



REX INDUSTRY BERHAD
[282664-K]



ANNUAL REPORT 2007



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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggeri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Friday, 27 June 2008 at 10.00 a.m.

AGENDA

As Ordinary Business

- 1 To receive and adopt the Directors' Report, Audited Financial Statements and the Auditors' Report for the year ended 31 December 2007. (Ordinary Resolution 1)
- 2 To approve the payment of a first and final dividend of 2 sen per ordinary share of RM1.00 each less income tax at 26% for the financial year ended 31 December 2007. (Ordinary Resolution 2)
- 3 To approve the payment of Directors' fees totalling RM99,000 for the year ended 31 December 2007. (Ordinary Resolution 3)
- 4 To re-elect the following Directors retiring pursuant Article 64 of the Company's Articles of Association and who, being eligible effect themselves for re-election:-
 - (i) Mr. Lee Hee Thiam (Ordinary Resolution 4)
 - (ii) Ms. Tang Yin Kham (Ordinary Resolution 5)
 - (iii) En. Mohd Faisal Izan Bin Abdul Latiff (Ordinary Resolution 6)
- 5 To re-appoint Messrs KPMG as Auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. (Ordinary Resolution 7)

As Special Business

- 6 To consider, and if thought fit, to pass with or without modification the following resolutions as Ordinary and Special Resolutions:-
 - a) Ordinary Resolution

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 (Ordinary Resolution 8)

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
 - b) Special Resolution

Proposed amendments to the Articles of Association

"THAT the alterations, modifications and/or additions to the Articles of Association of the Company as set out in Appendix I be and are hereby approved." (Special Resolution 1)
- 7 To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.



Notice Of Annual General Meeting

(Cont'd)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that a first and final dividend of 2 sen per ordinary share of RM1.00 each less income tax at 26% for the financial year ended 31 December 2007, if approved by the shareholders at the Fourteenth Annual General Meeting, will be paid on 22 September 2008 to depositors registered in the Record of Depositors of the Company on 27 August 2008.

A depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the depositor's securities account before 12.30 p.m. on 27 August 2008 in respect of ordinary transfer; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

KELSOM BEE BINTI ALI LS 03815
Secretary

2 June 2008

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and the provisions of Section 149 (1) (b) of the Act shall not apply to the Company.
2. The form of Proxy must be deposited at the Company's Registered Office at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah Pulau Pinang not less than 48 hours before the time set for the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints more than one proxy (subject always to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. If the appointor is a corporation, this form must be executed under its seal or under the hand of its attorney.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution pursuant to Section 132D of the Companies Act, 1965

1. The Ordinary Resolution 8, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.
2. The Special Resolution 1 if passed, will render the Articles of Association of the Company to be in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice Of Annual General Meeting

1. Directors who are standing for re-election

Pursuant to Article 64 of the Company's Articles of Association

- i) Mr. Lee Hee Thiam
- ii) Ms. Tang Tin Kham
- iii) En.Mohd Faisal Izan Bin Abdul Latiff

2. Details of attendance of Directors at Board Meeting

There were five Board Meeting held during the financial year ended 31 December 2007. Details of attendance of the Directors are set out in the Profile of Directors on pages 7 of the Annual Report.

3. Date and Time of Board Meetings

During the financial year ended 31 December 2007 a total of five (5) Board Meeting were held and the date and time of the Board Meetings held was as follows :

Date of Meeting	Time
28 February 2007	3.00 p.m.
31 May 2007	3.00 p.m.
29 June 2007	11.30 a.m.
30 August 2007	3.00 p.m.
30 November 2007	3.00 p.m.

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4. The Fourteenth Annual General Meeting of Rex Industry Berhad:

Place : Balau Room, Level 2, Sunway Hotel Seberang Jaya, No.11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang.

Date : 27 June 2008

Time : 10.00 a.m.

5. Further details of Directors who are standing for re-election

Details of Directors who are standing for re-election are set out in the Profile of Directors on pages 6 to 7 of the Annual Report.



Corporate Information

BOARD OF DIRECTORS

- Dato' Abdul Rashid Bin Ismail - CHAIRMAN
- Lee Hee Thiam - MANAGING DIRECTOR
- Lee Chai Seng
- Lee Hee Hong
- Lee Sew Keng
- Tang Yin Kham
- Mohd Faisal Izan Bin Abdul Latiff

SECRETARY

- Kelsom Bee Binti Ali

AUDIT COMMITTEE

- Dato' Abdul Rashid Bin Ismail - CHAIRMAN
- Mohd Faisal Izan Bin Abdul Latiff
- Tang Yin Kham

AUDITORS

- KPMG, Penang

STOCK EXCHANGE LISTING

- Second Board of the Bursa Malaysia Securities Berhad

BANKERS

- HSBC Bank Malaysia Berhad
- Alliance Bank Berhad
- Malayan Banking Berhad
- United Overseas Bank (Malaysia) Berhad
- EON Bank Berhad

SOLICITORS

- KC Lee and Partners

REGISTERED OFFICE

- Plot 125, Jalan Perindustrian Bukit Minyak 5,
14100, Simpang Ampat,
Seberang Perai Tengah, Penang, Malaysia.
Tel : 604 5088 288
Fax : 604 5088 566

REGISTRARS

- Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi Purpose, Capital Square
No. 8 Jalan Munshi Abdullah,
50100 Kuala Lumpur
Tel : 603 2721 2222
Fax : 603 2721 2530

Profile Of Directors

Dato' Abdul Rashid Bin Ismail

Chairman , Non-Executive Independent Director

Dato' Abdul Rashid Bin Ismail, aged 65, a Malaysian, is the Chairman and a non-executive director. He is also the Chairman of the Audit Committee. He is a politician and has been a Senator in the Dewan Rakyat from 1991 to 1996. Prior to being a Senator, he was a Councillor of the Penang Municipality Council from 1987 to 1990. He also represents Yayasan Bumiputera Pulau Pinang as nominee director on several of the Yayasan's subsidiaries. He is the Chairman of Yayasan Bina Ilmu Pulau Pinang. Dato' Abdul Rashid Bin Ismail was appointed as Chairman and Board of the company on 26 August 1995. He also holds directorships in several other private limited companies.

Lee Hee Thiam

Executive Non-Independent Director

Mr. Lee Hee Thiam, aged 50, a Malaysian, has been the Group Managing Director of the company since 26 August 1995. He was the Managing Director for Rex Canning Co Sdn Bhd from 1990 and the General Manager of the same company from 1985. After obtaining his Degree in Accountancy and Master Degree in Finance from Louisiana State University in USA, he joined Rex Canning in 1983. He also sits on the Board of the company's subsidiaries and several other private limited companies.

Lee Chai Seng

Executive Non-Independent Director

Mr. Lee Chai Seng, aged 65, a Malaysian is the executive director of the company. He has been the Chairman of Rex Canning Co Sdn Bhd since 1990 when the company founder, Mr. Lee Ah Hoon retired. He has been the director of Rex Canning since incorporation in 1972 and has the most extensive and longest experience in canning business among the directors of the company. He also sits on the Board of the company's subsidiaries and several other private limited companies. Mr Lee was appointed to the Board of the company on 26 August 1995.

Lee Hee Hong

Executive Non-Independent Director

Mr. Lee Hee Hong, aged 47, a Malaysian, has been the executive director of the company since 26 August 1995. He is the General Manager of the Rex Canning Co Sdn Bhd since 1990. He joined the company in 1986, upon graduating from Louisiana State University in USA with a Degree in Electrical Engineering. He also sits on the Board of the company's subsidiaries and several other private limited companies.

Lee Sew Keng

Executive Non-Independent Director

Ms. Lee Sew Keng, aged 52, a Malaysian. She has been with the Rex Canning Co Sdn Bhd since 1978. She worked her way up from the production floor and has very good knowledge of the internal working of the Company. She has been the Executive Director of the Company since 26 August 1995 and she also sits on the Board of the company's subsidiaries and several other private limited companies.

Profile of Directors (Cont'd)

Tang Yin Kham

Non-Executive Independent Director

Ms. Tang Yin Kham aged 57, a Malaysian, was appointed to the Board of the company on 11 March 1996. She is a fellow member of the Association of Chartered Certified Accountants, UK, a member of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Taxation and Financial Planning Association of Malaysia. She has more than 20 years of exposure in public accounting sector and currently she is a partner of a Chartered Accountant Firm in Malaysia. She also sits on the Board of Wong Engineering Corporation Berhad, EonMetal Group Berhad and several private limited compaines.

Mohd Faisal Izan Bin Abdul Latiff

Non-Executive Independent Director

Encik Mohd Faisal Izan Bin Abdul Latiff, aged 36, a Malaysian, was appointed to the Board of the company on 22 April 1996. He graduated from United Kingdom with a Bachelor of Accounting and Management Control. He is currently executive directors of several private limited companies.

Notes :

i)

Name of Director	Family Relationships	Convictions for Offences within the past 10 years other than Traffic Offences
1. Dato' Abdul Rashid Bin Ismail	None	N/A
2. Lee Hee Thiam	Brother of Lee Chai Seng, Lee Hee Hong and Lee Sew Keng	N/A
3. Lee Chai Seng	Brother of Lee Hee Thiam, Lee Hee Hong and Lee Sew Keng	N/A
4. Lee Hee Hong	Brother of Lee Chai Seng, Lee Hee Thiam and Lee Sew Keng	N/A
5. Lee Sew Keng	Sister of Lee Chai Seng, Lee Hee Thiam and Lee Hee Hong	N/A
6. Tang Yin Kham	None	N/A
7. Mohd Faisal Izan Bin Abdul Latiff	None	N/A

ii) Other than disclosed in the financial statements, there is no other conflict of interest that the directors have with the Group.

iii) There were no material contract entered into by the Group involving directors and major shareholders of Rex Industry Berhad.

Corporate Governance Statement

The Board of Directors fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 of the Malaysian Code of Corporate Governance respectively.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

Compliance statement

Except for the following, the Group has substantially complied with the best practices of the Code throughout the year. The reasons for such non-compliance are specified.

- The Board has not developed position descriptions for each member of the Board. The Board recognizes the importance for such a description and role identification and is taking action to adopt a Board Charter to implement them.
- The Board has not nominated a senior Independent Non-executive Director. Given the current composition of the Board where there is a strong independent element and the separation of the roles of Chairman and the Group Managing Director, the Board is of the opinion that such nomination is not necessary.
- 8 • A formal and written enterprise risk management framework has not been implemented. The Board, in its normal function and via the reports of the Audit Committee, has been able to identify business risks and ensure that these risks are being monitored and managed. The Board however recognises that a written and more structured risk management program is required and is taking steps to establish such a program.

Principles statement

The following statement sets out how the Company has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings : Board of Directors, Directors' remuneration, Shareholders and Accountability and audit.

A. Board of Directors

Board responsibilities

The Group acknowledges the pivotal role played by the Board of Directors in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2007, the Board met on five (5) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and the business plan and direction of the Group. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.



Corporate Governance Statement

(Cont'd)

Details of each existing Director 's meeting attendances are as follows:

Name	Attendance
Dato' Abdul Rashid Bin Ismail	5 / 5
Lee Hee Thiam	5 / 5
Lee Chai Seng	4 / 5
Lee Hee Hong	5 / 5
Lee Sew Keng	4 / 5
Tang Yin Kham	5 / 5
Mohd Faisal Izan Bin Abdul Latiff	4 / 5

Board Committees

The Board of Directors delegates certain responsibilities to the Audit Committee, in order to enhance business and operational efficiency as well as efficacy. The Audit Committee has written terms of reference and operating procedures, and the Board receives the outcome of the Committee meetings and such reports are incorporated in the minutes of the full Board meeting.

Board Balance

As at the date of this statement, the Board consists of seven (7) members; comprising one (1) independent non-executive Chairman, two (2) independent non-executive Directors and four (4) executive Directors. A brief profile of each Director is presented on pages 6 to 7 of this annual report.

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of the Bursa Malaysia Securities Berhad (BMSB). The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive Director) and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two Directors or one-third of the Board of the Company, whichever is the higher, are independent Directors.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The independent non-executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the executive Directors. The non-executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is a clear division of responsibilities at the head of the company to ensure a balance of authority and power. The Board is led by Dato' Abdul Rashid Bin Ismail as the independent non-executive Chairman and the executive management of the Company is led by Mr. Lee Hee Thiam, the Group Managing Director.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

Corporate Governance Statement

(Cont'd)

Supply of information

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director has also unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. In the event that the Company Secretary fails to fulfil her functions effectively, the terms of appointment permits her removal and appointment of a successor only by the Board as a whole.

Prior to the meetings of the Board and the Board Committees, Board papers which include the agenda and reports relevant to the issues of the meetings were circulated to all the Directors.

Directors' training

The Board as a whole recruits to the Board only individuals of sufficient caliber, knowledge and experience to fulfill the duties of a Director and to contribute to the success of the Company. There is no formal training programme for Directors. However, at the date of this statement, all the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM). Director have also attended various training programmes under the Continue Education Programmes ("CEP"). The Directors will continue to undergo other relevant training programmes including the CEP to further enhance their skills and knowledge where relevant.

Re-election

The Articles of Association provide that at the first Annual General Meeting of the Company, all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year, one third of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one third shall retire from office. An election of Directors shall take place each year and all the Directors shall retire from office at least in each three (3) years but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

The Company Secretaries will ensure that all information necessary is obtained, as well as all legal and regulatory obligations are met before appointments are made.

B. Directors' remuneration

Remuneration committee

The Remuneration Committee was established on 29 May 2002 and comprised the following members :-

Tang Yin Kham	-	Non-Executive Independent Director
Mohd Faisal Izan Bin Abdul Latiff	-	Non-Executive Independent Director
Lee Hee Thiam	-	Executive Non-Independent Director

The Remuneration Committee is responsible for recommending to the Board the remuneration framework for Directors as well as the remuneration package for Executive Directors.

