0.50, RM1.234, RM0.804, RM0.775, RM0.50, RM1.234, RM0.804, RM0.775, RM0.50 from 1 August 2020 up to the LPD.*
- (2) *Assuming all Warrants A are fully converted into new Shares based on an exercise price of RM1.20 each and after accounting for the reversal of warrants reserve.*
- (3) *After accounting for the reversal of ESOS reserve and assuming all the:-*
  - (i) *139,475 outstanding ESOS Options are exercised at an exercise price of RM0.50 each;*
  - (ii) *202,450 outstanding ESOS Options are exercised at an exercise price of RM0.722 each;*
  - (iii) *329,575 outstanding ESOS Options are exercised at an exercise price of RM0.775 each;*
  - (iv) *105,000 outstanding ESOS Options are exercised at an exercise price of RM0.804 each;*
  - (v) *845,700 outstanding ESOS Options are exercised at an exercise price of RM1.234 each; and*
  - (vi) *19,723,090 ESOS Options which may be granted pursuant to maximum allowable amount under the ESOS are granted and exercised at an illustrative exercise price of RM0.9056 each.*
- (4) *After deducting estimated expenses incidental to the Proposals of approximately RM0.25 million.*
- (5) *Based on an illustrative exercise price of RM0.60 per Warrant B.*
- (6) *Assuming all treasury shares are resold in the open market at their respective acquisition cost.*

### **5.3 Earnings and EPS**

The Proposals are not expected to have an impact on the consolidated earnings of the Company save for the dilution in the EPS as a result of the increase in the number of Shares arising from the issuance of Bonus Shares and exercise of Warrants B.

The potential effect of the Proposed Bonus Issue of Warrants on the future earnings and EPS of the Group will depend on, amongst others, the number of Shares issued pursuant to the exercise of Warrants B at any point in time and the potential benefits from the utilisation of the proceeds.

Although the EPS shall be correspondingly diluted as a result of the increase in the number of Shares upon the exercise of Warrants B, the Proposed Bonus Issue of Warrants is expected to contribute positively to the Company's earnings thereafter through the utilisation of proceeds.

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#### 5.4 Substantial Shareholders' shareholding

The pro forma effects of the Proposals on the substantial Shareholder's shareholdings in the Company based on the register of the Company as at the LPD are as follows:-

Substantial Shareholder	(I) As at the LPD				(II) Assuming that the treasury shares are resold and the outstanding ESOS and Warrants A are fully exercised			
	Direct		Indirect		Direct		Indirect	
	No of Shares	% <sup>(1)</sup>	No of Shares	% <sup>(1)</sup>	No of Shares	% <sup>(2)</sup>	No of Shares	% <sup>(2)</sup>
Lau Mong Ying	19,412,740	10.90	17,480,700	<sup>(5)</sup> 9.82	19,412,740	7.46	17,480,700	<sup>(5)</sup> 6.72
Lau Mong Fah	1,165,000	0.65	17,480,700	<sup>(5)</sup> 9.82	1,190,000	0.46	17,480,700	<sup>(5)</sup> 6.72
JE Holdings Sdn Bhd	17,480,700	9.82	-	-	17,480,700	6.72	-	-

  

Substantial Shareholder	(II) After (I) and the Proposed Bonus Issue of Shares				(III) After (II) and upon full exercise of Warrants B			
	Direct		Indirect		Direct		Indirect	
	No of Shares	% <sup>(3)</sup>	No of Shares	% <sup>(3)</sup>	No of Shares	% <sup>(4)</sup>	No of Shares	% <sup>(4)</sup>
Lau Mong Ying	29,119,110	7.46	26,221,050	<sup>(5)</sup> 6.72	43,678,665	7.46	39,331,575	<sup>(5)</sup> 6.72
Lau Mong Fah	1,785,000	0.46	26,221,050	<sup>(5)</sup> 6.72	2,677,500	0.46	39,331,575	<sup>(5)</sup> 6.72
JE Holdings Sdn Bhd	26,221,050	6.72	-	-	39,331,575	6.72	-	-

Notes:-

- (1) Computed based on the issued share capital of 178,084,520 Shares (after excluding 6,265,400 treasury shares) as at the LPD.
- (2) Computed based on the enlarged issued share capital of 260,253,960 Shares.
- (3) Computed based on the enlarged issued share capital of 390,380,940 Shares.
- (4) Computed based on the enlarged issued share capital of 585,571,410 Shares.
- (5) Deemed interested by virtue of Section 8 of the Act held through JE Holdings Sdn Bhd.

