REX

REX INDUSTRY BERHAD
(282664-K)

CONTENT

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting of Rex Industry Berhad will be held at Semangkok, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Prai, Penang on Friday, 26 June 2015 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. — Please refer to Note 1

2. To approve the payment of Directors' fees of RM137,398/- for the financial year ended 31 December 2014. — Ordinary Resolution 1

3. To re-elect the following Directors who are to retire in accordance with Article 64 of the Company's Articles of Association and being eligible, had offered themselves for re-election:-
   (a) Lee Soo Keat — Ordinary Resolution 2
   (b) Lee Hee Thiam — Ordinary Resolution 3

4. To re-elect the following Directors who are to retire in accordance with Article 69 of the Company's Articles of Association and being eligible, had offered themselves for re-election:-
   (a) Ong Choon Wah — Ordinary Resolution 4
   (b) Darmendran A/L Kunaretnam — Ordinary Resolution 5
   (c) Chee Cheng Chun — Ordinary Resolution 6
   (d) Tai Keat Chai — Ordinary Resolution 7

5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. — Ordinary Resolution 8

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions with or without modifications:

6. **Proposed Retention of Independent Non-Executive Director** — Ordinary Resolution 9

   "THAT approval be and is hereby given to Encik Mohd Faisal Izan Bin Abdul Latiff who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012."

7. **Continuation in Office as Director of the Company** — Ordinary Resolution 10

   "THAT Tan Sri Dato' Mohd Ibrahim bin Mohd Zain who is to retire at the conclusion of this Annual General Meeting pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting."

8. **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965** — Ordinary Resolution 11

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time upon such terms and conditions and for such purposes and to such person or persons as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

9. To consider any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Yeow Sze Min (MAICSA 7065735)
Joint Company Secretaries

Date: 29 May 2015

Notes:

1. This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not stipulate that approval of the members is required for the Audited Financial Statements, and hence, this agenda item is not put forward for voting.

2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. For the proxy to be valid, the proxy form duly completed must be deposited at the Company's Registered Office at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

4. A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act,1991 ("SICDA") it may appoint at least one (1) 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. Where a member of the Company is an Exempt Authorised Nominee which hold ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an additional nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.

7. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 78(3) of the Articles of Association of the Company and Section 34(1) of the SICDA to issue a General Meeting and Record of Depositors ("ROD") as at 19 June 2015 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Explanatory Notes to Special Business:

1. Ordinary Resolution 9 : Proposed Retention of Independent Non-Executive Director

The above is on the retention of Encik Mohd Faisal Izan Bin Abdul Latiff as Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012. Although having served the Company for a cumulative nine (9) years, the Board of Directors is of the opinion that Encik Mohd Faisal Izan Bin Abdul Latiff met the criteria of Independent Director as defined in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Also, the Board had assessed that he has performed his duties diligently and in the best interest of the Company and have provided independent opinion and judgment as well as broader views and balanced assessment to the proposals from the Management with his diverse experience and expertise. The Board therefore recommends that he should be retained as an Independent Non-Executive Director.

Explanatory Notes to Special Business: (continued)

2. **Ordinary Resolution 10 : Continuation in Office as Director of the Company**

   The above is on the re-appointment of Tan Sri Dato' Mohd Ibrahim bin Mohd Zain as Director of the Company in accordance with Section 129 of the Companies Act 1965. Tan Sri Dato' Mohd Ibrahim bin Mohd Zain's experience and credentials together with his vast knowledge and experience in related fields will continue to bring vast benefits to the Group.

3. **Ordinary Resolution 11 : Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

   The above is in relation to the renewal of the general mandate given to the Directors of the Company to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 as approved by the Shareholders at the Twentieth Annual General Meeting ("AGM") held on 30 June 2014. The Ordinary Resolution 11, if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company up to an amount not exceeding 10% of the Company's issued capital for the time being. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company or the period within which the next AGM of the Company is required by law to be held whichever is the earlier. The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions as well as to avoid any delay and cost in convening general meetings to specifically approve such an issuance of shares. As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM which will lapse at the conclusion of the forthcoming AGM to be held on 26 June 2015.

BOARD OF DIRECTORS

- Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain - CHAIRMAN
- Darmendran Kunaretnam
- Ong Choon Wah
- Lee Sew Keng
- Lee Hee Thiam
- Mohd Faisal Izan Bin Abdul Latiff
- Lee Soo Keat
- Chee Cheng Chun
- Tai Keat Chai

COMPANY SECRETARIES

- Chua Siew Chuan (MAICSA 0777689)
- Yeow Sze Min (MAICSA 7065735)

AUDIT COMMITTEE

- Tai Keat Chai – CHAIRMAN
- Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain
- Mohd Faisal Izan Bin Abdul Latiff

REMUNERATION COMMITTEE

- Darmendran Kunaretnam - CHAIRMAN
- Mohd Faisal Izan Bin Abdul Latiff
- Lee Hee Thiam

NOMINATION COMMITTEE

- Mohd Faisal Izan Bin Abdul Latiff – CHAIRMAN
- Lee Hee Thiam
- Chee Cheng Chun
- Tai Keat Chai

AUDITORS

- KPMG, Penang

BANKERS

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

SOLICITORS

- KC Lee & Partners

REGISTERED OFFICE

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

REGISTRARS

- Securities Services (Holdings) Sdn Bhd
  Level 7, Menara Milenium,
  Jalan Damanlela,
  Pusat Bandar Damansara,
  Damansara Heights,
  50490 Kuala Lumpur,
  Wilayah Persekutuan.
  Tel : 603 2084 9000
  Fax : 603 2094 9940

STOCK EXCHANGE LISTING

- Main Market of the Bursa Malaysia Securities Berhad

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain
Independent Non-Executive Director, Chairman

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, aged 72, a Malaysian, is the Chairman of the Company and member of the Audit Committee. He was appointed to the Board of the Company on 30 June 2014.

Tan Sri Dato' Mohd Ibrahim is a graduate from the British Institute of Management and Institute of Marketing, United Kingdom, and holds a Master in Business Administration from the University of Ohio in the United States of America.

Upon Tan Sri Dato' Mohd Ibrahim's graduation in 1965, he joined University Technology MARA (formerly known as Institute of Technology MARA) as a lecturer where he was later appointed as a Council member/ Director, a position which he held until October 2006.

Previously, Tan Sri Dato' Mohd Ibrahim had served as Chief Executive Officer of Amanah International Finance Berhad, Amanah Chase Merchant Bank Berhad and Oriental Bank Berhad, Chairman and as Chief Executive Officer of Setron (Malayisa) Berhad, Chairman of Bank Kerjasama Rakyat (M) Berhad, Bescorp Industries Berhad, Pan Malaysia Industries Berhad, Pan Malaysian Holdings Berhad, Pan Malaysia Capital Bhd, Chemical Company of Malaysia Berhad and Kawan Food Berhad, Deputy Chairman of Metrojaya Berhad and Director of K & N Kenanga Holdings Bhd and AMMB Holdings Berhad.

Currently, Tan Sri Dato' Mohd Ibrahim's directorships in other public listed companies include Censof Holdings Berhad and Brahims Holdings Berhad.

Tan Sri Dato' Mohd Ibrahim attended three (3) Board Meetings held during the financial year ended 31 December 2014.

Darmendran Kunaretnam
Non-Independent Executive Director

Mr. Darmendran Kunaretnam, aged 53, a Malaysian, was appointed to the Board of the Company on 3 March 2015 as the Group Managing Director. He is also the Chairman of the Remuneration Committee.

Mr. Darmendran graduated from Universiti Kebangsaan Malaysia with a Business Degree majoring in Accounting. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He spent ten (10) years as a Group Manager in the Audit Division of an international public accounting firm from 1985 to 1995.

Mr. Darmendran joined Gold Bridge Engineering & Construction Berhad ("Gold Bridge") as the General Manager of Finance and Corporate Planning Division in 1996 and successfully listed Gold Bridge on the Main Market of Bursa Malaysia Securities Berhad. He went on to restructure and list Safeguards Corporation Berhad ("Safeguards") on Bursa Malaysia Securities Berhad in June 1997. He was later appointed to the Board of Safeguards in August 1997. In 2007, he together with his partner took Safeguards private.

Subsequently, Mr. Darmendran was appointed as the Chief Financial Officer for Kejuruteraan Samudra Timur Berhad ("KSTB") and its group of subsidiaries prior to being appointed to the Board of KSTB as a Non-Executive Director on 26 February 2009. He was re-designated to Executive Director on 24 August 2009 and continues to hold this position till present.

Mr. Darmendran did not attend any Board Meeting held during the financial year ended 31 December 2014 as he was only appointed to the Board on 3 March 2015.

Ong Choon Wah
Non-Independent Executive Director

Mr. Ong Choon Wah, aged 50, a Malaysian, was appointed to the Board of the Company on 1 September 2014. He is the Chief Executive Officer of the Company.

Mr. Ong graduated with a Bachelor of Industrial Technology from University of Science Malaysia. He further obtained his Master in Business Administration (International Business) from University of East London.

Mr. Ong brings with him over 25 years extensive industrial experience in production, research and development, and general management with fast moving consumer goods companies, having worked in well established FMCG companies including Nestle and F&N. He worked more than 15 years with Nestle Foods Malaysia and was trained in many countries including Switzerland. At Nestle, he was instrumental in improving plant capacity and efficiency without significant investment. He also played active roles in product quality improvement, and the training and development program for the staff. Prior to joining the Company, he was the General Manager of Corporate Research & Development and Technical (Dairy) at F&N.

He attended one (1) Board Meeting held during the financial year ended 31 December 2014.

Lee Sew Keng
Non-Independent Executive Director

Mdm. Lee Sew Keng, aged 59, a Malaysian, was appointed to the Board of the Company on 26 August 1995.

Mdm. Lee has been with Rex Canning Co Sdn Bhd since 1978. She worked her way up from the production floor and has very good knowledge of the internal operations 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.

Mdm. Lee attended all six (6) Board Meetings held during the financial year ended 31 December 2014.

Lee Hee Thiam
Non-Independent Non-Executive Director

Mr. Lee Hee Thiam, aged 57, a Malaysian, was appointed to the Board of the Company on 26 August 1995. He has been the Group Managing Director of the Company since 26 August 1995 to September 2011. He is a member of the Remuneration Committee and the Nomination Committee.

After obtaining his Degree in Accountancy and Masters in Finance from Louisiana State University in United States of America, he joined Rex Canning Co Sdn Bhd in 1983. He was the General Manager of Rex Canning Co Sdn Bhd from 1985 being assuming as Managing Director of the same company from 1990. 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.

Mr. Lee Hee Thiam attended all six (6) Board Meetings held during the financial year ended 31 December 2014.

Mohd Faisal Izan Bin Abdul Latiff
Independent Non-Executive Director

Encik Mohd Faisal Izan Bin Abdul Latiff, aged 43, a Malaysian, was appointed to the Board of the Company on 22 April 1996. He was appointed the Independent Non-Executive Chairman of the Company from 28 November 2013 to 30 June 2014 prior to his redesignation. He is the Chairman of Nomination Committee, and a member of the Remuneration Committee and the Audit Committee.

Encik Mohd Faisal Izan graduated from United Kingdom with a Bachelor of Accounting and Management Control. He is currently executive directors of several private limited companies.

Encik Mohd Faisal Izan attended five (5) Board Meetings held during the financial year ended 31 December 2014.

Lee Soo Keat
Non-Independent Non-Executive Director

Mr. Lee Soo Keat, aged 39, a Malaysian, was appointed to the Board of the Company on 9 March 2010. He was the marketing officer for Rex Canning Co Sdn Bhd from 2001 to 2002 and the manager of Fika Foods Corporation Sdn Bhd from 2002 to 2013.

Mr. Lee Soo Keat graduated from Southern Illinois University in the United States of America with a Bachelor of Marketing and Management. He also sits on the Board of the Company's subsidiaries and several other private limited companies.

Mr. Lee Soo Keat attended five (5) Board Meetings held during the financial year ended 31 December 2014.

Chee Cheng Chun
Non-Independent Non-Executive Director

Mr. Chee Cheng Chun, aged 30, a Malaysian, was appointed to the Board of the Company on 3 March 2015. He is a member of Nomination Committee.

Mr. Chee graduated from Imperial College, London with a Master of Engineering in Aeronautical Engineering. He worked as Business Development Manager in Kejuruteraan Samudra Timur Berhad ("KSTB") before he was appointed to the Board of KSTB. Currently, he still holds directorship in KSTB.

Mr. Chee did not attend any Board Meeting held during the financial year ended 31 December 2014 as he was only appointed to the Board on 3 March 2015.

