

REX INDUSTRY BHD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Unaudited)

	<i>As at</i> 31/12/2016	<i>As at</i> 30/06/2016
	<i>RM'000</i>	<i>RM'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	52,222	48,946
Other investment	2,110	2,110
Goodwill on consolidation	7,889	7,889
	62,221	58,945
Current assets		
Inventories	57,843	51,388
Trade and other receivables	47,987	32,605
Current tax assets	2,374	994
Cash and cash equivalents	15,489	3,707
	123,693	88,694
Non-current assets classified as held for sale	3,225	3,257
Assets of disposal group classified as held for sale	-	28,399
	126,918	120,350
Total assets	189,139	179,295
EQUITY AND LIABILITIES		
Equity		
Share capital	61,657	61,657
Reserves	82,005	62,263
Reserve of disposal group classified as held for sale	-	13,932
Total equity	143,662	137,852
Non-current liabilities		
Deferred tax liabilities	4,759	4,811
Borrowings	513	506
	5,272	5,317
Current Liabilities		
Trade and other payables	19,527	16,690
Borrowings	19,434	13,508
Tax payable	1,244	164
Liabilities directly associated with disposal group classified as held for sale	-	5,764
	40,205	36,126
Total liabilities	45,477	41,443
Total equity and liabilities	189,139	179,295
Net assets per share (RM)	2.20	2.11

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 period ended 30 June 2016.

REX INDUSTRY BHD

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

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

	<i>3 months ended</i> 31/12/2016	<i>Period ended</i> 31/12/2016
	<i>RM'000</i>	<i>RM'000</i>
Continuing operations		
Revenue	35,258	67,626
Operating profit	1,900	3,620
Interest expense	(282)	(501)
Profit before tax	1,618	3,119
Income tax expense	(259)	(387)
Profit from continuing operations, net of tax	1,359	2,732
Discontinued operations		
Profit from discontinued operations, net of tax	414	1,086
Profit for the period, net of tax	1,773	3,818
Other comprehensive income, net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	2,091	2,452
Total other comprehensive income for the period	2,091	2,452
Total comprehensive income for the period	3,864	6,270
Profit for the period attributable to :		
Owners of the parent	1,773	3,818
Total comprehensive income attributable to :		
Owners of the parent	3,864	6,270
Basic earning per ordinary share (sen)		
Continuing operations	2.20	4.43
Discontinued operation	0.67	1.76
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 interim financial statements and audited financial statements for the period ended 30 June 2016.

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

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

	Share capital RM'000	Share premium RM'000	Non-distributable	Distributable	Total equity 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 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	-	-
	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
At 1 July 2016	61,657	12,085	(3,243)	-	13,932	53,421	137,852
Transactions with owners							
Transfer to reserve of disposal group classified as help for sale	-	-	-	-	(460)	-	(460)
Foreign currency translation differences for foreign operations	-	-	-	-	(460)	-	(460)
Total other comprehensive income for the period	-	-	2,452	-	-	-	2,452
Profit for the period	-	-	2,452	-	-	-	2,452
Total comprehensive income for the period	-	-	2,452	-	-	3,818	3,818
At 31 December 2016	61,657	12,085	(791)	-	13,472	57,239	143,662

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 31 DECEMBER 2016 (Unaudited)

	<i>As at</i> 31/12/2016 RM'000	<i>As at</i> 30/06/2016 RM'000
Cash flows from operating activities		
(Loss) / Profit before tax from continuing operations	3,119	(17)
(Loss) / Profit before tax from discontinued operations	830	(2,387)
Adjustments for :		
Depreciation of property, plant and equipment	1,339	4,683
Gain on disposal of property, plant and equipment	-	(1,639)
Gain on disposal of subsidiary	(256)	-
Impairment loss on goodwill	-	1,594
Impairment loss on trade and other receivables	300	900
Interest expense	501	1,231
Inventories written down	-	6,984
Unrealised (gain)/loss on foreign exchange	(63)	(84)
Interest income	(35)	(356)
Operating profit before changes in working capital	5,735	10,909
Changes in working capital :		
Inventories	(4,692)	3,997
Trade and other receivables	(14,709)	(9,975)
Trade and other payables	166	2,042
Cash generated from operations	(13,500)	6,973
Interest received	35	356
Interest paid	(501)	(1,231)
Tax paid	(739)	(3,317)
Net cash from operating activities	(14,705)	2,781
Cash flows from investing activities		
Net cash outflow from acquisition of subsidiary	-	(800)
Acquisition of property, plant and equipment	(4,759)	(5,773)
Proceeds from disposal of discontinued operation	13,550	-
Proceeds from disposal of property, plant and equipment	-	3,756
Purchase of investment security	-	(2,110)
Net cash used in investing activities	8,791	(4,927)
Cash flows from financing activities		
Net proceeds from issuance of shares	-	7,077
Drawdown / (Repayment) of bank borrowings	8,841	(8,482)
Drawdown / (Repayment) of finance lease payables	121	(248)
Net cash used in financing activities	8,962	(1,653)
Net (decrease) / increase in cash and cash equivalents	3,048	(3,799)
Cash and cash equivalents at 1 January	12,323	17,416
Effects of exchange rate fluctuations on cash and cash equivalents	118	(1,294)
Cash and cash equivalents	15,489	12,323

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016 (Unaudited) (cont'd)

Cash and cash equivalents comprise of the following:-

	31/12/2016 RM'000	30/06/2016 RM'000
Fixed deposits with licenced banks	-	3,441
Cash and bank balances	15,489	11,845
	<hr/>	<hr/>
	15,489	15,286
Less: Bank overdrafts	-	(2,963)
	<hr/>	<hr/>
	15,489	12,323

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 period ended 30 June 2016.

