



REX INDUSTRY BERHAD  
[282664-K]



ANNUAL REPORT 2008

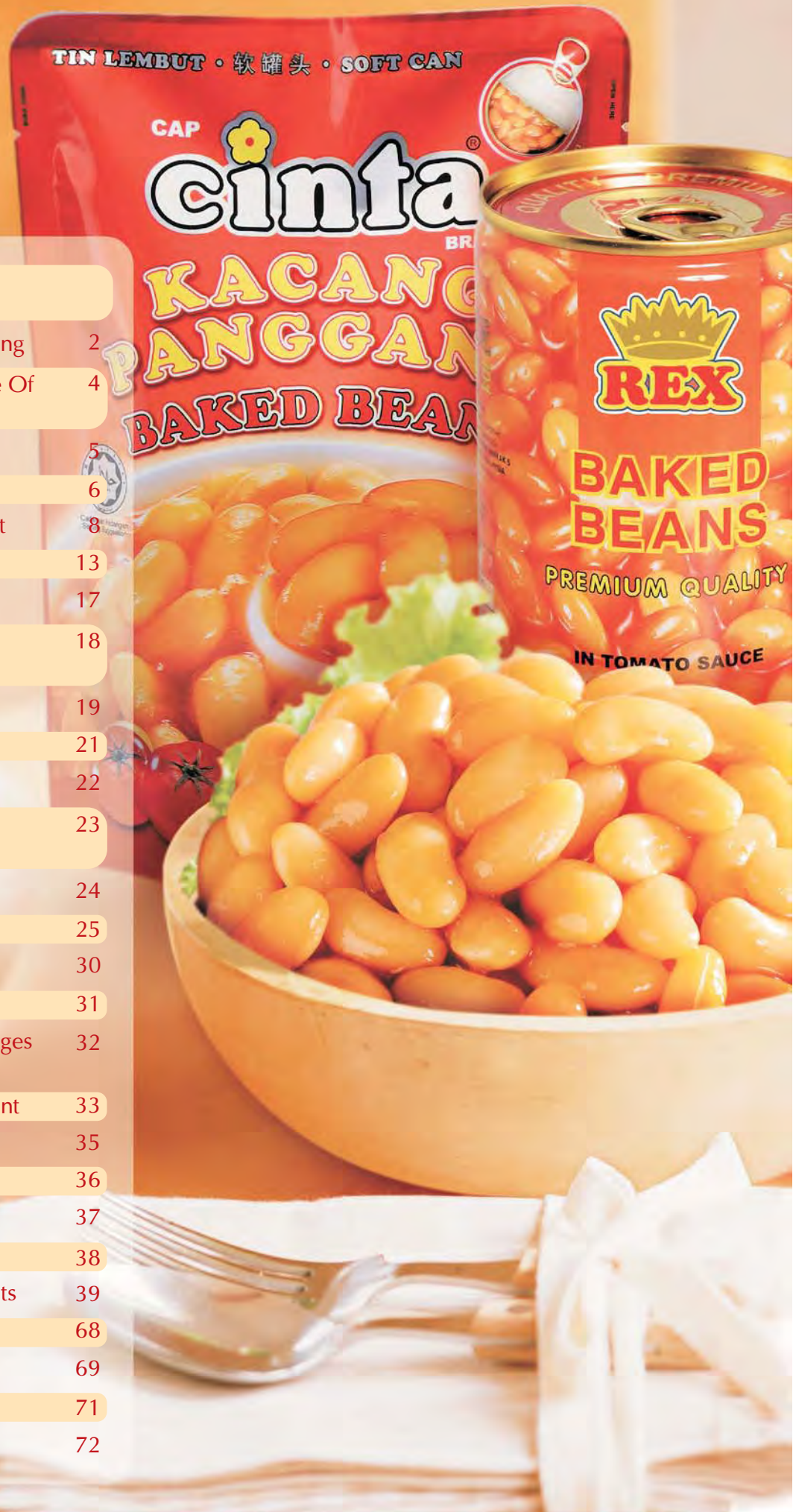




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[282664-K]

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# Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the shareholders of Rex Industry Berhad 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 Tuesday, 30 June 2009 at 10.00 a.m.

## AGENDA

### As Ordinary Business

- 1 To receive the Audited Financial Statements for the year ended 31 December 2008 together with the reports of the Directors and Auditors thereon. (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 25% for the year ended 31 December 2008. (Ordinary Resolution 2)
- 3 To approve the payment of Directors' fees totalling RM99,000 for the year ended 31 December 2008. (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 offer themselves for re-election:-
  - (i) Ms. Lee Sew Keng (Ordinary Resolution 4)
  - (ii) Mr. Lee Hee Hong (Ordinary Resolution 5)
- 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 6)

### As Special Business

#### Ordinary Resolution

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

#### Authority to issue shares

(Ordinary Resolution 7)

"THAT pursuant to Section 132D of the Companies Act, 1965, and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorized to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation of the additional shares so issued on the Bursa Securities."

- 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 25% for the financial year ended 31 December 2008, if approved by the shareholders at the Fifteenth Annual General Meeting, will be paid on 18 September 2009 to the depositors registered in the Record of Depositors of the Company on 27 August 2009.

A Depositor shall qualify for entitlement to the Dividend in respect of:

- a) shares transferred into the Depositor's Securities Account before 12.30 p.m. on 27 August 2009 in respect of ordinary transfer; and
- b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

KELSOM BEE BINTI ALI LS 03815  
Company Secretary  
Penang

Date: 5 June 2009

### Notes:-

1. 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. For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Pulau Pinang, not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.
4. Where a member appoints up to two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. 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.
6. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

The Ordinary Resolution No. 7, if passed, will give the Directors of the Company authority to issue and allot shares up to an amount not exceeding ten per centum (10%) of the total issued capital of the Company from time to time and for such purposes as the Directors consider would be in the best interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. 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.





# 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) Ms. Lee Sew Keng
- ii) Mr. Lee Hee Hong

2. Details of attendance of Directors at Board Meeting

There were six Board Meeting held during the financial year ended 31 December 2008 and the attendance of the Directors are set out on page 9 of the 2008 Annual Report.

3. Date and Time of Board Meetings

During the financial year ended 31 December 2008 a total of six (6) Board Meeting were held and the date and time of the Board Meetings held was as follows :

Date of Meeting	Time
29 February 2008	3.30 p.m.
28 April 2008	11.00 a.m.
30 May 2008	3.30 p.m.
27 June 2008	11.30 a.m.
29 August 2008	3.30 p.m.
28 November 2008	3.30 p.m.

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

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

Date : 30 June 2009

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

## BANKERS

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

## AUDITORS

- KPMG, Penang

## SOLICITORS

- KC Lee and Partners

## STOCK EXCHANGE LISTING

- Second Board of the Bursa Malaysia Securities Berhad

## 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 66, 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 51, 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 66, 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 48, 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 53, 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 58, 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 30 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 companies.