Tai Keat Chai
Independent Non-Executive Director

Mr. Tai Keat Chai, aged 61, a Malaysian, was appointed to the Board of the Company on 6 March 2015. He is the Chairman of the Audit Committee and a member of the Nomination Committee.

Mr. Tai is a Chartered Accountant and a member of the Malaysian Institute of Accountants. He began his career with KPMG in London and PWC in Kuala Lumpur. In 1981, he joined Alliance Investment Bank Berhad for seven (7) years before venturing into stock-broking, working with SJ Securities Sdn Bhd, AA Anthony Securities Sdn Bhd and Kenanga Investment Bank Berhad as General Manager, Director and dealer's representative respectively.

Currently, Mr. Tai is a Director of four (4) other public listed companies i.e., Silk Holdings Berhad, Omesti Berhad, Microlink Solutions Berhad and CLIQ Energy Berhad.

Notes

:

i)

Name of Director	Family Relationships	Convictions for Offences within the past 10 years other than Traffic Offences
1. Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain	None	None
2. Darmendran Kunaretnam	None	None
3. Ong Choon Wah	None	None
4. Lee Sew Keng	Sister of Lee Chai Seng, Lee Hee Thiam, Lee Hee Hong and Lee Siew Boy	None
5. Lee Hee Thiam	Brother of Lee Chai Seng, Lee Hee Hong, Lee Sew Keng and Lee Siew Boy	None
6. Mohd Faizal Izan Bin Abdul Latiff	None	None
7. Lee Soo Keat	Son of Lee Chai Seng	None
8. Chee Cheng Chun	None	None
9. Tai Keat Chai	None	None

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

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

The Board of Directors (the "Board") continues to be committed in promoting and maintaining good standards of corporate governance practices in line with the Malaysian Code on Corporate Governance 2012 (the "Code") in managing the business affairs of the Group to protect and enhance sustainable shareholders' value and the financial performance of the Group as well as the stakeholders' interests. The Board performs its duties and responsibilities based on the spirit and principles of the Code to ensure high standards of transparency, accountability, integrity and compliance in managing the business affairs of the Group.

The Board is pleased to set out below the insight of application of the principles and compliance with the recommendations as laid down in the Code by the Group throughout the financial year ended 31 December 2014 and up to the date of this Annual Report.

1. BOARD OF DIRECTORS

1.1 Board Composition

The Board presently has nine (9) members comprising three (3) Non-Independent Executive Directors, three (3) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The Chairman of the Company is an Independent Non-Executive Director. The Board views that the current Board's composition represents a proper balance.

The Directors collectively have a diverse wealth of qualifications, experiences as well as skills and knowledge in areas ranging from economics, finance, accounting, engineering, banking, marketing, corporate to general management. The profiles of the Directors are provided on pages 6 to 8 of this Annual Report.

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 Executive Directors and/or Chief Executive Officer, the Board is of the opinion that such nomination is not necessary.

1.2 Duties and Responsibilities

The Board has the overall responsibility for the stewardship of the business and affairs of the Group. The Board is responsible for establishing corporate goals, strategic direction, corporate governance and overseeing the investment and management of the business affairs of the Group. The Board is committed to assume the following six (6) principal responsibilities specified in the Code when discharging its leadership responsibilities:-

- Reviewing and adopting a strategic plan for the Company and the Group;
- Overseeing the overall conduct of the Company's business and that of the Group;
- Identifying principal risks and ensuring the implementation of appropriate systems of internal control to manage these risks;
- Reviewing the adequacy and integrity of internal control systems and management information systems in the Company and within the Group;
- Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.

The Independent Non-Executive Directors are committed in upholding business integrity and exercising their independent judgement while the Executive Directors are responsible for making and implementing operational and corporate decisions as well as day-to-day management of the business and operations of the Group. There is a clear division of responsibilities between the executive and non-executive functions to ensure effectiveness of the decision making process of the Board.

The roles of the Chairman and the Executive Directors are not combined to have a clear division of responsibilities at the head of the Company for independency and to ensure a balance of power and authority with no unfettered powers of decision by a single individual.

The Board is led by Tan Sri Dato' Mohd Ibrahim bin Mohd Zain as Independent Non-Executive Chairman and the executive management of the Company is led by Darmendran Kunaretnam, the Group Managing Director / Non-Independent Executive Director who is supported by Ong Choon Wah, the Chief Executive Officer / Non-Independent Executive Director.

The Board is assisted by the Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee in discharging specific responsibilities delegated to these Board Committees. The functions and terms of reference of these Board Committees are further elaborated in item 2 below.

1. BOARD OF DIRECTORS (continued)

1.3 Board Meetings and Directors' Access to Information and Advice

At least four (4) Board meetings will be held annually, each meeting normally scheduled to be held within two (2) months after the end of each financial quarter to consider and approve the quarterly financial results and to review operational performance and corporate development of the Group. Additional meetings may be convened as and when deemed necessary by the Board.

The Board met six (6) times during the financial year ended 31 December 2014 on 26 February 2014, 23 April 2014, 27 May 2014, 30 June 2014, 18 August 2014 and 6 November 2014 with the following record of attendance: -

Name	No. of meetings attended
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain *(Chairman)(appointed on 30 June 2014*	3 of 3
Mohd Faisal Izan bin Abdul Latiff	5 of 6
Lee Hee Thiam	6 of 6
Lee Sew Keng	6 of 6
Lee Soo Keat	5 of 6
Ong Choon Wah (appointed on 1 September 2014)	1 of 1
Darmendran Kunaretnam (appointed on 3 March 2015)	N/A
Chee Cheng Chun (appointed on 3 March 2015)	N/A
Tai Keat Chai (appointed on 6 March 2015)	N/A
Lee Chak Hiang (resigned on 30 June 2014)	2 of 4
Lee Hee Hong (resigned on 31 August 2014)	4 of 5
Lee Siew Boy (resigned on 3 March 2015)	6 of 6
Ameer bin Shaik Mydin (resigned on 3 March 2015)	5 of 6
Tang Yin Kham (resigned on 6 March 2015)	6 of 6

N/A - Not applicable as the Director was appointed subsequent to the financial year under review.

All the meetings were held at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tenga, Penang except the meeting on 30 June 2014, which was held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, Penang.

The Directors are provided with an agenda of business to be discussed and deliberated and a set of Board papers containing information relevant to the business of the meeting prior to each Board meeting to be convened in order for the Directors to have relevant information well beforehand to enable them to review the matters to be deliberated and make an informed and effective decision in the meeting. The principal matters discussed at Board meetings include the Group's financial results, business performance and corporate development updates, strategic direction and investment for the Group as well as other matters requiring attention and approval of the Board. The Directors have unrestricted access to timely, relevant and accurate information, which is not only confined to quantitative but also other qualitative information as required, in discharging their duties.

The Directors have access to the advice and services of the Company Secretaries who are experienced, competent and knowledgeable on laws and regulations, as well as directives issued by the regulatory authorities. The Directors also have access to the senior management and may seek independent professional advice at the Company's expense on specific issues, if necessary to enable the Directors to discharge their duties effectively and efficiently.

The Company Secretaries are responsible for ensuring the Board meeting procedures are followed and that applicable rules and regulations are complied with. The Company Secretaries update the Directors on any new changes to the statutory or regulatory requirements concerning their duties and responsibilities as well as general statutory compliances whenever the changes arise.

1. BOARD OF DIRECTORS (continued)

1.4 Appointment and Re-election

The Board appoints its members through a formal and transparent selection process that is consistent with the Articles of Association of the Company with recommendation of the Nomination Committee. The Nomination Committee is entrusted with the responsibility of making recommendations to the Board for appointment of Directors to the Board and members to the Board Committees. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory obligations are met. Appointment of Executive Directors is on contract basis and their re-appointment is subject to review and their contract is subject to renewal upon its expiry.

In accordance with the Company's Articles of Association, one third (1/3) of the Directors including the Managing Director shall retire from office at least once in every three (3) years and shall be eligible for re-election at each Annual General Meeting ("AGM"). Directors appointed during the year are subject to retirement and re-election by the shareholders at the next AGM held following their appointment. Directors who have attained or are over seventy (70) years of age are subject for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

The Nomination Committee would review and make recommendation to the Board for approval any new appointment of Directors and key management staff taking into consideration the Group's operational needs, the mix of skills, knowledge, expertise, experience, professionalism, and integrity of the nominee to be recommended for appointment as Director or key management staff.

1.5 Directors' Training

All Directors have attended and successfully completed Bursa Malaysia Securities Berhad ("Bursa Securities")'s Mandatory Accreditation Programme ("MAP") in compliance with the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"). It is mandatory for any new Director to be appointed in a listed company to attend the MAP.

The Directors on their own also attended Continue Education Programmes ("CEP") in year 2014 which were organized by Inland Revenue Department, Federation of Manufactures of Malaysia, Royal Malaysia Customs Department and private training consultants.

Directors who have not attended any training courses due to work and business commitments during the financial year will make great effort to attend trainings, seminars and/or conferences to update their knowledge in their areas of expertise and to keep abreast with the development in the industry and the regulations of the relevant authorities.

The Directors will continue to undergo relevant education programmes and trainings as they may deem necessary to enhance their skills and knowledge and also keep them abreast with the developments in the industry, business environment, market and regulatory changes in which the Group operates that are essential to contribute to the development of the Group and to effectively carry out their duties and responsibilities as Directors apart from complying with the continual training as required by the Listing Requirements.

The Board also received updates and were also briefed during Board meetings from time to time, particularly on regulatory and statutory developments relating to the duties and responsibilities of Directors as well as compliances affecting the Group. Apart from that, briefing on the operations performance of the Group in Board meetings held on quarterly basis and visits to the operational sites have also equipped the Directors with a thorough understanding of the Group's operations.

1. BOARD OF DIRECTORS (continued)

1.6 Directors' Remuneration

The aggregate remuneration of the Directors categorised into the respective components in respect of the financial year ended 31 December 2014 are as follows: -

	Fees	Salaries & Bonus	Others	Total
	RM'000	RM'000	RM'000	RM'000
Group				
Executive Directors	-	447	-	447
Non-Executive Directors	137	-	7	144
Non-Executive (Past Directors)]	104	370	7	517

Total remuneration of Directors in respect of the financial year ended 31 December 2014, in bands of RM50,000 is tabulated below:

	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	-	7
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	2	
RM200,001 – RM250,000	1	
RM250,001 – RM300,000	1	

Notes :
Include remuneration to two former Executive Directors who left the Company on 30 June 2014 and 31 August 2014.

Non-Executive Directors are paid Directors' fees and meeting allowance for attending meetings.

The Remuneration Committee reviews the payment of Directors' fees for Non-Executive Directors annually and proposes to the Board for recommendation to the shareholders for approval at every AGM. The remuneration packages for Directors are fixed based on industry practice as the benchmark and the remuneration package for Executive Directors is structured so as to link to corporate and individual performance. Executive Directors are employed on contract basis and their remuneration package is subject to review and recommendation by the Remuneration Committee and approval by the Board upon renewal of their contract.

1.7 Performance assessment

The Board carries out assessment on the performance and effectiveness of the Board as a whole and the Board Committees on annual basis with the assistance of the Nomination Committee through a formal assessment mechanism. The contribution of each individual Director is reviewed and assessed through the Board's performance as a whole.

The respective Board Committees carry out performance assessment of its members in the Committees and the result of assessment would be tabled to the Nomination Committee for review and reporting to the Board.

From this annual performance assessment, the Board would also be able to review and assess the required mix of skills and experience and other qualities including core competencies which the members of the Board should bring to the Board on an annual basis.

1. BOARD OF DIRECTORS (continued)

1.8 Tenure of Independent Director

One of the recommendations of the Code states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. During the annual assessment, the Nomination Committee and the Board have determined that Mohd Faisal Izan bin Abdul Latiff who has served the Board for more than nine (9) years, remains objective and independent in expressing his views and in participating in the deliberations and decision making of the Board and the Board Committees. The length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interest of the Company.

The Board is satisfied with the skills, contribution and independent judgement that Mohd Faisal Izan bin Abdul Latiff brings to the Board. In view thereof, the Board recommends and supports his retention as Independent Non-Executive Director of the Company which will be tabled for shareholders' approval at the forthcoming AGM of the Company.

1.9 Board Charter and Code of Conduct

The Board is cognizant of the need to have a reference point, through a Board Charter to guide the Board activities as recommended by the Code. Accordingly, the Board has initiated necessary steps to draft, consider and finalise such Board Charter to allow clear definition of the roles of the Board, Board Committee and Management so that there is a structured guide with regard to the various responsibilities including the need for Directors to carry out their leadership and supervisory role and in discharging their duties towards the Group and the Board.