None of the executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of non-executive Directors with individual Director abstaining from deliberations and voting on decision in respect of his individual remuneration.



Corporate Governance Statement

(Cont'd)

The policy practiced on Directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the company and to align the interest of the directors with those of the shareholders.

Details of Directors' remuneration

The Company pays its Directors an annual fee which is approved annually by the shareholders. The breakdown of the Directors' remuneration for the financial year is as follows :-

Type of Remuneration	Executive Directors	Non-Executive Directors	Total
	RM	RM	RM
Fees	-	99,000	99,000
Salaries	861,710	-	861,710
Bonuses	183,000	-	183,000
Others	-	3,500	3,500
Total	1,044,710	102,500	1,147,210

The Board is of the opinion that it is advisable not to detail out each Directors' remuneration. However, the remuneration paid or payable to Directors, analyzed into bands of RM 50,000 for the financial year ended 31 December 2007 are as follows:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	3
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	2	-
RM300,001 to RM350,000	1	-

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C. Shareholders

The Company recognizes the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting (AGM), analyst and other press meetings. The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete a picture of the Company's performance and position as possible.

It is the Company's practice to send the Notice of the Annual General Meeting and related papers to shareholders at least twenty one (21) days as appropriate before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written answer after the AGM. The Chairman of the Board also addresses the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year. Copies of the address are given out to shareholders and the press before the AGM. Additionally, a press conference is held immediately after the AGM where the Chairman advises the press of the resolutions passed, and answers questions on the Group. The Group Managing Director and the Executive Directors are also present at the press conference to clarify and explain any issue.

Corporate Governance Statement

(Cont'd)

D. Accountability and audit

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment for the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements. The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement of internal controls

The Statement on Internal Control furnished on page 17 of the annual report provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 14 to 16 of the annual report.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 13 to 14 of the annual report.

E. Additional compliance information

Share buy-back

There were no Share buy-back by the Company during the financial year.

Option, warrants or convertible securities

No option, warrants or convertible securities were issued or exercised during the financial year.

Non-audit fees

There were no non-audit fees paid during the financial year save as disclosed in the Audit Committee Report page 13.

This statement is issued in accordance with a resolution of the Directors dated 16 May 2008.



Audit Committee Report

Membership

The Audit Committee ("the Committee") comprises the following members:

- Dato' Abdul Rashid Bin Ismail - Chairman, Independent Non-Executive Director
- Ms. Tang Yin Kham - Independent Non-Executive Director
- Mr. Lee Hee Thiam - Managing Director (Resigned on 28 February 2008)
- Mr. Mohd Faizal Izan Bin Abdul Latiff - Independent Non-Executive Director (Appointed on 28 February 2008)

Terms of reference

The Committee was established on 29 February 1996 to act as a Committee of the Board of Directors, with the terms of reference as set out on pages 14 to 16.

Meetings

The Audit Committee convened five (5) meetings, which were attended by all members, during the financial year.

All the meetings were held at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang. The date and time of the Audit Committee meetings held were as follows:

Date of meeting	Time
28 February 2007	2.00 p.m.
31 May 2007	2.00 p.m.
29 June 2007	10.30 a.m.
30 August 2007	2.00 p.m.
30 November 2007	2.00 p.m.

Summary of activities during the financial year

The Audit Committee carried out its duties in accordance with its terms of reference during the year.

The main activities undertaken by the Committee included the following:

- Review of the external auditors' scope of work and audit plans for the year.
- Review with the external auditors the results of the audit, the audit report and the management letter, including management's response.
- Consideration and recommendation to the Board for approval of the audit fees payable to the external auditors as disclosed in Note 19 to the financial statements.
- Review the independence and objectivity of the external auditors and the services provided. For providing accountancy services and advisory on taxation, non-audit fees totaling RM7,980 were paid to the external auditors.

Audit Committee Report (Cont'd)

Summary of activities during the financial year (cont'd)

- Review of the internal audit department's resources requirements, programmes and plan for the financial year under review and the annual assessment of the internal audit department's performance.
- Review of the internal audit reports and discussion with the management to take actions to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
- Recommendation to the Board improvement opportunities in internal control, procedures and risk management.
- Review of the annual report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure compliance with the Listing Requirements of Bursa Securities, financial reporting standards and other relevant legal and regulatory requirements before recommending them for the Board's approval.
- Review of the quarterly unaudited financial results announcements before recommending them for the Board's approval.
- Review of the related party transactions entered into by the Group.

STATEMENT ON EMPLOYEE'S SHARE OPTION SCHEME ("ESOS") BY THE COMMITTEE

The Audit Committee has reviewed and verified that the allocations of option granted during the financial year under the Company's ESOS were in accordance with the provisions as set out in the Scheme.

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TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- assess the Group's processes relating to its risks and control environment;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

Composition

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three (3) Directors, the majority of whom shall be independent non-executive Directors of the Company.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he or she is not a member of MIA, he must have at least three (3) years of working experience and:-
 - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he or she must be a member of one of the associations of accountants specified in part II of the 1st schedule of the Accountants ACT 1967; or
 - fulfils such other requirements as prescribed or approved by the Bursa Securities.



Audit Committee Report (Cont'd)

Composition (Cont'd)

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an independent non-executive Director. No alternate Director of the Board shall be appointed as a member of the Committee. The Board shall review the terms of office of each of its members at least once (1) every three (3) years.

Quorum and Committee's procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be independent non-executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee ("the Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite the Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with the management, and at least once every year with the Head of Internal Audit and external auditors in separate sessions to discuss any matters with the Committee without the presence of any executive member of the Board.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

The Company shall ensure the attendance of the other Directors and employees of the Company at any particular Audit Committee meeting is only at the Committee's invitation and is specific to the relevant meeting.

Authority

The Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the BMSB Listing Requirements, the Committee shall promptly report such matter to the BMSB.

Audit Committee Report (Cont'd)

Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
- Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the Internal Audit Charter, budget and staffing of the internal audit department.
- Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.
- Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focussing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant or unusual events; and
 - compliance with accounting standards and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Listing Requirements of Bursa Securities and other legislative and reporting requirements.
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
- Verify the allocation of options pursuant to the Employee Share Option Scheme ("Scheme") of the Company and to ensure that the allocation is in compliance with the By-Laws of the scheme.
- Any other activities, as authorised by the Board.

Statement on Internal Control

Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements requires the Board of Directors of public listed companies to include in its annual report a “statement about the state of internal control of the listed issuer as a group”. The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the year.

The Board is ultimately responsible for the Group’s system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, risk management and financial, organisational, operational and compliance controls.

The Board recognizes the need to have a formal on going process for identifying, evaluating and managing the significant risks faced by the Group. The key management personnel has considered the need for a formal risk management framework. However, in view of the size of the Group and the nature of its operation that are currently controlled, the management is of the opinion that the current control procedures in place are sufficient to meet its intended objectives.

The Board fully supports the contents of the Internal Control Guidance and, with the assistance of its internal audit department, undertook to review the existing key business processes in place within the various operating businesses in Malaysia, with the aim of formalising the risk management functions across the Group, at a later date.

The Group has an internal audit department which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

During the financial year ended 31 December 2007, with the assistance of the internal audit function, the Board as a whole reviewed the adequacy and integrity of the system of internal control by :

- Reviewing the quarterly financial reports and evaluated the reasons for unusual variances noted thereof;
- The close involvement of Executive Directors in the business and who are hands-on in the operations of the Group, including the regular review of internal control procedures with operating and financial personnel of the Group ;
- The Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority, training and development, equality of opportunity, staff performance and serious misconduct. These procedures are relevant across the Group to provide for continuous assurance to be given at increasingly higher levels of management and, finally to the Board ; and
- The Audit Committee assists the Board in the review of financial statements. Where appropriate, explanations are sought from management for unusual fluctuations noted thereof.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board, together with Management, continues to take measures to strengthen the control environment.

This statement is issued in accordance with a resolution of the Directors dated 16 May 2008.

Corporate Social Responsibility Statement

Rex Industry Berhad ("RIB") is mindful of its Corporate Social Responsibility towards the community, environment, employees, shareholders and other stakeholders. Being a responsible Corporate Citizen, RIB continues to promote quality work environment, healthy and safety workplace to the employees and have initiated and supported various social, community and environmental programs. We develop ethical, responsible business policies and practices that are applied without exception across our operations.

The Corporate Social Responsibility initiatives undertaken by our Group during the financial year are summarized as below :

The Community

- ▶ During the year, the Group has been giving its support unconditionally to the people in need by sponsoring canned foods and beverage to flood victims, schools and various charity bodies. Besides that, we also expressed our care and concern for the under-privileged groups through monetary contributions.
- ▶ In support of school education program, our factories are open for school children to visit so as to enhance their understanding on how canned foods and beverage products are being produced.
- ▶ We continued to support the Internship Program by working with various public and private higher education providers such as universities, colleges and polytechnics to provide training for their students.

Our Workplace

RIB appreciates the contribution of our employees as regards to the growth of the business and harmonious working environment.

- ▶ We are committed to ensure fairness in career opportunity and treat all staffs equally regardless of their religion, races, genders, age and nationality.
- ▶ We are committed to maintain a safe and healthy working environment for our employees in the workplace.
- ▶ Constant education, training and safety workshops to ensure a high level of awareness of safety requirements at all levels.

The Marketplace

We are committed to ensure that the interests of all our important stakeholders (i.e. customers, suppliers and shareholders) are being taken care of. We ensure the supply of quality products and meeting customers' satisfactions through continual improvement in quality, technology, process and services. We are also practice good corporate governance to meet shareholders' expectations.

The Environment

It is our responsibility to apply our capabilities towards creating a better and safer world. We are conscious of the global warming and climate changes in the global environment due to the industrial activities. We support the use of environmental friendly products and minimize any adverse impact to the natural environment. We are always committed to the cause of environmental protection by increasing workforce awareness on the energy conservation methods (i.e. Instilling daily habits of switching off light and air-conditioners when not in use). We also ensure compliance to all relevant environmental laws and other requirements by raising the environmental awareness among the employees.

Appendix 1

Proposed Amendments to the Articles of Association

The Articles of Association of Rex Industry Berhad are proposed to be amended in the following manner (for which differences are highlighted in bold), to be in compliance with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad:-

Article 2 – Definitions

- (i) That the existing definition of “Director(s) in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
“The Director(s)”	The director(s) for the time being of the Company.

be amended by deleting the definition of “The Director(s)” in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
“Directors”	Shall have the meaning given in section 2 of the Capital Markets and Services Act, 2007 and includes in the case of an issuer of structured warrants or a listed issuer which is a trust, a director of the issuer of the structured warrants or a director of a management company of the trust respectively.

- (ii) That the existing definition of “the Stock Exchange” in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
“The Stock Exchange”	The Kuala Lumpur Stock Exchange and/or other Stock Exchange in which the shares or other securities of the Company are quoted.

be amended by deleting the definition of “the Stock Exchange” in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
“The Stock Exchange”	Bursa Malaysia Securities Berhad

and the term “Kuala Lumpur Stock Exchange” wherever appears in these Articles be replaced with the term “Bursa Malaysia Securities Berhad”.

- (iii) That the existing definition of “Market Day” in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
“Market Day”	A day on which the stock market of the Exchange is open for trading in Securities.

The word “Securities” be amended in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
“Market Day”	A day on which the stock market of the Exchange is open for trading in securities .

- (iv) That the existing definition of “Member” in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
“Member”	A depositor who shall be treated as if he were a member pursuant to Section 35 of the Central Depositories Act but excludes the Central Depository in its capacity as a bare trustee.

be amended by deleting the definition of “Member” in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
“Member”	Any person who for time being holding shares in the Company and whose name appears in the Register and includes a depositor who shall be treated as if he were a member pursuant to section 35 of the Securities Industry (Central Depository) Act, 1991 but excludes the Depository in its capacity as a bare trustee.

Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

- (v) That the existing definition of "Central Depositor" in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Central Depositor"	Malaysian Central Depository Sdn. Bhd.

be amended by deleting the definition of "Central Depositor" in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
" Depository "	Bursa Malaysia Depository Sdn. Bhd.

and the term "Central Depositor" wherever appears in these Articles be replaced with the term "Depository".

- (vi) That the existing definition of "Depositor" in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Depositor"	A holder of a securities account.

be amended by adding the words 'established by the Depository' as follows:-

<u>WORD</u>	<u>MEANING</u>
"Depositor"	A holder of a securities account established by the Depository.

- (vii) That the existing definition of "Deposited Security" in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Deposited Security"	A security standing to the credit of a securities account and includes securities in a securities account that is in suspense.

be amended by deleting the definition of "Deposited Security" in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
"Deposited Security"	Shall have the meaning given in section 2 of the Securities Industry (Central Depositories) Act, 1991.

- (viii) That the existing definition of "Rules" in Article 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Rules"	The Rules of the Central Depository.

be amended by deleting the definition of "Rules" in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
"Rules"	Shall have the meaning given in section 2 of the Central Depositories Act.

- (ix) That the existing definition of "Central Depository Act" in Article 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Central Depositories Act"	The Securities Industry (Central Depositories) Act 1991.

be amended and replaced with the following:-

<u>WORD</u>	<u>MEANING</u>
" Depositories Act "	The Securities Industry (Central Depositories) Act, 1991 as amended from time to time and any re-enactment thereof.

Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

- (x) That the existing definition of "Approved Market Place" in Article No 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Approved Market Place"	A stock Exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption (No. 2) Order, 1988 as may be amended, modified or altered from time to time.

be deleted in its entirety

- (xi) That the existing definition of "Foreign Register" in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Foreign Register"	The register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place.

be amended by deleting the words "Approved Market Place" and substituting with "another stock exchange":-

<u>WORD</u>	<u>MEANING</u>
"Foreign Register"	The register of holders maintained by the registrar of the Company in the jurisdiction of another stock exchange.

