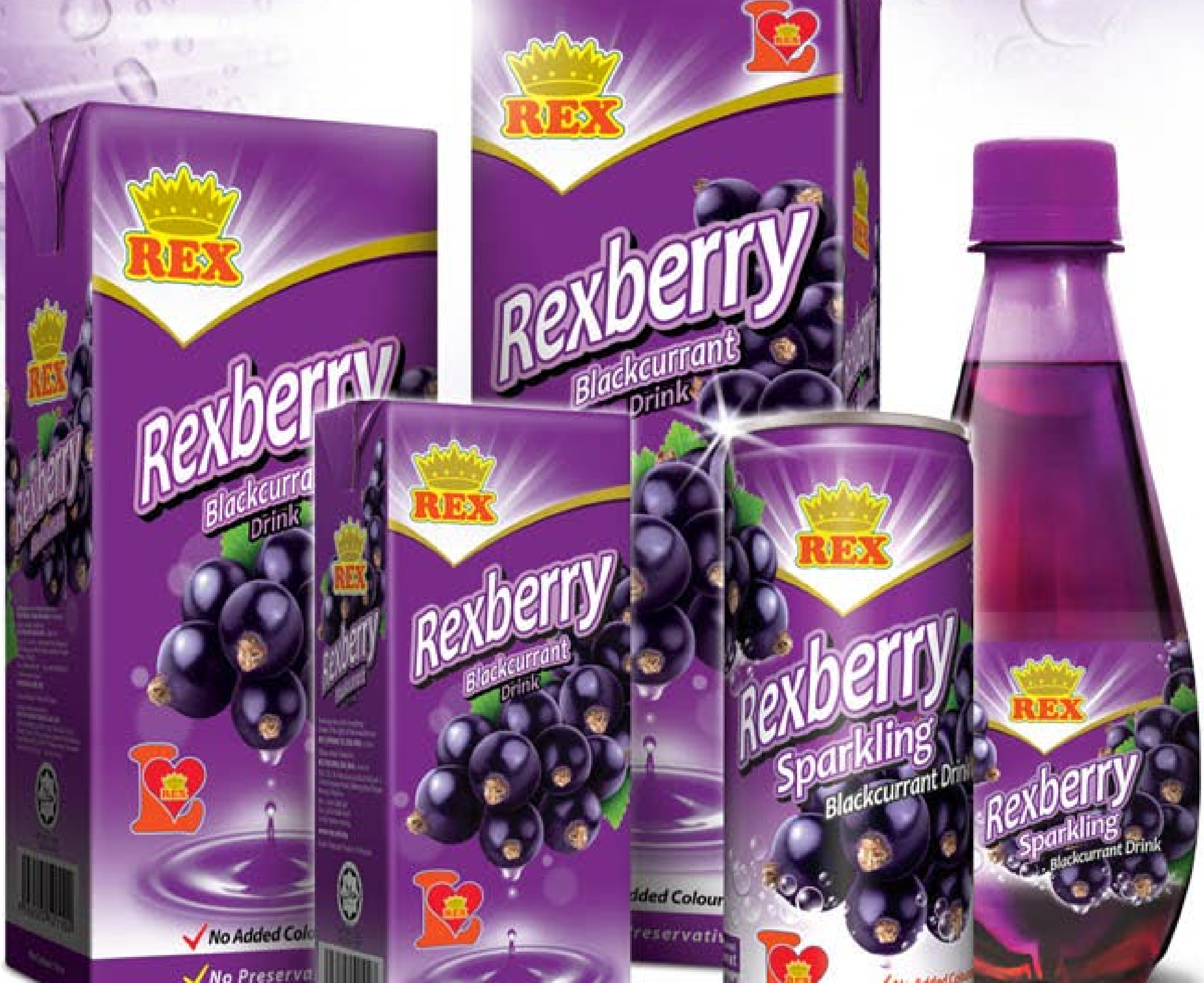
REX INDUSTRY BHD.
ANNUAL REPORT 2016



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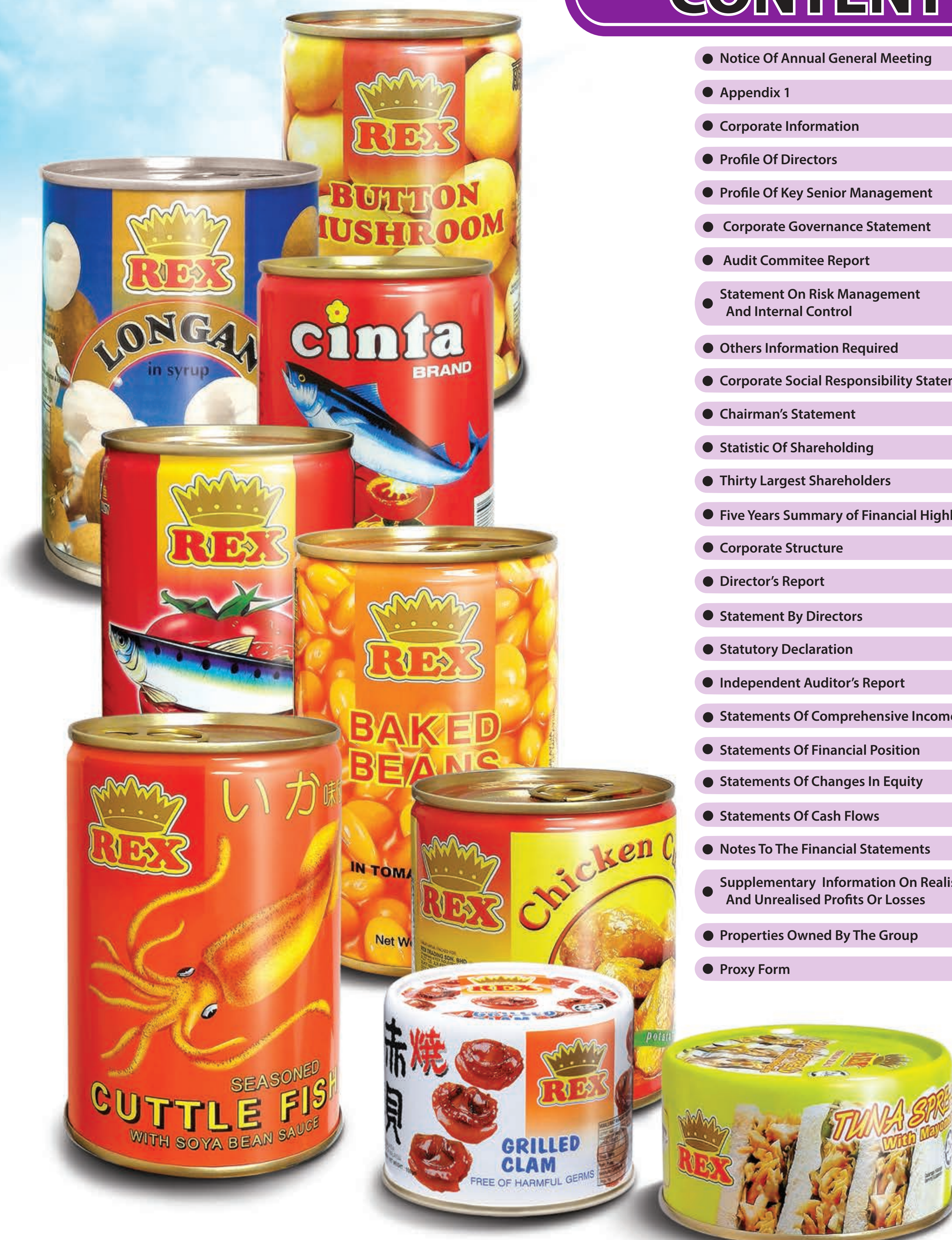

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REX

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of Rex Industry Berhad will be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Prai, Penang on Friday, 23 September 2016 at 10:00 a.m. for or the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial period from 1 January 2015 to 30 June 2016 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1)

2. To approve the payment of Directors' fees of RM 404,734.00 for the financial period from 1 January 2015 to 30 June 2016. 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) Ms. Lee Sew Keng; and Resolution 2
   (b) Encik Mohd Faisal Izan bin Abdul Latiff Resolution 3

4. To re-appoint Messrs. Moore Stephens Associates PLT as the Auditors of the Company for the financial year ending 30 June 2017 and to authorise the Directors to fix their remuneration. Resolution 4

AS SPECIAL BUSINESS

To consider and, if thought fit, with or without modification, to pass the following ordinary and special resolutions:-

5. **ORDINARY RESOLUTION NO. 1** Resolution 5
   - RE-APPOINTMENT OF DIRECTOR OVER THE AGE OF SEVENTY (70) YEARS PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

   "**THAT** Tan Sri Dato' Ibrahim bin Mohd Zain, the Director who is over the age of seventy (70) years, be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965."

6. **ORDINARY RESOLUTION NO. 2** Resolution 6
   - RETENTION OF INDEPENDENT DIRECTOR

   "**THAT** subject to the passing of Resolution 3, approval be and is hereby given to retain Encik Mohd Faisal Izan bin Abdul Latiff, who has served as an Idependent Director of the Company for a cumulative term of more than nine (9) years, as an Independent Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

7. **ORDINARY RESOLUTION NO. 3** Resolution 7

- AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"**THAT** subject to Section 132D of the Companies Act, 1965, and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **AND THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company, unless revoked or varied by a resolution passed by the shareholders in general meeting, whichever is the earlier."

8. **ORDINARY RESOLUTION NO. 4** Resolution 8

- PROPOSED NEW SHAREHOLDER MANDATE FOR THE RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** subject to Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given to the Company and its subsidiaries ("**the Group**") to enter into and to give effect to the category of the recurrent related party transactions of a revenue or trading nature from time to time as specified in Section 2.5 of the Circular to Shareholders dated 1 September 2016, provided that such transactions are:-

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the Company's day -to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and

(iv) not to the detriment of minority shareholders;

(the "**mandate**");

AND THAT the authority conferred by such mandate shall commence immediately upon the passing of this ordinary resolution and continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the next meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act,1965 ("**the Act**") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing such documents as may be required), as they may consider expedient or necessary to give effect to the mandate."

9. **SPECIAL RESOLUTION NO. 1** Resolution 9
- PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"**THAT** the proposed amendments to the Articles of Association of the Company as set out in Appendix 1 attached to the Annual Report be and are hereby approved and adopted; **AND THAT** the Board of Directors and Secretaries of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the proposed amendments to the Articles of Association of the Company."

10. 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)
Company Secretaries

Date: 1 September 2016

Explanatory Notes to Special Business:

1. **Re-appointment of Director over the age of 70 years pursuant to Section 129(6) of the Companies Act, 1965 ("the Act")**

The proposed adoption of the Ordinary Resolution No. 1 is to re-appoint Tan Sri Dato' Ibrahim bin Mohd Zain as Director of the Company in accordance with the Section 129(6) of the Act. The Board is of the opinion that Tan Sri Dato' Ibrahim bin Mohd Zain's experience and credentials together with his vast knowledge and experience in the related fields will continue to bring vast benefits to the Company. The Board therefore, recommends that he should be re-appointed as a Director of the Company.

2. **Retention of Independent Director of the Company pursuant to the Malaysian Code on Corporate Governance 2012 ("MCCG 2012")**

The proposed adoption of the Ordinary Resolution No. 2 is to retain Encik Mohd Faisal Izan bin Abdul Latiff ("**Encik Mohd Faisal**") as an Independent Director of the Company in accordance with MCCG 2012. Although having served the Company for a cumulative term of approximately twenty (20) years, the Board is of the opinion that Encik Mohd Faisal has fulfilled the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Bursa Malaysia Securities Berhad ("**the Exchange**") Main Market Listing Requirements as listed below. Also, the Board had assessed that he had performed his duties diligently and in the best interest of the Company, and have provided independent opinion and judgement as well as broader views and balanced assessments to the proposals from the Management with his diverse experience and expertise. The Board therefore recommends that he be retained as an Independent Director of the Company on the following basis:-

- He is not an executive director of the Company or an y related corporation of the Company (hereinafter each corporation is referred to as "**said Corporation**").
- He has not been within the last two (2) years and is not an officer (except as a non-executive director) of the said Corporation.
- He is not a major shareholder of the said Corporation.
- He is not a family member of any executive director, officer or major shareholder of the said Corporation.
- He is not acting as a nominee or representative of any executive director or major shareholder of the said Corporation.
- He has not been engaged as an adviser by the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by the Exchange.
- He has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange.
- He does not have any material relationship with the said Corporation, either directly or as a partner, shareholder, director or officer of an organisation that has a material relationship with the said Corporation, which would interfere with the exercise of his independent judgement, objectivity or the ability to act in the best interest of the said Corporation.
- He does not have any potential conflict of interest, whether business or non-business related, with the said Corporation.
- He has not established or maintained any significant personal or social relationship, whether direct or indirect, with the Group Managing Director/Chief Executive Officer, Executive Directors, major shareholders or management of the said Corporation (including their family members) other than the normal engagements and interactions on a professional level consistent with his duties and expected of him to carry out his duties as an independent director.
- He is not accustomed or under an obligation, whether formal or informal, to act in accordance with thedirections, instructions or wishes of a director, officer or major shareholder of the said Corporation.
- He does not hold any cross-directorship or have any significant links with other directors through involvement in other companies or body corporate which cross-directorships or links would materially hamper my independent judgement or ability to act in the best interests of the said Corporation.
- He does not receive any performance-based remuneration or share-based incentives from the said Corporation apart from Director's fees that are approved by shareholders.

3. Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed adoption of the Ordinary Resolution No. 3 is for the purpose of granting a renewed general mandate ("**General Mandate**") to empower the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate will provide flexibility to the Company to allot shares for any possible fund raising activities for the purpose of funding future investment project(s), working capital and/or acquisition(s) without delay and without incurring any further cost to convene a separate general meeting to approve such authority.

As at the date of this Notice, no new share in the Company had been issued pursuant to the mandate granted to the Directors at the Twenty-First Annual General Meeting of the Company held on 26 June 2015, which will lapse at the conclusion of the Twenty-Second Annual General Meeting.

4. Proposed new shareholder mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature("RRPT")

The proposed adoption of the Ordinary Resolution No. 4 is to obtain the shareholder mandate to enable the Company and its subsidiaries ("**the Group**") to enter into RRPT to facilitate transactions in the normal course of business of the Group which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the proposed new shareholder mandate for the RRPT of the Company are set out in the Circular to Shareholders of the Company dated 1 September 2016, which is despatched together with the Company's 2016 Annual Report.

5. Proposed amendments to the Articles of Association of the Company

The proposed adoption of the Special Resolution No. 1 is to streamline the Articles of Association of the Company with the recent amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements , which took effect on 1 July 2016, and to allow for other administrative expediency.

