

REX INDUSTRY BHD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016 (Unaudited)

	<i>As at</i> 30/06/2016	<i>As at</i> 31/12/2014
	<i>RM'000</i>	<i>RM'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	48,951	59,983
Other investment	2,110	-
Goodwill on consolidation	7,889	8,632
	<hr/> 58,950	<hr/> 68,615
Current assets		
Inventories	51,388	63,007
Trade and other receivables	32,605	29,492
Current tax assets	994	307
Cash and cash equivalents	3,707	18,543
	<hr/> 88,694	<hr/> 111,349
Non-current assets classified as held for sale	3,252	-
Assets of disposal group classified as held for sale	28,399	-
	<hr/> 120,345	<hr/> 111,349
Total assets	<hr/> 179,295	<hr/> 179,964
EQUITY AND LIABILITIES		
Equity		
Share capital	61,657	56,052
Reserves	62,263	76,203
Reserve of disposal group classified as held for sale	13,932	-
Total equity	<hr/> 137,852	<hr/> 132,255
Non-current liabilities		
Deferred tax liabilities	4,811	6,985
Borrowings	506	267
	<hr/> 5,317	<hr/> 7,252
Current Liabilities		
Trade and other payables	16,690	16,062
Borrowings	13,508	23,997
Tax payable	164	398
Liabilities directly associated with disposal group classified as held for sale	5,764	-
	<hr/> 36,126	<hr/> 40,457
Total liabilities	<hr/> 41,443	<hr/> 47,709
Total equity and liabilities	<hr/> 179,295	<hr/> 179,964
Net assets per share (RM)	2.11	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 30 JUNE 2016 (Unaudited)

	<i>3 months ended</i> 30/06/2016	<i>Period ended</i> 30/06/2016 (18 months)
	<i>RM'000</i>	<i>RM'000</i>
<u>Continuing operations</u>		
Revenue	29,889	196,182
Operating (loss) / profit	(1,459)	1,214
Interest expense	(231)	(1,231)
Loss before tax	(1,690)	(17)
Income tax expense	272	(757)
Loss from continuing operations, net of tax	(1,418)	(774)
<u>Discontinued operations</u>		
Loss from discontinued operations, net of tax	(1,409)	(4,014)
Loss for the period, net of tax	(2,827)	(4,788)
Other comprehensive income, net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(764)	3,246
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Defined benefit plan actuarial gain	63	63
Total other comprehensive income for the period	(701)	3,309
Total comprehensive income for the period	(3,528)	(1,479)
Loss for the period attributable to :		
Owners of the parent	(2,827)	(4,788)
Total comprehensive income attributable to :		
Owners of the parent	(3,528)	(1,479)
Basic loss per ordinary share (sen)		
Continuing operations	(2.40)	(1.31)
Discontinued operation	(2.38)	(6.78)
Diluted earnings per ordinary share (sen)	N/A	N/A

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. 282864-K

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2016 (Unaudited)

	Non-distributable			Distributable			Total equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Statutory reserve RM'000	Reserve of disposal group classified as held for sales RM'000	Retained earnings RM'000	
At 1 January 2014	56,052	10,614	2,629	-	-	59,638	128,933
Transactions with owners							
Transfer to statutory reserve fund	-	-	-	2,036	-	(2,036)	-
Foreign currency translation differences for foreign operations	-	-	2,549	-	-	-	2,549
Defined benefit plan actuarial gain	-	-	-	-	-	5	5
Total other comprehensive income for the year	-	-	2,549	-	-	5	2,554
Profit for the financial year	-	-	-	-	-	768	768
Total comprehensive income for the year	-	-	2,549	-	-	773	3,322
At 31 December 2014	56,052	10,614	5,178	2,036	-	58,375	132,255
At 1 January 2015	56,052	10,614	5,178	2,036	-	58,375	132,255
Transactions with owners							
Issuance of ordinary shares	5,605	1,569	-	-	-	-	7,174
Share issuance expense	-	(98)	-	-	-	(229)	(98)
Transfer to statutory reserve fund	-	-	-	229	-	-	-
Transfer to reserve of disposal group classified as help for sale	-	-	(11,667)	(2,265)	13,932	-	-
Total other comprehensive income for the period	5,605	1,471	(11,667)	(2,036)	13,932	(229)	7,076
Foreign currency translation differences for foreign operations	-	-	3,246	-	-	-	3,246
Defined benefit plan actuarial gain	-	-	-	-	-	63	63
Total other comprehensive income for the period	-	-	3,246	-	-	63	3,309
Loss for the period	-	-	-	-	-	(4,788)	(4,788)
Total comprehensive income for the period	-	-	3,246	-	-	(4,725)	(1,479)
At 30 June 2016	61,657	12,085	(3,243)	-	13,932	53,421	137,852