## **5.5 Convertible securities**

As at the LPD, the Company has:-

- (i) 54,558,750 outstanding Warrants A;
- (ii) 1,622,200 granted ESOS Options which have not been exercised; and
- (iii) up to 19,723,090 ESOS Options which may be granted pursuant to the maximum allowable amount under the ESOS.

The Proposals will not result in any adjustment to the exercise price and/or number of outstanding Warrants A.

The Proposed Bonus Issue of Shares will give rise to the adjustments to the exercise price and/or the number of ESOS Options as at the Bonus Shares Entitlement Date in accordance with the by-laws governing the ESOS Options. Any adjustments will only be finalised on the Bonus Shares Entitlement Date and will be effective on the next Market Day after the Bonus Shares Entitlement Date. The Proposed Bonus Issue of Warrants will not result in any adjustment to the exercise price and/or number of outstanding ESOS Options.

Save for the above, the Company does not have any other convertible securities as at the LPD.

## **6. APPROVALS REQUIRED AND CONDITIONALITY**

The Proposals are subject to the following approvals being obtained:-

- (i) the approval of Bursa Securities for the:-
  - (a) listing and quotation of the Bonus Shares on the Main Market of Bursa Securities;
  - (b) admission of the Warrants B to the Official List; and
  - (c) listing and quotation of the Warrants B as well as the new Shares to be issued arising from the exercise of the Warrants B on the Main Market of Bursa Securities,

which has been obtained vide its letter dated 17 May 2021.

- (ii) the approval of Shareholders at the forthcoming EGM; and
- (iii) the approvals / consents of any other relevant authorities and/or parties, if required.

The Proposed Bonus Issue of Shares and the Proposed Bonus Issue of Warrants are not inter-conditional.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

## **7. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposals, there are no other corporate exercises / schemes which have been announced by the Company but pending completion as at the LPD.

**8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE COMPANY AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors, major Shareholders, chief executive of the Company and/or persons connected with them has any interest, direct or indirect, in the Proposals, apart from their respective entitlements as shareholders of Prolexus under the Proposals, of which all other Shareholders are similarly entitled to.

**9. BOARD'S RECOMMENDATION**

The Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that the Shareholders vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Subject to all relevant approvals being obtained, the Proposals are expected to be completed by the 3rd quarter of 2021.

The tentative timeline for the implementation of the Proposals is as follows:-

Date	Events
8 June 2021	<ul style="list-style-type: none"><li>EGM for the Proposals</li></ul>
Early June 2021	<ul style="list-style-type: none"><li>Announcement of the Bonus Share Entitlement Date</li><li>Announcement of the Warrant B Entitlement Date</li></ul>
End June 2021	<ul style="list-style-type: none"><li>Bonus Share Entitlement Date</li><li>Warrant B Entitlement Date</li><li>Listing and quotation of the Bonus Shares</li></ul>
Early July 2021	<ul style="list-style-type: none"><li>Listing and quotation of the Warrants B</li><li>Completion of the Proposals</li></ul>

**11. EGM**

The EGM, the notice of which is enclosed in this Circular, to be conducted entirely through live streaming from the Broadcast Venue at the Conference Room of Honsin Apparel Sdn Bhd, 531 Batu 2½, Jalan Kluang, 83000 Batu Pahat, Johor on the date and time indicated below or at any adjournment thereof for the purpose of considering and, if thought fit, passing the ordinary resolutions, with or without modifications, to give effect to the Proposals.

