

REX INDUSTRY BHD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020 (Unaudited)

	<i>As at</i> <i>31/03/2020</i>	<i>As at</i> <i>30/06/2019</i>
	<i>RM'000</i>	<i>RM'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	74,198	62,152
Other investment	828	1,386
Goodwill on consolidation	7,037	7,037
	<hr/> 82,063	<hr/> 70,575
Current assets		
Inventories	46,147	48,413
Trade and other receivables	44,214	47,965
Current tax assets	455	667
Cash and cash equivalents	5,350	10,204
	<hr/> 96,166	<hr/> 107,249
Total assets	<hr/> 178,229	<hr/> 177,824
EQUITY AND LIABILITIES		
Equity		
Share capital	73,742	73,742
Reserves	32,022	39,930
Total equity	<hr/> 105,764	<hr/> 113,672
Non-current liabilities		
Deferred tax liabilities	1,530	1,545
Borrowings	11,594	3,382
	<hr/> 13,124	<hr/> 4,927
Current Liabilities		
Trade and other payables	26,589	25,555
Borrowings	31,975	33,090
Contract liabilities	189	580
Tax payable	588	-
	<hr/> 59,341	<hr/> 59,225
Total liabilities	<hr/> 72,465	<hr/> 64,152
Total equity and liabilities	<hr/> 178,229	<hr/> 177,824
Net assets per share (RM)	0.40	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.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020 (Unaudited)

	3 months ended			Period ended		
	31/03/2020	31/03/2019	Changes	31/03/2020	31/03/2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Continuing operations						
Revenue	34,030	29,572	15.1	108,318	100,758	7.5
Operating profit / (loss)	(2,049)	(2,777)	n/m	(2,797)	(4,980)	n/m
Interest expense	(512)	(458)	11.8	(1,471)	(1,335)	10.2
Loss before tax	(2,561)	(3,235)	n/m	(4,268)	(6,315)	n/m
Income tax expense	(199)	5	n/m	(637)	16	n/m
Loss from continuing operations, net of tax	(2,760)	(3,230)	n/m	(4,905)	(6,299)	n/m
Other comprehensive income, net of tax						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Foreign currency translation	(2,444)	(2,233)		(3,003)	(1,761)	
<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	(2,444)	(2,233)		(3,003)	(1,761)	
Total comprehensive income for the period	(5,204)	(5,463)		(7,908)	(8,060)	
Profit / (loss) for the period attributable to :						
Owners of the parent	(2,760)	(3,230)		(4,905)	(6,299)	
Total comprehensive income attributable to :						
Owners of the parent	(5,204)	(5,463)		(7,908)	(8,060)	
Basic earning per ordinary share (sen)						
Continuing operations	(1.12)	(1.31)		(1.99)	(2.55)	
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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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020 (Unaudited)

	← Non-distributable →		Retained	Total
	Share	Translation	earnings	equity
	capital	reserve		
	RM'000	RM'000	RM'000	RM'000
At 1 July 2018	73,742	(1,671)	54,350	126,421
Foreign currency translation difference for foreign operations	-	(1,761)	-	(1,761)
Defined benefit plan actuarial gain	-	-	-	-
Total comprehensive income for the year	-	(1,761)	-	(1,761)
Loss for the financial period	-	-	(1,857)	(1,857)
Prior year adjustment : adoption of MFRS 9	-	-	-	-
Total comprehensive income for the year	-	(1,761)	(1,857)	(3,618)
At 31 March 2019	73,742	(3,432)	52,493	122,803
At 1 July 2019	73,742	(728)	40,658	113,672
Foreign currency translation difference for foreign operations	-	(3,003)	-	(3,003)
Defined benefit plan actuarial gain	-	-	-	-
Total comprehensive income for the year	-	(3,003)	-	(3,003)
Loss for the financial period	-	-	(4,905)	(4,905)
Total comprehensive income for the year	-	(3,003)	(4,905)	(7,908)
At 31 March 2020	73,742	(3,731)	35,753	105,764

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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020 (Unaudited)

	<i>As at</i> 31/03/2020 RM'000	<i>As at</i> 30/06/2019 RM'000
Cash flows from operating activities		
Loss before tax from continuing operations	(4,268)	(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	2,670	3,633
Fair value loss on other investment	360	168
Gain on disposal of property, plant and equipment	(52)	(541)
Impairment loss on goodwill	-	852
Interest expense	1,471	1,905
Interest income	(82)	(408)
Inventories written off	-	752
Reversal of impairment loss on trade and other receivables	-	(89)
Unrealised (gain)/loss on foreign exchange	151	477
Operating loss before changes in working capital	250	(6,401)
Changes in working capital :		
Inventories	1,743	890
Trade and other receivables	2,861	(12,478)
Trade and other payables	(1,908)	4,942
Cash generated from / (used in) operations	2,946	(13,047)
Interest received	82	408
Interest paid	(1,471)	(1,905)
Tax refund /(paid)		(524)
Net cash from / (used in) operating activities	1,557	(15,068)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(14,435)	(2,397)
Proceeds from disposal of property, plant and equipment	82	1,036
Net cash used in investing activities	(14,353)	(1,361)
Cash flows from financing activities		
Drawdown / (Repayment) of bank borrowings	7,516	5,726
Drawdown / (Repayment) of finance lease payables	(109)	(377)
Net cash used in financing activities	7,407	5,349
Net (decrease) / increase in cash and cash equivalents	(5,389)	(11,080)
Cash and cash equivalents at 1 July	9,162	20,242
Cash and cash equivalents	3,773	9,162

