

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of the Share Buy-Back Statement prior to its issuance.

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

SHARE BUY-BACK STATEMENT

IN RELATION TO

**PROPOSED SHARE BUY-BACK MANDATE OF UP TO 10%
OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY**

The Notice convening the 28th Annual General Meeting of the Company will 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 Wednesday, 16 December 2020 at 10:00 a.m., together with the Proxy Form are enclosed in the Company's Annual Report for the financial year ended 31 July 2020.

If you decide to appoint a proxy to attend and vote on your behalf at the forthcoming 28th Annual General Meeting, the completed Proxy Form must be deposited at the Registered Office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not later than 48 hours before the time stipulated for holding the meeting 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.

This Circular is dated 17 November 2020

DEFINITIONS

In this Statement, the following abbreviations shall have the following meanings unless otherwise stated:-

Act	— The Companies Act, 2016 and any statutory modification, amendment or re-enactment thereof for the time being in force.
AGM	— Annual General Meeting
Board	— Board of Directors of Prolexus
Bursa Securities	— Bursa Malaysia Securities Berhad
Code	— Malaysian Code of Take-Overs and Mergers, 2016 read together with the Rules on Take-Overs, Mergers and Compulsory Acquisitions 2016, as amended from time to time
EPS	— Earnings Per Share
Listing Requirements	— Main Market Listing Requirements of Bursa Securities including any amendments thereto that may be made from time to time
LPD	— 5 November 2020, being the latest practicable date prior to the printing of this Share Buy-Back Statement
Market Day	— A day on which Bursa Securities is open for trading in securities
Prolexus or the Company	— Prolexus Berhad
Prolexus Group or the Group	— Prolexus and its subsidiary companies
Prolexus Shares or Shares	— Ordinary shares in Prolexus
Proposed Share Buy-Back	— Proposed Share Buy-Back mandate of up to 10% of the issued and paid-up share capital of the Company
RM	— Ringgit Malaysia
Statement	— This share buy-back statement in relation to the Proposed Share Buy-Back dated 17 November 2020

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this Statement shall be a reference to Malaysian time, unless otherwise specified.

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

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED SHARE BUY-BACK MANDATE OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY

1. INTRODUCTION

On 30 October 2020, the Board announced to Bursa Securities that the Company proposes to seek its shareholders' approval for the Proposed Share Buy-Back at the forthcoming AGM.

The purpose of this Statement is to provide you with the details of the Proposed Share Buy-Back and to seek your approval for the Ordinary Resolution pertaining to the Proposed Share Buy-Back to be tabled under Special Business at the forthcoming AGM. The Notice of the forthcoming AGM and the Proxy Form are enclosed in the Annual Report of the Company for the financial year ended 31 July 2020.

An extract of the Ordinary Resolution in respect of the Proposed Share Buy-Back is set out in Appendix II of this Statement.

Shareholders are advised to read and consider carefully the contents of this Statement together with the Appendices contained herein before voting on the resolution to give effect to the Proposed Share Buy-Back.

2. PROPOSED SHARE BUY-BACK

2.1 Details of the Proposed Share Buy-Back

The Company is proposing to purchase up to 10% of the total number of issued Shares of the Company. The Proposed Share Buy-Back will be effective immediately upon passing of the Ordinary Resolution pertaining to the Proposed Share Buy-Back by shareholders of the Company at the forthcoming AGM and will continue to be in force until:-

- a) the conclusion of the next AGM of Prolexus at which such resolution was passed at the which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or
- b) the expiration of the period within which the next AGM of Prolexus after that date it is required by law to be held; or
- c) the authority is revoked or varied by ordinary resolution passed by the shareholders of Prolexus in a general meeting;

whichever occurs first.

2.2 Maximum Limit

As at LPD, the issued and paid-up share capital of Prolexus stood at RM107,160,512 comprising 182,810,745 Prolexus Shares. A total of 6,265,400 Prolexus Shares were held as treasury shares as at LPD.

The maximum number of Prolexus Shares which may be purchased and/or held by the Company as treasury shares under the Proposed Share Buy-Back, if approved at the forthcoming AGM, will be 10% of the total issued shares of Prolexus.

The actual number of Prolexus Shares to be purchased and the timing of such purchase will depend on amongst others the prevailing equity market conditions and sentiments of the stock market as well as the retained profits and financial resources available to the Company at the time of the purchase.

2.3 Source of Funds

The Proposed Share Buy-Back will be financed through internally generated funds. The maximum funds to be allocated by the Company for the purchase of Prolexus Shares on open market shall not exceed the retained profits of the Company at the time of purchase(s).