1.10 Gender Diversity

The Board does not have any gender diversity policy. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based strictly on merit and are not driven by any racial or gender bias.

2. COMMITTEES

2.1 Board Committees

The Board had delegated and entrusted certain responsibilities and duties to the following Board Committees that operate within clearly defined terms of reference. All the Committees listed below do not have executive power but report to the Board on all matters considered and their recommendations thereon.

2.2 Audit Committee

The Audit Committee presently comprises three (3) Independent Non-Executive Directors as follows: -

a) Tai Keat Chai *(Chairman)*
b) Tan Sri Dato' Mohd Ibrahim bin Mohd Zain *(Member)*
c) Mohd Faisal Izan bin Abdul Latiff *(Member)*

The Audit Committee's terms of reference amongst others include the review of the Group's quarterly and financial year-end results, review of any major audit findings raised by the external auditors and management reports thereon, review of the internal audit reports by the internal auditors and review of the recurrent related party transactions or any related party transactions. Details of the terms of reference of the Audit Committee and the activities carried out by the Audit Committee during the financial year under review are disclosed in the Audit Committee Report on pages 17 to 20 of this Annual Report.

At each Audit Committee meeting held to review the Group's quarterly and financial year-end results, besides the members of the Audit Committee, representatives of the internal and external auditors and other Directors and employees of the Group may attend the meeting at the invitation of the Audit Committee.

2. COMMITTEES (continued)

2.3 Remuneration Committee

The Remuneration Committee comprises one (1) Independent Non-Executive Director, one (1) Non-Independent Non-Executive Director and one (1) Non-Independent Executive Director as follows: -

a) Darmendran Kunaretnam (Chairman) (Non-Independent Executive Director)
b) Mohd Faisal Izan bin Abdul Latiff (Member) (Independent Non-Executive Director)
c) Lee Hee Thiam (Member) (Non-Independent Non-Executive Director)

The Remuneration Committee's primary responsibilities are to recommend to the Board the remuneration package and the terms of employment of each Executive Director. The Remuneration Committee would also review and recommend the fees payable to the Non-Executive Directors but the determination of fees payable to Non-Executive Directors will be a matter of the Board as a whole and subject to the approval of the shareholders at every AGM. A Director shall not participate in the decision on his own remuneration package.

The component parts of Non-Independent Executive Directors' remuneration are based on corporate performance and individual responsibilities. Independent Non-Executive Directors' remuneration is based on fixed Directors' fees and meeting allowance for their attendance in meetings.

The Remuneration Committee met three (3) during the financial year ended 31 December 2014 with the following record of attendance: -

Name	No. of meetings attended
Mohd Faisal Izan bin Abdul Latiff	3 of 3
Lee Hee Thiam	3 of 3
Darmendran Kunaretnam (appointed on 3 March 2015)	N/A
Tang Yin Kham (resigned on 6 March 2015)	3 of 3

N/A - Not applicable as the Director was appointed subsequent to the financial year under review.

During the said financial year, the Remuneration Committee carried out the following activities in accordance with its terms of reference:-

i) Reviewed the Directors' fees in respect of the financial year ended 31 December 2014;
ii) Reviewed and recommended the remuneration package for service contract of Chief Executive Officer and Non-Independent Executive Directors;
iii) Reviewed and recommended the bonus payment to the Chief Executive Officer and Non-Independent Executive Directors; and
iv) Reviewed and recommended the revision of the Terms of Reference for Remuneration Committee.

2.4 Nomination Committee

The Nomination Committee comprises two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors as follows: -

a) Mohd Faisal Izan bin Abdul Latiff *(Chairman) (Independent Non-Executive Director)*
b) Lee Hee Thiam *(Member) (Non-Independent Non-Executive Director)*
c) Chee Cheng Chun *(Member) (Non-Independent Non-Executive Director)*
d) Tai Keat Chai *(Member) (Independent Non-Executive Director)*

2. COMMITTEES (continued)

2.4 Nomination Committee (continued)

The Nomination Committee is responsible for recommending to the Board all directorships to be filled and to ensure that the Board has the appropriate balance and size, and the required mix of skills and experience and other core competencies; and recommends the appointment of new Directors and key management staff to the Board. The Nomination Committee would also assess and review the performance and effectiveness of the Board as a whole and the Committees of the Board on annual basis through a formal assessment mechanism. The contribution of each individual Director is reviewed and assessed through the Board's performance as a whole.

Performance assessment exercise via peers' assessment questionnaires of the Board and the Board Committees for the financial year ended 31 December 2014 was carried out and completed.

The Nomination Committee met five (5) times during the financial year ended 31 December 2014 with the following record of attendance: -

Name	No. of meetings attended
Mohd Faisal Izan bin Abdul Latiff	4 of 5
Lee Hee Thiam	5 of 5
Chee Cheng Chun (appointed on 3 March 2015)	N/A
Tai Keat Chai (appointed on 6 March 2015)	N/A
Ameer bin Shaik Mydin (resigned on 3 March 2015)	4 of 5
Tang Yin Kham (resigned on 6 March 2015)	5 of 5

N/A - Not applicable as the Director was appointed subsequent to the financial year under review.

During the said financial year, the Nomination Committee carried out the following activities in accordance with its terms of reference: -

i) Reviewed and recommended the re-election and re-appointment of Directors at 2013 AGM;
ii) Reviewed and recommended the retention of Independent Non-Executive Directors;
iii) Reviewed and assessed Independency of the Independent Directors;
iv) Reviewed the revised Term of Reference of the Nomination Committee;
v) Reviewed and recommended the bonus payment to the Chief Executive Officer and Non-Independent Executive Directors; and
vi) Reviewed and assessed 2014 annual performance of the Board and Committees.

3. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board acknowledges the obligation of communication with its shareholders and stakeholders. This is affected through announcements of quarterly financial results, Annual Reports, AGMs, Extraordinary General Meeting, circulars as well as various public announcements made by the Company through Bursa Securities from time to time. These information and documents can be obtained via Bursa Securities website at www.bursamalaysia.com.

Public announcements and quarterly financial results released by the Company provide the shareholders, including public investors and other stakeholders, with an overview of the Group's financial and business performance. The shareholders have the opportunity to participate in discussion with the Board on matters relating to the Group's operations and performance at the Company's AGM. The shareholders are encouraged to participate in the open question and answer session during the AGM. Shareholders are notified of the AGM and provided with a copy of the Company's Annual Report at least twenty-one (21) days before the AGM in order for them to have sufficient time to read and understand the Company's financial and non-financial performance before the actual event takes place. Any enquiries relating to corporate matters may be directed to this dedicated email address at rex@rex.net.my.

The Board notes that the Code encourages poll voting. In line with the recommendation the Chairman will inform the shareholders of their right to demand a poll vote at the commencement of the general meeting.

4. UPHOLD INTEGRITY IN FINANCIAL REPORTING

4.1 Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements of the Company are prepared in accordance with the provisions of the Companies Act, 1965 and applicable Malaysian Financial Reporting Standards so as to give a true and fair view of the state of affairs and the results of the Company and of the Group.

In preparing these financial statements, the Directors have considered the presentation of the financial statements and ensured that appropriate accounting policies have been adopted and applied consistently and where judgements and estimates were made, they were based on prudence and reasonableness.

The Directors are responsible for causing to be kept such accounting and other records that will sufficiently explain the transactions and financial position of the Company and enable true and fair financial statements to be prepared.

The Directors also have the general responsibility of taking appropriate steps available to them in safeguarding the assets of the Group and in preventing and detecting fraud and other irregularities.

4.2 Financial Reporting

The Board is responsible for ensuring accurate and timely announcements of quarterly financial results and annual financial statements are made and that they represent a fair assessment of the Group's position and prospects. The Audit Committee assists by scrutinising the information to be disclosed, to ensure accuracy and adequacy. The Group financial statements are presented on pages 31 to 88 of this Annual Report.

A statement by Directors of their responsibility in preparing the financial statements is set out in item 4.1 above.

4.3 External Audit

The Company's independent external auditors provide an essential role to the shareholders by enhancing the reliability of the financial statements of the Company and of the Group and provide assurance of that reliability to users of these financial statements. The external auditors may report any significant weaknesses and recommend improvements, in the Company's system of control and compliance, which may arise during the course of the audit, to the attention of the management, and if necessary, to the Audit Committee and the Board.

4.4 Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. The Audit Committee meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements without the presence of the Executive Directors and management. The Audit Committee also meets with the external auditors additionally whenever it deems necessary. In addition, the external auditors are invited to attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

5. RECOGNISE AND MANAGE RISKS

5.1 Risk Management and Internal Control

The Board is overall responsible for the maintenance of a sound system of risk management and internal control that supports effective and efficient operations and compliance with laws and regulations. The Statement on Risk Management and Internal Control is set out on pages 21 to 22 of this Annual Report.

6. COMPLIANCE STATEMENT

The Board is overall responsible for the maintenance of a sound system of risk management and internal control that supports effective and efficient operations and compliance with laws and regulations. The Statement on Risk Management and Internal Control is set out on pages 21 to 22 of this Annual Report.

1. MEMBERS OF THE COMMITTEE

Tai Keat Chai	-	*Chairman, Independent Non-Executive Director (appointed as Director on 6 March 2015; appointed as Chairman of Audit Committee on 27 April 2015)*
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	-	*Independent Non-Executive Director (appointed 30 June 2014; re-designated from Chairman to Member of Audit Committee on 27 April 2015)*
Mohd Faisal Izan bin Abdul Latiff	-	*Independent Non-Executive Director*
Tang Yin Kham	-	*Independent Non-Executive Director (resigned on 6 March 2015)*
Ameer bin Shaik Mydin	-	*Independent Non-Executive Director (resigned on 3 March 2015)*

The Audit Committee was established pursuant to a resolution passed by the Board of Directors on 29 February 1996.

2. MEETING ATTENDANCE

The members of the Audit Committee met five (5) times during the financial year ended 31 December 2014 on 26 February 2014, 23 April 2014, 27 May 2014, 18 August 2014 and 6 November 2014 and details of attendance of each member are as follows: -

Name	Designation	No. of meetings attended out of no, of meetings held
Tai Keat Chai (appointed on 6 March 2015)	Chairman, Independent Non-Executive Director	N/A
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain (appointed on 30 June 2014)	Member, Independent Non-Executive Director	2 of 2
Mohd Faisal Izan bin Abdul Latiff	Member, Independent Non-Executive Director	4 of 5
Tang Yin Kham (resigned on 6 March 2015)	Member, Independent Non-Executive Director	5o f 5
Ameer bin Shaik Mydin (resigned on 3 March 2015)	Member, Independent Non-Executive Director	4 of 5

N/A - Not applicable as Tai Keat Chai was appointed subsequent to the financial year under review.

All the meetings were held at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang.

3. SUMMARY OF TERMS OF REFERENCE

3.1 Composition of members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) Non-Executive Directors. The majority of the Audit Committee members shall be Independent Directors.

All members of the Audit Committee shall be financially literate and at least one (1) member must be:-

a) a member of the Malaysian Institute of Accountant ("MIA"); or

b) if he is not a member of MIA, he must have at least three (3) years of working experience and:

   i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
   ii) he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

c) fulfils such other requirements as prescribed or approved by Bursa Securities.

The Chairman of the Audit Committee shall be an independent non-executive Director. No alternate director of the Board shall be appointed as a member of the Audit Committee.

3. SUMMARY OF TERMS OF REFERENCE (continued)

3.1 Composition of members (continued)

Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

3.2 Term of Office

The Board of Directors of the Company shall review the term of office and performance of the Audit Committee and each of its members at least once in every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

3.3 Quorum and Audit 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 them.

The Company Secretary shall be appointed Secretary of the Audit 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.

3.3 Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company: -

a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.

b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.

c) obtain, at the expense of the Company, independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

3.4 Duties of the Audit Committee

The duties and responsibilities of the Audit Committee are as follows:-

a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

3. SUMMARY OF TERMS OF REFERENCE (continued)

3.4 Duties of the Audit Committee (continued)

b) To put in place the policy and procedures to assess the suitability and independence of external auditors;

c) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved;

d) To review with the external auditors their evaluation of the system of internal controls and audit report;

e) To review the quarterly and year-end financial statements of the Group, focusing particularly on: -

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

f) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary);

g) To review the external auditors' management letter and management's response;

h) To do the following, in relation to the internal audit function: -

- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

i) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

j) To report its findings on the financial and management performance, and other material matters to the Board;

k) To ensure the financial statements are prepared in accordance to the applicable financial reporting standard;

l) To consider the major findings of internal investigations and management's response;

m) To determine the remit of the internal audit function;

n) To consider other topics as defined by the Board; and

o) To consider and examine such other matters as the Audit Committee considers appropriate.

