

REX INDUSTRY BHD

(Incorporated in Malaysia) Com. No. 199301027926 (282664-K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022 (Unaudited)

	<i>As at</i> 31/03/2022	<i>As at</i> 30/06/2021
	<i>RM'000</i>	<i>RM'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	80,476	78,903
Right-of-use assets	6,004	6,135
Goodwill on consolidation	7,037	7,037
	<hr/> 93,517	<hr/> 92,075
Current assets		
Inventories	56,486	52,116
Trade and other receivables	37,230	36,509
Tax recoverable	158	191
Cash and cash equivalents	7,020	14,628
	<hr/> 100,894	<hr/> 103,444
Total assets	<hr/> 194,411	<hr/> 195,519
EQUITY AND LIABILITIES		
Equity		
Share capital	97,903	97,903
Reserves	31,372	29,501
Total equity	<hr/> 129,275	<hr/> 127,404
Non-current liabilities		
Borrowings	9,551	10,516
Deferred tax liabilities	1,496	1,508
Lease liabilities	663	774
	<hr/> 11,710	<hr/> 12,798
Current Liabilities		
Borrowings	16,992	18,369
Trade and other payables	34,896	35,862
Contract liabilities	1,037	582
Lease liabilities	367	333
Tax payable	134	171
	<hr/> 53,426	<hr/> 55,317
Total liabilities	<hr/> 65,136	<hr/> 68,115
Total equity and liabilities	<hr/> 194,411	<hr/> 195,519
Net assets per share (RM)	0.26	0.26
	-	-

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 2021.

REX INDUSTRY BHD

(Incorporated in Malaysia) Com. No. 199301027926 (282664-K)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Quarterly ended		Changes	Period ended		Changes
	31/03/2022	31/03/2021		31/03/2022	31/03/2021	
	RM'000	RM'000	%	RM'000	RM'000	%
Continuing operations						
Revenue	39,499	37,988	4.0	120,209	120,949	(0.6)
Operating profit	1,042	1,436	(27.4)	3,556	4,649	(23.5)
Interest expense	(289)	(330)	(12.4)	(880)	(1,202)	(26.8)
Profit before tax	753	1,106	(31.9)	2,676	3,447	(22.4)
Income tax expense	(214)	(299)	(28.4)	(707)	(1,035)	(31.7)
Net Profit for the period	539	807	(33.2)	1,969	2,412	(18.4)
Other comprehensive income, net of tax						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Foreign currency translation	133	(113)		889	(1,693)	
<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	133	(113)		889	(1,693)	
Total comprehensive income for the period	672	694		2,858	719	
Profit for the period attributable to :						
Owners of the parent	539	807		1,969	2,412	
Total comprehensive income attributable to :						
Owners of the parent	672	694		2,858	719	
Basic and diluted earning per ordinary share (sen)	0.11	0.16		0.40	0.71	

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 2021.

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(Incorporated in Malaysia) Com. No. 199301027926 (282664-K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)

	← Non-distributable →			
	Share capital RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2020	73,742	(3,379)	31,528	101,891
Foreign currency translation difference for foreign operations	-	(1,693)	-	(1,693)
Defined benefit plan actuarial gain	-	-	-	-
Total comprehensive income for the period	-	(1,693)	-	(1,693)
Profit for the financial period	-	-	2,412	2,412
Total comprehensive income for the period	-	(1,693)	2,412	719
Transaction with owners :				
Issuance of ordinary shares	24,663	-	-	24,663
Right issue expense	-	-	(502)	(502)
	24,663	-	(502)	24,161
At 31 March 2021	98,405	-5,072	33,438	126,771
At 1 July 2021	97,903	(4,935)	34,436	127,404
Foreign currency translation difference for foreign operations	-	889	-	889
Defined benefit plan actuarial gain	-	-	-	-
Total comprehensive income for the period	-	889	-	889
Profit for the financial period	-	-	1,969	1,969
Total comprehensive income for the period	-	889	1,969	2,858
Transaction with owners :				
Dividend paid	-	-	(987)	(987)
At 31 March 2022	97,903	(4,046)	35,418	129,275

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 2021.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)