2.4 Public Shareholding Spread

As at LPD, the public shareholding spread of Prolexus was 76.40% with 4,762 shareholders. Assuming that the Proposed Share Buy-Back is carried out to a maximum of 12,015,675 Shares and held as treasury shares, the public shareholding of the Company would potentially be reduced to 74.67%.

The Board will be mindful of the public shareholding spread requirement before making any purchases of Prolexus Shares.

2.5 Implications of the Code

Pursuant to the Code, a person and any person acting in concert with him, will be required to make a mandatory offer for the remaining shares of the company not already owned by him/them if his/their voting shares or voting rights in the company is increased to beyond 33% or if his/their shareholding is more than 33% but less than 50% of the voting shares and increases by more than 2% in any period of 6 months.

The Company does not intend to undertake the Proposed Share Buy-Back in such manner that it will trigger any obligation on the substantial shareholders and/or persons acting in concert with them to undertake a mandatory general offer pursuant to the Code. However, in the event an obligation to undertake a mandatory general offer should arise in respect to any parties resulting from the Proposed Share Buy-Back, the relevant parties shall make the necessary application to the Securities Commission for a waiver from having to undertake a mandatory general offer.

2.6 Purchase Price and Resale/Transfer Price

In accordance with the Listing Requirements, Prolexus may only purchase its own shares on Bursa Securities at a price which is not more than 15% above the weighted average market price for the Shares for the 5 Market Days immediately before the purchase. An immediate announcement will be made to Bursa Securities of any purchase(s) of its own shares on the day of purchase.

Where Prolexus decides to resell the treasury shares on Bursa Securities, the Company may only do so at:

- a) a price which is not less than the weighted average market price for the Shares for the 5 Market Days immediately before the resale or transfer; or
- b) a discounted price of not more than 5% to the weighted average market price for the Shares for the 5 Market Days immediately before the resale or transfer provided that:
 - i) the resale or transfer takes place not earlier than 30 days from the date of purchase; and
 - ii) the resale price is not less than the cost of purchase of the Shares being resold or transferred.

2.7 Treatment of Shares Purchased

The Board may deal with the Prolexus Shares so purchased in the following manner:-

- a) to cancel the Shares so purchased; or
- b) to retain the Shares so purchased as treasury shares; or
- c) to retain part of the Shares so purchased as treasury shares and cancel the remaining Shares; or
- d) to distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or transfer the Shares or any of the Shares for purposes of or under an employees' share scheme and/or transfer the Shares or any of the Shares as purchase consideration and/or cancel all or part of them; or
- e) to sell, transfer or otherwise use the Shares for such other purposes as the Minister may by order prescribe.

In considering how the Shares so purchased will be dealt with, the Board will take into consideration, amongst others, factors such as prevailing market price of the Shares, the intrinsic value of the Shares and effects on the earnings and net assets of the Group.

2.8 Ranking of Shares Purchased

In the event the Shares so purchased pursuant to the Proposed Share Buy-Back are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distribution and otherwise are suspended.

The treasury shares shall not be taken into account in calculating the number of percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of the Act, the Constitution of Prolexus or the Listing Requirements in respect of substantial shareholding, the requisitioning of meetings, the quorum of a general meeting and the result of a vote on a resolution at a general meeting.

2.9 Potential Advantages and Disadvantages

The potential advantages of the Proposed Share Buy-Back, if implemented, to the Company and its shareholders are as follows:

- a) The Company's share capital base will be reduced pursuant to the Proposed Share Buy-Back, which may increase the likelihood of a higher dividend rate being declared in the future;
- b) With the Shares so purchased being retained as treasury shares, it will provide the Board with an option to sell the purchased Shares at a higher price and therefore make a gain for the Company; and

- c) The treasury shares can also be distributed as share dividends to reward the shareholders.

The potential disadvantages of the Proposed Share Buy-Back, if implemented, to the Company and its shareholders are as follows:

- a) Reduction of the financial resources of the Company available for distribution to the shareholders of the Company in the foreseeable future;
- b) Resultant opportunity costs for the Company as better investment opportunities may be foregone in the future with the reduction in financial resources of the Group available upon implementation of the Proposed Share Buy-Back; and
- c) Deprive the Group of interest income that can be derived from the funds utilized for the Proposed Share Buy-Back.

The Proposed Share Buy-Back is not expected to have any potential material disadvantages to the Company and its shareholders and it will be implemented only after taking into consideration, amongst others, the financial resources of the Group, and of the resultant impact on the shareholders of the Company.

2.10 Details of Purchases of Shares in Preceding 12 Months

The Company did not make any purchases in preceding 12 months and up to the LPD.

2.11 Details of Cancellation, Resale or Transfer of Shares in Preceding 12 Months

The Company did not cancel, resale or transfer any Shares retained as treasury shares in preceding 12 months and up to the LPD.