4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the Audit Committee carried out the following activities in accordance with its terms of reference: -

a) Reviewed with the external auditors the audit findings in respect of the financial statements of the Group for the financial year ended 31 December 2013;

b) Reviewed the internal audit report and follow-up report on the Group operations to ensure compliance with internal controls and procedures set up within the Group;

4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (continued)

c) Reviewed the external auditors' report on the Statement on Risk Management and Internal Control after review by the internal auditors for inclusion in 2013 Annual Report;

d) Reviewed the Audit Committee Report for inclusion in 2013 Annual Report;

e) Reviewed the audited financial statements with the external auditors. This was to ensure that the audited financial statements were drawn up in accordance with the provision of the Companies Act, 1965, and the applicable Malaysian Financial Reporting Standards ("MFRS").

f) Reviewed and recommended the re-appointment of Messrs KPMG as Auditors for the financial year under review;

g) Reviewed and recommended to the Board for approval the audit fees payable to the external auditors in respect of the financial year ended 31 December 2014;

h) Reviewed the internal audit function;

i) Reviewed and recommended the revision of term of references for Audit Committee;

j) Reviewed and considered with the external auditors, the statutory audit plan for the financial year under review and updates on the development of applicable MFRS and all other related statutory requirements in Malaysia;

k) Reviewed the quarterly unaudited interim financial reports prior to recommending them to the Board for approval;

l) Reviewed the financial and operational performance as well as corporate development of the Group on quarterly basis;

m) Reviewed the related party transactions of a revenue or trading nature, if any on quarterly basis; and

n) Reviewed the progress of the legal suits, if any in which the Group is engaged on quarterly basis.

5. SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to a professional Internal Audit service provider to assist the Audit Committee in carrying out its duties. The Internal Auditors reports directly to the Audit Committee. A total cost of RM12,651 was incurred for the internal audit function in respect of the financial year under review.

The internal audit function is independent of the activities or operations of other operating units. The principal role is to undertake independent, regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively. It is the responsibility of the Internal Auditors to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and their extent of compliance with the Group's established policies and procedures as well as relevant statutory requirements and recommend necessary improvements to strengthen the system of internal control.

For the financial year under review, the Internal Auditors carried out internal auditing and review on areas deemed appropriate within the Group. The areas and scope of the review cover its operating units in Indonesia and China in relation to accounting policies, processes and procedures for procurements and payables and the Group's human resource policies, processes and procedures including remuneration, allowance and human capital related costs. The internal auditing identified key controls and evaluated the adequacy of the current systems and controls for managing business risks, key controls were tested to ensure controls are operating effectively, the findings were analysed and evaluated, weaknesses were identified and recommendations for improvement were developed. Based on their assessment, the Internal Auditors provide the Audit Committee with audit findings highlighting their observations and recommendations of corrective actions to be taken to improve the systems and controls. Periodic follow-up audit reports would also be carried out whenever appropriate, to ensure recommendations of corrective actions were implemented and enforced.

Statement On Risk Management And Internal Control

It is the requirement of the Malaysian Code on Corporate Governance 2012 that the Board of Directors should establish a sound risk management framework and internal control system. The Board is committed to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, and is pleased to set out below its Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control of the Group during the year.

The Board acknowledges its overall responsibility for ensuring a sound and effective system of risk management and internal control is maintained throughout the Group to safeguard shareholders' investment and the Group's assets and regular review of its effectiveness and adequacy is inevitable. The Board recognises that risk cannot be totally eliminated and the system of internal control instituted can only help minimise and manage risks and provide some reasonable but not absolute assurance that the assets of the Group and of the Company are safeguarded against material losses and unauthorised use and that the financial statements are not materially misstated and the Group is managed and operated in a systematic manner.

The Board exercises control through an organisation structure with clearly defined levels of responsibility, authority and appropriate reporting procedures. Management including the Executive Directors is empowered by the Board and shall be responsible for identifying, evaluating, monitoring and managing significant risks affecting the achievement of business objectives of the Group. The process of identifying, evaluating, monitoring and managing risks is an on-going process. All significant issues identified and affecting the business objectives of the Group are reported to the Board accordingly.

The key elements and processes of risk management and internal control system in place throughout the Group include:-

1. Defined delegation of responsibilities to Board Committees, namely the Audit Committee, Remuneration Committee and Nomination Committee and to operating units with clearly defined areas of responsibility, authority limits and operational authorities for all aspects of the business;

2. Involvement of the Executive Directors in the day-to-day operations of the Group and attendance at operational and management level meetings, monitoring adherence to the Group's policies and procedures. The Executive Directors have regular reviews on the operational, financial and strategic issues and challenges affecting the respective business units with the heads of business units. Significant matters identified during these meetings are highlighted to the Board on a timely basis;

3. The Board is briefed and updated on the operational performance and corporate development of the Group by the Executive Directors and on the financial performance of the Group by the Chief Financial Officer on quarterly basis;

4. Standard operating policies and procedures for daily operations of the respective business units of the Group are in place. The policies and procedures are reviewed from time to time to accommodate any new risk factor as a result of changing operation requirements; and

5. Sufficient insurance coverage on major assets to ensure the assets are adequately covered against any mishap that could result in material losses. The insurance policy is renewable on yearly basis.

The Internal Audit function of the Group is outsourced to an independent professional Internal Audit service provider that reports to the Audit Committee. The Group adopts a risk-based approach in identifying major operation areas that warrant Internal Audit review and assessment to be carried out taking into consideration corporate exercises proposed or/and undertaken by the Group. The Internal Auditors carry out reviews on areas which are identified by Management as warranting attention and to assess the adequacy and effectiveness of the control processes to address the risks and recommend improvements to strengthen the control processes, where appropriate.

The Internal Auditors also performed Internal Audits on major operating units and other management areas deemed appropriate within the Group. Based on their assessment, the Internal Auditors will provide the Audit Committee with reports highlighting their observations, recommendations and corrective action taken by Management to ensure adequacy, integrity and appropriate improvements to the system of internal control. Follow-up Internal Audits to assess implementation of past audit findings are also carried out to ensure effectiveness of the system of internal control implemented.

The Enterprise Risk Management practices are adhered to but the framework, policy and the Group risk profile are currently being formalised, drafted and shall be adopted for implementation upon the Board's approval.

The Board is generally satisfied with the existing system of risk management and internal control which has not resulted in any significant breakdown or weaknesses that could give rise to material losses incurred by the Group during the financial year under review or requires disclosure in the 2014 Annual Report. Nevertheless, the Board recognises the review and improvement to the existing system of risk management and internal control is an on-going process to accommodate evolving business needs. The Board believes that with the assistance from the Internal Auditors, the system of internal control of the Group could be closely managed, monitored and improved over time.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Group Managing Director and Chief Executive Director that the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The Board continues to uphold our commitment and responsibilities towards our shareholders, stakeholders, society at large and the environment of the place we are living in. While striving to sustain and increase shareholders' value with continuing business sustainability and growth, the Board also puts great values on corporate social responsibilities in conducting its business affairs as a responsible corporate citizen.

The Group is devoted to upholding the following corporate principles and values in its business conduct and practices to achieve continuing business sustainability and growth in the long term in tandem with its corporate social responsibilities :-

- Customers satisfaction;
- Quality of products and services;
- Efficient and effective operations;
- Protection of the environment;
- Health and safety of employees and public at large;
- Welfare of employees;
- Human capital development; and
- Value creation for stakeholders.

The Group Quality, Health, Safety and Environment ("QHSE") policies and Food Safety Management Systems adopted to comply with the food safety requirements of the respective export markets (such as United State of America and European Union) as well as domestic / domicile markets ("Principal Markets")of the Group's production facilities complement the spirit of corporate social responsibility. The Group's dedicated QHSE team enforces and monitors the compliance of QHSE policies set within the Group and also of the various food safety requirements and standards of the relevant authorities of the Principal Markets. The QHSE team is committed in maintaining and implement continuous improvements to QHSE policies and systems whenever necessary and which are appropriate to meet work requirements and exceed clients' expectations.

The Group's production facilities are accredited or/and certified under various safety and verification programs of the importing countries / region and its facilities' countries of domicile such as USFDA and HACCP. These certifications signify the Group's products and services are of quality and recognised in the international standards.

ENVIRONMENT

It is our responsibility to apply our capabilities towards creating a better and safer world. The Group is conscious of the global warming and climate changes in the global environment due to industrial activities. The Group strictly adheres to the environment related requirements of the various accreditations from food safety authorities and best practices in its business operations. It is a policy of the Group to conduct all business activities in a responsible and environmentally friendly manner and to make conscious decisions to ensure the environment is not significantly impacted by its daily operations.

Usage and storage of harmful chemicals or non-environmental friendly products or hazardous materials are managed, monitored, controlled and restricted. We are always committed to the cause of environmental protection by increasing workforce awareness on energy conservation methods while continuously ensuring due compliance to all relevant environmental laws and other requirements by raising environmental awareness among the employees.

WORKPLACE AND EMPLOYEES WELFARE

The Group 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 staff equally regardless of their religion, race , gender, age and nationality.

We are committed to maintain a safe and healthy working environment for our employees in the workplace.
The Group also provide constant education, training and safety workshops to promote continuous self-improvement and ensure a high level of awareness of safety requirements at all levels.

Social events such as annual dinners and birthday parties are organised to enhance the relationship between employees and Management and as a token of appreciation for the employees' continuous support and contribution.

COMMUNITY

The Group is conscious of its role and responsibility towards the community. The Group is committed to giving back to the community through:-

- unconditional support to the people in need by sponsoring canned foods and beverages to various non-profit organisations, schools and individuals as well as provision of monetary contributions to under-privileged groups; and
- continuous support of school educational tours of its production facilities and educational programs on processed, canned and meal-ready-to-eat (MRE) food products.

The Group continues to support the internship program by working with various public and private higher learning institutions such as universities, colleges and polytechnics including short practical trainings for undergraduate students.

MARKET PLACE

The Group is committed in adhering to the high standards of Corporate Governance in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and the recommendations of the Malaysian Code on Corporate Governance 2012. The various critical certifications attained by the Group for its production facilities are also part of the Group's efforts in maintaining and strengthening operational effectiveness and efficiency for sustainable value creation and protect the interest of shareholders and stakeholders. The Group also encourages its business partners and associates to practise the same Code of Conduct as part of its corporate responsibility to society. The Board is committed in ensuring all activities in the Group are conducted fairly and at arms length and with no favouritism. The Board takes into account its corporate responsibility towards the shareholders and stakeholders in formulating its business strategies.

On behalf of the Board of Directors of Rex Industry Berhad, it is my pleasure to present the Annual Report for year ended 31st December 2014.

Review of Operation and Financial Performance

The group achieved revenues of RM145million in FY2014, down RM11.9million or 8% from the FY2013 total of RM156.9million. Turnover reduced due to the absence of Chinese New Year impact in year 2014 and lower demand in the domestic market.

The gradual economic recovery in the United States had contributed marginal improvement in PT Rex Canning revenues of RM56.4 million from RM54.2 million.

Turnover at Jie Yang Rex Foods reduced to RM25.8million from RM28.5 million driven by weakening of ringgit and higher operating costs.

The reduction of consumer disposblel income from the removal of fuel and sugar subsidies as well as inflationary pressures dampened growth of beverage and canned food sales, which registered a lower volume for the FY under review.

The proliferation of lower price OEM canned foods, particularly in the mushroom range of products, affected market competitiveness in the Malaysia market.

The management had made an impairment of RM0.966 million for slow moving raw material and finished product inventories.

For the year under review, in line with the group strategy, we continue to minimize the frozen products positioning.

As the group's operations are sensitive to the volatility in seafood supply, the management has taken initiatives to strengthen the procurement strategy, effective cost control and improve operating efficiency to alleviate the negative impact of higher input costs.

Looking forward

Though the economies of the countries in which we operate are expected to continue to face challenges, we are excited by the business potential in the year ahead as the group is in the midst of a transformational journey which involves a paradigm shift in mind set and business process throughout the organization.

The multi-dimensional approach involves product innovation and renovation, realization of group synergy of joint procurement, embracing information technology to enhance business reporting, activating right trade marketing activities, product rationalization exercise and inventory level optimization .

Moving forward, the group will focus on strengthening its canned food products whilst ramping up beverage business volume with the dedicated work force and business partners

Dividends

No dividend payout is recommended by the Board for this financial year under review. The Group wishes to continue the conservation of cash resources for the growth expansion in plan.

Acknowledgement

On behalf of the Board, I would like to express my gratitude to the management and staff of the Group for achieving the turnaround. Also I extend my appreciation to our shareholders, customers, suppliers and bankers, who have shown patience, consideration and support during our recovery process.