Notes:

1. *Agenda item no. 1 is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 and the Articles of Association of the Company require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this agenda item is not a business which requires a resolution to be put to vote by shareholders.*
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 15 September 2016 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 .*

Proposed amendments to the articles of association of the Company

The new provision and existing Articles of Association are amended by the alteration, modifications, deletion and/or additions, wherever necessary, whereby the affected existing Articles are reproduced here with the Proposed Amendments in bold, alongside it:-

No.	Existing Articles	Proposed Articles
82A	None	**A meeting of the Directors or a committee appointed by board of Directors may be held by means of a video conference or telephone conference or other telecommunications facilities which permits all persons participating in the meeting to communicate with each other. A person so participating shall be deemed to be present in person at such meeting and unless otherwise provided in the Articles, shall be counted in forming a quorum and be entitled to vote and the meeting shall be deemed to have been held in Malaysia.**
97	The Company, upon admission to the Official List of the Stock Exchange, shall not delete, amend or add to any of its existing Articles of Association which have been previously approved by the Stock Exchange, unless prior written approval has been sought and obtained from the Stock Exchange for such deletion, amendment or addition.	**The Company may be by Special Resolution, amend the whole or any part of these Articles subject to the prior written approval being obtained from every stock exchange (where required or necessary) on which the Company's shares are listed.**
100	The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed 4 months. The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheet and report as are referred to in the Section. The Company's Annual Report shall be prepared in accordance with the Act and the Listing Requirements and be issued to members and given to the Exchange within a period not exceeding six (6) months from the close of the financial year of the Company and the audited profit and loss accounts and balance sheets, group accounts (if any) and the Directors' and Audited reports, shall be given to the Exchange for public release, within a period not exceeding four (4) monthsfrom the close of the financial year of the Company.	The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. ~~The interval between the close of a financial year of the Company and the issue of the annual audited accounts,the directors'and auditors' reports shall not exceed 4 months.~~ The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheet and report as are referred to in the Section. The Company's Annual Report shall be prepared in accordance with the Act and the Listing Requirements and be issued to members and given to the Exchange within a period not exceeding ~~six(6)~~ **four (4)** months from the close of the financial year of the Company and the audited profit and loss accounts and balance sheets, group accounts (if any) and the Directors' and Audited reports, shall be included in the said Annual Report to be given to the Exchange for public release, within a period not exceeding four (4) months from the close of the Company.

Corporate Information

BOARD OF DIRECTORS

- Tan Sri Dato' Mohd Ibrahim bin Mohd Zain - CHAIRMAN
- Darmendran Kunaretnam
- Lee Sew Keng
- 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
- Chee Cheng Chun

NOMINATION COMMITTEE

- Mohd Faisal Izan bin Abdul Latiff – CHAIRMAN
- Chee Cheng Chun
- Tai Keat Chai

AUDITORS

- Messrs. Moore Stephens Associates PLT

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
- Johan Arafat Hamzah & Mona

REGISTERED OFFICE

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

REGISTRARS

- 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 73, a Malaysian, male, is the Chairman of the Board and a 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 Masters 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 and headed its school of business and then as dean of academic. He was 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 Berhad, Chemical Company of Malaysia Berhad and Kawan Food Berhad, Deputy Chairman of Metrojaya Berhad and Director of K & N Kenanga Holdings Berhad and AMMB Holdings Berhad.

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

Tan Sri Dato' Mohd Ibrahim attended all eight (8) Board Meetings held during the financial period ended 30 June 2016.

Darmendran Kunaretnam
Non-Independent Executive Director

Mr. Darmendran Kunaretnam, aged 54, a Malaysian, male, was appointed to the Board of the Company and as the Group Managing Director on 3 March 2015. 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 year 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 attended seven (7) out of the eight (8) Board Meetings held during the financial period ended 30 June 2016, Mr. Darmendran attended all seven (7) Board Meetings held during his tenure in office as Director since 3 March 2015.

Lee Sew Keng
Non-Independent Executive Director

Madam Lee Sew Keng, aged 60, a Malaysian, female, was appointed to the Board of the Company on 26 August 1995.

Madam 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. She does not hold any other directorship in other public companies and listed issuers.

Madam Lee attended six (6) out of the eight (8) Board Meetings held during the financial period ended 30 June 2016.

Mohd Faisal Izan bin Abdul Latiff
Independent Non-Executive Director

Encik Mohd Faisal Izan bin Abdul Latiff , aged 44, a Malaysian, male, was appointed to the Board of the Company on 22 April 1996. He was appointed as 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 the 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 an executive director in several private limited companies. He does not hold any other directorship in other public companies and listed issuers.

Encik Mohd Faisal Izan attended all eight (8) Board Meetings held during the financial period ended 30 June 2016.

Lee Soo Keat
Non-Independent Non-Executive Director

Mr. Lee Soo Keat, aged 40, a Malaysian, male, 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 graduated from Southern Illinois University in the United States of America with a Bachelor of Marketing and Management. He sits on the Board of the Company's subsidiaries and several other private limited companies. He does not hold any other directorship in other public companies and listed issuers.

Mr. Lee attended five (5) out of the eight (8) Board Meetings held during the financial period ended 30 June 2016.

Chee Cheng Chun
Non-Independent Non-Executive Director

Mr. Chee Cheng Chun, aged 31, a Malaysian, male, was appointed to the Board of the Company on 3 March 2015. He is a member of Nomination Committee and Remuneration Committee.

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

Mr. Chee attended six (6) out of the eight (8) Board Meetings held during the financial period ended 30 June 2016, Mr. Chee attended six (6) out of the seven (7) Board Meetings held during his tenure in office as Director since 3 March 2015.

Tai Keat Chai
Independent Non-Executive Director

Mr. Tai Keat Chai, aged 62, a Malaysian, male, 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 three (3) other public listed companies and listed issuers i.e., Silk Holdings Berhad, Omesti Berhad and Microlink Solutions Berhad.

Mr. Tai attended seven (7) out of the eight (8) Board Meetings held during the financial period ended 30 June 2016, Mr. Tai attended all seven (7) Board Meetings held during his tenure in office as Director since 6 March 2015.

Notes:

i)

Name of Director	Family Relationships	Convictions for Offences within the past five (5) years other than Traffic Offences
1. Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	None	None
2. Darmendran Kunaretnam	None	None
3. Lee Sew Keng	Sister of Lee Chai Seng	None
4. Mohd Faizal Izan bin Abdul Latiff	None	None
5. Lee Soo Keat	Son of Lee Chai Seng	None
6. Chee Cheng Chun	None	None
7. Tai Keat Chai	None	None

ii) There was no material contract entered into by the Group involving Directors and Major Shareholders of Rex Industry Berhad.

iii) The details of each Director's interest in the securities of the Company are disclosed in the Analysis of Shareholdings on page 34 of this Annual Report.

Sandra Lim Geik Fong
Chief Financial Officer

Ms. Sandra, aged 42, a Malaysian, female, was appointed as the Company Chief Financial Officer on 1 September 2014.

Ms. Sandra is a Chartered Accountant of the Malaysian Institute of Accountants and a fellow member of the Association of Chartered Certified Accountants, United Kingdom.

She started her career as auditor in an audit firm. She joined Rex Group in 1999 as an Assistant Accountant and assumed various positions in Finance with increasing responsibilities until her promotion as the Group Accountant, a position she held since January 2001. Subsequently, Ms. Lim was promoted as the Chief Financial Officer with effect from 1 September 2014.

Ms. Sandra does not hold any directorship in other public companies and listed issuers.

June Lee Pek Choon
National Sales Director

Madam June Lee, aged 72, a Malaysian, female, was appointed as the National Sales Directors in 1998.

Madam June Lee graduated from St. Teresa Convent School and has a long experience in sales and marketing, retails, wholesales and key accounts. She worked for Boustead Berhad, JL Morrison and Cold Storage Trading Berhad in Penang for eight (8) years as Sales Representative prior her joining to Rex Trading Sdn. Bhd. She joined Rex Group in 1989 as Sales Manager and was promoted to National Sales Director in 1998.

Madam June Lee has significant contribution in building Rex Brand to the markets, especially in Malaysia, Brunei and Singapore.

Madam June Lee does not hold any directorship in other public companies and listed issuers.

Hisham Kusari
Human Resources Director

Mr. Hisham, aged 51, a Malaysian, male, was appointed as Group Human Resource Director on 1 June 2016.

Throughout his twenty-four (24) years of experiences, he has managed multi facets of Human Resources in various industries such as Manufacturing, Automotive, Sales, Security Services, Oleochemicals, Life Sciences, Foods, Plantations and Properties. He has also have managed Human Resources affairs, cross borders covering Malaysia, Singapore, China, Indochina, Indonesia and Europe.

Mr. Hisham hold a Diploma in Human Resource Management and had attended to Professional Management Development Programme (**PMDP**) in Harvard University.

Mr. Hisham does not hold any directorship in other public companies and listed issuers.

Chong Heng Loon
General Manager – Production, and Research and Development

Mr. Chong, aged 46, a Malaysian, male, is the General Manager of Manufacturing Division of Rex Canning Co. Sdn. Bhd. He joined the Company in 2015. He had more than twenty (20) years of experiences in the bakery industry. He was trained by Baking Science and Technology in Thailand and owned a Diploma in NCC.

Prior to joining the Company, he was with Standard Confectionery Sdn. Bhd. for fourteen (14) years where he started his career as a Quality Assurance Manager and worked his way to be General Manager of the Manufacturing Division.

Mr. Chong does not hold any directorship in other public companies and listed issuers.

Chris Kong Wai Fa
General Manager - Procurement, Logistic and Warehouse

Ms. Chris, age 52, a Malaysian, female, was appointed as General Manager of Procurement, Logistic and Warehouse of Rex on 1 June 2016.

She started her career in a logistic business in 1983 from Finance working her way up to Operations, Sales and eventually to become Chief Executive Officer of a logistic company involved in land, sea, air transport, forwarding and warehousing.

Ms. Chris does not hold any directorship in other public companies and listed issuers.

Chu Seang Ming
General Manager of P.T. Rex Canning, Indonesia

Mr. Chu Seang Ming, aged 50, a Malaysian, male, was appointed as General Manager at P.T. Rex Canning on 1 May 1998.

He started his career with a frozen food manufacturer based Perak as a Factory Quality Controller where he was under took in plant as laboratory quality control tasks for frozen shrimps processing.

In 1990, he joined Rex Canning Co. Sdn. Bhd. as the Quality Control Supervisor. He then moved to P.T. Rex Canning when it was established in 1992 as the Quality Control Manager. From 1997 to 1998, Mr. Chu was tasked with establishing and setting up new processing plant and operations for the Rex Group in People's Republic of China in his capacity as General Manager for Jie Yang Rex Foods Ltd. Co, and returned to P.T. Rex Canning in 1998 and is currently in charge of the general management of P.T. Rex Canning. He holds a Master of Business Administration, Marketing from Washington International University. He also holds various certifications included Indonesia Fishery Department – QMP & HACCP Program (1994), FDA/USDA Better Process Control School, Indonesia (1995), NOAA – Seafood Sensory Program, USA (2000) and HACCP Program SGS, Indonesia (2000).

Mr. Chu does not hold any directorship in other public companies and listed issuers.

Raymond Li Weng Kai
General Manager of Jie Yang Rex Foods, China

Mr. Raymond, age 49, a Hongkonger, male. He has been worked for Jie Yang Rex Foods Co. Ltd since 1997, a wholly owned subsidiary of Rex Group.

He graduated from Carlton University, Ottawa, Canada with a Bachelor of Arts (Hons) in Operation Research. After graduating, he worked as a Terminal Planning Supervisor with Hutchison Whampoa in Hong Kong for three (3) years before he joined the Rex Group.

Mr. Raymond does not hold any directorship in other public companies and listed issuers.

Notes:

i) Family relationship with any Director/Major Shareholder and list of conviction for offences within the past five (5) years, other than traffic offences of key senior management:-

Name of Key Senior Management	Family Relationships with any Director/Major Shareholder	Conviction for Offences within the past five (5) years, other than Traffic Offences
1. Sandra Lim Geik Fong	None	None
2. June Lee Pek Choon	None	None
3. Hisham Kusari	None	None
4. Chong Heng Loon	None	None
5. Chris Kong Wai Fa	None	None
6. Chu Seang Ming	None	None
7. Raymond Li Weng Kai	Son in law of Lee Chai Seng	None

ii) None of the key senior management have any conflicts of interests within the Company and the Group.

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 period ended 30 June 2016 and up to the date of this Annual Report.

1. BOARD OF DIRECTORS

1.1 Board Composition

The Board presently has seven (7) members comprising two (2) Non-Independent Executive Directors, two (2) 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 balanced board.

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 9 to 11 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 Group Managing Director, 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;
- Overseeing the conduct of the Company's business;
- 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;
- Overseeing development and implementation of a 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, Executive Directors and/or Group Managing Director are not combined to have a clear division of responsibilities at the head of the Company for independence 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, the Independent Non-Executive Chairman and the executive management of the Company is led by Darmendran Kunaretnam, the Group Managing Director/ 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 of these Board Committees are further elaborated in item 2 below.

1. BOARD OF DIRECTORS (cont'd)

1.3 Board Meetings and Directors' access to Information and Advice

Each member of the Board is expected to devote sufficient time and attention to the affairs of the Company. Any Director is, while holding office, at liberty to accept other Board appointment(s) in other companies so long as the appointment is not in conflict with the Group's business and does not affect the discharge of his duty as a Director of the Company. Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman of the Board and/or Company Secretaries, where applicable.

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 eight (8) times during the financial period ended 30 June 2016 with the following record of attendance: -

Name	No. of meetings attended while in appointment
Tan Sri Dato'Mohd Ibrahim bin Mohd Zain (Chairman)	8 of 8
Mohd Faisal Izan bin Abdul Latiff	8 of 8
Lee Hee Thiam (resigned on 22 February 2016)	6 of 6
Lee Sew Keng	6 of 8
Lee Soo Keat	5 of 8
Ong Choon Wah (resigned on 30 May 2016)	5 of 6
Darmendran Kunaretnam (appointed on 3 March 2015)	7 of 7
Chee Cheng Chun (appointed on 3 March 2015)	6 of 7
Tai Keat Chai (appointed on 6 March 2015)	7 of 7
Tang Yin Kham (resigned on 6 March 2015)	1 of 1
Lee Siew Boy (resigned on 3 March 2015)	1 of 1
Ameer bin Shaik Mydin (resigned on 3 March 2015)	1 of 1

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 (cont'd)

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**") since 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**"). During the financial period ended 30 June 2016, the Director's have attended the following trainings: -

Description/ type of training	Date of training	Directors attended
1. Understanding and awareness of Goods and Services Tax ("**GST**")	5 May 2015	Tai Keat Chai
2. Malaysian Food Canners' Association ("**MFCA**") technical visit 2015 to Fu Jian Province, China	5 May 2015 to 8 May 2015	Ong Choon Wah (resigned on 30 May 2016)
3. Corporate governance effects on the role of Directors	18 June 2015	Darmendran Kunaretnam
4. Board chairman series part 2: leadership excellence from the chair	3 September 2015	Tai Keat Chai
5. Board chairman series: tone from the chair and establishing boundaries	15 September 2015	Tan Sri Dato' Mohd Ibrahim bin Mohd Zain
6. Corporate governance breakfast series: improving Board risk oversight effectiveness	26 February 2016	Chee Cheng Chun
7. Unlimited training - GST	5 March 2016	Lee Sew Keng and Lee Soo Keat
8. Cost of capital and discount and premiums	9 May 2016	Tai Keat Chai

Director who did not attend any training courses during the financial period was due to other work and business committee, will make great effort to attend trainings, seminars and/or conferences to enhance their knowledge in moving forward.

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 continuous training requirement as required by the Listing Requirements.

1. BOARD OF DIRECTORS (cont'd)

1.5 Directors' Training (cont'd)

The Board also received updates and were also briefed and updated 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 has also equipped the Directors with a thorough understanding of the Group's operations.

1.6 Directors' Remuneration

The aggregate remuneration of the Directors categorised into the respective components in respect of the financial period ended 30 June 2016 are as follows: -

	Fees (RM)	Salaries and others emoluments (RM)	Bonus (RM)	Statutory contributions (RM)	Total (RM)
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Executive Directors	-	1,417	428	281	2126
Non-Executive Directors	-	-	-	-	-
Executive Directors (resigned)	-	630	105	88	823
Company					
Executive Directors	-	-	-	-	-
Non-Executive Directors	373	-	-	-	373
Non-Executive Directors (resigned)	49	-	-	-	49

Total remuneration of Directors in respect of the financial period ended 30 June 2016, in bands of RM50,000 is tabulated below:

	Number of Directors			
	Company		Group	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	-	6	-	-
RM50,001 – RM100,000	-	1	-	-
RM100,001 – RM150,000	-	1	-	-
RM350,001 – RM400,000	-	-	1	-
RM800,001 – RM850,000	-	-	1	-
RM1,700,000 – RM1,750,000	-	-	1	-

Notes :

Include remuneration to one (1) former Executive Director who left the Company on 30 May 2016.