3. RATIONALE OF THE PROPOSED SHARE BUY-BACK

The procurement of the shareholders' approval for the Proposed Share Buy-Back would enable the Company to purchase its own Shares as and when appropriate and at market prices which the Board views favourable.

The Proposed Share Buy-Back will enable the Company to utilise any of its surplus financial resources, which is not immediately required for other uses, to purchase its own Shares from the open market.

The Shares so purchased by the Company can be held as treasury shares and resold on Bursa Securities at a higher price. The Company may also utilise the treasury shares as share dividends for future dividend pay-out.

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4. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The details of shareholdings held by directors and substantial shareholders as at LPD and the pro forma effects of the Proposed Share Buy-Back as at LPD are as follows:-

Directors	Shareholdings as at LPD				After the Proposed Share Buy-Back and assuming the maximum Shares are purchased			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	-	-	840,000 ^{N1}	0.48	-	-	840,000 ^{N1}	0.51
Lau Mong Ying	17,752,240	10.06	17,480,700 ^{N2}	9.90	17,752,240	10.79	17,480,700 ^{N2}	10.62
			1,110,000 ^{N3}	0.63			1,110,000 ^{N3}	0.67
Choong Chee Mun	404,600	0.23	-	-	404,600	0.25	-	-
Lau Mong Fah	1,115,000	0.63	17,480,700 ^{N2}	9.90	1,115,000	0.68	17,480,700 ^{N2}	10.62
Khadmudin Bin Mohamed Rafik	1,182,200	0.67	-	-	1,182,200	0.72	-	-
Boo Chin Liong	434,200	0.25	-	-	434,200	0.26	-	-
Chin Chew Mun	420,000	0.24	-	-	420,000	0.26	-	-

Note:

N1 Deemed interested by virtue of Section 8 of the Act held through Narspa Holdings Sdn. Bhd.

N2 Deemed interested by virtue of Section 8 of the Act held through JE Holdings Sdn. Bhd.

N3 Deemed interested by virtue of Section 59(11)(c) of the Act held through a family member.

Substantial Shareholders	Shareholdings as at LPD				After the Proposed Share Buy-Back and assuming the maximum Shares are purchased			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lau Mong Ying	17,752,240	10.06	17,480,700 ^{N1}	9.90	17,752,240	10.79	17,480,700 ^{N1}	10.62
Lau Mong Fah	1,115,000	0.63	17,480,700 ^{N1}	9.90	1,115,000	0.68	17,480,700 ^{N1}	10.62
JE Holdings Sdn. Bhd.	17,480,700	9.90	-	-	17,480,700	10.62	-	-

Note:

N1 Deemed interested by virtue of Section 8 of the Act held through JE Holdings Sdn. Bhd.

5. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

Save for the proportionate increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a result of the Proposed Share Buy-Back, none of the Directors, major shareholders and/or persons connected with them, has any interest, direct and/or indirect, in the Proposed Share Buy-Back and the subsequent resale of treasury shares, if any, in the future.

6. EFFECTS OF THE PROPOSED SHARE BUY-BACK

6.1 Share Capital

The effect of the Proposed Share Buy-Back on the issued Shares of Prolexus will depend on the intention of the Board with regard to the treatment of the Shares so purchased.

If the Shares so purchased are cancelled, the issued Shares of Prolexus will be reduced by the number of Shares so cancelled. However, if the Shares so purchased are retained as treasury shares, resold or distributed to shareholders as dividends, the Proposed Share Buy-Back will not have any effect on the issued Shares of the Company.

Assuming the maximum number of Prolexus Shares are purchased and subsequently cancelled, the pro forma effects of the Proposed Share Buy-Back on the total issued Shares of the Company are as follows:-

	No. of Shares
Total number of issued Shares (excluding treasury shares) as at LPD	176,545,345
Assuming maximum Shares to be purchased under the Proposed Share Buy-Back are cancelled	(12,015,675)
Total number of issued Shares in the event the purchased Shares are cancelled	164,529,670

6.2 Working Capital

The Proposed Share Buy-Back will reduce the working capital of the Group, the quantum of which will depend on the purchase prices of the Shares and the number of the Shares purchased.

However, the working capital of the Group will increase if the purchased Shares so purchased are resold on Bursa Securities. The quantum of the increase will depend on the actual selling prices of the treasury shares and the number of treasury shares resold on Bursa Securities.

6.3 Earnings and EPS

The effects of the Proposed Share Buy-Back on the consolidated earnings of the Group and EPS will depend on the number of Shares purchased, the purchase price of the Shares and the effective funding cost, if any, or any loss in interest income to the Group.

Assuming the Shares so purchased are retained as treasury shares and resold, the effects on the earnings of the Group will depend on the actual selling price(s), the number of the treasury shares resold and the effective gain or interest saving arising from the exercise.