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain
Chairman

Statistics of Shareholdings
As At 30 April, 2015

Analysis of shareholdings

Authorised Share Capital	:	RM100,000,000
Class of equity security		
- RM 1.00 Ordinary share	:	RM56,051,617
Number of shareholders	:	1,107
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	50	4.52	1,802	0.00
100 to 1,000 shares	216	19.51	189,231	0.34
1,001 to 10,000 shares	654	59.08	2,330,425	4.16
10,001 to 100,000 shares	146	13.19	4,152,633	7.41
100,001 to 2,802,579 shares	37	3.34	25,779,435	45.99
2,802,580 and above	4	0.36	23,598,091	42.10
Total	1,107	100.00	56,051,617	100.00

Substantial shareholders
Ordinary Shares

Name	Direct Interest No. of Shares	% of Issued Share Capital
1. Lee Chai Seng	8,856,124	15.80
2. RHB Nominees (Tempatan) Sdn Bhd <Daiman Taipan Sdn Bhd>	7,300,000	13.02
3. Lee Wei Hsien	4,583,367	8.18
4. Darmendran Kunaretnam	3,151,313	5.62
5. Cheong Boo Chin	2,858,600	5.10

Directors shareholdings
The Company

Name of Directors	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
Tan Sri Dato' Ibrahim bin Mohd Zain	882,700	1.57	-	1.57
Darmendran Kunaretnam	3,151,313	5.62	7,300,000[1]	10.32
Ong Choon Wah	60,000	-	-	-
Lee Sew Keng	-	-	-	-
Lee Hee Thiam	-	-	1,295,807[2]	2.31
Mohd Faisal Izan Bin Abdul Latiff	-	-	-	-
Lee Soo Keat	-	-	-	-
Chee Cheng Chun	-	-	7,300,000[1]	10.32
Tai Keat Chai	-	-	-	-

Notes:

1. Deemed interest in shares by virtue of his shareholdings in Daipan Sdn Bhd pursuant to Section 6A of the Company Act, 1965.
2. These are shares held in the name of spouse and are treated as interest of the Director in accordance with Section 134(12)(c) of the Company Act, 1965.

	Name	No. of Shares	%
1.	Lee Chai Seng	8,856,124	15.80
2.	RHB Nominees (Tempatan) Sdn Bhd <Daiman Taipan Sdn Bhd>	7,300,000	13.02
3.	Lee Wei Hsien	4,583,367	8.18
4.	Cheong Boo Chin	2,858,600	5.10
5.	Lim Ee Yong	1,748,803	3.18
6.	Cimsec Nominees (Tampatan) Sdn Bhd <Darmendran A/L Kunaretnam>	1,721,313	3.07
7.	Tan Kee Shang	1,721,313	3.07
8.	Lim Ee Shen	1,463,527	2.61
9.	Alliancegroup Nominees (Tempatan) Sdn Bhd <Darmendran A/L Kunaretnam (7000587)>	1,430,000	2.55
10.	Kenanga Nominees (Tempatan) Sdn Bhd <Thevandran A/L K Ragavan (021)>	1,415,000	2.52
11.	Tee Chew Mooi	1,295,807	2.31
12.	Chang Siew Kim @ Chang Siew Yoon	1,260,755	2.25
13.	Ta Nominees (Tempatan) Sdn Bhd <Tay Ben Chuan>	1,150,500	2.05
14.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd <UOB Kay Hian Pte Ltd (A/C Clients)>	1,099,627	1.96
15.	Sow Bing Keong	1,013,419	1.81
16.	Mystical Wonder Sdn Bhd	917,900	1.64
17.	Maybank Securities Nominees (Tempatan) Sdn Bhd <Mohd Ibrahim Bin Mohd Zain>	882,700	1.57
18.	Teoh Meng Fei	860,657	1.54
19.	Tan Hua Sin	822,392	1.47
20.	Phua Poh Buay	710,100	1.27
21.	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng L 'Yp-Hau	700,000	1.25
22.	Chong Yee Choun	660,900	1.18
23.	Yee Wai Cheng	658,518	1.17
24.	Taiko Voyage Sdn Bhd	537,600	0.96
25.	Abdul Latiff Bin S Mirasa	466,975	0.83
26.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Phee Boon Poh	401,600	0.72
27.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Taiko Voyage Sdn Bhd	285,500	0.51
28.	Teo Kwee Hock	275,800	0.49
29.	Seamless Strength Sdn Bhd	247,100	0.44
30.	Lee Soo An	240,967	0.43

Five Years Summary Of Financial Highlights

	Note	2010 RM'000	2011 RM'000 Restated	2012 RM'000	2013 RM'000	2014 RM'000
Paid-up Share Capital		56,052	56,052	56,052	56,052	56,052
Shareholders Funds		118,748	127,100	125,032	128,932	132,254
Borrowings	1	44,006	43,730	36,214	27,370	24,264
Net Tangible Assets		116,390	115,199	115,266	120,300	123,622
Turnover		135,593	141,834	138,908	156,940	145,022
Profit /(Loss) before Tax after Minority Interest		(4,218)	(1,670)	1,879	3,938	3,560
Interest		1,417	1,398	1,455	1,219	1,167
Profit /(Loss) after Tax and Minority Interest		(4,022)	(1,906)	203	2,107	773
Dividend		841	-	-	-	-

Key Statistics

	Note	2010	2011 Restated	2012	2013	2014
Investment Ratio						
NTA per share		2.08	2.06	2.06	2.15	2.21
Basic Earning / (Loss) Per Share (Sen)		(7.18)	(3.40)	0.36	3.76	2.45 *
Gross dividend rate (%)		-	-	-	-	-
Dividend coverage ratio (times)	2	-	-	-	-	-
Operating Ratio						
After tax return on shareholders' fund (%)		(3.39)	(1.50)	0.16	1.63	0.58
Pre-tax profit margin (%)		(3.11)	(1.18)	1.35	2.51	2.45
Financial Ratio						
Gearing (times)	3	0.371	0.344	0.290	0.212	0.183
Interest coverage ratio	4	(3.98)	(0.19)	2.29	4.23	4.05
Liquidity Ratio						
Current ratio		2.28	2.17	2.28	2.67	2.75
Quick ratio		1.11	1.16	1.02	1.24	1.19

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.

REX INDUSTRY BERHAD
(282664-K)

Corporate Structure

- 100% REX CANNING CO SDN BHD
  - 100% JIE YANG REX FOODS CO LTD
  - 30% P.T. REX CANNING INDONESIA
- 100% P.T. REX CANNING INDONESIA
- 100% REX TRADING SDN BHD
- 100% REX FOODS SDN BHD
- 100% CINTA EDAR (SELATAN) SDN BHD
- 100% BEST AUQA FOOD SDN BHD
- 100% CINTA EDAR (M) SDN BHD
- 100% FIKA FOODS CORPORATION SDN BHD
- 100% FIKA FOODS MARKETING SDN BHD
- 100% GAINASIA INTERNATIONAL LIMITED

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

Principal activities

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 4 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/(Loss) for the year attributable to owners of the Company	772,708	(615,667)

Reserves and provisions

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

Dividend

No dividend was paid since the end of the previous financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

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

Lee Hee Thiam	
Lee Sew Keng	
Mohd Faisal Izan Bin Abdul Latiff	
Lee Soo Keat	
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	(Appointed on 30.06.2014)
Ong Choon Wah	(Appointed on 01.09.2014)
Darmendran Kunaretnam	(Appointed on 03.03.2015)
Chee Cheng Chun	(Appointed on 03.03.2015)
Tai Keat Chai	(Appointed on 06.03.2015)
Lee Chak Hiang	(Resigned on 30.06.2014)
Lee Hee Hong	(Resigned on 31.08.2014)
Lee Siew Boy	(Resigned on 03.03.2015)
Ameer Bin Shaik Mydin	(Resigned on 03.03.2015)
Tang Yin Kham	(Resigned on 06.03.2015)

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial 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				
Interest in the Company	**Balance at 1.1.2014/***	**Bought**	**Sold**	**Transfer**	**Balance at 31.12.2014**
Lee Hee Thiam :					
- own	4,583,367	-	-	(4,583,367)	-
- others #	-	1,295,807	-	4,583,367	5,879,174
Lee Sew Keng :					
- own	1,295,807	-	(1,295,807)	-	-
Lee Siew Boy :					
- own	1,271,207	-	-	(1,271,207)	-
- others #	-	-	-	1,271,207	1,271,207
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain					
- own	-*	882,700	-	-	882,700
Ong Choon Wah :					
- own	-*	60,000	-	-	60,000

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

* At date of appointment.

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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 or the fixed salary of a full time employee of the Company or of related corporations) 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.

Issue of shares and debentures

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

Options granted over unissued shares

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

Other statutory information

Before the financial 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) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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.

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.

Other statutory information (continued)

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 financial performance of the Group and of the Company for the financial year ended 31 December 2014 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 :

....

Darmendran Kunaretnam

....

Ong Choon Wah

Penang,

Date : 30 April 2015

Consolidated Statement Of Financial Position As At 31 December 2014

	Note	2014 RM	2013 RM
Assets			
Property, plant and equipment	3	59,982,803	58,225,740
Goodwill on consolidation	5	8,631,823	8,631,823
Total non-current assets		68,614,626	66,857,563
Inventories	6	63,006,914	59,487,595
Trade and other receivables	7	29,491,636	36,455,541
Current tax assets		307,432	310,432
Short term investments	8	5,720,574	4,328,800
Cash and cash equivalents	9	12,822,593	10,540,496
Total current assets		111,349,149	111,122,864
Total assets		179,963,775	177,980,427
Equity			
Share capital	10	56,051,617	56,051,617
Reserves	11	76,202,795	72,880,655
Total equity attributable to owners of the Company		132,254,412	128,932,272
Liabilities			
Loans and borrowings	12	266,803	1,071,421
Deferred tax liabilities	13	6,985,393	6,296,366
Total non-current liabilities		7,252,196	7,367,787
Loans and borrowings	12	23,997,417	26,298,740
Trade and other payables	14	16,061,492	14,398,434
Current tax payable		398,258	983,194
Total current liabilities		40,457,167	41,680,368
Total liabilities		47,709,363	49,048,155
Total equity and liabilities		179,963,775	177,980,427

The notes on pages 44 to 85 are an integral part of these financial statements.

	Note	2014 RM	2013 RM
Continuing operations			
Revenue	15	145,021,860	156,940,427
Changes in manufactured inventories		(2,313,170)	3,927,708
Raw materials consumed		(92,688,724)	(104,291,345)
Staff costs	16	(18,515,399)	(18,222,107)
Depreciation	3	(2,804,616)	(2,781,538)
Other operating expenses		(24,629,998)	(30,832,484)
Other operating income		372,013	209,602
Results from operating activities		4,441,966	4,950,263
Interest income		284,973	206,233
Finance costs	17	(1,166,825)	(1,218,512)
Profit before tax	18	3,560,114	3,937,984
Tax expense	20	(2,787,406)	(1,831,387)
Profit for the year		772,708	2,106,597
Other comprehensive income, net of tax			
Item that is or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		2,549,432	1,793,384
Other comprehensive income for the year, net of tax		2,549,432	1,793,384
Total comprehensive income for the year		3,322,140	3,899,981
Profit for the year attributable to :			
Owners of the Company		772,708	2,106,597
Total comprehensive income attributable to :			
Owners of the Company		3,322,140	3,899,981
Basic earnings per ordinary share (sen)	21	1.38	3.76

The notes on pages 44 to 85 are an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2014

	← *Attributable to owners of the Company*				→
	← *Non-distributable*		→	*Distributable*	
	Share capital	**Share premium**	**Translation reserve**	**Retained earnings**	**Total equity**
	RM	**RM**	**RM**	**RM**	**RM**
At 1 January 2013	56,051,617	10,614,008	834,890	57,531,776	125,032,291
Total other comprehensive income for the year					
- Foreign currency translation differences for foreign operations	-	-	1,793,384	-	1,793,384
Profit for the year	-	-	-	2,106,597	2,106,597
Total comprehensive income for the year	-	-	1,793,384	2,106,597	3,899,981
At 31 December 2013 / At 1 January 2014	56,051,617	10,614,008	2,628,274	59,638,373	128,932,272
Total other comprehensive income for the year					
- Foreign currency translation differences for foreign operations	-	-	2,549,432	-	2,549,432
Profit for the year	-	-	-	772,708	772,708
Total comprehensive income for the year	-	-	2,549,432	772,708	3,322,140
At 31 December 2014	56,051,617	10,614,008	5,177,706	60,411,081	132,254,412
	Note 10	Note 11	Note 11	Note 11	

The notes on pages 44 to 85 are an integral part of these financial statements.