- (xii) That the existing definition of "Listing Requirements" in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Listing Requirements"	The Listing Requirements of the Kuala Lumpur Stock Exchange, including any amendment thereto that may be made from time to time.

be amended by deleting the definition of "Listing Requirements" in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
"Listing Requirements"	The Listing Requirements of Bursa Malaysia Securities Berhad including any modification or amendments thereof that may be made from time to time.

- (xiii) That the existing definition of "Prescribed Security" in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"Prescribed Security"	A security which has been prescribed by the Exchange to be deposited with the Central Depository in accordance with Section 14 of the Securities Industry (Central Depositories) Act.

be amended by deleting the definition of "Prescribed Security" in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
"Prescribed Security"	A security which has been prescribed by the Exchange to be deposited with the Depository in accordance with section 14 of the Central Depositories Act.

- (xiv) That the existing definition of "The Register" in Article No. 2 which reads as follows:-

<u>WORD</u>	<u>MEANING</u>
"The Register"	The Register of Members of the Company to be kept pursuant to Section 158 of the Act, including the Record of Depositors.

be amended by deleting the definition of "The Register" in its entirety and substituting with the following:-

<u>WORD</u>	<u>MEANING</u>
"The Register"	The Register of Members of the Company to be kept pursuant to the Act.

Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

(xv) That the existing definition of "Securities" in Article 2 which reads as follows"-

WORD
"Securities"

MEANING
Ordinary shares, options, warrants or other form of convertible securities issued and allotted by the Company and the meaning assigned to it in the Central Depository Act.

be amended by deleting the definition of "Securities" in its entirety and substituting with the following:-

WORD
"Securities"

MEANING
Shall have the meaning given in section 2 of the Capital Markets and Services Act, 2007

(xvi) That the provision of definition "**Appendix**" be included in Article No. 2 which reads as follows:-

WORD
"**Appendix**"

MEANING
Shall mean Bursa Securities Listing Requirements appendix.

(xvii) That the provision of definition "**Reference in writing**" be included in Article No. 2 which reads as follows:-

WORD
"**Reference in writing**"

MEANING
Reference in writing shall, unless contrary intention appears, be construed as including references to printing, lithography, photography, electronic storage or transmission or any other method of recording information or fixing information in a form capable of being preserved and other modes of representing or reproducing words, letters, figures or mark in visible form.

22

Article 4.3– Rights of Preference Shareholders

To delete Articles 4.3(a) and 4.3(c) in its entirety, and the existing Articles 4.3(b) and 4.3(d) and 4.3(e) be renumbered as Articles 4.3(a), 4.3(b) and 4.3(c).

Existing

Without prejudice to any special rights for the time being conferred on the holders of any existing shares or class of shares but subject to the Act and these Articles, any preference share may be issued on the terms that it is, or at the option of the Company is liable, to be redeemed on such terms and in such manner as the Company may by ordinary resolution prescribe provided that:-

- (a) the total nominal value of the issued preference shares shall not at any time exceed the total nominal value of the issued ordinary shares;
- (b) the holder of a preference shares shall be entitled to a right to vote in each of the following circumstances:
 - (i) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;
 - (ii) on a proposal to reduce the Company's share capital;
 - (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (iv) on a proposal that affects rights attached to such preference share;
 - (v) on a proposal to wind up the Company; and
 - (vi) during the winding up of the Company; and
- (c) the holder of a preference share shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up
- (d) a holder of a preference shall be entitled to the same rights as a holder of an ordinary share in relation to receiving notices, report and audited accounts, and attending meetings; and
- (e) the Company may issue further preference share ranking equally with or in priority to preference shares already issued.



Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

New

Without prejudice to any special rights for the time being conferred on the holders of any existing shares or class of shares but subject to the Act and these Articles, any preference share may be issued on the terms that it is, or at the option of the Company is liable, to be redeemed on such terms and in such manner as the Company may by ordinary resolution prescribe provided that:-

- (a) The holder of a preference shares shall be entitled to a right to vote in each of the following circumstances:
 - (i) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;
 - (ii) on a proposal to reduce the Company's share capital;
 - (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (iv) on a proposal that affects rights attached to such preference share;
 - (v) on a proposal to wind up the Company; and
 - (vi) during the winding up of the Company.
- (b) a holder of a preference share shall be entitled to the same rights as a holder of an ordinary share in relation to receiving notices, reports and audited accounts, and attending meetings; and
- (c) the Company may issue further preference share ranking equally with or in priority to preference shares already issued.

23

Article 20 - Transfers of securities

To delete Article 20 in its entirety and substituting in lieu thereof with the following provisions:-

Existing

The transfer of any listed security or class of listed security of the company, shall be by way of book entry by the Central Depository in accordance with the rules of the Central Depository and, notwithstanding sections 103 and 104 of the Companies Act 1965, but subject to subsection 107C(2) of the Companies Act 1965 and any exemption that may be made from compliance with subsection 107C(1) of the Companies Act 1965, the company shall be precluded from registering and effecting any transfer of the listed securities.

New

The transfer of any listed security or class of listed security of the company, shall be by way of book entry by the **Depository** in accordance with the Rules and, notwithstanding sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the company shall be precluded from registering and effecting any transfer of the listed securities.

Article 24 – Closing of registers

To delete the words 'twelve (12)' and substituting with 'ten (10)' in lieu thereof with the following provisions:-

Existing

The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not suspended for more than thirty (30) days in any year. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended suspension or closure and the purposes thereof, which notice shall be twelve (12) clear market days or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors.

Proposed Amendments to the Articles of Association (Cont'd)

New

The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty days (30) in any year. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended suspension or closure and the purposes thereof, which notice shall be ten (10) market days or such number of days as may be prescribed by the Exchange. At least three (3) Market Days prior notice shall be given to the Depository to enable the Depository to prepare the appropriate Record of Depositors.

Article 26A – Transmission of securities from Foreign Register

To delete the existing Article 26A in its entirety and substituting in lieu thereof with the following provisions:-

Existing

1) Where:-

- (a) the securities of a company are listed on an Approved Market Place; and
- (b) Such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Central Depository in respect of such securities, such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as “the Foreign Register”), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as “the Malaysian Register”) provided that there shall be no change in the ownership of such securities.

- (2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.

New

1) Where:-

- (a) the securities of a company are listed on **another stock exchange**; and
- (b) Such company is exempted from compliance with section 14 of the **Central Depositories Act** or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

such company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of **the other stock exchange**, to the register of holders maintained by the registrar of the company in Malaysia **and vice versa** provided that there shall be no change in the ownership of such Securities.

Article 41- Right to establish scheme

To delete the existing Article 41 in its entirety and substituting in lieu thereof with the following provisions:-

Existing

The Directors may recommend, and if so authorised by the relevant authorities and by an ordinary resolution passed at a general meeting, may establish and carry into effect, a share option scheme for the benefit of employees (including Directors holding any executive office with the Company and its subsidiaries) of the Company and its subsidiaries upon such terms and subject to such conditions as shall be deem fit and proper and to issue all shares pursuant thereto.

Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

New

Every issue of shares or options to employees of the Company and/or the Company subsidiaries and/or Directors shall be approved by the members in general meeting and no Director shall participate in such issue of shares or option unless the members in general meeting have approved the specific allotment to be made to such directors subject always to the provisions of the Listing Requirements or such regulations or amendments as may be imposed by regulatory bodies from time to time.

Article 42 - Extraordinary General Meeting

Existing

An annual general meeting of the Company shall be held in accordance with the provisions of the Act. All general meeting other than the annual general meeting shall be called extraordinary general meetings.

New

Meetings of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meetings shall be called extraordinary general meetings. **The Company shall hold all General Meetings within Malaysia and such General Meetings may be held at more than one venue using any technology that allows all members a reasonable opportunity to participate and at such time and such place as the Directors shall determine.** Every notice convening a general meeting shall contain sufficient information to enable a member to decide whether to attend the meeting and any other information as required by the Listing Requirements. Every notice convening a meeting for passing a Special Resolution shall state the intention to propose such resolution as a Special Resolution.

Article 43.1 – Notice of Meeting

To delete Article 43.1 in its entirety and substituting in lieu thereof with the following:-

Existing

The notice convening meeting shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. at least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press and in writing to each stock exchange upon which the company is listed.

New

The notice convening meeting shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least **fourteen** (14) days before the meeting or at least **twenty one** (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least **fourteen** (14) days' notice or **twenty one** (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in **at least 1 nationally circulated Bahasa Malaysia or English daily newspaper** and in writing to each stock exchange upon which the company is listed. **The accidental omission to give such notice to or the non-receipt of such notice by, any person shall not invalidate the proceedings of any resolution passed at any such meeting.**

Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

Article 43.3

To delete Article 43.3 in its entirety and substituting in lieu thereof with the following provisions:-

Existing

The Company shall also request the Central Depository in accordance with the Rules of the Central Depository to issue a Record of Depositors as at a date not less than 3 market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”)

New

The Company shall also request the Depository in accordance with the Rules, to issue a Record of Depositors, as at the **latest date which is reasonably practicable which shall in any event be** not less than 3 market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”)

Article 53- Right to Vote

To delete Article 53 in its entirety and substituting in lieu thereof with the following provisions:-

Existing

Subject to any rights or restriction for the time being attaching to any class or classes of shares, at meeting of Members or classes of Members each members shall be entitled to be present and to vote in respect of any share or shares upon which all calls due to the Company have been paid and may vote in person or by proxy or by attorney. On a show of hands every person who is a member or representative or proxy of a member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote both on a show of hands or on a poll.

New

Subject to any rights or restrictions for the time being attached to any class of shares, at meetings of members or class of members, each member entitled to vote may vote in person or by proxy **who may but need not be a member of the Company** or by attorney and **on a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who is personally present or representative or proxy of a member and entitled to vote shall be entitled to one (1) vote** and on a poll, every member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy or attorney shall be entitled to vote both on a show of hands or on a poll on any questions at general meeting.

Article 58A – Appointment of more than one proxy

To delete Article 58A in its entirety and substituting in lieu thereof with the following provisions:-

Existing

Where a member of the company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the company standing to the credit of the said securities account.

New

Article 58A – Appointment of at least one proxy

Where a member of the company is an authorised nominee as defined under the **Central Depositories Act**, it may appoint at least one proxy in respect of each Securities account it holds with ordinary shares of the company standing to the credit of the said Securities account.

Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

Article 63 – Appointment of Directors

To amend the Article 63 by deleting, the sentence, “All the Directors of the Company shall be natural persons” and to delete the words “the registered holders of shares” and substituting with the word “**Members**”.

Existing

All the Directors of the Company shall be natural persons. No person, not being a retiring director, shall be eligible for election to the office of director at any general meeting unless a member intending to propose him for election has, at least 11 clear days before the meeting, left at the registered office of the company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such member to propose him for election, provided that in the case of a person recommended by the directors for election, 9 clear days’ notice only shall be necessary, and notice of each and every candidature for election to the board of directors shall be served on the registered holders of shares at least 7 days prior to the meeting at which the election is to take place.

New

No person, not being a retiring director, shall be eligible for election to the office of director at any general meeting unless a member intending to propose him for election has, at least 11 clear days before the meeting, left at the registered office of the company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such member to propose him for election, provided that in the case of a person recommended by the directors for election, 9 clear days’ notice only shall be necessary, and notice of each and every candidature for election to the board of directors shall be served on the **Members** at least 7 days prior to the meeting at which the election is to take place.

To include new Article 63A which shall read as follows:-

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Article 63A

No person, shall be appointed or allowed to act as a Director or to be involved whether directly or indirectly in the management of the Company, including acting in an advisory capacity in relation to the Company, if he:

- (a) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence in connection with the promotion, formation or management of a company;**
- (b) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence, involving fraud or dishonesty or where the conviction involved a finding that he acted fraudulently or dishonestly; or**
- (c) has been convicted by a court of law of an offence under the securities laws or the Act, within a period of five (5) years (or such period as shall be prescribed by the Bursa Securities) from the date of conviction or if sentenced to imprisonment, from the date of release from prison, as the case may be.**

for the purpose of this Article, “securities laws” means the Capital Markets and Services Act, 2007, the Securities Industry (Central Depositories) Act, 1991, the Securities Commission Act, 1993 and Futures Industry Act, 1993.

Article 68 – Increase or reduction in number of Directors

To amend the Article 68 by deleting the word, “Until” and that the new Article 68 shall read as follows:-

Existing

The Company may from time to time by Ordinary Resolution passed at a general meeting increase or reduce the number of Directors and may also determine in what rotation the increased or reduced number is to retire from office. Until and unless otherwise determined as aforesaid the number of Directors shall be not less than two (2) and not more than ten (10).

New

The Company may from time to time by Ordinary Resolution passed at a general meeting increase or reduce the number of Directors and may also determine in what rotation the increased or reduced number is to retire from office. Unless otherwise determined **by general meeting**, the number of Directors shall be not less than two (2) **or more than** ten (10).

Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

Article 73 – Office of Directors vacated in certain cases

To amend Article 73(c), 73(e) by including “**or contravenes section 130 of the Act**”, “**and deposited at the registered office of the Company**” respectively and to delete Article 73(g) in its entirety and substituting in lieu thereof with the following:-

Existing

The office of Director shall become vacant if the Directors:-

- (a) ceases to be a Director by virtue of the Act;
- (b) becomes a bankrupt or makes any arrangement or composition with its creditors generally;
- (c) becomes prohibited from being a Director by reason of any order made under the Act;
- (d) become of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;
- (e) resigns his office by notice in writing to the Company;
- (f) is removed from his office of director by resolution of the Company in general meeting of which special notice has been given;
- (g) is absent from more than 50% of the total board of directors' meeting held during a financial year.