	<i>Current Year-to-date Period Ended 31/03/2022 RM'000</i>	<i>Preceding Year-to-date Period Ended 31/03/2021 RM'000</i>
Cash flows from operating activities		
Profit before tax from continuing operations	2,676	3,447
Adjustments for :		
Depreciation of property, plant and equipment	3,144	2,478
Depreciation of right-of-use assets	373	309
Gain on disposal on other investment	-	(43)
Loss/(Gain) on disposal of property, plant and equipment	25	(148)
Interest expense	880	1,202
Interest income	(59)	(82)
Unrealised loss/(gain) on foreign exchange	142	(163)
Operating profit before changes in working capital	7,181	7,000
Changes in working capital :		
Inventories	(3,460)	(1,531)
Receivables	(408)	(1,113)
Payables	(1,036)	(4,462)
Cash generated from/(used in) operations	2,277	(106)
Interest received	59	82
Interest paid	(880)	(1,202)
Tax paid	(728)	(929)
Net cash from/(used in) operating activities	728	(2,155)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,930)	(2,545)
Proceeds from issuance of ordinary shares	-	24,663
Right issue expense	-	(502)
Proceeds from disposal of property, plant and equipment	380	528
Proceeds from disposal of other investments	-	797
Net cash (used in)/from investing activities	(4,550)	22,941
Cash flows from financing activities		
Dividend paid to shareholders	(987)	-
Repayment of bank borrowings	(1,669)	(11,677)
Payment for the principal portion of lease liabilities	(275)	(232)
Net cash used in financing activities	(2,931)	(11,909)
Net (decrease)/increase in cash and cash equivalents	(6,753)	8,877
Cash and cash equivalents at the beginning of the financial period	13,756	3,373
Effect of exchange rate changes on cash and bank balances	17	(117)
Cash and cash equivalents at end of the financial period	7,020	12,133

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)

Cash and cash equivalents comprise of the following:-

	31/03/2022 RM'000	31/03/2021 RM'000
Cash and bank balances	5,367	2,004
Fixed deposit with licensed bank	1,653	-
Short-term fund	-	11,361
	<hr/>	<hr/>
	7,020	13,365
Less: Bank overdrafts	-	(1,232)
	<hr/>	<hr/>
	7,020	12,133

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 2021.

REX INDUSTRY BHD

(Incorporated in Malaysia) Com. No. 199301027926 (282664-K)

SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022 (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 2021. 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 2021. 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.

The Group and the Company have also considered the new accounting pronouncements in the preparation of the financial statements.

a) Accounting pronouncements that are effective and adopted during the financial year

Amendments to MFRS 4, MFRS 7, MFRS 9 and MFRS 16	Interest Rate Benchmark Perform – (Phase 2)
Amendments to MFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)
Amendments to MFRS 16	Covid-19 - Related Rent Concessions
Amendments to MFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
Amendments to References to the Conceptual Framework in MFRSs	

The adoption of the above did not have any significant effect on the financial statements of the Group and of the Company.

b) Accounting pronouncements that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following accounting pronouncements that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective Date after
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs 2018 to 2020		1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transactions	
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Effective date to be announced

The Group and the Company will adopt the above accounting pronouncements when they become effective in the respective financial year. These accounting pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application.

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 June 2021 was not qualified.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022 (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

The Board has declared a first and final single tier dividend of 0.20 sen per ordinary share amounting to RM986,505 in respect of the financial year ended 30 June 2021 on 8 October 2021 and paid on 11 November 2021.

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
Period ended 31 March 2022		
Malaysia	51,388	78,704
United States of America	39,842	-
Europe	24,358	-
Asia (Excludes Malaysia)	4,621	14,813
Consolidated	<u>120,209</u>	<u>93,517</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022 (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 2021.

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

	31/03/2022 RM'000	30/06/2021 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	29,880	29,880

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 31/03/2022 RM'000	3 months ended 31/03/2021 RM'000
Revenue	39,499	37,988
Profit before tax	753	1,106

The Group recorded a 4.0% increase in revenue to RM 39.5 million for the 3rd quarter ended 31 March 2022 from RM38.0 million in the corresponding quarter last year. The increase in turnover was mainly due to higher sales from the local subsidiaries in current quarter under review.

The Group recorded a profit before tax of RM 0.8 million as compared to RM1.1 million generated in the corresponding quarter last year, which was mainly due to lower profit achieved by the oversea subsidiary, rise of raw material & packaging cost and higher freight charges as well as loss incurred by biscuit division as production was halted for commissioning of new production line in current quarter.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)

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

	3 months ended 31/03/2022 RM'000	3 months ended 31/12/2021 RM'000
Revenue	39,499	40,524
Profit before tax	753	1,085

The Group recorded a 2.5% decrease in revenue to RM 39.5 million for the 3rd quarter ended 31 March 2022 from RM 40.5 million in the preceding quarter. The decrease in turnover was mainly due to lower sales from the oversea subsidiary in current quarter under review.

For the current quarter under review, the Group recorded a profit before tax of RM 0.8 million as compared to RM 1.1 million generated in the preceding quarter which was mainly contributed from lower profit achieved by the oversea subsidiary, higher operating expenses and loss incurred by biscuits division as production was halted for commissioning of new production line in current quarter.

16. Current year prospects

Whilst Covid-19 challenges and impediments began to ease with the opening up of the economy, the Group's business is now facing increasing cost pressures due to higher raw material prices, increasing shipping costs and a weakening of the Ringgit that impacts the Group's costs of goods imported. Together with the impact of the new national minimum wage policy from May 2022 onwards, these cost increases are expected to negatively effect the Groups' results over the next 2 quarters.

