

REX INDUSTRY BHD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (Unaudited)

	<i>As at</i> 31/12/2018	<i>As at</i> 30/06/2018
	<i>RM'000</i>	<i>RM'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	62,710	63,024
Other investment	1,260	1,554
Goodwill on consolidation	7,889	7,889
	<hr/> 71,859	<hr/> 72,467
Current assets		
Inventories	50,927	49,371
Trade and other receivables	40,474	33,242
Current tax assets	3,909	3,212
Cash and cash equivalents	19,748	20,480
	<hr/> 115,058	<hr/> 106,305
Non-current assets classified as held for sale	462	467
	<hr/> 115,520	<hr/> 106,772
Total assets	<hr/> 187,379	<hr/> 179,239
EQUITY AND LIABILITIES		
Equity		
Share capital	73,742	73,742
Reserves	50,082	52,680
Total equity	<hr/> 123,824	<hr/> 126,422
Non-current liabilities		
Deferred tax liabilities	3,112	3,124
Borrowings	3,722	4,018
	<hr/> 6,834	<hr/> 7,142
Current Liabilities		
Trade and other payables	27,008	19,715
Borrowings	29,687	25,928
Dividend Payable	-	-
Tax payable	26	32
	<hr/> 56,721	<hr/> 45,675
Total liabilities	<hr/> 63,555	<hr/> 52,817
Total equity and liabilities	<hr/> 187,379	<hr/> 179,239
Net assets per share (RM)	0.47	0.48
	-	-

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 30 June 2018.

REX INDUSTRY BHD

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018 (Unaudited)

	3 months ended			Period ended		
	31/12/2018	31/12/2017	Changes	31/12/2018	31/12/2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Continuing operations						
Revenue	38,379	34,341	11.8	71,186	69,954	1.8
Operating profit / (loss)	(740)	(376)	n/m	(2,203)	269	n/m
Interest expense	(477)	(399)	19.5	(877)	(749)	17.1
Loss before tax	(1,217)	(775)	n/m	(3,080)	(480)	n/m
Income tax expense	5	7	n/m	11	(26)	(142.3)
Loss from continuing operations, net of tax	(1,212)	(768)	n/m	(3,069)	(506)	n/m
Discontinued operations						
Loss from discontinued operations, net of tax	-	-	n/m	-	-	n/m
Loss for the period, net of tax	(1,212)	(768)	n/m	(3,069)	(506)	n/m
Other comprehensive income, net of tax						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Foreign currency translation	333	80		472	527	
Total other comprehensive income for the period	333	80		472	527	
Total comprehensive income for the period	(879)	(688)		(2,597)	21	
Profit / (loss) for the period attributable to :						
Owners of the parent	(1,212)	(768)		(3,069)	(506)	
Total comprehensive income attributable to :						
Owners of the parent	(879)	(688)		(2,597)	21	
Basic earning per ordinary share (sen)						
Continuing operations	(0.49)	(0.31)		(1.24)	(0.21)	
Discontinued operation	-	-		-	-	
Diluted earnings per ordinary share (sen)	N/A	N/A		N/A	N/A	

* not meaningful

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 30 June 2018.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018 (Unaudited)

	← Non- distributable →			
	Share capital RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2017	73,742	(771)	69,495	142,466
Foreign currency translation difference for foreign operations	-	(527)	-	(527)
Defined benefit plan actuarial gain	-	-	-	-
Total comprehensive income for the year	-	(527)	-	(527)
Loss for the financial period	-	-	(506)	(506)
Total comprehensive income for the period	-	(527)	(506)	(1,033)
At 31 December 2017	73,742	(1,298)	68,989	141,433
At 1 July 2018	73,742	(1,671)	54,350	126,421
Foreign currency translation difference for foreign operations	-	472	-	472
Defined benefit plan actuarial gain	-	-	-	-
Total comprehensive income for the year	-	472	-	472
Loss for the financial period	-	-	(3,069)	(3,069)
Total comprehensive income for the period	-	472	(3,069)	(2,597)
At 31 December 2018	73,742	(1,199)	51,281	123,824

Note 1 : The Group's and the Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act, 2016, which came into operation on January 31, 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provision of the Act, the amount standing to the credit of the Group's and of the Company's share premium account account has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the related entitlement of any of the shareholders. However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium in a manner as specified by the Act.

