



PROLEXUS BERHAD

Incorporated in Malaysia

Registration No. 199201019353 (250857-T)



**2023
ANNUAL
REPORT**



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NOTICE OF THIRTY-FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-First Annual General Meeting (“31st AGM”) of the Company will be held and conducted by way of virtual meeting entirely through live streaming via a Remote Participation and Voting (“RPV”) Facilities from the Broadcast Venue at Unit 702, Level 7, Tropicana Gardens Office Tower, No. 2A, Persiaran Surian, 47810 Petaling Jaya, Selangor on 19 January 2024 at 2.00 p.m. or at any adjournment thereof for the following businesses:

AGENDA

Ordinary Business

- | | | |
|----|--|-----------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 July 2023 together with the Reports of the Directors and Auditors thereon. | Explanatory Note A |
| 2. | To re-elect Mr Tan Chin Yong, a Director who retires in accordance with Article 107 of the Constitution of the Company and being eligible, has offered himself for re-election. | Ordinary Resolution 1 |
| 3. | To re-elect the following Directors who retire in accordance with Article 114 of the Constitution of the Company and being eligible, have offered themselves for re-election: - | |
| | a) Mr Lee Boon Siong | Ordinary Resolution 2 |
| | b) Datin Lim Lee Wheng | Ordinary Resolution 3 |
| 4. | To approve the payment of Directors’ fees amounting to RM400,000 for the period from the date of the 31 st AGM until the conclusion of the next AGM of the Company. | Ordinary Resolution 4 |
| 5. | To approve the payment of Directors’ benefits amounting to RM200,000 for the period from the date of the 31 st AGM until the conclusion of the next AGM of the Company. | Ordinary Resolution 5 |
| 6. | To re-appoint Messrs. UHY as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

Special Business

To consider and, if thought fit, to pass with or without modifications the following resolutions: -

- | | | |
|----|--|-----------------------|
| 7. | Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016 | Ordinary Resolution 7 |
|----|--|-----------------------|

Waiver of pre-emptive rights over new ordinary shares or other convertible securities in the Company under Section 85(1) of the Companies Act 2016 read together with Article 59 of the Company’s Constitution

NOTICE OF THIRTY-FIRST ANNUAL GENERAL MEETING *cont'd*

“THAT subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”), the Company’s Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue new shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, to any persons who are not prescribed by Paragraph 6.04(c) of the Listing Requirements provided that the aggregate number of shares to be allotted and issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so allotted and issued from Bursa Securities and that such authority shall continue in force until the conclusion of the next AGM of the Company.

AND THAT pursuant to Section 85(1) of the Companies Act 2016 read together with Article 59 of the Company’s Constitution, the shareholders of the Company by approving this resolution are deemed to have waived their pre-emptive rights over all new shares, options over or grants of new shares or any other convertible securities in the Company and/or any new shares to be issued pursuant to such options, grants or other convertible securities, such new shares when issued, to rank pari passu with the existing shares in the Company.”

8. **Proposed Renewal of Share Buy-Back Authority for the Company to Purchase Up to 10% of its Total Number of Issued Shares (“Proposed Renewal of Share Buy-Back Authority”)** Ordinary Resolution 8

“THAT subject to the Company’s compliance with all applicable rules, regulations, orders and guidelines made pursuant to the Companies Act 2016, the provisions of the Company’s Constitution, the Listing Requirements and the approvals of all relevant governmental/regulatory authorities, approval be and is hereby given to the Company to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the Company’s total number of issued shares including the shares previously purchased and retained as treasury shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, upon such terms and conditions as set out in the Statement to Shareholders in relation to the Proposed Renewal of Share Buy-Back Authority dated 30 November 2023 which is despatched together with the Annual Report.

NOTICE OF THIRTY-FIRST ANNUAL GENERAL MEETING *cont'd*

THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and may continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held unless renewed, revoked or varied by ordinary resolution passed by the Company's shareholders in the general meeting, whichever occurs first, but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of the Listing Requirements and any other relevant authorities.

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company."

9. **Proposed Change of Name of the Company from "Prolexus Berhad" to "Techbase Industries Berhad" ("Proposed Change of Company Name")** Special Resolution 1

"THAT subject to the approvals of all relevant authorities and/or parties being obtained (if required), approval be and is hereby given to the Company to change its name from "Prolexus Berhad" to "Techbase Industries Berhad" with effect from the date of the Certificate of Change of Name of Company under the name of Techbase Industries Berhad to be issued by the Companies Commission of Malaysia and that the name of the Company wherever appearing in the Constitution of the Company be and is hereby amended accordingly.

AND THAT the Directors and/or the Company Secretaries be and are hereby authorised to take all such necessary steps to give effect to the Proposed Change of Company Name and to carry out all the necessary formalities in effecting the Proposed Change of Company Name."

10. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482 / SSM PC No. 202208000250)
TAN LAY KHOON (MAICSA 7077867 / SSM PC NO. 202208000544)
Company Secretaries

Kuala Lumpur
Date: 30 November 2023

NOTICE OF THIRTY-FIRST ANNUAL GENERAL MEETING *cont'd*

Notes:-

1. Please refer to the Administrative Guide for the procedures to register, participate and vote remotely at this virtual AGM using RPV Facilities provided by Agmo Digital Solutions Sdn Bhd via its Vote2U online website at <https://web.vote2u.my>.
2. A proxy may but need not be a member of the Company.
3. 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.
4. For a proxy to be valid, the Proxy Form duly completed, must be deposited at the Share Registrar's office of the Company, B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur 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.
5. 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.
6. 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.
7. 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.
8. Only a depositor whose name appears on the Record of Depositors as at 9 January 2024 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Explanatory Notes to Ordinary Business:

Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 July 2023

This item in the agenda is solely for discussion purpose, as Section 340(1)(a) of the Companies Act 2016 does not require shareholders to formally approve the audited financial statements. Therefore, the matter will not be put forward for voting.

Ordinary Resolutions 1 to 3: Re-election of Directors who retire pursuant to Article 107 and Article 114 of the Company's Constitution

The following Directors who are standing for re-election as Directors of the Company pursuant to the following clauses of the Company's Constitution at the forthcoming 31st AGM of the Company and who are being eligible for re-election have offered themselves for re-election in accordance with the Company's Constitution: -

- a) Mr Tan Chin Yong pursuant to Article 107 of the Company's Constitution;
- b) Mr Lee Boon Siong pursuant to Article 114 of the Company's Constitution; and
- c) Datin Lim Lee Wheng pursuant to Article 114 of the Company's Constitution.

(collectively referred to as "**Retiring Directors**")

The Board of Directors ("**Board**") through the Nominating Committee has deliberated on the suitability of the Retiring Directors to be re-elected as Directors. Upon deliberation, the Board (except for the respective Director concerned) collectively agreed that the Retiring Directors meet the criteria of character, experience, integrity, competence and time commitment to effectively discharge their respective roles as Directors of the Company and recommended the Retiring Directors be re-elected as the Directors of the Company.

NOTICE OF THIRTY-FIRST ANNUAL GENERAL MEETING *cont'd*

Ordinary Resolutions 4: Directors' Fees

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the Directors of the Company and its subsidiaries ("**Group**") shall be approved at a general meeting.

This proposed Ordinary Resolution 4, if passed, will facilitate the payment of proposed Directors' fees of RM400,000 for the period from the date of the 31st AGM until the next AGM of the Company.

Ordinary Resolutions 5: Directors' Benefits

The proposed benefits of RM200,000 payable to the Directors has been reviewed by the Remuneration Committee and the Board of Directors of the Company, which recognises that the benefits payable are in the best interest of the Company and in accordance with the remuneration framework of the Group.

Explanatory Notes to Special Business:

Ordinary Resolution 7: Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016, and waiver of pre-emptive rights over new ordinary shares or other convertible securities in the Company under Section 85(1) of the Companies Act 2016 read together with Article 59 of the Company's Constitution

The proposed Ordinary Resolution 7 is a renewal of general authority given to the Directors of the Company to allot and issue shares as approved by the shareholders at the 30th AGM on 30 December 2022 ("**Previous Mandate**").

As at the date of notice of the meeting, the Company has not issued any shares pursuant to the general mandate granted pursuant to the Previous Mandate.

The proposed Ordinary Resolution 7, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from the conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being ("**Renewed General Mandate**"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Renewed General Mandate will enable the Directors to allot and issue ordinary shares at any time up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being without convening a general meeting which will be both time and cost consuming. The mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to the placement of shares for the purpose of funding future investment project(s), working capital and/or acquisitions.

Please refer to Section 85(1) of the Companies Act 2016 and Article 59 of the Company's Constitution as detailed below.

NOTICE OF THIRTY-FIRST ANNUAL GENERAL MEETING *cont'd*

Section 85(1) of the Companies Act 2016 provides as follows:

“85. Pre-emptive rights to new shares

(1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.”

Article 59 of the Company’s Constitution provides as follows:

“59. Subject to any direction to the contrary that may be given by the Company in a meeting of members, all new shares or other convertible securities shall, before issue be offered to such persons as at the date of the offer are entitled to receive notices from the Company of meetings of members in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by the notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Board may dispose of those shares or securities in such manner as it thinks most beneficial to the Company. The Board may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Board, be conveniently offered under this Constitution and the Rules.”

In order for the Directors to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived. The proposed Ordinary Resolution 7, if passed, will exclude the Company’s shareholders’ pre-emptive rights over all new shares, options over or grant of new shares or any other convertible securities in the Company and/or any new shares to be issued pursuant to such options, grants or other convertible securities under the authority to Directors to allot shares.

Ordinary Resolution 8: Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 8, if passed, will empower the Company to purchase its own ordinary shares of up to ten percent (10%) of the Company’s total number of issued shares at any time within the time period stipulated in the Listing Requirements. This authority shall commence immediately upon the passing of this proposed Ordinary Resolution and may continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held unless renewed, revoked or varied by ordinary resolution passed by the Company’s shareholders in the general meeting, whichever occurs first, but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of the Listing Requirements and any other relevant authorities. Please refer to the Statements to Shareholders in relation to the Proposed Share Buy Back Authority dated 30 November 2023 which is despatched together with this Annual Report for more information.

Special Resolution 1: Proposed Change of Company Name

The proposed Special Resolution 1, if passed, will take effect from the date of issuance of the Certificate of Change of Company Name by the Companies Commission of Malaysia.

Please refer to the Circular to Shareholders in relation to the Proposed Change of Company Name dated 30 November 2023 which is despatched together with this Annual Report for more information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities: -

1. Details of individual who are standing for election as Directors (excluding Directors for re-election).

No individual is seeking election as a Director at the 31st AGM of the Company.

2. General mandate for issue of securities in accordance with Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities.

The details of the general mandate/authority for Directors of the Company to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in the Explanatory Note to Special Business of the Notice of 31st AGM of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK AU YEE BOON
Executive Director

TAN CHIN YONG
Independent Non-Executive Director

LEE BOON SIONG
Executive Director

AU YEE SOON
Non-Independent Non-Executive Director

DATUK LOW CHIN KOON
Independent Non-Executive Director

DATIN LIM LEE WHENG
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Tan Chin Yong, Chairman
Datuk Low Chin Koon, Member
Au Yee Soon, Member

NOMINATING COMMITTEE

Datuk Low Chin Koon, Chairman
Tan Chin Yong, Member
Au Yee Soon, Member

REMUNERATION COMMITTEE

Datuk Low Chin Koon, Chairman
Tan Chin Yong, Member
Au Yee Soon, Member

RISK MANAGEMENT COMMITTEE

Datuk Low Chin Koon, Chairman
Tan Chin Yong, Member
Au Yee Soon, Member

COMPANY SECRETARIES

Tan Tong Lang
(SSM PC No. 202208000250 & MAICSA 7045482)
Tan Lay Khoon
(SSM PC No. 202208000544 & MAICSA 7077867)

AUDITORS

UHY (AF 1411)
Chartered Accountants
Suite 11.05, Level 11, The Gardens South Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel : +603 2279 3088
Fax : +603 2279 3099
E-mail : uhy-kl@uhy-my.com

REGISTERED OFFICE

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur
Tel : +603 9770 2200
Fax : +603 9770 2239
E-mail : boardroom@boardroom.com.my

PRINCIPAL PLACE OF BUSINESS

PTD 94657, Batu 6,
Jalan Mersing,
86000 Kluang,
Johor Darul Takzim
Tel : +607 701 0369
Fax : +607 701 0363
E-mail : enquiries@prolexus.com.my
Website: www.prolexus.com.my

SHARE REGISTRAR

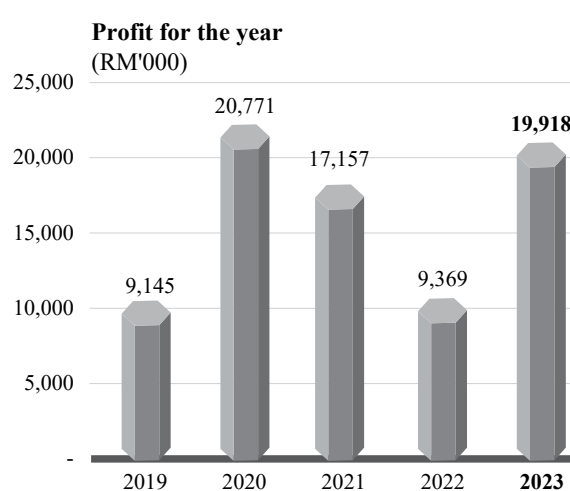
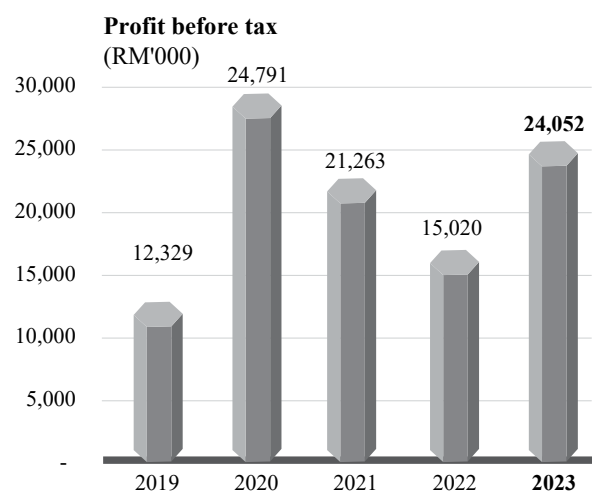
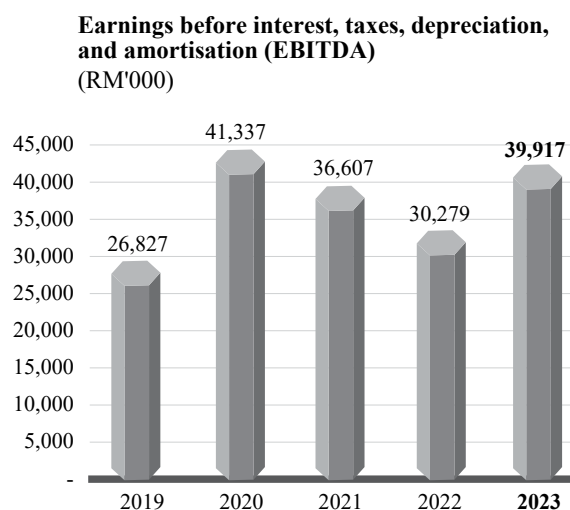
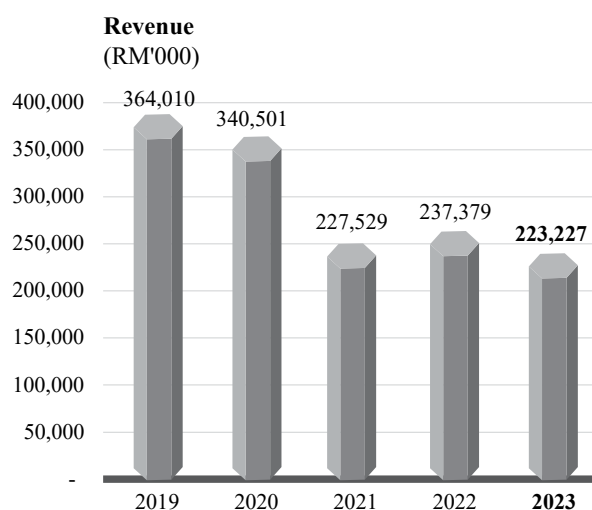
Aldpro Corporate Services Sdn Bhd
[Registration No. 202101043817 (1444117-M)]
B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur
Tel : +603 9770 2200
Fax : +603 9770 2239
E-mail : admin@aldpro.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : PRLEXUS
Stock Code : 8966
Sector : Consumer Products & Services

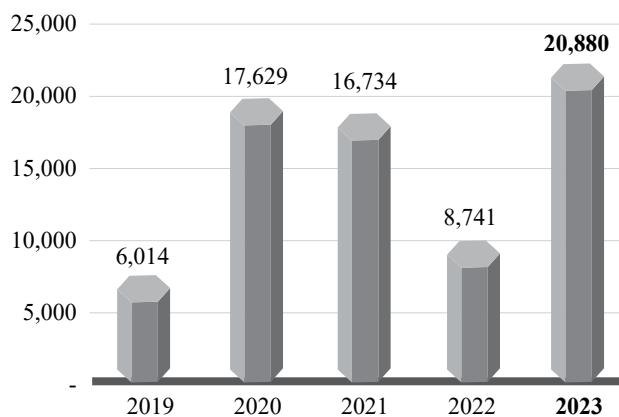
FINANCIAL HIGHLIGHTS

	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Operating Results:					
Revenue	364,010	340,501	227,529	237,379	223,227
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	26,827	41,337	36,607	30,279	39,917
Profit before tax	12,329	24,791	21,263	15,020	24,052
Profit for the year	9,145	20,771	17,157	9,369	19,918
Profit attributable to owners of the Company	6,014	17,629	16,734	8,741	20,880
Key Data on Financial Position:					
Total assets	407,087	432,183	397,899	417,039	416,878
Paid-up capital	105,487	106,045	125,960	126,071	126,071
Shareholders' funds	227,969	246,969	263,553	277,785	302,027
Net asset per share (RM)	0.87	0.94	0.99	1.02	1.09

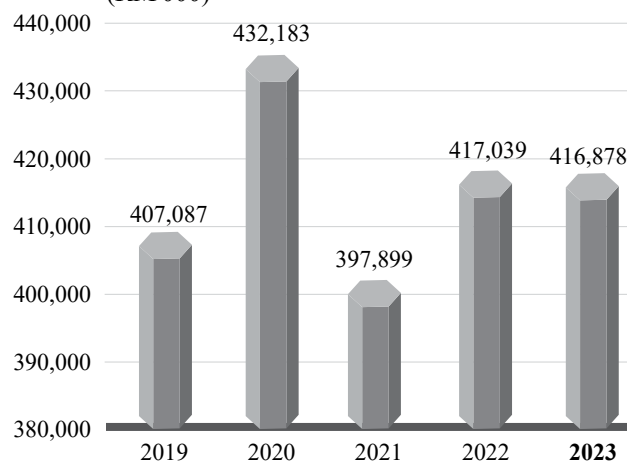


FINANCIAL HIGHLIGHTS *cont'd*

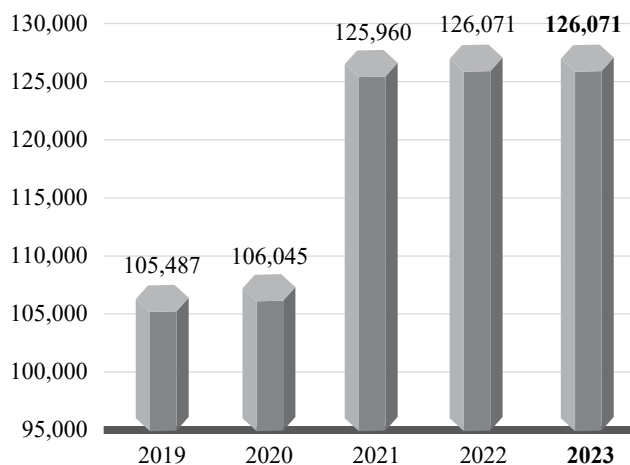
Profit attributable to owners of the Company
(RM'000)



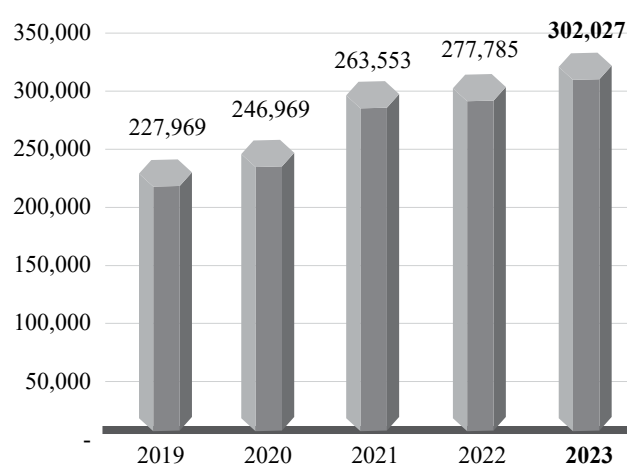
Total assets
(RM'000)



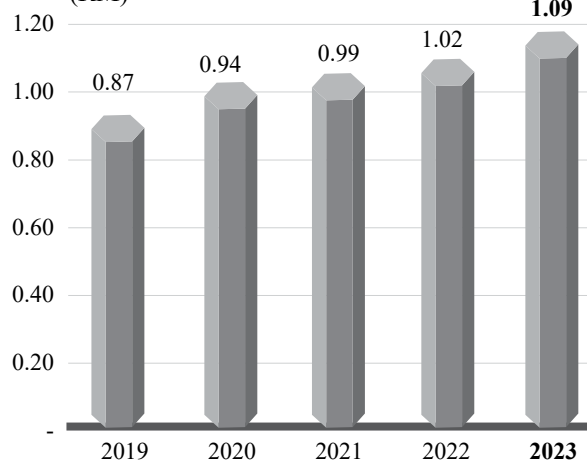
Paid-up capital
(RM'000)



Shareholders' funds
(RM'000)



Net asset per share
(RM)



MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

The financial year ended 31 July 2023 (“**FYE 2023**”) continued to be a year full of challenges as the economic recovery was hampered by a number of factors such as elevated inflation, rising interest rates and escalation of geopolitical tensions, amongst others. Despite these challenges, Prolexus Berhad (“**Prolexus**” or “**Group**”) persevered, finding innovative ways to manage its businesses including improving operational efficiencies through product development, technology and investment in automation and employees.

REVIEW OF FINANCIAL PERFORMANCE

The Group registered a total revenue of RM223.2 million for the FYE 2023, representing a decrease of RM14.2 million or 6.0% as compared to the previous financial year of RM237.4 million. The decrease in revenue was primarily due to lower contribution from the apparel division.

The Group registered a profit after tax (“**PAT**”) of RM19.9 million for FYE 2023, representing an increase of RM10.5 million or 111.7% as compared to the previous financial year of RM9.4 million. The increase in PAT was mainly attributable to the gain on other investments.

REVIEW OF FINANCIAL POSITION

As at 31 July 2023, the Group’s total assets have decreased by RM0.1 million to RM416.9 million as compared to RM417.0 million in the previous financial year due to a reduction in inventory and trade receivables but it was offset by increased in other investments.

The Group’s total liabilities have decreased by RM23.8 million or 21.8% to RM85.3 million as compared to RM109.1 million in the previous financial year, mainly due to the following:

- a. decrease in trade and other payables by RM6.1 million or 22.3% to RM21.2 million as compared to RM27.3 million in the previous financial year, which was mainly due to lower purchases of raw materials and lower handling cost incurred during the financial year; and
- b. decrease in borrowings by RM16.3 million or 21.0% to RM61.3 million as compared to RM77.6 million in the previous financial year, mainly due to pared down term loans and other banking facilities for the Group during the financial year.

The shareholders’ equity attributable to owners for FYE 2023 has increased by RM24.2 million or 8.7% to RM302.0 million from RM277.8 million, which was mainly attributable to higher exchange translation reserve and retained earnings.

The Group was in a net cash position as at 31 July 2023. Net asset per share rose to RM1.09 as compared to RM1.02 as at 31 July 2022.

MANAGEMENT DISCUSSION & ANALYSIS *cont'd*

CORPORATE DEVELOPMENT

During the FYE 2023, a total of 3,845,000 treasury shares were resold as a part of the Group's funding strategies to obtain proceeds without incurring interest expenses as compared to bank borrowings.

On 10 August 2023, KAF Investment Bank Bernad (“**KAF IB**”) had announced on behalf of the Board of Directors of Prolexus (“**Company**”) (“**Board**”) that the Company proposed to undertake a renounceable rights issue which entails the issuance of up to RM102,578,353 nominal value of 2,051,567,055 five (5)-year, 0.10%, irredeemable convertible unsecured loan stocks (“**ICULS**”) at 100.0% of its nominal value of RM0.05 each, on the basis of five (5) ICULS for every one (1) existing ordinary share in Prolexus held on an entitlement date to be determined later (“**Proposed Rights Issue**”).

On 12 October 2023, KAF IB announced on behalf of the Board that the Security Commission Malaysia had approved the Proposed Rights Issue.

On 27 October 2023, KAF IB announced on behalf of the Board that the Company proposed to establish an employees' share scheme (“**Scheme**”) of up to fifteen percent (15%) of the total number of issued shares of Prolexus (excluding treasury shares) at any point in time during the duration of the Scheme to the eligible directors and employees of Prolexus and its subsidiaries (excluding dormant subsidiaries) (“**Proposed ESS**”). On 31 October 2023, KAF IB announced on behalf of the Board that the listing application to Bursa Malaysia Securities Berhad in relation to Proposed Rights Issue and Proposed ESS had been submitted.

