

REX INDUSTRY BHD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 (Unaudited)

	<i>As at</i> 30/06/2022	<i>As at</i> 30/06/2021
	<i>RM'000</i>	<i>RM'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	80,382	78,903
Right-of-use assets	5,600	6,135
Goodwill on consolidation	7,037	7,037
	93,019	92,075
Current assets		
Inventories	58,317	52,116
Trade and other receivables	39,746	36,509
Tax recoverable	161	191
Cash and cash equivalents	8,790	14,628
	107,014	103,444
Total assets	200,033	195,519
EQUITY AND LIABILITIES		
Equity		
Share capital	97,903	97,903
Reserves	31,808	29,501
Total equity	129,711	127,404
Non-current liabilities		
Borrowings	9,282	10,516
Deferred tax liabilities	1,492	1,508
Lease liabilities	390	774
	11,164	12,798
Current Liabilities		
Borrowings	18,522	18,369
Trade and other payables	39,687	35,862
Contract liabilities	596	582
Lease liabilities	273	333
Tax payable	80	171
	59,158	55,317
Total liabilities	70,322	68,115
Total equity and liabilities	200,033	195,519
Net assets per share (RM)	0.26	0.26
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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 YEAR ENDED 30 JUNE 2022 (Unaudited)

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Quarterly ended		Changes	Period ended		Changes
	30/06/2022	30/06/2021		30/06/2022	30/06/2021	
	RM'000	RM'000	%	RM'000	RM'000	%
Continuing operations						
Revenue	41,074	39,589	3.8	161,283	160,539	0.5
Operating profit	549	794	(30.9)	4,105	5,443	(24.6)
Interest expense	(291)	(329)	(11.6)	(1,171)	(1,531)	(23.5)
Profit before tax	258	465	(44.5)	2,934	3,912	(25.0)
Income tax expense	(200)	(274)	(27.0)	(907)	(1,309)	(30.7)
Net Profit for the period	58	191	(69.6)	2,027	2,603	(22.1)
Other comprehensive income, net of tax						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Foreign currency translation	398	136		1,267	(1,557)	
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Defined benefit plan actuarial gain	-	306		-	306	
Total other comprehensive income for the period	398	442		1,267	(1,251)	
Total comprehensive income for the period	456	633		3,294	1,352	
Profit for the period attributable to :						
Owners of the parent	58	191		2,027	2,603	
Total comprehensive income attributable to :						
Owners of the parent	456	633		3,294	1,352	
Basic and diluted earning per ordinary share (sen)	0.01	0.04		0.41	0.69	

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 YEAR ENDED 30 JUNE 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	-	(1,557)	-	(1,557)
Defined benefit plan actuarial gain	-	-	306	306
Total comprehensive income for the period	-	(1,557)	306	(1,251)
Profit for the financial year	-	-	2,603	2,603
Total comprehensive income for the year	-	(1,557)	2,909	1,352
Transaction with owners :				
Issuance of ordinary shares	24,161	-	-	24,161
	24,161	-	-	24,161
At 30 June 2021	97,903	(4,936)	34,437	127,404
At 1 July 2021	97,903	(4,936)	34,437	127,404
Foreign currency translation difference for foreign operations	-	1,267	-	1,267
Total comprehensive income for the period	-	1,267	-	1,267
Profit for the financial year	-	-	2,027	2,027
Total comprehensive income for the year	-	1,267	2,027	3,294
Transaction with owners :				
Dividend paid	-	-	(987)	(987)
At 30 June 2022	97,903	(3,669)	35,477	129,711

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.

REX INDUSTRY BHD

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 (Unaudited)

	<i>Current Year-to-date Year Ended 30/06/2022 RM'000</i>	<i>Preceding Year-to-date Year Ended 30/06/2021 RM'000</i>
Cash flows from operating activities		
Profit before tax from continuing operations	2,934	3,912
Adjustments for :		
Depreciation of property, plant and equipment	4,161	3,372
Depreciation of right-of-use assets	470	427
Gain on disposal on other investment	-	(43)
Gain on disposal of property, plant and equipment	(390)	(148)
Gain on lease termination	(8)	-
Impairment loss on property, plant and equipment	156	-
Interest expense	1,171	1,530
Interest income	(59)	(111)
Inventories written off	-	658
Reversal of allowance for expected credit losses on trade and other receivables	(1,040)	(15)
Reversal of allowance for inventories obsolescences	(526)	(658)
Unrealised loss/(gain) on foreign exchange	433	295
Operating profit before changes in working capital	7,302	9,219
Changes in working capital :		
Inventories	(4,375)	(5,672)
Receivables	(1,851)	(4,601)
Payables	2,951	2,377
Cash generated from operations	4,027	1,323
Interest received	59	111
Interest paid	(1,171)	(1,530)
Tax refund	40	5
Tax paid	(1,030)	(1,296)
Net cash from/(used in) operating activities	1,925	(1,387)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6,031)	(2,965)
Proceeds from disposal of property, plant and equipment	930	528
Proceeds from disposal of other investments	-	796
Net cash used in investing activities	(5,101)	(1,641)
Cash flows from financing activities		
Dividend paid to shareholders	(987)	-
Proceeds from issuance of ordinary shares	-	24,161
Repayment of bank borrowings	(1,780)	(10,321)
Payment for the principal portion of lease liabilities	(337)	(319)
Net cash (used in)/from financing activities	(3,104)	13,521
Net (decrease)/increase in cash and cash equivalents	(6,280)	10,493
Cash and cash equivalents at the beginning of the financial year	13,756	3,373
Effect of exchange rate changes on cash and bank balances	30	(110)
Cash and cash equivalents at end of the financial year	7,506	13,756

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 (Unaudited)

Cash and cash equivalents comprise of the following:-

	30/06/2022	30/06/2021
	RM'000	RM'000
Cash and bank balances	7,890	12,501
Fixed deposit with licensed bank	900	350
Short-term fund	-	1,777
	<hr/>	<hr/>
	8,790	14,628
Less: Bank overdrafts	(1,284)	(872)
	<hr/>	<hr/>
	7,506	13,756

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 YEAR ENDED 30 JUNE 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 MRFSS	

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 YEAR ENDED 30 JUNE 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 year-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 year-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 year.