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Profit before tax from continuing operations		3,560,114	3,937,984
Adjustments for :			
Depreciation of property, plant and equipment	3	2,804,616	2,781,538
Interest expense	17	1,166,825	1,218,512
Gain on disposal of plant and equipment	18	(24,971)	(103,986)
Plant and equipment written off	18	110,117	28,353
Interest income		(284,973)	(206,233)
Impairment loss on goodwill	5	-	1,134,520
Operating profit before changes in working capital		7,331,728	8,790,688
Changes in working capital :			
Inventories		(2,042,419)	929,200
Trade and other receivables		8,766,548	1,597,274
Trade and other payables		448,960	2,691,197
Cash generated from operations		14,504,817	14,008,359
Tax paid		(2,697,260)	(1,303,742)
Net cash from operating activities		11,807,557	12,704,617
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(4,089,021)	(562,095)
Proceeds from disposal of plant and equipment		217,543	153,775
Interest received		284,973	206,233
Net cash used in investing activities		(3,586,505)	(202,087)
Cash flows from financing activities			
Placement of short term investments		(1,391,774)	(4,328,800)
Repayment of term loans		(1,077,398)	(963,290)
Repayment of finance lease liabilities		(121,621)	(129,941)
Repayment of other bank borrowings (net)		(2,549,911)	(6,284,473)
Interest paid		(1,166,825)	(1,218,512)
Net cash used in financing activities		(6,307,529)	(12,925,016)
Net increase/(decrease) in cash and cash equivalents		1,913,523	(422,486)
Cash and cash equivalents at 1 January		9,708,175	8,963,981
Effect of exchange rate fluctuations on cash and cash equivalents		73,585	1,166,680
Cash and cash equivalents at 31 December	B	11,695,283	9,708,175

Notes :

A. *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM4,437,021 (2013 : RM562,095) of which RM348,000 (2013 : Nil) was acquired by means of finance leases. The remaining of RM4,089,021 (2013 : RM562,095) was purchased by way of cash payments.

B. *Cash and cash equivalents*

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

	Note	2014 RM	2013 RM
Fixed deposits with a licensed bank	9	6,020,154	3,996,681
Cash and bank balances	9	6,802,439	6,543,815
Bank overdrafts	12	(1,127,310)	(832,321)
		11,695,283	9,708,175

The notes on pages 44 to 85 are an integral part of these financial statements.

	Note	2014 RM	2013 RM
Assets			
Investments in subsidiaries	4	41,433,617	40,933,617
Total non-current assets		41,433,617	40,933,617
Other receivables	7	25,202,082	26,162,909
Current tax assets		31,320	31,320
Cash and cash equivalents	9	29,616	82,374
Total current assets		25,263,018	26,276,603
Total assets		66,696,635	67,210,220
Equity			
Share capital	10	56,051,617	56,051,617
Reserves	11	10,165,853	10,781,520
Total equity attributable to owners of the Company		66,217,470	66,833,137
Other payables	14	479,165	377,083
Total current liabilities		479,165	377,083
Total equity and liabilities		66,696,635	67,210,220

The notes on pages 44 to 85 are an integral part of these financial statements.

Statement Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 December 2014

	Note	2014 RM	2013 RM
Continuing operations			
Revenue	15	-	-
Other operating expenses		(615,667)	(468,795)
Loss before tax	18	(615,667)	(468,795)
Tax expense	20	-	-
Loss for the year and total comprehensive expense for the year		(615,667)	(468,795)

The notes on pages 44 to 85 are an integral part of these financial statements.

	Share cap ital RM	Share premium RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
	Non-distributable			
At 1 January 2013	56,051,617	10,614,008	636,307	67,301,932
Loss for the year and total comprehensive expense for the year	-	-	(468,795)	(468,795)
At 31 December 2013 / 1 January 2014	56,051,617	10,614,008	167,512	66,833,137
Loss for the year and total comprehensive expense for the year	-	-	(615,667)	(615,667)
At 31 December 2014	56,051,617	10,614,008	(448,155)	66,217,470
	Note 10	Note 11	Note 11	

The notes on pages 44 to 85 are an integral part of these financial statements.

Statement Of Cash Flows
For The Year Ended 31 December 2014

	Note	2014 RM	2013 RM
Cash flows from operating activities			
Loss before tax before changes in working capital		(615,667)	(468,795)
Changes in working capital :			
Other receivables		960,827	679,349
Other payables		102,082	75,371
Cash generated from operations		447,242	285,925
Cash flows from investing activities			
Additions to investment in a subsidiary		(500,000)	(250,000)
Net cash used in investing activities		(500,000)	(250,000)
Net (decrease)/increase in cash and cash equivalents		(52,758)	35,925
Cash and cash equivalents at 1 January		82,374	46,449
Cash and cash equivalents at 31 December	9	29,616	82,374

The notes on pages 44 to 85 are an integral part of these financial statements.

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

Principal place of business/Registered office

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 financial year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2014 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 30 April 2015.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company :

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)**
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions**
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)**

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)#*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements,* MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations#*
- MFRS 14, *Regulatory Deferral Accounts#*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 116, Property, *Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants#*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for those marked with "*" which are not applicable to the Group and to the Company.

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for those marked with "#" which are not applicable to the Group and to the Company.

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

(i) *MFRS 15, Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118, *Revenue,* IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) *MFRS 9, Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

1. Basis of preparation (continued)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in the Note 2 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. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs 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 estimates are 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 Note 5 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, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Subsidiaries consolidated using the pooling-of-interests method of accounting are Rex Canning Co. Sdn. Bhd., Rex Trading Sdn. Bhd. and Rex Foods Sdn. Bhd.

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 the Group's equity.

2. Significant Accounting Policies (Continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

Business combinations for other subsidiaries are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

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

2. Significant accounting policies (continued)

(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 transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) ***Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) ***Held-to-maturity investments***

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) ***Loans and receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) ***Available-for-sale financial assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(d) *Available-for-sale financial assets (continued)*

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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 also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 between knowledgeable willing parties 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 available and replacement cost when appropriate.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a diminishing balance basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction (capital expenditure-in-progress) are not depreciated until the assets are ready for their intended use.

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows :

	%
Leasehold land	1 - 2.5
Buildings	2
Plant, machinery and factory equipment	5 - 20
Furniture, fittings and office equipment	5 - 10
Motor vehicles	20

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company 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 in the statements of financial position. 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.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies (continued)

(f) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period 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 or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (groups of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating 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 the end of each reporting period 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 since the last impairment loss was recognised.

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 profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

2. Significant accounting policies (continued)

(j) Equity instruments (continued)

(ii) Ordinary shares

Ordinary shares are classified as equity.

(k) 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 liability 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.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(l) 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. The unwinding of the discount is recognised as finance cost.

(m) Contingencies

(i) 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 not recognised in the statements of financial position and 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

2. Significant accounting policies (continued)

(n) Revenue and other income (continued)

(i) Goods sold (continued)

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other operating income.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases.Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

2. Significant accounting policies (continued)

(p) Income tax (continued)

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 end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period 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, being tax incentives that is not a tax base of an assets, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(q) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

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, adjusted for own shares held.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment - Group

	Freehold land	Long term leasehold land*	Short term leasehold land	Buildings	Plant, machinery and factory equipment	Furniture, fittings and office equipment	Motor vehicles	Capital expenditure -in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost									
At 1 January 2013	9,108,834	5,513,666	10,575,241	33,669,239	38,776,505	4,916,902	5,103,304	1,851,904	109,515,595
Additions	133,538	-	-	123,746	193,690	30,088	81,033	-	562,095
Disposals	-	-	-	-	-	-	(708,637)	-	(708,637)
Write off	-	-	-	-	(284,684)	-	-	-	(284,684)
Reclassification	-	-	-	-	792,479	-	-	(792,479)	-
Effect of movements in exchange rates	(840,020)	-	216,600	265,631	300,781	(63,864)	(120,359)	-	(241,231)
At 31 December 2013/ 1 January 2014	8,402,352	5,513,666	10,791,841	34,058,616	39,778,771	4,883,126	4,355,341	1,059,425	108,843,138
Additions	-	56,196	-	10,000	574,717	111,413	924,391	2,760,304	4,437,021
Disposals	-	-	-	-	(73,700)	(5,640)	(777,693)	-	(857,033)
Write off	-	-	-	-	(6,733,664)	(1,199,163)	-	-	(7,932,827)
Reclassification	-	(2,570,930)	2,570,930	-	-	-	-	-	-
Effect of movements in exchange rates	233,850	-	96,027	221,214	424,431	17,724	28,590	-	1,021,836
At 31 December 2014	8,636,202	2,998,932	13,458,798	34,289,830	33,970,555	3,807,460	4,530,629	3,819,729	105,512,135

3. Property, plant and equipment - Group (continued)

	Freehold land	Long term leasehold land*	Short term leasehold land	Buildings	Plant, machinery and factory equipment	Furniture, fittings and office equipment	Motor vehicles	Capital expenditure -in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation									
At 1 January 2013	-	365,645	1,853,599	9,087,917	29,411,602	3,760,282	3,995,379	-	48,474,424
Charge for the year	-	48,902	320,593	821,669	1,163,941	182,150	244,283	-	2,781,538
Disposals	-	-	-	-	-	-	(658,848)	-	(658,848)
Write off	-	-	-	-	(256,331)	-	-	-	(256,331)
Effect of movements in exchange rates	-	-	52,084	147,881	237,860	(56,635)	(104,575)	-	276,615
At 31 December 2013/ 1January 2014	-	414,547	2,226,276	10,057,467	30,557,072	3,885,797	3,476,239	-	50,617,398
Charge for the year	-	49,906	327,969	826,334	1,109,572	137,819	353,016	-	2,804,616
Disposals	-	-	-	-	(18,745)	(4,490)	(641,226)	-	(664,461)
Write off	-	-	-	-	(6,628,195)	(1,194,515)	-	-	(7,822,710)
Reclassification	-	(109,400)	109,400	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	25,190	156,726	372,510	16,025	24,038	-	594,489
At 31 December 2014	-	355,053	2,688,835	11,040,527	25,392,214	2,840,636	3,212,067	-	45,529,332
Carrying amounts									
1 January 2013	9,108,834	5,148,021	8,721,642	24,581,322	9,364,903	1,156,620	1,107,925	1,851,904	61,041,171
At 31 December 2013/ 1 January 2014	8,402,352	5,099,119	8,565,565	24,011,149	9,221,699	997,329	879,102	1,059,425	58,225,740
At 31 December 2014	8,636,202	2,643,879	10,769,963	23,249,303	8,578,341	966,824	1,1318,562	3,819,729	59,982,803

The state titles of certain shoplots of the Group with carrying amount of RM493,175 (2013 : RM498,916) are yet to be issued by the relevent authorities.
* Long term leasehold land with unexpired lease period of more than 50 years.

3. Property, plant and equipment - Group (continued)

The carrying amount of motor vehicles acquired under finance lease arrangements is as follows :

	2014 RM	2013 RM
Motor vehicles	381,651	156,391

4. Investments in subsidiaries - Company

	2014 RM	2013 RM
Unquoted shares, at cost	41,701,620	41,201,620
Less : Impairment loss	(268,003)	(268,003)
	41,433,617	40,933,617

Details of the subsidiaries are as follows :

Name of entity	Effective ownership interest and voting interest		Country of incorporation	Principal activities
	2014	2013		
Rex Canning Co. Sdn. Bhd.	100%	100%	Malaysia	Manufacture and export of canned food and drinks and investment holding
Rex Trading Sdn. Bhd.	100%	100%	Malaysia	Trading of canned food, drinks and shelf stable convenience food
Fika Foods Corporation Sdn. Bhd.	100%	100%	Malaysia	Manufacture and distribution of frozen meat, ceased operation in June 2014
Cinta Edar (Selatan) Sdn. Bhd.	100%	100%	Malaysia	Dormant
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
Gainasia International Limited *	100%	100%	British Virgin Island	Dormant
Subsidiary of Rex Canning Co. Sdn. Bhd.				
Jie Yang Rex Foods Co. Ltd. *	100%	100%	The People's Republic of China	Manufacture and export of canned food and drinks

*Not audited by member firms of KPMG International.
@ Rex Canning Co. Sdn. Bhd. has 30% equity interest in P.T. Rex Canning ("PT Rex").

4. Investments in subsidiaries - Company (continued)

During the financial year ended 31 December 2014, the Company subscribed for additional shares of 500,000 ordinary shares of RM1 each in Rex Trading Sdn. Bhd. for a cash consideration of RM500,000.