Include remuneration to four (4) former Non-Executive Directors who left the Company on 3 March 2015 and 22 February 2016 respectively.

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

1. BOARD OF DIRECTORS (cont'd)

1.6 Directors' Remuneration (cont'd)

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 Board Committee carry out performance assessment of its members in the Committees and the summary of the assessment would be tabled to the Nomination Committee for review and reported 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.

The Board noted that a Declaration of Independence has been executed by the following Independent Non-Executive Directors of the Company, confirming their independence pursuant to Listing Requirements as well as the Code. The Independent Non-Executive Directors have undertaken to inform the Company immediately should there be any change which could interfere with the exercise of their independent judgement or ability to act in the best interest of the Company:-

- Tai Keat Chai
- Tan Sri Dato' Mohd Ibrahim bin Mohd Zain
- Mohd Faisal Izan bin Abdul Latiff

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.

The Board will periodically review the Board Charter to ensure its relevance.

1. BOARD OF DIRECTORS (cont'd)

1.10 Gender Diversity

The Board currently has one (1) female Director, who is Lee Sew Keng.

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 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. A copy of the terms of references is available for viewing at the Group's corporate website at www.rex.net.my.

At each Audit Committee meeting held to review the Group's quarterly 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.

2.3 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) Chee Cheng Chun (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 final recommendation 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.

2. COMMITTEES (cont'd)

2.3 Remuneration Committee (cont'd)

The Remuneration Committee met three (3) during the financial period ended 30 June 2016 with the following record of attendance: -

Name	No. of meetings attended while in appointment
Mohd Faisal Izan bin Abdul Latiff	3/3
Darmendran Kunaretnam (appointed on 27 April 2015)	1/1
Chee Cheng Chun (appointed on 30 May 2015)	1/1
Lee Hee Thiam (resigned on 22 February 2016)	2/2
Tang Yin Kham (resigned on 6 March 2015)	1/1
Ameer bin Shaik Mydin (resigned on 3 March 2015)	1/1

During the said financial period, 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 of Group Managing Director and Non-Independent Executive Directors to the Board for approval;
iii) Reviewed and recommended the bonus payment to the Group Managing Director and Non-Independent Executive Directors to the Board for approval; 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 one (1) Non-Independent Non-Executive Directors as follows: -

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

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 assessments for the Board and the Board Committee, and also the Audit Committee for the financial period ended 30 June 2016 were carried out and completed.

2. COMMITTEES (cont'd)

2.4 Nomination Committee (cont'd)

The Nomination Committee met two (2) times during the financial period ended 30 June 2016 with the following record of attendance: -

Name	No. of meetings attended while in appointment
Mohd Faisal Izan bin Abdul Latiff	2 of 2
Chee Cheng Chun (appointed on 27 April 2015)	-
Tai Keat Chai (appointed on 27 April 2015)	-
Lee Hee Thiam (resigned on 22 February 2016)	2 of 2
Tang Yin Kham (resigned on 6 March 2015)	1 of 1
Ameer bin Shaik Mydin (resigned on 3 March 2015)	1 of 1

During the said financial period, 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 2014 AGM;
ii) Reviewed and recommended the retention of Independent Non-Executive Directors;
iii) Reviewed and assessed Independence 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. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

3.1 Corporate Disclosure Policy

The Board is mindful on the importance of maintaining proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis.

The Board exercises close monitoring of all price sensitive information potentially required to be released to Bursa Securities and makes material announcements to Bursa Securities in a timely manner as required. In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Securities and the Group's website.

3.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's corporate website provides all relevant information on the Company and is accessible by the public.

The Company's corporate website is accessible at www.rex.net.my.

4. 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 noted that with the recent amendments to the listing requirements of Bursa Securities, all resolutions set out in the notice of any general meeting shall be voted by poll. In line with the amendment, the Board will ensure all resolutions set out in the notice of Twenty-Second AGM will be voted by way of poll.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 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.

5.2 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 38 to 115 of this Annual Report.

A statement by Directors of their responsibility in preparing the financial statements is set out in item 5.1 above.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (cont'd)

5.3 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.

5.4 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.

6. RECOGNISE AND MANAGE RISKS

6.1 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 26 to 27 of this Annual Report.

6.2 The internal audit functions is outsourced to a professional firm, which reports directly to the Audit Committee. The internal auditors attends the Audit Committee meetings to report to the Audit Committee on their findings of the effectiveness of the governance, risk management and internal control processes within the Group. Further details of the internal audit function of the Group are set out in the Audit Committee Report on pages 24 to 25 of this Annual Report.

1. MEMBERS OF THE COMMITTEE

Tai Keat Chai	-	Chairman, Independent Non-Executive Director (appointed as Director on 6 March 2015 and appointed as Chairman of Audit Committee on 27 April 2015)
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	-	Independent Non-Executive Director (appointed on 30 June 2014 and 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 seven (7) times during the financial period ended 30 June 2016 and details of attendance of each member are as follows: -

Name	Designation	No. of meetings attended while in appointment
Tai Keat Chai (appointed on 27 April 2015)	Chairman, Independent Non-Executive Director	5 of 5
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	Member, Independent Non-Executive Director	7 of 7
Mohd Faisal Izan bin Abdul Latiff	Member, Independent Non-Executive Director	7 of 7
Tang Yin Kham (resigned on 6 March 2015)	Member, Independent Non-Executive Director	1 of 1
Ameer bin Shaik Mydin (resigned on 3 March 2015)	Member, Independent Non-Executive Director	1 of 1

3. SUMMARY OF WORKS OF THE AUDIT COMMITTEE

During the financial period 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 period ended 30 June 2016;

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;

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

d) Reviewed the Audit Committee Report for inclusion in previous 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 provisions of the Companies Act, 1965, and the applicable Malaysian Financial Reporting Standards ("**MFRS**").

3. SUMMARY OF WORKS OF THE AUDIT COMMITTEE (cont'd)

f) Reviewed and recommended the appointment of Messrs. Moore Stephens Associates PLT as Auditors for the financial period under review;

g) Reviewed and recommended to the Board for approval the audit fees payable to the external auditors in respect of the financial period ended 30 June 2016;

h) Reviewed the internal audit function;

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

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

k) Reviewed the quarterly financial results and recommended 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, and conflict of interest situation that may arise within the Group, including any transaction, procedure, or course of conduct that raises the question on management integrity.

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

o) Reviewed and confirmed the minutes of the Audit Committee Meetings.

4. SUMMARY OF WORKS 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 report directly to the Audit Committee. The total cost incurred for the outsourced internal audit function of the group for the financial period under review is amounted to RM21,531.00.

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 period 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 recommended 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.

The internal audit carried out during the financial period ended 30 June 2016 did not reveal weakness that have resulted in any material losses. Contiengencies or uncertainties that would require separate disclosure in this annual report.

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 period.

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. Sufficient insurance coverage on major assets to ensure the assets are adequately covered against any mishap that could result in material losses. The insurance policies are 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 perform 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 period under review or requires disclosure in the 2016 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 Group Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

1. **Utilisation of Proceeds**

No proceeds were raised by the Company from any corporate proposal during the financial period ended 30 June 2016

2. **Audit and Non-Audit Fee**

For the financial period ended 30 June 2016, Messrs. Moore Stephens Associate PLT, the External Auditors have rendered certain audit and non-audit services to the Company and the Group. A breakdown of the fees paid is as follows:-

	Company (RM)	Group (RM)
Audit services rendered	**40,000**	**102,000**
Non-audit services rendered		
a) Review of Statement on Risk Management and Internal Control	**5,000**	-
b) Review of Supplementary Information on The Disclosure of Realised and Unrealised Profit or Losses	**3,000**	-
c) Limited Review on unaudited Consolidated Financial Statement of Company	**30,000**	-
d) Review of Component Auditors' working papers	**6,000**	-
Total	**84,000**	**102,000**

3. **Material Contracts involving Directors, Chief Executive and Major Shareholders' Interest**

There were no material contracts entered into by the Company and its subsidiaries, involving the Directors' and Major Shareholders' interests during the financial period ended 30 June 2016.

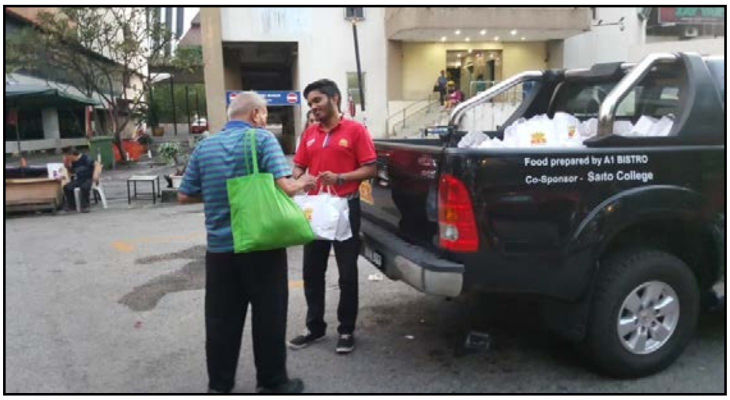
4. **Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")**

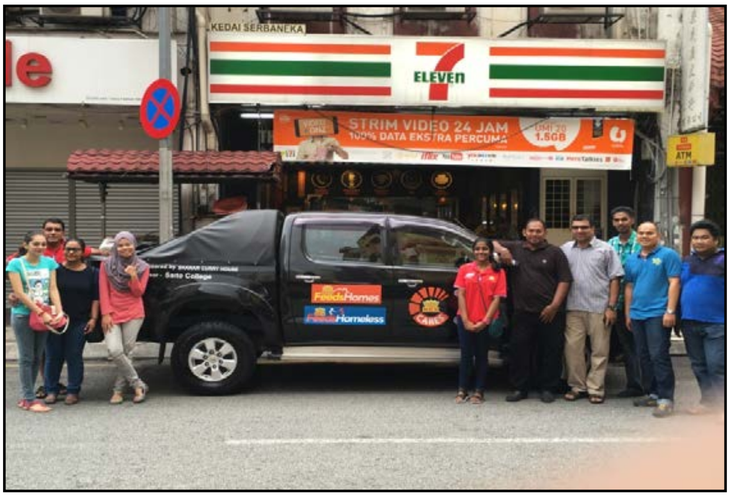
The details of the RRPTs were disclosed in Note 25 of the Financial Statements for the financial period ended 30 June 2016 on pages 101.

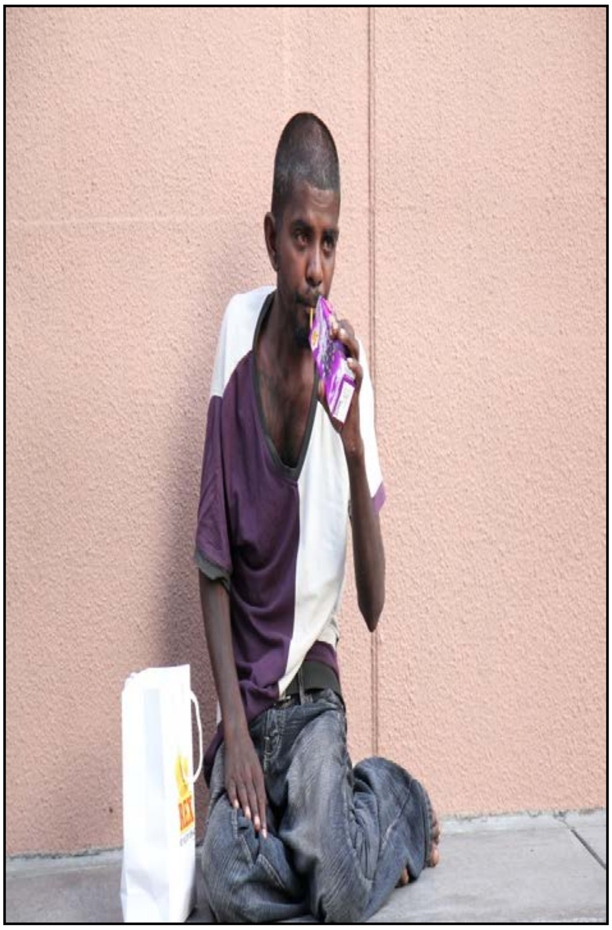
In conjunction with its 50th Anniversary of operations in Malaysia, Rex Industry Berhad embarked on an initiative to look after the welfare of the people who most require aid in our society; the disabled, under privileged and the homeless people in our society giving birth to the concept called 'Love Rex'. ‘Love Rex’ is a selfless disaster relief fund where consumers are a part of something much larger than just consuming goods. For every Rex product which has the 'Love Rex' emblem on it, 5 to 10 sen of the sales proceeds is channelled towards providing for the needy. The launch of the 'Love Rex' campaign took place on 3 December 2015 at the Dorsett Grand Subang. Here, a staggering 50 'Homes' of different nature were selectively invited to attend the launch of this event.

Under the umbrella of the 'Love Rex' campaign lies 2 initiatives run by Rex Industry Berhad namely 'Rex Feeds the Homes' and 'Rex Feeds the Homeless'. Firstly, the 'Rex Feeds the Homes' initiative is one where 8 homes out of the 50 homes that attended the launch of the 'Love Rex' campaign were shortlisted for this program. The homes were carefully selected based on criteria such as the total occupants, years since establishment, source of funding, etc.The stock movement and welfare of the homes are constantly monitored by the project team.

Besides, the other initiative that falls under this captivating campaign is called 'Rex Feeds the Homeless'. This initiative is one where a group of volunteers head to areas heavily populated by homeless people in the heart of Kuala Lumpur such as Kota Raya, Masjid Jamek, Petaling Street, etc to deliver food to the homeless. This initiative takes place every fourth Sunday night of the month.There have been12 successful events as of the end of July 2016 that have taken place since the launch of the 'Love Rex' campaign.







In a nutshell, the CSR project that Rex is running under the 'Love Rex' campaign has touched the lives of many and will continue to do so for many years to come.

FOREWORD

On behalf of the Board of Directors ("**Board**") of Rex Industry Bhd ("**REX**" or "**the Company**"), I am pleased to present the Annual Report of the Group and the Company for the financial period ended ("**FPE**") 30 June 2016 ("**FP 2016**").

On 11 August 2015, the Group and Company changed their financial year end from 31 December to 30 June. Accordingly, the audited financial statements of the Group and Company under review shall be for a period of 18 months made up from 1 January 2015 to 30 June 2016 and thereafter their financial statements shall be for a 12-month period ending 30 June. The last financial year reporting was for 12-month period ended 31 December 2014 ("**FY 2014**")

OVERVIEW OF ECONOMIC OUTLOOK AND REX'S POSITION

The global economy experienced modest and uneven growth across the advanced economies with economic activities remain robust and holding well in the United States of America ("**USA**") and Europe area respectively, principal export regions of REX's products while emerging economies including countries namely China, Indonesia and Malaysia in which REX operates, are facing economic and financial challenges following China's growth slowdown as the continued rebalancing of the Chinese economy and the implementation of structural reforms resulted in slowing activity in sectors with excess capacity. The global growth is estimated to be subdued at 3.1% (as envisaged by International Monetary Fund – "**IMF**") while the Malaysian economy registered a slightly lower growth of 5.0% in 2015 supported by continued expansion in domestic demand primarily driven by private consumption and investment though the momentum was affected by the rising cost of living reflecting the effects of the Goods and Services Tax ("**GST**") introduced in April 2015, depreciation of the ringgit exchange rate and weak sentiments.