On 27 October 2023, Prolexus announced that the Company proposed to change its name from Prolexus Berhad to Techbase Industries Berhad (“**Proposed Change of Company Name**”). The Proposed Change of Company Name is subject to the approval being obtained from the shareholders of the Company at the upcoming Annual General Meeting.

There were no material development pertaining to the memorandum of understanding entered with SIRIM Berhad on 12 September 2022.

BUSINESS REVIEW BY DIVISION

Apparel Division

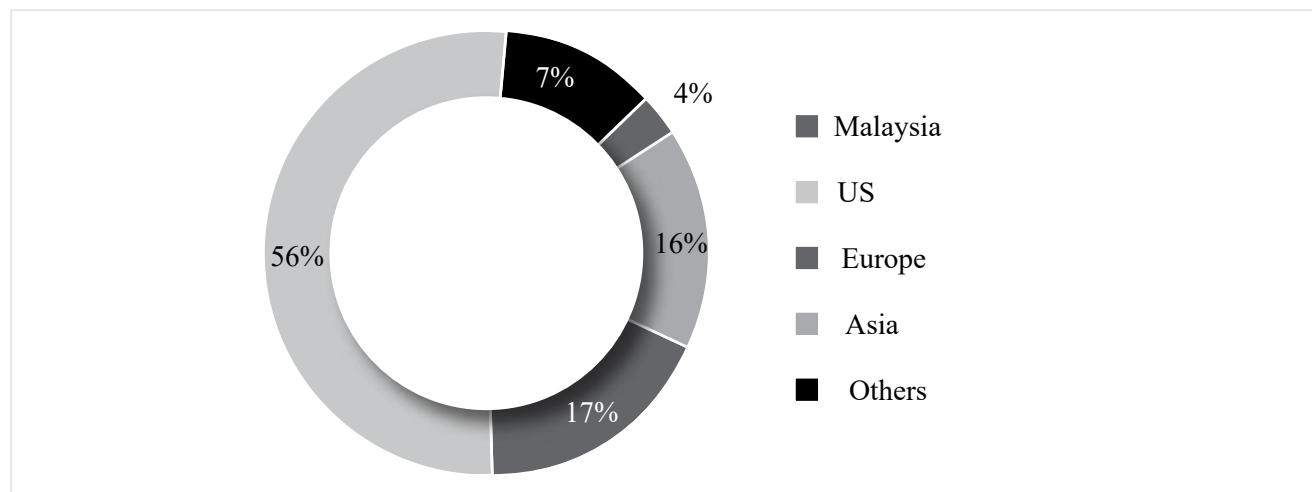
The apparel division manufactures sportswear apparel for major international brands and fabric masks for overseas and local markets. The Group has three apparel manufacturing facilities in Malaysia (Johor and Penang) and China (Jiangsu Province), and have the competency to uphold stringent customer demands in terms of quality, on-time delivery, cost and sustainability standards, amongst others.

The apparel division contributed 89.5% of the Group's revenue in the FYE 2023, which was derived from various geographical locations, as indicated in the diagram below. The United States of America is the largest export market for the apparel division which accounted for 56% of the total apparel sales in the FYE 2023, followed by Europe and Asia which accounted for 17% and 16%, respectively.

MANAGEMENT DISCUSSION & ANALYSIS *cont'd*

BUSINESS REVIEW BY DIVISION (CONT'D)

Apparel revenue geographical segments



As part of the Group's strategy to expand its income stream, the Group had in 2021 launched its thoughtfully crafted modest wear brand "Arumn" where women across all ages, regardless of colour and creed, can experience comfort without compromising on style, the Arumn comes from the namesake bloom, the arum lily, where true beauty comes from within. The collection comprises innerwear, under scarves, scarves, face masks, activewear, and jubah abaya, followed up with loungewear, all of which are available at www.arumn.com.

The apparel division continues to build on its core competencies and create value with the following strategies:

- vertical integration of the apparel manufacturing supply chain with the Group's in-house textile mill to strengthen competitive advantages;
- investments in automation machineries, technology and energy facility aim to enhance the Group's production efficiency, enable real time visual management and promote environmental sustainability;
- focus on product development and innovation; and
- focus on talent development through training programmes and retention schemes.

Textile Division

The textile mill is located in the district of Kluang, Johor. It is part of the Group's vertical integration strategy in expanding into upstream fabric manufacturing to complement the apparel division by internal procurement of knitted fabrics as well as for external fabric sales.

The textile mill has been focusing on product development and innovation using the latest technology together with the commitment to the green building initiative and the use of energy-efficient technology. For example, the textile mill is able to manufacture high quality performance fabrics without chemical finishing, thus reducing environmental impact while maintaining the quality of product.

However, the textile mill is currently not operating at its optimal capacity and shouldering high depreciation and finance costs, which resulted in the textile division recording a loss after taxation of RM16.7 million in the FYE 2023 as compared to RM14.0 million in the previous financial year, representing an increase of RM2.7 million.

MANAGEMENT DISCUSSION & ANALYSIS *cont'd*

BUSINESS REVIEW BY DIVISION (CONT'D)

Textile Division (cont'd)

Nevertheless, the Group expects to derive the following long-term benefits from the textile mill:

- enhance and improve research and development (R&D) and innovation capabilities.
- reduce dependency on an external supply of fabrics and ensure an undisrupted supply of key raw materials at favourable pricing/terms.
- shorten the lead time significantly for the apparel division and end customers.
- cost savings and improved margins from internal procurement of materials.
- income generation from external sales of knitted fabrics.

Advertising Division

The Group is also involved in managing, operating, sales and marketing media airtime for Digital Out-of-Home TV networks with 14 outdoor digital screens across Malaysia. It owns the “PowerScreen” brand and is the first outdoor digital screen operator in Malaysia since its establishment in 1999. All screens are placed at strategic locations with high traffic rates.

The advertising division contributed 5.6% of the Group’s revenue and 24.1% of the Group’s PAT in the FYE 2023.

RISKS RELATING TO THE BUSINESS AND INDUSTRY

The Group acknowledges that there are inherent risks in the industry and business that affects the goals and objectives of the Group. Accordingly, the management is constantly assessing and implementing strategies to mitigate the controllable and uncontrollable risks whilst taking into account the following risks including but not limited to business risks, competition, dependency on labour, dependency on major customers, fluctuation in foreign exchange and other risks.

Business Risks

The Group is not isolated from general business risks as well as risks inherent in the manufacturing industry and risks specific to the textile and apparel industry. For example, the Group may be affected by a general downturn in the global, regional and/or national economy, entry of new competitors, constraints in labour supply, shortage and the rising cost of raw materials, changes in the law and tax legislation affecting the industry, increased operational costs, fluctuations in foreign exchange rates and changes in business and credit conditions.

Although the Group seeks to limit these risks through, inter-alia, maintaining good business relationships with customers and suppliers, enhancing efficiency, implementing cost control measures and expanding and diversification of its products, no assurance can be given that a change in any of the above mentioned factors will not have an adverse effect on the Group’s business.

MANAGEMENT DISCUSSION & ANALYSIS *cont'd*

RISKS RELATING TO THE BUSINESS AND INDUSTRY (CONT'D)

Competition

The Group's products are exposed to competition from local and overseas companies, particularly those operating in countries which enjoy lower labour cost vis-à-vis Malaysia. Besides cost, quality and on-time delivery are important requisites of the textile and apparel industry.

The Group continues to take effective measures and efforts to enhance its production efficiency as well as ensuring high quality products, on-time delivery, sustainable and competitive pricing and sales services to its existing and new customers.

Amongst measures taken by the Group include, implementing lean manufacturing to maximise productivity while simultaneously minimising waste, using Radio-Frequency Identification (RFID) to track production data for improvement plans and applying Kaizen activities on a routine basis.

As part of the Group's forward-looking measures, the Group plans to implement product differentiation strategy on the products, which includes innovative knitting technique as well as manufacturing process without chemical finishing. This approach aims to reduce the environmental impact while maintaining the high-quality performance of the Group's fabrics.

Dependency on Labour

Although the Group has invested in automation machinery and equipment to reduce the amount of labour required for the production of apparel products, the Group is still dependent on manual labour to perform various works, such as sewing-related activities.

Any shortage in the supply of labour may disrupt the production processes and increase the overall production costs. The ongoing shortage of the foreign workers has affected several industries, including the textile industry. Any changes to foreign worker visa policies in Malaysia or the countries from which the Group's foreign workers are may result in difficulties for the Group to maintain a sufficient labour workforce. In addition, any increase in the costs and levy rate of the foreign workers will increase the Group's direct labour costs. These may adversely impact the Group's operations and financial performance.

To mitigate this risk, the Group has been continuously recruiting local and foreign workers from different countries (to reduce dependency on labour from any particular country). In addition, the Group is also prioritising automation to improve efficiency in the production and packaging processes to reduce dependency on manual labour. If the Group cannot reduce dependency on labour, any increase in production costs would inevitably affect the Group's profit margin and performance.

Dependency on Major Customers

The Group's major customers comprise mainly international sportswear brands. The Group has consistently nurtured strong business relationships with its customers and it remains committed to surpassing their expectation in both product and service quality. In addition, the Group also continued its effort to secure new customers to diversify its customer base in recent years. Nevertheless, there can be no assurance that the loss of any major customers or reduction in orders will not adversely impact the Group's business and performance.

MANAGEMENT DISCUSSION & ANALYSIS *cont'd*

RISKS RELATING TO THE BUSINESS AND INDUSTRY (CONT'D)

Fluctuation in Foreign Currency Exchange Rate

Fluctuations in foreign currency exchange rates may affect the Group's profit margins and financial performance from imports of raw materials and exports of the Group's apparel products. Any difference in foreign currency exchange rates could give rise to foreign currency exchange gains or losses that would affect the Group's financial performance.

Nevertheless, as most of the Group's imports and exports are primarily transacted in USD, this provides a substantial natural hedge to the Group. In addition, the Group maintains credit facilities on foreign exchange forward contracts with several financial institutions and, if necessary, will be utilised to hedge the fluctuations in exchange rates. Notwithstanding the above, there can be no assurance that any foreign currency exchange fluctuation in the future will not adversely affect the Group's financial performance.

Other Risks

The Group is also exposed to other risks, such as dependency on key personnel, insufficient capacity to meet customer demand, credit risks from its customers, and political, economic and regulatory considerations for its local and foreign operations.

FUTURE PROSPECTS

The Group expects the global economy's growth in the forthcoming year will remain challenging amid the rising interest rates and persistent inflationary pressure. Considering the macroeconomic factors and the unpredictable fluctuations in exchange rates, the Group anticipates that it will result in an impediment to the consumer's spending and thus the performance of the Group.

Nevertheless, the Group will continue its efforts in delivering high quality products to its existing customers whilst actively securing orders from new customers and at the same time monitoring the prevailing market conditions and adopt the appropriate strategies to mitigate the risks in order to achieve sustainable growth for the Group.

Dividend

The Company has not adopted any dividend policy. However, it is committed to distributing a portion of its profits as dividends after taking into account, amongst others, the availability of adequate reserves and cash flows, financing commitments and anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans.

SUSTAINABILITY STATEMENT

SUSTAINABILITY AT PROLEXUS

At Prolexus Berhad (“**Prolexus**” or “**Company**”), sustainability initiatives have always integrated into its way of conducting businesses and as part of the business continuity risk management where the ultimate goals is to ensure optimum returns for its stakeholders. The Company and its subsidiaries (“**Group**”)’s vision and strategy are formed with consideration of its Economy, Environment and Social (“**EES**”), which is directly aligned with its long-term Sustainability Goals.

SCOPE AND COVERAGE OF REPORT

This Sustainability Statement covers the operations of Prolexus and its subsidiaries in Malaysia, of which the Group has direct control and holds a majority stake. Accordingly, activities and operations of the joint venture company are excluded unless mentioned otherwise. Information disclosed in this Sustainability Statement encompasses its core activities related to manufacturing textile, apparel and fabric face masks. This report covers data compiled internally over 12 months from 1 August 2022 to 31 July 2023 (“**FYE 2023**”).

This Sustainability Statement is to be read in conjunction with the rest of the Company’s Annual Report, highlighting other financial and non-financial aspect of the Group’s business.

SUSTAINABILITY GOVERNANCE

The Board of Directors (“**Board**”) acknowledges the importance of business sustainability and its responsibility towards EES. The Group adopts a policy that promotes positive growth towards all aspect of EES.

Board of Directors

- Review the sustainability framework and initiatives with Executive Directors for effective implementation.
- Review and approve the Sustainability Statement

Executive Directors

- Review the sustainability initiatives with Sustainability Committee and formulate strategies.
- Report to the Board on material sustainability matters

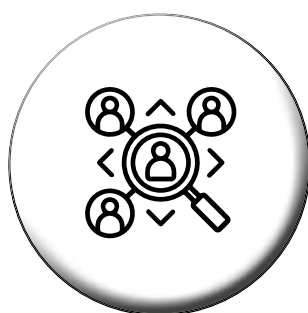
Sustainability Committee

- Comprise representatives from Health, Safety, Security and Environment (HSSE), Human Resource and General Affairs (HR&GA) and Beyond Compliance.
- Responsible for detailed engagement strategy formulation, implementation, monitoring and communication with Head of Operations/ Department Heads
- Report to Executive Directors on material sustainability matters

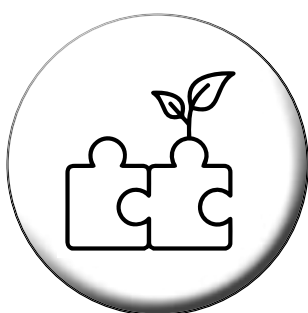
SUSTAINABILITY STATEMENT *cont'd*

STAKEHOLDERS' ENGAGEMENT

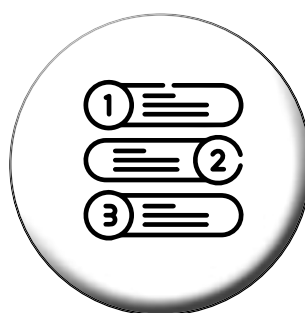
The Group has established a process for materiality assessment with clearly defined resources and responsibilities. This materiality assessment aims to better identify the priorities of the Group's stakeholders and EES risks and opportunities. Through this detailed continuous approach, the Group is able to maintain a solid approach in evaluating operation sustainability. It would empower the Group's business strategies, further drive the transformation in sustainability development and manage our risk and opportunities efficiently.



Stakeholder
Identification



Sustainability
Issues
Determination



Categorisation
and Prioritisation



Review

STAKEHOLDERS	ENGAGEMENT METHODS	FREQUENCY
Shareholders and Investors	<ul style="list-style-type: none"> Annual general meeting Extraordinary general meeting (when required) Executive Directors oversee investor relation matters 	Annually Throughout the year
Employees	<ul style="list-style-type: none"> Employee Suggestion and Grievances Committee (ESGC) Corporate Social Responsibility ("CSR") activities Employee engagement programmes and training Throughout the year	Throughout the year
Customers	<ul style="list-style-type: none"> Engagement via phone, email and face to face with customers in order to have real time visibility on customer feedback and expectation Periodic performance audit conducted by customers 	Throughout the year
Local Government Authorities	<ul style="list-style-type: none"> Certification and compliance with Government legislative framework Compliance with the relevant reporting requirement and disclosure 	Throughout the year
Local Communities and NGOs	<ul style="list-style-type: none"> Community engagement through CSR activities Corporate collaboration initiatives with Non-Governmental Organisations (NGOs) 	Throughout the year

SUSTAINABILITY STATEMENT *cont'd*

MATERIALITY ASSESSMENT

Materiality and Areas of Focus

The Company has conducted a series of materiality assessments to identify topics prioritised by the stakeholders to provide a framework for the Company's annual disclosure and alignment with the Group's strategic objectives. The stakeholders' feedback, combined with an assessment of industry trends and research forms the key areas on which the Company's sustainability focus lies. These areas are as follows:



We Care for Our Customers

At Prolexus, evolved and breakthrough is our DNA. To keep up with the challenge of delivering quality product to our customers, we constantly find ways to reinvent and restructure our key process and technologies to meet with the ever-changing global manufacturing landscape. Our customers are our partners as we are in close collaboration with them during the whole process of manufacture and exporting our product to all around the world.

Product Quality and Safety

Prolexus recognises that product quality and safety is the key to earning the trust of our customers and society. As a manufacturer, we are committed to providing our customers with high quality and safe products. Therefore, we implement a range of quality and safety initiatives as a precautionary approach and ensure consistent compliance with the law and other applicable regulations. We have obtained the ISO9001:2015 for implementing a quality management system across all our manufacturing process, which conforms to the international standard. As a result, during the FYE 2023, complaints and chargeback were minimal and was quickly corrected.

Product Innovation

Prolexus recognises innovation are the key growth driver for business, especially in the ever-changing business environment and consumer trends. Therefore, it is crucial to maintain our business resilience and retain our competitive edge at the forefront of the industry.

We have an in-house research and development ("R&D") team of which comprises of chemist and lab analysts. Our R&D effort remain instrumental, underpinned by our spirit of innovation to develop products that are attuned to the market's needs while raising the bar in manufacturing through our advanced technologies.

SUSTAINABILITY STATEMENT *cont'd*

MATERIALITY ASSESSMENT (CONT'D)

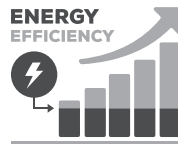


We Care for Our Environment

In Prolexus, we acknowledge the environmental sustainability is importance of support the health of the planet and communities' livelihoods while ensuring that the world's precious natural resources are preserved for future generations. We have made sustainability manufacturing as our top priority in all our business decisions, aligning with our commitment to address global climate change. To work in line with this goal, we have implemented the following effective environmental initiatives that are beyond compliance:



Waste Management



Energy and Carbon



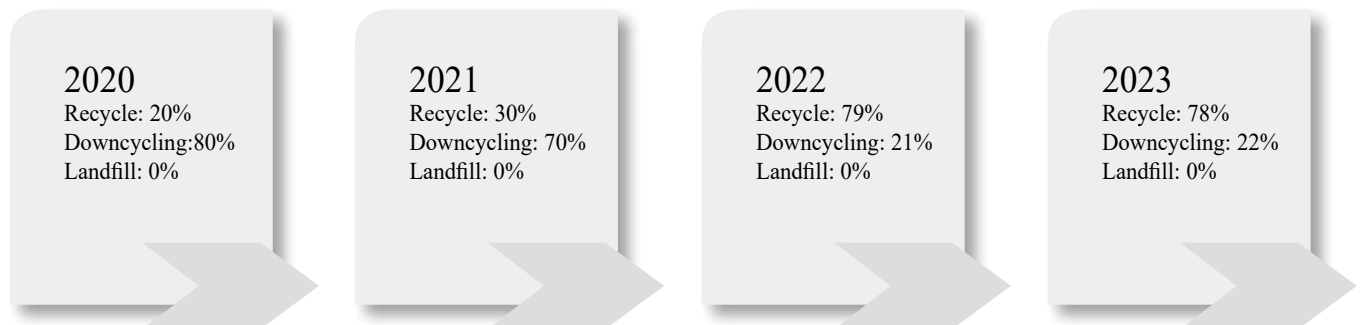
Water Management



Waste Management

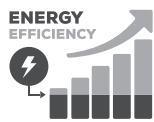
Sustainable waste management is vital for preserving the environment and addressing prevalent issue causes by landfills, such as open burning at landfill areas due to reactions from material disposed, land contamination and heightened carbon emissions. We remain committed to achieving zero manufacturing waste by recycling, using waste for energy recover as well as downcycling to minimise environmental impact.

Our waste minimum program initiative introduced in year 2019 has shown a positive impact on sustainability over the last two years. In line with our sustainability goals to reduce the environmental impact and improve waste management, we continuously explore new methods and work together with other parties to ensure proper treatment of our main waste material, fabric polyester.



SUSTAINABILITY STATEMENT *cont'd*

MATERIALITY ASSESSMENT (CONT'D)



Energy and Carbon

To ensure sustainability, our management is committed to energy conservation and the reduction of energy usage. We acknowledge that in a competitive manufacturing industry, energy consumption tends to increase with the scale of production. During the year under review, our energy consumption increased proportionately to 0.35Kwh/pcs which resulted in a rise of carbon emission from 0.20 to 0.23 kgCO₂e/pc.

Recognising the global shift towards low-carbon transition and Malaysia's target to become a carbon-neutral nation by 2050, we are also well-positioned to participate in this movement. We plan to make targeted investment in renewable energy, focusing on solar photovoltaic (PV) and automation equipment with enhanced energy efficient and advanced technologies to reduce our energy consumption and carbon emission. We believe that such investment will directly boost our manufacturing efficiency while reducing carbon emission simultaneously.

Energy & Carbon



Water Management

Water supply issue had been always an upmost concern to all of us, thus water management had been one of our focuses. We had started to use rainwater-harvesting system to reduce freshwater consumption. We believe that the rainwater-harvesting initiatives would further improve our water utilisation ratio. During the year under review, our freshwater consumption slightly increased but our rainwater collection system improved and showed slight improvement.

The management is optimistic that rainwater-harvesting initiatives can be further upgraded to increase the amount of rainwater collection. With that, the total consumption of freshwater will decrease to the optimal rate.

Water Usage, L/pc



SUSTAINABILITY STATEMENT *cont'd*

MATERIALITY ASSESSMENT (CONT'D)



We Care for Our People

Our people are true assets and an essential part of business success. Our diverse workforce of over 2,000 people are the pillars that contribute to the Group's success and growth. We recognise people as the driving force behind our business. Through empowering our people with continuous talent development, we will help them to reach their full potential, which ultimately leads to better performance.

Investing in our People

Skills and knowledge were the foremost necessity criteria to cultivate human capital. Hence, we have implemented structured initiatives to develop and nurture our employees. Our talent empowerment programme is aimed at empowering our talent pool. We equip our people with various training and development initiatives from both internal and external training parties to maximise their knowledge and experience. Our talent empowerment programme emphasised on competency development to develop our employees with core skills and strengthen their leadership skills. Our systematic training such as On Job Training (OJT) enables our employees possess the required functional skills and knowledge to contribute to the Group's growth. The Group is also supportive for employees who wish to further pursue their education to upskills themselves through educational and skilled training.

Cultivating a Safe and Healthy Workplace

We are committed to provide a safe and healthy workplace for our employees to safeguard the welfare of our employees. To improve awareness among employees, we organise a Health, Safety and Environment ("HSE") event Wcare Special Program collaboration with Malaysia National Population and Family Development Board. This involves activities such as Employee Health Check include Body Mass Index (BMI), Blood Pressure Reading, Blood Test for Glucose & Cholesterol, Mammogram Test for Breast Cancer Screening and Cervical Cancer Screening for early detection. Other than that, we focus on our employees' health and improve harmonised workplace environment by organise sport event such as volleyball and badminton.

Prioritising Social Compliance

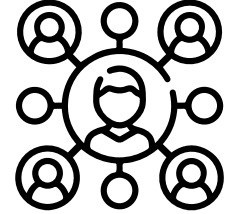
We support fair practices at our workplace and provide equal opportunities in employment. Besides, we fully respect in granting freedom to our employees in joining any association and not coerce or hold staff against their wishes in employment. We uphold the values of mutual respect through maintaining our workplace free from harassment and violence. Any form of harassment and violence will not be tolerated.

We acknowledge that the protection of human rights in our operations and supply chain is a vital part of our sustainability agenda. Our strategy includes adherence to Local Law and Regulations, Buyers Code of Conduct as well as standards from International Labour Organisation and Fair Labour Association in our operations.

In Safety and Health aspect, we utilise all available resources to maintain a safe and green workplace for our employees. We set goals to improve our environmental performance and operating conditions to protect the safety and health of our employees.

SUSTAINABILITY STATEMENT *cont'd*

MATERIALITY ASSESSMENT (CONT'D)



We Care for Our Community

We believe in giving back to our community and takes an active role in caring for the community. Prolexus had been collaborated with local authorities and non-government agency (NGOs) in hosting CSR project every year. During the FYE 2023, we have organised a blood donation campaign, joined water-way and beach clean-up, run for World Kidney Day 2023, sponsor to event organize by mental health club Batu Pahat under Hospital Sultanah Nora Ismail (HSNI) and active engagement with local authorities, among others.

Annual CSR Project

Blood Donation Campaign

Annually we collaborate with Unit Tabung Darah HSNI, Batu Pahat Mall and our associate business partner to conduct blood donation campaign.



SUSTAINABILITY STATEMENT *cont'd*

MATERIALITY ASSESSMENT (CONT'D)

Annual CSR Project

Water-Way and Beach Clean-Up (Plastic-Free July – Decker)

For the second consecutive year, we have consistently organised an awareness event to promote plastic-free activity. The event engaged employees in cleaning our waterway area, Pantai Minyak Beku.



PROFILE OF DIRECTORS

Datuk Au Yee Boon
Executive Director,
Male, Malaysian, aged 43

Lee Boon Siong
Executive Director,
Male, Malaysian, aged 43

Datuk Au Yee Boon was appointed to the Board as the Executive Director of the Company on 1 June 2022.

Datuk Au holds a degree in Computer Science from the University of Malaya. He has been the founder and Chief Executive Officer of Techbase Solution Sdn Bhd since 2009. He started his own retail business right after he graduated from the University of Malaya in 2004. After 5 years of his retail business, he established Techbase Solution Sdn Bhd, a company specialising in providing information technology (“IT”) solutions where he was responsible for marketing, business development and IT consulting of the company.