New

The office of Director shall become vacant **ipso facto** if the Directors:-

- (a) ceases to be a Director by virtue of the Act.
- (b) becomes bankrupt or makes any arrangement or composition with its creditors generally;
- (c) becomes prohibited from being a Director by reason of any order made under the Act **or contravenes section 130 of the Act**;
- (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;
- (e) resigns from his office by notice in writing to the Company **and deposited at the registered office of the Company**;
- (f) is removed from his office of director by resolution of the Company in general meeting of which special notice has been given.
- (g) **dies; or**
- (h) **if he is convicted by a court of law, whether within Malaysia or elsewhere, in relation to the offences set out in Articles 63A**

Article 100 – Accounts to be kept

To delete Article 100 in its entirety and substituting in lieu thereof with the following:-

Existing

The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. The interval between the close of a financial year of the company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed 4 months. The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. A copy of the annual report including such documents shall not less than twenty one (21) days before the date of the meeting, provided always that it shall not exceeding (6) months from the close of a financial year of the Company be sent to every member of and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Stock Exchange shall at the same time be likewise sent to the Stock Exchange.

Appendix 1

Proposed Amendments to the Articles of Association (Cont'd)

New

The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of members not being Directors and no member (not being a director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. The interval between the close of a financial year of the company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed 4 months. The Directors shall from time to time in accordance with section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the Section. **The Company's Annual Report shall be prepared in accordance with the Act and the Listing Requirements and be issued to members and given to the Exchange within a period not exceeding six (6) months from the close of the financial year of the Company and the audited profit and loss accounts and balance sheets, group accounts (if any) and the Directors' and Auditors' reports, shall be given to the Exchange for public release, within a period not exceeding four (4) months from the close of the financial year of the Company.**

To include new Article 100A which shall read as follows:-

Article 100A

A copy of every balance sheet and profit and loss account which is to be laid before the Company in General Meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' report relating thereto and of the Directors' report in printed format or in CD-ROM form or in such other form of electronic media, shall be delivered or sent by post to every member and debenture holder of the Company of whose address as described in the Register of Members or Record of Depositors the Company is aware and to the Company's Auditors, at least twenty-one (21) days before the meeting and the requisite number of copies of each of these documents shall at the same time be forwarded to each stock exchange upon which the Company's shares are listed. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a member requires a printed form of such documents, the Company shall send such documents to the member within four (4) Market Days from the date of receipt of the member's verbal or written request.

Article 114 – Persons entitled to notice

To delete Article 114 in its entirety and substituting in lieu thereof with the following:-

Existing

114.1

Notice of every general meeting shall be given in any manner hereinbefore authorised to:-

- (a) every Member;
- (b) every person entitled to a share in consequence of the death or bankruptcy of a Member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting;
- (c) the auditor for the time being of the Company; and
- (d) the Stock Exchange.

114.2

No other person shall be entitled to receive notices of general meetings.

New

114.1

Notice of every general meeting shall be given in any manner hereinbefore authorised to:-

- (a) every member **with a registered address or with an address for service of notices in Malaysia;**
- (b) every person entitled to a share in consequence of the death or bankruptcy of a member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting;
- (c) the auditor for the time being of the Company; and
- (d) **The Exchange or other stock exchange, if any, on which the shares of the Company are listed**

114.2

No other person shall be entitled to receive notices of general meetings **save that if the meeting be called for the alteration of the Company's objects, the provisions of the Act regarding notices to debenture holders (if any) shall be complied with.**

Chairman Statement

On behalf of the Board of Directors of Rex Industry Berhad, I am pleased to present the Annual Report for the financial year ended 31st December, 2007.

Financial Performance

With the full contribution from PT Rex Canning Indonesia, sales for the Group hit the record level of RM 160.9 million in 2007. It represented an increase of 37.6% from the previous period. Even without the contribution from PT Rex Canning Indonesia, sales from the other subsidiaries showed a consolidated level of RM 107.6 million, an increase of 7.6% over the 2006 level of RM 100 million.

Under the unsettled and uncertain conditions of the rising costs, profit before tax dropped 8.4% from RM 5.98 million in 2006 to RM 5.47 million. The rising costs of materials cut deeply into the profit margin of the Group's products. Even with two general increases of selling prices during the year, the overall increase was unable to keep pace with the overall cost increases.

The Group had to pay the Inland Revenue department an extraordinary prior year tax claim of RM2.04 million. The prior year tax expense was primarily due to a disputed error in tax computation arising from the year 1994 to 2005. As a result of this extraordinary expense, profit after tax was reduced to RM 1.98 million.

Review of Operation

Production and sales activities in 2007 were busily robust in churning out the record breaking sales value.

Manufacturing and sales in the drink division had been active and operating near full capacity. The division had achieved the targeted 50% growth in 2007. To cater for the further growth in this division, the Group had initiated the purchase of a piece of land with an area of 2.5 acre which is adjacent to the existing factory in Bukit Minyak, Seberang Perai Tengah, Penang. This piece of land will be used for warehousing when part of the current warehouse is to be used for the production expansion plan.

The subsidiary in China, Jie Yang Rex Foods, however saw a slight drop in production as the Renminbi appreciated rapidly against the US Dollar, thereby affecting negatively the competitiveness of the company in the export sales efforts.

Operation in the aluminum pouched products had been heavy during the year with strong demand. The escalating price of steel cans over the last 5 years had resulted in the price of empty steel cans being more than 100% higher than the similar capacity aluminum pouch. This price advantage has enabled the aluminum pouched product to be sold cheaper than steel canned products in the market, thereby boosting the demand.

Prospects

Contrary to our belief last year that costs increase would level off in 2007, the rates of increase actually were faster than the year before. This increasing trend is expected to continue into the year 2008. The Group will be better poised in 2008 to plan for selling price increases with this expectation.

The drink division is projected to expand further in term of sales and production. The expansion plans are in hand to be carried out when the need arise.

The economic growth rate for the world is expected to slow down in the year 2008. The Group being totally in the food business, is confident to weather the slow down with little difficulty. For certain food items the Group produces, like canned sardines and baked beans, sales are expected to increase in the bad economic times.

Chairman Statement (Cont'd)

Dividends

The Board has proposed a first and final dividend of 2% less 26% tax per ordinary share for the financial year ended 31 December 2007, subject to the shareholders' approval at the forthcoming Annual General Meeting.

Acknowledgement

The Board takes this opportunity to express gratitude to the staff and the management of the Group for their contribution during the year. I would like also to thank our shareholders, customers and suppliers for their continuing supports.



.....
Dato' Abdul Rashid Bin Ismail
Chairman
29 April 2008

Statistics of Shareholdings

As At 30 April, 2008

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM100,000,000
Class of equity security	:	
- RM1.00 Ordinary share	:	RM56,051,617
Number of shareholders	:	1,657
Voting right	:	
- On a show of hand	:	one vote for every shareholder
- On a poll	:	one vote for every ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

Ordinary Shares

Size of Shareholdings	Shareholders	%	No. of Shares	%
less than 100	37	2.23	1,544	0.00
100 to 1,000 shares	343	20.70	312,952	0.56
1,001 to 10,000 shares	1,022	61.68	3,780,394	6.74
10,001 to 100,000 shares	222	13.40	6,004,333	10.71
100,001 to 2,802,580 shares	29	1.75	14,503,530	25.88
2,802,581 and above	4	0.24	31,448,864	56.11
Total	1,657	100	56,051,617	100

SUBSTANTIAL SHAREHOLDERS

Ordinary Shares

Name	Direct Interest No. of Shares	Deemed Interest No. of Shares	% of Issued Share Capital
1. Tamlah Sdn. Bhd.	16,086,397	-	28.70
2. Lee Chai Seng	8,793,124	16,086,397*	44.39
3. Lee Hee Thiam	7,019	16,086,397*	28.71
4. Rexcan Import & Export Pte.Ltd.	6,569,343	-	11.72

DIRECTORS SHAREHOLDINGS

The Company

Name of Directors	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%	No. of Unexercised ESOS Options
Dato' Abdul Rashid Bin Ismail	180	-	-	-	-
Lee Hee Thiam	7,019	0.01	16,086,397*	28.70	85,000
Lee Chai Seng	8,793,124	15.69	16,086,397*	28.70	85,000
Lee Hee Hong	10,300	0.02	-	-	85,000
Lee Sew Kang	24,600	0.04	-	-	85,000
Tang Yin Kham	-	-	-	-	-
Mohd Faisal Izan Bin Abdul Latiff	-	-	-	-	-

Messrs Lee Hee Thiam and Lee Chai Seng are deemed to have interests in the shares of the Company by virtue of their interest in Tamlah Sdn. Bhd.

By virtue of their interests in the shares of the Company, Messrs Lee Hee Thiam and Lee Chai Seng are also deemed to have interests in the shares of all its subsidiaries to the extent the Company has an interest.



Thirty Largest Shareholders

As At 30 April, 2008

Name	No. of Shares	%
1. HDM Nominees (Tempatan) Sdn. Bhd. A/C Tamlah Sdn. Bhd.	12,000,000	21.41
2. Lee Chai Seng	8,793,124	15.69
3. Rexcan Import & Export Pte. Ltd.	6,569,343	11.72
4. Tamlah Sdn. Bhd.	4,086,397	7.29
5. Lee Sew Chong @ Lee Siew Choo	1,388,800	2.48
6. Lee Sew Kee	1,304,300	2.33
7. Cheong Boo Chin	1,287,600	2.30
8. Chang Siew Kim @ Chang Siew Yoon	1,253,255	2.24
9. TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Tay Ben Chuan	1,150,500	2.05
10. Tan Chun Hwa	1,042,900	1.86
11. Lim Gek Suan	782,200	1.40
12. Neoh Keok Sick	716,000	1.28
13. Lee Sew Nai	619,300	1.10
14. Ang Chee Kean	598,000	1.07
15. Lim Kheng Boon	494,700	0.88
16. Abdul Latiff Bin S.Mirasa	466,975	0.83
17. Lee Cheong Keat @ Lee Chong Keat	412,800	0.74
18. HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Phee Boon Poh	401,600	0.72
19. Sa'diah Binti Talib	372,100	0.66
20. Osman Bin Yaacob	322,600	0.58
21. Koay Swee Aik	219,400	0.39
22. Citigroup Nominees (Asing) Sdn. Bhd. Ubs Ag Singapore for Merton Profits Limited	200,000	0.36
23. Lim Ah Lik	189,200	0.34
24. Ng Sai How	160,000	0.29
25. Ooi Suat Cheng	156,100	0.28
26. Tan Ah Bha @ Tan Ah Bah	149,100	0.27
27. Yeoh Kean Hua	146,000	0.26
28. See Hoe Fatt	145,400	0.26
29. Tan Bee Siew @ Jee Siew	132,000	0.24
30. Ngan Yok Lan	123,000	0.22

Five-Year Summary of Financial Highlights

	Note	2003 RM'000	2004 RM'000	2005 RM'000 (Restated)	2006 RM'000	2007 RM'000
Paid-up Share Capital		40,499	40,715	40,723	56,052	56,052
Shareholders Funds		88,132	92,414	96,997	122,863	123,450
Borrowings	1	13,007	24,092	19,148	26,061	34,762
Net Tangible Assets		84,049	88,330	92,913	110,239	110,826
Turnover		81,428	98,460	98,837	116,927	160,927
Profit before Tax after Minority Interest		4,366	5,039	4,332	5,976	5,473
Interest		523	729	676	1,001	1,525
Profit after Tax and Minority Interest		4,062	4,047	4,573	5,713	1,980
Dividend		-	-	-	-	830

Key Statistics

		2003	2004	2005 (Restated)	2006	2007
Investment Ratio						
NTA per share		2.08	2.17	2.28	1.97	1.98
EPS (sen)		11.48	9.95	11.23	12.82	3.53*
Gross dividend rate (%)		-	-	-	-	2.00
Dividend coverage ratio (times)	2	-	-	-	-	2.39
Operating Ratio						
After tax return on shareholders' fund (%)		4.61	4.38	4.71	4.65	1.60
Pre-tax profit margin (%)		5.36	5.12	4.38	5.11	3.40
Financial Ratio						
Gearing (times)	3	0.148	0.261	0.197	0.212	0.282
Interest coverage ratio	4	9.35	7.91	7.41	6.79	4.59
Liquidity Ratio						
Current ratio		2.43	2.38	2.19	2.31	2.66
Quick ratio		1.04	0.99	1.15	1.18	1.50

Note:-

- 1 All interest-bearing debts
- 2 Profit after tax before dividends divided by total dividends
- 3 Total borrowings over Shareholders' fund
- 4 Pre-tax profit before interest expenses divided by interest expenses

* Calculated based on the weighted average no. of shares in issue during the year 56,051,617 ordinary shares.

Corporate Structure



Directors' Report For The Year Ended

31 December 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

Principal activities

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiaries are set out in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit attributable to shareholders of the company	<u>1,980,227</u>	<u>641,723</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

Dividend

No dividend was paid since the end of the previous financial year.

The Board of Directors has proposed a first and final dividend of 2% less 26% tax per ordinary share totalling RM829,564 for the financial year ended 31 December 2007, subject to the shareholders' approval at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are :

Dato' Abdul Rashid Bin Ismail
Lee Chai Seng
Lee Hee Thiam
Lee Hee Hong
Lee Sew Keng
Tang Yin Kham
Mohd Faisal Izan Bin Abdul Latiff

Directors' Report For The Year Ended

31 December 2007 (Cont'd)

The interests and deemed interests in the shares and options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares of RM1 each			
	Balance at 1.1.2007	Bought	Sold	Balance at 31.12.2007
Dato' Abdul Rashid Bin Ismail :				
Interest in the Company :				
- own	180	-	-	180
Lee Chai Seng :				
Interest in the Company :				
- own	8,793,124	-	-	8,793,124
- others *	121,000	-	-	121,000
Deemed interest in the Company :				
- own	16,086,397	-	-	16,086,397
Lee Hee Thiam :				
Interest in the Company :				
- own	7,019	-	-	7,019
Deemed interest in the Company :				
- own	16,086,397	-	-	16,086,397
Lee Sew Keng :				
Interest in the Company :				
- own	24,600	-	-	24,600
Lee Hee Hong :				
Interest in the Company :				
- own	10,300	-	-	10,300

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	Number of options over ordinary shares of RM1 each			
	Balance at 1.1.2007	Granted	Exercised	Balance at 31.12.2007
Interest in the company:				
Lee Chai Seng :	85,000	-	-	85,000
- own				
Lee Hee Thiam :	85,000	-	-	85,000
- own				
Lee Sew Keng :	85,000	-	-	85,000
- own				
Lee Hee Hong :	85,000	-	-	85,000
- own				

*These shares held in the name of the spouse and children are treated as interest of the Director in accordance with Section 134(12)(c) of the Companies Act, 1965.