## Mohd Faisal Izan Bin Abdul Latiff

Non-Executive Independent Director

Encik Mohd Faisal Izan Bin Abdul Latiff, aged 37, 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.
- 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 2008, the Board met on six (6) 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	6 / 6
Lee Hee Thiam	6 / 6
Lee Chai Seng	4 / 6
Lee Hee Hong	4 / 6
Lee Sew Keng	4 / 6
Tang Yin Kham	6 / 6
Mohd Faisal Izan Bin Abdul Latiff	4 / 6

## 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. As 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). The Directors on their own also attended Continue Education Programmes ("CEP") in year 2008 which were organized by Inland Revenue Department, Malaysian Institute of Accountants, Federation of Manufactures of Malaysia and private training consultants. 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	879,480	-	879,480
Bonuses	118,800	-	118,800
Others	-	4,000	4,000
Total	998,280	103,000	1,101,280

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 2008 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	-

## 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 18 May 2009.



# 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
29 February 2008	2.30 p.m.
28 April 2008	10.00 a.m.
30 May 2008	2.30 p.m.
29 August 2008	2.30 p.m.
28 November 2008	2.30 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 RM10,832 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.

## 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 2008, 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 18 May 2009.







# 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 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.



# Chairman Statement



Representing the Board of Directors of Rex Industry Berhad, I am pleased to present the Annual Report for the financial year ended 31st December, 2008.

## Review of Operation

In tandem with the economy of Malaysia and that of the world, the productions and sales of the Group were dynamic until the market crash in the USA in the final quarter of 2008.

While the economic slow down of 2008 has been expected by the Board early on and was mentioned in the annual report of 2007, the severity of economic crash during the last quarter was worse than had been anticipated. The export sales of the Group were negatively and significantly affected by the turn of the events. There were cancellation of orders and problems of payment by customers. Although immediate steps were taken to adjust to the adverse conditions, there was considerable slowdown of more than 30% in the export sales during the last three months of the year. However the remedial steps taken by diverting more efforts to domestic sales in Malaysia, China and Indonesia were effective. The increase in sales activities in these domestic markets by the Group's operations there had been able to maintain the overall level of production. The Board is pleased to report that throughout the economic crash and its aftermath, the Group did not have to resort to retrenchment exercise or other drastic actions that would have affected the morale of the employees.

The retort pouch sector continues to be on the upswing as the price of steel cans was hanging at high level despite the dropping steel prices. Several new items were added to the range of pouched products. Marketing plans are being drawn up to push further and to encourage sales by increasing consumer awareness for the retort pouch foods.

Rex Foods in China had managed to benefit from the bullish rush during the Beijing Olympic game. The sales to Beijing area increased by more than 110% during the year.

## Financial Performance

Despite the economic slow down towards the second half of the year, the Group's turnover for the whole year increased by 8.25 percent to RM 174 million. This level represented another record breaking high turnover for the Group. Increased sales in the domestic markets from subsidiaries in Malaysia and China in particular, helped to sustain the performance in term of volume. The turnover level was also boosted by the unending price increase of materials which had been going on for years until the second half of 2008.

As the economic gloom was casting over the market place, the Group's external auditor saw it proper to tighten the guidelines for provision of doubtful debts. The Group adopted the conservative recommendation and provided RM 3.1 million for doubtful debts. With the provision, the Group's net profit before tax was reduced from RM5.47 million to RM3.93 million, which is a drop of 28% compared to year 2007.

The net profit after tax of RM 3.27 million for the year, however, represented an increase of 65% over the previous year of 2007.

## Towards 2009

At the time of writing this report, the economy of the world in general has stabilized. The Group has weathered through the worst part of the economic storm with little damage. Export orders are coming back and are expected to gradually recover to the level before the crash in 2008.

The economy is expected to recover slowly for the next few years. With this view, some of the projects and plans of the Group will be temporarily shelved or slowed down. The general approach in the year 2009 is to watch, see and act accordingly. The mood is that of prudence.

Nonetheless, the Board of Directors is confident that the Group will be able to sustain the level of turnover achieved in 2008. Most of the low priced food items that the Group produces will continue to sell well, if not better, as the economy gradually pulls itself out of the recession.







# Chairman Statement (Cont'd)

## Dividends

In order to maintain a consistent dividend policy, the Group continued the 2% dividend payout for the year. The Board has proposed a first and final dividend of 2 sen per ordinary share less 25% tax for the financial year ended 31 December 2008, subject to the shareholders' approval at the forthcoming Annual General Meeting.

## Acknowledgement

More so during the bad times of 2008, the staff and the management of the Group deserved the heartfelt gratitude from the Board for continuing their contribution and hard work. A good load of thanks also from me for our shareholders, customers and vendors for their continuing supports throughout the year.

.....  
**Dato' Abdul Rashid Bin Ismail**  
Chairman  
30 April 2009



# Statistics of Shareholdings

As At 30 April, 2009



## ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM100,000,000
Class of equity security		
- RM1.00 Ordinary share	:	RM56,051,617
Number of shareholders	:	1,598
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	38	2.38	1,545	0.00
100 to 1,000 shares	333	20.83	304,151	0.54
1,001 to 10,000 shares	984	61.58	3,600,794	6.42
10,001 to 100,000 shares	212	13.27	5,760,033	10.28
100,001 to 2,802,580 shares	28	1.75	14,936,230	26.65
2,802,581 and above	3	0.19	31,448,864	56.11
<b>Total</b>	<b>1,598</b>	<b>100</b>	<b>56,051,617</b>	<b>100</b>

## 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, 2009



Name	No. of Shares	%
1. Tamlah Sdn. Bhd.	16,086,397	28.70
2. Lee Chai Seng	8,793,124	15.69
3. Rexcan Import & Export Pte. Ltd.	6,569,343	11.72
4. Cheong Boo Chin	1,784,300	3.18
5. Lee Sew Chong @ Lee Siew Choo	1,388,800	2.48
6. Lee Sew Kee	1,304,300	2.33
7. Chang Siew Kim @ Chang Siew Yoon	1,260,755	2.25
8. TA Nominees ( Tempatan ) Sdn. Bhd. Pledged Securities Account For Tay Ben Chuan	1,150,500	2.05
9. Tan Chun Hwa	1,042,900	1.86
10. Lim Gek Suan	828,900	1.48
11. Neoh Keok Sick	716,000	1.28
12. Lee Sew Nai	619,300	1.10
13. Ang Chee Kean	598,000	1.07
14. Lim Kheng Boon	494,700	0.88
15. Abdul Latiff Bin S.Mirasa	466,975	0.83
16. Lee Cheong Keat @ Lee Chong Keat	412,800	0.74
17. HLB Nominees ( Tempatan ) Sdn. Bhd. Pledged Securities Account For Phee Boon Poh	401,600	0.72
18. Sa'diah Binti Talib	372,100	0.66
19. Osman Bin Yaacob	322,600	0.58
20. Koay Swee Aik	219,400	0.39
21. Citigroup Nominees (Asing) Sdn. Bhd. Ubs Ag Singapore for Merton Profits Limited	200,000	0.36
22. Lim Ah Lik	189,200	0.34
23. Ng Sai How	160,000	0.29
24. See Hoe Fatt	156,200	0.28
25. Ooi Suat Cheng	156,100	0.28
26. Yeoh Kean Hua	146,000	0.26
27. Tan Ah Bha @ Tan Ah Bah	143,600	0.26
28. Tan Bee Siew @ Jee Siew	132,000	0.24
29. Ngan Yok Lan	123,000	0.22
30. Lee Soo Si	108,500	0.19