Presently, he sits on the Board of YB Ventures Berhad as an Executive Director.

He is the spouse of Datin Lim Lee Wheng and the brother of Mr Au Yee Soon, both the Non-Independent Non-Executive Directors of the Company.

Save as disclosed above, he has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, if any, and there is no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

Mr Lee Boon Siong was appointed to the Board as the Executive Director of the Company on 27 September 2023.

Mr Lee graduated with a Degree in Computer Science and Information Technology from the Campbell University. He has over 20 years of experience in sales and marketing, business development and IT consulting for clients from various industries including healthcare, manufacturing, retail, financial and food and beverage.

Presently, he sits on the Board of YB Ventures Berhad as an Executive Director.

He has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, if any, and there is no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

PROFILE OF DIRECTORS *cont'd***Datuk Low Chin Koon**

*Independent Non-Executive Director,
Male, Malaysian, aged 44*

Datuk Low Chin Koon was appointed to the Board as the Independent Non-Executive Director of the Company on 1 June 2022. He is the Chairman of the Remuneration Committee, Risk Management Committee and Nominating Committee, and a member of the Audit Committee.

Datuk Low is the Managing Director of WYSEN Group of Companies. He founded WYSEN Industry Sdn Bhd in 1999, venturing into the business of producing office chairs. He expanded his business by exporting WYSEN products to Southeast Asia, Africa and the Middle East. In 2004 and 2005, he established WYSEN Office Supplies Sdn Bhd and WYSEN Office Systems Sdn Bhd to sell its products in local markets and manufacturing of panel workstation, respectively.

Currently, he sits on the Board of Mestron Holdings Berhad, K. Seng Seng Corporation Berhad and Tex Cycle Technology (M) Berhad as an Independent Non-Executive Director.

He has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, if any, and there is no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

Tan Chin Yong

*Independent Non-Executive Director,
Male, Malaysian, aged 40*

Mr Tan Chin Yong was appointed to the Board on 19 August 2022 as the Independent Non-Executive Director. He is the Chairman of the Audit Committee, and a member of the Risk Management Committee, Nominating Committee and Remuneration Committee.

Mr Tan is a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants (FCCA), United Kingdom. He has more than 20 years of exposures in various fields and industries through the employment of several audit firms, construction, and services companies.

He helped companies with business relocation projects, new business ventures start-up as well as involved in implementing and improving internal controls of companies to enhance their operational efficiencies. He also lectured professional courses and diploma programmes covering accounting, finance and tax modules in several local colleges.

Mr Tan does not hold any directorship in other public companies and listed issuers.

He has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, if any, and there is no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

PROFILE OF DIRECTORS *cont'd*

Au Yee Soon

*Non-Independent Non-Executive Director,
Male, Malaysian, aged 40*

Mr Au Yee Soon was appointed to the Board as the Non-Independent Non-Executive Director on 31 March 2022. He is a member of the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee.

He has more than 10 years of experience in the technology field, particularly in digital engineering. He is also involved in businesses of import and export digital products.

He operates a consulting firm and is actively involved in internal control, compliance, quality control, cost optimisation and process engineering on the construction material as well as manufacturing industry, to enhance the quality of products and the production efficiency. He also spearheaded many enhancement projects in creating value to his clients.

He does not hold any directorship in other public companies and listed issuers.

He is the brother of Datuk Au Yee Boon, the Executive Director of the Company and the brother-in-law of Datin Lim Lee Wheng, the Non-Independent Non-Executive Director of the Company.

Saved as disclosed above, he has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, if any, and there is no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

Datin Lim Lee Wheng

*Non-Independent Non-Executive Director,
Female, Malaysian, aged 43*

Datin Lim Lee Wheng was appointed to the Board as the Non-Independent Non-Executive Director on 26 May 2023.

She has more than 10 years of experience in IT and business development. She is the co-founder of TechBase Solution Sdn Bhd, a Multimedia Super Corridor (“MSC”) status company specialised in providing IT Solutions, with a vision for improving the profitability of clients through the use of cutting-edge information technologies. She is also a director of several private companies.

She does not hold any directorship in other public companies and listed issuers.

She is the spouse of Datuk Au Yee Boon, the Executive Director of the Company and the sister-in-law of Mr Au Yee Soon, the Non-Independent Non-Executive Director of the Company.

Saved as disclosed above, she has no family relationship with any Directors and/or major shareholders of the Company. She does not have any conflict of interest with the Group. She has not been convicted of any offences within the past 5 years other than traffic offences, if any, and there is no public sanction or penalty imposed by the relevant regulatory bodies upon her during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

Choong Chee Mun

*Chief Executive Officer, Textile and Apparel division
Malaysian, Aged 45, Male*

Mr Choong Chee Mun was appointed as the Chief Executive Officer of the Textile and Apparel division in June 2022. He joined the Group as Senior Manager Group Finance in April 2013 and was appointed as the Chief Financial Officer in December 2013. He also served as the Executive Director of the Group from October 2017 to May 2022. He holds a Degree in Accounting and Finance from Charles Sturt University. He is a Certified Public Accountant (CPA) Australia holder and a member of the Malaysian Institute of Accountants.

He started his career in Ernst & Young Malaysia and thereafter relocated to Ernst & Young China, where he was involved in statutory and special audits of public listed companies, multinational corporations and private companies of different industries. He was also involved in various initial public offering exercises in Malaysia and China. During his career in China, he was attached to an international consulting firm specialising in Sarbanes-Oxley 404 compliance and was the Financial Controller of a US multinational corporation.

He does not hold any directorship in other public companies and listed issuers.

He has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He was reprimanded by the Securities Commission Malaysia on 27 January 2022 for the breach of Section 354(1)(a) of the Capital Markets and Services Act 2007 (“CMSA”) read together with Sections 369(b)(B) and 367(1) of the CMSA. Save as disclosed above, he has not been convicted of any offences within the past 5 years other than traffic offences, if any, and there is no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

Lau Boon Hwa

*Chief Operating Officer, Apparel division
Malaysian, Aged 61, Male*

Mr Lau Boon Hwa was appointed as Chief Operating Officer of Honsin Apparel Sdn Bhd in June 2022. He joined the Group in May 1993 and served as the General Manager since August 2011 before being redesignated as the Executive Director of Honsin Apparel Sdn Bhd in January 2020. He holds a Degree in Mechanical Engineering from the National Cheng Kung University, Taiwan.

He has more than 30 years of experience in the apparel manufacturing industry. Before joining the Group, he was involved in quality audit, sales and technical support for computer-aided design system for apparel and garment visualisation in Singapore. During the early states of his career, he also worked as a quality auditor for a factory in Taiwan.

He does not hold any directorship in other public companies and listed issuers.

He is the brother of Lau Mong Ying and Lau Mong Fah, both of whom are major shareholders of the Company. Saved as disclosed above, he has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, if any, and there is no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT *cont'd*

Chin Mun Yew

*Chief Executive Officer, Advertising division
Malaysian, Aged 49, Male*

Mr Chin Mun Yew was appointed as the Chief Executive Officer of HiQ Media (Malaysia) Sdn Bhd in January 2015. Before joining the Group in May 2003 as a Sales Manager, he was attached to Nanyang Press Holding Berhad, where he was involved in media advertising and publications. He holds a Chartered Institute of Marketing certificate.

He has more than 25 years of experience in the advertising, media and marketing industry since the commencement of his career in 1995. He was involved in sales and marketing for various local brands in Malaysia.

He does not hold any directorship in other public companies and listed issuers.

He has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years, other than traffic offences, if any, and there was no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

Kam Teck Ee

*General Manager, Textile division
Malaysian, Aged 55, Male*

Mr Kam Teck Ee was appointed as the General Manager of Trans Pacific Textile (M) Sdn Bhd in May 2022. He joined the Group in October 2017 as a Project Manager and served as the Executive Director of Trans Pacific Textile (M) Sdn Bhd since October 2018. He holds a Bachelor's Degree with Honours from the Universiti Sains Malaysia and obtained his Master of Business Administration from University of Cheshire in 2004.

He has over 20 years of global experience in apparel manufacturing and industrial engineering systems. Before joining the Group, he was involved in the marketing and delivering production re-engineering projects for many multinational apparel companies in ASEAN region, South Asia and the People's Republic of China.

He does not hold any directorship in other public companies and listed issuers.

He has no family relationship with any Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years, other than traffic offences, if any, and there was no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

Liao Yun Mu

*General Manager, Apparel division
Taiwanese, Aged 72, Male*

Mr Liao Yun Mu was appointed as the General Manager of Honways Apparel Shuyang Limited in July 2010. He graduated from Donghai High School and has vast experience in the apparel industry since his career started in 1972.

He does not hold any directorship in other public companies and listed issuers.

He has no family relationship with any Director and/or major shareholders of the Company. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years, other than traffic offences, if any, and there was no public sanction or penalty imposed by the relevant regulatory bodies upon him during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“**Board**”) of Prolexus Berhad (“**Prolexus**” or the “**Company**”) recognises the importance of good corporate governance practices within the Company and its subsidiary companies (the “**Group**” or “**Prolexus Group**”) as a fundamental part of discharging its responsibilities to safeguard shareholders’ investments and to protect the interests of all stakeholders.

The Board is committed to ensure the applicable principles and recommendations as set out in the Malaysian Code on Corporate Governance (“**MCCG**”) and the Main Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), respectively, are applied throughout the Group to enhance the value to its shareholders and other stakeholders as well as to generate long term sustainability and growth.

In the attainment of this purpose, the Board is pleased to present the Corporate Governance Overview Statement (“**CG Statement**”), which provides key highlights on how the Company complies with the three (3) principles of MCCG during the financial year ended 31 July 2023 (“**FYE 2023**”) as follows: -

Principle A : Board Leadership and Effectiveness;

Principle B : Effective Audit and Risk Management; and

Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This Statement is to be read together with the Corporate Governance Report 2023 (“**CG Report**”) of the Company which is available on the Company’s website at www.prolexus.com.my. The detailed explanation on the application of the corporate governance practices is reported under the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board’s Responsibilities

The Board is responsible for the stewardship of the Group and also to the Company’s shareholders for the long-term success of the Group and its overall strategic direction, values and governance. The Board consists of a group of experienced and knowledgeable Directors who provide the Company with the core competencies and the leadership necessary for the Group to meet its business objectives and goals.

The Board is primarily responsible for the Group’s overall strategic plans for business performance, overseeing the proper conduct of business, succession planning, risk management, internal control, management information systems and communication with shareholders and stakeholders. The Executive Directors are responsible for overseeing the day-to-day operations and affairs of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long-term viability of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board's Responsibilities (Cont'd)

The responsibilities of the Board include but not limited to:

- reviewing and adopting a strategic plan for the Company and the Group, and subsequently monitoring the implementation of the strategic plan by the Management to ensure sustainable growth of and optimisation of returns for the Company and the Group;
- oversee the conduct of affairs and management of the Group;
- reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosures, legal compliance and other significant corporate policies;
- oversee the development and implementation of the investor relations programmes and shareholders' communication policy; and
- reviewing the adequacy and the integrity of the management information of the Company and the Group.

To ensure the effective discharge of its function and responsibilities, the Board has established the following Board Committees ("Committees"): -

- (a) Nominating Committee ("NC");
- (b) Remuneration Committee ("RC");
- (c) Audit Committee ("AC"); and
- (d) Risk Management Committee ("RMC").

Each of these Committees are entrusted with specific responsibilities to assist the Board in overseeing the Company's affairs, in accordance with their Terms of Reference ("TOR"). The Board retains full responsibility for the direction and control of the Company and the Group. These TORs are periodically reviewed to ensure they remain consistent with the Board's objectives and in line with the applicable regulations and practices. A copy of the Board Charter and TOR of the Board Committees is available on the Company's website at www.prolexus.com.my.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and adequately segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management, and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgment.

The Executive Directors hold the principal obligations in focusing, guiding, addressing, supervising, regulating, managing, and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Executive Directors, assisted by the Senior Management, are also responsible for proposing, developing, and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Separation of position of the Chairman and Executive Directors

The position of Chairman was vacated during the FYE 2023. However, to maintain a good corporate governance practice, the positions of the Chairman and the Executive Directors will be held separately by different individuals. The roles of the Chairman and Executive Directors of the Company have clearly accepted division of responsibilities and accountability to ensure a balance of power and authority. This segregation of roles facilitates a healthy open, exchange of views between the Board and the Management in their deliberation of the business, strategic aims and key activities of the Company. Their roles and responsibilities are clearly stated in the Company's Board Charter.

The Chairman of the Board leads the Board with focus on governance and compliance and acts as a facilitator at Board meetings to ensure that relevant views and contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion. The Chairman's key responsibilities, amongst others, include the following:

- (a) lead the Board and ensure its effectiveness in discharging its responsibilities;
- (b) ensure the efficient conduct of the Board's function and meetings;
- (c) facilitate the effective contribution of all Directors at Board meetings;
- (d) promote constructive and respectful relations between Directors and the Management;
- (e) ensure the proper and timely flow of information to the Board; and
- (f) ensure effective communication between the Board and the Management with shareholders, stakeholders and the public generally.

Company's Policies

The Board encourages employees across the Company to adhere to and maintain the highest standard of ethical behaviour. Hence, the Company has adopted the Code of Conduct and Ethics, which serve as a guide to strengthen the corporate governance and corporate behaviour of the Board. The Code of Conduct and Ethics is a part of the Company's commitment to integrity, accountability, transparency and self-regulation.

Apart from the Code of Conduct and Ethics, the Company has also adopted Anti-Corruption Policy, Whistleblowing Policy and Directors' Fit and Proper Policy to serve as a guide across the Group. Details of the Board Charter, Code of Conduct, Anti-Corruption Policy, Whistleblowing Policy and Directors' Fit and Proper Policy are available at the Company's website at www.prolexus.com.my.

The Board together with management acknowledge the importance in promoting sustainability strategies in the economic, environment, social and governance ("EESG") aspects as part of its broader responsibility to all the stakeholders and the communities in which it operates. The Company will continue to ramp up its effort in promoting sustainability initiatives for the communities in which it operates and the welfare of its employees. The details of the sustainability activities are set out in the Sustainability Statement on pages 18 to 25 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Qualified and Competent Company Secretaries

The Board is regularly updated and apprised by qualified and competent Company Secretaries on new regulation issued by the regulatory authorities. The Company Secretaries play an advisory role to the Board and are responsible to ensure that Board policies and procedures are both followed and reviewed regularly. They are supported by a dedicated team of company secretarial personnel.

They are responsible to ensure that each Director is made aware of and provided with guidance as to their duties, responsibilities, and powers. Every Director has unrestricted access to the advice and the services of the Company Secretaries to ensure the effective functioning of the Board. The Company Secretaries also notify the Board of any corporate announcements released to Bursa Securities and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly results.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their function.

Board and Board Committees Meetings

In discharging their responsibilities effectively, the Directors attended Board and Board Committee meetings to deliberate on matters under their review. During the FYE 2023, key activities undertaken by the Board include:

- received reports and updates on operational and financial performance of the Group and other key matters;
- reviewed and considered corporate proposals;
- approved the Company's full year and quarterly results;
- discussed updates on corporate governance and regulatory matters;
- received updates from the Chair of Board Committees on the work undertaken by each committee; and
- considered and approved the appointment of Non-Executive Director.

Board Composition

The Board consists of six (6) members, comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

The Company has complied with Paragraph 15.02 of the Listing Requirements of having at least two (2) or one-third (1/3) of the Board comprising Independent Directors. If any vacancy on the Board results in non-compliance with Paragraph 15.02 of the Listing Requirements, the Company will fill the vacancy within 3 months.

The current Board comprises Directors with diverse knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively, objectively and independently. The Directors bring external perspectives to the Board's deliberation through their diverse backgrounds and experiences, enabling them to ensure necessary checks and balances, contributing to Board decision making. The Independent Directors are individuals from accounting and finance background which enable them to express divergent points of views and concerns, provide insights on trends and forecast as well as challenge management in a more objective manner to create more values and sustainability of the business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Composition (Cont'd)

The Board through NC conducts an annual review of its size and composition, gives due regard to skills, experience, gender and background. As part of the FYE 2023 Board evaluation, the NC also reviewed the independence of each Independent Directors. The Board is satisfied that they are independent to act in the best interest of the Company.

In accordance with the Constitution and in compliance with the Listing Requirements, all the Directors are required to retire from office at least once in every three (3) years and shall be eligible for re-election. The Constitution also requires that at least one-third (1/3) of the Board shall retire at each Annual General Meeting (“AGM”) and may offer themselves for re-election. In addition, the Constitution and Listing Requirements also require the newly appointed Directors to hold office until the next AGM only and shall be eligible for re-election.

Time Commitment

The Board meets at least four (4) times a year to facilitate the discharge of its responsibilities. The Board will also attend additional meetings to be convened on ad-hoc basis as and when necessary to consider business issues that require urgent decision of the Board.

During the FYE 2023, a total of five (5) Board meetings were held and the attendance of the Directors at Board and Committee meetings are shown in the table below:

Name of Directors	Board	AC	NC	RC	RMC
Datuk Au Yee Boon Executive Director	5/5	-	-	-	-
Lee Boon Siong Executive Director (appointed on 27 September 2023)	-*	-	-	-	-
Tan Chin Yong Independent Non-Executive Director	5/5	5/5	1/1	1/1	1/1
Datuk Low Chin Koon Independent Non-Executive Director	5/5	5/5	1/1	1/1	1/1
Au Yee Soon Non-Independent Non-Executive Director	5/5	5/5	1/1	1/1	1/1
Datin Lim Lee Wheng Non-Independent Non-Executive Director (appointed on 26 May 2023)	1/1	-	-	-	-
Tan Eik Huang Executive Director (resigned on 27 September 2023)	5/5	-	-	-	-

*Mr. Lee Boon Siong has yet to be appointed during the FYE 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Time Commitment (Cont'd)

Each Director is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year as stipulated in Listing Requirements with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

Based on the above, the Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section above.

Board Training and Development

The Board acknowledges the importance of continuous education and training programmes for its members to discharge their responsibilities effectively and to be apprised of the changes to regulatory requirements and the impact of such regulatory requirements on the Group.

During the FYE 2023, the Directors have attended the training programmes as below:-

Name of Directors	Seminars/Conferences/Training Programmes Attended
Tan Chin Yong	2023 Budget Seminar
	MIA Webinar Series: Latest Updates on Tax Audit & Investigations
	Cessation of Companies & Limited Liability Partnerships
Datin Lim Lee Wheng	Bursa Mandatory Accreditation Programme

Save as disclosed above, Datuk Au Yee Boon, Datuk Low Chin Koon and Mr Au Yee Soon did not attend any training during the FYE 2023 due to their busy schedule. They are aware of the duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with the new regulatory developments and requirements in compliance with the Listing Requirements on continuing education.

Nominating Committee

Board Appointments

The NC comprises three (3) members, two (2) of them are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. It plays a role in the process of Board appointment. The process of nomination and selection of Directors involved identification of potential candidate(s), evaluation of suitability of candidates based on the agreed upon criteria, followed by deliberation by the NC and recommendation to the Board for its final approval. The NC will continuously take necessary measures to strengthen the nomination process and, may consider utilising independent sources such as Directors' registry, advertisement or recruitment agency to identify suitable and qualified candidates. The NC may also engage external independent consultancy services to conduct searches for potential candidates where appropriate.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nominating Committee (Cont'd)

Board Appointments (Cont'd)

During the FYE 2023, the NC had undertaken the following activities:

- Assessed existing structure, size, composition and effectiveness of the Board as a whole and Board Committees;
- Reviewed the profile of the proposed new Director and made its recommendation to the Board;
- Conducted annual assessment of the Board performance as a whole and made its recommendation to the Board;
- Conducted annual assessment of the Independent Directors and made its recommendation to the Board; and
- Reviewed and recommended the re-election of the retiring Directors for Board approval.

Board Evaluation

The NC is responsible for evaluating performance and effectiveness of the entire Board, the Board Committees and individual Director on a yearly basis. The evaluation process is led by the NC Chairman and assisted by the Company Secretaries to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director and each Audit Committee member.

The Board's overall effectiveness is assessed in the areas of the roles and responsibilities and composition, attendance record, the intensity of participation at meetings, quality of interventions and special contributions. On top of that, the effectiveness of the Board Committees is assessed in terms of structure and processes, accountability, and responsibility as well as effectiveness of the Chairman of respective Board Committees.

Based on the annual assessment conducted during the FYE 2023, the NC is satisfied with the existing Board composition and concluded that Board Committees had remained effective and had provided strong support to the Board during FYE 2023, and each individual AC member had discharged their duties and responsibilities effectively. The NC further recommended to the Board the re-election of retiring Directors at the Company's forthcoming AGM. All assessments and evaluations carried out by the NC in discharge of its functions were properly documented.

Diversity of Board and Senior Management

The appointments of Directors and Senior Management are made based on merit, in the context of diversity in skills, experience, independence, age, background, gender, ethnicity and other factors which are in the best interests of the Group. The Board recognises diversity in the boardroom as an essential component of a good corporate governance.

The decision on new appointment of Directors and Senior Management rest with the Board after considering the recommendation of NC. In evaluating the suitability of candidates to the Board, NC will consider certain criteria such as skills, knowledge, expertise, experience, integrity, commitment, background, boardroom diversity and the ability of the candidate to discharge his duties as expected.

The Company currently has one (1) female Director and this is also in line with the Listing Requirements. The Board's composition and the Senior Management positions during the FYE 2023 were also diverse in terms of age. The Group practices as an equal opportunity employer, and all appointments and employments are strictly based on merits and are not driven by any racial, gender, ethnicity or age bias.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee

The RC has two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The RC with clearly defined Terms of Reference approved by the Board, which is available on the Company's website, reviews and recommends to the Board the remuneration packages of the Executive Directors. The RC and the Board ensure that Company's remuneration policy remains supportive of the Company's corporate objectives, is aligned with the interest of shareholders, are designed to attract, retain and motivate the Executive Directors, and are reflective of their experience and level of responsibilities.

The basic salaries for the Executive Directors and key Senior Management personnel are reviewed annually considering several factors such as individual responsibilities, performance and experiences, and rate of other similar-sized companies. Upon recommendations from the RC, the fees for Directors are determined by the Board with approval from shareholders at the AGM.

During FYE 2023, the RC reviewed and recommended to the Board, the Directors' fees and benefits for the shareholders' approval at the Company's AGM pursuant to the Constitution of the Company. None of the Directors involved in deciding his own remuneration.

The interested Directors abstained from deliberation and voting on their remuneration at the Board meetings.

Directors' Remuneration

The details of the Directors' remuneration comprising remuneration received/receivable from the Group during the FYE 2023 are as follows:

Directors	Directors' Fees (RM'000)	Salary (RM'000)	Bonus (RM'000)	Other Emoluments (RM'000)	EPF (RM'000)	Total (RM'000)
Datuk Au Yee Boon	59	-	-	190	-	249
Datuk Low Chin Koon	48	-	-	-	-	48
Mr. Tan Eik Huang #	120	180	50	-	28	378
Mr. Tan Chin Yong	46	-	-	-	-	46
Mr. Au Yee Soon	-	90	-	-	11	101
Datin Lim Lee Wheng	-	-	-	-	-	-
Mr. Lee Boon Siong*	-	-	-	-	-	-
Total	273	270	50	190	39	822

Mr. Tan Eik Huang was resigned on 27 September 2023.

*Mr. Lee Boon Siong was appointed on 27 September 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Senior Management's Remuneration

The remuneration package for Senior Management is studied and reviewed by the Executive Directors and Human Resource Department at the Company level. The Executive Directors decide and approve the final remuneration package for Senior Management. The Board is satisfied with the current structure and manner in arriving at the proposed remuneration package for all Directors and the Management.

The remuneration paid to the Senior Management personnel during the FYE 2023, are as follows: -

Range of Remuneration	Number of Senior Management
RM100,000 and below	-
RM100,001 – RM300,000	1
RM300,001 – RM500,000	1
RM500,001 and above	3

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The AC which comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, is chaired by Mr Tan Chin Yong who is not the Chairman of the Board. The AC members are financially literate, having commercial expertise skills, knowledge and understanding of the matters under the purview of the AC including the principles and developments of financial reporting. They constantly keep abreast of relevant changes to financial reporting standards and issues which have a significant impact on the financial statements through regular updates from the external auditors.

The composition, roles and responsibilities of the AC are set out on pages 42 under the AC Report. The duties and responsibilities of the AC are also available at the AC's TOR.

Under the AC's TOR, the AC assists the Board in fulfilling its statutory and fiduciary responsibilities in relation to the Company's internal and external audit functions, risk management and compliance systems and practice, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business. The AC also responsible in ensuring that the financial statements of the Company are in accordance with the applicable accounting standards in Malaysia and in compliance with relevant rules and regulation.

In this regard, the AC reviewed the scope of the audit set out in the audit planning memorandum, work plan, areas of audit emphasis, fee proposal, issues arising from the audit and remedial actions to rectify the issues, audit judgements, level of errors identified during the audit and recommendations made by the external auditors.

The Group recognises the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. The AC took note on the Practice 9.2 of the MCCG to have a policy that requires a former audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Audit Committee (Cont'd)

During the FYE 2023, the AC performed an assessment on the suitability and independence of the external auditors before making recommendation to the Board for their re-appointment. The AC is satisfied with the results of the aforesaid assessment and had unanimously recommended the re-appointment of the external auditors to the Board. The AC has also reviewed the nature and extent of non-audit services provided by the external auditors for the FYE 2023 and recommended to the Board on the reappointment of the external auditor.

