

REX INDUSTRY BHD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 September 2019 (Unaudited)

| | <i>As at</i> 30/09/2019 | <i>As at</i> 30/06/2019 |
|--|----------------------------|----------------------------|
| | <i>RM'000</i> | <i>RM'000</i> |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 62,470 | 62,152 |
| Other investment | 1,008 | 1,386 |
| Goodwill on consolidation | 7,037 | 7,037 |
| | <hr/> 70,515 | <hr/> 70,575 |
| Current assets | | |
| Inventories | 43,358 | 48,413 |
| Trade and other receivables | 49,868 | 47,965 |
| Current tax assets | 598 | 667 |
| Cash and cash equivalents | 11,207 | 10,204 |
| | <hr/> 105,031 | <hr/> 107,249 |
| Non-current assets classified as held for sale | - | - |
| | <hr/> 105,031 | <hr/> 107,249 |
| Total assets | <hr/> 175,546 | <hr/> 177,824 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 73,742 | 73,742 |
| Reserves | 38,744 | 39,930 |
| Total equity | <hr/> 112,486 | <hr/> 113,672 |
| Non-current liabilities | | |
| Deferred tax liabilities | 1,540 | 1,545 |
| Borrowings | 3,199 | 3,382 |
| | <hr/> 4,739 | <hr/> 4,927 |
| Current Liabilities | | |
| Trade and other payables | 26,323 | 25,555 |
| Borrowings | 31,554 | 33,090 |
| Contract liabilities | 189 | 580 |
| Tax payable | 255 | - |
| | <hr/> 58,321 | <hr/> 59,225 |
| Total liabilities | <hr/> 63,060 | <hr/> 64,152 |
| Total equity and liabilities | <hr/> 175,546 | <hr/> 177,824 |
| Net assets per share (RM) | 0.43 | 0.43 |
| | - | - |

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 2019.

REX INDUSTRY BHD

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (Unaudited)

| | 3 months ended | | | Period ended | | |
|---|----------------|----------------|------------|----------------|----------------|------------|
| | 30/06/2019 | 30/09/2018 | Changes | 30/09/2019 | 30/09/2018 | Changes |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Continuing operations | | | | | | |
| Revenue | 38,133 | 32,807 | 16.2 | 38,133 | 32,807 | 16.2 |
| Operating profit / (loss) | (351) | (1,463) | n/m | (351) | (1,463) | n/m |
| Interest expense | (468) | (400) | 17.0 | (468) | (400) | 17.0 |
| Loss before tax | (819) | (1,863) | n/m | (819) | (1,863) | n/m |
| Income tax expense | (244) | 6 | n/m | (244) | 6 | n/m |
| Loss from continuing operations, net of tax | (1,063) | (1,857) | n/m | (1,063) | (1,857) | n/m |
| Discontinued operations | | | | | | |
| Loss from discontinued operations, net of tax | - | - | n/m | - | - | n/m |
| Loss for the period, net of tax | (1,063) | (1,857) | n/m | (1,063) | (1,857) | n/m |
| Other comprehensive income, net of tax | | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | | |
| Foreign currency translation | (123) | 139 | | (123) | 139 | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | | | |
| Defined benefit plan actuarial gain | - | - | | - | - | |
| Total other comprehensive income for the period | (123) | 139 | | (123) | 139 | |
| Total comprehensive income for the period | (1,186) | (1,718) | | (1,186) | (1,718) | |
| Profit / (loss) for the period attributable to : | | | | | | |
| Owners of the parent | (1,063) | (1,857) | | (1,063) | (1,857) | |
| Total comprehensive income attributable to : | | | | | | |
| Owners of the parent | (1,186) | (1,718) | | (1,186) | (1,718) | |
| Basic earning per ordinary share (sen) | | | | | | |
| Continuing operations | (0.43) | (0.75) | | (0.43) | (0.75) | |
| 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 2019.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (Unaudited)

| | ← Non-distributable → | | | |
|---|----------------------------|----------------------------------|--------------------------------|---------------------------|
| | Share capital RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 1 July 2018 | 73,742 | (1,671) | 54,350 | 126,421 |
| Foreign currency translation difference for foreign operations | - | 139 | - | 139 |
| Defined benefit plan actuarial gain | - | - | - | - |
| Total comprehensive income for the year | - | 139 | - | 139 |
| Loss for the financial period | - | - | (1,857) | (1,857) |
| Prior year adjustment : adoption of MFRS 9 | - | - | - | - |
| Total comprehensive income for the year | - | 139 | (1,857) | (1,718) |
| At 30 September 2018 | 73,742 | (1,532) | 52,493 | 124,703 |
| At 1 July 2019 | 73,742 | (728) | 40,658 | 113,672 |
| Foreign currency translation difference for foreign operations | - | (123) | - | (123) |
| Defined benefit plan actuarial gain | - | - | - | - |
| Total comprehensive income for the year | - | (123) | - | (123) |
| Loss for the financial period | - | - | (1,063) | (1,063) |
| Total comprehensive income for the year | - | (123) | (1,063) | (1,186) |
| At 30 September 2019 | 73,742 | (851) | 39,595 | 112,486 |