# Five Years Summary of Financial Highlights



	Note	2004 RM'000	2005 RM'000 (Restated)	2006 RM'000	2007 RM'000	2008 RM'000
Paid-up Share Capital		40,715	40,723	56,052	56,052	56,052
Shareholders Funds		92,414	96,997	122,863	123,450	128,627
Borrowings	1	24,092	19,148	26,061	34,762	39,569
Net Tangible Assets		88,330	92,913	110,239	110,826	116,004
Turnover		98,460	98,837	116,927	160,927	174,175
Profit before Tax after Minority Interest		5,039	4,332	5,976	5,473	3,933
Interest		729	676	1,001	1,525	1,819
Profit after Tax and Minority Interest		4,047	4,573	5,713	1,980	3,274
Dividend		-	-	-	830	841

## Key Statistics

		2004	2005 (Restated)	2006	2007	2008
<b>Investment Ratio</b>						
NTA per share		2.17	2.28	1.97	1.98	2.07
EPS (sen)		9.95	11.23	12.82	3.53*	5.84*
Gross dividend rate (%)		-	-	-	2.00	2.00
Dividend coverage ratio (times)	2	-	-	-	2.39	3.89
<b>Operating Ratio</b>						
After tax return on shareholders' fund (%)		4.38	4.71	4.65	1.60	2.55
Pre-tax profit margin (%)		5.12	4.38	5.11	3.40	2.26

## Financial Ratio

Gearing (times)	3	0.261	0.197	0.212	0.282	0.308
Interest coverage ratio	4	7.91	7.41	6.79	4.59	3.16

## Liquidity Ratio

Current ratio		2.38	2.19	2.31	2.66	2.84
Quick ratio		0.99	1.15	1.18	1.50	1.48

## 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



REX INDUSTRY BERHAD  
[282664-K]

100% JIE YANG  
REX FOODS  
CO LTD

REX CANNING CO  
SDN BHD



30% ↓

P. T. REX CANNING  
INDONESIA



REX TRADING  
SDN BHD



REX FOODS  
SDN BHD



CINTA EDAR  
(SELATAN)  
SDN BHD



BEST AQUA  
FOOD  
SDN BHD



CINTA EDAR (M)  
SDN BHD



FIKA FOODS  
CORPORATION  
SDN BHD



FIKA FOODS  
MARKETING  
SDN BHD





# Directors' Report For The Year Ended

31 December 2008



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 2008.

## 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>3,274,001</u>	<u>627,438</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

Since the end of previous financial year, the Company paid a first and final dividend of 2 sen per ordinary share less 26% tax totaling RM829,564 (1.48 sen net per ordinary share) in respect of the year ended 31 December 2007 on 22 September 2008.

The first and final dividend recommended by the Directors in respect of the year ended 31 December 2008 is 2 sen per ordinary share less tax at 25% totaling RM840,774 (1.5 sen net per ordinary share).

## 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 2008 (Cont'd)

## Directors' interests

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 1.1.2008	Bought	Sold	Balance at 31.12.2008
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

## Number of options over ordinary shares of RM1 each

	Balance at 1.1.2008	Granted	Exercised	Balance at 31.12.2008
Interest in the company:				
Lee Chai Seng :				
- own	85,000	-	-	85,000
- others *	248,000	-	-	248,000
Lee Hee Thiam :				
- own	85,000	-	-	85,000
Lee Sew Keng :				
- own	85,000	-	-	85,000
Lee Hee Hong :				
- own	85,000	-	-	85,000

\*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 2008 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 2008 (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.

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.

There were no debentures issued 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 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 :

Date of offer	Option price RM	Balance at 1.1.2008	Number of option over ordinary shares of RM1 each			Balance at 31.12.2008
			Granted	(Exercised)	(Lapsed due to resignation)	
8.1.2004	1.25	3,281,400	-	-	(70,000)	3,211,400

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 2008 (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.

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 2008 (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 2008 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 : 30 April 2009





# Consolidated Balance Sheet At 31 December 2008



	Note	2008 RM	2007 RM
<b>Assets</b>			
Property, plant and equipment	3	41,919,818	43,546,657
Prepaid lease payments	4	8,830,009	8,760,997
Goodwill on consolidation	6	12,623,735	12,623,735
<b>Total non-current assets</b>		<u>63,373,562</u>	<u>64,931,389</u>
Receivables, deposits and prepayments	7	50,326,480	54,298,874
Inventories	8	59,619,535	50,709,127
Current tax assets		657,093	768,864
Cash and cash equivalents	9	14,210,550	10,733,357
<b>Total current assets</b>		<u>124,813,658</u>	<u>116,510,222</u>
<b>Total assets</b>		<u>188,187,220</u>	<u>181,441,611</u>
<b>Equity</b>			
Share capital	10	56,051,617	56,051,617
Reserves	11	72,575,704	67,398,026
<b>Total equity</b>		<u>128,627,321</u>	<u>123,449,643</u>
<b>Liabilities</b>			
Deferred tax liabilities	12	4,723,246	5,091,710
Borrowings	13	10,869,107	9,120,857
<b>Total non-current liabilities</b>		<u>15,592,353</u>	<u>14,212,567</u>
Payables and accruals	14	15,267,421	17,708,268
Borrowings	13	28,700,125	25,640,822
Current tax liabilities		-	430,311
<b>Total current liabilities</b>		<u>43,967,546</u>	<u>43,779,401</u>
<b>Total liabilities</b>		<u>59,559,899</u>	<u>57,991,968</u>
<b>Total equity and liabilities</b>		<u>188,187,220</u>	<u>181,441,611</u>

The notes on pages 39 to 67 are an integral part of these financial statements.



# Consolidated Income Statement

for the year ended 31 December 2008



	Note	2008 RM	2007 RM
<b>Continuing operations</b>			
Revenue	16	174,174,877	160,900,584
Changes in manufactured inventories		669,969	(928,025)
Raw materials used		(111,004,336)	(101,836,400)
Staff costs	17	(16,750,543)	(17,228,104)
Depreciation and amortisation	3,4	(4,225,264)	(4,336,955)
Other operating expenses		(37,228,207)	(29,669,944)
Other operating income		80,347	78,580
<b>Results from operating activities</b>		<u>5,716,843</u>	<u>6,979,736</u>
Interest income		35,161	18,448
Finance costs	18	(1,818,684)	(1,524,763)
<b>Profit before tax</b>	19	<u>3,933,320</u>	<u>5,473,421</u>
Tax expense	21	(659,319)	(3,493,194)
<b>Profit for the year</b>		<u>3,274,001</u>	<u>1,980,227</u>
<b>Attributable to :</b>			
Equity holders of the Company		<u>3,274,001</u>	<u>1,980,227</u>
<b>Basic earnings per ordinary share (sen)</b>	22	<u>5.84</u>	<u>3.53</u>
<b>Diluted earnings per ordinary share (sen)</b>	22	<u>5.84</u>	<u>3.53</u>
<b>Dividend per ordinary share - gross (sen)</b>	23	<u>2.00</u>	<u>2.00</u>

The notes on pages 39 to 67 are an integral part of these financial statements.