Date and time of the EGM	: Tuesday, 8 June 2021 at 10:00 a.m.
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If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf by completing, signing and returning the enclosed Proxy Form in accordance with the instructions contained therein as soon as possible, so as to arrive at the Registered Office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time stipulated for holding the EGM or at any adjournment thereof, and in the case of a poll, not less than 24 hours before the time for taking of the poll. The instrument appointing a proxy transmitted by facsimile or electronic mail will not be accepted.

The lodging of the Proxy Form will not preclude you from attending and voting at the EGM should you subsequently decide to do so and in such an event, your Proxy Form shall be deemed to have been revoked.

## **12. FURTHER INFORMATION**

Please refer to Appendix I of this Circular for further information.

Yours faithfully,  
For and on behalf of the Board of  
**PROLEXUS BERHAD**

**LAU MONG YING**  
Managing Director

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and the Directors, collectively and individually, accept full responsibility for the completeness and accuracy of the information contained in this Circular. They confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts, the omission of which would make any statement in this Circular false or misleading.

**2. CONSENT AND CONFLICT OF INTEREST**

TA Securities, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

TA Securities has confirmed that there is no conflict of interest or any circumstances which would or is likely to give rise to a possible conflict of interests in relation to its role as the Principal Adviser for the Proposals.

**3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****Material commitments**

As at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group.

**Contingent liabilities**

As at the LPD, the Board confirmed that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group.

**4. MATERIAL LITIGATION**

Save as disclosed below, as at the LPD, the Board confirmed that the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Group and the Board confirmed that there are no proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group:

**Notice of Arbitration served on Trans Pacific Textile (M) Sdn Bhd ("TPT") by Pembinaan Thong Lian Sdn Bhd ("PTLSB")**

TPT, a 94.44% owned subsidiary of the Company had engaged PTLSB as its contractor for the construction of a factory and waste water treatment plant ("**Project**") via a letter of acceptance dated 24 January 2017 and letter of supplemental agreement dated 2 May 2017 for a contract sum of RM60,535,000.00.

PTLSB commenced an adjudication proceeding against TPT for a sum of RM12,279,345.29 for the total work done by PTLSB. The learned adjudicator allowed PTLSB's claim against TPT and at the same time imposed a liquidated ascertained damage ("**LAD**") on PTLSB amounting to RM6,521,880.00 for PTLSB's delays by an adjudication decision dated 9 June 2020.

## APPENDIX I – FURTHER INFORMATION (CONT'D)

Being dissatisfied with the adjudication decision, PTLSB had on 7 April 2021, served a notice of arbitration on TPT claiming for the following:

- (i) LAD for the sum of RM6,521,880.00 wrongfully deducted by TPT and the learned adjudicator on PTLSB's certified and uncertified work done of RM12,279,345.29;
- (ii) the sum of RM1,513,375.00 being the 2<sup>nd</sup> moiety of the retention sum due and owing to PTLSB;
- (iii) a declaration that TPT and/or the architect is not entitled to impose LAD on PTLSB;
- (iv) damages suffered by PTLSB for the breach of contract by TPT and/or the architect;
- (v) interest at the base lending rate of Maybank on all sums directed to be paid to PTLSB in the arbitral award from such date as the arbitrator deems fit and proper;
- (vi) PTLSB's cost for the arbitration; and
- (vii) such other or further reliefs as the arbitral tribunal shall deem fit.

As the LAD and retention sum are part of the contract sum, the liabilities arising from the claim would be the damages suffered by PTLSB, interest, legal cost or such other reliefs as the arbitral tribunal may decide.

The Board is of the view that TPT has a reasonably fair chance of resisting the claim by PTLSB.

### 5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Prolexus Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:-

	High RM	Low RM
<b>2020</b>		
May	0.775	0.510
June	0.780	0.525
July	0.705	0.520
August	0.990	0.625
September	0.990	0.640
October	1.950	0.885
November	1.880	1.350
December	1.640	1.130
<b>2021</b>		
January	1.240	0.995
February	1.070	0.905
March	0.990	0.790
April	1.210	0.875
Last transacted market price on 16 April 2021, being the last Market Day immediately prior to the announcement of the Proposals		1.090
Last transacted market price on the LPD		0.955

(Source: Bloomberg)



**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang during normal business hours from Monday to Friday (*except public holidays*) for the period from the date of this Circular up to and including the date of the EGM:-

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 31 July 2019 and FYE 31 July 2020 as well as the unaudited consolidated financial statements of the Company for the 6-month financial period ended 31 January 2021;
- (iii) Draft Deed Poll B;
- (iv) the letter of consent referred to in Section 2 of this Appendix I; and
- (v) the relevant cause papers in respect of the material litigation referred to in Section 4 of this Appendix I.