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 2019.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (Unaudited)

| | <i>As at</i> 30/09/2019 RM'000 | <i>As at</i> 30/06/2019 RM'000 |
|---|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Loss before tax from continuing operations | (819) | (14,317) |
| Adjustments for : | | |
| Allowance for expected credit loss on trade and other receivables | - | 912 |
| Allowance for inventories obsolescences | - | 255 |
| Depreciation of property, plant and equipment | 1,031 | 3,633 |
| Fair value loss on other investment | 378 | 168 |
| Gain on disposal of property, plant and equipment | (13) | (541) |
| Impairment loss on goodwill | - | 852 |
| Interest expense | 468 | 1,905 |
| Interest income | (34) | (408) |
| Inventories written off | - | 752 |
| Reversal of impairment loss on trade and other receivables | - | (89) |
| Unrealised (gain)/loss on foreign exchange | 28 | 477 |
| Operating loss before changes in working capital | 1,039 | (6,401) |
| Changes in working capital : | | |
| Inventories | 4,851 | 890 |
| Trade and other receivables | (3,415) | (12,478) |
| Trade and other payables | 1,383 | 4,942 |
| Cash generated from / (used in) operations | 3,858 | (13,047) |
| Dividend paid | - | - |
| Interest received | 34 | 408 |
| Interest paid | (468) | (1,905) |
| Tax refund /(paid) | 5 | (524) |
| Net cash from / (used in) operating activities | 3,429 | (15,068) |
| Cash flows from investing activities | | |
| Net cash outflow from acquisition of subsidiary | - | - |
| Acquisition of property, plant and equipment | (1,068) | (2,397) |
| Proceeds from disposal of property, plant and equipment | 82 | 1,036 |
| Net cash used in investing activities | (986) | (1,361) |
| Cash flows from financing activities | | |
| Drawdown / (Repayment) of bank borrowings | (1,299) | 5,726 |
| Drawdown / (Repayment) of finance lease payables | (109) | (377) |
| Net cash used in financing activities | (1,408) | 5,349 |
| Net (decrease) / increase in cash and cash equivalents | 1,035 | (11,080) |
| Cash and cash equivalents at 1 July | 9,162 | 20,242 |
| Cash and cash equivalents | 10,197 | 9,162 |

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (Unaudited)

Cash and cash equivalents comprise of the following:-

| | 30/09/2019 RM'000 | 30/06/2019 RM'000 |
|--|----------------------|----------------------|
| Cash and bank balances | 3,223 | 5,613 |
| Short-term repurchase agreement ("REPO") | 7,984 | 4,591 |
| | <hr/> | <hr/> |
| | 11,207 | 10,204 |
| Less: Bank overdrafts | (1,010) | (1,042) |
| | <hr/> | <hr/> |
| | 10,197 | 9,162 |

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 2019.

REX INDUSTRY BHD

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

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD 30 SEPTEMBER 2019 (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 2019. 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 and IC Int

The Group and the Company had adopted the following new MFRSs and Amendments/Improvements to MFRSs and IC that are mandatory as follows :-

| | |
|--|--|
| 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 | |

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 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 | |
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |

Effective for financial periods beginning on or after 1 January 2021

| | |
|---------|---------------------|
| MFRS 17 | Insurance Contracts |
|---------|---------------------|

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 2019 was not qualified.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD 30 SEPTEMBER 2019 (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 30/09/2019 | | |
| Continuing operations: | | |
| Malaysia | 13,931 | 49,472 |
| United States of America | 15,642 | - |
| Europe | 6,370 | - |
| Asia (Excludes Malaysia) | 2,190 | 20,035 |
| | <hr/> | <hr/> |
| | 38,133 | |
| 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 | 38,133 | 69,507 |

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD 30 SEPTEMBER 2019 (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 2019.