The accommodative monetary approach taken by central banks and governments of most regions though notably diverse in the direction of monetary policy in response to the slowing growth momentum towards second half of 2015, has enabled the respective economies and countries to alleviate effects of the challenging external environment while support sustainable domestic economic activities or demand moving into 2016 and near term. The Malaysian economy expanded by 4.2% in the first quarter of 2016, slight moderation from the preceding quarter's 4.5% growth (with manufacturing services growing at 4.5% against 5.0% in the fourth quarter of 2015) reflecting external shocks and continued cautious private spending.

The financial period under review has been eventful in an otherwise normal operation period guided by follow-through cost control and recovery plan efforts initiated in 2011, operating in a challenging international and domestic economic environment. For a start, the Group welcomed the emergence of new management under the leadership of our Mr Darmendran Kunaretnam as the new Group Managing Director in March 2015. Considering the impact of the GST on the domestic household spending trend and indication of a prolonged post GST adjustment period due to uncertainties on the external fronts, the management has put together various proactive product related action plans to alleviate the effects of consumers' spending adjustment arising thereof and proliferation of low price original equipment manufacturers' ("**OEM**") canned food and ready-to-eat meals ("**MRE**"). In additional, REX has in the process, conducted a comprehensive review of its business direction to potentially rationalise and/or consolidate its geographically diversified production facilities and export markets amidst the heightened risk of declining global growth momentum.

The above mentioned global overview was based on data, analysis, extracts, posting and reports issued and posted by various local and global agencies.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

In response to the change in household spending pattern post-GST period which was also burdened with weakening of the ringgit, REX has had various joint product promotional events with its distribution channel and various established retail chains and outlets offering a range of products at attractive prices and further enhanced its product mix and product range with new energy and flavoured drinks such as REXBUL and REXBERRY drinks and flour-based products such as cream biscuits under the name of MOMBO for a sustainable market share and volume in the domestic Processed Food and Beverage Industry. Meanwhile our on-going cost optimization initiatives to safeguard product margins mitigate the risk of eroding margins in our pursuit of the top line growth as well as due to cost pressure in a weakening ringgit environment.

On the international front, REX's Indonesia and China facilities principally dedicated for sales outside Malaysia were affected by the slowing growth in China and modest growth pace in Europe and USA in an increasing price competitive environment. China facilities were operating below its built-capacity while REX Indonesia was at its target level for most part of the financial period.

The domestic initiatives have yielded encouraging results with our Group reported total revenue of RM242.71 million for the 18-month FPE 30 June 2016 as compared to RM145.02 million for the FY 2014 as tabulated below, an increase in the annualised revenue of approximately 12% when compared to the previous financial year.

REX GROUP	FP 2016				FY 2014
(All in RM'000)	**Continued**	**Discontinuing**	**Total**	**Annualised**	
Revenue	**196,182**	**46,526**	**242,708**	**161,805**	**145,022**
(Loss) /Profit from operations	**1,214**	**(2,387)**	**(1,173)**	**(782)**	**4,722**
Segmental revenue performance					
Malaysia			**102,267**	**68,178**	**57,217**
USA			**59,609**	**39,739**	**40,869**
Europe			**29,861**	**19,907**	**20,576**
Asia (excludes Malaysia)			**50,971**	**33,981**	**26,360**
			242,708	**161,805**	**145,022**

The improved domestic and other Asian countries' sales performance with an annualised revenue growth of about 22% outweighed the slight export sales decline for the USA and Europe markets.

Despite of the commendable sales performance, the Group posted a loss from operations for the Group of RM1.17 million with an annualised loss from operations of RM0.78 million when compared to a profit from operations position of RM4.72 million registered in the previous FY 2014. This was due principally to lower product profit margins, impairment loss on goodwill of RM1.59 million, inventories write-off totalled to approximately RM6.98 million (FY 2014: RM0.65 million) with RM6.17 million from the discontinuing operation and about 20% increase in annualised other expenses (excluding inventories write off) as compared to the preceding financial year.

As a result, the Group reported a loss, net of tax of about RM4.78 million for the current FP FY 2016 when compared to RM0.77 million profit, net of tax posted in the previous financial year.

BUSINESS AND CORPORATE DEVELOPMENT

In keeping with our continuous commitment to growth as well as productivity and cost optimisation, REX has been active in exploring growth opportunities and potential businesses for acquisition to broaden its product mix and bring diversity to our existing food and beverage business and realignment of the overall business direction of the Group during the financial period.

On 31 December 2015, REX acquired the entire issued and paid-up share capital of Summit Teamtrade (2011) Sdn. Bhd. ("**STSB**") at a total cash purchase consideration of RM800,000. STSB is principally engaged in the manufacturing of flour-based products particularly biscuits and related activities. This acquisition allowed REX to immediately diversify its product mix to include flour-based products.

The Board has also realigned the Group's business direction with a two-pronged strategy of (i) business expansion into The Association of Southeast Asian Nations ("**ASEAN**"), and (ii) consolidation of operations. It believes that REX has the potential to capitalise on the growth prospects of the ASEAN region. In order to facilitate our strategy of business expansion into ASEAN, the Group expects to undertake a consolidation strategy of shifting its focus and resources closer to home markets primarily in Malaysia and Indonesia, via streamlining its Malaysian and Indonesian operations. This also coincides with the cost optimization initiative as it is anticipated to yield better cost efficiencies in running and supervising the Group's business operations closer to home than its current diversified locations.

In deliberating the aforesaid strategy, the Board views its operations and facilities in China as no longer strategic to the Group. Pursuant thereof, REX had on on 15 June 2016, entered into a conditional sale and purchase agreement with Mr. Lee Chai Seng ("**Purchaser**") for the proposed disposal by REX of its entire equity interest in Jie Yang Rex Foods Co Ltd, operations and facilities in China, to the Purchaser for a disposal consideration of RM21,000,000 to be satisfied entirely via cash ("**Proposed Disposal**").

The Proposed Disposal is deemed as a related party transaction under Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

The Proposed Disposal is subject to the following approvals being obtained: -

(i) The shareholders of REX for the Proposed Disposal at an extraordinary meeting to be convened; and

(ii) Any other relevant authorities, if required.

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Disposal is expected to be completed by the third quarter of 2016.

GROUP PROSPECTS

Various international organizations, institutions and agencies have indicated in their global economic outlooks that in general, the South east Asia region will maintain a favourable growth performance in the medium term. The ASEAN economy is expected to be the next growth story of Asia, projected to achieve an annual average growth rate of 5.2% over the 2016-2020 period. On the domestic side, economic growth in Malaysia continues to have strong growth prospect and aims to reach high-income status by 2020.

Having already established itself within this region with its existing operations in Malaysia and Indonesia, the Board believes that the zGroup is poised to embark on its ASEAN expansion initiative which will be achieved through the aforesaid group-wide operations rationalisation and consolidation effort that also entails the Proposed Disposal.

Against this backdrop and barring any unforeseen circumstances, the Board is cautiously optimistic of the prospect and performance of REX Group for the financial year ending 30 June 2017 as REX anticipates challenges to grow its export sales to USA and Europe area which are likely to remain on a modest pace of growth or recovery path, moving forward. In this respect, the Group will continue to pursue potential new export markets to introduce REX's products or provide OEM manufacturing services to prominent local brands.

WORDS OF APPRECIATION AND ACKNOWLEDGEMENT

On behalf of my fellow Board members, we truly wish to express our sincere gratitude and appreciation to our valued shareholders, customers, business associates, suppliers and bankers for their continuing support, invaluable trust and unwavering confidence in the Group over the past years regardless in good or bad times.

To all the staff and management, I like to record my heartfelt appreciation for your unwavering dedication and perseverance in supporting the Group, especially during the difficult times in the past few years.

On behalf of the Board, I would like to extend a warm welcome to Mr. Darmendran Kunaretnam, Mr. Chee Cheng Chun and Mr. Tai Keat Chai, the newly appointed members of the Board and record our appreciation to Mr. Lee Siew Boy, Encik Ameer bin Shaik Mydin, Ms. Tang Yin Kham, Mr. Lee Hee Thiam and Mr. Ong Choon Wah for their invaluable contribution to the Company during their tenure as member of the Board.

Last but not least, my sincere gratitude and heartfelt thanks to my fellow members of the Board for their continuing and invaluable support, contributions and commitment in leading the Group.

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain
Chairman
26 August 2016

Statistics of Shareholdings
As At 5 August 2016

Analysis of shareholdings

Authorised Share Capital	:	RM100,000,000.00 divided into 100,000,000 ordinary shares of RM1.00 each
Issued and Fully Paid-Up Share Capital	:	RM61,656,617.00 divided into 61,656,617 ordinary share of RM1.00 each
Class of Shares	:	Ordinary share of RM1.00 each
Voting Rights	:	One (1) vote per one (1) ordinary share (on poll)

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	53	5.23	1,946	0.00
100 – 1,000	202	19.94	173,292	0.28
1,001 – 10,000	578	57.06	2,029,425	3.29
10,001 – 100,000	137	13.52	4,071,111	6.60
100,001 – 3,082,829 (*)	40	3.95	32,595,838	52.87
3,082,830 and above (**)	3	0.30	22,785,005	36.95
Total	1,013	100.00	61,656,617	100.00

Remark: * Less than 5% of issued shares
** 5% and above of issued shares

List of Substantial Shareholders

The substantial shareholders (holding 5% or more of the capital) and their respective shareholdings are as follows:

Substantial Shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
Lee Chai Seng	10,744,255	17.43	-	-
Daiman Taipan Sdn. Bhd.	12,726,750	20.64	-	-
Darmendran Kunaretnam	3,521,313	5.71	12,726,750 (1)	20.64
Chee Cheng Chun	-	-	12,726,750 (1)	20.64

Notes:

(1) Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his interest in Daiman Taipan Sdn. Bhd., which owns the shares.

List of Directors' Shareholdings

The Directors' Shareholdings based on the Register of Directors' Shareholdings are as follows:

Directors	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
i. Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	882,700	1.43	-	-
ii. Darmendran Kunaretnam	3,521,313	5.71	12,726,750 (1)	20.64
iii. Tai Keat Chai	-	-	-	-
iv. Mohd Faisal Izan bin Abdul Latiff	-	-	-	-
v. Lee Sew Keng	1,295,807	2.10	-	-
vi. Lee Soo Keat	-	-	-	-
vii. Chee Cheng Chun	-	-	12,726,750 (1)	20.64

Notes:

(1) Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his interest in Daiman Taipan Sdn. Bhd., which owns the shares.

	Name	No. of Shares	%
1.	Lee Chai Seng	10,744,255	17.43
2.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. (HDM Capital Sdn. Bhd. for Daiman Taipan Sdn. Bhd.)	8,426,750	13.67
3.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Daiman Taipan Sdn. Bhd.)	3,614,000	5.86
4.	Archer Horizons Sdn. Bhd.	3,000,000	4.87
5.	Cheong Boo Chin	2,858,600	4.64
6.	Kenanga Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Thevandran A/L K Ragavan	2,641,000	4.28
7.	Divine Wonders Sdn. Bhd.	2,605,000	4.23
8.	Cimsec Nominees (Tempatan) Sdn. Bhd. (CIMB Bank for Darmendran A/L Kunaretnam)	1,721,313	2.79
9.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Taiko Voyage Sdn. Bhd.)	1,601,700	2.60
10.	Tan Kee Shang	1,448,914	2.35
11.	Amsec Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Central Portfolio Sdn. Bhd.)	1,444,200	2.34
12.	Lee Sew Keng	1,295,807	2.10
13.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Darmendran A/L Kunaretnam	1,265,000	2.05
14.	TA Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Tay Ben Chuan)	1,150,500	1.87
15.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Kamlesh Kumar)	1,012,000	1.64
16.	Chong Yee Choun	1,000,900	1.62
17.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Seamless Strength Sdn.Bhd.)	912,000	1.48
18.	Lim Ee Yong	904,803	1.47
19.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Ng L 'Yp-Hau)	900,000	1.46
20.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Mohd Ibrahim bin Mohd Zain)	882,700	1.43
21.	Phua Poh Buay	723,400	1.17
22.	Daiman Taipan Sdn. Bhd.	686,000	1.11
23.	HLB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Phee Boon Poh)	401,600	0.65
24.	Lee Wei Hsien	387,367	0.63
25.	Teo Kwee Hock	382,600	0.62
26.	Ameer bin Shaik Mydin	338,300	0.55
27.	Central Portfolio Sdn. Bhd.	305,000	0.49
28.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. (Exempt Capital Management Sdn. Bhd. for Phillip Capital Management Sdn. Bhd.)	301,000	0.49
29.	Lee Sew Kee	286,729	0.47
30.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Mystical Wonder Sdn. Bhd.)	249,600	0.40

Five Years Summary Of Financial Highlights

	Note	31 December 2011 RM'000	31 December 2012 RM'000 Restated	31 December 2013 RM'000	31 December 2014 RM'000	30 June 2016 RM'000
Paid-up Share Capital		56,052	56,052	56,052	56,052	61,657
Shareholders Funds		127,100	125,032	128,932	127,254	137,852
Borrowings	1	43,730	36,214	27,370	24,264	14,013
Net Tangible Assets		115,199	115,266	120,300	123,622	129,963
Turnover		141,834	138,908	156,940	145,022	242,708
Profit /(Loss) before Tax after Minority Interest		(1,670)	1,879	3,938	3,555	(2,404)
Interest		1,398	1,455	1,219	1,167	1,231
Profit /(Loss) after Tax and Minority Interest		(1,906)	1,203	2,107	768	(4,788)
Dividend		-	-	-	-	-

Key Statistics	Note	31 December 2011 Restated	31 December 2012	31 December 2013	31 December 2014	30 June 2016
Investment Ratio						
NTA per share		2.06	2.06	2.15	2.21	2.11
Basic Earning / (Loss) Per Share (Sen)		(3.40)	0.36	3.76	1.38	(8.09)*
Gross Dividend rate (%)		-	-	-	-	-
Dividend coverage ratio (times)	2	-	-	-	-	-
Operating Ratio						
After tax return on shareholders' fund (%)		(1.50)	0.16	1.63	0.58	(3.47)
Pre-tax profit margin (%)		(1.18)	1.35	2.51	2.45	(0.99)
Financial Ratio						
Gearing (times)	3	0.344	0.290	0.212	0.183	0.102
Interest coverage ratio	4	(0.19)	2.29	4.23	4.05	(0.95)
Liquidity Ratio						
Current Ratio		2.17	2.28	2.67	2.75	3.33
Quick Ratio		1.16	1.02	1.24	1.19	1.91

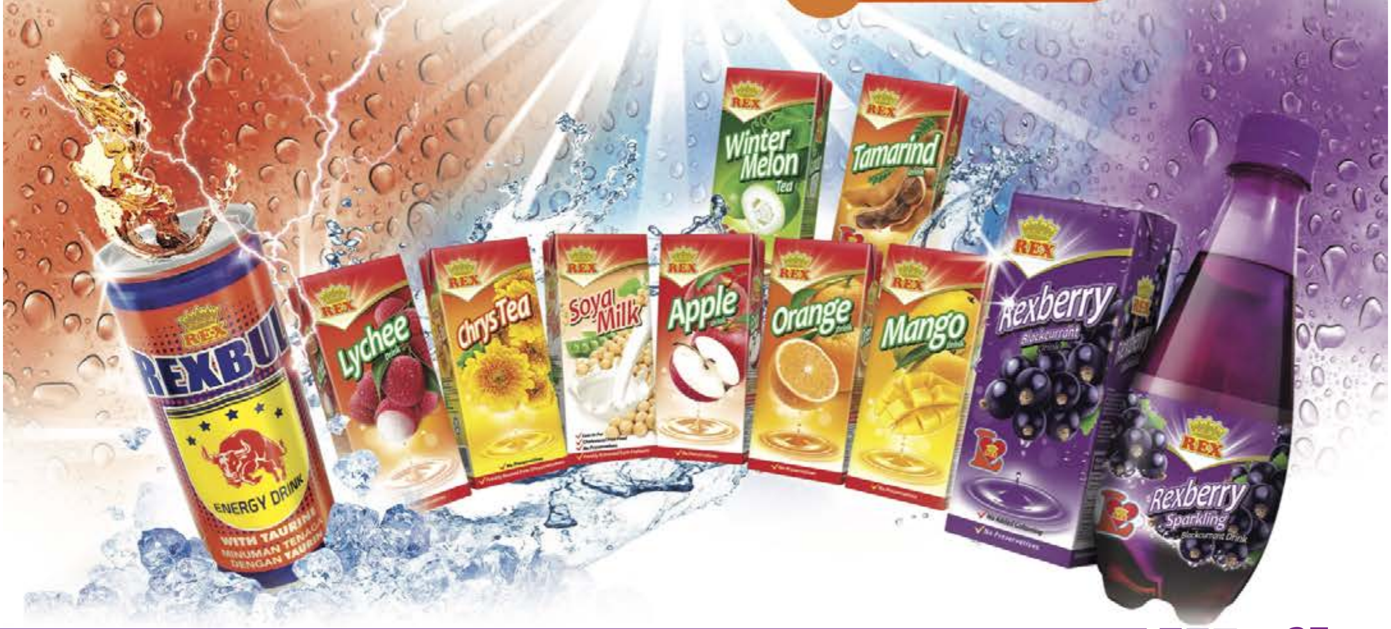
Note :-

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 59,165,506 ordianary shares.