Sound Risk Management and Internal Control

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

The AC processes are designed to establish a proactive framework and dialogue in which the AC, the management and the external and internal auditors review and assess the risk management framework. The Company's Senior Management reports to the AC. The Group has outsourced the internal audit function to a professional service firm which is independent of the activities and operations of the Group. The outsourced internal auditors report directly to the AC.

Details on the risk management and internal control system of the Group are set out in the AC report and Statement on Risk Management and Internal Control.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communications with Stakeholders

The Company is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis. Shareholders can obtain timely information from the Company's website at www.prolexus.com.my.

The corporate disclosure policies and procedures have been formalised to enable comprehensive, accurate and timely information relating to the Group are disclosed to the shareholders and other stakeholders not only to comply with the disclosure requirements as stipulated in the Listing Requirements, but also set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders in compliance with the Listing Requirements.

The Company's financial performance, major corporate developments and other relevant information are promptly disseminated to the shareholders and investors via announcements of its quarterly results, annual report, corporate announcements to Bursa Securities and press conferences.

Significant matters relating to development of the business, reporting requirements are disseminated by way of announcements via Bursa Securities and press releases. Interim and full results are announced in a mandatory period.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

AGM

The AGM represents a principal forum for dialogue with shareholders. Shareholders have direct access to the Board during the AGM and are provided with sufficient opportunity and time to participate through questions on future prospects, performance of the Group, and other matters of concern.

Notice of AGM sets out the resolutions together with the Company's Annual Report will be sent to the shareholders at least twenty-eight (28) days prior to AGM so that the shareholders are given sufficient time to consider the resolutions that will be discussed at the AGM, wherever possible.

Pursuant to Paragraph 8.29A of the Listing Requirements, the Company must ensure that any resolution set out in the notice of any general meeting is to be voted by poll. The Company has implemented poll voting for all resolutions via electronic means.

The Board will continue to adopt poll voting for all resolutions set out in the Notice of the AGM of which the votes cast will be validated by an independent scrutineer. The outcome of all resolutions proposed at the AGM is to be announced to Bursa Securities at the end of the meeting day while a summary of the key matters discussed at the AGM shall be published on the Company's website as soon as practicable after the conclusion of the AGM.

Compliance Statement

The Board has deliberated, reviewed and approved this statement, and considered this overview statement provides the information necessary to enable shareholders to evaluate how the MCCG has been applied. The Board considered and is satisfied that the Group has fulfilled its obligation under the MCCG, Listing Requirements and all applicable laws and regulations throughout the FYE 2023.

This statement was approved by the Board of Directors of the Company on 23 November 2023.

AUDIT COMMITTEE REPORT

The Board of Directors (“**Board**”) of Prolexus Berhad (“**Prolexus**” or the “**Company**”) is pleased to present the Audit Committee (“**AC**”) Report for the financial year ended 31 July 2023 (“**FYE 2023**”).

The AC with delegated oversight responsibilities assists the Board in ensuring that the paramount interest of the shareholders and other stakeholders of the Company and its subsidiaries (“**Group**”) are well protected.

A. COMPOSITION

The AC of the Company consists of three (3) members, all of whom are Non-Executive Directors. The AC comprises the following: -

Chairman: Mr Tan Chin Yong, Independent Non-Executive Director

Members: Datuk Low Chin Koon, Independent Non-Executive Director
Mr Au Yee Soon, Non-Independent Non-Executive Director

Mr Tan Chin Yong, the AC Chairman is a member of the Malaysian Institute of Accountants with over 20 years of experience in auditing and business advisory. The current composition of the AC, which comprises a majority of Independent Non-Executive Directors, complies with Paragraph 15.09 of the Main Market Listing Requirements (“**Listing Requirement**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The Company recognises the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the AC members were former audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least three (3) years in the event any potential candidate who was an audit partner of the external auditors of the Group were to be appointed as a member of AC.

B. TERM OF REFERENCE

The principal objective of the AC is to assist the Board in meeting its responsibilities relating to the accounting and reporting practices of the Group. The duties and responsibilities of the AC are as set out in the AC’s Terms of Reference which is available on the Company’s website at www.prolexus.com.my.

AUDIT COMMITTEE REPORT

cont'd

C. MEETINGS AND ATTENDANCE

The AC had conducted 5 meetings during the FYE 2023 and the attendance of the AC members is set out as below: -

Name of Directors	Attendance
(a) Mr Tan Chin Yong	5/5
(b) Datuk Low Chin Koon	5/5
(c) Mr Au Yee Soon	5/5

The meetings were structured with agendas which were distributed to the AC with sufficient notification. The AC members are provided with notices and agenda 7 days before the meeting. The meetings were of adequate length to allow the AC to accomplish its agenda with sufficient time to discuss emerging issues.

The Company Secretaries or their representatives were present at all the meetings. Upon invitation, the Executive Directors and management as well as representatives of the external auditors and internal auditors also attended specific AC meetings to facilitate direct communication and to provide clarifications on audit issues and the operations of the Group.

The minutes of each AC meeting were recorded and tabled for confirmation at the subsequent AC meeting. The AC Chairman reported to the Board on the key matters deliberated during the AC meetings, for the Board's consideration and decision.

D. SUMMARY OF WORK

During the FYE 2023, in line with the AC's Term of Reference, the activities of the AC included, amongst others, the following:-

- (a) reviewed the unaudited quarterly financial statements of the Group to ensure adherence to the regulatory reporting requirements and appropriate resolution prior to the Board's approval;
- (b) reviewed and confirmed the minutes of the AC meetings;
- (c) reviewed the external auditors' reports on audit findings and the accounting issues arising from the audit before appropriate audit adjustments were made to the Group's financial statements for FYE 2023;
- (d) discussed the Audit Planning Memorandum with external auditors for the FYE 2023;
- (e) reviewed the internal audit report which outlined the recommendations towards correcting areas of weaknesses and ensured there were management action plans established for the implementation of the recommendations made by internal auditors;
- (f) reviewed the related party transactions to be entered into by the Group to ensure that the related party transactions (if any) are entered at an arm's length basis under normal commercial terms and not detrimental to the interests of minority shareholders every quarter;
- (g) discussed the Internal Audit Planning Memorandum with internal auditors;
- (h) reviewed the internal audit report which highlighted audit findings and recommendations toward correcting areas of weaknesses and ensured that there were management action plans established for the implementation of the Internal Auditors' recommendations;

AUDIT COMMITTEE REPORT

cont'd

D. SUMMARY OF WORK (CONT'D)

- (i) reviewed with the internal auditors, external auditors and the management, the adequacy of the existing policies, procedures and systems of internal control of the Group;
- (j) reviewed the re-appointment of external auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit, before the recommendation to the Board for approval;
- (k) reviewed with the external auditors and internal auditors, the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report; and
- (l) reviewed the AC report, Corporate Governance Overview Statement together with Corporate Governance Report, Management Discussion and Analysis, Sustainability Statement and Statement to Shareholders in relation to the Renewal of Share-Buy Back Authority as well as the annual audited financial statements of the Company and of the Group prior to the Board's consideration and approval for inclusion in the Annual Report.

E. INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to a professional firm named Messrs. Atrium Advisory PLT (“**Internal Auditor**”). Atrium Advisory PLT has sufficient audit staff deployed for the internal audit reviews.

Mr Soon Zee Yi is the Lead Audit Manager who took charge of the internal audit for the Group. Mr Soon Zee Yi is a member of the Malaysian Institute of Accountants.

The primary responsibility of Internal Auditor is to provide independent and reasonable assurance that the Group's systems of internal controls are adequate and continue to operate satisfactorily and effectively. The internal auditor provides the AC with independent and objective reports on the state of internal controls of the Group, the extent of compliance with the established policies, procedures and relevant statutory requirements, the extent the Group's assets are accounted for and safeguarded, and improvements to operations, processes and control systems.

Atrium Advisory PLT highlighted to the AC on their audit findings and requested formulation of management action plans by the management to ensure an adequate and effective internal control system within the Group, and to mitigate risks arising from any weaknesses in the Group's internal control system. Subsequently, follow-up reviews were performed to ensure those weaknesses were appropriately addressed and that recommendations from the internal audit reports and corrective actions were taken appropriately within the required timeframe by the management.

The AC and the Board are satisfied with the performance of Atrium Advisory PLT and have in the interest of greater independence and continuity in the internal audit function. The Board taken the decision to continue with the outsourcing of internal audit function.

The total costs incurred by the Internal Auditor in discharging its functions and responsibilities for the FYE 2023 was RM30,000.

Further details of the internal audit function and its activities are provided in the Statement on Risk Management and Internal Control, set out in page 45 to 47 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the Statement on Risk Management and Internal Control (“**Statement**”), which outlines the nature and scope of risk management and internal control of the Company and its subsidiaries (“**the Group**”) during the financial year ended 31 July 2023 (“**FYE 2023**”).

This Statement is made by the Board pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and after taking into consideration of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“**Guidelines**”) and taking into consideration the recommendations of the Malaysian Code on Corporate Governance.

BOARD’S RESPONSIBILITY

The Board acknowledges that risk management and internal control are integral to corporate governance and it plays a role in establishing a sound risk management framework and internal control system as well as to ensure their adequacy and effectiveness. The Board recognises its overall responsibility towards maintaining a sound system of risk management and internal control, and reviewing its adequacy and effectiveness to ensure shareholders’ interest and the Group’s assets are safeguarded.

The Board confirms that there is an ongoing risk management process established to identify, evaluate and manage significant risks to mitigate the risks that may impede the achievement of the Group’s business targets and corporate objectives.

The review of the adequacy and effectiveness of the risk management framework and the system of internal control is delegated by the Board to the Risk Management Committee (“**RMC**”).

KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the Group’s system of internal control include:

1. a well-defined organisation structure with clearly defined lines of responsibility, authority and accountability;
2. approval and authority limits are imposed on management in respect of day-to-day operations as well as major non-operating transactions;
3. formalised standard operating procedures are in place to ensure compliance with internal controls and the relevant laws and regulations;
4. the Board and the RMC meet at least once a year to discuss the Group’s financial performance, business operations and strategies, corporate updates and internal audit findings, if any;
5. regular training and development programmes are attended by employees to enhance their knowledge and competency;
6. documented internal policies as set out in a series of memorandums to various departments within the Group;
7. Whistle Blowing Policy which provides an avenue for employees to report suspected malpractices, misconduct or violations of the Company’s policies and regulations in a secure and confidential manner;
8. management financial statement and reports are prepared regularly for monitoring of actual performance by the management; and
9. the RMC comprising of a majority of Independent Non-Executive Directors with full and unrestricted access to internal and external auditors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *cont'd*

RISK MANAGEMENT FRAMEWORK AND PROCESS

The Board acknowledges that the management of principal risks plays an important and integral part in achieving the Group's corporate objectives. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This is to ensure that all potential risks are adequately addressed at various levels within the Group including but not limited to the effects of natural disasters, rioting by workers, fire, acts of sabotage and other debilitating incidents.

The Board believes that the sound system of risk management and internal control is built on a clear understanding and appreciation of the Group's risk management framework, which includes the following key elements:

- risk management is embedded in the Group's management and operational framework, and the employees undergo trainings on the Group's policies and procedures;
- risk management processes should aim to take advantage of opportunities, manage uncertainties and minimise threats; and
- regular reporting and monitoring activities emphasise accountability and responsibility for managing risks.

The risk management process involves the management in each functional or operating unit of the Group and is managed by the RMC, with assistance of the Executive Directors. The risks identified remain the foundation in developing a risk profile and the action plans to assist the management to manage and respond to these risks.

The on-going internal control and risk management processes have been integrated and embedded into the Group structure and conduct of business for the achievement of the Group's objectives. The Board will continue to review these processes to ensure adequacy and effectiveness of the system.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and is committed to articulating, implementing and reviewing the Group's system of internal control. The Group outsources the internal audit function to a professional services firm that reports directly to the Audit Committee ("AC"). The internal audit firm carries out its function independently with a risk-based approach and reports to the AC and the Board on the adequacy and effectiveness of the system of internal controls in areas reviewed during the financial year.

The assessment of the adequacy and effectiveness of the internal controls established by the management to mitigate risks is conducted regularly. This process involves interviews and discussions with the key management staff, review of the relevant established policies and procedures, and authority limits and observation and testing of the internal controls on a sample basis. The results of the internal audit reviews including action plans to be taken by the management to address the identified weaknesses and recommendation for enhancement opportunities are then reported to the AC. Subsequently, the AC reports these matters to the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *cont'd*

INTERNAL AUDIT FUNCTION (CONT'D)

The AC ensures that follow up actions and control measures are carried out by the management to address the control weaknesses raised before reporting and making recommendations to the Board. The AC also approves the annual internal audit plan, review internal auditor's findings and recommendations. During the FYE 2023, internal audit works were carried out in accordance with the risk based on internal audit plan which has been reviewed and approved by the AC. The results of the audit reviews were discussed with the management and subsequently, the audit findings, including the recommendations for improvement were reported to the AC at the quarterly meetings.

REVIEW OF STATEMENT BY EXTERNAL AUDITOR

The external auditors have reviewed this Statement on Risk Management and Internal Control as required under the Paragraph 15.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

The review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 ("AAPG3") Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report. AAPG3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk and management and internal control system.

Based on the review performed by the external auditors, the external auditors have reported to the Board that nothing has come to their attention which causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board and management in reviewing the adequacy and integrity of the risk management and effectiveness of the systems of risk management and internal control systems within the Group.

CONCLUSION

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective in safeguarding the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

The Board has received assurance from the Executive Directors and management that, to the best of their knowledge, the Group's risk management and internal control system was operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group for the financial year under review.

During the financial year under review, the Board is satisfied that no material losses, deficiencies or errors were arising from any inadequacy or failure of the Group's internal control system that will require disclosure in the Annual Report.

The Board will continue to take measures to strengthen the system of internal control maintained by the Group, ensuring shareholders' investment and the Group's assets are consistently safeguarded.

This statement was approved by the Board of Directors on 23 November 2023.

DIRECTORS' RESPONSIBILITY STATEMENT

IN RESPECT OF AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

The Directors are required by the Companies Act 2016 (“Act”) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to prepare the financial statements for each financial year in accordance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act; and that these financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year.

In preparing the financial statements for the financial year ended 31 July 2023, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue operations for the foreseeable future.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, which enable them to ensure that the financial statements comply with the Act, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Financial Reporting Standards and International Financial Reporting Standards.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

This statement was approved by the Board of Directors of the Company on 23 November 2023.

OTHER CORPORATE DISCLOSURE

AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 July 2023 are as follows: -

Type of Fees	Company (RM)	Group (RM)
Audit fees	27,000	244,886
Non-audit fees	3,000	3,000

MATERIAL CONTRACTS OR CONTRACTS RELATING TO LOANS

Apart from the Executive Directors' employment contracts and those related party transactions as disclosed in Note 34, the Company and its subsidiaries do not have any material contracts involving the interest of the Directors, chief executive who is not a Director or major shareholder, either still subsisting as at 31 July 2023 or entered into since the end of the previous financial year.

EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

An ESOS of up to 15% of the total number of the Company's issued shares was approved by the shareholders at the Company's Extraordinary General Meeting held on 3 September 2013 and the ESOS will be in force for a duration of five (5) years. On 17 August 2018, the Directors resolved to extend the existing ESOS for another 5 years until 8 September 2023 in accordance with terms of the ESOS By-Laws and the ESOS has expired on 8 September 2023, without any further extension.

The information in relation to the ESOS are as follows: -

- (a) total number of options granted, exercised and outstanding during the financial year ended 31 July 2023 are as follows:-

Number of options	Grand Total	Directors and Chief Executive
Outstanding as at 1 August 2022	1,721,963	434,250
Granted	-	-
Exercised	-	-
Lapsed	31,800	-
Outstanding as at 31 July 2023	1,690,163	434,250

- (b) percentages of options applicable to Directors and senior management under the ESOS during the financial year ended 31 July 2023 are set out as below:-

Directors and senior management	Percentage of options (%)	
	Financial Year Ended 31 July 2023	Since Commencement of the ESOS
Actual options granted	-	47.82

- (c) no options were granted to/exercised by the Non-Executive Directors under ESOS during the financial year ended 31 July 2023.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

There was no RRPT of a revenue or trading nature entered by the Company or its subsidiaries during the financial year ended 31 July 2023.



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 July 2023.

Principal Activities

The principal activities of the Company consist of investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

Financial Results

	Group RM'000	Company RM'000
Profit for the financial year	<u>19,918</u>	<u>281</u>
Attributable to:		
Owners of the Parent	20,880	281
Non-controlling interests	(962)	-
	<u>19,918</u>	<u>281</u>

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

There was no issuance of shares and debentures during the financial year.

DIRECTORS' REPORT *cont'd*

Warrants

The warrants were constituted under the Deed Poll dated 14 June 2021 as disclosed in Note 41 to the financial statements.

As at 31 July 2023, the total number of Warrants B that remain unexercised were 133,585,898.

The salient features of the warrants are disclosed in Note 41 to the financial statements.

Details of the warrants issued to Directors are disclosed in the section of Directors' interests in shares in this report.

Treasury Shares

During the financial year, the Company resales 3,845,000 of its issued ordinary shares from the open market. The average price paid for the shares resales was RM0.47 per share before issuance of bonus shares.

As at 31 July 2023, the Company held total of 809,200 treasury shares out of its 276,727,513 issued ordinary shares. Further relevant details are disclosed in Note 19 to the financial statements.

Employees' Share Option Scheme ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 3 September 2013, and the ESOS will be in force for a duration of 5 years. On 17 August 2018, the directors have extended the existing ESOS for another 5 years until 8 September 2023 in accordance with terms of the ESOS By-Laws.

As at 31 July 2023, the options offered to take up unissued ordinary shares and the exercise prices are as follows:

Date of offer	Exercise price RM	Number of options over ordinary shares			
		At 1.8.2022	Exercised	Lapsed*	At 31.7.2023
12.9.2013	0.34	105,525	-	(18,375)	87,150
7.5.2014	0.49	271,125	-	(8,925)	262,200
5.9.2014	0.52	387,263	-	-	387,263
8.9.2016	0.83	958,050	-	(4,500)	953,550

* *Lapsed due to resignation of employees*

The salient features and other terms of the ESOS are disclosed in Note 40 to the financial statements.

DIRECTORS' REPORT *cont'd***Directors**

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Au Yee Boon*	
Datuk Low Chin Koon	
Au Yee Soon*	
Tan Chin Yong	(appointed on 19.8.2022)
Datin Lim Lee Wheng	(appointed on 26.5.2023)
Lee Boon Siong*	(appointed on 27.9.2023)
Khadmudin Bin Mohamed Rafik	(resigned on 19.8.2022)
W Norma Binti W Daud	(resigned on 19.8.2022)
Tan Eik Huang*	(resigned on 27.9.2023)

* *Director of the Company and of its subsidiaries*

The Directors who held office in the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year and during the period from the end of the financial year to the date of this report are:

Chen, Cheng-Chun	
Cheah Chin Teong	(resigned on 30.09.2022)
Lee Eng Sia	(resigned on 30.09.2022)

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

Directors' Interests in Shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At At 31.7.2023
	At 1.8.2022	Bought	Sold	
Interests in the Company				
Direct interests:				
Datuk Au Yee Boon	11,100,200	-	-	11,100,200
Indirect Interests				
Datuk Au Yee Boon*	4,923,500	-	-	4,923,500

* *Shares held through company in which the director has substantial interest.*

DIRECTORS' REPORT *cont'd*

Directors' Interests in Shares (Cont'd)

By virtue of the interests in the shares of the Company, Datuk Au Yee Boon is also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act 2016.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The details of the Directors' remuneration for the financial year ended 31 July 2023 are set out below:

	Group RM'000	Company RM'000
Directors of the Company:		
Executive Directors		
Salaries and other emoluments	420	-
Defined contribution plan	28	-
Fees	179	-
	<u>627</u>	<u>-</u>
Non-Executive Directors		
Other emoluments	101	-
Fees	94	94
	<u>195</u>	<u>94</u>
	<u>822</u>	<u>94</u>
Directors of subsidiaries:		
Directors		
Salaries and other emoluments	229	-
Fees	10	-
	<u>239</u>	<u>-</u>
Total Directors' remuneration	<u>1,061</u>	<u>94</u>

DIRECTORS' REPORT *cont'd*

Directors' Benefits (Cont'd)

Neither during nor at the end of the financial year, was the Group or the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from share options granted under Employees Share Option Scheme.

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for Directors of the Group were RM20,000,000 and RM32,500 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company in accordance with Section 289 of the Companies Act 2016 in Malaysia.

Other Statutory Information

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no known bad debts to be written off; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT *cont'd*

Other Statutory Information (Cont'd)

- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than as disclosed in the financial statements.
- (d) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due, other than as disclosed in the financial statements;
 - (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsidiaries

The details of the subsidiaries are disclosed in Note 7 to the financial statements.

Subsequent Events

The details of the subsequent events are disclosed in Note 43 to the financial statements.

Auditors' Remuneration

The auditors' remuneration of the Group and of the Company for the financial year ended 31 July 2023 are as follow:

	Group RM'000	Company RM'000
Auditors' remuneration:		
- UHY	168	30
- Other auditor	80	-
	<u>248</u>	<u>30</u>

DIRECTORS' REPORT *cont'd*

Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board, as approved by the Board in accordance with a resolution of the Directors,

LEE BOON SIONG

DATUK AU YEE BOON

KUALA LUMPUR

23 November 2023

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

The Directors of the Prolexus Berhad, state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 July 2023 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors,

LEE BOON SIONG

DATUK AU YEE BOON

KUALA LUMPUR

23 November 2023

STATUTORY DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lee Boon Siong, being the Director primarily responsible for the financial management of Prolexus Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

LEE BOON SIONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory, this 23 November 2023.

Before me

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROLEXUS BERHAD

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prolexus Berhad, which comprise the statements of financial position as at 31 July 2023 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 173.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROLEXUS BERHAD

Registration No.: 199201019353 (250857-T) (Incorporated in Malaysia) *cont'd*

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
<p>1. Assessment on impairment of trade receivables</p> <p>The Group has significant trade receivables as at 31 July 2023 and it is subject to credit risk exposure. We focused on this area as the assessment of expected credit loss (“ECL”) of trade receivables requires management’s judgement and estimation uncertainty in determining the historical observed default rates by considering the ageing of receivables, historical loss experience and forward-looking information.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Assessed the design and implementation of the control, collection and monitoring process; • Developed our understanding of the Group’s credit risk policy and assumptions in estimating the expected credit losses (“ECL”) and assessed the reasonableness of ECL by recalculation of ECL at the reporting date; • Developed our understanding of significant credit exposures which were significantly overdue, deemed to be in default, or were on watch through review of credit reports produced by account department and analysis of aged receivables; • Reviewed the historical observed default rates and adjustment of forward-looking information applied by the Group; • Reviewed the adequacy of the impairment loss and subsequent collection from overdue trade receivables; and • Assessed the adequacy and reasonableness of the disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROLEXUS BERHAD

Registration No.: 199201019353 (250857-T) (Incorporated in Malaysia) *cont'd*

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROLEXUS BERHAD

Registration No.: 199201019353 (250857-T) (Incorporated in Malaysia) *cont'd*

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROLEXUS BERHAD

Registration No.: 199201019353 (250857-T) (Incorporated in Malaysia) *cont'd*

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PROLEXUS BERHAD
Registration No.: 199201019353 (250857-T) (Incorporated in Malaysia) *cont'd*

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

HAR HOU WEI
Approved Number: 03665/05/2024 J
Chartered Accountant

KUALA LUMPUR

23 November 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	166,793	172,395	53	74
Right-of-use assets	5	14,399	14,872	-	-
Intangible assets	6	3,286	35	-	-
Investment in subsidiaries	7	-	-	105,524	105,524
Investment in a joint venture	8	-	27	-	-
Other investments	9	638	701	638	701
Goodwill on consolidation	10	2,712	2,712	-	-
Deferred tax assets	11	-	-	10	-
		<u>187,828</u>	<u>190,742</u>	<u>106,225</u>	<u>106,299</u>
Current Assets					
Inventories	12	28,772	33,302	-	-
Trade receivables	13	54,172	73,483	-	-
Other receivables	14	4,440	4,928	47	191
Amount due from subsidiaries	15	-	-	29,357	23,841
Tax recoverable		1,817	1,022	-	-
Other investments	9	72,495	35,402	604	621
Deposits with financial institutions	16	8,985	26,665	754	3,672
Cash and bank balances		<u>58,369</u>	<u>51,495</u>	<u>380</u>	<u>681</u>
		<u>229,050</u>	<u>226,297</u>	<u>31,142</u>	<u>29,006</u>
Non-current asset held for sale	17	-	-	-	-
		<u>229,050</u>	<u>226,297</u>	<u>31,142</u>	<u>29,006</u>
Total Assets		<u>416,878</u>	<u>417,039</u>	<u>137,367</u>	<u>135,305</u>

STATEMENTS OF FINANCIAL POSITION

AS AT 31 JULY 2023 *cont'd*

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
EQUITY					
Share capital	18	126,071	126,071	126,071	126,071
Treasury shares	19	(128)	(737)	(128)	(737)
Reserves	20	9,446	7,902	(947)	(881)
Retained earnings	21	166,638	144,549	7,345	5,855
Equity attributable to owners of the parent		302,027	277,785	132,341	130,308
Non-controlling interests		29,519	30,162	-	-
Total Equity		331,546	307,947	132,341	130,308
LIABILITIES					
Non-Current Liabilities					
Deferred tax liabilities	11	95	833	-	-
Lease liabilities	22	900	817	-	-
Borrowings	23	36,724	50,067	-	-
		37,719	51,717	-	-
Current Liabilities					
Trade payables	24	7,474	8,327	-	-
Other payables	25	13,729	19,017	419	581
Contract liabilities	26	1,028	1,538	-	-
Amount due to subsidiaries	15	-	-	4,474	4,371
Lease liabilities	22	586	854	-	-
Borrowings	23	24,545	27,515	-	-
Tax payables		251	124	133	45
		47,613	57,375	5,026	4,997
Total Liabilities		85,332	109,092	5,026	4,997
Total Equity and Liabilities		416,878	417,039	137,367	135,305