# Consolidated Statement Of Changes In Equity for the year ended 31 December 2008

	← Non-distributable	→	Distributable		
	Share Capital	Share Premium	Exchange fluctuation reserve	Retained Earnings	
	RM	RM	RM	RM	
	Total Equity			RM	
<b>At 1 January 2007</b>	56,051,617	10,614,008	2,936,950	53,260,097	122,862,672
Net loss recognised directly in equity					
- Foreign exchange translation differences	-	-	(1,393,256)	-	(1,393,256)
Profit for the year	-	-	-	1,980,227	1,980,227
<b>At 31 December 2007 / 1 January 2008</b>	56,051,617	10,614,008	1,543,694	55,240,324	123,449,643
Net gain recognised directly in equity					
- Foreign exchange translation differences	-	-	2,733,241	-	2,733,241
Profit for the year	-	-	-	3,274,001	3,274,001
Dividend (Note 23)	-	-	-	(829,564)	(829,564)
<b>At 31 December 2008</b>	56,051,617	10,614,008	4,276,935	57,684,761	128,627,321



The notes on pages 39 to 67 are an integral part of these financial statements.



# Consolidated Cash Flow Statement

for the year ended 31 December 2008



	Note	2008 RM	2007 RM
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		3,933,320	5,473,421
Adjustments for :			
Depreciation of property, plant and equipment	3	4,108,958	4,225,783
Amortisation of prepaid lease payments	4	116,306	111,172
Finance costs	18	1,818,684	1,524,763
Gain on disposal of plant and equipment		(67,009)	(11,613)
Interest income		(35,161)	(18,448)
<b>Operating profit before changes in working capital</b>		<b>9,875,098</b>	<b>11,305,078</b>
Changes in working capital :			
Inventories		(8,580,995)	2,592,354
Receivables, deposits and prepayments		3,883,324	(6,956,058)
Payables and accruals		(1,215,167)	(3,825,375)
Cash generated from operations		3,962,260	3,115,999
Taxes paid		(1,346,324)	(2,336,357)
<b>Net cash generated from operating activities</b>		<b>2,615,936</b>	<b>779,642</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	A	(1,436,235)	(3,833,950)
Proceeds from disposal of plant and equipment		177,397	203,462
Interest income		35,161	18,448
<b>Net cash used in investing activities</b>		<b>(1,223,677)</b>	<b>(3,612,040)</b>







# Consolidated Cash Flow Statement for the year ended 31 December 2008 (Cont'd)



	Note	2008 RM	2007 RM
<b>Cash flows from financing activities</b>			
Drawdown of term loans (net)		1,497,783	9,339,321
Repayment of finance lease liabilities		(326,205)	(220,766)
Bank borrowings (net)		3,962,085	(154,085)
Interest paid		(1,818,684)	(1,524,763)
Dividend paid to shareholders of the Company		(829,564)	-
<b>Net cash generated from financing activities</b>		<b>2,485,415</b>	<b>7,439,707</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,877,674</b>	<b>4,607,309</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>		<b>743,629</b>	<b>(54,625)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>9,144,061</b>	<b>4,591,377</b>
<b>Cash and cash equivalents at 31 December</b>	B	<b>13,765,364</b>	<b>9,144,061</b>

Note :

#### A. Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM2,254,235 (2007 : RM3,971,950) of which RM818,000 (2007 : RM138,000) was acquired by means of finance lease arrangement. The remaining RM1,436,235 (2007 : RM3,833,950) were paid by cash.

#### B. Cash and cash equivalents

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

	Note	2008 RM	2007 RM
Fixed deposits with a licensed bank	9	41,488	41,488
Cash and bank balances	9	14,169,062	10,691,869
Bank overdrafts	13	(445,186)	(1,589,296)
		<b>13,765,364</b>	<b>9,144,061</b>

The notes on pages 39 to 67 are an integral part of these financial statements.



# Balance Sheet at 31 December 2008



	Note	2008 RM	2007 RM
<b>Assets</b>			
Investments in subsidiaries	5	41,014,668	41,014,668
<b>Total non-current assets</b>		<u>41,014,668</u>	<u>41,014,668</u>
Receivables, deposits and prepayments	7	30,591,572	31,798,873
Cash and cash equivalents	9	9,962	5,455
<b>Total current assets</b>		<u>30,601,534</u>	<u>31,804,328</u>
<b>Total assets</b>		<u>71,616,202</u>	<u>72,818,996</u>
<b>Equity</b>			
Share capital	10	56,051,617	56,051,617
Reserves	11	12,976,951	13,179,077
<b>Total equity</b>		<u>69,028,568</u>	<u>69,230,694</u>
Payables and accruals	14	2,587,634	3,588,302
<b>Total current liabilities</b>		<u>2,587,634</u>	<u>3,588,302</u>
<b>Total equity and liabilities</b>		<u>71,616,202</u>	<u>72,818,996</u>



The notes on pages 39 to 67 are an integral part of these financial statements.





# Income Statement

for the year ended 31 December 2008



	Note	2008 RM	2007 RM
<b>Continuing operations</b>			
Revenue	16	1,142,280	1,142,280
Other operating expenses		(217,849)	(192,142)
<b>Profit before tax</b>	19	<u>924,431</u>	<u>950,138</u>
Tax expense	21	(296,993)	(308,415)
<b>Profit for the year</b>		<u>627,438</u>	<u>641,723</u>
<b>Dividend per ordinary share - gross (sen)</b>	23	<u>2.00</u>	<u>2.00</u>



The notes on pages 39 to 67 are an integral part of these financial statements.



# Statement Of Changes In Equity

for the year ended 31 December 2008



	← Non-distributable Share capital	→ Share premium	Distributable Retained earnings	Total equity
	RM	RM	RM	RM
<b>At 1 January 2007</b>	56,051,617	10,614,008	1,923,346	68,588,971
Profit for the year	-	-	641,723	641,723
<b>At 31 December 2007</b>	56,051,617	10,614,008	2,565,069	69,230,694
Profit for the year	-	-	627,438	627,438
Dividend (Note 23)	-	-	(829,564)	(829,564)
<b>At 31 December 2008</b>	56,051,617	10,614,008	2,362,943	69,028,568



The notes on pages 39 to 67 are an integral part of these financial statements.