By virtue of their interests in the shares of the Company, Messrs Lee Chai Seng and Lee Hee Thiam are also deemed to have interests in the shares of all its subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2007 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.



Directors' Report For The Year Ended 31 December 2007 (Cont'd)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in a company which traded with the Group in the ordinary course of business as disclosed in Note 26 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Employees' Share Option Scheme ("ESOS").

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

At an Extraordinary General Meeting held on 30 June 2003, the Company's shareholders approved the establishment of an ESOS of up to 10% of the issued and paid-up share capital of the Company.

The options offered to take up unissued ordinary shares of RM1 each and the option price is as follows :

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Date of offer	Option price RM	Balance at 1.1.2007	Number of option over ordinary shares of RM1 each			Balance at 31.12.2007
			Granted	(Exercised)	(Lapsed due to resignation)	
8.1.2004	1.25	3,338,400	-	-	(57,000)	3,281,400

The salient features of the scheme are as follows :

- i) The total number of shares to be offered under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS;
- ii) Eligible employees are those employees (including Executive Directors) of the Group who in the case of Malaysians have been confirmed with at least twelve (12) months of continuous service on the offer date and in the case of non-Malaysians have been employed by the Group under an employment contract for a duration of at least three (3) years;
- iii) The option is personal to the grantee and is non-assignable, transferable or disposable except for certain conditions provided for in the Bye-Law;
- iv) The option price shall be the higher of the following :
 - a) a discount of not more than 10% on the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer; and
 - b) the par value of the shares.



Directors' Report For The Year Ended

31 December 2007 (Cont'd)

Options granted over unissued shares (Cont'd)

- v) A grantee shall be allowed to exercise not more than 20% of the options granted each year. Options which are exercisable but are not exercised may be carried forward to subsequent years subject to option period.
- vi) The ESOS shall continue to be in force for a period of five years commencing from 12 December 2003.
- vii) In the event of any alteration in the capital structure of the Company during the option period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of shares or reduction of capital or otherwise howsoever, the Company may cause such adjustment to be made to :
 - a) the number of shares which a grantee shall be entitled to subscribe for upon the exercise of each option; and/or
 - b) the subscription price.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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At the date of this report, the Directors are not aware of any circumstances :

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report For The Year Ended 31 December 2007 (Cont'd)

Other statutory information (Cont'd)

At the date of this report, there does not exist :

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :



.....
Dato' Abdul Rashid Bin Ismail



.....
Lee Hee Thiam

Penang,

Date : 29 April 2008

Statement By Directors

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 44 to 85, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :



.....
Dato' Abdul Rashid Bin Ismail



.....
Lee Hee Thiam

Penang,

Date : 29 April 2008

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Lee Hee Thiam, the Director primarily responsible for the financial management of Rex Industry Berhad, do solemnly and sincerely declare that the financial statements set out on pages 44 to 85 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 29 April 2008.



.....
Lee Hee Thiam

Before me :

Cheah Beng Sun
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Penang.

Report of the auditors to the members of Rex Industry Berhad

We have audited the financial statements set out on pages 44 to 85. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

We draw attention to the following matters:

- (i) As disclosed in Note 7 to the financial statements, the Group has long outstanding trade receivables of RM3.6 million. No allowance for doubtful debts has been made in respect of these balances as the Directors are of the opinion that the amounts are recoverable. However, as no reliable indications of settlements are evident, we are unable to obtain sufficient appropriate audit evidence as to the recoverability of these debts; and
- (ii) As disclosed in Note 5 to the financial statements, the auditors of the subsidiary, Concord Vision International Limited was unable to form an opinion on the tax charge for the year as tax liabilities, if any, are subject to the prevailing statutory tax requirements of the country where the subsidiary conduct its business.

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraph:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of :
 - i) the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors, have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 5 to the financial statements and we have considered its financial statements and the auditors' reports thereon.

Report of the auditors to the members of Rex Industry Berhad (Cont'd)

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification except as indicated in Note 5 to the financial statements and did not include any comment made under subsection (3) of Section 174 of the Act.



.....
KPMG
Firm Number : AF 0758
Chartered Accountants



.....
Lee Kean Teong
Partner
Approval Number : 1857/02/10 (J)

Penang,

Date : 29 April 2008

Consolidated balance sheet at 31 December 2007

	Note	2007 RM	2006 RM Restated
Assets			
Property, plant and equipment	3	43,546,657	44,189,583
Prepaid lease payments	4	8,760,997	8,897,259
Goodwill on consolidation	6	12,623,735	12,623,735
Total non-current assets		<u>64,931,389</u>	<u>65,710,577</u>
Receivables, deposits and prepayments	7	54,298,874	48,884,023
Inventories	8	50,709,127	54,419,704
Current tax assets		768,864	1,386,816
Cash and cash equivalents	9	10,733,357	6,582,364
Total current assets		<u>116,510,222</u>	<u>111,272,907</u>
Total assets		<u>181,441,611</u>	<u>176,983,484</u>
Equity			
Share capital	10	56,051,617	56,051,617
Reserves	11	67,398,026	66,811,055
Total equity attributable to shareholders of the Company		<u>123,449,643</u>	<u>122,862,672</u>
Liabilities			
Deferred tax liabilities	12	5,091,710	4,347,839
Borrowings	13	9,120,857	1,668,378
Total non-current liabilities		<u>14,212,567</u>	<u>6,016,217</u>
Payables and accruals	14	17,708,268	23,076,776
Borrowings	13	25,640,822	24,392,522
Current tax liabilities		430,311	635,297
Total current liabilities		<u>43,779,401</u>	<u>48,104,595</u>
Total liabilities		<u>57,991,968</u>	<u>54,120,812</u>
Total equity and liabilities		<u>181,441,611</u>	<u>176,983,484</u>

The notes on pages 53 to 85 are an integral part of these financial statements.

Consolidated Income Statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM
Continuing operations			
Revenue	16	160,900,584	116,926,852
Changes in manufactured inventories		(928,025)	7,399,430
Raw materials used		(101,836,400)	(80,336,932)
Staff costs	17	(17,228,104)	(13,143,979)
Depreciation	3,4	(4,336,955)	(3,752,250)
Other operating expenses		(29,669,944)	(21,047,614)
Other operating income		78,580	48,797
Results from operating activities		<u>6,979,736</u>	<u>6,094,304</u>
Interest income		18,448	16,338
Finance costs	18	(1,524,763)	(1,000,761)
Operating profit	19	<u>5,473,421</u>	<u>5,109,881</u>
Share of profit after tax of equity accounted associate		-	865,620
Profit before tax		<u>5,473,421</u>	<u>5,975,501</u>
Tax expense	21	(3,493,194)	(262,238)
Profit for the year		<u>1,980,227</u>	<u>5,713,263</u>
Attributable to :			
Shareholders of the Company		<u>1,980,227</u>	<u>5,713,263</u>
Basic earnings per ordinary share (sen)	22	<u>3.53</u>	<u>12.82</u>
Diluted earnings per ordinary share (sen)	22	<u>3.53</u>	<u>12.82</u>
Dividend per ordinary share - gross (sen)	23	<u>2.00</u>	<u>-</u>

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The notes on pages 53 to 85 are an integral part of these financial statements.



Consolidated Statement of Changes in Equity for the year ended 31 December 2007

	Share Capital	Non-distributable Share Premium	Exchange Fluctuation Reserve	Distributable Retained profits	Total
	RM	RM	RM	RM	RM
At 1 January 2006	40,723,150	5,823,583	2,972,686	47,546,834	97,066,253
Issue of shares - at RM1.37 per ordinary share	15,328,467	5,671,533	-	-	21,000,000
Net loss recognised directly in equity					
- Share issue expenses written off	-	(881,108)	-	-	(881,108)
- Exchange differences	-	-	(35,736)	-	(35,736)
	-	(881,108)	(35,736)	-	(916,844)
Profit for the year	-	-	-	5,713,263	5,713,263
At 31 December 2006 / 1 January 2007	56,051,617	10,614,008	2,936,950	53,260,097	122,862,672
Net loss recognised directly in equity					
- Exchange differences	-	-	(1,393,256)	-	(1,393,256)
Profit for the year	-	-	-	1,980,227	1,980,227
At 31 December 2007	56,051,617	10,614,008	1,543,694	55,240,324	123,449,643

The notes on pages 53 to 85 are an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM
Cash flows from operating activities			
Profit before tax from continuing operations		5,473,421	5,975,501
Adjustments for :			
Depreciation of property, plant and equipment	3	4,225,783	3,641,234
Amortisation of prepaid lease payments	4	111,172	111,016
Interest expense	18	1,524,763	1,000,761
Share of profit of an associate		-	(865,620)
Gain on disposal of plant and equipment		(11,613)	(4,374)
Interest income		(18,448)	(16,338)
Operating profit before working capital changes		11,305,078	9,842,180
Changes in working capital :			
Inventories		2,592,354	(5,894,968)
Receivables, deposits and prepayments		(6,956,058)	6,117,065
Payables and accruals		(3,825,375)	(9,084,384)
Cash generated from operations		3,115,999	979,893
Tax paid		(2,336,357)	(490,962)
Net cash generated from operating activities		779,642	488,931
Cash flows from investing activities			
Additions to prepaid lease payments	4	-	(14,692)
Purchase of property, plant and equipment	A	(3,833,950)	(2,111,213)
Proceeds from disposal of plant and equipment		203,462	6,000
Interest income		18,448	16,338
Acquisition of a subsidiary, net of cash acquired	29	-	1,263,804
Net cash used in investing activities		(3,612,040)	(839,763)

Consolidated Cash Flow Statement

for the year ended 31 December 2007 (Cont'd)

	Note	2007 RM	2006 RM
Cash flows from financing activities			
Drawdown of term loans (net)		9,339,321	(121,231)
Repayment of finance lease liabilities		(220,766)	(185,347)
Bank borrowings (net)		(154,085)	6,488,000
Share issue expenses		-	(881,108)
Interest paid		(1,524,763)	(1,000,761)
Net cash generated from financing activities		7,439,707	4,299,553
Net increase in cash and cash equivalents		4,607,309	3,948,721
Effect of exchange rate fluctuations on cash and cash equivalents		(54,625)	(8,732)
Cash and cash equivalents at beginning of year		4,591,377	651,388
Cash and cash equivalents at end of year	B	9,144,061	4,591,377

Note :

48 A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM3,971,950 (2006 : RM2,397,213) of which RM138,000 (2006 : RM286,000) was acquired through hire purchase installment plan. The remaining RM3,833,950 (2006 : RM2,125,905) were paid by cash.

B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following amounts :-

	Note	2007 RM	2006 RM
Fixed deposits with a licensed bank	9	41,488	30,426
Cash and bank balances	9	10,691,869	6,551,938
Bank overdrafts	13	(1,589,296)	(1,990,987)
		<u>9,144,061</u>	<u>4,591,377</u>

The notes on pages 53 to 85 are an integral part of these financial statements.



Balance Sheet at 31 December 2007

	Note	2007 RM	2006 RM	
Asset				
Investments in subsidiaries	5	41,014,668	41,014,668	
Total non-current assets		<u>41,014,668</u>	<u>41,014,668</u>	
Receivables, deposits and prepayments	7	31,798,873	31,032,876	
Cash and cash equivalents	9	5,455	7,555	
Total current assets		<u>31,804,328</u>	<u>31,040,431</u>	
Total assets		<u>72,818,996</u>	<u>72,055,099</u>	
Equity				
Share capital	10	56,051,617	56,051,617	
Reserves	11	13,179,077	12,537,354	
Total equity		<u>69,230,694</u>	<u>68,588,971</u>	
Payables and accruals	14	3,588,302	3,466,128	49
Total current liabilities		<u>3,588,302</u>	<u>3,466,128</u>	
Total equity and liabilities		<u>72,818,996</u>	<u>72,055,099</u>	

The notes on pages 53 to 85 are an integral part of these financial statements



Income Statement

for the year ended 31 December 2007

	Note	2007 RM	2006 RM
Continuing operations			
Revenue	16	1,142,280	-
Other operating expenses		(192,142)	(166,994)
Operating Profit/ (loss)	19	<u>950,138</u>	<u>(166,994)</u>
Tax expense	21	(308,415)	-
Profit/(Loss) for the year		<u>641,723</u>	<u>(166,994)</u>
Dividend per ordinary share - gross (sen)	23	<u>2.00</u>	<u>-</u>

Statement of changes in equity

for the year ended 31 December 2007

	Non- distributable Share Capital	Share premium	Distributable Retained Profits	Total
	RM	RM	RM	RM
At 1 January 2006	40,715,150	5,823,583	2,090,340	48,637,073
Issue of shares - at RM1.37 per ordinary share	15,328,467	5,671,533	-	21,000,000
Net loss recognised directly in equity - share issue expenses written off	-	(881,108)	-	(881,108)
Loss for the year	-	-	(166,994)	(166,994)
At 31 December 2006	56,051,617	10,614,008	1,923,346	68,588,971
Profit for the year	-	-	641,723	641,723
At 31 December 2007	56,051,617	10,614,008	2,565,069	69,230,694

Cash flow statement

for the year ended 31 December 2007

	2007 RM	2006 RM
Cash flows from operating activities		
Profit/(Loss) before tax	950,138	(166,994)
Adjustments for :		
Dividend income	(1,142,280)	-
Operating loss before working capital changes	<u>(192,142)</u>	<u>(166,994)</u>
Changes in working capital :		
Receivables, deposits and prepayments	(765,997)	483,551
Payables and accruals	122,174	551,811
Cash used in operations	<u>(835,965)</u>	<u>868,368</u>
Dividend received	833,865	-
Net cash generated from operating activities	<u>(2,100)</u>	<u>868,368</u>
Cash flows from financing activities		
Share issue expenses	-	(881,108)
Net cash used in financing activities	-	(881,108)
Net decrease in cash and cash equivalents	<u>(2,100)</u>	<u>(12,740)</u>
Cash and cash equivalents at beginning of year	7,555	20,295
Cash and cash equivalents at end of year	<u>5,455</u>	<u>7,555</u>

Note

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances as shown in the balance sheet.