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	27	223,227	237,379	3,829	3,985
Cost of sales		<u>(191,252)</u>	<u>(196,429)</u>	-	-
Gross profit		31,975	40,950	3,829	3,985
Other income		30,191	10,352	759	516
Administrative expenses		(23,201)	(19,420)	(3,899)	(3,039)
Selling and distribution expenses		(10,151)	(12,886)	-	-
Other operating expenses		<u>(736)</u>	<u>(824)</u>	-	-
Operating profit		28,078	18,172	689	1,462
Finance costs	28	(3,999)	(3,088)	-	-
Share of loss of a joint venture		<u>(27)</u>	<u>(64)</u>	-	-
Profit before taxation	29	24,052	15,020	689	1,462
Taxation	30	<u>(4,134)</u>	<u>(5,651)</u>	<u>(408)</u>	<u>(186)</u>
Profit for the financial year		<u>19,918</u>	<u>9,369</u>	<u>281</u>	<u>1,276</u>

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023 *cont'd*

	Group		Company	
	2023	2022	2023	2022
Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss				
Exchange translation differences for foreign operations	1,929	4,649	-	-
Items that are not or may not be reclassified subsequently				
Fair value adjustment on unquoted investments	(63)	(46)	(63)	(46)
Other comprehensive income/(loss) for the financial year	1,866	4,603	(63)	(46)
Total comprehensive income for the financial year	21,784	13,972	218	1,230
Profit/(Loss) for the financial year attributable to:				
Owners of the parent	20,880	8,741	281	1,276
Non-controlling interests	(962)	628	-	-
	19,918	9,369	281	1,276
Total comprehensive income/(loss) for the financial year attributable to:				
Owners of the parent	22,427	12,565	218	1,230
Non-controlling interests	(643)	1,407	-	-
	21,784	13,972	218	1,230
Earnings per share				
Basic gain per share (sen)	32	8	3	-
Diluted gain per share (sen)	32	8	3	-

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

Group	Attributable to Owners of the Parent									
	Non-Distributable					Non-				
	Share Capital RM'000	Treasury Shares RM'000	Currency Translation Reserve RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000	ESOS Reserve RM'000	Retained Profits RM'000	Total RM'000	Controlling Interests RM'000	Total Equity RM'000
At 1 August 2022	126,071	(737)	7,994	941	(1,320)	287	144,549	277,785	30,162	307,947
Profit/(Loss) for the financial year	-	-	-	-	-	20,880	20,880	20,880	(962)	19,918
Exchange translation differences for foreign operations	-	-	1,610	-	-	-	-	1,610	319	1,929
Other comprehensive loss for the financial year	-	-	-	-	(63)	-	-	(63)	-	(63)
Total comprehensive income/(loss) for the financial year	-	-	1,610	-	(63)	-	20,880	22,427	(643)	21,784
Transactions with owners:										
Share options lapsed	-	-	-	-	-	(3)	3	-	-	-
Resales for the vesting of treasury shares	-	609	-	-	-	-	1,206	1,815	-	1,815
	-	609	-	-	-	(3)	1,209	1,815	-	1,815
At 31 July 2023	126,071	(128)	9,604	941	(1,383)	284	166,638	302,027	29,519	331,546

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023 *cont'd*

Attributable to Owners of the Parent											
Non-Distributable											
Currency											
Share Capital RM'000	Treasury Shares RM'000	Translation Reserve RM'000	Statutory Reserve RM'000	Fair value Reserve RM'000	ESOS Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000		
125,960	(1,490)	4,124	941	(1,274)	329	134,963	263,553	28,911	292,464		
-	-	-	-	-	-	8,741	8,741	628	9,369		
-	-	3,870	-	-	-	-	3,870	779	4,649		
-	-	-	-	(46)	-	-	(46)	-	(46)		
-	-	3,870	-	(46)	-	8,741	12,565	1,407	13,972		
Transaction with owners:											
Issuance of shares:											
111	-	-	-	-	(26)	-	85	-	85		
-	-	-	-	-	(16)	16	-	-	-		
-	753	-	-	-	-	1,631	2,384	-	2,384		
-	-	-	-	-	-	(802)	(802)	-	(802)		
-	-	-	-	-	-	-	-	(156)	(156)		
111	753	-	-	-	(42)	845	1,667	(156)	1,511		
126,071	(737)	7,994	941	(1,320)	287	144,549	277,785	30,162	307,947		
At 31 July 2022											

Group

At 1 August 2021

Profit for the financial year

Exchange translation differences

for foreign operations

Other comprehensive loss

for the financial year

Total comprehensive income/(loss)

for the financial year

Transaction with owners:

Issuance of shares:

- Exercise of ESOS

Share option lapsed

Resales for the vesting of treasury shares

Dividend paid

Dividends to NCI

At 31 July 2022

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023 *cont'd*

	Attributable to Owners of the Parent						Total Equity RM'000
	Non-Distributable						
	Share Capital RM'000	Treasury Shares RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000		
Company							
At 1 August 2022	126,071	(737)	439	(1,320)	5,855		130,308
Profit for the financial year	-	-	-	-	281		281
Other comprehensive loss for the financial year	-	-	-	(63)	-		(63)
	-	-	-	(63)	281		218
Transaction with owners:							
Issuance of shares:							
Share options lapsed	-	-	(3)	-	3		-
Resales for the vesting of treasury shares	-	609	-	-	1,206		1,815
Total transaction with owners	-	609	(3)	-	1,209		1,815
At 31 July 2023	126,071	(128)	436	(1,383)	7,345		132,341

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023 *cont'd*

Company	Attributable to Owners of the Parent					
	Non-Distributable			Total		
	Share Capital RM'000	Treasury Shares RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 August 2021	125,960	(1,490)	481	(1,274)	3,730	127,407
Profit for the financial year	-	-	-	-	1,276	1,276
Other comprehensive loss for the financial year	-	-	-	(46)	-	(46)
Transaction with owners:						
Issuance of shares:						
- Exercise of ESOS	111	-	(26)	-	-	85
Share option lapsed	-	-	(16)	-	16	-
Resales for the vesting of treasury shares	-	753	-	-	1,635	2,388
Dividends paid	-	-	-	-	(802)	(802)
Total transaction with owners	111	753	(42)	-	849	1,671
At 31 July 2022	126,071	(737)	439	(1,320)	5,855	130,308

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash Flows From Operating Activities				
Profit before taxation	24,052	15,020	689	1,462
Adjustments for:				
Amortisation of intangible assets	8	10	-	-
Amortisation of right-of-use assets	1,290	1,389	-	-
Depreciation of property, plant and equipment	11,570	11,428	20	8
Fair value adjustment on:				
- Derivative financial instruments	-	(29)	-	-
- Other investments	(11,731)	(5,624)	28	-
Gain on:				
- Disposal of property, plant and equipment	(90)	(26)	-	-
- Disposal of other investment	(17,305)	(1,006)	-	-
- Modification of lease term	(1)	-	-	-
- Termination of lease term	(11)	-	-	-
Gross dividend from subsidiaries	-	-	-	(131)
Income distribution from unit trusts	(161)	(414)	(11)	(20)
Impairment loss on:				
- Amount due from subsidiaries	-	-	8	4
- Amount due from a joint venture	18	-	-	-
- Trade receivables	403	116	-	-
Interest expenses	3,999	3,088	-	-
Interest income	(1,002)	(656)	(748)	(621)
Property, plant and equipment written off	13	154	1	-
Inventories written down	367	-	-	-
Reversal of inventories written down	(195)	(736)	-	-
Share of results of a joint venture	27	64	-	-
Unrealised loss/(gain) on foreign exchange	1,287	(1,291)	27	-
Operating profit/(loss) before working capital changes	12,538	21,487	14	702

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023 *cont'd*

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Changes in working capital				
Inventories	4,080	(319)	-	-
Receivables	19,931	(36,109)	112	(170)
Payables	(8,127)	1,807	(162)	(1,738)
Contract liabilities	(510)	(1,398)	-	-
	<u>15,374</u>	<u>(36,019)</u>	<u>(50)</u>	<u>(1,908)</u>
Cash generated from/(used in) operations	27,912	(14,532)	(36)	(1,206)
Tax paid	(5,098)	(4,149)	(329)	(144)
Dividend received	-	-	-	131
Interest received	1,002	656	-	-
Interest paid	(3,946)	(2,981)	-	-
	<u>(8,042)</u>	<u>(6,474)</u>	<u>(329)</u>	<u>(13)</u>
Net cash from/(used in) operating activities	<u>19,870</u>	<u>(21,006)</u>	<u>(365)</u>	<u>(1,219)</u>
Cash Flows From Investing Activities				
Interest received	104	-	84	621
Proceeds from disposal of:				
- Property, plant and equipment	90	45	-	-
- Non-current asset held for sale	-	3,300	-	-
Purchase of:				
- Property, plant and equipment	(6,403)	(5,389)	-	(59)
- Other investment	(6,123)	(19,110)	-	-
- Intangible assets	(3,260)	-	-	-
- Right-of-use assets	(249)	-	-	-
Net changes in amount due from subsidiaries	-	-	(4,858)	1,291
Net cash (used in)/from investing activities	<u>(15,841)</u>	<u>(21,154)</u>	<u>(4,774)</u>	<u>1,853</u>

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JULY 2023 *cont'd*

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash Flows From Financing Activities				
Interest paid	(53)	(61)	-	-
Repayment to a joint venture	-	(8)	-	-
Dividends paid	-	(802)	-	(802)
Dividends paid to non-controlling interests	-	(156)	-	-
Increase in fixed deposits pledged	(36)	(15)	-	-
Net changes in term loans	(11,256)	(8,598)	-	-
Net changes in invoice financing	(6,592)	9,085	-	-
Net changes in bankers' acceptance	(2,142)	2,453	-	-
Net changes in share margin financing	3,515	-	-	-
Net changes in amount due to subsidiaries	-	-	103	(449)
Repayment of lease liabilities	(686)	(800)	-	-
Proceeds from issuance of shares pursuant to ESOS	-	85	-	85
Proceeds from resale of treasury shares	1,815	2,387	1,815	2,387
Net cash (used in)/from financing activities	<u>(15,435)</u>	<u>3,570</u>	<u>1,918</u>	<u>1,221</u>
Net changes in cash and cash equivalents	(11,406)	(38,590)	(3,221)	1,855
Effect of exchange translation difference	564	1,492	2	1
Cash and cash equivalents at the beginning of the financial year	<u>75,910</u>	<u>113,008</u>	<u>4,353</u>	<u>2,497</u>
Cash and cash equivalents at the end of the financial year	<u>65,068</u>	<u>75,910</u>	<u>1,134</u>	<u>4,353</u>
Cash and cash equivalents at the end of the financial year comprise:				
Cash and bank balances	58,369	51,495	380	681
Fixed deposits with financial institutions	8,985	26,665	754	3,672
	<u>67,354</u>	<u>78,160</u>	<u>1,134</u>	<u>4,353</u>
Less: Fixed deposits pledge for credit facilities	(2,286)	(2,250)	-	-
	<u>65,068</u>	<u>75,910</u>	<u>1,134</u>	<u>4,353</u>

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 2023

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office of the Company was located at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang. With effect from 15 September 2022, the Company's registered office had been relocated to Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor. With effect from 30 December 2022, the Company's registered office has been relocated to B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan.

The principal place of business of the Company is at PTD94657, Batu 6, Jalan Mersing, 86000 Kluang, Johor Darul Takzim.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for the current financial year:

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020

The adoption of amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112	International Tax Reform - Pillar Two Model Rules	1 January 2023
Amendments to MFRS 7 and MFRS 107	Supplier Finance Arrangements	1 January 2024

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The Group and the Company have not applied the following new and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and for the Company: (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new and amendments to MFRSs when they become effective.

The initial application of the above-mentioned MFRSs is not expected to have any significant impacts on the financial statements of the Group and of the Company.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Judgements

The following are the judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of land and building with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Amortisation of software development expenditure

The estimates for the residual values, useful lives and related amortisation charges for the intangible assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group and the Company anticipate that the residual values of its intangible assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation amount. Changes in the expected level of usage and technological development could impact the economic useful lives, therefore future amortisation charges could be revised. The carrying amount at the reporting date for software development costs is disclosed in Note 6 to the financial statements.

Useful lives/amortisation of property, plant and equipment, right-of-use ("ROU") assets and intangible assets ("IA")

The Group and the Company regularly review the estimated useful lives of property, plant and equipment, ROU assets and IA based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, ROU assets and IA would increase the recorded depreciation and decrease the value of property, plant and equipment, ROU assets and IA. The carrying amounts at the reporting date for property, plant and equipment, ROU assets and IA are disclosed in Note 4, 5 and 6 respectively.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Inventories valuation

A review is made periodically of inventory for excess inventory, obsolescence and decline in net realisable value below cost and an allowance is recorded against the inventory balance for any such decline. The review requires management to estimate future demand for the products. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the reporting date. Possible changes in these estimates could result in revisions to the valuation of inventory. Details of inventories are disclosed in Note 12.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the ROU in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Provision for expected credit loss of financial assets at amortised cost

The Group and the Company review the recoverability of its receivables, include trade and other receivables, amounts due from subsidiaries at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions at the end of each reporting period.

The carrying amounts at the reporting date for receivables are disclosed in Notes 13, 14 and 15 respectively.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 July 2023, the Group has tax recoverable and tax payable of RM1,816,780 (2022: RM1,021,509) and RM250,780 (2022: RM123,521) respectively. The Company has tax payable of RM133,184 (2022: RM44,950).

Fair values of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 37(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(m)(i) to the financial statements on impairment of non-financial assets.

(ii) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(m)(i) to the financial statements on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency translation (Cont'd)

(ii) Foreign operations (Cont'd)

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (“FCTR”) in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) to the financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of buildings and plant and machinery under construction / installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold buildings	Amortised over the lease period and 5%
Multimedia boards	10% - 20%
Plant and machinery	5% - 10%
Equipment and fixtures	10% - 20%
Motor vehicles	20%

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Leases

(i) As lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The ROU is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The ROU is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold building	Over the lease term
Leasehold land	33 years
Land use rights	41 years
Advertising sites	2 - 3 years
Motor vehicles	20%

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

(i) As lessee (Cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or terminate option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than USD5,000 or RM20,000 each when purchased new.

(ii) As lessor

When the Group or the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group and the Company recognise lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(e) Intangible assets

(i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(m)(i) to the financial statements on impairment of non-financial assets for intangible assets.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(f) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables, other investments, deposits with financial institutions and cash and bank balances.

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Fair value through other comprehensive income ("FVOCI")

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

Financial assets categorised as FVOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in OCI and accumulated under fair value reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

(iii) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment.

(g) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(h) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group or the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

Liabilities arising from financial guarantees are presented together with other provisions.

(i) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Inventories which comprise raw materials, spare part and consumables, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(k) Contract liability

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(m) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amounts of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses (“ECLs”) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (“a 12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (“a lifetime ECL”).

For trade and other receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(n) Share capital

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company’s shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company’s shareholders.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(n) Share capital (Cont'd)

(ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity as treasury shares until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is deducted against the retained earnings of the Company.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration, net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(p) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund (“EPF”). Some of the Group’s foreign subsidiaries also make contributions to their respective countries’ statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Equity-settled share-based payment transaction

The Group and the Company operate an equity-settled, share-based compensation plan for the employees of the Group and of the Company. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(p) Employee benefits (Cont'd)

(iii) Equity-settled share-based payment transaction (Cont'd)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group and the Company revise its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(q) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group or the Company satisfied a performance obligation (“PO”) by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group and the Company recognise revenue from the following major sources:

(a) Sale of garments and fabrics

Revenue from sales of apparels and fabrics usually includes the manufacturing of garments, fabric face masks and fabrics and revenue is recognised at a point in time when the transfer of control of the completed goods have been passed to the buyer, generally on the delivery of the goods.

In the case of consignment sales, revenue is recognised when the goods are sold by the consignee to a third party. Revenue is not recognized to where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(q) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

(b) Provision of advertising services and agency services

Revenue from provision of advertising services and agency services are recognised at point in time when the services have been rendered to the customer and coincides with the delivery of services and acceptance by the customer.

(ii) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(iii) Management fee

Management fee is recognised on an accrual basis when services are rendered.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the applicable effective interest rate.

(v) Rental income

Rental income is recognised on a time proportion basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(s) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(s) Income taxes (Cont'd)

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(t) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(u) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(v) Non-current assets held for sales

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary company acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative period.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

3. Significant Accounting Policies (Cont'd)

(w) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer of the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

4. Property, Plant and Equipment

Group 2023	Freehold land RM'000	Freehold buildings RM'000	Multimedia boards RM'000	Plant and machinery RM'000	Equipment and fixtures RM'000	Motor vehicles RM'000	Capital expenditure in progress RM'000	Total RM'000
At cost								
At 1 August 2022	33,514	115,022	9,971	74,301	17,436	3,068	599	253,911
Additions	-	-	708	194	4,754	423	324	6,403
Disposal	-	-	-	(551)	(17)	(122)	-	(690)
Written off	-	-	(6,236)	(53)	(536)	-	-	(6,825)
Reclassification	-	-	-	567	-	-	(567)	-
Exchange differences	-	(430)	-	(458)	(79)	(21)	-	(988)
At 31 July 2023	33,514	114,592	4,443	74,000	21,558	3,348	356	251,811
Accumulated depreciation								
At 1 August 2022	-	27,658	8,485	30,898	11,668	2,807	-	81,516
Charge for the year	-	5,597	541	4,046	1,206	180	-	11,570
Disposal	-	-	-	(551)	(17)	(122)	-	(690)
Written off	-	-	(6,236)	(45)	(531)	-	-	(6,812)
Exchange differences	-	(168)	-	(317)	(62)	(19)	-	(566)
At 31 July 2023	-	33,087	2,790	34,031	12,264	2,846	-	85,018
Carrying amount								
At 31 July 2023	33,514	81,505	1,653	39,969	9,294	502	356	166,793

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

4. Property, Plant and Equipment (Cont'd)

Group 2022	Freehold land RM'000	Freehold buildings RM'000	Multimedia boards RM'000	Plant and machinery RM'000	Equipment and fixtures RM'000	Motor vehicles RM'000	Capital expenditure in progress RM'000	Total RM'000
At cost								
At 1 August 2021	33,514	113,436	9,000	72,230	18,969	3,428	410	250,987
Additions	-	1,513	971	1,115	438	-	1,352	5,389
Disposal	-	-	-	(104)	-	(95)	-	(199)
Written off	-	(56)	-	(6)	(2,241)	(272)	-	(2,575)
Reclassification	-	-	-	929	234	-	-	-
Exchange differences	-	129	-	137	36	7	(1,163)	309
At 31 July 2022	33,514	115,022	9,971	74,301	17,436	3,068	599	253,911
Accumulated depreciation								
At 1 August 2021	-	22,042	8,012	26,891	12,633	2,942	-	72,520
Charge for the financial year	-	5,591	473	4,024	1,133	207	-	11,428
Disposal	-	-	-	(103)	(1)	(76)	-	(180)
Written off	-	(21)	-	(4)	(2,125)	(271)	-	(2,421)
Exchange differences	-	46	-	90	28	5	-	169
At 31 July 2022	-	27,658	8,485	30,898	11,668	2,807	-	81,516
Carrying amount								
At 31 July 2022	33,514	87,364	1,486	43,403	5,768	261	599	172,395

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

4. Property, Plant and Equipment (Cont'd)

	Company	
	2023	2022
	RM'000	RM'000
Equipment and fixtures		
At cost		
At 1 August	226	167
Additions	-	59
Written off	(6)	-
At 31 July	<u>220</u>	<u>226</u>
Accumulated depreciation		
At 1 August	152	144
Charge for the financial year	20	8
Written off	(5)	-
At 31 July	<u>167</u>	<u>152</u>
Carrying amount		
At 31 July	<u>53</u>	<u>74</u>

(a) Assets pledged as securities to financial institutions

The carrying amounts of property, plant and equipment of the Group pledged as securities for borrowings as disclosed in Note 23 are:

	Group	
	2023	2022
	RM'000	RM'000
Freehold land	16,978	16,978
Freehold buildings	70,262	75,733
Plant and machinery	27,629	29,503
Capital expenditure in progress	32	32
	<u>114,901</u>	<u>122,246</u>

(b) Purchase of property, plant and equipment

The aggregate additional costs for the property plant and equipment of the Group and of the Company are purchased under cash payments.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

5. Right-of-Use Assets

Group 2023	Leasehold land RM'000	Leasehold buildings RM'000	Land use rights RM'000	Advertising sites RM'000	Motor vehicles RM'000	Total RM'000
At cost						
At 1 August 2022	1,600	1,646	13,598	1,130	-	17,974
Additions	-	57	-	-	838	895
Modification of lease terms	-	27	-	21	-	48
Termination of lease terms	-	(355)	-	-	-	(355)
Expiration of lease terms	-	(57)	-	-	-	(57)
Exchange differences	-	(20)	78	-	-	58
At 31 July 2023	1,600	1,298	13,676	1,151	838	18,563
Accumulated amortisation						
At 1 August 2022	1,099	286	972	745	-	3,102
Charge for the financial year	71	490	357	260	112	1,290
Termination of lease terms	-	(174)	-	-	-	(174)
Expiration of lease terms	-	(57)	-	-	-	(57)
Exchange differences	-	(2)	5	-	-	3
At 31 July 2023	1,170	543	1,334	1,005	112	4,164
Carrying amount						
At 31 July 2023	430	755	12,342	146	726	14,399

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

5. Right-of-Use Assets (Cont'd)

Group 2022	Leasehold land RM'000	Leasehold buildings RM'000	Land use rights RM'000	Advertising sites RM'000	Total RM'000
At cost					
At 1 August 2021	1,600	-	782	1,130	3,512
Additions	-	1,643	-	-	1,643
Transfer from non-current assets held for sale	-	-	12,808	-	12,808
Exchange differences	-	3	8	-	11
At 31 July 2022	1,600	1,646	13,598	1,130	17,974
Accumulated amortisation					
At 1 August 2021	1,029	-	186	496	1,711
Charge for the financial year	70	286	784	249	1,389
Exchange differences	-	-	2	-	2
At 31 July 2022	1,099	286	972	745	3,102
Carrying amount					
At 31 July 2022	501	1,360	12,626	385	14,872

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

5. Right-of-Use Assets (Cont'd)

- (i) The land use rights represent the Group interest on land located in Tien Giang province, Vietnam. This land use rights has been pledged as security for term loan obtained from a licensed bank as disclosed in Note 23 to the financial statements.
- (ii) Purchase of right-of-use assets

The aggregate additional costs for the right-of-use assets of the Group during the financial year purchased under lease financing and cash payments are as follows:

	Group	
	2023	2022
	RM'000	RM'000
Aggregate costs	895	1,643
Less: Lease financing	(646)	(1,643)
Cash payments	<u>249</u>	<u>-</u>

6. Intangible Assets

	Trademarks	Software	Total
	RM'000	RM'000	RM'000
Group			
2023			
At cost			
At 1 August	69	-	69
Additions	-	3,260	3,260
Exchange differences	(2)	-	(2)
At 31 July	<u>67</u>	<u>3,260</u>	<u>3,327</u>
Accumulated amortisation			
At 1 August	34	-	34
Charge for the financial year	8	-	8
Exchange differences	(1)	-	(1)
At 31 July	<u>41</u>	<u>-</u>	<u>41</u>
Carrying amount			
At 31 July	<u>26</u>	<u>3,260</u>	<u>3,286</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

6. Intangible Assets (Cont'd)

	Trademarks RM'000	Software RM'000	Total RM'000
Group			
2022			
At cost			
At 1 August	68	-	68
Additions	-	-	-
Exchange differences	1	-	1
At 31 July	<u>69</u>	<u>-</u>	<u>69</u>
Accumulated amortisation			
At 1 August	23	-	23
Charge for the financial year	10	-	10
Exchange differences	1	-	1
At 31 July	<u>34</u>	<u>-</u>	<u>34</u>
Carrying amount			
At 31 July	<u>35</u>	<u>-</u>	<u>35</u>

(a) The accounting software is under development stage.

(b) Purchase of intangible assets

The aggregate cost for the intangible assets of the Company during the financial year acquired through cash payment is RM3,260,000 (2022: RMNil).