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the Interim financial statements for the year ended 30 June 2018.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018 (Unaudited)

	<i>As at</i> 31/12/2018 RM'000	<i>As at</i> 30/06/2018 RM'000
Cash flows from operating activities		
Loss before tax from continuing operations	(3,080)	(15,095)
Adjustments for :		
Depreciation of property, plant and equipment	1,706	3,558
Fair value loss /(gain) on other investment	294	588
Gain on disposal of property, plant and equipment	-	(41)
Impairment loss on trade and other receivables	-	1,547
Interest expense	877	1,540
Interest income	(265)	(523)
Inventories written off	-	465
Disputed other receivable written off	-	1,020
Property, plant and equipment written off	-	61
Unrealised (gain)/loss on foreign exchange	273	(1,494)
Operating profit before changes in working capital	(195)	(8,374)
Changes in working capital :		
Inventories	(1,260)	4,213
Trade and other receivables	(8,989)	10,711
Trade and other payables	7,253	(3,039)
Cash generated from / (used in) operations	(3,191)	3,511
Dividend paid	-	(1,233)
Interest received	265	523
Interest paid	(877)	(1,540)
Tax refund /(paid)	(232)	(790)
Net cash from / (used in) operating activities	(4,035)	471
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,228)	(5,565)
Proceeds from disposal of property, plant and equipment	-	77
Net cash used in investing activities	(1,228)	(5,488)
Cash flows from financing activities		
Drawdown / (Repayment) of bank borrowings	(399)	10,508
Drawdown / (Repayment) of finance lease payables	3,846	(662)
Dividend paid	-	-
Net cash used in financing activities	3,447	9,846
Net (decrease) / increase in cash and cash equivalents	(1,816)	4,829
Cash and cash equivalents at 1 July / January	20,242	15,413
Cash and cash equivalents	18,426	20,242

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018 (Unaudited)

Cash and cash equivalents comprise of the following:-

	31/12/2018	30/06/2018
	RM'000	RM'000
Cash and bank balances	9,128	4,625
Short-term repurchase agreement ("REPO")	10,620	15,855
	<hr/>	<hr/>
	19,748	20,480
Less: Bank overdrafts	(1,322)	(238)
	<hr/>	<hr/>
	18,426	20,242

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 30 June 2018.

REX INDUSTRY BHD

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

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018 (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 30 June 2018. 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 30 June 2018. 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 Interpretations ("IC Int"), and Amendments to IC Int are as follow :

a) Adoption of New MFRS and Amendments/Improvements to MFRSs

The Group and the Company had adopted the following new MFRSs and amendments/improvements to MFRSs that are mandatory as follows :-

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Annual Improvements to MFRSs 2014 - 2016 Cycle	

b) New MFRSs Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted

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
Amendments to MFRS 2	Clarifications and Measurement of Share-based Payment Transactions
Clarification to MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 4	Applying MFRS9 Financial Instruments with Insurance Contracts
Amendments to MFRS 140	Transfer of Investment Property (Transfer of Investment Property)
IC Interpretation 22	Foreign Currency Transactions and Advances Consideration
Annual Improvements to MFRSs 2014 - 2016 Cycle	

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interest in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015 - 2017 Cycle	

Effective for financial periods beginning on or after 1 January 2020

Amendments to references to the Conceptual Framework in MFRS Standards

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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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 30 June 2018 was not qualified.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018 (Unaudited)

3. Seasonality of operations

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

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
3 months ended 31/12/2018		
Continuing operations:		
Malaysia	32,564	49,773
United States of America	25,006	-
Europe	7,230	-
Asia (Excludes Malaysia)	6,386	20,826
Consolidated	<u>71,186</u>	<u>70,599</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018 (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 30 June 2018.

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

	31/12/2018 RM'000	30/06/2018 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	67,000	67,000

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 31/12/2018 RM'000	3 months ended 31/12/2017 RM'000
Revenue		
Continuing operations	38,379	34,341
Profit / (loss) before tax		
Continuing operations	(1,217)	(775)

The Group recorded a 7.9% increase in revenue to RM 38.4 million for the second quarter ended 31 December 2018 from RM 34.3 million in the corresponding quarter last year. The increase in turnover was mainly due to the aggressive sales performance from the oversea subsidiary in the current quarter under review.

The Group recorded a loss before tax of RM1.22 million as compared to a loss before tax of RM 0.78 million generated in the corresponding quarter last year, which was mainly due the higher operating costs incurred by local subsidiary in the current quarter under review coupled with the additional marketing expenses incurred for new market penetration. The implementation of SST, which took effect on 1 September 2018 also impacted the margin for the current quarter as the additional tax was not fully absorbed by the customers yet.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018 (Unaudited)

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

	3 months ended 31/12/2018 RM'000	3 months ended 30/09/2018 RM'000
Revenue		
Continuing operations	38,379	32,807
Loss before tax		
Continuing operations	(1,217)	(1,863)

The Group recorded a 17% increase in revenue to RM 38.38 million for the second quarter ended 31 December 2018 from RM 32.81 million in the preceding quarter. The increase in turnover was mainly due to the improved sales performance from the local subsidiaries in the current quarter under review.