# Cash Flow Statement

for the year ended 31 December 2008



	2008 RM	2007 RM
<b>Cash flows from operating activities</b>		
Profit before tax	924,431	950,138
Adjustment for : Dividend income	(1,142,280)	(1,142,280)
Operating loss before changes in working capital	<u>(217,849)</u>	<u>(192,142)</u>
Changes in working capital : Receivables, deposits and prepayments Payables and accruals	1,207,301 (1,000,668)	(765,997) 122,174
Cash used in operations	<u>(11,216)</u>	<u>(835,965)</u>
Dividend received	845,287	833,865
<b>Net cash generated from/(used in) operating activities</b>	<u>834,071</u>	<u>(2,100)</u>
<b>Cash flows from financing activities</b>		
Dividend paid to shareholders	(829,564)	-
<b>Net cash used in financing activities</b>	<u>(829,564)</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,507	(2,100)
<b>Cash and cash equivalents at 1 January</b>	5,455	7,555
<b>Cash and cash equivalents at 31 December</b>	<u>9,962</u>	<u>5,455</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 39 to 67 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 follow:

## Registered office/ Principal place of business

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 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 2008 do not include other entities.

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

The financial statements were approved by the Board of Directors on 30 April 2009.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective :

FRSs/Interpretation	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs/ Interpretations from the annual period beginning 1 January 2010 except for FRS 4 and IC Interpretations 9 which are not applicable to the Group and to the Company.

The impact of applying FRS 7 and 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 exemptions given in the respective FRSs. Other than the implications as discussed below, the initial application of the other standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

### FRS 8, Operating Segments

FRS 8 will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see Note 27). The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.







# Notes to the Financial Statements (Cont'd)



## 1. Basis of preparation (Cont'd)

### (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.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities.

### (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 any impairment losses, unless the investment 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)

#### *ii) 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.

#### *iii) 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 are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which 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 statements.

#### *ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, 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 operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, 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

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

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as 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, in 2007.

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

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.

For business acquisitions 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 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.

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.





# Notes to the Financial Statements (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (e) Goodwill (Cont'd)

#### *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 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 usually 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 statements. 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 statements, a reversal of that impairment loss is also recognised in the income statements.

### (j) Equity instruments

#### *Issue expenses*

Incremental costs directly attributable to issue of shares of equity instruments 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 statements 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.

#### *ii) Share-based payment transactions*

The grant date fair value of 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 amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share 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.





# Notes to the Financial Statements (Cont'd)

## 2. Significant accounting policies (Cont'd)

### (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.

### (n) 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.

### (o) 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.

### (p) 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.

#### *ii) Dividend income*

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

### (q) 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 statements 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.

# Notes to the Financial Statements (Cont'd)



## 2. Significant accounting policies (Cont'd)

### (r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements 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.

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

### (s) 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.

### (t) 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	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
At 1 January 2007					
- at cost	26,675,624	33,663,868	4,028,435	5,393,455	669,761,382
- at valuation	2,360,000	-	-	-	2,360,000
	29,035,624	33,663,868	4,028,435	5,393,455	72,121,382
Additions	1,123,656	1,986,335	376,823	485,136	3,971,950
Disposals	-	(204,829)	-	(705,552)	(910,381)
Effect of movements in exchange rate	(146,745)	(330,640)	(51,420)	(144,693)	(673,498)
	27,652,535	35,114,734	4,353,838	5,028,346	72,149,453
At 31 December 2007/ 1 January 2008					
- 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
Additions	189,537	869,242	213,898	981,558	2,254,235
Disposals	-	(182,232)	-	(510,831)	(693,063)
Effect of movements in exchange rate	336,139	464,110	(42,468)	(114,110)	643,671
	28,178,211	36,265,854	4,525,268	5,384,963	74,354,296
At 31 December 2008					
- at cost	28,178,211	36,265,854	4,525,268	5,384,963	74,354,296
- at valuation	2,360,000	-	-	-	2,360,000
	30,538,211	36,265,854	4,525,268	5,384,963	76,714,296



# Notes to the Financial Statements

(Cont'd)



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

	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
<b>Accumulated depreciation</b>					
At 1 January 2007					
- at cost	4,008,303	17,713,412	2,326,645	3,331,731	27,380,091
- at valuation	551,708	-	-	-	551,708
	4,560,011	17,713,412	2,326,645	3,331,731	27,931,799
Charge for the year	730,286	2,718,869	298,630	477,998	4,225,783
Disposals	-	(131,126)	-	(587,406)	(718,532)
Effect of movements in exchange rate	(72,690)	(258,261)	(43,470)	(101,833)	(476,254)
	4,621,665	20,042,894	2,581,805	3,120,490	30,366,854
	595,942	-	-	-	595,942
	5,217,607	20,042,894	2,581,805	3,120,490	30,962,796
Charge for the year	755,190	2,460,511	307,615	585,642	4,108,958
Disposals	-	(120,725)	-	(461,950)	(582,675)
Effect of movements in exchange rate	125,432	279,657	(34,374)	(65,316)	305,399
	5,458,051	22,662,337	2,855,046	3,178,866	34,154,300
	640,178	-	-	-	640,178
	6,098,229	22,662,337	2,855,046	3,178,866	34,794,478







# Notes to the Financial Statements (Cont'd)

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

Carrying amounts	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Total RM
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
	<u>24,475,613</u>	<u>15,950,456</u>	<u>1,701,790</u>	<u>2,061,724</u>	<u>44,189,583</u>
At 31 December 2007/ 1 January 2008					
- 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
	<u>24,794,928</u>	<u>15,071,840</u>	<u>1,772,033</u>	<u>1,907,856</u>	<u>43,546,657</u>
At 31 December 2008					
- at cost	22,720,160	13,603,517	1,670,222	2,206,097	40,199,996
- at valuation	1,719,822	-	-	-	1,719,822
	<u>24,439,982</u>	<u>13,603,517</u>	<u>1,670,222</u>	<u>2,206,097</u>	<u>41,919,818</u>

# 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 :

	2008 RM	2007 RM
Buildings	<u>786,991</u>	<u>807,353</u>

The net book value of motor vehicles acquired under finance lease liabilities are as follows :

	2008 RM	2007 RM
Motor vehicles	<u>1,415,886</u>	<u>858,299</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
<b>Cost</b>			
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/ At 1 January 2008	2,676,396	7,211,849	9,888,245
Effect of movements in exchange rate	239,853	(23,075)	216,778
At 31 December 2008	2,916,249	7,188,774	10,105,023
<b>Amortisation</b>			
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/ At 1 January 2008	581,816	545,432	1,127,248
Amortisation for the year	59,631	56,675	116,306
Effect of movements in exchange rate	31,460	-	31,460
At 31 December 2008	672,907	602,107	1,275,014
<b>Carrying amounts</b>			
At 1 January 2007	2,143,031	6,754,228	8,897,259
At 31 December 2007/ At 1 January 2008	2,094,580	6,666,417	8,760,997
At 31 December 2008	2,243,342	6,586,667	8,830,009

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.