If the Shares so purchased are cancelled, the Proposed Share Buy-Back will increase the EPS of the Group provided that the income forgone and interest expenses, if any, incurred on the purchased Shares are less than the EPS before the Shares bought-back.

6.4 Net Assets Per Share

The effects of the Proposed Share Buy-Back on the net assets per Share of the Group will depend on the number of Shares purchased, the purchase price of the Shares and the treatment of the Shares so purchased.

Assuming the Shares so purchased are cancelled, the Proposed Share Buy-Back will reduce the net assets per Share if the purchase price exceeds the net assets per Share at the time of the purchase. Conversely, the net assets per Share will increase if the purchase price is below the net assets per Share at the time of the purchase.

Assuming the Shares so purchased are retained as treasury shares, the net assets per Share will decrease due to the accounting requirements for treasury shares to be carried at cost resulting in a decrease by the cost of the treasury shares.

Assuming the treasury shares are subsequently resold on Bursa Securities, the net assets per Share upon the resale will increase if the Company realises a gain from the resale, and vice versa.

Assuming the treasury shares are distributed as dividends, the net assets per Share of the Group will be reduced by the cost of the treasury shares.

7. APPROVALS REQUIRED

The Proposed Share Buy-Back is subject to approval being obtained from the shareholders at the forthcoming 28th AGM of the Company.

8. DIRECTORS' RECOMMENDATION

The Board, after considered the rationale for the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company. As such, the Board recommends that you vote in favour of the Ordinary Resolution to be tabled under Special Business at the Company's forthcoming 28th AGM.

9. HISTORICAL MARKET SHARE PRICES OF PROLEXUS

The monthly highest and lowest prices of Prolexus Shares as traded on the Main Market of Bursa Securities for the last 12 months from November 2019 to October 2020 are as follows:

Year/Month	High (RM)	Low (RM)
2019		
November	1.100	0.885
December	1.080	0.785
2020		
January	0.835	0.715
February	0.865	0.695
March	0.715	0.305
April	0.625	0.430
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

(Source : *KLSESCREENER*)

The last transacted price of Prolexus Shares as at LPD was RM1.75.

10. AGM

The 28th AGM of the Company, the notice of which is enclosed in the Annual Report of the Company for the financial year ended 31 July 2020 accompanying this Statement, will 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 Wednesday, 16 December 2020 at 10:00 a.m., for the purpose of considering and, if thought fit, passing, inter alia, the Ordinary Resolution pertaining to the Proposed Share Buy-Back. The said Ordinary Resolution has been extracted and included under Appendix II in this Statement.

11. FURTHER INFORMATION

Shareholders are requested to refer to Appendix I and II for further information.

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

LAU MONG YING
Managing Director

APPENDIX 1 - GENERAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Directors and that they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Statement misleading.

2. DOCUMENTS 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 office hours from Mondays to Fridays (except public holidays) from the date of this Statement up to and including the date of the forthcoming 28th AGM:-

- i) Constitution of the Company;
- ii) Audited Financial Statements of Group for the past 2 financial years ended 31 July 2019 and 31 July 2020; and
- iii) Latest unaudited consolidated financial results of the Group for the 3 months period ended 31 July 2020.

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APPENDIX II – EXTRACT OF RESOLUTION 10

RESOLUTION 10 – PROPOSED SHARE BUY-BACK MANDATE OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY

“THAT subject to the Companies Act, 2016 (“the Act”), the Constitution of the Company and the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, the Directors of the Company be and are hereby authorised to purchase such number of ordinary shares (“Shares”) comprised in the Company’s issued share capital as may be determined by the Directors from time to time through Bursa Securities subject further to the following:

- (i) the maximum number of Shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company at the point of purchase subject to the restriction that the issued share capital of the Company does not fall below the minimum share capital requirements of the Main LR of Bursa Securities that the Company continues to maintain a shareholding spread that is in compliance with the Main LR after the Share purchase;
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing the Shares under the Proposed Share Buy-Back shall not exceed the retained profits of the Company based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s);
- (iii) the authority conferred by this resolution to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this ordinary resolution and will continue to be in force until;
 - i. the conclusion of the next AGM of the Company at which such resolution was passed at the which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or
 - ii. the expiration of the period within the next AGM of the Company after that date is required by law to be held; or
 - iii. the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company of the Shares before the aforesaid expiry date and, made in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities; and
- (iv) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to retain the Shares so purchased as treasury shares, which may be distributed as dividends to shareholders, cancel and/or resold on Bursa Securities, in the manner as prescribed by the Act and the requirements of the Main LR of Bursa Securities and any other relevant authority for the time being in force.

And that the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to effect the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, resolutions, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the said Directors may deem fit and expedient in the best interest of the Company to give full effect to and to complete the purchase of Shares.”