7. Investment in Subsidiaries

	Company	
	2023 RM'000	2022 RM'000
In Malaysia:		
At cost		
Unquoted shares	92,839	92,839
ESOS granted to employees of subsidiaries	1,983	1,983
Less: Accumulated impairment loss	(2,102)	(2,102)
	<u>92,720</u>	<u>92,720</u>
Outside Malaysia:		
At cost		
Unquoted shares	12,804	12,804
	<u>105,524</u>	<u>105,524</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

7. Investment in Subsidiaries (Cont'd)

Movement in the allowance for impairment loss are as follows:

	Company	
	2023	2022
	RM'000	RM'000
At 1 August/31 July	2,102	2,102

Details of the subsidiaries are as follows:

Name of company	Place of business/ Country of incorporation	Effective equity interest		Principal activities
		2023	2022	
		%	%	
Honsin Apparel Sdn. Bhd.	Malaysia	100	100	Manufacturing of apparels, fabric face masks and investing holding
Plas Industries Sdn. Bhd.	Malaysia	100	100	Provision of apparel manufacturing services
Prox Technology Sdn. Bhd.	Malaysia	100	100	Marketing of apparels and fabrics face masks
Novel Realty Sdn. Bhd.	Malaysia	100	100	Property investment
Laser Capital Holdings Sdn. Bhd.	Malaysia	57.64	57.64	Investment holding
Bixiz Kids Incorporated (M) Sdn. Bhd.	Malaysia	100	100	Investment holding
Trans Pacific Textile (M) Sdn. Bhd.	Malaysia	94.44	94.44	Manufacturing of fabric

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

7. Investment in Subsidiaries (Cont'd)

Details of the subsidiaries are as follows: (Cont'd)

Name of company	Place of business/ Country of incorporation	Effective equity interest		Principal activities
		2023 %	2022 %	
Prolexus International Limited	Hong Kong	100	100	Trading of apparels and fabric face masks
Trans Pacific Textile (HK) Limited	Hong Kong	100	100	Investment holding
Subsidiary of Honsin Apparel Sdn. Bhd.:				
Honways International Limited	Hong Kong	64	64	Investment holding, trading of apparels and provision of agency services
Jia Yong Industries Sdn. Bhd.	Malaysia	100	100	Provision of apparel manufacturing services
Subsidiary of Laser Capital Holdings Sdn. Bhd.:				
HiQ Media (Malaysia) Sdn. Bhd.	Malaysia	51.91	51.91	Provision of advertising services on multimedia boards
Subsidiary of Bixiz Kids Incorporated (M) Sdn. Bhd.:				
BE Elementz Sdn. Bhd.	Malaysia	100	100	Marketing of apparels and fabric face masks
Subsidiary of Trans Pacific Textile (HK) Limited:				
Trans Pacific Textile (VN) Co. Ltd.	Vietnam	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

7. Investments in Subsidiaries (Cont'd)

Details of the subsidiaries are as follows: (Cont'd)

Name of company	Place of business/ Country of incorporation	Effective equity interest		Principal activities
		2023 %	2022 %	
Subsidiary of Honways International Limited:				
Honways Apparel Shuyang Limited *	PRC	64	64	Manufacturing of apparels, fabric face masks and investment holding
Subsidiary of Honways Apparel Shuyang Limited:				
HK Apparel Shuyang Limited *	PRC	44.8	44.8	Provision of apparel printing services
Super Sport Apparel (Shuyang) Limited *	PRC	64	64	E-commerce sales of sportswear apparels
D. Diamond Apparel (Shuyang) Limited *	PRC	64	64	E-commerce sales of casual wear apparels

* *Subsidiaries not audited by UHY Malaysia.*

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

7. Investment in Subsidiaries (Cont'd)

(a) Material partly-owned subsidiaries

Set out below are the Group's subsidiaries that have material non-controlling interests:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2023	2022	2023	2022	2023	2022
	%	%	RM'000	RM'000	RM'000	RM'000
Honways International Limited	36	36	1,302	1,759	19,365	17,670
Honways Apparel Shuyang Limited	36	36	(2,914)	(2,815)	(2,076)	890
HK Apparel Shuyang Limited	55.2	55.2	(596)	(157)	(428)	180
Trans Pacific Textile (Malaysia) Sdn. Bhd.	5.56	5.56	(928)	(780)	1,152	2,081
HiQ Media (Malaysia) Sdn. Bhd.	48.09	48.09	968	2,716	11,365	10,690
Individually immaterial subsidiaries with non-controlling interests					29,378	31,511
Total non-controlling interests					141	(1,349)
					29,519	30,162

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

7. Investment in Subsidiaries (Cont'd)

(a) Material partly-owned subsidiaries (Cont'd)

Summarised financial information for the subsidiaries that have non-controlling interest that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations:

	Honways International Limited		Honways Apparel Shuyang Limited		HK Apparel Shuyang Limited	
	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Summarised statements of financial position						
Non-current assets	8,974	9,378	10,364	14,323	1,273	1,732
Current assets	56,087	45,634	32,497	24,730	390	1,484
Non-current liabilities	-	-	-	-	(203)	(192)
Current liabilities	(11,270)	(5,930)	(39,191)	(27,143)	(1,656)	(2,118)
Net assets	53,791	49,082	3,670	11,910	(196)	906
Summarised statements of profit or loss and other comprehensive income						
Revenue	41,712	48,783	52,928	63,478	541	2,338
Net profit/(loss) for the financial year	3,616	4,886	(8,094)	(7,820)	(1,080)	(624)
Total comprehensive income/(loss) for the financial year	3,616	4,886	(8,094)	(7,820)	(1,080)	(624)
Summarised statements of cash flows						
Net cash (used in)/from operating activities	(2,394)	12,431	5,402	7,537	209	2,458
Net cash from investing activities	-	1	-	246	-	258
Net cash from/(used in) financing activities	5,471	5	(1,127)	246	(221)	2,458
Net changes in cash and cash equivalents	3,077	12,437	4,275	8,029	(12)	5,174

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

7. Investment in Subsidiaries (Cont'd)

- (a) Material partly-owned subsidiaries (Cont'd)

Summarised financial information for the subsidiaries that have non-controlling interest that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations: (Cont'd)

	Trans Pacific Textile (M) Sdn. Bhd.		HiQ Media (Malaysia) Sdn. Bhd.	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Summarised statements of financial position				
Non-current assets	113,734	120,261	1,881	2,012
Current assets	13,467	15,517	26,042	23,261
Non-current liabilities	(36,724)	(50,067)	-	(146)
Current liabilities	(69,740)	(48,278)	(4,016)	(3,232)
Net assets	20,737	37,433	23,907	21,895
Summarised statements of profit or loss and other comprehensive income				
Revenue	13,325	12,886	12,600	12,422
Net (loss)/profit for the financial year	(16,696)	(14,040)	2,012	5,972
Total comprehensive (loss)/income for the financial year	(16,696)	(14,040)	2,012	5,972
Summarised statements of cash flows				
Net cash from operating activities	10,640	15,161	3,689	2,332
Net cash (used in)/from investing activities	(492)	(3,228)	(18,406)	1,894
Net cash (used in)/from financing activities	(10,739)	(12,108)	1,246	(851)
Net changes in cash and cash equivalents	(591)	(175)	(13,471)	3,375

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

8. Investment in a Joint Venture

	Group	
	2023 RM'000	2022 RM'000
In Malaysia:		
At Cost		
Unquoted shares in Malaysia	458	458
Less: Share of post acquisition reserve		
At 1 August	(431)	(367)
Recognised during the financial year	(27)	(64)
At 31 July	(458)	(431)
	-	27

Details of the joint venture are as follows:

Name of company	Place of business/ Country of incorporation	Effective equity interest		Principal activities
		2023 %	2022 %	
T&W Synergy Sdn. Bhd.	Malaysia	50	50	Peaching and finishing of fabrics

There is no disclosure on the financial information of the joint venture as the investment cost and results are not material to the Group as at the reporting date.

9. Other Investments

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-Current				
At FVOCI				
- Equity instruments	638	701	638	701
Current				
At FVTPL				
- Equity instruments	72,495	35,402	604	621

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

9. Other Investments (Cont'd)

Equity instruments designated at FVOCI are investment in equity shares of an unquoted company. The Group holds non-controlling interests of 17.24% (2022: 17.24%) in this company. This investment was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature. Financial assets at FVTPL are investments in equity instruments quoted in Malaysia. Fair values of these equity instruments are determined by reference to published price quotations in an active market.

During the financial year, the Company recognised the fair value loss of RM62,733 (2022: RM46,176) for unquoted equity instruments classified as FVOCI as there were decline in the fair value of the investment below its cost.

10. Goodwill on Consolidation

	Group	
	2023	2022
	RM'000	RM'000
HiQ Media (Malaysia) Sdn. Bhd.	<u>2,712</u>	<u>2,712</u>

Goodwill acquired through business combinations has been allocated to its advertising segment as its cash generating unit ("CGU").

For annual impairment testing purposes, the recoverable amount of the CGU, which is a reportable business, is determined based on its value-in-use. The value-in-use calculations apply a discounted cash flow model using the cash flow projections based on financial budget and projections approved by management.

No impairment loss is required for the goodwill as its recoverable amount exceeded the carrying amount of the CGU.

The key assumptions on which the management has based on for the computation of value-in-use are as follows:

(i) Cash flow projections and growth rate

The five-year cash flow projections are based on the most recent budget approved by the management and extrapolated using a steady growth rate of 2.90% (2022: 5%) per annum for the subsequent years.

(ii) Discount rate

The discount rate of 13% (2022: 13%) is applied to the cash flow projections. The discount rate is estimated based on the weighted average cost of capital of the CGU for the year.

The management believes that no reasonably possible changes in any key assumptions would cause the recoverable amount of the CGU to differ materially from its carrying amount except for changes in prevailing operating environment which is not ascertainable.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

11. Deferred Tax Assets/(Liabilities)

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 August	(833)	(973)	-	-
Recognised in profit or loss	421	(23)	(2)	-
Overprovision in prior years	317	163	12	-
At 31 July	<u>(95)</u>	<u>(833)</u>	<u>10</u>	<u>-</u>

The net deferred tax liabilities and assets shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities	(24,234)	(9,133)	-	-
Deferred tax assets	24,139	8,300	10	-
	<u>(95)</u>	<u>(833)</u>	<u>10</u>	<u>-</u>

The components and movements of deferred tax assets and deferred tax liabilities are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities				
Revaluation surplus				
At 1 August	(890)	(1,090)	-	-
Annual crystallisation	-	37	-	-
Underprovision in prior years	-	163	-	-
At 31 July	<u>(890)</u>	<u>(890)</u>	<u>-</u>	<u>-</u>
Property, plant and equipment				
At 1 August	(8,243)	(1,205)	-	-
Recognised in profit or loss	225	(1,397)	-	-
Overprovision in prior years	(15,326)	(5,641)	-	-
At 31 July	<u>(23,344)</u>	<u>(8,243)</u>	<u>-</u>	<u>-</u>
	<u>(24,234)</u>	<u>(9,133)</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

11. Deferred Tax Assets/(Liabilities) (Cont'd)

The components and movements of deferred tax assets and deferred tax liabilities are as follows: (Cont'd)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets				
Unrealised profit on inventories				
At 1 August	830	853	-	-
Recognised in profit or loss	-	(23)	-	-
At 31 July	<u>830</u>	<u>830</u>	<u>-</u>	<u>-</u>
Unutilised tax losses				
At 1 August	4	-	-	-
Recognised in profit or loss	(43)	(1)	-	-
Underprovision in prior years	490	5	-	-
At 31 July	<u>451</u>	<u>4</u>	<u>-</u>	<u>-</u>
Unabsorbed capital allowances				
At 1 August	6,780	-	-	-
Recognised in profit or loss	1,538	1,389	-	-
Underprovision in prior years	4,591	5,391	-	-
At 31 July	<u>12,909</u>	<u>6,780</u>	<u>-</u>	<u>-</u>
Unutilised reinvestment allowances				
At 1 August	-	-	-	-
Recognised in profit or loss	(1,671)	-	-	-
Underprovision in prior years	11,133	-	-	-
At 31 July	<u>9,462</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other temporary deductible differences				
At 1 August	686	469	-	-
Recognised in profit or loss	372	(28)	(2)	-
(Over)/Underprovision in prior years	(571)	245	12	-
At 31 July	<u>487</u>	<u>686</u>	<u>10</u>	<u>-</u>
	<u>24,139</u>	<u>8,300</u>	<u>10</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

11. Deferred Tax Assets/(Liabilities) (Cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unabsorbed capital allowances	53,908	47,498	-	-
Unutilised tax losses	42,910	30,750	-	-
Unutilised reinvestment allowances	69,907	69,907	-	-
Property, plant and equipment	9	23	-	-
Other temporary deductible differences	953	1,474	-	-
Accelerated capital allowances	(95,547)	(96,332)	-	-
	<u>72,140</u>	<u>53,320</u>	<u>-</u>	<u>-</u>

Deferred tax assets have not been unutilised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

Under the Malaysia Finance Act 2018 which was unutilised on 27 December 2018, the unutilised tax losses of the Group and of the Company will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward can be carried forward for a maximum year of 7 consecutive years of assessment. With effect from year of assessment 2022, unutilised tax losses that were allowed to be carried forward up to 7 consecutive years was extended to a maximum of 10 consecutive years of assessment under the current tax legislation. The other temporary differences not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

12. Inventories

	Group	
	2023	2022
	RM'000	RM'000
At cost		
Raw materials	9,144	11,557
Work-in-progress	9,835	13,144
Finished goods	6,553	7,063
Trading goods	2,847	1,538
	<u>28,379</u>	<u>33,302</u>
At net realisable value		
Finished goods	336	-
Trading goods	57	-
	<u>393</u>	<u>-</u>
	<u>28,772</u>	<u>33,302</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	78,027	82,682
Inventories written down	367	-
Reversal of inventories written down	(195)	(736)

13. Trade Receivables

	Group	
	2023	2022
	RM'000	RM'000
Trade receivables	54,774	73,701
Less: Accumulated impairment loss	(602)	(218)
	<u>54,172</u>	<u>73,483</u>

The Group's normal trade credit terms range from 30 to 120 days (2022: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognised.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

13. Trade Receivables (Cont'd)

Movements in the allowance for impairment losses are as follows:

	Credit impaired RM'000	Lifetime allowance RM'000	Total RM'000
Group			
2023			
At 1 August 2022	218	-	218
Impairment loss recognised	-	403	403
Written off	(19)	-	(19)
At 31 July 2023	199	403	602
2022			
At 1 August 2021	102	-	102
Impairment loss recognised	116	-	116
At 31 July 2022	218	-	218

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The aged analysis of trade receivables as at the end of the reporting period:

	Gross amount RM'000	Loss allowance RM'000	Total RM'000
Group			
2023			
Neither past due nor impaired	50,721	(238)	50,483
Past due not impaired:			
Less than 30 days	1,168	(51)	1,117
31 to 60 days	2,058	(80)	1,978
61 to 90 days	498	-	498
More than 90 days	130	(34)	96
	3,854	(165)	3,689
	54,575	(403)	54,172
Credit impaired:			
- Individual impaired	199	(199)	-
	54,774	(602)	54,172

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

13. Trade Receivables (Cont'd)

The aged analysis of trade receivables as at the end of the reporting period: (Cont'd)

	Gross amount RM'000	Loss allowance RM'000	Total RM'000
Group			
2022			
Neither past due nor impaired	53,849	-	53,849
Past due not impaired:			
Less than 30 days	7,811	-	7,811
31 to 60 days	7,074	-	7,074
61 to 90 days	1,042	-	1,042
More than 90 days	3,707	-	3,707
	<u>19,634</u>	-	<u>19,634</u>
	73,483	-	73,483
Credit impaired:			
- Individual impaired	218	(218)	-
	<u>73,701</u>	<u>(218)</u>	<u>73,483</u>

As at 31 July 2023, trade receivables of the Group amounting to RM3,689,323 (2022: RM19,634,301) were past due but not impaired. These relate to a number of customers from whom there is no recent history of default.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties, have defaulted on payments and/or dispute billings. These receivables are not secured by any collateral or credit enhancements.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM198,692 (2022: RM217,564) related to customers have defaulted on payments. These balances are expected to be recovered through the debt recovery process.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

14. Other Receivables

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other receivables	1,457	1,771	-	2
Deposits	1,216	1,171	3	4
Prepayments	2,401	2,602	44	185
	<u>5,074</u>	<u>5,544</u>	<u>47</u>	<u>191</u>
Less: Accumulated impairment loss	(634)	(616)	-	-
	<u>4,440</u>	<u>4,928</u>	<u>47</u>	<u>191</u>

Included in the Group's other receivables are amount due from a joint venture amounting to RM634,127 (2022: RM624,997) and the accumulated impairment loss is RM634,127 (2022: RM616,443).

Movements in the allowance for impairment loss is as follows:

	Group	
	2023 RM'000	2022 RM'000
Credit impaired		
At 1 August	616	616
Impairment loss recognised	18	-
At 31 July	<u>634</u>	<u>616</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

15. Amount due from/(to) Subsidiaries

	Note	Company	
		2023 RM'000	2022 RM'000
Amount due from subsidiaries			
Non-trade balances	(a)	-	1,310
Non-trade balances	(b)	29,369	22,535
		<u>29,369</u>	<u>23,845</u>
Less: Accumulated impairment loss			
At 1 August		(4)	-
Impairment loss recognised		(8)	(4)
At 31 July		<u>(12)</u>	<u>(4)</u>
		<u>29,357</u>	<u>23,841</u>
Amount due to subsidiaries			
Non-trade balances	(a)	<u>4,474</u>	<u>4,371</u>

(a) These non-trade balances represent unsecured, non-interest bearing and are repayable on demand.

(b) These non-trade balances represent unsecured, bear interest at 3.28% to 5.41% (2022: 2.66% to 3.50%) per annum and are repayable on demand.

16. Deposits with Financial Institutions

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed deposits pledged				
with financial institutions	2,286	2,250	-	-
Fixed deposits not pledged				
with financial institutions	4,549	6,998	-	-
Short-term placements	2,150	17,417	754	3,672
	<u>8,985</u>	<u>26,665</u>	<u>754</u>	<u>3,672</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

16. Deposits with Financial Institutions (Cont'd)

The effective interest rates per annum of the deposits with financial institutions at the end of the financial year are as follows:

	Group		Company	
	2023	2022	2023	2022
	%	%	%	%
Fixed deposits	1.30 - 2.64	1.70 - 2.64	-	-
Short-term placements	1.19 - 3.40	1.23 - 2.11	2.50%	1.23 - 2.11

17. Non-Current Asset Held for Sale

	Group	
	2023	2022
	RM'000	RM'000
Balance at 31 July	-	15,608
Disposal		(3,300)
Transfer to right-of-use assets	-	(12,808)
Exchange difference		500
	-	-

Non-current asset held for sale comprise of land use rights located in Tien Giang Province, Vietnam and freehold land and factory building located in Ulu Choh, Johor.

Land use rights in Tien Giang Province, Vietnam

An indirectly wholly-owned subsidiary of the Group has received a Letter of Intent from a third party for the purchase of its land use rights. Subsequently, the third party has terminated the Letter of Intent and no longer have the intention to purchase the said land use rights.

In previous financial year, the land use rights has been transferred to right-of-use assets as the management in view that the sale of the land use right will not be completed within one year.

Freehold land and factory building in Ulu Choh, Johor

On 8 April 2021, a direct wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with a third party for the sale of the freehold land and factory building for a total cash consideration of RM3,300,000. The disposal was completed subsequently on 17 September 2021.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

18. Share Capital

	Group and Company			
	Number of shares		Amount	
	2023	2022	2023	2022
	Unit'000	Unit'000	RM'000	RM'000
Issued and fully paid:				
Ordinary shares				
At 1 Aug	276,728	276,570	126,071	125,960
Issuance of shares:				
- Exercise of ESOS	-	158	-	111
At 31 July	<u>276,728</u>	<u>276,728</u>	<u>126,071</u>	<u>126,071</u>

In previous financial year, the Company issued 157,500 ordinary shares pursuant to the exercise of ESOS at exercise price of RM0.54 per share amounting to RM85,050 on 22 April 2022.

The new ordinary shares issued for working capital purposes during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

19. Treasury Shares

Out of the total 276,727,513 (2022: 276,727,513) issued ordinary shares as at 31 July 2023, 809,200 (2022: 4,654,200) are held as treasury shares at a cost of RM128,036 (2022: RM737,469) by the Company. As at 31 July 2023, the number of outstanding ordinary shares in issue after the set off is therefore 275,918,313 (2022: 272,073,313) ordinary shares.

Treasury shares have no rights to voting, dividends and participation in other distribution.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

20. Reserves

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-distributable					
ESOS reserve	(a)	284	287	436	439
Exchange translation reserve	(b)	9,604	7,994	-	-
Fair value reserve	(c)	(1,383)	(1,320)	(1,383)	(1,320)
Statutory reserve	(d)	941	941	-	-
		9,446	7,902	(947)	(881)

(a) ESOS reserve

ESOS reserve represents the equity-settled share options granted to employees and was estimated using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The expected life of the option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into measurement of fair value.

(b) Exchange translation reserve

Exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Fair value reserve

Fair value reserve represents the cumulative net change in the fair value of investment in securities measured at FVOCI until they are derecognised or impaired.

(d) Statutory reserve

In accordance with relevant laws and regulations of the People's Republic of China ("PRC"), the subsidiaries of the Group established in the PRC are required to transfer 10% of their profits after tax prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of their respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

21. Retained Earnings

The entire retained earnings of the Company are available for distribution as single-tier dividends.

22. Lease Liabilities

	Group	
	2023	2022
	RM'000	RM'000
At 1 August	1,671	832
Additions	646	1,639
Modification of lease term	47	-
Accretion of interest	53	61
Termination of lease contracts	(192)	-
Repayments	(739)	(861)
At 31 July	1,486	1,671
Presented as:		
Repayable within twelve months	586	854
Repayable after twelve months	900	817
	1,486	1,671

The maturity analysis of lease liabilities of the Group at the end of the reporting period:

	Group	
	2023	2022
	RM'000	RM'000
Within one year	682	905
Between one to two years	435	642
Between two to five years	299	222
More than five years	269	-
	1,685	1,769
Less: Future finance charges	(199)	(98)
Present value of lease liabilities	1,486	1,671

The Group leases buildings, leasehold land, land use rights and advertising sites. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The average effective interest rate of the Group and for lease is ranging from 2.27% to 4.03% (2022: 2.66% to 3.55%) per annum.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

23. Borrowings

	Group	
	2023	2022
	RM'000	RM'000
Share margin financing	3,515	-
Invoice financing	2,493	9,085
Bankers' acceptance	311	2,453
Term loans	54,950	66,044
	<u>61,269</u>	<u>77,582</u>
Non-current		
Term loans	<u>36,724</u>	<u>50,067</u>
Current		
Share margin financing	3,515	-
Invoice financing	2,493	9,085
Bankers' acceptance	311	2,453
Term loans	18,226	15,977
	<u>24,545</u>	<u>27,515</u>
	<u>61,269</u>	<u>77,582</u>

The range of average effective interest rates per annum is as follows:

	Group	
	2023	2022
	%	%
Share margin financing	4.73 - 5.46	-
Invoice financing	2.04 - 6.72	3.02 - 4.45
Bankers' acceptance	5.19 - 5.28	3.15 - 3.81
Term loans	2.00 - 6.17	3.21 - 4.66

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

23. Borrowings (Cont'd)

The maturity of borrowings is as follows:

	Group	
	2023	2022
	RM'000	RM'000
Within one year	24,545	27,515
Between one to two years	9,166	13,522
Between two to five years	22,805	24,199
More than five years	4,753	12,346
	<u>61,269</u>	<u>77,582</u>

The borrowings are secured by:

- (i) Corporate guarantee of the Company and a subsidiary;
- (ii) Legal charge over freehold land, freehold buildings and land use rights of certain subsidiaries;
- (iii) First party specific debenture by way of fixed charge to be created over certain subsidiary's freehold buildings, plant and machinery and capital expenditure in progress; and
- (iv) First/third party deed of assignment and charge over the Finance Service Reserve Account ("FSRA") of a subsidiary.

24. Trade payables

Credit terms of trade payables of the Group and of the Company ranged from 30 to 90 days (2022: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

25. Other Payables

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Other payables	3,591	7,118	71	89
Deposits payable	1	-	-	-
Accruals	9,995	11,440	348	492
VAT/SST payable	142	459	-	-
	<u>13,729</u>	<u>19,017</u>	<u>419</u>	<u>581</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

26. Contract Liabilities

	Group	
	2023	2022
	RM'000	RM'000
Contract liabilities		
Advances received	1,028	1,538

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

When the Group receives advances before the advertising/manufacturing activity commences, this will give rise to contract liabilities at the start of a contract. The advances will be reversed and recognised as revenue upon satisfying the performance obligation within the contract.

All advances billing received are expected to be settled within one year.

Contract liabilities outstanding at the beginning of the year amounting to RM1,027,923 (2022: RM1,537,935) have been recognised as revenue during the year.