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.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016 (Unaudited)

	<i>As at</i> 30/06/2016 RM'000	<i>As at</i> 31/12/2014 RM'000
Cash flows from operating activities		
(Loss) / Profit before tax from continuing operations	(17)	3,560
Loss before tax from discontinued operations	(2,387)	-
Adjustments for :		
Depreciation of property, plant and equipment	4,683	2,805
Gain on disposal of property, plant and equipment	(1,639)	(25)
Impairment loss on goodwill	1,594	-
Impairment loss on trade and other receivables	900	583
Interest expense	1,231	1,167
Inventories written down	6,984	965
Property, plant and equipment written off	-	110
Unrealised (gain)/loss on foreign exchange	(84)	356
Interest income	(356)	(285)
Operating profit before changes in working capital	10,909	9,236
Changes in working capital :		
Inventories	3,997	(3,008)
Trade and other receivables	(9,975)	13,548
Trade and other payables	2,042	449
Cash generated from operations	6,973	20,225
Interest received	356	285
Interest paid	(1,231)	(1,167)
Tax paid	(3,317)	(2,697)
Net cash from operating activities	2,781	16,646
Cash flows from investing activities		
Net cash outflow from acquisition of subsidiary	(800)	-
Acquisition of property, plant and equipment	(5,773)	(4,089)
Proceeds from disposal of property, plant and equipment	3,756	218
Purchase of investment security	(2,110)	-
Net cash used in investing activities	(4,927)	(3,871)
Cash flows from financing activities		
Net proceeds from issuance of shares	7,077	-
Repayment of bank borrowings	(8,482)	(3,627)
Repayment of finance lease payables	(248)	(122)
Net cash used in financing activities	(1,653)	(3,749)
Net (decrease) / increase in cash and cash equivalents	(3,799)	9,026
Cash and cash equivalents at 1 January	17,416	8,316
Effects of exchange rate fluctuations on cash and cash equivalents	(1,294)	74
Cash and cash equivalents	12,323	17,416

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016 (Unaudited) (cont'd)

Cash and cash equivalents comprise of the following:-

	30/06/2016 RM'000	31/12/2014 RM'000
Fixed deposits with licenced banks	3,441	11,741
Cash and bank balances	11,845	6,802
	<hr/>	<hr/>
	15,286	18,543
Less: Bank overdrafts	(2,963)	(1,127)
	<hr/>	<hr/>
	12,323	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 30 JUNE 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 30 JUNE 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 RM'000	Non-current assets RM'000
18 months ended 30/06/2016		
Continuing operations:		
Malaysia	102,267	45,809
United States of America	50,929	-
Europe	29,860	-
Asia (Excludes Malaysia)	13,126	12,616
	<hr/>	<hr/>
	196,182	58,425
Discontinued operations:		
United States of America	8,680	-
Asia (Excludes Malaysia)	37,846	8,710
	<hr/>	<hr/>
	46,526	8,710
	<hr/>	<hr/>
Consolidated	242,708	67,135

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 except for the discontinued operations and disposal group classified as held for sale. On 15 June 2016, the Company had entered into a conditional sales and purchase agreement with Lee Chai Seng ("Purchases") for the proposed disposal by Company of its entire equity interest in Jie Yang Rex Foods Co. Ltd., for a Disposal Consideration of RM21,000,000 to be satisfied entirely via cash.