The Group will remain focused on improving the efficiency of operations as well as introduce measures to minimise the operating costs where possible to keep costs under control. In this regard, the Group will review monthly expenditures, seek more competitive prices of raw materials as far as is possible and implement other operational cost reduction initiatives. Nevertheless, the increasing costs of business for the Group caused by external factors may necessitate an increase in selling prices of the Groups' products in conjunction with the above cost minimisation endeavours.

Despite the challenges, we remain proactive in addressing the issues ahead and are cautiously optimistic of a positive performance in the FYE 30 June 2022.

17. Variance of actual and forecast profit

Not applicable as no profit forecast was published.

18. Tax expense

	Individual Quarter Quarter Ended		Cumulative Quarter Period Ended	
	31/03/2022 RM'000	31/03/2021 RM'000	31/03/2022 RM'000	31/03/2021 RM'000
Current income tax				
Malaysia	-	-	-	-
Overseas	(218)	(303)	(719)	(1,046)
	<u>(218)</u>	<u>(303)</u>	<u>(719)</u>	<u>(1,046)</u>
Deferred tax				
Reversal of temporary differences	4	4	12	11
	<u>(214)</u>	<u>(299)</u>	<u>(707)</u>	<u>(1,035)</u>

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 subsidiaries.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)

19. Status of corporate proposals announced

The Company had on 28 Jan 2022, announced that the Company proposes to undertake a renounceable rights issue of 164,417,645 new ordinary shares in Rex ("Rex Share(s)" or "Share(s)") ("Rights Share(s)") on the basis of 1 Rights Share for every 3 existing Rex Shares held, together with 54,805,881 free detachable warrants in Rex ("Warrant(s)") on the basis of 1 Warrant for every 3 Rights Shares subscribed ("Proposed Rights Issue with Warrants").

On 21 March 2022, on behalf of the board of directors of Rex ("Board"), UOB Kay Hian Securities (M) Sdn Bhd ("UOBKH") announced that the application pursuant to the Proposals has been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 March 2022.

On 4 April 2022, on behalf of the Board, UOBKH announced that Bursa Securities had, vide its letter dated 4 April 2022, resolved to approve the following:-

- Listing and quotation of 164,417,645 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- Admission to the Official List and listing of and quotation of 54,805,881 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and
- Listing and quotation of 54,805,881 new Shares to be issued arising from exercise of the Warrants.

The Proposal has received shareholders approval at Extraordinary General Meeting held on 27 May 2022.

There were no other 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 :-

	Payable within 12 months RM'000	Payable after 12 months RM'000
As at 31 March 2022		
Denominated in RM		
Bankers' acceptance	4,411	-
Revolving credit	3,000	-
Term loans	1,223	9,551
Denominated in USD		
Bankers' acceptance	8,358	-
	<u>16,992</u>	<u>9,551</u>
As at 30 June 2021		
Denominated in RM		
Bank overdraft	872	-
Bankers' acceptance	5,071	-
Revolving credit	3,000	-
Term loans	1,187	10,516
Denominated in USD		
Bankers' acceptance	8,239	-
	<u>18,369</u>	<u>10,516</u>

21. Changes in material litigation

There were no material litigations at the date of this interim financial report.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)

22. Dividends

The Board of directors did not recommend any dividend in respect of the financial period ended 31 March 2022.

23. Profit before tax

	Individual Quarter Quarter Ended		Cumulative Quarter Period Ended	
	31/03/2022 RM'000	31/03/2021 RM'000	31/03/2022 RM'000	31/03/2021 RM'000
Profit before tax is arrived at after charging / (crediting) :				
Depreciation of property, plant and equipment	1,090	853	3,144	2,478
Depreciation of right-of-use assets	130	103	373	309
Gain on disposal on other investment	-	-	-	(43)
(Gain)/loss on disposal of property, plant and equipment	-	(27)	25	(148)
Interest expense	289	330	880	1,202
Interest income	(16)	(31)	(59)	(82)
Realised (gain)/loss on foreign exchange	(18)	-	18	-
Unrealised loss/(gain) on foreign exchange	56	(5)	142	(163)

24. Profit 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.

	Individual Quarter Quarter Ended		Cumulative Quarter Period Ended	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021
Profit after tax attributable to owners of the parent (RM'000)	539	807	1,969	2,412
Weighted average number of shares in issue ('000)	493,252	493,252	493,252	342,036
Profit per ordinary share (sen)	0.11	0.16	0.40	0.71

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

25. Other Investment

	As at 31/03/2022 RM'000	As at 30/06/2021 RM'000
	At fair value through profit or loss	
- Quoted shares in Malaysia		
At beginning of the year	-	754
Disposed	-	(754)
	-	-
At market value	-	-