The notes on pages 53 to 85 are an integral part of these financial statements



Notes to the Financial Statements

Rex Industry Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Registered office/ Principal place of business

Plot 125
Jalan Perindustrian Bukit Minyak 5
14100 Simpang Ampat
Seberang Perai Tengah

The consolidated financial statements as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2007 do not include other entities.

The Company is principally engaged as an investment holding company. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements.

The financial statements were approved by the Board of Directors on 29 April 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The MASB has also issued the following FRS and Interpretations that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements :

FRSs/Interpretation	Effective date
FRS 107, Cash Flow Statements	1 July 2007
FRS 111, Construction Contracts	1 July 2007
FRS 112, Income Taxes	1 July 2007
FRS 118, Revenue	1 July 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 134, Interim Financial Reporting	1 July 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139, Financial Instruments : Recognition and Measurement	To be announced
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

Notes to the Financial Statements

(Cont'd)

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

The Group and Company plan to apply the rest of the above-mentioned FRSs and Interpretations for the annual period beginning 1 January 2008 except for those which are not applicable to the Group and the Company and FRS 139, Financial Instruments : Recognition and measurement which its effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

FRS 112 addresses the accounting treatment for income taxes. However, FRS 112 does not prescribe the accounting treatment for reinvestment allowance and investment tax allowance. In the current accounting policy for income taxes, reinvestment allowance or investment tax allowance is treated as the tax base of an asset. The Group and the Company have not yet determined whether this accounting policy needs to be changed.

The initial application of the others FRSs are not expected to have any material impact on the financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Notes 6 and 7 to the financial statements.

Notes to the Financial Statements

(Cont'd)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except for the adoption of FRS 117, Leases.

Other than the reclassification of leasehold land from property, plant and equipment to prepaid lease payments, the adoption of FRS 117, Leases does not have any significant financial impact on the Group and the Company.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting except for Rex Canning Co. Sdn. Bhd., Rex Trading Sdn. Bhd. and Rex Foods Sdn. Bhd. which were consolidated using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

(Cont'd)

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (cont'd)

iii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions. The exchange differences are dealt with as a movement in reserves.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Notes to the Financial Statements

(Cont'd)

2. Significant accounting policies (Cont'd)

(c) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and impairment losses.

Revalued property, plant and equipment where no revaluation policy is adopted

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain long term and short term land and buildings were revalued in 1994 and no later valuation has been recorded for these property, plant and equipment (except in the case of impairment adjustments based on a valuation).

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements.

ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

iii) Depreciation

Depreciation is recognised in the income statement on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are at the following principal annual rates :

	%
Buildings	2
Plant, machinery and factory equipment	5 – 20
Furniture, fittings and office equipments	5 – 10
Motor vehicles	20

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Notes to the Financial Statements

(Cont'd)

2. Significant accounting policies (Cont'd)

(d) Leased assets

i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

ii) Operating lease

Other leases are operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Certain leasehold land were revalued in 1994 and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, Leases during the year.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Goodwill

Goodwill/(Negative goodwill) arises on the acquisition of subsidiaries and associates.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment. When the excess is negative (negative goodwill), it is recognised immediately in the income statement. With the adoption of FRS 3, the carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

Notes to the Financial Statements

(Cont'd)

2. Significant accounting policies (Cont'd)

(e) Goodwill (cont'd)

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(i) Impairment of assets

The carrying amounts of assets except for inventories and financial assets (other than investment in subsidiaries and associate) are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Notes to the Financial Statements

(Cont'd)

2. Significant accounting policies (Cont'd)

(i) Impairment of assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(j) Share capital

Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

(k) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(l) Employee benefits

i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Notes to the Financial Statements

(Cont'd)

2. Significant accounting policies (Cont'd)

(l) Employee benefits (cont'd)

ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. In the previous year, share options granted to employees is not recognised as an employee cost. Following the adoption of FRS 2, Share-based Payment, the grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(o) Revenue recognition

i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Notes to the Financial Statements

(Cont'd)

2. Significant accounting policies (Cont'd)

(o) Revenue recognition (cont'd)

ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(p) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Financial Statements

(Cont'd)

3. Property, plant and equipment - Group

Cost/Valuation	Long term leasehold land	Short term leasehold land	Buildings	Plant, machinery and factory equipment	Furniture, fittings and office equipment	Motor vehicles	Total
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2006							
- at cost	2,833,536	2,129,263	23,240,314	29,869,029	3,783,598	4,512,293	66,368,033
- at valuation	614,921	555,079	2,360,000	-	-	-	3,530,000
Effect of adopting FRS 117	(3,448,457)	(2,684,342)	-	-	-	-	(6,132,799)
At 1 January 2006, as restated	-	-	25,600,314	29,869,029	3,783,598	4,512,293	63,765,234
Additions	-	-	476,847	1,257,349	183,243	479,774	2,397,213
Disposal	-	-	-	-	-	(36,962)	(36,962)
Acquisition of a subsidiary	-	-	2,986,275	2,579,176	61,594	438,350	6,065,395
Effect of movements in exchange rate	-	-	(27,812)	(41,686)	-	-	(69,498)
At 31 December 2006							
- at cost	-	-	26,675,624	33,663,868	4,028,435	5,393,455	69,761,382
- at valuation	-	-	2,360,000	-	-	-	2,360,000
Additions	-	-	29,035,624	33,663,868	4,028,435	5,393,455	72,121,382
Disposal	-	-	1,123,656	1,986,335	376,823	485,136	3,971,950
Effect of movements in exchange rate	-	-	(146,745)	(330,640)	(51,420)	(144,693)	(673,498)
At 31 December 2007							
- at cost	-	-	27,652,535	35,114,734	4,353,838	5,028,346	72,149,453
- at valuation	-	-	2,360,000	-	-	-	2,360,000
	-	-	30,012,535	35,114,734	4,353,838	5,028,346	74,509,453

Notes to the Financial Statements

(Cont'd)

3. Property, plant and equipment - Group (Cont'd)

	Long term leasehold land		Short term leasehold land		Buildings		Plant, machinery and factory equipment		Furniture, fittings and office equipment		Motor vehicles		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Carrying amounts														
At 1 January 2006, as restated														
- at cost	-	-	-	-	19,770,326	14,402,750	1,750,345	1,630,042	37,553,463					
- at valuation	-	-	-	-	1,852,528	-	-	-	1,852,528					
	-	-	-	-	21,622,854	14,402,750	1,750,345	1,630,042	39,405,991					
At 31 December 2006 /														
At 1 January 2007														
- at cost	-	-	-	-	22,667,321	15,950,456	1,701,790	2,061,724	42,381,291					
- at valuation	-	-	-	-	1,808,292	-	-	-	1,808,292					
	-	-	-	-	24,475,613	15,950,456	1,701,790	2,061,724	44,189,583					
At 31 December 2007														
- at cost	-	-	-	-	23,030,870	15,071,840	1,772,033	1,907,856	41,782,599					
- at valuation	-	-	-	-	1,764,058	-	-	-	1,764,058					
	-	-	-	-	24,794,928	15,071,840	1,772,033	1,907,856	43,546,657					

Notes to the Financial Statements

(Cont'd)

3. Property, plant and equipment - Group (Cont'd)

The buildings of the Group are shown at Directors' valuation based on a valuation exercise carried out in 1994 by Government Valuers as approved by the Securities Commission on an open market value basis.

It is the Group's policy to state property, plant and equipment at cost. Revaluation of certain properties in 1994 was carried out primarily for the purpose of reflecting a fairer worth of properties then and was not intended to effect a change in accounting policy to one of revaluation of properties. Hence, in accordance with the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") upon adoption of International Accounting Standard No. 16 (Revised), Property, Plant and Equipment, the valuation of these properties have not been updated, and they continue to be stated at their existing carrying amounts less accumulated depreciation.

Subsequent additions are shown at cost while disposals are at cost or valuation as appropriate.

The net book value of revalued building for the Group stated at their original costs less accumulated depreciation are as follows :

	2007 RM	2006 RM
Buildings	<u>807,353</u>	<u>827,715</u>

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The net book value of motor vehicles acquired under hire purchase instalment plans are as follows :

	2007 RM	2006 RM
Motor vehicles	<u>858,299</u>	<u>943,251</u>

Notes to the Financial Statements

(Cont'd)

4. Prepaid lease payments - Group

	Unexpired period less than 50 years RM	Unexpired period more than 50 years RM	Total RM
Cost/Valuation			
At 1 January 2006	-	-	-
Effect of adopting FRS 117	2,684,342	3,448,457	6,132,799
At 1 January 2006, as restated	2,684,342	3,448,457	6,132,799
Acquisition of a subsidiary	-	3,779,834	3,779,834
Other acquisitions	-	14,692	14,692
Effect of movements in exchange rate	(14,836)	-	(14,836)
At 31 December 2006/ At 1 January 2007	2,669,506	7,242,983	9,912,489
Effect of movements in exchange rate	6,890	(31,134)	(24,244)
At 31 December 2007	2,676,396	7,211,849	9,888,245
Amortisation			
At 1 January 2006	-	-	-
Effect of adopting FRS 117	473,433	432,079	905,512
At 1 January 2006, as restated	473,433	432,079	905,512
Amortisation for the year	54,340	56,676	111,016
Effect of movements in exchange rate	(1,298)	-	(1,298)
At 31 December 2006 / At 1 January 2007	526,475	488,755	1,015,230
Amortisation for the year	54,495	56,677	111,172
Effect of movements in exchange rate	846	-	846
At 31 December 2007	581,816	545,432	1,127,248
Carrying amounts			
At 1 January 2006	2,210,909	3,016,378	5,227,287
At 31 December 2006 / At 1 January 2007	2,143,031	6,754,228	8,897,259
At 31 December 2007	2,094,580	6,666,417	8,760,997

Notes to the Financial Statements

(Cont'd)

4. Prepaid lease payments - Group (Cont'd)

The carrying amounts of prepaid lease payments had they been stated at cost less accumulated depreciation are as follows :

2007	Cost RM	Accumulated depreciation RM	Net Book value RM
At valuation 1994			
Long term leasehold land	65,340	22,276	43,064
Short term leasehold land	58,982	26,692	32,290
	124,322	48,968	75,354
2006			
At valuation 1994			
Long term leasehold land	65,340	21,533	43,807
Short term leasehold land	58,982	25,742	33,240
	124,322	47,275	77,047

The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.

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5. Investments in subsidiaries - Company

	2007 RM	2006 RM
Unquoted shares, at cost	41,282,671	41,282,671
Less : Impairment loss	(268,003)	(268,003)
	41,014,668	41,014,668

Notes to the Financial Statements

(Cont'd)

5. Investments in subsidiaries - Company (Cont'd)

Details of the subsidiaries are as follows :

Name of company	Effective ownership interest		Place of Incorporation	Principal Activities
	2007	2006		
Rex Canning Co. Sdn. Bhd.	100%	100%	Malaysia	Manufacture and export of canned food and investment holding
Rex Trading Sdn. Bhd.	100%	100%	Malaysia	Trading of canned food and shelf stable convenience food
Fika Foods Corporation Sdn. Bhd.	100%	100%	Malaysia	Manufacture and distribution of frozen meat
Cinta Edar (Selatan) Sdn. Bhd.	100%	100%	Malaysia	Distribution of chilled and frozen food
Rex Foods Sdn. Bhd.	100%	100%	Malaysia	Dormant
Best Aqua Food Sdn. Bhd.	100%	100%	Malaysia	Dormant
Cinta Edar (M) Sdn. Bhd.	100%	100%	Malaysia	Dormant
Fika Foods Marketing Sdn. Bhd.	100%	100%	Malaysia	Dormant
P.T. Rex Canning * @	100%	100%	Indonesia	Manufacture and export of canned food
Subsidiary of Rex Canning Co. Sdn. Bhd.				
Jie Yang Rex Foods Co. Ltd. *	100%	100%	The People's Republic of China	Manufacture and export of canned food
Subsidiary of P.T. Rex Canning				
Concord Vision International Ltd. *	100%	100%	British Virgin Island	Trading of canned food

* Not audited by KPMG

@ Rex Canning Co. Sdn. Bhd. has 30% equity interest in P.T. Rex Canning ("PT Rex")

The auditors' report of a subsidiary, Concord Vision International Limited is qualified with respect to the tax charge for the year as tax liabilities, if any, are subject to the prevailing statutory tax requirements of the country where the subsidiary conduct its business.

The auditors' reports of these subsidiaries, Rex Canning Co. Sdn. Bhd., Rex Trading Sdn. Bhd. and Fika Foods Corporation Sdn. Bhd. are qualified with respect of long outstanding trade receivables of RM1.6 million, RM1.2 million and RM0.8 million respectively. As there are no reliable indications of settlement which are evident, the subsidiaries' auditors are unable to obtain sufficient appropriate audit evidence as to the recoverability of these debts.