REX INDUSTRY BERHAD

- REX TRADING SDN. BHD. — 100%
- REX FOODS SDN. BHD. — 100%
- CINTA EDAR (M) SDN. BHD. — 100%
- CINTA EDAR (SELATAN) SDN. BHD. — 100%
- REX CANNING CO. SDN. BHD. — 100%
  - P.T. REX CANNING INDONESIA — 30%
  - JIE YANG REX FOODS CO. LTD. — 100%
- SUMMIT TEAMTRADE (2011) SDN. BHD. — 100%
- FIKA FOODS CORPORATION SDN. BHD. — 100%
- FIKA FOODS MARKETING SDN. BHD. — 100%
- GAINASIA INTERNATIONAL LIMITED — 100%
- BEST AQUA FOOD SDN. BHD. — 100%
- P.T. REX CANNING INDONESIA — 70%



The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial period from 1 January 2015 to 30 June 2016.

CHANGE OF FINANCIAL YEAR END

The financial year end of the Group and of the Company were changed from 31 December to 30 June. Accordingly, comparative amounts for the statements of comprehensive income, statements of changes in equity, statements of cash flows and the related notes are not entirely comparable.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial period.

RESULTS

	Group RM	Company RM
Loss from continuing operations, net of tax	(773,619)	(1,119,232)
Loss from discontinued operations, net of tax	(4,014,479)	-
	(4,788,098)	(1,119,232)
Loss attributable to:		
Owners of the parent	(4,788,098)	

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in the financial statements.

ISSUANCE OF SHARES OF DEBENTURES

During the financial period, the issued and paid-up ordinary share capital of the Company was increased from RM56,051,617 comprising 56,051,617 ordinary shares of RM1.00 each to RM61,656,617 by way of private placement through an issuance of 5,605,000 new ordinary shares of RM1.00 each at issue price of RM1.28 per ordinary share for the purpose of increasing the working capital of the Company.

The new ordinary shares issued during the financial period rank pari passu in all respects with the existing issued ordinary shares of the Company.

There were no debentures issued during the financial period.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of previous financial year. The Company is not in a position to pay or declare dividends for the current financial period.

DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report and at the date of this report are:-

Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain	
Darmendran Kunaretnam	
Chee Cheng Chun	
Lee Sew Keng	
Mohd Faisal Izan Bin Abdul Latiff	
Lee Soo Keat	
Tai Keat Chai	
Lee Hee Thiam	Resigned on 22 February 2016
Ong Choon Wah	Resigned on 30 May 2016

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interest of Directors in office at the end of financial period in shares of the Company and its related corporation during the financial period were as follows:

	No. of ordinary shares of RM1.00 each			
Name of Director	As at 01.01.2015	Acquired	Disposed	As at 30.06.2016
Ordinary shares in the Company				
Direct interest:				
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain	882,700	-	-	882,700
Darmendran Kunaretnam	-	3,521,313	-	3,521,313
Lee Sew Keng	-	1,295,807	-	1,295,807
Indirect interest:				
Darmendran Kunaretnam * - Daiman Taipan Sdn. Bhd.	-	12,726,750	-	12,756,750
Chee Cheng Chun * - Daiman Taipan Sdn. Bhd.	-	12,726,750	-	12,756,750

* deemed interest via shareholding in a related corporation pursuant to Section6A of the Companies Act, 1965 in Malaysia.

None of the other Directors in office at the end of the financial period had any interest in the ordinary shares of the Company or its related corporations during the financial period.

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 Directors' emoluments received or due and receivable as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

The were no arrangements during or at the end of the financial period 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.

OTHER STATUTORY INFORMATION

ISSUANCE OF SHARES OF DEBENTURES

(a) Before the statements of comprehensive income and statements of financial positionof the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;or

(ii) which would render the values attributed to 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; and

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; and

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable, or likely to be become enforceable, within the period of twelve months after the end of the financial period, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

SIGNIFICANT EVENT

Details of significant event is disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 August 2016.

TAN SRI DATO'MOHD IBRAHIM BIN MOHD ZAIN

DARMENDRAN KUNARETNAM

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 47 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the financial period then ended.

The supplementary information set out on page 115 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 August 2016

TAN SRI DATO' MOHD IBRAHIM BIN MOHD ZAIN

DARMENDRAN KUNARETNAM

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, LIM GEIK FONG, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 47 to 115 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 Kuala Lumpur in
the Federal Territory on 29 August 2016

LIM GEIK FONG

Before me,

Tan Kim Chooi (No. W661)
Pesuruhanjaya Sumpah
(Commissioner for Oaths)
Kuala Lumpur

Report on the Financial Statements

We have audited the financial statements of Rex Industry Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 114.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements that 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 controls as the Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatements, 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 of auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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 of 30 June 2016 and of their financial performance and cash flows for the period 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:

1. 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.

2. We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.

Report on Other Legal and Regulatory Requirements (cont'd)

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

4. The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in page 115 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

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 contents of this report.

The comparative figures were audited by another firm or chartered accountants who expressed an unmodified opinion on those financial statements on 30 April 2015.

MOORE STEPHENS ASSOCIATES PLT	STEPHEN WAN YENG LEONG
LLP0000963-LCA & AF002096	2963/07/17(J)
Chartered Accountants	Chartered Accountant

Petaling Jaya, Selangor
Date: 29 August 2016

	Note	Group 01.01.2015 to 30.06.2016 RM	Group 01.01.2014 to 31.12.2014 RM	Company 01.01.2015 to 30.06.2016 RM	Company 01.01.2014 to 31.12.2014 RM
Continuing operations					
Revenue	4	196,182,017	119,181,340	-	-
Changes in manufactured inventories		(3,792,418)	1,303,114	-	-
Raw materials and consumables used		(123,904,083)	(77,874,807)	-	-
Staff costs		(29,102,509)	(15,627,594)	-	-
Depreciation		(2,929,660)	(2,369,527)	-	-
Other expenses		(38,078,684)	(21,847,234)	(1,120,233)	(615,667)
Other income		2,839,246	372,013	1,001	-
Profit/(loss) from operations		1,213,909	3,137,305	(1,119,232)	(615,667)
Finance costs	5	(1,231,060)	(1,166,825)	-	-
(Loss)/profit before tax	6	(17,151)	1,970,480	(1,119,232)	(615,667)
Income tax expense	7	(756,468)	(2,153,696)	-	-
Loss from continuing operations, net of tax		(773,619)	(183,216)	(1,119,232)	(615,667)
Discontinued operations					
(Loss)/profit for the financial period/year from discontinuing operation, net of tax	8	(4,014,479)	951,054		
(Loss)/profit, net of tax		(4,788,098)	767,838		

	Note	Group 01.01.2015 to 30.06.2016 RM	Group 01.01.2014 to 31.12.2014 RM	Company 01.01.2015 to 30.06.2016 RM	Company 01.01.2014 to 31.12.2014 RM
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		3,246,153	2,549,432	-	-
Items that will not be reclassified subsequently to profit or loss					
Defined benefit plan actuarial gain		63,199	4,870	-	-
Total other comprehensive income for the period/ year		3,309,352	2,554,302	-	-
Total comprehensive income for the period/ year		(1,478,746)	3,322,140	(1,119,232)	(615,667)
(Loss)/profit for the period/ year attributable to:					
Owners of the parent		(4,788,098)	767,838	(1,119,232)	(615,667)
Total comprehensive income attributable to:		e co			
Owners of the parent		(1,478,746)	3,322,140	(1,119,232)	(615,667)
Basis (loss)/earnings per ordinary share (sen)					
Continuing operations	9	(1.31)	(0.33)		
Discontinued operations	9	(6.79)	1.70		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

		Group		Company	
		30.06.2016	31.12.2014	30.06.2016	31.12.2014
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	48,946,156	59,982,803	-	-
Investments in subsidiaries	11	-	-	41,888,617	41,433,617
Other investment	12	2,109,535	-	2,109,535	-
Goodwill on consolidation	13	7,889,127	8,631,823	-	-
		58,944,818	68,614,626	43,998,152	41,433,617
Current assets					
Inventories	14	51,387,549	63,006,914	-	-
Trade receivables	15	28,552,642	22,868,930	-	-
Other receivables	16	4,052,067	6,622,706	29,241,246	25,202,082
Tax recoverable		994,154	307,432	31,320	31,320
Fixed deposits with licensed banks	17	-	11,740,728	-	-
Cash and bank balances		3,707,115	6,802,439	750,991	29,616
		88,693,527	111,349,149	30,023,557	25,263,018
Non-current assets classified as held for sale	18	3,257,387	-	-	-
Assets of disposal group classified as held for sale	8	28,398,835	-	-	-
		120,349,749	111,349,149	30,023,557	25,263,018
Total assets		179,294,567	179,963,775	74,021,709	66,696,635

		Group		Company	
		30.06.2016	31.12.2014	30.06.2016	31.12.2014
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity					
Share capital	19	61,656,617	56,051,617	61,656,617	56,051,617
Share premium	20	12,085,804	10,614,008	12,085,804	10,614,008
Translation reserve	20	(3,243,156)	5,177,706	-	-
Statutory reserve fund	20	-	2,035,784	-	-
Retained earnings/ (Accumulated losses)		53,421,476	58,375,297	(1,567,387)	(448,155)
Reserve of disposal group classified as held for sale	8	13,931,721	-	-	-
Total equity		137,852,462	132,254,412	72,175,034	66,217,470
Non-current liabilities					
Borrowings	21	505,563	266,803	-	-
Deferred tax liabilities	22	4,811,365	6,985,393	-	-
		5,316,928	7,252,196	-	-
Current liabilities					
Borrowings	21	13,507,836	23,997,417	-	-
Trade payables	23	8,904,111	10,367,891	-	-
Other payables	24	7,784,896	5,693,601	1,846,675	479,165
Tax payable		163,964	398,258	-	-
		30,360,807	40,457,167	1,846,675	479,165
Liabilities directly associated with disposal group classified as held for sale	8	5,764,370	-	-	-
		36,125,177	40,457,167	1,846,675	479,165
Total liabilities		41,442,105	47,709,363	1,846,675	479,165
Total equity and liabilities		179,294,567	179,963,775	74,021,709	66,696,635

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

		Attributable to Owners of the Parent					
		Non-distributable				Distributable	
Group	Note	Share Capital RM	Share Premium RM	Translation Reserve RM	Statutory Reserve Fund RM	Retained Earnings RM	Total Equity RM
At 1 January 2014		56,051,617	10,614,008	2,628,274	-	59,638,373	128,932,272
Transactions with owners							
Transfer to statutory reserve fund	20(c)	-	-	-	2,035,784	(2,035,784)	-
Foreign currency translation difference for foreign operation		-	-	2,549,432	-	-	2,549,432
Defined benefit plan actuarial gain	24(a)	-	-	-	-	4,870	4,870
Total other comprehensive income for the year		-	-	2,549,432	-	4,870	2,554,302
Profit for the financial year		-	-	-	-	767,838	767,838
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	2,035,784	58,375,297	132,254,412

		Attributable to Owners of the Parent						
		Non-distributable					Distributable	
	Note	Share Capital RM	Share Premium RM	Translation Reserve RM	Statutory Reserve Fund RM	Reserve Of Disposal Group Classified As Held For Sale RM	Retained Earnings RM	Total Equity RM
Group								
At 1 January 2015		56,051,617	10,614,008	5,177,706	2,035,784	-	58,375,297	132,254,412
Transactions with owners								
Issuance of ordianary shares	19,20(b)	5,605,000	1,569,400	-	-	-	-	7,174,400
Shares issuance expense		-	(97,604)	-	-	-	-	(97,604)
Transfer to statutory reserve fund		-	-	-	228,922	-	(228,922)	-
Transfer to reserve of disposal group classified as held for sale	8	-	-	(11,667,015)	(2,264,706)	13,931,721	-	-
		5,605,000	1,471,796	(11,667,015)	(2,035,784)	13,931,721	(228,922)	7,076,796
Foreign currency translation difference for foreign operations		-	-	3,246,153	-	-	-	3,246,153
Defined benefit plan actuarial gain	24(a)	-	-	-	-	-	63,199	63,199
Total other comprehensive income for the period		-	-	3,246,153	-	-	63,199	3,309,352
Loss for the financial period		-	-	-	-	-	(4,788,098)	(4,788,098)
Total comprehensive income for the period		-	-	3,246,153	-	-	(4,724,899)	(1,478,746)
At 30 June 2016		61,656,617	12,085,804	(3,243,156)	-	13,931,721	53,421,476	137,852,462

	Note	Non-distributable Share Capital RM	Non-distributable Share Premium RM	Distributable Retained Earnings/ (Accumulated) Losses RM	Total Equity RM
Company					
At 1 January 2014		56,051,617	10,614,008	167,512	66,833,137
Loss for the financial year, representing total comprehensive income for the year		-	-	(615,667)	(615,667)
At 31 December 2014		56,051,617	10,614,008	(448,155)	66,217,470
At 1 January 2015		56,051,617	10,614,008	(448,155)	66,217,470
Issuance of ordinary shares	19,20(b)	5,605,000	1,569,400	-	7,174,400
Share issuance expense		-	(97,604)	-	(97,604)
Loss for the financial period, representing total comprehensive income for the period		-	-	(1,119,232)	(1,119,232)
At 30 June 2016		61,656,617	12,085,804	(1,567,387)	72,175,034