5. Goodwill on consolidation - Group

	2014 RM	2013 RM
Cost		
At 1 January/31December	12,121,439	12,121,439
Impairment loss		
At 1 January	(3,489,616)	(2,355,096)
Impairment loss for the year (Note 18)	-	(1,134,520)
At 31 December	(3,489,616)	(3,489,616)
Carrying amount	8,631,823	8,631,823

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

5.1 *Impairment testing for cash generating units ("CGU") containing goodwill*

For the purpose of impairment testing, goodwill is allocated to the Group's business which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Management has assessed the recoverable amount of goodwill based on value in use calculations determined by discounting future cash flows generated from the continuing use of the CGUs projected based on the financial budget for 2015 and projected revenue growth covering a period of 5 years.

A pre-tax discount rate of 10.0% (2013: 10.0%) was applied to the calculations in determining the recoverable amount of the CGUs.

The values assigned to the key assumptions represent management's assessment of future trends of the various businesses or divisions and are based on both external and internal sources.

Management believes that while cash flow projections are subject to inherent uncertainty, any reasonably possible changes to the key assumptions utilised in assessing recoverable amounts have been considered in determining the recoverable amount of the cash generating unit. Based on the sensitivity analysis performed, management concluded that no reasonably possible change in any of the above key assumptions would cause the recoverable amounts of the units to be materially below their carrying amounts.

6. Inventories - Group

	2014 RM	2013 RM
Raw materials	21,731,879	14,854,352
Manufactured inventories	34,990,328	37,303,498
Packing materials	5,432,779	6,362,675
Consumables	851,928	967,070
	63,006,914	59,487,595

7. Trade and other receivables

	Note	2014 RM	2013 RM
Group			
Trade			
Trade receivables		26,034,439	29,692,665
Less : Impairment loss		(3,165,509)	(3,027,752)
		22,868,930	26,664,913
Non-trade			
Other receivables		1,895,623	4,822,825
Deposits	7.1	4,007,316	4,222,170
Prepayments		719,767	745,633
		6,622,706	9,790,628
		29,491,636	36,455,541
Company			
Non-trade			
Subsidiaries	7.2	25,185,079	26,154,907
Other receivables		17,003	8,002
		25,202,082	26,162,909

7.1 Deposits

Included in deposits of the Group is an amount of RM3,649,875 (2013 : RM3,894,826) which represents advances paid to suppliers.

7.2 Amount due from subsidiaries

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

8. Short term investments

Short term investments represent fixed deposits with a licensed bank with tenure of more than 3 months.

9. Cash and cash equivalents

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Fixed deposits with a licensed bank	6,020,154	3,996,681	-	-
Cash and bank balances	6,802,439	6,543,815	29,616	82,374
	12,822,593	10,540,496	29,616	82,374

10. Share capital - Group/Company

	2014		2013	
	RM	Number of shares	RM	Number of shares
Ordinary shares of RM1 each				
Authorised :	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid :	56,051,617	56,051,617	56,051,617	56,051,617

11. Reserves

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Non-distributable				
Share premium	10,614,008	10,614,008	10,614,008	10,614,008
Translation reserve	5,177,706	2,628,274	-	-
Accumulated losses	-	-	(448,155)	-
	15,791,714	13,242,282	10,165,853	10,614,008
Distributable				
Retained earnings	60,411,081	59,638,373	-	167,512
	76,202,795	72,880,655	10,165,853	10,781,520

The movements in reserves are disclosed in the statements of changes in equity.

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

11. Reserves (continued)

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign opeations.

12. Loans and borrowings - Group

	2014 RM	2013 RM
Current		
Unsecured		
Bank overdrafts	1,127,310	832,321
BBA*	1,000,117	1,057,006
Term loans	9,231	39,262
Bankers' acceptances	17,765,311	22,815,222
Revolving credit	4,000,000	1,500,000
Finance lease liabilities	95,448	54,929
	23,997,417	26,298,740
Non-current		
Unsecured		
BBA*	-	981,360
Term loans	-	9,118
Finance lease liabilities	266,803	80,943
	266,803	1,071,421

* Al-Bai Bithaman Ajil ("BBA") loan facility.

Finance lease liabilities are payable as follows :

	Minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
2014			
Less than 1 year	107,126	11,678	95,448
Between 1 and 5 years	297,218	30,415	266,803
	404,344	42,093	362,251
2013			
Less than 1 year	64,672	9,743	54,929
Between 1 and 5 years	98,162	17,219	80,943
	162,834	26,962	135,872

13. Deferred tax liabilities - Group

The recognised deferred tax liabilities are as follows :

	2014 RM	2013 RM
Property, plant and equipment		
- capital allowances	2,476,000	2,247,000
- revaluation	4,597,393	4,744,366
Others	(88,000)	(695,000)
	6,985,393	6,296,366

Movements in temporary differences during the year

	At 1.1.2013 RM	Recognised in profit or loss (Note 20) RM	At 31.12.2013 /1.1.2014 RM	Recognised in profit or loss (Note 20) RM	At 31.12.2014 RM
Property, plant and equipment					
- capital allowances	2,606,000	(359,000)	2,247,000	229,000	2,476,000
- revaluation	4,958,801	(214,435)	4,744,366	(146,973)	4,597,393
Capital allowances carry forwards	(251,000)	251,000	-	-	-
Tax loss carry-forwards	(226,000)	226,000	-	-	-
Others	(164,000)	(531,000)	(695,000)	607,000	(88,000)
	6,923,801	(627,435)	6,296,366	689,027	6,985,393

13. Deferred tax liabilities - Group (continued)

Deferred tax have not been recognised in respect of the following items (stated at gross):

	2014 RM	2013 RM
Tax loss carry-forwards	3,038,000	2,908,000
Others	3,450,000	3,136,000
	6,488,000	6,044,000

The tax loss carry-forwards does 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 therefrom.

14. Trade and other payables

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Trade					
Trade payables		10,367,891	8,649,139	-	-
Non-trade					
Other payables		2,769,018	2,536,571	-	-
Accrued expenses		2,676,574	3,000,877	80,482	30,232
Amount due to Directors	14.1	248,009	211,847	244,408	192,576
Amount due to subsidiaries	14.1	-	-	154,275	154,275
		16,061,492	14,398,434	479,165	377,083

14.1 Amounts due to Directors and subsidiaries

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

15. Revenue

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

Revenue of the Company represents dividend income from subsidiaries.

16. Employee information - Group

Staff costs include contributions to the Employees' Provident Fund of RM580,035 (2013 : RM676,751).

17. Finance costs - Group

	2014 RM	2013 RM
Interest paid and payable :		
Term loans	62,278	84,842
Bank overdrafts	27,637	36,939
Finance lease liabilities	14,365	19,685
Bankers' acceptances	889,136	930,332
Revolving credit	173,409	146,714
	1,166,825	1,218,512

18. Profit/(Loss) before tax

Profit/(Loss) before tax is arrived at :

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
After charging :				
Auditors' remuneration:				
- Statutory audit				
KPMG Malaysia				
- current year	151,000	102,000	36,000	33,000
- prior year	33,000	2,000	(3,000)	-
- Other auditors	49,676	48,893	-	-
- Non-audit fees				
KPMG Malaysia				
- current year	9,000	6,000	9,000	6,000
- prior year	2,000	-	2,000	-
Local affiliates of KPMG Malaysia	9,900	14,700	2,600	2,600

18. Profit/(Loss) before tax (continued)

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Directors' emoluments				
Directors of the Company				
Current Directors:				
- Fees	137,398	176,760	137,398	173,160
- Remuneration	447,328	839,344	-	1,500
- Other short term employee benefits	7,300	8,600	7,300	8,600
Past Directors:				
- Fees	103,619	46,383	103,619	46,383
- Remuneration	369,712	-	-	-
- Other short term employee benefits	7,300	3,100	7,300	3,100
Other Directors:				
- Fees	7,200	7,200	-	-
- Remuneration	413,505	404,972		
Impairment loss on receivables				
- trade	137,757	690,941	-	-
- non-trade	445,519	500,000	44,772	-
Rental of premises	142,863	115,276	-	-
Rental of equipment	253	282	-	-
Inventories written down	318,023	434,225	-	-
Inventories written off	647,592	436,000	-	-
Realised loss on foreign exchange	-	2,950,524	-	-
Unrealised loss on foreign exchange	355,691	2,306,895	-	-
Impairment loss on goodwill (Note 5)	-	1,134,520	-	-
Plant and equipment written off	110,117	28,353	-	-
and crediting :				
Interest income	284,973	206,233	-	-
Gain on disposal of plant and equipment	24,971	103,986	-	-
Realised gain on foreign exchange	115,661	-	-	-

19. Key management personnel compensation

The key management personnel compensation is as follows :

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Directors of the Company				
Current Directors				
Fees	-	3,600	-	-
Remuneration	447,328	839,344	-	1,500
	447,328	842,944	-	1,500
Other Directors				
Fees	7,200	7,200	-	-
Remuneration	413,505	404,972	-	-
	420,705	412,172	-	-
Past Directors				
Remuneration	369,712	-	-	-
	1,237,745	1,255,116	-	1,500

20. Tax expense

Recognised in profit or loss

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Tax expense on continuing operations	2,787,406	1,831,387	-	-
Current tax expense				
Malaysian				
- current year	628,063	874,000	-	-
- prior year	(22,125)	197,864	-	-
Overseas				
- current year	1,492,441	1,386,958	-	-
	2,098,379	2,458,822	-	-

20. Tax expense (continued)

Recognised in profit or loss (continued)

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Deferred tax expense				
- current year	301,027	(85)	-	-
- prior year	388,000	(627,350)	-	-
	689,027	(627,435)	-	-
Total tax expense	2,787,406	1,831,387	-	-

Reconciliation of tax expense

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Profit/(Loss) for the year	772,708	2,106,597	(615,667)	(468,795)
Total tax expense	2,787,406	1,831,387	-	-
Profit/(Loss) excluding tax	3,560,114	3,937,984	(615,667)	(468,795)
Income tax calculated using Malaysian tax rate of 25% (2013 : 25%)	890,029	984,496	(153,917)	(117,199)
Non-deductible expenses	1,567,036	1,391,037	-	-
Losses not available for set off	-	-	153,917	117,119
Non-taxable income	-	(2,754)	-	-
Effect of deferred tax assets not recognised	110,699	102,316	-	-
Reversal of deferred tax liability on revaluation	(146,973)	(214,435)	-	-
Other items	740	213	-	-
	2,421,531	2,260,873	-	-
Under/(Over)provision in prior years	365,875	(429,486)	-	-
Total tax expense	2,787,406	1,831,387	-	-

21. Basic earnings per ordinary share - Group

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM772,708 (2013 : RM2,106,597) and the weighted average number of ordinary shares outstanding during the year of 56,051,617 (2013 : 56,051,617).

22. Contingent liabilities, unsecured - Company

Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligation as and when they fall due.

Corporate guarantees

The Company has issued corporate guarantee to financial institutions for banking facilities granted to its subsidiaries up to a limit of RM79,800,000 (2013 : RM86,300,000) of which RM23,902,000 (2013 : RM21,414,000) were utilised as at the end of the reporting period.

23. Related parties

Identity of 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 or jointly 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. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 certain Directors of the Group.

There were no significant related party transactions of the Group and of the Company, other than key management personnel compensation as disclosed in Note 19 to the financial statements.

24. Operating segments- Group

The Group has only one reportable segment, which is principally engaged in the manufacture and distribution of canned food, frozen food and drinks. The Group's Chief Executive Officer (the Chief Operating Decision Maker) reviews internal management reports on the reportable segment on a monthly basis. Accordingly, information by operating segments on the Group's operations as required by MFRS 8 is not presented.