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020 (Unaudited)

Cash and cash equivalents comprise of the following:-

	31/03/2020 RM'000	30/06/2019 RM'000
Cash and bank balances	3,618	5,613
Short-term repurchase agreement ("REPO")	1,732	4,591
	<hr/>	<hr/>
	5,350	10,204
Less: Bank overdrafts	(1,577)	(1,042)
	<hr/>	<hr/>
	3,773	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.

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

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020 (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
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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 2019 was not qualified.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020 (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	Non-current assets
	RM'000	RM'000
9 months ended 31/03/2020		
Continuing operations:		
Malaysia	41,100	62,040
United States of America	47,451	-
Europe	13,212	-
Asia (Excludes Malaysia)	6,556	19,195
Consolidated	<u>108,318</u>	<u>81,235</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020 (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

	31/03/2020 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 31/03/2020 RM'000	3 months ended 31/03/2019 RM'000
Revenue		
Continuing operations	34,030	29,572
Loss before tax		
Continuing operations	-2,561	-3,235

The Group recorded a 15.1% increase in revenue to RM 34.0 million for the third quarter ended 31 March 2020 from RM 29.6 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 RM2.56 million as compared to a loss before tax of RM3.24 million generated in the corresponding quarter last year, which was mainly due to the higher profit achieved by the oversea subsidiary.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020 (Unaudited)

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

	3 months ended 31/03/2020 RM'000	3 months ended 31/12/2019 RM'000
Revenue		
Continuing operations	34,030	36,155
Loss before tax		
Continuing operations	-2,561	-888

The Group recorded a 5.9% decrease in revenue to RM 34.03 million for the third quarter ended 31 March 2020 from RM 36.16 million in the preceding quarter. The decrease in turnover was mainly due to the lower sales performance from the local subsidiary in the current quarter under review.

For the current quarter under review, the Group recorded a loss before tax of RM2.56 million as compared to a loss before tax of RM 0.89 million generated in the preceding quarter. The loss was mainly due to the higher operation costs and intense competition in the domestic market resulted to weaker performance from the local subsidiaries.

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 31/03/2020 RM'000	Period ended 31/03/2020 RM'000
Current income tax		
Malaysia	-	-
Overseas	204	651
	204	651
Deferred tax		
Reversal of temporary differences	(5)	(14)
	(199)	(637)

The disproportionate tax charge in relation to the results of the Group for the current financial period to date was mainly due to no Group tax relief for losses incurred by certain profitable subsidiaries.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020 (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 31 March 2020	Payable within 12 months RM'000	Payable after 12 months RM'000
Denominated in RM		
Bank overdraft	1,577	-
Bankers' acceptance	17,464	-
Revolving credit	4,000	-
Term loans	1,044	11,594
Finance lease liabilities	-	-
Denominated in USD		
Bankers' acceptance	7,890	-
	<u>31,975</u>	<u>11,594</u>
As at 31 March 2019		
Denominated in RM		
Bank overdraft	1,152	-
Bankers' acceptance	16,731	-
Revolving credit	4,000	-
Term loans	579	3,576
Finance lease liabilities	72	-
Denominated in USD		
Bankers' acceptance	7,808	-
	<u>30,432</u>	<u>3,576</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 2020.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020 (Unaudited)

23. Profit before tax

	3 months ended 31/03/2020 RM'000	Period ended 31/03/2020 RM'000
Loss before tax is arrived at after charging / (crediting) :		
Depreciation of property, plant and equipment	904	2,670
Fair value (gain)/ loss on other investment	162	360
Gain on disposal of quoted share	(26)	(26)
Interest expense	512	1,471
Unrealised loss on foreign exchange	59	151

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.

	9 months ended 31/03/2020	Year ended 30/06/2019
Loss after tax attributable to owners of the parent (RM'000)	4,905	13,297
Weighted average number of shares in issue ('000)	246,626	246,626
Loss per ordinary share (sen)	1.99	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 31/03/2020 (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
Disposed	(198)	-
Fair value (loss)/gain	(360)	(168)
	<u>828</u>	<u>1,386</u>
At market value	<u>828</u>	<u>1,386</u>