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

	Group		Company	
	01.01.2015 to 30.06.2016	01.01.2014 to 31.12.2014	01.01.2015 to 30.06.2016	01.01.2014 to 31.12.2014
	RM	RM	RM	RM
Cash Flows from Operating Activities				
(Loss)/profit before tax from continuing operations	(17,151)	1,970,480	(1,119,232)	(615,667)
(Loss) / profit before tax from discontinued operations	(2,386,814)	1,584,764	-	-
(Loss)/profit before tax, total	(2,403,965)	3,555,244	(1,119,232)	(615,667)
Adjustments for:				
Depreciation of property, plant and equipment	4,682,744	2,804,616	-	-
Impairment loss on investment in subsidiary	-	-	345,000	-
Impairment loss on trade receivables	-	137,757	-	-
Impairment loss on other receivables	840,841	445,519	-	44,772
Interest expense	1,231,060	1,166,825	-	-
Deposits written off	59,350	-	-	-
Impairment loss on goodwill	1,594,343	-	-	-
Property, plant and equipment written off	-	110,117	-	-
Inventories written down	-	318,023	-	-
Inventories written off	6,983,608	647,592	-	-
Gain on disposal of property, plant and equipment	(1,639,060)	(24,971)	-	-
Unrealised (gain)/loss on foreign exchange	(84,395)	355,691	-	-
Interest income	(355,882)	(284,973)	(1,001)	-
Operating profit/(loss) before changes in working capital	10,908,644	9,231,440	(775,233)	(570,895)
Changes in working capital:				
Inventories	3,997,172	(3,008,034)	-	-
Trade and other receivables	(9,975,054)	13,548,155	(4,039,164)	916,055
Trade and other payables	2,041,777	453,830	1,367,510	102,082
Cash generated from/(used in) operations, balance carried down	6,972,539	20,225,391	(3,446,887)	447,242

		Group		Company	
		01.01.2015 to 30.06.2016	01.01.2014 to 31.12.2014	01.01.2015 to 30.06.2016	01.01.2014 to 31.12.2014
	Note	RM	RM	RM	RM
Cash generated from/(used in) operations, balance brought down		6,972,539	20,225,391	(3,446,887)	447,242
Interest received		355,882	284,973	1001	-
Interest paid		(1,231,060)	(1,166,825)	-	-
Tax refund		21,742	-	-	-
Tax paid		(3,338,660)	(2,697,260)	-	-
Net cash from/(used in) operating activities		2,780,443	16,646,279	(3,445,886)	447,242
Cash Flows from Investing Activities					
Net cash outflow from acquisition of subsidiary	11	(799,736)	-	-	-
Acquisition of property, plant and equipment	10	(5,772,631)	(4,089,021)	-	-
Proceeds from disposal of property, plant and equipment		3,755,555	217,543	-	-
Additional investment in subsidiary		-	-	(800,000)	(500,000)
Purchase of investment security		(2,109,535)	-	(2,109,535)	-
Net cash used in investing activities		(4,926,347)	(3,871,478)	(2,909,535)	(500,000)
Cash Flows from Financing Activities					
Net proceeds from issuance of ordinary shares		7,076,796	-	7,076,796	-
Repayment of borrowings		(8,481,800)	(3,627,309)	-	-
Repayment of finance lease payables		(247,769)	(121,621)	-	-
Net cash (used in)/from financing activities		(1,652,773)	(3,748,930)	7,076,796	-
Net (decrease)/increase in cash and cash equivalents		(3,798,677)	9,025,871	721,375	(52,758)
Cash and cash equivalents at beginning of the financial period/year		17,415,857	8,316,401	29,616	82,374
Effect of exchange rate changes on cash and cash equivalents held		(1,294,168)	73,585	-	-
Cash and cash equivalents at the end of the financial period/year		12,323,012	17,415,857	750,991	29,616

(i) Cash and cash equivalents comprise of the following:-

	Group		Company	
	30.06.2016	31.12.2014	30.06.2016	31.12.2014
	RM	RM	RM	RM
Fixed deposits with a licensed banks	3,440,932	11,740,728	-	-
Cash and bank balances	11,844,782	6,802,439	750,991	29,616
	15,285,714	18,543,167	750,991	29,616
Less: Bank overdrafts (Note 21)	(2,962,702)	(1,127,310)	-	-
	12,323,012	17,415,857	750,991	29,616

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah.

The Company is an investment holding company. The principal activities of its subsidiaries are disclosed in Note 11. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial period.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 29 August 2016.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int"), Amendments to IC Int

(i) **Adoption of Amendments/Improvements to MFRSs**

The Group and the Company had adopted the following amendments/improvements to MFRSs and IC Int that are mandatory as follows:-

Amendments to MFRS 119	Employee Benefits: Defined Benefit Plans – Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle	
Annual Improvements to MFRSs 2011 – 2013 Cycle	

The adoption of the amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) New MFRS and Amendments/Improvements to MFRSs issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

Effective for financial periods beginning on or after 1 January 2016

Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities – Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
MFRS 14	Regulatory Deferral Accounts
Annual Improvements to MFRSs 2012– 2014 Cycle	

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Disclosure Initiative

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15: Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) **New MFRS and Amendments/Improvements to MFRSs issued but not yet effective and have not been early adopted (cont'd)**

Effective date to be announced

Amendments to MFRS 10 and MFRS 1280	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material financial impact to the current and prior period financial statements of the Group and of the Company upon their initial application except for:-

MFRS 9, Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The adoption of this Standard will have an effect on the classification and measurement of the Group's and of the Company's financial assets, but no impact on the classification and measurement of the Group's and of the Company's financial liabilities.

MFRS 9 Financial Instruments also requires impairment assessments to be based on an expected loss model, replacing the MFRS 139 incurred loss model. Finally, MFRS 9 Financial Instruments aligns hedge accounting more closely with risk management, establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the previous model.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group and the Company are currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment, but the requirements for hedge accounting is not relevant to the Group and to the Company.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and establishes a new five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue.

This Standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company are currently assessing the impact of this Standard and plan to adopt this Standard on the required effective date.

2. BASIS OF PREPARATION (cont'd)

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) Functional and presentation currency

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

All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Director exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below.

(i) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 5 to 100 years

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

(iii) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimated of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating until to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(v) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a loan or receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loan and receivables at the reporting date are disclosed in note to the financial statements.

(vi) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews required judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(vii) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

(viii) Carrying value of investments in subsidiaries

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy of whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

(viii) Carrying value of investments in subsidiaries (cont'd)

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investment in subsidiaries.

(ix) Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business.

(x) Defined benefit plan

The cost of retirement benefit, death benefit, disability benefit and resignation benefit as well as the present value of the obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, salary increment rate, mortality rate, disability rate and resignation rate. All assumptions are reviewed at each reporting date. The net employee liability as at 30 June 2016 is RM2,178,404 (31.12.2014: RM1,431,742).

In determining the appropriate discount rate management has derived the applicable interest rates from the market yield on government bond which sourced from Indonesia Bond Pricing Agency ("IBPA") per date of calculation.

The details of the other assumption are further disclosed in Note 24(a).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

(a) Basis of consolidation

<u>Consolidation</u>

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation (cont'd)

Consolidation (cont'd)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Losses within a subsidiary are attributed to the non -controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of consolidation (cont'd)

Business combination (cont'd)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non -controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of consolidation (cont'd)

Subsidiaries (cont'd)

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in the profit or loss.

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combinations is taken to equity.

Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary it ems denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

(ii) Foreign operations denominated in functional currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

- Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the year,which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to other comprehensive income.

Exchange reserve in respect of a foreign operation is recognised to profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interest. The proportionate share of the cumulative translation differences is reclassified to profit or loss in respect of all other partial disposals.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Revenue recognition

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

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

Interest income
Interest income is recognised on an accrual basis using the effective interest method.

(d) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension s cheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(e) 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 o 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.

(f) Income taxes

<u>Current tax</u>
Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

<u>Deferred tax</u>
Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Income taxes (cont'd)

Deferred tax (cont'd)

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

Sales tax and goods and services tax ("GST") or Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of sales tax and GST except:

- where the sales tax, GST, or VAT incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the sales tax, GST, or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax, GST, or VAT included.

The net amount of sales tax, GST, or VAT recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement

(i) Finance Lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. 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 finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Leases (cont'd)

(ii) Operating Lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement 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 is in substance is an operating lease is classified as prepaid lease payments and amortised on a straight-line basis over the lease period as disclosed in the notes to the financial statements.

(h) Earnings per share

Basic earnings per share ("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 year, adjusted for own shares held.

(i) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. 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. All other repair and maintenance costs are recognised in profit or loss as incurred.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Property, plant and equipment (cont'd)

(ii) Subsequent costs

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

(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 usefullife that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on diminishing balance basis over the estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

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

Freehold land has an indefinite useful life and therefore is not depreciated.

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(j) Capital Work-In-Progress

Capital work- in- progress is stated at cost less any accumulated impairment losses and includes borrowing cost incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Intangible assets

Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiary companies at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in the consolidated statement of profit or loss and other comprehensive income.

(l) Inventories

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

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- cost of raw materials and packaging materials comprise cost of purchase and are stated on a weighted average cost or standard cost basis (which approximates average actual cost).

- cost of finished goods includes raw materials, labour and an appropriate proportion of production overheads.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand and fixed deposits with licensed banks that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(n) Financial instruments

(i) Initial recognition and measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Financial instruments (cont'd)

(i) Initial recognition and measurement (cont'd)

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.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liabilities simultaneously.

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 categories 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

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

Loans and receivables category comprises debt instruments and financial assets with fixed or determinable payments 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 priced 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 gain 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. On derecognition,the acumulative 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.

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) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Financial instruments (cont'd)

(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.

(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 acumulative 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 or 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.

(o) Impairment

(i) Financial assets

All financial assets, other than those at fair value through profit or loss and investment 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.

<u>Financial assets carried at amortised cost</u>
To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Impairment (cont'd)

(i) Financial assets (cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Available-for-sale investments

If an available-for-sale investments is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available -for- sale equity instruments are not reverse in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised as other comprehensive income in available-for-sale reserve.

Unquoted Equity Securities Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) than an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the 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. Such impairment losses are not reversed in subsequent periods.

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, non-current assets held for sale and assets and liabilities of disposal group classified as held for sale) 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Impairment (cont'd)

(ii) Non-financial assets **(cont'd)**

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

(p) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

<u>Ordinary shares</u>
Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(q) 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.

(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.

An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Contingencies

(i) Contigent 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

Where is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(t) Non-current asset held for sale or distribution to owners and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent (herein referred to as "distribution" if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Distribution-related costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution. Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position. A disposal group qualifies as discontinued operation if it is:

(i) A component of the Group that is a Cash Generating Unit ("CGU") or a group of CGUs;
(ii) Classified as held for sale or distribution or already disposed in such a way; or
(iii) A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. The comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period. Additional disclosures are provided in notes to the financial statements. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Fair value measurements

Fair value of an asset or a liability, except for share -based payment and 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.

4 REVENUE

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

5. FINANCE COSTS

	Group	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
Interest expense:		
-Term loan	22,132	62,278
-Bank overdrafts	26,884	27,637
-Finance lease	25,013	14,365
-Banker's acceptances	989,161	889,136
-Revolving credit	167,870	173,409
	1,231,060	1,166,825

6. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging/(crediting):-

	Group		Company	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
Auditors' remunerations:				
Current year				
- Continuing	162,215	200,676	40,000	36,000
- Discontinued	52,686	-	-	-
Under/(over)provision for prior year:	3,360	33,000	-	(3,000)
Non-audit fees				
- Current period/year	44,000	18,900	44,000	11,600
- Underprovision for prior year	-	2,000	-	2,000
Depreciation				
- Continuing	2,929,660	2,369,527	-	-
- Discontinued	1,753,084	435,089	-	-
Impairment loss on trade receivables	-	137,757	-	-
Impairment loss on other receivables	840,841	445,519	-	44,772
Impairment loss on investment in subsidiary	-	-	345,000	-
Impairment loss on goodwill	1,594,343	-	-	-
Rental of premises				
- Continuing	905,558	277,072	-	-
- Discontinued	33,642	19,145	-	-
Rental of equipment	45,628	253	-	-
Inventories written down	-	318,023	-	-
Inventories written off				
- Continuing	816,000	647,592	-	-
- Discontinued	6,167,608	-	-	-
Deposits written off	59,350	-	-	-
Unrealised (gain)/loss on foreign exchange	(84,395)	355,691	-	-
Property, plant and equipment written off	-	110,117	-	-
Interest income				
- Continuing	(4,549)	-	(1,001)	-
- Discontinued	(351,333)	(284,973)	-	-

6. (LOSS)/PROFIT BEFORE TAX (cont'd)

(Loss)/profit before tax is arrived at after charging/(crediting) (cont'd):-

	Group		Company	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
Gain on disposal of property, plant and equipment	(1,639,060)	(24,971)	-	-
Realised (gain)/loss on foreign exchange				
- Continuing	(820,086)	(115,661)	-	-
- Discontinued	40,887	-	-	-
Staff costs (Note a)				
- Continuing	29,102,509	15,627,594	-	-
- Discontinued	4,239,826	2,892,675	-	-

(a) Employee benefit expenses comprise:

	Group		Company	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
Continuing				
Staff costs				
Salaries, wages, allowances and overtime	23,956,354	13,667,374	-	-
Defined benefit plan	676,619	257,713		
Contributions to defined contribution plan	833,347	474,215	-	-
Social security contributions	95,691	59,698	-	-
	25,562,011	14,459,000	-	-
Executive Directors				
Salaries and other emoluments	3,129,725	1,063,758	-	-
Contributions to defined contribution plan	410,773	104,836	-	-
	3,540,498	1,168,594	-	-
Non-executive Directors				
Fees	404,734	241,017	404,734	241,017
Other emoluments	16,800	14,600	16,800	14,600
Total non-executive Directors' remuneration	421,534	255,617	421,534	255,617
Total Directors' remuneration	3,962,032	1,424,211	421,534	255,617
Discontinued				
Staff costs				
Salaries, wages, allowances and overtime	3,926,668	1,960,889	-	-
Social security contributions	313,158	931,786	-	-
	4,239,826	2,892,675	-	-

7. INCOME TAX EXPENSE

	Group	
	01.01.2015 to 30.06.2016	01.01.2014 to 31.12.2014
	RM	RM
Current income tax - continuing operations:		
-Malaysian tax	820,956	628,063
-Foreign tax	697,268	858,731
Under/(over)provision for prior year		
-Malaysian tax	27,310	(22,125)
	1,545,534	1,464,669
Deferred tax (Note 22) - continuing operations:		
(Reversal)/origination of temporary differences	(169,671)	301,027
(Over)/underprovision for prior year	(619,395)	388,000
	(789,066)	689,027
Income tax attributable to continuing operations	756,468	2,153,696
Current income tax - discontinued operation, (Note 8):		
Foreign tax, representing income tax attributable to discontinued operations	1,627,665	633,710
Total income tax expense recognised in profit or loss	2,384,133	2,787,406

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2014: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. INCOME TAX EXPENSE (cont'd)

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
(Loss)/profit before tax from continuing operations	(17,151)	1,970,480	(1,119,232)	(615,667)
(Loss)/profit before tax from discontinued operations	(2,386,814)	1,584,764	-	-
(Loss)/profit before tax	(2,403,965)	3,555,244	(1,119,232)	(615,667)
Tax at the Malaysian statutory income tax rate of 24% (31.12.2014: 25%)	(576,952)	888,811	(268,616)	(153,917)
Effect of different tax rates in other countries	(24,040)	-	-	-
Effect of reduction in tax rate on opening deferred tax balance	(127,544)	-	-	-
Utilisation of previously unrecognised deferred tax assets	(56,880)	-	-	-
Non-deductible expenses	3,761,634	1,422,021	268,816	153,917
Deferred tax assets not recognised	-	110,699	-	-
Under/(over) provision for prior year				
- income tax	27,310	(22,125)	-	-
- deferred tax	(619,395)	388,000	-	-
Income tax expense recognised in profit or loss	2,384,133	2,787,406	-	-

The Group has the estimated unutilised tax losses available for set-off agains future taxable profits as follows:-

	Group	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
Unutilised tax losses	2,319,400	2,556,400

8. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 June 2016, the Company announced the decision of its Board of Directors to dispose one of its wholly-owned subsidiary, Jie Yang Rex Foods Co. Ltd. ("JYR"). The decision to dispose JYR was to facilitate the change in business strategy of the Group towards expanding its operations in the ASEAN region.