# Notes to the Financial Statements

(Cont'd)



## 5. Investments in subsidiaries - Company

	2008 RM	2007 RM
Unquoted shares, at cost	41,282,671	41,282,671
Less : Impairment loss	(268,003)	(268,003)
	<u>41,014,668</u>	<u>41,014,668</u>

Details of the subsidiaries are as follows :

Name of company	Effective ownership interest		Place of Incorporation	Principal Activities
	2008	2007		
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
<b>Subsidiary of Rex Canning Co. Sdn. Bhd.</b>				
Jie Yang Rex Foods Co. Ltd. *	100%	100%	The People's Republic of China	Manufacture and export of canned food
<b>Subsidiary of P.T. Rex Canning</b>				
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")





# Notes to the Financial Statements (Cont'd)

## 6. Goodwill on consolidation - Group

	2008 RM	2007 RM
At 1 January/ 31 December	<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 2008 was approximately RM12,624,000 (2007 : RM12,624,000).

### (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	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Trade</b>					
Trade receivables		36,897,071	46,448,122	-	-
Less: Allowance for doubtful debts		(2,053,670)	(1,021,836)	-	-
	7.1 / 7.2	<u>34,843,401</u>	<u>45,426,286</u>	-	-
<b>Non-trade</b>					
Subsidiaries (advances)	7.3	-	-	30,576,698	31,798,873
Other receivables		7,166,730	3,416,935	-	-
Deposits		7,327,718	2,015,978	-	-
Prepayments		988,631	3,439,675	14,874	-
		<u>15,483,079</u>	<u>8,872,588</u>	<u>30,591,572</u>	<u>31,798,873</u>
		<u>50,326,480</u>	<u>54,298,874</u>	<u>30,591,572</u>	<u>31,798,873</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 :

Functional currency	Foreign currency	2008 RM	2007 RM
RM	USD	2,732,071	5,989,490
Renminbi	USD	1,670,675	1,478,189
Rupiah	USD	<u>8,481,370</u>	<u>11,361,721</u>

#### 7.2 Allowance for doubtful debts

Included in trade receivables of the Group is an amount of approximately RM0.7 million (2007 : RM3.6 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 the 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

	2008 RM	2007 RM
Raw materials	22,665,809	17,572,652
Manufactured inventories	28,305,435	26,928,530
Packing materials	8,042,488	5,646,331
Consumables	605,803	561,614
	<u>59,619,535</u>	<u>50,709,127</u>

### 9. Cash and cash equivalents

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Fixed deposits with a licensed bank	41,488	41,488	-	-
Cash and bank balances	14,169,062	10,691,869	9,962	5,455
	<u>14,210,550</u>	<u>10,733,357</u>	<u>9,962</u>	<u>5,455</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 :

Functional currency	Foreign currency	2008 RM	2007 RM
RM	USD	723,904	8,886
Renminbi	USD	616	1,039
Rupiah	USD	<u>2,417,401</u>	<u>2,970,037</u>





# Notes to the Financial Statements (Cont'd)

## 10. Share capital - Group/Company

	2008		2007	
	RM	Number of shares	RM	Number of shares
Ordinary shares of RM1 each				
Authorised :				
Balance at 1 January/ 31 December	<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 1 January/ 31 December	<u>56,051,617</u>	<u>56,051,617</u>	<u>56,051,617</u>	<u>56,051,617</u>

## 11. Reserves

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-distributable				
Share premium	10,614,008	10,614,008	10,614,008	10,614,008
Exchange fluctuation reserve	4,276,935	1,543,694	-	-
	<u>14,890,943</u>	<u>12,157,702</u>	<u>10,614,008</u>	<u>10,614,008</u>
Distributable				
Retained earnings	57,684,761	55,240,324	2,362,943	2,565,069
	<u>72,575,704</u>	<u>67,398,026</u>	<u>12,976,951</u>	<u>13,179,077</u>

### Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and exempt income to frank/distribute its entire retained earnings at 31 December 2008 if paid out as dividends.

The Finance Act 2007 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 2008 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:

	2008 RM	2007 RM
Property, plant and equipment (including prepaid lease payments)	2,886,000	2,912,000
- capital allowances	2,629,246	2,857,710
- revaluation	(773,000)	(665,000)
Unabsorbed capital allowances	(19,000)	(13,000)
Provisions	(19,000)	(13,000)
	<u>4,723,246</u>	<u>5,091,710</u>

Movement in temporary differences during the year

	At 1 January 2007 RM	Recognised in the income statement RM	At 31 December 2007 RM	Recognised in the income statement RM	At 31 December 2008 RM
Property, plant and equipment (including prepaid lease payments)					
- Capital allowances	2,709,000	203,000	2,912,000	(26,000)	2,886,000
- Revaluation	3,056,839	(199,129)	2,857,710	(228,464)	2,629,246
Unabsorbed capital allowances	(1,405,000)	740,000	(665,000)	(108,000)	(773,000)
Provisions	(13,000)	-	(13,000)	(6,000)	(19,000)
	<u>4,347,839</u>	<u>743,871</u>	<u>5,091,710</u>	<u>(368,464)</u>	<u>4,723,246</u>

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

	2008 RM	2007 RM
Deductible temporary differences	(1,327,000)	(234,000)
Tax loss carry-forwards	(794,000)	(794,000)
Capital allowances	43,000	36,000
Others	(263,000)	(263,000)
	<u>(2,341,000)</u>	<u>(1,255,000)</u>

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.

The comparative figures have been restated to reflect the revised deductible temporary differences, tax loss carry-forwards and unabsorbed capital allowances available to the Group.





# Notes to the Financial Statements (Cont'd)

## 13. Borrowings - Group

	2008 RM	2007 RM
Current		
Unsecured		
Bank overdrafts	445,186	1,589,296
Term loans - floating rate	2,523,488	2,445,779
Bankers' acceptances	25,336,000	21,373,915
Finance lease liabilities	395,451	231,832
	<u>28,700,125</u>	<u>25,640,822</u>
Non-current		
Unsecured		
BBA	3,908,480	-
Term loans - floating rate	5,949,086	8,437,492
Finance lease liabilities	1,011,541	683,365
	<u>10,869,107</u>	<u>9,120,857</u>

The bank overdrafts bear interest rate at 1.50% (2007 : ranging 1.25% to 1.50%) per annum above the banks' base lending rates.

The Al-Bai Bithaman Ajil ("BBA") facility is subject to profit portion of 3.75% (2007 : Nil) per annum.

The floating rate unsecured term loan bears interest rates as follows :

- Term Loan 1 (BLR plus 0.8% per annum)
- Term Loan 2 (BLR plus 1% per annum)
- Term Loan 3 (Cost of fund plus 1.55% per annum)

Other borrowings are subject to interest rates ranging from 3.40% to 5.32% (2007 : 2.35% to 4.52%) per annum.