Notes to the Financial Statements

(Cont'd)

6. Goodwill on consolidation - Group

	2007 RM	2006 RM
At 1 January	12,623,735	4,083,959
Acquisition through business combination	-	8,539,776
At 31 December 2006	<u>12,623,735</u>	<u>12,623,735</u>

The above goodwill acquired is in respect of the Group's acquisition of the canned and frozen food subsidiaries.

(a) Key sources of estimation uncertainty

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the canned and frozen food cash-generating unit ("CGU"). Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to apply a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2007 was approximately RM12,624,000 (2006 : 12,624,000).

(b) Recoverable amount based on value in use

The recoverable amount of a CGU is determined based on value in use calculations based on the following key assumptions :

- (i) Cash flows are projected based on the financial budgets approved by the Directors.
- (ii) Discount rate used for cash flows discounting purposes are the management' estimate of average cost of capital required in the respective segments. The discount rate applied for cash flow projections is at 5%
- (iii) Profit margins are projected based on the industry trends, historical profit margin achieved or predetermined profit margin for food industry.

With regard to the assessment of value in use and fair value less costs to sell, management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amounts of the unit to be materially below its carrying amounts.

7. Receivables, deposits and prepayments

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Trade					
Trade receivables		46,448,122	44,989,436	-	-
Less: Allowance for doubtful debts		(1,021,836)	(890,306)	-	-
	7.1 / 7.2	45,426,286	44,099,130	-	-
Non-trade					
Subsidiaries (advances)	7.3	-	-	31,798,873	31,032,876
Other receivables		3,416,935	1,509,129	-	-
Deposits		2,015,978	1,025,742	-	-
Prepayments		3,439,675	2,250,022	-	-
		8,872,588	4,784,893	31,798,873	31,032,876
		<u>54,298,874</u>	<u>48,884,023</u>	<u>31,798,873</u>	<u>31,032,876</u>

Notes to the Financial Statements

(Cont'd)

7. Receivables, deposits and prepayments (Cont'd)

7.1 Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	2007 RM	2006 RM
USD	14,334,323	17,249,186
Renminbi	3,150,931	3,414,475
Rupiah	<u>3,016,888</u>	<u>804,317</u>

7.2 Allowance for doubtful debts

Included in trade receivables of the Group is an amount of approximately RM3.6 million (2006 : RM3.7 million) which has been long outstanding. No allowance for doubtful debts has been made as the Directors is confident that based on the risk and probability assessed or recoverability of the amount, the Group will be able to recover back amount due.

7.3 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

8. Inventories, at cost - Group

	2007 RM	2006 RM
Raw materials	17,572,652	19,449,012
Manufactured inventories	26,928,530	27,835,953
Packing materials	5,646,331	6,633,777
Consumables	561,614	500,962
	<u>50,709,127</u>	<u>54,419,704</u>

9. Cash and cash equivalents

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with a licensed bank	41,488	30,426	-	-
Cash and bank balances	10,691,869	6,551,938	5,455	7,555
	<u>10,733,357</u>	<u>6,582,364</u>	<u>5,455</u>	<u>7,555</u>

Analysis of foreign currency exposure for significant cash and cash balances

Significant cash and cash balances outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	2007 RM	2006 RM
USD	2,934,741	1,716,492
Renminbi	5,139,684	1,369,041
Rupiah	<u>351,990</u>	<u>207,111</u>

Notes to the Financial Statements

(Cont'd)

10. Share capital - Group/Company

	2007		2006	
	RM	Number of shares	RM	Number of shares
Ordinary shares of RM1 each				
Authorised :				
Balance at beginning of year	100,000,000	100,000,000	50,000,000	50,000,000
Created during the year	-	-	50,000,000	50,000,000
Balance at end of year	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid :				
Balance at beginning of year	56,051,617	56,051,617	40,723,150	40,723,150
Shares issued during the year pursuant to the acquisition of a subsidiary				
- at RM1.37 per ordinary share	-	-	15,328,467	15,328,467
Balance at end of year	<u>56,051,617</u>	<u>56,051,617</u>	<u>56,051,617</u>	<u>56,051,617</u>

11. Reserves

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable				
Share premium	10,614,008	10,614,008	10,614,008	10,614,008
Exchange fluctuation reserve	1,543,694	2,936,950	-	-
	<u>12,157,702</u>	<u>13,550,958</u>	<u>10,614,008</u>	<u>10,614,008</u>
Distributable				
Retained profits	55,240,324	53,260,097	2,565,069	1,923,346
	<u>67,398,026</u>	<u>66,811,055</u>	<u>13,179,077</u>	<u>12,537,354</u>

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit to frank its entire retained profits if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Notes to the Financial Statements

(Cont'd)

12. Deferred tax liabilities - Group

The recognised deferred tax liabilities are as follows:

	2007 RM	2006 RM
Property, plant and equipment (including prepaid lease payments)		
- capital allowances	2,912,000	2,709,000
- revaluation	2,857,710	3,056,839
Unabsorbed capital allowances	(665,000)	(1,405,000)
Provisions	(13,000)	(13,000)
	5,091,710	4,347,839

Movement in temporary differences during the year

	At 1 January 2006 RM	Recognised in the income statement RM	Acquisition of a subsidiary RM	At 31 December 2006 RM	Recognised in the income statement RM	At 31 December 2007 RM
Property, plant and equipment (including prepaid lease payments)						
- Capital allowances	2,135,000	574,000	-	2,709,000	203,000	2,912,000
- Revaluation	657,000	-	2,399,839	3,056,839	(199,129)	2,857,710
Unabsorbed capital allowances	(342,000)	(1,063,000)	-	(1,405,000)	740,000	(665,000)
Provisions	(14,000)	1,000	-	(13,000)	-	(13,000)
	2,436,000	(488,000)	2,399,839	4,347,839	743,871	5,091,710

Deferred tax assets have not been recognised in respect of the following items :

	2007 RM	2006 RM
Deductible temporary differences	(188,000)	(70,000)
Tax loss carry-forwards	(811,000)	(793,000)
Unabsorbed capital allowances	(12,000)	(11,000)
Others	(263,000)	(263,000)
	(1,274,000)	(1,137,000)

The tax loss carry-forwards, unabsorbed capital allowances and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

Notes to the Financial Statements

(Cont'd)

13. Borrowings - Group

	2007 RM	2006 RM
Current		
Unsecured		
Bank overdrafts	1,589,296	1,990,987
Term loans - fixed rate	-	449,832
- floating rate	2,445,779	214,437
Bankers' acceptances	21,373,915	21,528,000
Finance lease liabilities	231,832	209,266
	<u>25,640,822</u>	<u>24,392,522</u>
Non-current		
Unsecured		
Term loans - floating rate	8,437,492	879,681
Finance lease liabilities	683,365	788,697
	<u>9,120,857</u>	<u>1,668,378</u>

The bank overdrafts bear interest ranging from 1.25% to 1.50% (2006 : 1.25% to 1.50%) per annum above the banks' base lending rates.

The fixed rate unsecured term loan bears interest of Nil (2006 : 6.00%) per annum.

The floating rate unsecured term loan bears interest ranging from 3.75% to 3.88% per annum for the first year, 5.00% per annum for the second year, and 0.80% to 1% per annum above the banks' base lending rate for the subsequent years.

Other borrowings are subject to interest rates ranging from 2.35% to 4.52% (2006 : 2.90% to 5.20%) per annum.

2007	Year of maturity	Carrying amounts RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Unsecured						
Term loans - Floating rate	2011-2015	10,883,271	2,445,779	2,462,253	5,885,591	89,648
Bankers' acceptances	2008	21,373,915	21,373,915	-	-	-
Bank overdrafts	2008	1,589,296	1,589,296	-	-	-
Finance lease liabilities	2010-2012	915,197	231,832	231,832	451,533	-
		<u>34,761,679</u>	<u>25,640,822</u>	<u>2,694,085</u>	<u>6,337,124</u>	<u>89,648</u>

Notes to the Financial Statements

(Cont'd)

13. Borrowings - Group (Cont'd)

2006	Year of maturity	Carrying amounts RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Unsecured						
Term loans						
- Fixed rate	2007	449,832	449,832	-	-	-
- Floating rate	2011 - 2015	1,094,118	214,437	206,652	551,117	121,912
Bankers' acceptances	2007	21,528,000	21,528,000	-	-	-
Bank overdrafts	2007	1,990,987	1,990,987	-	-	-
Finance lease liabilities	2007 - 2012	997,963	209,266	204,232	533,472	50,993
		26,060,900	24,392,522	410,884	1,084,589	172,905

Finance lease liabilities are payable as follows :

	Payments RM	2007 Interest RM	Principal RM	Payments RM	2006 Interest RM	Principal RM
Less than one year	266,448	34,616	231,832	239,182	29,916	209,266
Between one and five years	791,054	107,689	683,365	905,702	117,005	788,697
	1,057,502	142,305	915,197	1,144,884	146,921	997,963

The finance lease liabilities are subject to fixed interest rates ranging from 2.35% to 4.88%(2006 : 2.35% to 4.85%) per annum.

14. Payables and accruals

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Trade					
Trade payables	14.1	13,912,662	19,953,218	-	-
Non-trade					
Other payables		966,496	447,176	-	2,300
Accrued expenses		2,641,616	2,617,824	37,042	110,768
Amount due to Directors	14.2	187,494	58,558	68,032	50,300
Amount due to subsidiaries (advances)	14.2	-	-	3,483,228	3,302,760
		17,708,268	23,076,776	3,588,302	3,466,128

Notes to the Financial Statements

(Cont'd)

14. Payable and accruals (cont'd)

14.1 Analysis of foreign currency exposure for significant payables

Significant payables outstanding at year end that are not in the functional currencies of the Group entities are as follows :

Foreign currency	2007 RM	2006 RM
USD	2,270,551	5,248,688
Renminbi	1,901,398	1,765,012
Rupiah	<u>2,612,083</u>	<u>3,865,113</u>

14.2 Amount due to a Directors and subsidiaries

The non-trade amounts due to a Director and subsidiaries are unsecured, interest-free and repayable on demand.

15. Employee benefits

Share-based payments

On 12 December 2003, the Group established a share option programme that entitles employees to purchase shares in the Company. On 8 January 2004, a first grant was offered to the eligible employees of the Group.

As allowed by the transitional provisions in FRS 2, the recognition and measurement principles in FRS 2 have not been applied to this grant as they were granted prior to the effective date of FRS 2.

The terms and conditions of the grant are as follows :

	Vesting condition				
	1 st Period until 07.01.2005	2 nd Period 08.01.2005 to 07.01.2006	3 rd Period 08.01.2006 to 07.01.2007	4 th Period 08.01.2007 to 07.01.2008	5 th Period 08.01.2008 to 07.01.2009
Directors and employees	20%	40%	60%	80%	100%

The number and exercise prices of share options are as follows :

	Exercise price 2007 RM	Number of options 2007 ('000)	Exercise price 2006 RM	Number of options 2006 ('000)
Outstanding at 1 January	1.25	3,339	1.25	3,825
Exercised during the year	-	-	-	-
Lapsed due to resignation	1.25	(57)	1.25	(486)
Outstanding at 31 December	1.25	<u>3,282</u>	1.25	<u>3,339</u>
Exercisable at 31 December	1.25	<u>2,472</u>	1.25	<u>1,719</u>

The options outstanding at 31 December 2007 have an exercise price of RM1.25 and a contractual life of 5 years.

Notes to the Financial Statements

(Cont'd)

16. Revenue - Group

Revenue of the Company represents dividend income received from subsidiaries.

Revenue of the Group represents the invoiced value of goods sold less discounts and returns.

17. Employee information

Staff costs include contributions to the Employees' Provident Fund of RM706,276 (2006 : RM679,177).

18. Finance Costs

	Group	
	2007 RM	2006 RM
Interest Payable:		
Term loans	274,547	95,055
Bank overdrafts	129,116	145,484
Finance lease liabilities	32,355	24,719
Bankers' acceptances	855,586	566,501
Others	233,159	169,002
	<u>1,524,763</u>	<u>1,000,761</u>

19. Operating profit/(loss)

Operating profit/(loss) is arrived at :

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
After charging :				
Auditors' remuneration				
- Auditors of the Company	63,000	46,000	18,000	5,000
- Other auditors	14,939	17,839	-	-
Directors' emoluments				
Directors of the Company				
- Fees	99,000	84,000	99,000	84,000
- Short term employee benefits	1,082,980	696,560	3,500	5,000
Other Directors				
- Fees	10,800	36,300	-	-
- Short term employee benefits	250,093	187,616	-	-
Depreciation of property, plant and equipment (Note 3)	4,225,783	3,641,234	-	-
Amortisation of prepaid lease payments (Note 4)	111,172	111,016	-	-
Allowance for doubtful debts	124,248	-	-	-
Rental of premises	265,173	173,875	-	-
Bad debts written off	131,017	179,375	-	-
Realised loss on foreign exchange	104,163	41,885	-	-
Tax penalty	932,481	-	-	-
and crediting :				
Dividend income (gross) from a subsidiary	-	-	1,142,280	-
Gain on disposal of plant and equipment	11,613	4,374	-	-
Interest income	18,448	16,338	-	-
Rental income	22,884	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Financial Statements

(Cont'd)

20. Key management personnel compensation

The key management personnel compensation are as follow :

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors' remuneration	<u>1,044,710</u>	<u>748,800</u>	<u>-</u>	<u>-</u>

21. Tax expense

Recognised in the income statement

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax expense on continuing operations	3,493,194	262,238	308,415	-
Share of tax of equity accounted associate	-	108,677	-	-
Total tax expense	<u>3,493,194</u>	<u>370,915</u>	<u>308,415</u>	<u>-</u>
Current tax expense				
Malaysia				
- current	114,000	181,000	308,415	-
- prior year	2,035,706	11,064	-	-
Overseas	599,617	558,174	-	-
	2,749,323	750,238	308,415	-
Deferred tax expense				
- current	(236,129)	(359,000)	-	-
- prior year	980,000	(129,000)	-	-
	743,871	(488,000)	-	-
Share of tax of equity accounted associate	-	108,677	-	-
	<u>3,493,194</u>	<u>370,915</u>	<u>308,415</u>	<u>-</u>

