

REX INDUSTRY BHD

(Incorporated in Malaysia) Co. no. 282664-K

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016 (Unaudited)

	<i>As at</i> 31/03/2016	<i>As at</i> 31/12/2014
	<i>RM'000</i>	<i>RM'000</i>
Assets		
Property, plant and equipment	60,937	59,983
Goodwill on consolidation	9,474	8,632
Total non-current assets	70,411	68,615
Trade and other receivables	38,579	29,492
Inventories	56,015	63,007
Current tax assets	268	307
Cash and cash equivalents	15,211	18,543
Total current assets	110,073	111,349
Total assets	180,484	179,964
Equity		
Share capital	61,657	56,052
Reserves	79,743	76,203
Total equity attributable to owners of the Company	141,400	132,255
Liabilities		
Deferred tax liabilities	6,913	6,985
Loans and borrowings	573	267
Total non-current liabilities	7,486	7,252
Trade and other payables	16,967	16,062
Loans and borrowings	14,196	23,997
Current tax liabilities	435	398
Total current liabilities	31,598	40,457
Total liabilities	39,084	47,709
Total equity and liabilities	180,484	179,964
Net assets per share (RM)	2.14	2.21

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2014.

REX INDUSTRY BHD

(Incorporated in Malaysia) Co. no. 282664-K

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

	<i>3 months ended</i> 31/03/2016	<i>Period ended</i> 31/03/2016 (15 months)
	<i>RM'000</i>	<i>RM'000</i>
Continuing operations		
Revenue	37,071	202,301
Operating (loss) / profit	(5,519)	795
Interest expense	(156)	(1,000)
Interest income	44	363
(Loss) / Profit before tax	(5,631)	158
Income tax expense	(348)	(2,119)
(Loss) / Profit for the period	(5,979)	(1,961)
Other comprehensive income / (expense), net of tax		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation differences for foreign operations	(2,713)	4,010
Total comprehensive income (expense) / income	(8,692)	2,049
Profit for the year attributable to :		
Owners of the Company	(5,979)	(1,961)
Total comprehensive (expense) / income attributable to :		
Owners of the Company	(8,692)	2,049
Earnings per share attributable to owners of the Company		
Basic earnings per ordinary share (sen)	(10.19)	(3.34)
Diluted earnings per ordinary share (sen)	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2014.

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(Incorporated in Malaysia) Co. no. 282664-K

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

	←	<i>Non- distributable</i>		→	<i>Distributable</i>	
	<i>Share capital RM'000</i>	<i>Share premium RM'000</i>	<i>Translation reserve RM'000</i>	<i>Retained earnings RM'000</i>	<i>Total equity RM'000</i>	
At 1 January 2014	56,052	10,614	2,629	59,638	128,933	
Total comprehensive expense for the period						
Foreign currency translation differences for foreign operations	-	-	2,549	-	2,549	
Profit for the period	-	-	-	773	773	
Total comprehensive income for the period	-	-	2,549	773	3,322	
At 31 December 2014	56,052	10,614	5,178	60,411	132,255	
At 1 January 2015	56,052	10,614	5,178	60,411	132,255	
Issue of shares, net of share issuance expenses	5,605	1,491	-	-	7,096	
Total comprehensive expense for the period						
Foreign currency translation differences for foreign operations	-	-	4,010	-	4,010	
Profit for the period	-	-	-	(1,961)	(1,961)	
Total comprehensive income for the period	-	-	4,010	(1,961)	2,049	
At 31 March 2016	61,657	12,105	9,188	58,450	141,400	

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2014.