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

| | 30/09/2019 RM'000 | 30/06/2019 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 30/09/2019 RM'000 | 3 months ended 30/09/2018 RM'000 |
|------------------------|--|--|
| Revenue | | |
| Continuing operations | 38,133 | 32,807 |
| Loss before tax | | |
| Continuing operations | 819 | 1,863 |

The Group recorded a 16.2% increase in revenue to RM 38.1 million for the first quarter ended 30 September 2019 from RM 32.8 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 RM0.82 million as compared to a loss before tax of RM 1.86 million generated in the corresponding quarter last year, which was mainly due to the higher turnover and lower marketing penetration costs in the current quarter under review. There was also lower repair and maintenance cost for machinery incurred in the current quarter.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD 30 SEPTEMBER 2019 (Unaudited)

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

| | 3 months ended 30/09/2019 RM'000 | 3 months ended 30/06/2019 RM'000 |
|------------------------|--|--|
| Revenue | | |
| Continuing operations | 38,133 | 35,851 |
| Loss before tax | | |
| Continuing operations | 819 | 8,002 |

The Group recorded a 6.4% increase in revenue to RM 38.13 million for the first quarter ended 30 September 2019 from RM 35.85 million in the preceding quarter. The increase in turnover was mainly due to the higher sales performance from the overseas subsidiary in the current quarter under review.

For the current quarter under review, the Group recorded a loss before tax of RM0.82 million as compared to a loss before tax of RM 8.0 million generated in the preceding quarter. The lower loss was mainly due to no allowance for inventory written off and allowance for expected credit loss on trade and other receivables in the current quarter as well as no 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. 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 including the sugar tax 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 30/09/2019 RM'000 | Period ended 30/09/2019 RM'000 |
|-----------------------------------|--|--------------------------------------|
| Current income tax | | |
| Malaysia | - | - |
| Overseas | 249 | 249 |
| | 249 | 249 |
| Deferred tax | | |
| Reversal of temporary differences | (5) | (5) |
| | (244) | (244) |

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 30 SEPTEMBER 2019 (Unaudited)

19. Status of corporate proposals announced

There were no corporate proposals that have been announced by the Company as at the date of this announcement.

20. Group borrowings

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

| As at 30 September 2019 | Payable within 12 months RM'000 | Payable after 12 months RM'000 |
|--------------------------------|---------------------------------------|--------------------------------------|
| Denominated in RM | | |
| Bank overdraft | 1,010 | - |
| Bankers' acceptance | 18,008 | - |
| Revolving credit | 4,000 | - |
| Term loans | 652 | 3,199 |
| Finance lease liabilities | 8 | - |
| Denominated in USD | | |
| Bankers' acceptance | 7,876 | - |
| | <u>31,554</u> | <u>3,199</u> |
| As at 30 September 2018 | | |
| Denominated in RM | | |
| Bank overdraft | 704 | - |
| Bankers' acceptance | 15,036 | - |
| Revolving credit | 3,000 | - |
| Term loans | 556 | 3,886 |
| Finance lease liabilities | 257 | - |
| Denominated in USD | | |
| Bankers' acceptance | 7,740 | - |
| | <u>27,294</u> | <u>3,886</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 September 2019.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD 30 SEPTEMBER 2019 (Unaudited)

23. Profit before tax

| | 3 months ended 30/09/2019 RM'000 | Period ended 30/09/2019 RM'000 |
|--|--|--------------------------------------|
| Loss before tax is arrived at after charging / (crediting) : | | |
| Depreciation of property, plant and equipment | 1,031 | 1,031 |
| Fair value loss on other investment | 378 | 378 |
| Interest expense | 468 | 468 |
| Unrealised loss on foreign exchange | 28 | 28 |

24. Loss 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 30/09/2019 | Year ended 30/06/2019 |
|--|---------------------------------|-----------------------------|
| Loss after tax attributable to owners of the parent (RM'000) | 1,063 | 13,297 |
| Weighted average number of shares in issue ('000) | 246,626 | 246,626 |
| Loss per ordinary share (sen) | 0.43 | 5.39 |

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 30/09/2019 (RM'000) | Year ended 30/06/2019 (RM'000) |
|--------------------------------------|--|--------------------------------------|
| At fair value through profit or loss | | |
| - Quoted shares in Malaysia | | |
| At beginning of the year | 1,386 | 1,554 |
| Fair value (loss)/gain | (378) | (168) |
| | <u>1,008</u> | <u>1,386</u> |
| At market value | <u>1,008</u> | <u>1,386</u> |