	Year of maturity	Carrying amounts RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>2008</b>						
<b>Unsecured</b>						
BBA	2016	3,908,480	-	-	-	3,908,480
Term loans		8,472,574	2,523,488	2,498,476	3,406,512	44,098
- Floating rate	2011-2015	25,336,000	25,336,000	-	-	-
Bankers' acceptances	2009	445,186	445,186	-	-	-
Bank overdrafts	2009	1,406,992	395,451	383,519	628,022	-
Finance lease liabilities	2010-2013	395,451	-	-	-	-
		<u>39,569,232</u>	<u>28,700,125</u>	<u>2,881,995</u>	<u>4,034,534</u>	<u>3,952,578</u>

# Notes to the Financial Statements (Cont'd)



## 13. Borrowings - Group (Cont'd)

	Year of maturity	Carrying amounts RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
<b>2007</b>						
<b>Unsecured</b>						
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	2008 - 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>

Finance lease liabilities are payable as follows :

	2008			2007		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
Less than one year	449,760	54,309	395,451	266,448	34,616	231,832
Between 1 and 5 years	1,152,494	140,953	1,011,541	791,054	107,689	683,365
	<u>1,602,254</u>	<u>195,262</u>	<u>1,406,992</u>	<u>1,057,502</u>	<u>142,305</u>	<u>915,197</u>

The finance lease liabilities are subject to fixed interest rates ranging from 2.19% to 3.88% (2007 : 2.35% to 4.88%) per annum.

## 14. Payables and accruals

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Trade</b>					
Trade payables	14.1	10,774,376	13,912,662	-	-
<b>Non-trade</b>					
Other payables		797,077	966,496	-	-
Accrued expenses		3,501,251	2,641,616	15,105	37,042
Amount due to Directors	14.2	194,717	187,494	61,500	68,032
Amount due to subsidiaries (advances)	14.2	-	-	2,511,029	3,483,228
		<u>15,267,421</u>	<u>17,708,268</u>	<u>2,587,634</u>	<u>3,588,302</u>





# 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 :

Functional currency	Foreign currency	2008 RM	2007 RM
RM	USD	2,721	1,039,900
Rupiah	USD	<u>1,301,425</u>	<u>1,246,477</u>

### 14.2 Amount due to 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 <sup>st</sup> Period until 07.01.2005	2 <sup>nd</sup> Period 08.01.2005 to 07.01.2006	3 <sup>rd</sup> Period 08.01.2006 to 07.01.2007	4 <sup>th</sup> Period 08.01.2007 to 07.01.2008	5 <sup>th</sup> 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 2008 RM	Number of options 2008 ('000)	Exercise price 2007 RM	Number of options 2007 ('000)
Outstanding at 1 January	1.25	3,282	1.25	3,339
Exercised during the year	-	-	-	-
Lapsed due to resignation	1.25	(70)	1.25	(57)
Outstanding at 31 December	1.25	<u>3,212</u>	1.25	<u>3,282</u>
Exercisable at 31 December	1.25	<u>3,212</u>	1.25	<u>2,472</u>

The options outstanding at 31 December 2008 have an exercise price of RM1.25 and a contractual life of 5 years.



# Notes to the Financial Statements

(Cont'd)



## 16. Revenue

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 RM682,969 (2007 : RM706,276).

## 18. Finance Costs

	Group	
	2008 RM	2007 RM
Interest Payable:		
Term loans	600,561	274,547
Bank overdrafts	79,219	129,116
Finance lease liabilities	45,511	32,355
Bankers' acceptances	998,011	855,586
Others	95,382	233,159
	<u>1,818,684</u>	<u>1,524,763</u>

## 19. Profit before tax

Profit before tax is arrived at :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
After charging :				
Auditors' remuneration				
- Auditors of the Company				
- current year	63,000	63,000	14,000	18,000
- prior year	-	-	(4,000)	-
- Other auditors				
- current year	38,276	14,939	-	-
- prior year	8,375	-	-	-
Directors' emoluments				
Directors of the Company				
- Fees	99,000	99,000	99,000	99,000
- Short term employee benefits	1,002,280	1,082,980	4,000	3,500
Other Directors				
- Fees	10,800	10,800	-	-
- Short term employee benefits	298,311	250,093	-	-
Depreciation of property, plant and equipment (Note 3)	4,108,958	4,225,783	-	-
Amortisation of prepaid lease payments (Note 4)	116,306	111,172	-	-
Allowance for doubtful debts	1,318,707	124,248	-	-
Rental of premises	155,148	265,173	-	-
Bad debts written off	1,788,846	131,017	-	-
Realised loss on foreign exchange	2,047,150	104,163	-	-
Tax penalty	-	932,481	-	-
and crediting :				
Dividend income (gross) from a subsidiary	-	-	1,142,280	1,142,280
Gain on disposal of plant and equipment	67,009	11,613	-	-
Interest income	35,161	18,448	-	-
Rental income	<u>26,080</u>	<u>22,884</u>	-	-





# Notes to the Financial Statements (Cont'd)



## 20. Key management personnel compensation

The key management personnel compensation are as follow :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors :				
Fees	109,800	109,800	99,000	99,000
Remuneration	1,300,591	1,333,073	4,000	3,500
	<u>1,410,391</u>	<u>1,442,873</u>	<u>103,000</u>	<u>102,500</u>

## 21. Tax expense

### Recognised in the income statement

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Tax expense on continuing operations	659,319	3,493,194	296,993	308,415
Total tax expense	<u>659,319</u>	<u>3,493,194</u>	<u>296,993</u>	<u>308,415</u>
Current tax expense				
Malaysia				
- current	25,000	114,000	296,993	308,415
- prior year	9,325	2,035,706	-	-
Overseas	993,458	599,617	-	-
	1,027,783	2,749,323	296,993	308,415
Deferred tax expense				
- current	(464,464)	(236,129)	-	-
- prior year	96,000	980,000	-	-
	(368,464)	743,871	-	-
	<u>659,319</u>	<u>3,493,194</u>	<u>296,993</u>	<u>308,415</u>

# Notes to the Financial Statements

(Cont'd)



## 21. Tax expense (cont'd)

### Reconciliation of effective tax expense

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit for the year	3,274,001	1,980,227	627,438	641,723
Total tax expense	659,319	3,493,194	296,993	308,415
Profit excluding tax	<u>3,933,320</u>	<u>5,473,421</u>	<u>924,431</u>	<u>950,138</u>
Income tax using Malaysian tax rate of 26% (2007 : 27%)	1,022,663	1,477,824	240,352	256,537
Effect of lower tax rate for certain subsidiaries*	-	(19,507)	-	-
Effect of tax rates in foreign jurisdictions	(1,055,028)	(1,221,237)	-	-
Non-deductible expenses	479,817	522,420	49,235	51,878
Effect of deferred tax assets not recognised	261,858	34,951	-	-
Tax incentives	(95,612)	(217,325)	-	-
Effect of change in tax rate **	(65,102)	(62,644)	-	-
Other items	5,398	(36,994)	7,406	-
	<u>553,994</u>	<u>477,488</u>	<u>296,993</u>	<u>308,415</u>
Under provision in prior year	105,325	3,015,706	-	-
Tax expense	<u>659,319</u>	<u>3,493,194</u>	<u>296,993</u>	<u>308,415</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 26% for year assessment 2008 and 25% for the subsequent year of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

## 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 RM3,274,001 (2007 : RM1,980,227) and the weighted average number of ordinary shares outstanding during the year of 56,051,617 (2007 : 56,051,617).