Geographical segments

In presenting geographical information, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

24. Operating segments- Group (continued)

	Revenue RM'000	Non-current assets RM'000
Geographical information		
2014		
Malaysia	57,217	46,268
United States of America	40,869	-
European countries	20,576	-
Asia (excludes Malaysia)	26,360	22,347
	145,022	68,615
2013		
Malaysia	70,013	45,635
United States of America	37,601	-
European countries	22,140	-
Asia (excludes Malaysia)	27,186	21,223
	156,940	66,858

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R"); and
(b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM
2014		
Financial assets		
Group		
Trade and other receivables	25,121,994	25,121,994
Short term investments	5,720,574	5,720,574
Cash and cash equivalents	12,822,593	12,822,593
	43,665,161	43,665,161
Company		
Trade and other receivables	25,202,082	25,202,082
Cash and cash equivalents	29,616	29,616
	25,231,698	25,231,698

25. Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount RM	L&R RM
2013		
Financial assets		
Group		
Trade and other receivables	31,815,082	31,815,082
Short term investments	4,328,800	4,328,800
Cash and cash equivalents	10,540,496	10,540,496
	46,684,378	46,684,378
Company		
Trade and other receivables	26,162,909	26,162,909
Cash and cash equivalents	82,374	82,374
	26,245,283	26,245,283

	Carrying amount RM	FL RM
2014		
Financial liabilities		
Group		
Loans and borrowings	24,264,220	24,264,220
Trade and other payables	16,061,492	16,061,492
	40,325,712	40,325,712
Company		
Trade and other payables	479,165	479,165
2013		
Financial liabilities		
Group		
Loans and borrowings	27,370,161	27,370,161
Trade and other payables	14,398,434	14,398,434
	41,768,595	41,768,595
Company		
Trade and other payables	377,083	377,083

25. Financial instruments (continued)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Net (losses)/gains on:				
Loans and receivables	(298,303)	(984,708)	(44,772)	-
Financial liabilities measured at amortised cost	(1,406,855)	(6,475,931)	-	-
	(1,705,158)	(7,460,639)	(44,772)	-

25.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and advances paid to suppliers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

25. Financial instruments (continued)

25.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographical region was :

	2014 RM	2013 RM
Group		
Malaysia	12,979,861	17,831,074
United States of America	5,916,348	3,783,603
European countries	1,691,887	2,362,846
Asia (excludes Malaysia)	2,280,834	2,687,390
	22,868,930	26,664,913

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only.

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM	Individual impairment RM	Net RM
Group			
2014			
Not past due	17,655,755	-	17,655,755
Past due 1 - 30 days	3,297,239	-	3,297,239
Past due 31 - 120 days	1,637,940	-	1,637,940
Past due more than 120 days	3,443,505	(3,165,509)	277,996
	26,034,439	(3,165,509)	22,868,930
2013			
Not past due	19,628,021	-	19,628,021
Past due 0 - 30 days	4,523,539	-	4,523,539
Past due 31 - 120 days	1,494,110	(349,042)	1,145,068
Past due more than 120 days	4,046,995	(2,678,710)	1,368,285
	29,692,665	(3,027,752)	26,664,913

25. Financial instruments (continued)

25.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2014 RM	2013 RM
Group		
At 1 January	3,027,752	2,355,569
Impairment loss recognised	415,147	690,941
Reversal of impairment loss	(277,390)	-
Impairment loss written off	-	(18,758)
At 31 December	3,165,509	3,027,752

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM23,902,000 (2013 : RM21,414,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

25. Financial instruments (continued)

25.4 Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to subsidiaries. Nevertheless, these advances are not considered to be overdue and are repayable on demand.

25.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount	Contractual interest rate per annum	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
	RM		RM	RM	RM	RM	RM
2014							
Group							
Non-derivative financial liabilities							
Unsecured							
Bank overdrafts	1,127,310	8.10% - 8.35%	1,127,310	1,127,310	-	-	-
BBA	1,000,117	3.75%	1,000,117	1,000,117	-	-	-
Term loans	9,231	7.40%	9,231	9,231	-	-	-
Bankers' acceptances	17,765,311	3.42% - 5.97%	17,765,311	17,765,311	-	-	-
Revolving credit	4,000,000	5.23% - 5.62%	4,000,000	4,000,000	-	-	-
Finance lease liabilities	362,251	2.28% - 2.88%	404,344	107,126	77,532	219,686	-
Trade and other payables	16,061,492	-	16,061,492	16,061,492	-	-	-
	40,325,712		40,367,805	40,070,587	77,532	219,686	-
Company							
Non-derivative financial liabilities							
Trade and other payables	479,165	-	479,165	479,165	-	-	-
Financial guarantees	-	-	79,800,000	79,800,000	-	-	-
	479,165		80,279,165	80,279,165	-	-	-

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

	Carrying amount	Contractual interest rate per annum	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
	RM		RM	RM	RM	RM	RM
2013							
Group							
Non-derivative financial liabilities							
Unsecured							
Bank overdrafts	832,321	7.85% - 8.10%	832,321	832,321	-	-	-
BBA	2,038,366	3.75%	2,084,791	1,098,240	986,551	-	-
Term loans	48,380	7.40%	50,642	41,436	9,206	-	-
Bankers' acceptances	22,815,222	3.20% - 5.30%	22,815,222	22,815,222	-	-	-
Revolving credit	1,500,000	5.21% - 5.29%	1,500,000	1,500,000	-	-	-
Finance lease liabilities	135,872	2.88% - 3.50%	162,834	64,672	49,286	48,876	-
Trade and other payables	14,398,434	-	14,398,434	14,398,434	-	-	-
	41,768,595		41,844,244	40,750,325	1,045,043	48,876	-
Company							
Non-derivative financial liabilities							
Trade and other payables	377,083	-	377,083	377,083	-	-	-
Financial guarantees	-	-	86,300,000	86,300,000	-	-	-
	377,083		86,677,083	86,677,083	-	-	-

25. Financial instruments (continued)

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

25.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Singapore Dollar ("SGD").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in		
	USD RM	SGD RM	Total RM
Group			
2014			
Trade and other receivables	7,714,607	251,119	7,965,726
Cash and bank balances	2,111,466	-	2,111,466
Trade payables	(2,781,764)	-	(2,781,764)
Loans and borrowings	(4,507,824)	-	(4,507,824)
Net exposure	2,536,485	251,119	2,787,604
2013			
Trade and other receivables	6,541,895	254,848	6,796,743
Cash and bank balances	1,848,524	-	1,848,524
Trade payables	(2,781,685)	-	(2,781,685)
Loans and borrowings	(5,173,120)	-	(5,173,120)
Net exposure	435,614	254,848	690,462

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2013 : 10%) strengthening of these functional currencies against USD and SGD at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases. There is no impact to equity arising from exposure to currency risk.

	Profit or loss	
	2014	**2013**
	RM'000	**RM'000**
Group		
USD	(190)	(33)
SGD	(19)	(19)

A 10% (2013 : 10%) weakening of these functional currencies against USD and SGD at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

25.6.2 Interest rate risk

The Group's primary interest rate risk is related to debts obligations which are mainly conferred to loans and borrowings.

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing loans and borrowings and interest earnings deposits. The Group's policy is to borrow principally on the floating basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate loans and borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

Group	2014 RM	2013 RM
Fixed rate instruments		
Financial assets	11,740,728	8,325,481
Financial liabilities	(23,127,679)	(26,489,460)
	(11,386,951)	(18,163,979)
Floating rate instruments		
Financial liabilities	(1,136,541)	(880,701)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
Group	100 bp increase RM'000	100 bp decrease RM'000
2014		
Floating rate instruments	(8)	8
2013		
Floating rate instruments	(7)	7

25. Financial instruments (continued)

25.7 Fair value information

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2014										
Group										
Financial liabilities										
BBA	-	-	-	-	-	-	1,000,117	1,000,117	1,000,117	1,000,117
Term loans	-	-	-	-	-	-	9,231	9,231	9,231	9,231
Finance lease liabilities	-	-	-	-	-	-	380,011	380,011	380,011	362,251
	-	-	-	-	-	-	1,389,359	1,389,359	1,389,359	1,371,599
2013										
Group										
Financial liabilities										
BBA	-	-	-	-	-	-	1,975,067	1,975,067	1,975,067	2,038,366
Term loans	-	-	-	-	-	-	48,380	48,380	48,380	48,380
Finance lease liabilities	-	-	-	-	-	-	155,214	155,214	155,214	135,872
	-	-	-	-	-	-	2,178,661	2,178,661	2,178,661	2,222,618

25. Financial instruments (continued)

25.7 Fair value information (continued)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2013: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair value of term loans and finance lease liabilities are calculated using discounted cash flows.

26. Capital commitments

	2014 RM	2013 RM
Property, plant and equipment		
- Contracted but not provided for	982,000	-

27. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the financial year.

28. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2014, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows :

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries				
- realised	85,265	85,544	(448)	168
- unrealised	(2,744)	(3,859)	-	-
	82,521	81,685	(448)	168
Less: Consolidation adjustments	(22,110)	(22,047)	-	-
Total retained earnings/ (accumulated losses)	60,411	59,638	(448)	168

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

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 35 to 84 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 on page 85 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

……………………………………………………….

Darmendran Kunaretnam

…………………………………………………

Ong Choon Wah

Penang,

Date : 30 April 2015

Statutory Declaration Pursuant To Section 169(16) Of The Companies Act, 1965

I, **Ong Choon Wah**, 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 35 to 84 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 above named at Georgetown in the State of Penang on 30 April 2015.

....

Ong Choon Wah

Before me :

Goh Suan Bee (No. P125)
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Penang

Report on the Financial Statements

We have audited the financial statements of Rex Industry Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 84.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 the 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 entity's preparation of the financial statements that give a true and fair view 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 entity'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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 4 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 Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 85 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Lim Su Ling
3098/12/15 (J)
Chartered Accountant

Date : 30 April 2015

Penang

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)	Date of Acquisition / * Revaluation	Net Book Value (31.12.2014) (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 53 years remaining (46 years)	29, 125 (25,000) sq.ft	* 3 November 2011	1,958,531
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 29 years remaining (27 & 22 years)	1 acre (35,000) sq. ft	* 3 November 2011	3,378,551
Plot 125 Bukit Minyak Industrial Park Seberang Perai Tengah (Rex Canning)	Industrial land with factory (Plot 125) Expiry Date: 02/01/2058	60 years with 45 years remaining (15years)	6 acres (261,586) sq. ft	* 30 August 2012	18,055,377
Plot 126 Bukit Minyak Industrial Park Seberang Perai Tengah (Rex Canning)	Industrial land	60 years with 56 years remaining (4 years)	1.74 acres	* 30 August 2012	1,356,994
Plot 42 & 43 Taman Airmas Seberang Perai Utara (Rex Canning)	Residential Premises (Lot 4639 / HS (D) 3363) (Lot 4654 / HS (D)3378)	Freehold land	(1,086) sq. ft	31 December 1996	113,349
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 77 years remaining (19 years)	(4,500) sq. ft	10 October 1990	493,175
JL. Raya Beji Km 4 No 42 Beji, Pasuraun, Jawa Timur, Indonesia (P.T.Rex Canning)	Industrial Land with Factory	130 years with 109 years remaining (21 years)	(252,207) sq. ft	* 14 January 2005	5,429,508
Jiedong Economic Development Experimental Zone (Jie Yang Rex Foods)	Leasehold Land with Factory Expiry Date: 20/01/2046	50 years with 33 years remaining (17years)	6.88 acres (299,693) sq. ft	* 30 November 2012	8,960,004
Lot No. 59712 Mukim Petaling Daerah Petaling Negeri Selangor (Rex Canning)	Industrial Land with Factory Geran No. 72528	-	(2,000) sq. ft	5 January 2006	636,796
JL. Raja Beji KM4, Desa Beji, Kecematan Beji, Kabupaten Pasuraun, Propinsi Jawa Timur, Indonesia.	Industrial Land	-	3.73 acres	5 September 2012	4,917,063

REX INDUSTRY BERHAD
(282664-K)

PROXY FORM

CDS Account No.

No. of Shares Held

I/We, ...
(Full name in Capital Letters)

of ....
(Full Address)

being a member/members of the above-named Company, hereby appoint ....
(Full name in Capital Letters)

of ....
(Full Address)

or failing him, ...
(Full name in Capital Letters)

of ....
(Full Address)

as *my/our proxy, to vote for *me/us on *my/our behalf at the Twenty-First Annual General Meeting of the Company, to be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Prai, Penang on Friday, 26 June 2015 at 10.00 a.m., and at any adjournment thereof.

	RESOLUTIONS										
	1	2	3	4	5	6	7	8	9	10	11
FOR											
AGAINST											

(Please indicate with "X" in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

* Strike out whichever is not desired.

Signed this .... day of ...., 2015.

For appointment of two (2) proxies, no. of shares and percentage of shareholdings to be represented by the each proxy:

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

....
Signature of Shareholder(s)

....
Common Seal to be affixed here if Shareholder is a Corporation

Notes:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. For the proxy to be valid, the proxy form duly completed must be deposited at the Company's Registered Office at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang not less than forty-eight (48) hours before the time appointed 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. Where a member appoints two (2) or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act,1991 ("SICDA") it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an Exempt Authorised Nominee which hold ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an additional nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
7. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 78(3) of the Articles of Association of the Company and Section 34(1) of the SICDA to issue a General Meeting and Record of Depositors ("ROD") as at 19 June 2015 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote on his/her behalf.

Personal Data Privacy:
By submitting the duly executed proxy form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment there of.

STAMP

The Company Secretary

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