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**PROLEXUS BERHAD**

(Registration No. 199201019353 (250857-T))

(Incorporated in Malaysia)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“**EGM**”) of Prolexus Berhad (“**Prolexus**” or the “**Company**”) to be conducted entirely through live streaming from the Broadcast Venue at the Conference Room of Honsin Apparel Sdn Bhd, 531 Batu 2½, Jalan Kluang, 83000 Batu Pahat, Johor on Tuesday, 8 June 2021 at 10:00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following ordinary resolutions with or without any modifications:-

**ORDINARY RESOLUTION 1**

**PROPOSED BONUS ISSUE OF UP TO 130,126,980 NEW ORDINARY SHARES IN PROLEXUS (“PROLEXUS SHARES”) (“BONUS SHARES”) ON THE BASIS OF 1 BONUS SHARE FOR EVERY 2 EXISTING SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED BONUS ISSUE OF SHARES”)**

“**THAT** subject to the approvals of all relevant authorities or parties being obtained, where required, the Board of Directors of the Company (“**Board**”) be and is hereby authorised to issue and allot up to 130,126,980 Bonus Shares by way of a bonus issue to the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business at 5.00 p.m. on an entitlement date to be determined and announced later by the Board (“**Bonus Share Entitlement Date**”), on the basis of 1 Bonus Share for every 2 existing Shares held on the Bonus Share Entitlement Date;

**THAT** the Bonus Shares shall be issued as fully paid, at nil consideration and without capitalisation of the Company’s reserves;

**THAT** the Bonus Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Prolexus Shares except that the Bonus Shares would not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Bonus Shares;

**THAT** the Board be and is hereby authorised to deal with fractional entitlements (if any), including disregarding any fractional entitlements, under the Proposed Bonus Issue of Shares, in such manner at its absolute discretion as the Board may deem fit or expedient, and in the best interests of the Company;

**AND THAT** the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Bonus Issue of Shares with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as the Board may consider necessary or expedient to implement, finalise and give full effect to Proposed Bonus Issue of Shares.”

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## **ORDINARY RESOLUTION 2**

### **PROPOSED BONUS ISSUE OF UP TO 195,190,470 WARRANTS IN PROLEXUS (“WARRANTS B”) ON THE BASIS OF 1 WARRANT B FOR EVERY 2 EXISTING SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“PROPOSED BONUS ISSUE OF WARRANTS”)**

“**THAT** subject to the approvals of all relevant authorities or parties being obtained, where required, the Board be and is hereby authorised to issue and allot up to 195,190,470 Warrants B in registered form and constituted by a deed poll to be executed by the Company constituting the Warrants B (“**Deed Poll B**”), by way of a bonus issue to the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business at 5.00 p.m. on an entitlement date to be determined and announced later by the Board (“**Warrant B Entitlement Date**”), on the basis of 1 Warrant B for every 2 existing Shares held on the Warrant B Entitlement Date;

**THAT** the Board be and is hereby authorised to fix the exercise price of the Warrants B at a later date and that the Board be and is hereby authorised to allot and issue the new Prolexus Shares arising from the exercise of the Warrants B by the holders of the Warrants B in accordance with the Deed Poll B and such new Prolexus Shares shall, upon allotment and issuance, rank pari passu in all aspects with the existing Shares, save and except that the new Prolexus Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the new Prolexus Shares;

**THAT** the Board be and is hereby authorised to deal with fractional entitlements (if any), including disregarding any fractional entitlements, under the Proposed Bonus Issue of Warrants, in such manner at its absolute discretion as the Board may deem fit or expedient, and in the best interests of the Company;