### 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

Dividend recognised in last financial year by the Company was :

	Sen per share (net of tax)	Total amount RM	Date of payment
<b>2007</b>			
First and final ordinary	1.48	<u>829,564</u>	22 September 2008

After the balance sheet date the following dividend was proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM
First and final ordinary	1.50	<u>840,774</u>

## 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 (2007 : RM102,300,000) of which RM34,439,000 (2007 : RM33,565,000) were utilised as at balance sheet date.

## 25. Capital commitment - Group

	2008 RM	2007 RM
Contracted but not provided for in respect of property, plant and equipment within a year	<u>754,409</u>	<u>29,000</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.

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

Subsidiary - Rex Canning Co. Sdn. Bhd.

	2008 RM	2007 RM
Dividend income	<u>1,142,280</u>	<u>1,142,280</u>



# 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 tax assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and prepaid lease payments.

#### 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
	RM	RM	RM	RM	RM
<b>2008</b>					
Revenue from external customers by location of customers	65,664,247	63,947,651	16,638,054	27,924,925	174,174,877
Segment assets by location of assets	98,247,778	-	-	76,658,614	174,906,392
Unallocated assets	-	-	-	-	13,280,828
Total assets					188,187,220
Capital expenditure by location of assets	1,740,890	-	-	513,345	2,254,235
<b>2007</b>					
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)

## 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.

#### 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.

	Average effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM	More than 5 years RM
<b>Group</b>					
<b>2008</b>					
<b>Financial assets</b>					
Fixed deposits with a licensed bank	3.00	41,488	41,488	-	-
<b>Financial liabilities</b>					
Bank overdrafts - unsecured	8.25	445,186	445,186	-	-
Bankers' acceptances - unsecured	3.80	25,336,000	25,336,000	-	-
BBA	3.75	3,908,480	-	-	3,908,480
Term loans					
- Floating rate	6.50	8,472,574	8,472,574	-	-
Finance lease liabilities	2.10	1,406,992	395,451	1,011,541	-



# Notes to the Financial Statements

(Cont'd)



## 28. Financial instruments (cont'd)

Group	Average effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM	More than 5 years RM
<b>2007</b>					
<b>Financial assets</b>					
Fixed deposits with a licensed bank	3.00	41,488	41,488	-	-
<b>Financial liabilities</b>					
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	231,832	683,365	-

### Fair values

#### Recognised financial instruments

The carrying amount of cash and cash equivalents, receivables, payables and short term 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	2008 Carrying amount RM	2008 Fair value RM	2007 Carrying amount RM	2007 Fair value RM
<b>Financial liabilities</b>				
Finance lease liabilities	1,406,992	*1,406,992	915,917	*915,917
BBA	<u>3,908,480</u>	<u>*3,908,480</u>	<u>-</u>	<u>-</u>

\* 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.





# 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 30 to 67, are drawn up in accordance with the Companies Act, 1965 in Malaysia and Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2008 and of their financial performance 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 : 30 April 2009

## 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 30 to 67 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 30 April 2009.



.....  
**Lee Hee Thiam**

Before me :

Cheah Beng Sun, DJN, AMN, PKT, PJK, PTM, PK  
(No. P103)  
Pesuruhjaya Sumpah  
(Commissioner for Oaths)  
Penang.



# Independent Auditors' Report To The Members Of Rex Industry Berhad

(Company No. 282664 - K) (Incorporated in Malaysia)



## Report on the Financial Statements

We have audited the financial statements of Rex Industry Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 67.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.







# Independent Auditors' Report To The Members Of Rex Industry Berhad (Company No. 282664 - K) (Incorporated in Malaysia) (Cont'd)

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

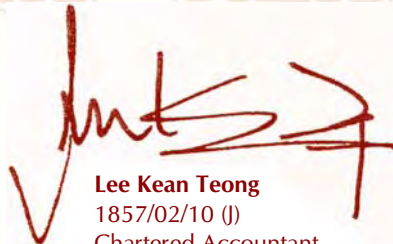
- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- c) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**KPMG**  
AF 0758  
Chartered Accountants



**Lee Kean Teong**  
1857/02/10 (J)  
Chartered Accountant

Date : 30 April 2009

Penang



# 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 (31.12.2008) (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 58 years remaining (41 years)	29, 125 (25,000) sq.ft	2,838,287
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 34 years remaining (23 & 18years)	1 acre (35,000) sq. ft	1,491,199
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 50 years remaining (10 years)	6 acres (261,571) sq. ft	16,914,433
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	127,956
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 81 years remaining (15 years)	(4,500) sq. ft	527,621
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	294,678
JL. Raya Beji Km 4 No 42 Beji, Pasuraun, Jawa Timur, Indonesia (P.T.Rex Canning)	Industrial Land with Factory		(252,207) sq. ft	2,522,446
Jiedong Economic Development Experimental Zone (Jie Yang Rex Foods)	Leasehold Land with Factory Expiry Date: 20/01/2046	50 years with 38 years remaining (12 years)	6.88 acres (299,693) sq. ft	4,133,149
Lot No. 59712 Mukim Petaling Daerah Petaling Negeri Selangor (Rex Canning)	Industrial Land with Factory Geran No. 72528		(2,000) sq. ft	718,859







# PREMIUM QUALITY FOODS

**REX CANNING CO. SDN. BHD. (13079-V)** (A Subsidiary of REX INDUSTRY BERHAD)  
Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang, Malaysia.  
Tel: 604-5088 288 Fax: 604-5088 670 Email: [rexcan@tm.net.my](mailto:rexcan@tm.net.my)



EST. NO. 86



# Proxy Form



REX INDUSTRY BERHAD

I/We \_\_\_\_\_  
(Full Name in Block Letter)

NRIC No. \_\_\_\_\_

of \_\_\_\_\_  
(Address)

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

\_\_\_\_\_ of \_\_\_\_\_  
(Full Name in Block Letter)

\_\_\_\_\_ of \_\_\_\_\_ or failing him  
(Address)

\_\_\_\_\_ of \_\_\_\_\_  
(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 Fifteenth Annual General Meeting of the Company, to be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, No.11 Lebuh Tenggara Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Tuesday, 30 June 2009 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		
5	Ordinary Resolution 6		
6	Ordinary Resolution 7		

(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 named proxy	_____ %	No. of Shares Held
Second named proxy	_____ %	
	_____ 100%	

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009

\_\_\_\_\_  
Signature of Members

## Notes :-

1. 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. For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Pulau Pinang, not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.
4. Where a member appoints up to two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. 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.
6. If the appointor is a corporation, this form must be executed under its Common 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  
Penang  
Malaysia





REX INDUSTRY BERHAD  
[202664K]



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