12. Changes in contingent liabilities or contingent assets

	30/06/2016 RM'000	31/03/2016 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 30/06/2016 RM'000	30/06/2016 RM'000
Revenue		
Continuing operations	29,889	29,727
Discontinued operations	10,518	7,346
(Loss)/ Profit before tax		
Continuing operations	(1,690)	284
Discontinued operations	(871)	438

The Group recorded a 0.5% increase in revenue to RM 29.89 million for the sixth quarter ended 30 June 2016 from RM 29.73 million in the corresponding corresponding quarter last year. The increase in turnover was mainly due to the better sales performance in USA market in the current quarter under review.

The profit before tax decreased by RM1.97 million for the sixth quarter ended 30 June 2016 to a loss of RM1.69 million as compared to the corresponding quarter last year mainly due to the goodwill impairment of RM1.59 million and higher operating costs incurred in the current quarter.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2016 (Unaudited)

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

	3 months ended 30/06/2016 RM'000	31/03/2016 RM'000
Revenue		
Continuing operations	29,889	30,291
Discontinued operations	10,518	6,780
	<hr/>	<hr/>
(Loss)/ Profit before tax		
Continuing operations	(1,690)	(1,781)
Discontinued operations	(871)	(4,198)
	<hr/>	<hr/>

For the current quarter under review, the Group recorded a loss before tax of RM1.69 million as compared to a loss before tax of RM 1.78 million generated in the preceding quarter. The decrease in loss was mainly due to the impairment loss on goodwill 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 be improved in the coming financial year.

17. Variance of actual and forecast profit

Not applicable as no profit forecast was published.

18. Tax expense

	3 months ended 30/06/2016 RM'000	Period ended 30/06/2016 RM'000
Current tax expense		
Continuing operations		
Malaysia	180	848
Overseas	-	697
	<hr/>	<hr/>
	180	1,545
Deferred tax expense	(453)	(788)
	<hr/>	<hr/>
	(273)	757

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 30 JUNE 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 RM1.0 each, representing 100% of total issued and paid-up share capital of Summit Teamtrade (2011) Sdn. Bhd. for total cash consideration of RM800,000. This acquisition was completed on January 2016.

On 15 June 2016, the Company had entered into a conditional sales and purchase agreement with Lee Chai Seng ("Purchases") for the proposed disposal by Company of its entire equity interest in Jie Yang Rex Foods Co. Ltd., for a Disposal Consideration of RM21,000,000 to be satisfied entirely via cash. Jie Yang Rex Foods Co. Ltd. is an indirect wholly-owned subsidiary of Company, upon completion of the Proposed Disposal, JYR will cease to be a wholly-owned subsidiary of Company.

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		
Bank overdraft	2,963	-
Bankers' acceptance	9,255	-
Revolving credit	1,000	-
Finance lease liabilities	290	506
	<u>13,508</u>	<u>506</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 30 June 2016.

23. Loss before tax

	3 months ended 30/06/2016 RM'000	Period ended 30/06/2016 RM'000
Profit before tax is arrived at after charging / (crediting) :		
Depreciation of property, plant and equipment	1,366	4,683
Gain on disposal of property, plant and equipment	(35)	(1,639)
Impairment loss on trade and other receivables	-	900
Impairment loss on goodwill	1,594	1,594
Interest expense	231	1,231
Inventories written off	1,588	6,984

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 30/06/2016	Period ended 30/06/2016
Loss after tax attributable to owners of the parent (RM'000)	3,094	5,055
Weighted average number of shares in issue ('000)	59,166	59,166
Loss per ordinary share (sen)	(4.78)	(8.09)

Diluted loss per share is the same as basic loss per share as there is no dilutive potential ordinary shares outstanding during the financial period.

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 30/06/2016 (RM'000)	Year to date ended 31/12/2014 (RM'000)
Total retained profits of the Company and its subsidiaries :		
- Realised	77,096	85,265
- Unrealised	(4,727)	(2,744)
	72,369	82,521
Less : Consolidation adjustments	(18,948)	(22,110)
Total Group retained earnings	53,421	60,411

26. Other Investment

	Year to date ended 30/06/2016 (RM'000)	Year to date ended 31/12/2014 (RM'000)
At fair value through profit or loss		
- Quoted shares in Malaysia	2,110	-
At market value	2,310	-