As at 30 June 2016, the assets, liabilities and reserve related to JYR have been presented in the statements of financial position as "Assets of disposal group classified as held for sale", "Liabilities directly associated with disposal group classified as held for sale", and "Reserve of disposal group classified as held for sale" and its results are presented separately on the statements of comprehensive income as "Loss/profit from discontinued operation, net of tax". The disposal of JYR is expected to be completed within the next 12 months.

Statement of comprehensive income disclosures

The results of JYR for the financial period/year ended 30 June and 31 December are as follows:

	Group	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
Revenue	46,526,390	25,840,520
Changed in manufactured inventories	(3,293,898)	(3,616,284)
Raw materials consumed	(28,062,687)	(14,813,917)
Staff costs	(4,239,826)	(2,892,675)
Depreciation	(1,753,084)	(435,089)
Other expenses	(12,074,318)	(2,782,764)
Other income	510,609	284,973
(Loss)/profit before tax from discontinued operations	(2,386,814)	1,584,764
Income tax expense	(1,627,665)	(633,710)
(Loss)/profit from discontinued operations, net of tax attributable to the owners of the parent	(4,014,479)	951,054

8. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (cont'd)

Statement of financial position disclosures

The major classes of assets and liabilities of JYR classified as held for sale and the related reserves as at 30 June 2016 are as follows:

	Group RM
Assets:	
Property, plant and equipment	8,710,023
Inventories	3,508,297
Trade receivables	4,097,616
Other receivables	504,300
Fixed deposit with licensed banks	3,440,932
Cash and bank balances	8,137,667
Assets of disposal group classified as held for sale	28,398,835
Liabilities:	
Deferred tax liabilities	(1,405,579)
Trade payables	(1,038,252)
Other payables	(2,437,456)
Tax payables	(883,083)
Liabilities directly associated with disposal group classified as held for sale	(5,764,370)
Net assets directly associated with disposal group classified as held for sale	22,634,465
Reserves:	
Translation reserve	11,667,015
Statutory reserve fund	2,264,706
Reserves of disposal group classified as held for sale	13,931,721

The carrying value of property, plant and equipment of the disposal group is the same as its carrying value before it was being reclassified to current asset.

Cumulative income or expense recognised in other comprehensive income

The cumulative income or expenses recognised in other comprehensive income relating to the disposal group is RM11,667,015.

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per ordinary share for the financial period/year is calculated by dividing the (loss)/profit after tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period/year.

	01.01.2015 to 30.06.2016			01.01.2014 to 31.12.2014		
	Continuing Operations	**Discontinued Operations**	**Total**	**Continuing Operations**	**Discontinued Operations**	**Total**
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
(Loss)/profit after taxattributable to the owners of the parent	(773,619)	(4,014,479)	(4,788,098)	(183,216)	951,054	767,838

	Group	
	01.01.2015 to 30.06.2016 RM	**01.01.2014 to 31.12.2014 RM**
Number of ordinary shares at the beginning of the period/year	56,051,617	56,051,617
Weighted average ordinary shares issued during the period	3,113,889	-
Weighted average number of ordinary shares at the end of the period/year	59,165,506	56,051,617
Basic (loss)/earnings per ordinary share (sen):		
From continuing operations	(1.31)	(0.33)
From discontinued operations	(6.79)	1.70
	(8.10)	1.37

Diluted (loss)/earnings per share is the same as basis (loss)/earnings per share as there is no dilutive potential ordinary shares outstanding during the financial period.

10. PROPERTY, PLANT AND EQUIPMENT

30.06.2016	Note	Freehold land RM	Long term leasehold land* RM	Short term leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure -in-progress RM	Total RM
Group										
Cost										
At 1 January 2015		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
Exchange differences		453,833	-	186,025	420,520	602,772	179,057	236,836	44,264	2,141,307
Acquisition of subsidiary	11	-	-	-	-	226,742	317,583	50,000	-	594,325
Additions		89,110	-	-	84,741	2,898,450	1,059,006	1,145,789	1,176,735	6,453,831
Attributable to discontinued operations	8	-	-	(6,887,446)	(7,745,542)	(5,608,577)	(1,559,293)	(1,538,603)	-	(23,339,461)
Disposals		-	(1,526,968)	-	(897,712)	-	-	(764,976)	-	(3,189,656)
Reclassification		1,039,470	-		-	-	-	-	(1,039,470)	-
Reclassification to non-current asset held for sale	18	-	-	(1,180,995)	(3,439,032)	-	-	-	-	(4,620,027)
		10,218,615	1,471,964	5,576,382	22,712,805	32,107,942	3,803,813	3,659,675	4,001,258	83,552,454

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

30.06.2016	Note	Freehold land RM	Long term leasehold land* RM	Short term leasehold land RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure -in-progress RM	Total RM
Group (cont'd)										
Accumulated depreciation										
At 1 January 2015		-	355,053	2,688,835	11,040,527	25,392,214	2,840,636	3,212,067	-	45,529,332
Exchange differences		-	-	43,785	312,792	523,972	129,511	219,214	-	1,229,274
Acquisition of subsidiary	11	-	-	-	-	84,837	125,350	20,000	-	230,187
Attributable to discontinued operations	8	-	-	(1,841,237)	(1,841,237)	(4,483,378)	(1,453,269)	(1,463,782)	-	(14,629,438)
Charge for the financial period		-	43,317	795,808	990,148	1,845,095	554,729	453,647	-	4,682,744
Disposals		-	(246,389)	-	(229,360)	-	-	(597,412)	-	(1,073,161)
Reclassification to non-current asset held for sale	18	-	-	(365,571)	(997,069)	-	-	-	-	(1,362,640)
At 30 June 2016		-	151,981	1,321,620	6,633,660	22,458,346	2,196,957	1,843,734	-	34,606,298
Net carrying amount										
At 30 June 2016		10,218,615	138,988	8,308,204	13,206,698	9,649,596	1,606,856	1,815,941	4,001,258	48,946,156

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

31.12.2014	Freehold land RM	Long term leasehold land* RM	Short term leasehold leasehold RM	Buildings RM	Plant, machinery and factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital expenditure-in-progress RM	Total RM
Group (cont'd)									
Cost									
At 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
Exchange differences	233,850	-	96,027	221,214	424,431	17,724	28,590	-	1,021,836
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)
Written off	-	-	-	-	(6,733,664)	(1,199,163)	-	-	(7,932,827)
Reclassification	-	(2,570,930)	2,570,930	-	-	-	-	-	-
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
Accumulated depreciation									
At 1 January 2014	-	414,547	2,226,276	10,057,467	30,557,072	3,885,797	3,476,239	-	50,617,398
Exchange differences	-	-	25,190	156,726	372,510	16,025	24,038	-	594,489
Charge for the financial 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)
Written off	-	-	-	-	(6,628,195)	(1,194,515)	-	-	(7,822,710)
Reclassification	-	(109,400)	109,400	-	-	-	-	-	-
At 31 December 2014	-	355,053	2,688,835	11,040,527	25,392,214	2,840,636	3,212,067	-	45,529,332
Net carrying amount									
At 31 December 2014	8,636,202	2,643,879	10,769,963	23,249,303	8,578,341	966,824	1,318,562	3,819,729	59,982,803

* Long-term leasehold land with unexpired lease period of more than 50 years.

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) The net carrying amount of property, plant and equipment of the Group held under finance leases arrangements were RM795,682 (31.12.2014: RM381,651).

(ii) Acquisition of property, plant and equipment are satisfied by the following:-

	Group	
	30.06.2016	31.12.2014
	RM	RM
Cash	5,772,631	4,089,021
Finance lease arrangement	681,200	348,000
	6,453,831	4,437,021

(iii) The strata titles of certain shoplots of the Group with carrying amount of RM479,081(31.12.2014: RM493,175) are yet to be issued by the relevant authorities.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	30.06.2016	31.12.2014
	RM	RM
Unquoted shares, at cost		
At beginning of the period/year	41,701,620	41,201,620
Additions	800,000	500,000
At end of the period/year	42,501,620	41,701,620
Less: Allowance for impairment loss		
At beginning of the period/year	(268,003)	(268,003)
Additions	(345,000)	-
At end of the period/year	(613,003)	(268,003)
	41,888,617	41,433,617

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Country of incorporation	Effective equity interest 30.06.2016 %	Effective equity interest 31.12.2014 %	Principal activities
Rex Canning Co. Sdn. Bhd.	Malaysia	100	100	Manufacture and export of canned food and drinks and investment holding
Rex Trading Sdn. Bhd.	Malaysia	100	100	Trading of canned food, drinks and shelf stable convenience food
Fika Foods Corporation Sdn. Bhd.	Malaysia	100	100	Manufacture and distribution of frozen meat, ceased operation in June 2014
Cinta Edar (Selatan) Sdn. Bhd.	Malaysia	100	100	Dormant
Rex Foods Sdn. Bhd.	Malaysia	100	100	Dormant
Best Aqua Food Sdn. Bhd.	Malaysia	100	100	Dormant
Cinta Edar (M) Sdn. Bhd.	Malaysia	100	100	Dormant
Fika Foods Marketing Sdn. Bhd.	Malaysia	100	100	Dormant
Summit Teamtrade (2011) Sdn. Bhd. *	Malaysia	100	-	Manufacturing of biscuit
P.T. Rex Canning * #	Indonesia	100	100	Manufacture and export of canned food
Gainasia International Limited *^	British Virgin Island	100	100	Dormant
<u>Held through Rex Canning Co. Sdn. Bhd.</u>				
Jie Yang Rex Foods Co. Ltd. *	The People's Republic of China	100	100	Manufacture and export of canned food and drinks

* Not audited by Moore Stephens Associates PLT.

Rex Canning Co. Sdn. Bhd. has 30% equity interest in P.T. Rex Canning.

^ The financial statements is audited for consolidation purposes by Moore Stephens Associates PLT.

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

Changes in the group structure during the financial period

On 31 December 2015, the Company acquired the entire issued and paid-up share capital of Summit Teamtrade (2011) Sdn. Bhd. ("Summit") comprising one thousand (1,000) ordinary shares of RM1.00 each for a cash consideration of RM800,000. The acquisition was completed on 3 February 2016 and Summit became a wholly-owned subsidiary of the Company.

Acquisition of subsidiary

The fair values of the identifiable assets and liabilities of Summit as at the date of acquisition were:

	RM
Identifiable net assets acquired and liabilities assumed:	
Property, plant and equipment	364,138
Inventories	66,405
Trade receivables	633,431
Other receivables	9,200
Cash and bank balances	264
Other payables	(19,080)
Amount owing to Director	(1,085,388)
Deferred tax liabilities	(20,617)
Net identifiable liabilities acquired	(51,647)
Net cash flow arising from acquisition of subsidiary	
Purchase consideration settled in cash	800,000
Less: Cash and cash equivalent acquired	(264)
Net cash outflow to the Group	799,736
Goodwill arising from business combination	
Fair value of consideration - cash	800,000
Net identifiable liabilities acquired	51,647
Goodwill on consolidation (Note 13)	851,647

12. OTHER INVESTMENT

	Group/Company	
	30.06.2016	31.12.2014
	RM	RM
At fair value through profit or loss		
- quoted shares in Malaysia	2,109,535	-
At market value	2,310,000	-

13. GOODWILL ON CONSOLIDATION

	Group	
	30.06.2016	31.12.2014
	RM	RM
Cost		
At beginning of the period/year	12,121,439	12,121,439
Acquisition of subsidiary	851,647	-
At end of the period/year	1,2973,086	12,121,439
Impairment loss		
At beginning/end of period/year	(3,489,616)	(3,489,616)
Addition	(1,594,343)	-
At end of the period/year	(5.083,959)	(3,489,616)
Carrying amount at end of period/year	7,889,127	8,631,823

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

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 2017 and projected revenue growth covering a period of 5 years.

The key assumptions used in the determination of recoverable amount are as follows:

(i) Budgeted gross margin

The budgeted gross margin ranges from 13% to 19%. Gross margins are based on values achieved previously preceeding the start of the budget period. These are increased over the budget for anticipated efficiency improvements.

(i) Growth rate

Growth rate for existing business operation ranges from 3% to 11%. Growth rate for new business operation is 80% for first year projection, 67% for second year projection and average growth rate of 18% from third to fifth year of projection. Pre-tax cash flows projections based on the most recent financial budgets approved by the management covering a 5 years period based on the growth rate.

(ii) Pre-tax discount rate

A pre-tax discount rate of 10% (31.12.2014: 10%) was applied to the calculations in determining the recoverable amount of CGUs. This is the benchmark used by management to asseses operating performance and to evalute future investment proposals.

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.

14. INVENTORIES

	Group	
	30.06.2016	31.12.2014
	RM	RM
At cost:		
Raw materials	16,634,028	21,413,856
Manufactured inventories	28,869,276	34,990,328
Packing materials	4,264,604	5,432,779
Consumables	1,619,641	851,928
	51,387,549	62,688,891
At net realisable value:		
Raw materials	-	318,023
	51,387,549	63,006,914

The Group has written off inventories amounting to RM816,000 (31.12.2014: RM647,592) and written down raw materials to Nil (31.12.2014: RM318,023) during the period/year.

15. TRADE RECEIVABLES

	Group	
	30.06.2016	31.12.2014
	RM	RM
External parties	29,863,855	26,034,439
Less: Allowance for impairment		
At beginning of the period/year	(3,165,509)	(3,027,752)
Additions	-	(137,757)
Written off	1,854,296	-
At end of the period/year	(1,311,213)	(3,165,509)
	28,552,642	22,868,930

The normal credit terms of trade receivables of the Group range from 30 to 90 days (31.12.2014: 30 to 90 days).

16. OTHER RECEIVABLES

	Group		Company	
	30.06.2016	31.12.2014	30.06.2016	31.12.2014
	RM	RM	RM	RM
Sundry receivables	2,199,149	2,950,142	44,772	44,772
Less: Allowance for impairment				
At beginning of the period/year	(1,054,519)	(609,000)	(44,772)	-
Additions	(840, 841)	(445,519)	-	(44,772)
At end of the period/year	(1,895,360)	(1,054,519)	(44,772)	(44,772)
	303,789	1,895,623	-	-
Deposits	3,199,419	4,007,316	27,283	17,003
Prepayments	494,480	719,767	-	-
GST receivable	54,379	-	-	-
	4,052,067	6,622,706	27,283	17,003
Amounts due from subsidiaries	-	-	29,213,963	25,185,079
	4,052,067	6,622,706	29,241,246	25,202,082

The amounts due from subsidiaries are unsecured, non-trade in nature, interest free and are repayable on demand.

Included in deposits of the Group is an amount of RM2,464,760 (31.12.2014: RM3,469,875) which represents advances paid to suppliers for the supplies of raw materials.

17. FIXED DEPOSITS WITH LICENSED BANKS

The effective interest rates of the deposits with licensed banks is 1.35% (31.12.2014: 2.10% to 9.25%) per annum. The short-term deposits has maturity periods ranging from 1 month to 12 months (31.12.2014:1 month to 12 months).

18. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	30.06.2016	31.12.2014
	RM	RM
Reclassified from property, plant and equipment (Note 10)	3,257,387	-

On 8 January 2016, the Group entered into a Sale and Purchase Agreement ("SPA") to dispose a short-term leasehold land and building for a total cash consideration of RM4,000,000. The disposal of the land and building are expected to be completed after the end of the current financial period subject to satisfaction of certain conditions precedent of the SPA.