REX INDUSTRY BHD

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

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 period ended 30 June 2016. 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 period ended 30 June 2016. The condensed consolidated interim financial statements and notes do not include all of the information required for full set of financial statement prepared in accordance with MFRS.

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretions ("IC Int"), Amendments to IC Int are as follow :

a) Adoption of Amendments/Improvements to MFRSs

The Group and the Company had dopted the following amendments/improvements to MFRSs and IC Int that are mandatory as follows :-

Amendments to MFRS 119	Employee Benefits : Defined Benefit Plans - Employee Contributions
Annul Improvements to MFRSs 2010 - 2012 Cycle	
Annul Improvements to MFRSs 2011 - 2013 Cycle	

b) New MFRS and Amendments/Improvements to MFRSs issued but not yet effective and have not been early adopted

Effective for financial periods beginning on or after 1 January 2016

Amendments to MFRS 7, MFRS 12 and MFRS 128	Investment Entities - Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangement : Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Presentation of Financial Statements : Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 14	Regulatory Degerral Accounts
Annul Improvements to MFRSs 2012 - 2014 Cycle	

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Disclosure Initiative

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendment to MFRS 15	Clarifications to MFRS 15: Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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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 satements for the period ended 30 June 2016 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 DECEMBER 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.

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
6 months ended 31/12/2016		
Continuing operations:		
Malaysia	38,232	46,523
United States of America	15,813	-
Europe	8,963	-
Asia (Excludes Malaysia)	4,618	13,588
	<hr/>	<hr/>
	67,626	60,111
Discontinued operations (Disposed on 11 November 2016) :		
United States of America	N/A	N/A
Asia (Excludes Malaysia)	N/A	N/A
	<hr/>	<hr/>
	<hr/>	<hr/>
Consolidated	67,626	60,111

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 period ended 30 June 2016.

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

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.

On 11 November 2016, the disposal has been fulfilled and the completion of the disposal took place at Rex office. Accordingly, Jie Yang Rex Foods Co. Ltd. ceased to be an indirect wholly-owned subsidiary company of the Group.

12. Changes in contingent liabilities or contingent assets

	31/12/2016 RM'000	30/09/2016 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 31/12/2016 RM'000	3 months ended 31/12/2015 RM'000
Revenue		
Continuing operations	35,258	37,371
Discontinued operations (Disposed on 11 November 2016)	2,419	7,552
Profit before tax		
Continuing operations	1,618	1,012
Discontinued operations (Disposed on 11 November 2016)	214	761

The Group recorded a 5.65% decrease in revenue to RM 35.26 million for the second quarter ended 31 December 2016 from RM 37.37 million in the corresponding quarter last year. The decrease in turnover was mainly due to the lower sales performance in domestic market in the current quarter under review.

The profit before tax increased by RM0.61 million for the second quarter ended 31 December 2016 to a profit of RM1.62 million as compared to the corresponding quarter last year, mainly due the lower impairment loss on receivables and finished goods.

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

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

	3 months ended 31/12/2016 RM'000	3 months ended 30/09/2016 RM'000
Revenue		
Continuing operations	35,258	32,368
Discontinued operations (Disposed on 11 November 2016)	N/A	7,052
	<hr/>	<hr/>
(Loss)/ Profit before tax		
Continuing operations	1,359	1,501
Discontinued operations (Disposed on 11 November 2016)	N/A	672
	<hr/>	<hr/>

For the current quarter under review, the Group recorded a profit before tax of RM1.40 million as compared to a profit before tax of RM 1.50 million generated in the preceding quarter. The decrease in profit was mainly due to higher provision of bonus 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 31/12/2016 RM'000	Period ended 31/12/2016 RM'000
Current tax expense		
Continuing operations		
Malaysia	219	374
Overseas	65	65
	<hr/>	<hr/>
	284	439
Deferred tax expense	(25)	(52)
	<hr/>	<hr/>
	259	387

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 DECEMBER 2016 (Unaudited)

19. Status of corporate proposals announced

On 11 November 2016, we announce that the conditions precedent set out in the sale and purchase agreement dated 15 June 2016 by the Company with Lee Chai Seng for the Disposal has been fulfilled and the completion of the Disposal took place on 11 November 2016. Accordingly, Jie Yang Rex Foods Co. Ltd ceased to be an indirect wholly-owned subsidiary of Rex.

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	-	-
Bankers' acceptance	16,030	-
Revolving credit	3,000	-
Finance lease liabilities	404	513
	<u>19,434</u>	<u>513</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 December 2016.

23. Profit before tax

	3 months ended 31/12/2016 RM'000	Period ended 31/12/2016 RM'000
Profit before tax is arrived at after charging / (crediting) :		
Depreciation of property, plant and equipment	567	1,339
Interest expense	282	501
Impairment loss on receivables	300	300

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 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 31/12/2016	Period ended 31/12/2016
Profit after tax attributable to owners of the parent (RM'000)	1,773	3,818
Weighted average number of shares in issue ('000)	61,657	61,657
Earning per ordinary share (sen)	2.88	6.19

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 :

	Period ended 31/12/2016 (RM'000)	Period ended 30/06/2016 (RM'000)
Total retained profits of the Company and its subsidiaries :		
- Realised	78,982	74,167
- Unrealised	(1,906)	(1,798)
	77,076	72,369
Less : Consolidation adjustments	(19,837)	(18,948)
Total Group retained earnings	57,239	53,421

26. Other Investment

	Period ended 31/12/2016 (RM'000)	Period ended 30/06/2016 (RM'000)
At fair value through profit or loss		
- Quoted shares in Malaysia	2,110	2,110
At market value	1,953	2,310