For the current quarter under review, the Group recorded a loss before tax of RM1.22 million as compared to a loss before tax of RM 1.86 million generated in the preceding quarter. The lower loss was mainly due to higher sales achieved in the current quarter as well as lower machinery maintenance cost and replacement parts.

16. Current year prospects

The Board is cautiously optimistic of the business outlook for the countries in which we operate. Product innovations will remain our key business drivers. We will continue to place emphasis on the marketing and promotional initiatives to support existing and new product launches in our quest to strengthen our market position and grow market share.

The Board will continue to monitor the Group's operation and to look out for business opportunities.

17. Variance of actual and forecast profit

Not applicable as no profit forecast was published.

18. Tax expense

	3 months ended 31/12/2018 RM'000	Period ended 31/12/2018 RM'000
Current income tax		
Malaysia	-	-
Overseas	-	-
Deferred tax		
Reversal of temporary differences	5	11
	<u>5</u>	<u>11</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018 (Unaudited)

19. Status of corporate proposals announced

On 17 August 2017, announced that the Company proposes to undertake a share split involving the subdivision of every one (1) existing REX share into four (4) Split Shares help on an entitlement date to be determined and announced later by the Board.

On 21 August 2017, Company announced that the application for the Proposed Share Split had been submitted to Bursa Malaysia Securities Berhad on 21 August 2017.

On 25 August 2017, Company announced that Bursa Malaysia Securities Berhad had, vide its letter dated 25 August 2017, resolved to approve the Proposed Share Split.

On 13 September 2017, Circular issued to Shareholders in relation to the proposed share split involving the subdivision of every one (1) existing share in REX into four (4) ordinary shares in REX held on an entitlement date to be determined and announced later by the Board.

On 23 October 2017, Company announced that based on the entitlement date of 23 October 2017 for the Share Split, the issue share capital of 61,656,617 ordinary shares in REX have been subdivided into 246,626,468 ordinary shares in REX pursuant to the Share split.

On 24 October 2017, Company announced that the Share Split has been completed following the listing of, an quotation for 246,626,468 ordinary shares in REX on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on 24 October 2017.

On 14 February 2018, announced that the Company proposes to undertake a renounceable rights issue of 54,805,881 new ordinary shares in REX ("REX Share(s)" or "Share(s)") at an issue price to be determined and announced later ("Rights Share(s)"), together with a bonus issue of 41,104,410 new REX Shares ("Bonus Share(s)") to be credited as fully paid-up, on the basis of 2 Rights Shares for every 9 existing REX Shares held and 3 Bonus Shares for every 4 Rights Shares subscribed for on an entitlement date to be determined and announced later ("Proposed Rights with Bonus Issue").

On 12 April 2018, announced that after taking into consideration the current market condition, the Company had decided not to proceed with the Proposed Rights with Bonus Issue.

20. Group borrowings

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

As at 31 Dec 2018	Payable within 12 months RM'000	Payable after 12 months RM'000
Denominated in RM		
Bank overdraft	1,322	-
Bankers' acceptance	16,928	-
Revolving credit	3,000	-
Term loans	572	3,722
Finance lease liabilities	149	-
Denominated in USD		
Bankers' acceptance	7,716	-
	<u>29,687</u>	<u>3,722</u>
As at 31 Dec 2017		
Denominated in RM		
Bank overdraft	534	-
Bankers' acceptance	14,428	-
Revolving credit	3,000	-
Term loans	410	3,167
Finance lease liabilities	498	148
Denominated in USD		
Bankers' acceptance	6,011	-
	<u>24,881</u>	<u>3,315</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018 (Unaudited)

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 2018.

23. Profit before tax

	3 months ended 31/12/2018 RM'000	Period ended 31/12/2018 RM'000
(Loss)/ Profit before tax is arrived at after charging / (crediting) :		
Depreciation of property, plant and equipment	783	1,706
Fair value loss on other investment	126	294
Interest expense	477	877
Unrealised loss on foreign exchange	252	273

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.

	6 months ended 31/12/2018	Year ended 30/06/2018
(Loss) /Profit after tax attributable to owners of the parent (RM'000)	(3,080)	(15,153)
Weighted average number of shares in issue ('000)	246,626	188,348
Earning per ordinary share (sen)	(1.24)	(8.05)

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. Other Investment

	Period ended 31/12/2018 (RM'000)	Year ended 30/06/2018 (RM'000)
At fair value through profit or loss		
- Quoted shares in Malaysia		
At beginning of the year	1,554	2,110
Fair value (loss)/gain	(294)	(588)
	<u>1,260</u>	<u>1,554</u>
At market value	<u>1,260</u>	<u>1,554</u>