27. Revenue

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers				
Sales of apparels, fabric face masks and fabrics	210,351	224,407	-	-
Provision of advertising services	12,600	12,422	-	-
Provision of agency services	276	550	-	-
	223,227	237,379	-	-
Revenue from other sources				
Management fee	-	-	3,829	3,854
Gross dividend from subsidiaries	-	-	-	131
	-	-	3,829	3,985
	223,227	237,379	3,829	3,985

The timing of revenue recognition of the Group and the Company are at a point in time.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

28. Finance Costs

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest expenses on:				
- Invoice financing	475	32	-	-
- Lease liabilities	53	61	-	-
- Revolving credits	-	17	-	-
- Share margin financing	13	-	-	-
- Term loans	3,070	2,835	-	-
- Letter of credit	4	-	-	-
- Bankers' acceptance	210	16	-	-
- Trust receipts	133	127	-	-
- Other finance costs	41	-	-	-
	<u>3,999</u>	<u>3,088</u>	<u>-</u>	<u>-</u>

29. Profit Before Taxation

Profit before taxation is derived after charging/(crediting):

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amortisation of intangible assets	8	10	-	-
Amortisation of right-of-use assets	1,290	1,389	-	-
Auditors' remuneration				
- Statutory audits	245	269	27	34
- Other services	3	3	3	3
	248	272	30	37
Depreciation of property, plant and equipment	11,570	11,428	20	8
Fair value adjustment on:				
- Derivative financial instruments	-	(29)	-	-
- Other investments	(11,731)	(5,624)	28	-
Gain on:				
- Disposal of property, plant and equipment	(90)	(26)	-	-
- Disposal of other investment	(17,305)	(1,006)	-	-
- Modification of lease term	(1)	-	-	-
- Termination of lease term	(11)	-	-	-
	<u>(17,307)</u>	<u>(6,661)</u>	<u>28</u>	<u>37</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

29. Profit Before Taxation (Cont'd)

Profit before taxation is derived after charging/(crediting): (Cont'd)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Gross dividend from subsidiaries	-	-	-	(131)
Income distribution from unit trusts	(161)	(414)	(11)	(20)
Impairment loss on:				
- Amount due from subsidiaries	-	-	8	4
- Amount due from joint venture	18	-	-	-
- Trade receivables	403	116	-	-
Interest income	(1,002)	(656)	(748)	(621)
Property, plant and equipment written off	13	154	1	-
Reversal of inventories written down	(195)	(736)	-	-
Inventories written down	367	-	-	-
Share of results of a joint venture	27	64	-	-
Unrealised loss/(gain) on foreign exchange	1,287	(1,291)	27	-
Rental income	(156)	(94)	-	-
Lease expenses relating to short term lease				
- Advertising sites	516	473	-	-
- Machinery and equipment	67	24	-	-
- Premises	767	879	14	19

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

30. Taxation

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Tax expenses recognised in profit or loss				
Current tax provision:				
Malaysian income tax	5,189	6,110	251	154
(Over)/Underprovision in prior years	(317)	(319)	167	32
	<u>4,872</u>	<u>5,791</u>	<u>418</u>	<u>186</u>
Deferred tax:				
Origination and reversal of temporary differences	(421)	23	2	-
Overprovision in prior years	(317)	(163)	(12)	-
	<u>(738)</u>	<u>(140)</u>	<u>(10)</u>	<u>-</u>
	<u>4,134</u>	<u>5,651</u>	<u>408</u>	<u>186</u>

Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

30. Taxation (Cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	24,052	15,020	689	1,462
Add: Share of loss of a joint venture	27	64	-	-
	<u>24,079</u>	<u>15,084</u>	<u>689</u>	<u>1,462</u>
Taxation at statutory tax rate of 24%	5,779	3,620	166	351
Effects of tax rates in other countries	(1,597)	(25)	-	-
Income not subject to tax	(7,490)	(1,390)	(23)	(233)
Expenses not deductible for tax purposes	3,559	2,168	110	36
Utilisation of previously unrecognised deferred tax assets	(43)	(220)	-	-
Deferred tax assets not recognised	4,560	1,980	-	-
Overprovision of deferred tax in prior year	(317)	(163)	(12)	-
(Over)/Underprovision of income tax expense in prior years	(317)	(319)	167	32
	<u>4,134</u>	<u>5,651</u>	<u>408</u>	<u>186</u>

The Group has the following unutilised tax losses, unabsorbed capital allowances and unutilised reinvestment allowances available to carry forward to offset against future taxable profits. The said amounts are subjected to approval by the tax authorities.

	Group	
	2023	2022
	RM	RM
Unutilised tax losses	42,910	30,750
Unabsorbed capital allowances	53,908	47,498
Unutilised reinvestment allowances	69,907	69,907
	<u>166,725</u>	<u>148,155</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

30. Taxation (Cont'd)

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendments to Section 44(5F) of Income Tax Act 1967, the time limit of the carried forward unutilized tax losses has been extended to maximum of 10 consecutive years of assessment. This amendment is deemed to have effect from the year of assessment 2019 and subsequent years of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028) under the current tax legislation. The unutilised capital allowances and other temporary differences do not expire under current tax legislation.

The unutilised tax losses can only be carried forward until the following years of assessment.

	Group	
	2023	2022
	RM'000	RM'000
Unutilised losses to be carried forward until:		
- Year of assessment 2028	6,299	6,483
- Year of assessment 2029	10,640	10,640
- Year of assessment 2031	5,751	5,751
- Year of assessment 2032	7,876	7,876
- Year of assessment 2033	12,344	-
	<u>42,910</u>	<u>30,750</u>

31. Staff Costs

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and other emoluments	61,794	65,351	2,584	1,971
Defined contribution plans	8,715	7,630	349	326
Social security contributions	581	480	7	8
	<u>71,090</u>	<u>73,461</u>	<u>2,940</u>	<u>2,305</u>

Included in staff costs is aggregate amount of remuneration received and receivable by the Directors of the Company and its subsidiaries during the financial year is disclosed at Note 34(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

32. Earnings Per Share

Basic earnings per share

The basic earnings per share is calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2023	2022
	RM'000	RM'000
Profit attributable to owners of the parent for basic	20,880	8,741
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 August	275,199	267,172
Effect of ordinary shares issued during the financial year	-	1,065
Weighted average number of ordinary shares at 31 July	275,199	268,237
Basic earnings per share (in sen)	8	3

Diluted earnings per share

The diluted earnings per share of the Group is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted to assume conversion of all dilutive potential ordinary shares arising from warrants and share options granted to employees and directors as follows:

	Group	
	2023	2022
	RM'000	RM'000
Profit attributable to owners of the parent for basic	20,880	8,741
Weighted average number of ordinary shares in issue	275,199	268,237
Adjustment for dilutive effect of convertible instruments	21	24
	275,220	268,261
Diluted earnings per share (in sen)	8	3

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

33. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1 August RM'000	Financing cash flows (i) RM'000	Non-cash changes			Foreign exchange adjustments RM'000	At 31 July RM'000
			Addition of lease RM'000	Modification of lease term RM'000	Termination of lease term RM'000		
Group							
2023							
Term loans	66,044	(11,256)	-	-	-	162	54,950
Lease liabilities	1,671	(852)	812	47	(192)	-	1,486
Bankers' acceptance	2,453	(2,142)	-	-	-	-	311
Invoice financing	9,085	(6,592)	-	-	-	-	2,493
Share margin financing	-	3,515	-	-	-	-	3,515
	<u>79,253</u>	<u>(17,327)</u>	<u>812</u>	<u>47</u>	<u>(192)</u>	<u>162</u>	<u>62,755</u>
2022							
Term loans	74,617	(8,598)	-	-	-	25	66,044
Lease liabilities	832	(800)	1,639	-	-	-	1,671
Bankers' acceptance	-	2,453	-	-	-	-	2,453
Invoice financing	-	9,085	-	-	-	-	9,085
	<u>75,449</u>	<u>2,140</u>	<u>1,639</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>79,253</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

33. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes: (Cont'd)

	At 1 August RM'000	Financing cash flows (i) RM'000	At 31 July RM'000
Company			
2023			
Amount due to subsidiaries	4,371	103	4,474
2022			
Amount due to subsidiaries	4,820	(449)	4,371

(i) *The financing cash flows include the net amount of drawdown from and repayments of borrowings in the statements of cash flows.*

34. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management and chief executive officers of major subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

34. Related Party Disclosures (Cont'd)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in elsewhere in the financial statements, the significant related party transactions of the Company are as follows:

	Group	
	2023	2022
	RM'000	RM'000
Transactions with related parties		
Professional fee	-	49
Sales	-	21
Service fee	-	49
	<u> </u>	<u> </u>
	Company	
	2023	2022
	RM'000	RM'000
Transactions with subsidiary companies		
Gross dividend income	-	(131)
Management fee	(3,829)	(3,854)
Interest income	(664)	(494)
Rental expenses	-	19
	<u> </u>	<u> </u>

(c) Compensation of Directors

Remuneration of Directors are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
Executive Directors				
Salaries and other emoluments	420	1,053	-	604
Defined contribution plan	28	176	-	116
Fees	179	40	-	-
Benefit in kind	-	37	-	21
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	627	1,306	-	741

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

34. Related Party Disclosures (Cont'd)

(c) Compensation of Directors (Cont'd)

Remuneration of Directors are as follows: (Cont'd)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-Executive Directors				
Other emoluments	101	20	-	20
Fees	94	8	94	8
	195	28	94	28
	822	1,334	94	769
Directors of subsidiaries:				
Directors				
Salaries and other emoluments	229	558	-	-
Defined contribution plan	-	43	-	116
Fees	10	60	-	-
Benefit in kind	-	15	-	-
	239	676	-	116
Total Directors' remuneration	1,061	2,010	94	885

35. Segment Information

Segmental information is presented in respect of the Group's business and geographical segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group comprises the following main business segments:

Apparels	Manufacturing of apparels and fabric face masks and provision of apparels manufacturing services.
Textile	Manufacturing of textile and provision of textile manufacturing services.
Advertising	Provision of advertising services on multimedia boards.
Others	Investment holding, property investment, provision of management services and provision of agency services.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

35. Segment Information (Cont'd)

	2023					
	Apparels RM'000	Textile RM'000	Advertising RM'000	Others RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
Revenue						
External customers	199,761	10,590	12,600	276	-	223,227
Inter-segment sales	-	2,735	-	4,913	(7,648)	-
Total revenue	199,761	13,325	12,600	5,189	(7,648)	223,227
Results						
Segment results	5,977	(13,032)	4,743	26,299	3,089	27,076
Share of results of a joint venture	-	(27)	-	-	-	(27)
Interest expense	(1,249)	(3,659)	(14)	(426)	1,349	(3,999)
Interest income	1,408	23	255	665	(1,349)	1,002
Profit/(Loss) before taxation	6,136	(16,695)	4,984	26,538	3,089	24,052
Taxation	(3,544)	-	(183)	(407)	-	(4,134)
Profit/(Loss) for the financial year	2,592	(16,695)	4,801	26,131	3,089	19,918

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

35. Segment Information (Cont'd)

2023	Apparels RM'000	Textile RM'000	Advertising RM'000	Others RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
Assets						
Segment assets	244,125	123,315	5,559	253,896	(279,188)	347,707
Tax recoverable	452	-	1,365	-	-	1,817
Deposits with financial institutions	6,653	1,578	-	754	-	8,985
Cash and bank balances	47,871	2,308	2,765	5,425	-	58,369
Total assets	299,101	127,201	9,689	260,075	(279,188)	416,878
Liabilities						
Segment liabilities	95,974	55,807	2,330	20,015	(151,895)	22,231
Borrowings	7,098	50,657	-	3,514	-	61,269
Lease liabilities	1,330	-	156	-	-	1,486
Deferred tax liabilities	624	-	-	(10)	(519)	95
Tax payables	118	-	-	133	-	251
Total liabilities	105,144	106,464	2,486	23,652	(152,414)	85,332

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

35. Segment Information (Cont'd)

	2023		Adjustments				Consolidated RM'000
	Apparels RM'000	Textile RM'000	Advertising RM'000	Others RM'000	and eliminations RM'000		
Other non-cash (income)/expenses							
Amortisation of intangible assets	8	-	-	-	-	8	
Amortisation of right-of-use assets	691	-	260	339	-	1,290	
Depreciation of property, plant and equipment	3,869	6,988	615	98	-	11,570	
Fair value adjustment on:							
- Other investments	-	-	-	(11,731)	-	(11,731)	
Gain on:							
- Disposal of property, plant and equipment	(90)	-	-	-	-	(90)	
- Disposal of other investment	-	-	-	(17,305)	-	(17,305)	
- Modification of lease term	(1)	-	-	-	-	(1)	
- Termination of lease term	(11)	-	-	-	-	(11)	
Impairment loss on:							
- Amount due from joint venture	-	18	-	-	-	18	
- Trade receivables	-	-	403	-	-	403	
Property, plant and equipment written off	12	-	-	1	-	13	
Inventories written down	367	-	-	-	-	367	
Reversal of inventories written down	(195)	-	-	-	-	(195)	
Share of results of a joint venture	-	27	-	-	-	27	
Unrealised loss on foreign exchange	525	667	-	95	-	1,287	

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

35. Segment Information (Cont'd)

2022	Apparels RM'000	Textile RM'000	Advertising RM'000	Others RM'000	Adjustments	
					and eliminations RM'000	Consolidated RM'000
Revenue						
External customers	214,891	9,516	12,422	550	-	237,379
Inter-segment sales	-	3,369	-	5,090	(8,459)	-
Total revenue	214,891	12,885	12,422	5,640	(8,459)	237,379
Results						
Segment results	12,795	(11,979)	8,544	7,392	764	17,516
Share of results of a joint venture	-	(64)	-	-	-	(64)
Interest expense	(682)	(2,010)	(27)	(318)	(51)	(3,088)
Interest income	424	13	112	56	51	656
Profit/(Loss) before taxation	12,537	(14,040)	8,629	7,130	764	15,020
Taxation	(2,946)	-	(2,502)	(180)	(23)	(5,651)
Profit/(Loss) for the financial year	9,591	(14,040)	6,127	6,950	741	9,369

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

35. Segment Information (Cont'd)

2022	Apparels RM'000	Textile RM'000	Advertising RM'000	Others RM'000	Adjustments and eliminations		Consolidated RM'000
					RM'000	RM'000	
Assets							
Segment assets	218,178	131,295	5,961	214,386	(231,990)		337,830
Investment in a joint venture	-	27	-	-	-		27
Tax recoverable	1,022	-	-	-	-		1,022
Deposits with financial institutions	9,043	1,558	12,392	3,672	-		26,665
Cash and bank balances	39,462	2,898	3,844	5,291	-		51,495
Total assets	267,705	135,778	22,197	223,349	(231,990)		417,039
Liabilities							
Segment liabilities	74,720	34,141	2,891	18,732	(101,602)		28,882
Borrowings	13,465	64,117	-	-	-		77,582
Lease liabilities	1,176	87	408	-	-		1,671
Deferred tax liabilities	833	-	-	-	-		833
Tax payables	-	-	79	45	-		124
Total liabilities	90,194	98,345	3,378	18,777	(101,602)		109,092

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

35. Segment Information (Cont'd)

	2022	Apparels RM'000	Textile RM'000	Advertising RM'000	Others RM'000	Adjustments		Consolidated RM'000
						and eliminations RM'000		
Other non-cash (income)/expenses								
Amortisation of intangible assets	10	-	-	-	-	-	-	10
Depreciation of property, plant and equipment	3,879	6,917	545	87	-	-	-	11,428
Amortisation of right-of-use assets	383	-	249	757	-	-	-	1,389
Fair value adjustment on:								
- Derivative financial instruments	(29)	-	-	-	-	-	-	(29)
- Other investments	-	-	-	(5,624)	-	-	-	(5,624)
Gain on:								
- Disposal of property, plant and equipment	(1)	(25)	-	-	-	-	-	(26)
- Disposal of other investment	-	-	-	(1,006)	-	-	-	(1,006)
Impairment loss on trade receivables	-	19	97	-	-	-	-	116
Property, plant and equipment written off	154	-	-	-	-	-	-	154
Share of results of a joint venture	-	64	-	-	-	-	-	64
Unrealised gain on foreign exchange	(277)	(890)	-	(124)	-	-	-	(1,291)

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

35. Segment Information (Cont'd)

(a) Adjustments and eliminations

Capital expenditure consists of additions of property, plant and equipment, intangible assets and including assets from the acquisition of subsidiaries.

Inter-segment revenues and transactions are eliminated on consolidation.

(b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Group				
Malaysia	31,572	46,056	164,190	153,116
United States of America	111,188	115,358	-	-
Europe	33,330	30,285	-	-
Asia	33,204	31,459	23,638	37,626
Other countries	13,933	14,221	-	-
	<u>223,227</u>	<u>237,379</u>	<u>187,828</u>	<u>190,742</u>

Non-current assets information presented above consist of the following items as presented in the statements of financial position:

	Group	
	2023 RM'000	2022 RM'000
Property, plant and equipment	166,793	172,395
Right-of-use assets	14,399	14,872
Intangible assets	3,286	35
Investment in a joint venture	-	27
Other investments	638	701
Goodwill on consolidation	2,712	2,712
	<u>187,828</u>	<u>190,742</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

35. Segment Information (Cont'd)

(c) Major customer

Total revenue from 2 (2022: 1) major customers which individually contributed more than 10% of the Group revenue are from the apparels segment which amounted to RM126,902,271 (2022: RM30,975,769).

36. Capital Commitment

	Group	
	2023	2022
	RM'000	RM'000
Approved and contracted for:		
- Property, plant and equipment	468	-

37. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	At FVOCI RM'000	At FVTPL RM'000	At Amortised Cost RM'000	Total RM'000
Group				
2023				
Financial Assets				
Trade receivables	-	-	54,172	54,172
Other receivables and deposits	-	-	2,039	2,039
Other investments	638	72,495	-	73,133
Deposits with financial institutions	-	-	8,985	8,985
Cash and bank balances	-	-	58,369	58,369
	<u>638</u>	<u>72,495</u>	<u>123,565</u>	<u>196,698</u>
Financial Liabilities				
Trade payables	-	-	7,474	7,474
Other payables (excluding VAT/SST payable)	-	-	13,587	13,587
Lease liabilities	-	-	1,486	1,486
Borrowings	-	-	61,269	61,269
	<u>-</u>	<u>-</u>	<u>83,816</u>	<u>83,816</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	At FVOCI RM'000	At FVTPL RM'000	At Amortised Cost RM'000	Total RM'000
Group				
2022				
Financial Assets				
Trade receivables	-	-	73,483	73,483
Other receivables and deposits	-	-	2,326	2,326
Other investments	701	35,402	-	36,103
Deposits with financial institutions	-	-	26,665	26,665
Cash and bank balances	-	-	51,495	51,495
	<u>701</u>	<u>35,402</u>	<u>153,969</u>	<u>190,072</u>
Financial Liabilities				
Trade payables	-	-	8,327	8,327
Other payables (excluding VAT/SST payable)	-	-	18,558	18,558
Lease liabilities	-	-	1,671	1,671
Borrowings	-	-	77,582	77,582
	<u>-</u>	<u>-</u>	<u>106,138</u>	<u>106,138</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	At FVOCI RM'000	At FVTPL RM'000	At Amortised Cost RM'000	Total RM'000
Company				
2023				
Financial Assets				
Other investments	638	604	-	1,242
Other receivables and deposits	-	-	3	3
Amount due from subsidiaries	-	-	29,357	29,357
Deposits with financial institutions	-	-	754	754
Cash and bank balances	-	-	380	380
	<u>638</u>	<u>604</u>	<u>30,494</u>	<u>31,736</u>
Financial Liabilities				
Other payables	-	-	419	419
Amount due to subsidiaries	-	-	4,474	4,474
	<u>-</u>	<u>-</u>	<u>4,893</u>	<u>4,893</u>

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	At FVOCI RM'000	At FVTPL RM'000	At Amortised Cost RM'000	Total RM'000
Company				
2022				
Financial Assets				
Other investments	701	621	-	1,322
Other receivables and deposits	-	-	6	6
Amount due from subsidiaries	-	-	23,841	23,841
Deposits with financial institutions	-	-	3,672	3,672
Cash and bank balances	-	-	681	681
	701	621	28,200	29,522
Financial Liabilities				
Other payables	-	-	581	581
Amount due to subsidiaries	-	-	4,371	4,371
	-	-	4,952	4,952

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group and of the Company operations whilst managing its financial risks, including credit, liquidity, foreign currency, interest rate and market price risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and of the Company's policy is not to engage in speculative transactions.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with licensed banks. The Company's exposure to credit risk arises principally from advances to subsidiaries.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with licensed banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

At each reporting date, the Group and the Company assess whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's maximum exposure to credit risk except for financial guarantee provided to licensed banks for banking facilities granted to certain subsidiaries.

The Group's maximum exposure in this respect is RM2,927,269 (2022: RM2,299,308) while the Company's maximum exposure in this respect is RM50,656,864 (2022: RM64,439,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. There was no indication that any subsidiary would default on repayment as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

Credit risk concentration

As at the end of the financial year, the Group has no major customers accounted for more than 10% of the total trade receivables outstanding.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet its working capital requirements and prudently balances its portfolio of short term and long-term funding requirements.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

Group 2023	On demand		1 - 2 years		2 - 5 years		> 5 years		Total	
	within 1 year	RM'000	RM'000	RM'000	RM'000	RM	contractual cash flows	RM'000	carrying amount	RM'000
Non-derivative financial liabilities										
Trade payables	7,474	-	-	-	-	-	7,474	7,474	7,474	
Other payables	13,587	-	-	-	-	-	13,587	13,587	13,587	
Lease liabilities	682	435	299	269	269	1,486	1,685	1,685	1,486	
Borrowings	27,497	11,197	25,917	5,081	5,081	69,692	69,692	69,692	61,269	
Financial guarantee*	2,927	-	-	-	-	-	2,927	2,927	-	
	52,167	11,632	26,216	5,350	5,350	95,365	95,365	95,365	83,816	

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. **Financial Instruments (Cont'd)**
 (b) **Financial risk management objectives and policies (Cont'd)**
 (ii) **Liquidity risk (Cont'd)**

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. (Cont'd)

Group 2022	On demand		1 - 2 years		2 - 5 years		> 5 years		Total	
	within 1 year		RM'000		RM'000		RM	contractual cash flows	carrying amount	RM'000
Non-derivative financial liabilities										
Trade payables	8,327	-	-	-	-	-	-	8,327	8,327	8,327
Other payables	18,558	-	-	-	-	-	-	18,558	18,558	18,558
Lease liabilities	905	642		222				1,769	1,671	1,671
Borrowings	29,870	15,533		27,735		13,106		86,244	77,582	77,582
Financial guarantee*	2,299	-	-	-	-	-	-	2,299	-	-
	<u>59,959</u>	<u>16,175</u>		<u>27,957</u>		<u>13,106</u>		<u>117,197</u>	<u>106,138</u>	<u>106,138</u>

* Based on the maximum amount that can be called for under the financial guarantee contract.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risks (Cont'd)

	On demand within 1 year RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Company			
2023			
Non-derivative financial liabilities			
Other payables	419	419	419
Amount due to subsidiaries	4,474	4,474	4,474
Financial guarantee*	50,657	50,657	-
	<u>55,550</u>	<u>55,550</u>	<u>4,893</u>
2022			
Non-derivative financial liabilities			
Other payables	581	581	581
Amount due to subsidiaries	4,371	4,371	4,371
Financial guarantee*	64,439	64,439	-
	<u>69,391</u>	<u>69,391</u>	<u>4,952</u>

* Being corporate guarantee for banking facilities for certain subsidiaries which will only be encashed in the event of default by these subsidiaries.

The Company provides unsecured financial guarantee to banks in respect of credit facilities granted to certain subsidiaries and monitors on an ongoing basis the performance of the subsidiaries. At end of the financial year, there was no indication that the subsidiaries would default on repayment.

Financial guarantee has not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiaries defaulting on their credit facilities is remote.

The maximum amount of the financial guarantees issued to the banks for subsidiaries' borrowings is limited to the amount utilised by the subsidiaries, amounting to RM50,656,864 as at 31 July 2023 (2022: RM64,439,000). The earliest year any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At end of the financial year, there was no indication that the subsidiaries would default on repayment.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (“USD”) and Chinese Renminbi (“RMB”).

The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

Exposure to foreign currency risk

The carrying amounts of the Group’s foreign currency denominated financial assets and financial liabilities which have RM functional currency at the end of the reporting period are as follows:

	Denominated in		Total RM'000
	USD RM'000	RMB RM'000	
Group			
2023			
Trade receivables	42,680	5,645	48,325
Other receivables	463	422	885
Deposits with financial institutions	4,550	-	4,550
Cash and bank balances	42,551	492	43,043
Trade payables	(1,778)	(3,232)	(5,010)
Other payables	(430)	(2,778)	(3,208)
Borrowings	(1,755)	(4,781)	(6,536)
	86,281	(4,232)	82,049

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities which have RM functional currency at the end of the reporting period are as follows: (Cont'd)

	USD	Denominated in	Total
	RM'000	RMB	RM'000
		RM'000	
Group			
2022			
Trade receivables	59,672	7,273	66,945
Other receivables	14	655	669
Deposits with financial institutions	3,560	3,438	6,998
Cash and bank balances	35,861	1,994	37,855
Trade payables	(1,257)	(4,335)	(5,592)
Other payables	(508)	(4,478)	(4,986)
	<u>97,342</u>	<u>4,547</u>	<u>101,889</u>
			Denominated
			in USD
			RM'000
Company			
2023			
Cash and bank balances			<u>27</u>
2022			
Cash and bank balances			<u>22</u>

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities mainly have MYR, USD and RMB functional currencies. The exposure to currency risk of Group entities other than MYR, USD and RMB functional currencies is not material and hence, sensitivity analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

The following demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the USD and RMB exchange rates against RM as well as in the MYR and RMB exchange rates against USD, with all other variables held constant:

	Change in currency rate	Effect on profit before tax RM'000
Group		
2023		
USD/MYR	Strengthened 10%	8,628
	Weakened 10%	(8,628)
RMB/MYR	Strengthened 10%	(423)
	Weakened 10%	423
<hr/>		
2022		
USD/MYR	Strengthened 10%	9,734
	Weakened 10%	(9,734)
RMB/MYR	Strengthened 10%	455
	Weakened 10%	(455)
<hr/>		
Company		
2023		
USD/MYR	Strengthened 10%	3
	Weakened 10%	(3)
<hr/>		
2022		
USD/MYR	Strengthened 10%	2
	Weakened 10%	(2)
<hr/>		

(b) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

The Group and the Company manage the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group and the Company manage its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group and the Company constantly monitor its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group and the Company do not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The carrying amount of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	2023	2022
	RM'000	RM'000
Group		
Fixed rate instruments		
Financial asset		
Deposits with financial institutions	8,985	26,665
Financial liabilities		
Lease liabilities	1,486	1,671
Bankers' acceptance	311	2,453
Invoice financing	2,493	9,085
	<u>4,290</u>	<u>13,209</u>
Floating rate instruments		
Financial liabilities		
Share margin financing	3,515	-
Term loans	54,950	66,044
	<u>58,465</u>	<u>66,044</u>
Company		
Fixed rate instrument		
Financial asset		
Deposits with financial institutions	754	3,672

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 0.25% interest rate at the end of the reporting period would have increased the Group's profit before taxation by RM146,162 (2022: RM165,110), arising mainly as a result of higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or foreign exchange rates).