REX INDUSTRY BHD

(Incorporated in Malaysia) Co. no. 282664-K

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

	<i>As at</i> 31/03/2016 RM'000	<i>As at</i> 31/12/2014 RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	158	3,560
Adjustments for :		
Allowance for inventory obsolescence	5,396	-
Depreciation of property, plant and equipment	3,317	2,805
Gain on disposal of plant and equipment	(1,604)	(25)
Impairment loss on receivables	1,504	-
Interest expense	1,000	1,167
Interest income	(364)	(285)
Plant and equipment written off	-	110
Operating profit before changes in working capital	9,407	7,332
Changes in working capital :		
Inventories	3,410	(2,042)
Trade and other receivables	(5,227)	8,766
Trade and other payables	(4,464)	449
Cash generated from operations	3,126	14,505
Income tax paid	(2,116)	(2,697)
Net cash from operating activities	1,010	11,808
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,545)	(4,089)
Proceeds from disposal of plant and equipment	3,600	217
Interest received	364	285
Net cash used in investing activities	(1,581)	(3,587)
Cash flows from financing activities		
Repayment of term loan	(1,009)	(1,077)
Bank borrowings (net)	(7,674)	(2,550)
Repayment of finance lease liabilities	(176)	(122)
Proceeds from issuance of shares (net)	7,096	-
Interest paid	(1,000)	(1,167)
Net cash used in financing activities	(2,763)	(4,916)
Net (decrease) / increase in cash and cash equivalents	(3,334)	3,305
Cash and cash equivalents at 1 January	17,416	14,037
Effects of exchange rate fluctuations on cash and cash equivalents	1,129	74
Cash and cash equivalents	15,211	17,416

The condensed consolidated cash flows statement should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2014.

REX INDUSTRY BHD

(Incorporated in Malaysia) Co. no. 282664-K

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

1. Basis of preparation

This condensed consolidated interim financial report is unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2014. The condensed consolidated interim financial statements and notes do not include all of the information required for full set of financial statements prepared in accordance with MFRS.

The following MFRSs, Interpretations and Amendments to MFRSs applicable to the Group have been effective for annual periods beginning on or after 1 July 2014.

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010 - 2012 Cycle and 2011 - 2013 Cycle)
Amendments to MFRS 8	Operating Segements (Annual Improvements 2010 - 2012 Cycle and 2011 - 2013 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010 - 2012 Cycle and 2011 - 2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010 - 2012 Cycle)
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010 - 2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010 - 2012 Cycle)

The following MFRSs, Interpretations and Amendments to MFRSs applicable to the Group have been effective for annual periods beginning on or after 1 January 2016.

Amendments to MFRS 7	Financial Instruments : Disclosures (Annual Improvements 2012 - 2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012 - 2014 Cycle)
Amendments to MFRS 127	Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2012 - 2014 Cycle)

The following MFRSs, Interpretations and Amendments to MFRSs applicable to the Group have been effective for annual periods beginning on or after 1 January 2017.

MFRS 15	Revenue from Contracts with Customers.
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The following MFRSs, Interpretations and Amendments to MFRSs applicable to the Group have been effective for annual periods beginning on or after 1 January 2018.

MFRS 9	Financial Instruments (2014)
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The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

3. Seasonality of operations

The business of the Group was not affected by any significant seasonal or cyclical factors in the current quarter.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

4. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence in the current quarter and the financial period-to-date.

5. Material changes in estimates

There were no significant changes in the nature and amount of estimates used in prior interim reporting or prior financial years that have a material effect on the current quarter and financial period-to-date.

6. Issuances and repayment of debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period, save for the disclosure below.

New issuance of 5,605,000 ordinary shares of RM 1.00 each at an issue price of RM 1.28 pursuant to the Private Placement of shares were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 2 September 2015.

7. Dividends paid

No dividend was paid during the current quarter.

8. Segmental information

In presenting geographical information, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Geographical information	Revenue	Non-current assets
	RM'000	RM'000
15 months ended 31/03/2016		
Malaysia	87,921	48,548
United States of America	49,794	-
Europe	23,874	-
Asia (Excludes Malaysia)	40,712	21,863
Consolidated	<u>202,301</u>	<u>70,411</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

9. Carrying amount of revaluation assets

The valuation of property, plant and equipment have been brought forward without amendments from the financial statements for the year ended 31 December 2014.

10. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial report.

11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter.

12. Changes in contingent liabilities or contingent assets

	31/03/2016 RM'000	31/12/2015 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	62,300	62,300

13. Capital commitments

As at the date of this announcement, the Group has no material capital commitments.

14. Review of earnings and / or revenue of the Company and its subsidiaries for current quarter and financial period-to-date

	3 months ended	
	31/03/2016 RM'000	31/03/2015 RM'000
Turnover	37,071	41,621
(Loss)/ Profit before tax	(5,979)	1,073

The Group recorded a 10.9% decrease in turnover to RM 37.07 million for the fifth quarter ended 31 March 2016 from RM 41.62 million in the corresponding corresponding quarter last year. The decrease in turnover was mainly due to the lower sales performance in US market in the current quarter under review.