**THAT** the proceeds arising from the exercise of the Warrants B, if any, be utilised for the purposes set out in the circular to the shareholders of the Company dated 24 May 2021 in relation to the Proposed Bonus Issue of Warrants, and the Board be authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities, where required;

**THAT** approval be and is hereby given to the Board to issue and allot such appropriate number of Warrants B in accordance with the provisions of the Deed Poll B, including any additional Warrants B as may be required or permitted to be issued as a consequence of any adjustments in accordance with the terms and conditions of the Deed Poll B and to adjust from time to time the exercise price and/or number of the Warrants B to which the holder(s) of the Warrants B are entitled to be issued as a consequence of the adjustments under the provisions of the Deed Poll B and to issue and allot further new Shares as may be required or permitted to be issued pursuant to such adjustments and upon any exercise by the holders of such additional Warrants B;

**THAT** the Board be and is hereby authorised to finalise, enter into, execute and deliver for and on behalf of the Company the Deed Poll B with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or permitted by the relevant authorities or as may be deemed necessary by the Board, and to take all steps as the Board may deem fit or expedient in order to implement, finalise and give full effect to the Deed Poll B (including, without limitation, the affixing of the Company’s common seal, where necessary);

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**AND THAT** the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Bonus Issue of Warrants with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as the Board may consider necessary or expedient to implement, finalise and give full effect to Proposed Bonus Issue of Warrants.”

**BY ORDER OF THE BOARD**

**LEE PENG LOON (MACS 01258)**  
**SSM PC NO. 201908002340**

**P'NG CHIEW KEEM (MAICSA 7026443)**  
**SSM PC NO. 201908002334**

Company Secretaries

Penang  
24 May 2021

Notes:-

- (1) A proxy may but need not be a member of the Company.
- (2) A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- (3) For a proxy to be valid, the Proxy Form duly completed, must be deposited at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof and in the case of a poll, not less than twenty-four (24) hours before the time for taking of the poll. The instrument appointing a proxy transmitted by facsimile or electronic mail will not be accepted.
- (4) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“**Exempt Authorised Nominee**”) which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”) there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- (5) Where a member is an Exempt Authorised Nominee, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of two (2) proxies in respect of a particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- (6) In the case of corporate member, the Proxy Form must be executed under the corporation’s Common Seal or under the hand of an officer or attorney duly authorised.
- (7) Only a depositor whose name appears on the Record of Depositors as at 31 May 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
- (8) Members are advised to refer to the Administrative Guide and follow the procedures set out therein in order to participate remotely via the Remote Participation and Voting (RPV) facilities.

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**PROXY FORM**

Number of Shares Held	CDS ACCOUNT NO.									

\*I/We ..... (\*NRIC/Passport/Company No. ....)  
 (Full Name in Block Letters)

of ..... (Address)

being a \* member / members of the abovenamed Company, hereby appoint:

Full Name in Block Letters	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Telephone No.			

\*and/or

Full Name in Block Letters	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Telephone No.			

or failing whom, the Chairman of the Meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the Extraordinary General Meeting of the Company, to be conducted entirely through live streaming from the Broadcast Venue at the Conference Room of Honsin Apparel Sdn Bhd, 531 Batu 2½, Jalan Kluang, 83000 Batu Pahat, Johor, on Tuesday, 8 June 2021 at 10:00 a.m. or at any adjournment thereof.

Ordinary Resolutions		For	Against
1	Proposed Bonus Issue of Shares		
2	Proposed Bonus Issue of Warrants		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this .....day of .....2021.

.....  
 Signature of Member(s)/Common Seal

**Notes:**

- (1) A proxy may but need not be a member of the Company.
- (2) A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
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- (5) Where a member is an Exempt Authorised Nominee, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of two (2) proxies in respect of a particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
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- (8) Members are advised to refer to the Administrative Guide and follow the procedures set out therein in order to participate remotely via the Remote Participation and Voting (RPV) facilities.

\* Strike out whichever is not applicable.



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AFFIX  
STAMP

The Company Secretaries

**PROLEXUS BERHAD**

(Registration No. 199201019353 (250857-T))

51-21-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang

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