The Group and the Company are exposed to equity price risk arising from its investment in quoted instrument. This investment is listed on Bursa Malaysia and is classified as fair value through profit or loss.

Management of the Group and the Company monitors the value of the equity investments by considering the movements in the quoted price. The buy and sell decisions are approved by the Risk Management Committee of the Group. Market price risk sensitivity analysis.

At the reporting date, if the stock indices had been 10% higher/lower, with all other variables held constant, the Group's and the Company's profit before taxation would have been RM7,249,550 (2022: RM3,540,200) and RM60,408 (2022: RM62,100) respectively lower/higher, arising as a result of higher/lower fair value gain on held for trading investment in equity instrument.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

37. Financial Instruments (Cont'd)

(c) Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value Level 1 RM'000	Total fair value RM'000	Carrying amount RM'000
Group			
2023			
Financial Asset			
Other investments	72,495	72,495	72,495
2022			
Financial Asset			
Other investments	35,402	35,402	35,402
Company			
2023			
Financial Asset			
Other investments	604	604	604
2022			
Financial Asset			
Other investments	621	621	621

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

38. Financial Guarantee

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Bank guarantees issued in favour of third parties granted for utilities	2,927	2,299	-	-
Corporate guarantees to licensed banks for credit facilities granted to subsidiary companies				
- Limit of guarantees	-	-	117,961	104,179
- Amount utilised	-	-	50,657	64,439
	2,927	2,299	168,618	168,618

39. Material Litigation

Legal claim against Trans Pacific Textile (M) Sdn. Bhd. (“TPTM”)

A subsidiary of the Company, TPTM received a Notice of Arbitration from Pembinaan Thong Lian Sdn. Bhd. (“PTLSB”). TPTM had engaged PTLSB for the construction of a textile factory and waste water treatment plant (“Project”) via its Letter of Acceptance dated 24 January 2017 and Letter of Supplemental Agreement dated 2 May 2017. As the completion of the Project was behind the original schedule, TPTM was awarded liquidated ascertained damages (“LAD”) of RM6.52 million following an adjudication proceeding.

Following the decision of the Adjudicator, PTLSB initiated an Arbitration to claim the following:

- (i) LAD of RM6.52 million,
- (ii) Retention sum of RM1.51 million,
- (iii) Damages suffered for alleged breach of contract by TPTM and the Architect,
- (iv) Interest on any sums awarded in the Arbitral tribunal from such date as the Arbitrator deems fit and proper,
- (v) Cost of the arbitration, and
- (vi) Such other or further reliefs as the Arbitral Tribunal shall deem fit.

TPTM has engaged a legal firm to represent it to defend the claim brought by PTLSB and counterclaims for the following:

- (a) A declaration that EOT Applications Nos. 1 to 3 granted by the Architect to the PTLSB are irregular and invalid and therefore of no effect;
- (b) A consequential order flowing from the relief above that the Certificate of Non-Completion be revised to 02.10.2017;

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

39. Material Litigation (Cont'd)

TPTM has engaged a legal firm to represent it to defend the claim brought by PTLSB and counterclaims for the following: (Cont'd)

- (c) An order that the TPTM is entitled to the payment in the sum of RM9,030,000.00 as additional LAD to be due and payable by the PTLSB to the TPTM;
- (d) An order for the sum of RM1,644,043.70 being the disguised claim for Loss and Expense labelled as Variation Order 13 to be paid by the PTLSB to the TPTM;
- (e) Pre-judgment interest;
- (f) Post-judgement interest;
- (g) Costs of arbitration; and
- (h) Such further or other relief that the Honorable Tribunal deems just.

The legal claim currently still at the very early stage of the arbitration proceedings, that:

- (i) The parties have agreed on the appointment of the sole arbitrator and the first preliminary meeting was conducted on 25 August 2022; and
- (ii) The Pre-Hearing review was fixed on 27 March 2024 and Trial was fixed on 29 April 2024 to 30 April 2024.

The Directors of the Company do not expect the outcome of the action to have a material effect on the Group's financial position.

40. Employee Share Option Scheme ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at the Extraordinary General Meeting held on 3 September 2013, and the ESOS will be in force for a duration of 5 years. On 17 August 2018, the Directors have extended the existing ESOS for another 5 years until 8 September 2023 in accordance with terms of the ESOS By-Laws.

The salient features of the ESOS are as follows:

- (i) The total number of new ordinary shares which are available to be issued under the ESOS shall not in aggregate exceed fifteen percent (15%) of the total issued and fully paid-up share capital (excluding treasury shares) of the Company at any point in time during the duration of the scheme.
- (ii) A person shall be eligible to participate in the ESOS if, as at the date of offer, has attained the age of at least eighteen (18) years old; not be an undischarged bankrupt nor subject to any bankruptcy proceedings; be a director of the Company or be a full-time Malaysian employee confirmed in service and served at least one (1) continuous year within the Group ("Eligible Person"). Eligibility to participate in the scheme does not confer on an Eligible Person a claim or right to participate in the scheme unless the ESOS Committee has made an offer and the Eligible Person has accepted the offer in accordance with the terms of the offer and the scheme. The selection of any Eligible Person to participate in the scheme shall be at the discretion of the ESOS Committee.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

40. Employee Share Option Scheme (“ESOS”) (Cont’d)

The salient features of the ESOS are as follows: (Cont’d)

- (iii) The option price at which the grantee is entitled to subscribe for each new ordinary share shall not be lower than the par value and be either at a premium or discount of not more than 10% (or such lower or higher limit in accordance with any prevailing guidelines, rules or regulations issued by the Bursa Securities) of the 5-day volume weighted average market price of the Company’s share as at the offer date.
- (iv) The options offered to the grantee may, subject to the compliance or fulfilment by the grantee of the vesting conditions, be vested in the grantee in such number or tranche or tranches as shall be determined by the ESOS Committee.
- (v) The new ordinary shares to be allotted upon the exercise of the option will, upon allotment, rank *pari passu* in all respects with the then existing issued and fully paid-up shares of the Company, except that the new ordinary shares so allotted will not be entitled to any rights, dividends, allotments or other forms of distribution, the entitlement date of which is declared prior to the date of allotment of the ordinary shares and will be subject to all the provisions of the Articles of Association of the Company and the Listing Requirements relating to transfer, transmission and otherwise.
- (vi) The ESOS shall continue to be in force for a period of five (5) years from the effective date of the ESOS. However, the ESOS may at the discretion of the ESOS Committee be extended without any approval from the shareholders of the Company in any general meeting provided that the extension of the ESOS shall not exceed five (5) years.

The following table lists the inputs to the Black Scholes model for the ESOS granted:

	12-Sep-13	07-May-14	05-Sep-14	23-Dec-14	08-Sep-16
Fair value (RM)	0.14	0.50	0.44	0.42	0.31
Expected volatility (%)	10.09	36.89	36.58	35.09	37.63
Risk-free interest					
rate (% p.a.)	3.82	3.91	4.03	4.01	3.32
Dividend yield (%)	3.11	1.96	1.97	2.19	2.31
Borrowings cost (%)	2.56	2.56	2.56	3.38	6.95
Expected life of					
option (years)	4.99	4.34	4.01	3.71	2.00
Weighted average					
share price (RM)	0.96	1.51	1.51	1.60	1.45

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

41. Warrants

Warrants B

On 30 June 2021, the Company issued 133,585,898 Warrants B pursuant to a bonus issue of warrant exercise (“Warrants B”). The Warrants are constituted by a deed poll dated 14 June 2021. The Warrants B was listed on Bursa Malaysia on 5 July 2021. The main features of the Warrants B are as follows:

- (i) Each Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.56 per ordinary share.
- (ii) The exercise price and/or the number of Warrants in issue shall be subject to adjustments in accordance with the provisions of the deed poll during the exercise period.
- (iii) The Warrants may be exercised at any time within five (5) years commencing on and including the date of issuance of the Warrants until the last market day prior to the fifth anniversary of the date of issuance of the Warrants.
- (iv) The Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless such Warrant holders exercise their Warrants for the new ordinary shares.
- (v) All new ordinary shares to be issued upon the exercise of the Warrants shall, on allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares of the Company save and except that they shall not be entitled to any dividends, rights, allotments and other distributions, the entitlement date of which is prior to the date of allotment of such new ordinary shares, and will be subject to all provisions of the Articles of Association of the Company.
- (vi) At the expiry of the exercise period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

42. Capital Management

The Group’s management manage its capital to maintain a strong capital base and safeguard the Group’s ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 JULY 2023

42. Capital Management (Cont'd)

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Total debts	62,755	79,253	-	-
Less: Deposits, bank and cash balances	(67,354)	(78,160)	(1,134)	(4,353)
Net debts	<u>(4,599)</u>	<u>1,093</u>	<u>(1,134)</u>	<u>(4,353)</u>
 Total equity	 <u>302,027</u>	 <u>277,785</u>	 <u>132,341</u>	 <u>130,308</u>
 Gearing ratio	 <u>N/A</u>	 <u>0.004</u>	 <u>N/A</u>	 <u>N/A</u>

N/A - The gearing ratio may not provide a meaningful indicator of the risk of borrowings.

There were no changes in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

43. Subsequent Events

Proposed Rights Issue

The Company is proposing to undertake a renounceable rights issue which entails the issuance of up to RM102,578,353 nominal value of 2,051,567,055 five-year, 0.10%, irredeemable convertible unsecured loan stocks ("ICULS") at 100.0% of its nominal value of RM0.05 each, on the basis of 5 ICULS for every one existing ordinary share in the Company held on an entitlement date to be determined later.

Proposed issuance of employees' shares options ("Proposed ESS")

The Company proposes to establish an employees' share scheme of up to 15% of the total number of issued shares of the Company (excluding treasury shares) at any point in time to the eligible directors and employees of the Company and its subsidiaries (excluding dormant subsidiaries).

44. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 November 2023.

TOP 10 PROPERTIES HELD BY THE GROUP

31 JULY 2023

No	Company	Location	Description	Land area/ built up area	Existing use	Tenure (approximate age of building)	Carrying Amount as at 31 July 2023 (RM'000)	Year of acquisition/ revaluation
1	Trans Pacific Textile (M) Sdn Bhd	Lot 88901 (aka PTD 94657), Mukim Kluang, Kluang, Johor.	A textile factory cum office with boiler house and waste water treatment plant	107,780 metre ² (49,756 metre ²)	Factory and office	Freehold (5 years)	71,932	2016
2	Trans Pacific Textile (VN) Co., Ltd	Lot No. 125 & 126, Long Giang Industrial Park, Tan Lap 1 Commune, Tan Phuoc District, Tien Giang Province, Vietnam.	Land	61,950 metre ²	Vacant	Leasehold 41 years expiring on 26.11.2057	11,794	2016
3	Honsin Apparel Sdn Bhd	Lot 590 (New Lot 2596) Mukim of Simpang Kanan, Batu Pahat, Johor.	An apparel factory cum office with storage building	12,147 metre ² (14,683 metre ²)	Factory and office	Freehold (23 1/2 years to 27 years)	9,333	2010*
4	Novel Realty Sdn Bhd	Lot 1606 GM 16, Mukim of Tanjung Kupang, Kg Pok Kechil Tanjung Kupang, Johor Bahru, Johor.	Land	27,797 metre ²	Vacant	Freehold	8,657	2013
5	Honways Apparel Shuyang Limited	Land Certification No. 27141, Property Certification No. 0013753, Shuyang Development Zone, Jiangsu, China.	A factory with 14 units of buildings	26,667 metre ² (21,157 metre ²)	Factory, office, hostel, canteen and warehouse	Leasehold 50 years expiring on 16.11.2055 (7 to 16 years)	7,014	2010
6	Plas Industries Sdn Bhd	Plot No. 255 (iii), Kawasan Perusahaan Mak Mandin, Mukim 14, Seberang Perai Tengah, Pulau Pinang.	3 storey factory and a single-storey factory with an annexed two storey office block in front	6,898 metre ² (8,769 metre ²)	Factory, warehouse and office	Leasehold 60 years expiring on 21.2.2052 (23 years)	5,825	2010*
7	Trans Pacific Textile (M) Sdn Bhd	HS(D) 88338 PTD 105280 (aka Lot 5476), Mukim Kluang, Kluang, Johor.	Land	36,421 metre ²	Waste-water treatment plant	Freehold	4,024	2017
8	Novel Realty Sdn Bhd	Lot 6631, Mukim of Sri Gading, Batu Pahat, Johor	Land	9,769 metre ²	Vacant	Freehold	1,240	2013
9	Trans Pacific Textile (M) Sdn Bhd	Lot 59507 No.3, Jalan 3/10, Taman Sri Kluang, 86000 Kluang, Johor.	Double storey bungalow	595 metre ² (530 metre ²)	Management hostel	Freehold (29 years)	805	2018
10	Trans Pacific Textile (M) Sdn Bhd	Lot 37273, No.6, Jalan Malinja 6, Kawasan Perindustrian Matahari, 86000 Kluang, Johor.	Factory lot	683 metre ² (405 metre ²)	Worker Hostel	Freehold (29 years)	774	2018

* Years of revaluation

At the date of transition to MFRSs in the financial year ended 31 July 2013, the Group and the Company had elected to apply optional exemption to use the previous revaluation of the said assets, adjusted for depreciation (if any) as deemed costs under MFRSs. Upon transition to MFRSs, the Group and the Company had elected to measure all its property, plant and equipment using the cost model under MFRS 116, Property, Plant and Equipment.

ANALYSIS OF SHAREHOLDINGS

AS AT 23 OCTOBER 2023

Total Issued Share	:	275,918,313 Ordinary Shares (excluding 809,200 treasury shares)
Types of Shares	:	Ordinary Share
Voting Rights	:	One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS AS AT 23 OCTOBER 2023

(as shown in the Record of Depositors)

Size of Shareholdings	No. of Shareholders	No. of Shares	Percentage of Shareholdings (%)
Less than 100	280	10,838	*
100 to 1,000	427	192,508	0.07
1,001 to 10,000	2,074	10,845,168	3.93
10,001 to 100,000	1,761	51,518,592	18.67
100,001 to less than 5% of issued shares	206	123,552,197	44.78
5% and above of issued shares	5	89,799,010	32.55
Total	4,753	275,918,313	100.00

* Negligible

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 23 OCTOBER 2023

Names	Direct Interest		Indirect Interest	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1. Datuk Au Yee Boon	11,100,200	4.02	4,923,500 ^(a)	1.78
2. Datuk Low Chin Koon	-	-	-	-
3. Lee Boon Siong	-	-	-	-
4. Tan Chin Yong	-	-	-	-
5. Au Yee Soon	-	-	-	-
6. Datin Lim Lee Wheng	-	-	11,100,200 ^(b)	4.02

SUBSTANTIAL SHAREHOLDER AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 23 OCTOBER 2023

Names	Direct Interest		Indirect Interest	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1. JE HOLDINGS SDN BHD	26,221,050	9.50	-	-
2. DATUK AU YEE BOON	11,100,200	4.02	4,923,500 ^(a)	1.78
3. YI-LAI INDUSTRY BERHAD	20,998,400	7.61	-	-
4. YI-LAI MARKETING SDN BHD	27,905,000	10.11	-	-
5. YB VENTURES BERHAD	-	-	48,903,400 ^(c)	17.72
6. LAU MONG YING	29,119,110	10.55	26,221,050 ^(d)	9.50
7. LAU MONG FAH	1,785,000	0.65	26,221,050 ^(d)	9.50

^(a) Deemed interested by virtue of his interest in Techbase Solution Sdn Bhd.

^(b) Deemed interested by virtue of the interest of her spouse, Datuk Au Yee Boon pursuant to Section 8 of the Companies Act 2016.

^(c) Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Yi-Lai Industry Bhd and Yi-Lai Marketing Sdn Bhd

^(d) Deemed interested by virtue of Section 8 of the Companies Act 2016 held through JE Holdings Sdn Bhd.

ANALYSIS OF SHAREHOLDINGS *cont'd*

AS AT 23 OCTOBER 2023

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 23 OCTOBER 2023

Names	No. of Shares	Percentage of Shareholdings (%)
1. RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JE HOLDINGS SDN BHD</i>	24,894,300	9.02
2. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YI-LAI INDUSTRY BERHAD</i>	20,998,400	7.61
3. RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAU MONG YING</i>	15,139,809	5.49
4. PHILLIP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YI-LAI MARKETING SDN BHD</i>	14,787,200	5.36
5. LAU MONG YING	13,979,301	5.07
6. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YI-LAI MARKETING SDN BHD</i>	13,117,800	4.75
7. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR AU YEE BOON</i>	11,100,200	4.02
8. UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)</i>	5,717,080	2.07
9. GOO MOI	5,652,000	2.05
10. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ANDREW TAN JUN SUAN</i>	5,000,000	1.81
11. MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TECHBASE SOLUTION SDN BHD</i>	4,923,500	1.78
12. AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR ANDREW TAN JUN SUAN</i>	4,500,000	1.63
13. LIM SIOK HWA	3,950,000	1.43
14. LIM HOEI BOON	3,148,930	1.14
15. TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YAP KIM CHOO</i>	2,762,550	1.00
16. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAU HOCK LEE</i>	2,629,200	0.95
17. OOI CHIN HOCK	2,267,100	0.82
18. LAU HOCK LEE	2,020,100	0.73
19. CHONG TECK SENG	1,895,460	0.69
20. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD <i>MAYBANK SECURITIES PTE LTD FOR LAU YU JUN EUGENE</i>	1,809,600	0.66
21. RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KHADMUDIN BIN MOHAMED RAFIK</i>	1,773,300	0.64
22. LOW HING NOI	1,500,000	0.54
23. ER SOON PUAY	1,472,300	0.53
24. LIM KIM CHAN	1,369,000	0.50
25. JE HOLDINGS SDN BHD	1,326,750	0.48
26. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAU MONG FAH</i>	1,102,500	0.40
27. LEE CHAK SOONG	1,000,000	0.36
28. NG SEA YONG	941,050	0.34
29. YU LEE LIN	932,000	0.34
30. PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN TIAN SANG @ TAN TIAN SONG (E-PPG)</i>	830,300	0.30

ANALYSIS OF WARRANTS B AS AT 23 OCTOBER 2023

Total Issued Warrants : 133,585,898 Warrants B
Total Outstanding Warrants : 133,585,898 Warrants B

DISTRIBUTION OF WARRANTS B AS AT 23 OCTOBER 2023 (as shown in the Record of Depositors)

Size of Warrant Holdings	No. of Warrant Holders	No. of Warrants	Percentage of Warrants (%)
Less than 100	855	41,067	0.03
100 to 1,000	527	263,048	0.20
1,001 to 10,000	1,719	7,438,690	5.57
10,001 to 100,000	897	29,371,014	21.99
100,001 to less than 5% of issued shares	208	96,472,079	72.22
5% and above of issued shares	0	0	0.00
Total	4,206	133,585,898	100.00

DIRECTORS' INTEREST IN WARRANTS B AS AT 23 OCTOBER 2023

None of the Directors hold any warrants B in the Company.

THIRTY LARGEST WARRANTS B HOLDERS AS AT 23 OCTOBER 2023 (as shown in the Record of Depositors)

Names	No. of Warrants	Percentage of Warrants (%)
1. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAU HOCK LEE</i>	5,451,100	4.08
2. UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)</i>	4,923,690	3.69
3. RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR JE HOLDINGS SDN BHD</i>	4,277,150	3.20
4. TAN KAH CHUN	3,126,500	2.34
5. CHAN KEE ENG	2,907,300	2.18
6. GOO MOI	2,826,000	2.12
7. ER SOON PUAY	2,276,000	1.70
8. LIEW JUAN XIAN	1,909,900	1.43
9. LIM HOEI BOON	1,824,465	1.37
10. LAU HOCK LEE	1,500,000	1.12
11. KENANGA NOMINEES (TEMPATAN) SDN BHD <i>RAKUTEN TRADE SDN BHD FOR ER SOON PUAY</i>	1,496,500	1.12
12. TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YAP KIM CHOO</i>	1,381,275	1.03
13. CHIN TAI YING	1,355,700	1.01
14. PHILLIP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GOH KIM CHOON</i>	1,350,000	1.01

ANALYSIS OF WARRANTS B *cont'd*

AS AT 23 OCTOBER 2023

THIRTY LARGEST WARRANTS B HOLDERS AS AT 23 OCTOBER 2023 (as shown in the Record of Depositors)

Names	No. of Warrants	Percentage of Warrants (%)
15. LIM KIM CHAN	1,334,500	1.00
16. LIM THUNG XUAN	1,327,500	0.99
17. NG SEA YONG	1,154,825	0.86
18. LIM HENG LOONG	1,045,682	0.78
19. LIM JIT HAW	987,250	0.74
20. CHONG TECK SENG	947,730	0.71
21. CHIA BUN HOCK	920,000	0.69
22. MAYBANK SECURITIES NOMINEES (ASING) SDN BHD <i>MAYBANK SECURITIES PTE LTD FOR LAU YU JUN EUGENE</i>	904,800	0.68
23. TAN KIM SAN	900,000	0.67
24. MOHD HANIF BIN GULAM HUSAIN	830,000	0.62
25. CHU ENG HOCK	800,000	0.60
26. PUA KOCK BOON @ PHUA KOCK BOON	800,000	0.60
27. CHONG VINCENT	775,000	0.58
28. GOH HONG HWA	763,800	0.57
29. LOW HING NOI	750,000	0.56
30. HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE ENG MIN (CCTS)</i>	749,000	0.56

**PROLEXUS BERHAD**

[Registration No. 199201019353 (250857-T)]

PROXY FORM

No. of shares held	CDS Account No.

I/We _____ NRIC/Passport/Company Registration No. _____

(FULL NAME IN BLOCK LETTERS)

of _____

Contact No. _____ and # email address _____

being a member/members of **PROLEXUS BERHAD** (“Company”), hereby appoint:

Full Name (IN BLOCK LETTERS)	NRIC/Passport No.	% of shareholdings
# Contact No.	# Email Address	
Address:		

*and/or (Strike out whichever is not desired)

Full Name (IN BLOCK LETTERS)	NRIC/Passport No.	% of shareholdings
# Contact No.	# Email Address	
Address:		

You are required to fill in the contact no. and email address in order to participate the Thirty-First Annual General Meeting (“31st AGM”), otherwise, we are unable to register you as the participant of the meeting.

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the 31st AGM of the Company which to be held and conducted by way of virtual meeting entirely through live streaming via a Remote Participation and Voting (“RPV”) Facilities from the Broadcast Venue at Unit 702, Level 7, Tropicana Gardens Office Tower, No. 2A, Persiaran Surian, 47810 Petaling Jaya, Selangor on 19 January 2024 at 2.00 p.m. or at any adjournment thereof, in the manners as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	To re-elect Mr Tan Chin Yong, a Director who retires pursuant to Article 107 of the Company’s Constitution.		
2.	To re-elect Mr Lee Boon Siong, a Director who retires pursuant to Article 114 of the Company’s Constitution.		
3.	To re-elect Datin Lim Lee Wheng, a Director who retires pursuant to Article 114 of the Company’s Constitution.		
4.	To approve the payment of Directors’ fees amounting to RM400,000 for the period from the date of the 31 st AGM until the conclusion of the next AGM of the Company.		
5.	To approve the payment of Directors’ benefits amounting to RM200,000 for the period from the date of the 31 st AGM until the conclusion of the next AGM of the Company.		
6.	To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7.	Authority to allot and issue shares in general pursuant to Sections 75 and 76 of the Companies Act 2016, and waiver of pre-emptive rights over new ordinary shares or other convertible securities in the Company under Section 85(1) of the Companies Act 2016 read together with Article 59 of the Company’s Constitution.		
8.	Proposed renewal of share buy-back authority for the Company to purchase up to 10% of its total number of issued shares.		
9.	Proposed Change of Name of the Company from “Prolexus Berhad” to “Techbase Industries Berhad”.		

Please indicate with an “X” or “√” in the spaces provided above as to how you wish your votes to be cast. If no specific direction as to voting is given, your proxy will vote or abstain from voting at his/her discretion.

Dated this _____ day of _____, 2023

Signature/Common Seal of Shareholder

Notes:-

- Please refer to the Administrative Guide for the procedures to register, participate and vote remotely at this virtual AGM using RPV Facilities provided by Agmo Digital Solutions Sdn Bhd via its Vote2U online website at <https://web.vote2u.my>.
- A proxy may but need not be a member of the Company.
- 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.
- For a proxy to be valid, the Proxy Form duly completed, must be deposited at the Share Registrar’s office of the Company, B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur 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.
- 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.
- 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.
- 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.
- Only a depositor whose name appears on the Record of Depositors as at 9 January 2024 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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**AFFIX
STAMP**

**THE SHARE REGISTRAR OF
PROLEXUS BERHAD**
[Registration No. 199201019353 (250857-T)]
c/o Aldpro Corporate Services Sdn Bhd
B-21-1, Level 21, Tower B, Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur, Malaysia

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PROLEXUS BERHAD

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

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Jalan Mersing, 86000 Kluang,
Johor Darul Takzim

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