The Group recorded a loss before tax of RM5.98 million as compared to a profit of RM1.10 for the corresponding quarter last year mainly due to the allowance for inventory obsolescence of RM4.58 million and higher operating costs incurred by oversea subsidiary in the current quarter.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

15. Material change in (Loss) / Profit Before Taxation reported on as compared with the immediate preceding quarter

	3 months ended	
	31/03/2016 RM'000	31/12/2015 RM'000
Turnover	37,071	44,923
(Loss) / Profit before tax	(5,979)	1,685

For the current quarter under review, the Group recorded a loss before tax of RM5.98 million as compared to a profit before tax of RM1.69 million generated in the preceding quarter was mainly due to the allowance for inventory obsolescence and the low production efficiency in the current quarter under review.

16. Current year prospects

The Board is cautiously optimistic of the business outlook for the countries in which we operate.

The Board will continue to monitor the Group's operation and to look out for business opportunities. Barring any unforeseen circumstances, the Board is optimistic that the Group's operating performance will improve in the current financial period ending 30 June 2016.

17. Variance of actual and forecast profit

Not applicable as no profit forecast was published.

18. Tax expense

	3 months ended	Period ended
	31/03/2016 RM'000	31/03/2016 RM'000
Current tax expense		
Malaysia	200	668
Overseas	176	1,597
	376	2,265
Deferred tax expense	(28)	(146)
	348	2,119

The disproportionate tax charge in relation to the results of the Group for the current financial period to date was mainly due to the non-deductible expenses and losses not available for set off in certain subsidiaries.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

19. Status of corporate proposals announced

On 24 June 2015, announcement made on the proposed private placement of up to 10% of the issued and paid-up share capital of the Company.

On 2 September 2015, announcement made on the new issuance of 5,605,000 ordinary shares pursuant to the Private Placement were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad, marking the completion of the Private Placement.

On 31 December 2015, announcement made on the acquisition of 100% equity interest held in Summit Teamtrade (2011) Sdn. Bhd. The Group had entered into a Shares Sales Agreement dated 31 December 2015 with Vong Nee Toh and Patel Vong Joon Chin for the acquisition of 1,000 ordinary shares of RM1.00 each, representing 100% of total issued and paid-up share capital of Summit Teamtrade (2011) Sdn. Bhd. for total cash consideration of RM800,000. Upon completion of the acquisition, Summit Teamtrade (2011) Sdn. Bhd. shall become a wholly-owned subsidiary of the Group.

20. Group borrowings

The Group's borrowings as at the end of the current reporting period are as follows :-

	Payable within 12 months RM'000	Payable after 12 months RM'000
RM denominated borrowings		
Unsecured		
Bankers' acceptance	13,899	-
Finance lease liabilities	297	573
	<u>14,196</u>	<u>573</u>

21. Changes in material litigation

There were no material litigations at the date of this interim financial report.

22. Dividends

The Board of Directors did not recommend any dividend in respect of the financial period ended 31 March 2016.

23. Profit before tax

	3 months ended 31/03/2016 RM'000	Period ended 31/03/2016 RM'000
Profit before tax is arrived at after charging / (crediting) :		
Allowance for inventory obsolescence	4,580	5,396
Depreciation of property, plant and equipment	641	3,317
Gain on disposal of plant and equipment	-	(1,604)
Impairment loss on receivables	-	1,504
Interest expense	156	1,000

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

24. Earnings per ordinary share

The earnings per share was computed based on the net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares.

	3 months ended 31/03/2016	Period ended 31/03/2016
Loss after tax attributable to owners of the Company (RM'000)	(5,979)	(1,961)
Weighted average number of shares in issue ('000)	58,668	58,668
(Loss) / Profit per ordinary share (sen)	(10.19)	(3.34)

25. Breakdown of realised and unrealised profits / (losses)

The breakdown of retained earnings of the Group as at the reporting date, into realised and unrealised profits / (losses) is as follows :

	Year to date ended 31/03/2016 (RM'000)	Year to date ended 31/12/2014 (RM'000)
Total retained profits of the Company and its subsidiaries :		
- Realised	86,920	85,265
- Unrealised	(7,688)	(2,744)
	79,232	82,521
Less : Consolidation adjustments	(20,782)	(22,110)
Total Group retained earnings	58,450	60,411