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 30 June 2022		
Malaysia	68,631	78,048
United States of America	51,710	-
Europe	35,312	-
Asia (Excludes Malaysia)	5,630	14,971
Consolidated	<u>161,283</u>	<u>93,019</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 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

	30/06/2022 RM'000	30/06/2021 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	41,398	32,897

13. Capital commitments

Authorised capital expenditure not provided for in the interim financial report at the end of the current quarter under review is as follows:

	30/06/2022 RM'000
Approved and contracted for:	
- Machineries	2,267

14. Review of earnings and / or revenue of the Company and its subsidiaries for current quarter and financial period-to-date

	3 months ended 30/06/2022 RM'000	3 months ended 30/06/2021 RM'000
Revenue	41,074	39,589
Profit before tax	258	465

The Group recorded a 3.7% increase in revenue to RM 41.1 million for the 4th quarter ended 30 June 2022 from RM39.6 million in the corresponding quarter last year. The increase in turnover was mainly due to higher sales from the local subsidiaries in the current quarter under review.

The Group recorded lower profit before tax of RM 0.3 million compared to RM 0.5 million generated in the corresponding quarter last year despite high revenue in the current quarter. The lower profit before tax was mainly due to escalating costs of material and labour combined with the effect of a weakening Ringgit that impacted local subsidiaries' performance. The local subsidiaries losses were offset by profit recorded by the overseas subsidiary and also partly offset by the reversal of allowance for expected credit loss on other receivables and stock obsolescence as well as gain on disposal of property, plant and equipment in current quarter under review.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022 (Unaudited)

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

	3 months ended 30/06/2022 RM'000	3 months ended 31/03/2022 RM'000
Revenue	41,074	39,499
Profit before tax	258	752

The Group recorded a 7% increase in revenue to RM41.1 million for the 4th quarter ended 30 June 2022 from RM39.5 million in the preceding quarter. The increase in turnover was mainly due to higher sales from oversea subsidiary in current quarter under review.

The material change in profit before tax that the Group recorded of RM 0.3 million as compared to RM 0.8 million in the preceding quarter was mainly due to loss incurred by local subsidiaries from significant increase in cost of material and labour.

16. Current year prospects

The Group's business continue to face increasing cost pressures from 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 affect the Groups' results potentially until the end of 2022.

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 has necessitated an increase in selling prices of some 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 coming quarters.

17. Variance of actual and forecast profit

Not applicable as no profit forecast was published.

18. Tax expense

	Individual Quarter Quarter Ended		Cumulative Quarter Year Ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Current income tax				
Malaysia	-	-	-	-
Overseas	(204)	(285)	(923)	(1,327)
	<u>(204)</u>	<u>(285)</u>	<u>(923)</u>	<u>(1,327)</u>
Deferred tax				
Reversal of temporary differences	4	11	16	18
	<u>(200)</u>	<u>(274)</u>	<u>(907)</u>	<u>(1,309)</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 YEAR ENDED 30 JUNE 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 received shareholders approval at Extraordinary General Meeting held on 27 May 2022.

On 23 August 2022, on behalf of the Board, UOBKH announced the subscription rate and basis of allotment of excess Rights Shares and Warrants.

There were no other corporate proposals 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 30 June 2022		
Denominated in RM		
Bank overdraft	1,284	-
Bankers' acceptance	4,263	-
Revolving credit	3,000	-
Term loans	1,230	9,282
Denominated in USD		
Bankers' acceptance	8,745	-
	<u>18,522</u>	<u>9,282</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 YEAR ENDED 30 JUNE 2022 (Unaudited)

22. Dividends

The Board of directors did not recommend any dividend in respect of the financial year ended 30 June 2022.

23. Profit before tax

	Individual Quarter Quarter Ended		Cumulative Quarter Year Ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Profit before tax is arrived at after charging / (crediting) :				
Depreciation of property, plant and equipment	1,903	894	4,161	3,372
Depreciation of right-of-use assets	97	118	470	427
Gain on disposal on other investment	-	-	-	(43)
Gain on lease termination	(8)	-	(8)	-
Gain on disposal of property, plant and equipment	(415)	-	(390)	(148)
Impairment on property, plant and equipment	156	-	156	-
Inventories written off	-	658	-	658
Interest expense	291	328	1,171	1,530
Interest income	-	(29)	(59)	(111)
Reversal of allowance for expected credit loss on trade and	(1,040)	(15)	(1,040)	(15)
Reversal of allowance for inventories obsolescence	(526)	(658)	(526)	(658)
Realised gain on foreign exchange	(72)	(56)	(54)	26
Unrealised loss on foreign exchange	291	458	433	295

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 Year Ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Profit after tax attributable to owners of the parent (RM'000)	58	191	2,027	2,603
Weighted average number of shares in issue ('000)	493,252	493,252	493,252	380,413
Profit per ordinary share (sen)	0.01	0.04	0.41	0.68

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

25. Other Investment

	As at	As at
	30/06/2022 RM'000	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	-	-