Notes to the Financial Statements

(Cont'd)

21. Tax expense (cont'd)

Reconciliation of effective tax expense

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit for the year	1,980,227	5,713,263	641,723	(166,994)
Total tax expense	3,493,194	370,915	308,415	-
Profit excluding tax	<u>5,473,421</u>	<u>6,084,178</u>	<u>950,138</u>	<u>(166,994)</u>
Income tax using Malaysian tax rate of 27% (2006 : 28%)	1,477,824	1,703,570	256,537	(46,758)
Effect of different income tax rate for certain subsidiaries *	(19,507)	(8,849)	-	-
Effect of tax rates in foreign jurisdictions	(1,221,237)	(717,072)	-	-
Non-deductible expenses	522,420	258,084	51,878	46,758
Effect of deferred tax assets not recognised	34,951	49,840	-	-
Non-taxable income	-	(350,415)	-	-
Tax incentives	(217,325)	(430,666)	-	-
Effect of change in tax rate **	(62,644)	(18,700)	-	-
Other items	(36,994)	3,059	-	-
	<u>477,488</u>	<u>488,851</u>	<u>308,415</u>	<u>-</u>
Under/(Over) provision in prior year	3,015,706	(117,936)	-	-
Tax expense	<u>3,493,194</u>	<u>370,915</u>	<u>308,415</u>	<u>-</u>

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

** The corporate tax rates are at 27% for year assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent year of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

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22. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM1,980,227 (2006 : RM5,713,263) and the weighted average number of ordinary shares outstanding during the year of 56,051,617 (2006 : 44,555,267) calculated as follows :

	2007	2006
Issued ordinary shares at beginning of year		
Effect of shares issued during the year	56,051,617	40,723,150
	-	3,832,117
Weighted average number of ordinary shares	<u>56,051,617</u>	<u>44,555,267</u>

Diluted earnings per ordinary share

The fully diluted earnings per ordinary share is the same as the basic earnings per ordinary share as the effect of non-dilutive potential ordinary shares are ignored in calculating diluted earnings per ordinary share in accordance with FRS 133 on Earnings per Share.



Notes to the Financial Statements

(Cont'd)

23. Dividend - Group and Company

The proposed first and final dividend of 2% less 26% tax totalling RM829,564 in respect of the year ended 31 December 2007 have not been accounted for in the financial statements. The dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

The gross dividend per ordinary share as disclosed in the income statements takes into account the proposed final dividend of 2% less 26% tax, totalling RM829,564 for the financial year ended 31 December 2007.

24. Contingent liability, unsecured - Company

The Company has issued corporate guarantee to financial institutions for banking facilities granted to its subsidiaries up to a limit of RM102,300,000 (2006 : RM77,700,000) of which RM33,565,000 (2006 : RM25,063,000) were utilised as at balance sheet date.

	2007 RM	2006 RM
25. Capital commitment - Group		
Contracted but not provided for in respect of property, plant and equipment within a year	<u>29,000</u>	<u>729,000</u>

26. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Company, other than key management personnel compensation, are as follows :

Subsidiary - Rex Canning Co. Sdn. Bhd.

	2007 RM	2006 RM
Dividend income	<u>1,142,280</u>	<u>-</u>

Transactions between the Group and a related party in which certain Directors are deemed to have substantial financial interest :

P.T. Rex Canning (became a wholly-owned subsidiary on 12 September 2006).

	2007 RM	From 1.1.2006 to 11.9.2006 RM
Sales	-	1,410,906
Purchases	<u>-</u>	<u>4,276,137</u>

Non-trade balances with subsidiaries are disclosed in Note 7 and Note 14 to the financial statements.

Notes to the Financial Statements

(Cont'd)

27. Segmental information - Group

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group's business segments mainly comprise the manufacture and distribution of canned and frozen food.

Business segmental information has not been prepared as all the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and amortisation, and non cash expenses are mainly confined to one business segment.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

	Malaysia	United States of America	Europe	Asia (excludes Malaysia)	Consolidated
2007	RM	RM	RM	RM	RM
Revenue from external customers by location of customers	67,891,022	53,561,517	19,803,090	19,644,955	160,900,584
Segment assets by location of assets	104,560,913	-	-	63,488,099	168,049,012
Unallocated assets	-	-	-	-	13,392,599
Total assets					181,441,611
Capital expenditure by location of assets	3,200,141	-	-	771,809	3,971,950

Notes to the Financial Statements

(Cont'd)

27. Segmental information - Group (cont'd)

	Malaysia	United States of America	Europe	Asia (excludes Malaysia)	Consolidated
2006	RM	RM	RM	RM	RM
Revenue from external customers by location of customers	52,505,241	37,959,789	17,042,865	9,418,957	116,926,852
Segment assets by location of assets	104,845,904	-	-	58,127,029	162,972,933
Unallocated assets	-	-	-	-	14,010,551
Total assets					176,983,484
Capital expenditure by location of assets	1,605,304	-	-	806,601	2,411,905

28. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risk arises in the normal course of the Group's and the Company's business. The Board reviews and agrees policies for managing each of these risks which are summarised below :-

Credit risk

Credit sales are made to various customers and credit terms are pre-agreed. The Board will monitor adherence to the credit terms in order to minimise any credit risk exposure to the Group.

Interest rate risk

The Group borrows from licensed banks to finance its working capital at interest rates which are relatively competitive compared to interest rates of similar instruments in the market.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases which are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily US Dollar. The Board monitors the Group's exposure to these risks on an ongoing basis, and where necessary.

At any point in time, the Group also hedges a significant portion of its foreign currency exposure by booking forward its sales. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance their operations and to mitigate the effects of fluctuations in cash flows.

Notes to the Financial Statements

(Cont'd)

28. Financial instruments (cont'd)

Effective interest rates

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	Average effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM
2007				
Financial assets				
Fixed deposits with a licensed bank	3.00	41,488	41,488	-
Financial liabilities				
Bank overdrafts - unsecured	8.25	1,589,296	1,589,296	-
Bankers' acceptances - unsecured	3.88	21,373,915	21,373,915	-
Term loans, unsecured				
- Floating rate	6.51	10,883,271	10,883,271	-
Finance lease liabilities	2.56	915,197	915,197	-
2006				
Financial assets				
Fixed deposits with a licensed bank	3.00	30,426	30,426	-
Financial liabilities				
Bank overdrafts - unsecured	8.00	1,990,987	1,990,987	-
Bankers' acceptances - unsecured	3.98	21,528,000	21,528,000	-
Term loans, unsecured				
- Fixed rate	6.00	449,832	449,832	-
- Floating rate	7.70	1,094,118	1,094,118	-
Finance lease liabilities	2.50	997,963	997,963	-

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Fair values

Recognised financial instruments

In respect of cash and cash equivalents, receivables, payables and bank borrowings, the carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The aggregate fair values of the other financial liabilities carried on the balance sheet as at 31 December are shown below

Group	2007		2006	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial liabilities				
Finance lease liabilities	915,197	* 915,197	997,963	* 997,963
Term loans, unsecured				
- Fixed rate	-	-	449,832	* 449,832



Notes to the Financial Statements

(Cont'd)

28. Financial instruments (cont'd)

- * The fair value of this fixed interest financial instrument is determined by discounting the relevant cash flows using current interest rates for similar financial instruments at the balance sheet date. Since the current interest rates do not significantly differ from the intrinsic rate of this financial instrument, the fair value of this financial instrument therefore, closely approximate its carrying value as at the balance sheet date.

There were no unrecognised financial instruments at balance sheet date.

29. Acquisition of a subsidiary

On 11 September 2006, the Company acquired the remaining seventy percent (70%) equity interest in P.T. Rex Canning for a purchase consideration of RM21 million. The subsidiary contributed a profit after tax of RM2.1 million. If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenue would have been RM160 million and consolidated profit for the year ended 31 December 2006 would have been RM8.3 million.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

Group	Note	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
		RM	RM	RM
Property, plant and equipment				
- building	3	613,730	2,372,545	3,779,834
- land	4	226,792	3,553,042	2,986,275
- Others		1,005,243	2,073,877	3,079,120
Inventories		7,361,863	-	7,361,863
Receivables, deposits and prepayments		12,158,983	-	12,158,983
Cash and cash equivalents		1,263,804	-	1,263,804
Payables and accruals		(9,987,600)	-	(9,987,600)
Deferred tax liabilities		-	(2,399,839)	(2,399,839)
		12,642,815	5,599,625	18,242,440
Share of net assets previously retained in an associate				(5,782,216)
Goodwill on acquisition				8,539,776
Consideration paid, satisfied by issuance of shares at RM1.37 per ordinary share				21,000,000
				1,263,804
Cash acquired/Net cash inflow				

Pre-acquisition carrying amounts in respect of the above subsidiary are equivalent to its estimated fair values except for property, plant and equipment.

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business work force and the synergies expected to be achieved from integrating the Company into the Group's existing business.

Notes to the Financial Statements

(Cont'd)

30. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2007.

FRS 117, Leases

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at revaluation less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leasehold land. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and building are considered separately for the purposes of lease and where necessary, the minimum lease payments or building element of the assets at the inception of the lease. The up-front payments represent prepaid land lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with transitional provision of FRS 117.67A. At 1 January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payment as allowed under the transitional provision. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 31, certain comparatives have been restated.

31. Comparative figures - Group

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 30.

	As restated	As previously reported
	RM	RM
Balance sheet		
Property, plant and equipment	44,189,585	53,086,842
Prepaid lease payments	<u>8,897,257</u>	<u>-</u>

Properties Owned by the Group

Details of the landed properties of REX Industry Group are as follows :-

Location/ (Registered owner)	Description (Lot / Title No)	Tenure (Approx age of building)	Land area (Built up) (sq. ft)	Net Book Value (31.12.2007) (RM)
No. 5099 Lorong Mak Mandin 6 Industrial Estate (Rex Canning)	Industrial land with factory (Lot 119 / QT (R) PWN35) Expiry Date: 09/11/2065	99 years with 61 years remaining (28 years)	29, 125 (25,000) sq.ft	2,876,825
No. 5099 Lorong Mak Mandin 6 Industrial Estate (Rex Canning)	Industrial land with factory (Lot 270 / HS (D) 768) Expiry Date: 20/09/2041	60 years with 37 years remaining (20 & 15years)	1 acre (35,000) sq. ft	1,536,387
Plot 125 Bukit Minyak Industrial Park Seberang Perai(T) (Rex Canning)	Industrial land with factory (Plot 125) Expiry Date: 02/01/2058	60 years with 52 years remaining (8 years)	6 acres (261,571) sq. ft	17,070,089
Plot 42 & 43 Taman Airmas Seberang Perai (U) (Rex Canning)	Residential Premises (Lot 4639 / HS (D) 3363) (Lot 4654 / HS (D)3378)	Freehold land	(1,086) sq. ft	130,567
Lot 68 & 69 Subang Light Industrial Park Petaling Jaya, Selangor (Fika Foods Corporation)	Leasehold Land with factory Expiry Date: 10/10/2088	96 years with 83 years remaining (13 years)	(4,500) sq. ft	533,362
31, Jalan Satria 17, JB Perdana Industri Park, 81300 Skudai, Johor. (Rex Canning)	Industrial Land with Factory (HS (D) 127746 PTO 38109)		(3,300) sq. ft	300,692
JL. Raya Beji Km 4 No 42 Beji, Pasuraun, Jawa Timur, Indonesia (P.T.Rex Canning)	Industrial Land with Factory		(252,207) sq. ft	2,756,574
Jiedong Economic Development Experimental Zone (Jie Yang Rex Foods)	Leasehold Land with Factory Expiry Date: 20/01/2046	50 years with 41 years remaining (9 years)	6.88 acres (299,693) sq. ft	3,840,758
Lot No. 59712 Mukim Petaling Daerah Petaling Negeri Selangor (Rex Canning)	Industrial Land with Factory Geran No. 72528		(2,000) sq. ft	733,530

Proxy Form

I/We _____
(Full Name in Block Letter)

NRIC No. _____

of _____
(Address)

being a member/members of Rex Industry Berhad, hereby appoint

_____ (Full Name in Block Letter)

of _____ or failing him
(Address)

_____ (Full Name in Block Letter)

of _____
(Address)

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company, to be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, No.11 Lebuhr Tenggeri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Friday, 27 June 2008 at 10.00 a.m. and at any adjournment thereof.

No.	RESOLUTIONS	FOR	AGAINST
1	Ordinary Resolution 1		
2	Ordinary Resolution 2		
3	Ordinary Resolution 3		
4(i)	Ordinary Resolution 4		
4(ii)	Ordinary Resolution 5		
4(iii)	Ordinary Resolution 6		
5	Ordinary Resolution 7		
6	Ordinary Resolution 8		
7	Special Resolution 1		

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(Please indicate with an "X" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she think fit).

In the case if more than one proxy is appointed, the proportions of my/our shareholding to be represented by my/our proxies are as follows:

First name proxy	_____ %	No. of Shares Held
Second named proxy	_____ %	
	_____ 100%	

Signed this _____ day of _____ 2008

Signature of Members

Notes :-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. The form of Proxy must be deposited at the Company's Registered Office at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Pulau Pinang not less than 48 hours before the time set for the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meetings. Where a member appoints more than one proxy (subject always to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. If the appointor is a corporation, this form must be executed under its seal or under the hand of its attorney.



STAMP

The Company Secretary

REX INDUSTRY BERHAD

Plot 125, Jalan Perindustrian Bukit Minyak 5

14100 Simpang Ampat

Seberang Perai Tengah

Malaysia



REX INDUSTRY BERHAD
[282664-K]



Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang, Malaysia.
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