19. SHARE CAPITAL

	Group and Company			
	Number of shares			
	30.06.2016	31.12.2014	30.06.2016	31.12.2014
	Unit	Unit	RM	RM
Authorised				
Ordinary shares of RM1 each				
At beginning/end of the period/year	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At beginning of the period/year	56,051,617	56,051,617	56,051,617	56,051,617
Issued during the period	5,605,000	-	5,605,000	-
At end of the period/year	61,656,617	56,051,617	61,656,617	56,051,617

The Company increased its issued and paid up share capital from RM56,051,617 comprising 56,051,617 ordinary shares of RM1.00 each to RM61,656,617 by way of private placement through an issuance of 5,605,000 new ordinary shares of RM1.00 each at issue price of RM1.28 per ordinary share.

The new ordinary shares issued during the financial period rank pari passu in all respects with the existing issued ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual interests.

20. TRANSLATION RESERVE, SHARE PREMIUM AND STATUTORY RESERVE FUND

(a) **Translation reserve**

The translation reserve comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) **Share premium**

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

(c) **Statutory reserve fund**

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China ("PRC"), the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

21. BORROWINGS

	Group 30.06.2016 RM	Group 31.12.2014 RM
Non-current		
Finance lease payables (secured)	505,563	266,803
Current		
Bank overdrafts (unsecured)	2,962,702	1,127,310
BBA* (unsecured)	-	1,000,117
Term loans (unsecured)	-	9,231
Bankers' acceptances (unsecured)	9,255,015	17,765,311
Revolving credit (unsecured)	1,000,000	4,000,000
Finance lease payables (secured)	290,119	95,448
	13,507,836	23,997,417
	14,013,399	24,264,220

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

Maturity profile of borrowings:

	Group 30.06.2016 RM	Group 31.12.2014 RM
On demand or within 1 year	13,507,836	23,997,417
More than 1 year and less than 5 years	505,563	266,803
	14,013,399	24,264,220

Interest rate per annum at the reporting date for the bank borrowings of the Group are as follows:

	Group 30.06.2016 %	Group 31.12.2014 %
Bank overdrafts	8.35	8.10 - 8.35
BBA	-	3.75
Term loans	-	7.40
Bankers' acceptances	2.79 - 5.25	3.42 - 5.97
Revolving credits	5.23 - 5.67	5.23 - 5.62
Finance lease payables	2.28 - 3.03	2.28 - 2.88

21. BORROWINGS (cont'd)

Finance lease payables

The aggregate commitment for future finance lease payments are as follows:

	Group	
	30.06.2016	31.12.2014
	RM	RM
Minimum finance lease payments:		
Within 1 year	324,684	107,126
More than 1 year and less than 2 years	324,684	77,532
More than 2 year and less than 5 years	220,686	219,686
	870,054	404,344
Less: Future finance charges	(74,372)	(42,093)
Present value of finance lease payables	795,682	362,251
Present value of finance lease payables		
Within 1 year	290,119	95,448
More than 1 year and less than 2 years	305,532	133,402
More than 2 year and less than 5 years	200,031	133,401
	795,682	362,251
Representing:		
Current	290,119	95,448
Non-current	505,563	266,803
	795,682	362,251

22. DEFERRED TAX LIABILITIES

	Group	
	30.06.2016	31.12.2014
	RM	RM
At beginning of period/year	6,985,393	6,296,366
Recognised in profit or loss (Note 7)	(789,066)	689,027
Acquisition of subsidiary (Note 11)	20,617	-
Liabilities directly associated with disposal group classified as held for sale (Note 8)	(1,405,579)	-
At end of period/year	4,811,365	6,985,393

22. DEFERRED TAX LIABILITIES (cont'd)

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows:

	Group	
	30.06.2016	31.12.2014
	RM	RM
Difference between net carrying amount of property, plant and equipment and its tax base	1,899,617	2,476,000
Revaluation or property, plant and equipment	2,929,148	4,597,393
Others deductible temporary differences	(17,400)	(88,000)
	4,811,365	6,985,393

Deferred tax assets and liabilities are offset above where there is legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group	
	30.06.2016	31.12.2014
	RM	RM
Unutilised tax losses	2,319,400	2,556,400

23. TRADE PAYABLES

The normal trade credit terms granted by the trade creditors to the Group range from 30 to 90days (31.12.2014: 30 to 90 days).

24. OTHER PAYABLES

	Group		Company	
	30.06.2016	31.12.2014	30.06.2016	31.12.2014
	RM	RM	RM	RM
Sundry payables	2,098,718	1,337,276	-	-
Accruals	3,171,519	2,676,574	94,000	80,482
Retirement benefits [Note (a)]	2,178,404	1,431,742	-	-
	7,448,641	5,445,592	94,000	80,482
Amounts due to Directors	272,000	248,009	268,400	244,408
Amounts due to subsidiaries	-	-	1,484,275	154,275
Amounts due to related parties	64,255	-	-	-
	336,255	248,009	1,752,675	398,683
	7,784,896	5,693,601	1,846,675	479,165

24 OTHER PAYABLES (cont'd)

(a) Retirement benefits

A subsidiary of the Group in Indonesia makes contributions to four non-contributory defined benefit plans that provide retirement benefit, death benefit, disability benefit and resignation benefit for employees.

	Group	
	30.06.2016	31.12.2014
	RM	RM
Movement in the present value of defined benefit obligations		
At beginning of the period/year	1,431,742	1,119,834
Current service cost and interest	676,619	225,771
Past service cost	-	31,942
Actuarial gain in other comprehensive income	(68,069)	(4,870)
Effect of movement in exchange rates	138,112	59,065
At end of the period/year	2,178,404	1,431,742

Expense recognised in profit or loss

	30.06.2016	31.12.2014
	RM	RM
Current service cost and interest	676,619	225,771
Past service cost	-	31,942
	676,619	257,713

The expense is recognised in the following line item in the statement of profit or loss and other comprehensive income:-

	Group	
	30.06.2016	31.12.2014
	RM	RM
Staff costs	676,619	257,713

24 OTHER PAYABLES (cont'd)

Actuarial gain recognised directly in other comprehensive income

	Group	
	30.06.2016	31.12.2014
	RM	RM
At beginning of the period/year	(4,870)	-
Recognised during the period/year	(63,199)	(4,870)
At end of the period/year	(68,069)	(4,870)

Actuarial assumptions

	Group	
	30.06.2016	31.12.2014
	%	%
Discount rate	8.97	8.15
Salary increment rate	10.00	10.0
Disability rate	5.0	5.0
Resignation rate		
20 - 30	10.0	10.0
31 - 40	5.0	5.0
41 - 45	3.0	3.0
46 - 50	2.0	2.0
51 - 54	1.0	1.0
> 55	-	-

The amounts due to Directors, subsidiaries, and related parties are unsecured, interest free and are repayable on demand.

Related parties refer to certain companies in which certain directors of the Company have substantial financial interest.

Included in other payables of the Group is an amount of RM400,000 (31.12.2014: RMNIL) which represents 10% of deposit received for the disposal of land and building as disclosed in Note 18.

25. SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

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

The Group and the Company have related party relationships with its subsidiaries, related\companies, key management personnel and related parties. Related parties refer to companies in which certain Directors of the Company have substantial financial interests and/or are also Directors of the companies.

	Group	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
Related parties:		
Transactions with companies in which the Directors of the Company have substantial interest and are also as Directors		
Transportation charges	1,415,436	-
Upkeep of motor vehicles	35,031	-
Information technology services	41,700	-
Travelling expenses	151,248	-
	1,643,415	-

	Company	
	30.06.2016 RM	31.12.2014 RM
Subsidiaries:		
Advances to/(Repayment from)	4,028,884	(969,828)

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Directors of the Group and of the Company.

The key management personnel compensations are as follows:

	Group		Company	
	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM	01.01.2015 to 30.06.2016 RM	01.01.2014 to 31.12.2014 RM
Directors				
Directors' fee	404,734	241,017	404,734	241,017
Salaries and other emoluments	3,129,725	1,063,758	-	-
Contribution to defined contribution plan	410,773	104,836	-	-
Other emoluments	16,800	14,600	16,800	14,600
	3,962,032	1,424,211	421,534	255,617
Key management personnel				
Salaries and other emoluments	1,371,300	681,411	-	-
Contribution to defined contribution plan	75,060	32,630	-	-
	1,446,360	714,041	-	-
	5,408,392	2,138,252	421,534	255,617

26. OPERATING LEASE COMMITMENTS

The future lease commitments in respect of rental payable by the Group for rental of premises under non-cancellable operating lease as at the end of the financial period/year are as follows:-

	Group	
	30.06.2016	31.12.2014
	RM	RM
Payable within one year	174,000	-
Payable within one year but not more than two years	174,000	-
Payable within two years but not more than five years	253,000	-
	601,000	-

27. CONTINGENT LIABILITIES

	Company	
	30.06.2016	31.12.2014
	RM	RM
Unsecured		
Corporate guarantee issued to:		
- financial institutions for banking facilities granted to subsidiaries	13,217,717	23,901,969

28. OPERATING SEGMENTS

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

The Group operates in four principal geographical areas – Malaysia (country of domicile), United States of America ("USA"), Europe and Asia.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group External revenue		Group Non-current assets*	
	30.06.2016	31.12.2014	30.06.2016	31.12.2014
	RM	RM	RM	RM
Continuing:				
Malaysia	102,267,079	57,216,836	44,218,941	46,267,626
USA	50,928,691	33,200,191	-	-
Europe	29,860,545	20,576,331	-	-
Asia (excludes Malaysia)	13,125,702	8,187,982	12,616,342	22,347,000
	196,182,017	119,181,340	56,835,283	68,614,626
Discontinued:				
Asia (excludes Malaysia)	37,845,935	18,172,171	8,710,023	-
USA	8,680,455	7,668,349	-	-
	46,526,390	25,840,520	8,710,023	-
	242,708,407	145,021,860	65,545,306	68,614,626

* Non-current assets consist of all non-current assets other than financial instruments, deferred tax assets.

29. FINANCIAL INSTRUMENTS

Categorise of financial instruments

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

	Group		Company	
	30.06.2016	31.12.2014	30.06.2016	31.12.2014
	RM	RM	RM	RM
Continuing:				
Financial assets				
Fair value through profit or loss				
Other investment	2,109,535	-	2,109,535	-
Loan and receivables				
Trade receivables	28,552,642	22,868,930	-	-
Other receivables	3,557,587	5,902,939	29,241,246	25,202,082
Fixed deposits with licensed banks	-	11,740,728	-	-
Cash and bank balances	3,707,115	6,802,439	750,991	29,616
	35,817,344	47,315,036	29,992,237	25,231,698
	37,926,879	47,315,036	32,101,772	25,231,698
Financial liabilities				
Finance liabilities measured at amortised cost				
Borrowings	14,013,399	24,264,220	-	-
Trade payables	8,904,111	10,367,891	-	-
Other payables	7,816,896	5,693,601	1,846,675	479,165
	30,734,406	40,325,712	1,846,675	479,165

The Group's activities are exposed to a variety of financial risks which including credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

Financial Risk Management Objectives and Policies

Risk management is integral to the whole business of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There have been no changes to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

29 . FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company's exposure to credit risk arises primarily from their receivables (which consist of trade receivables, other receivables and amounts due from subsidiaries). For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating units, the Group does not offer credit terms without the approval of the executive directors.

Receivables

Exposure to credit risk, credit quality and collateral

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables (which consist of trade receivables, other receivables and amount due from subsidiaries. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered i recoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Credit risk concentration profile

The credit risk concentration profile of the Group's trade receivables by country are as follows:

	Group	
	30.06.2016 RM	31.12.2014 RM
Malaysia	18,337,065	12,979,861
USA	9,916,094	5,916,348
Europe	-	1,691,887
Asia (excludes Malaysia)	299,483	2,280,834
	28,552,642	22,868,930

The Group determines concentrations of credit risk by monitoring profiles or its trade receivables on an going basis. The Group does not have any significant exposure to any individual customer of its trade receivables as at the end of the reporting period.

Impairment losses

Information regarding the ageing and allowance of impairment of trade receivables is as follows:

Group	Gross RM	Individual impairment RM	Net RM
30.06.2016			
Not past due	18,172,206	-	18,172,206
Past due:			
Less than 30 days	4,549,077	-	4,549,077
31 days to 120 days	5,319,300	-	5,319,300
More than 120 days	1,823,272	(1,311,213)	512,059
	11,691,649	(1,311,213)	10,380,436
	29,863,855	(1,311,213)	28,552,642

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

Group	Gross RM	Individual impairment RM	Net RM
31.12.2014			
Not past due	17,655,755	-	17,655,755
Past due:			
Less than 30 days	3,297,239	-	3,297,239
31 days to 120 days	1,637,940	-	1,637,940
More than 120 days	3,443,505	(3,165,509)	277,996
	8,378,684	(3,165,509)	5,213,175
	26,034,439	(3,165,509)	22,868,930

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. However, the Directors are of the opinion that these debts should be realisable in full without material losses in the ordinary course of business.

Financial guarantees

The Group provides unsecured corporate guarantees amounting to RM13,217,717 (31.12.2014: RM23,901,969) to banks in respect of banking facilities granted to certain subsidiaries.

As at reporting date, the fair value of the financial guarantee is negligible as the probability of the financial guarantee being called upon is remote at the initial recognition and there was no history of default in repayment of these banking facilities by the subsidiaries.

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Inter company balances

The Company provides unsecured loan and advance to subsidiaries. As at the end of the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting date, there was no indication that the loans and advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. The Company monitors the results of the subsidiaries regularly.

(b) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Chinese Renminbi ("RMB").

Exposure to foreign currency risk

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

	Denominated in			
	USD	**SGD**	**RMB**	**Total**
Group	**RM**	**RM**	**RM**	**RM**
30.06.2016				
Trade receivables	7,201,451	276,384	-	7,477,835
Other receivables	-	-	2,803,135	2,803,135
Cash and bank balances	3,400,553	-	23,245	3,423,798
Trade payables	(3,813,263)	-	(3,348)	(3,816,611)
Borrowings	(3,877,015)	-	-	(3,877,015)
	2,911,726	276,384	2,823,032	6,011,142
31.12.2014				
Trade 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)
Borrowings	(4,507,824)	-	-	(4,507,824)
	2,536,485	251,119	-	2,787,604

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) Foreign currency risk (cont'd)

Foreign currency risk sensitivity analysis

The sensitivities of the Group's loss after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% strengthening of the functional currency of the Group entities against the foreign currencies at the end of the reporting period would have increased/(decreased) profit/(loss) after tax and equity by the amounts shown below:

	30.06.2016		31.12.2014	
	Profit/ (Loss) RM	Equity RM	Profit/ (Loss) RM	Equity RM
Group				
Functional currency/ Foreign currencies				
RM/USD	(110,646)	(110,646)	(95,118)	(95,118)
RM/SGD	(10,503)	(10,503)	(9,417)	(9,417)
RM/RMB	(107,275)	(107,275)	-	-

A 5% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

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

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Interest rate risk (cont'd)

Exposure in 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	
	30.06.2016	**31.12.2014**
	RM	**RM**
Floating rate instruments:		
Financial liabilities		
Bank overdrafts	2,962,702	1,127,310
Term loan	-	9,231
	2,962,702	1,136,541

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:-

	Group	
	30.06.2016	**31.12.2014**
	RM	**RM**
Effect of (loss)/ profit after tax		
Increase of 10 basis points	(2,252)	(852)
Decrease of 10 basis points	2,252	852
Effect on equity		
Increase of 10 basis points	(2,252)	(852)
Decrease of 10 basis points	2,252	852

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(d) 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 practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

Group	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM
30.06.2016					
Bank overdrafts	2,962,702	3,210,088	3,210,088	-	-
Bankers' acceptances	9,255,015	9,609,019	9,609,019	-	-
Revolving credit	1,000,000	1,054,500	1,054,500	-	-
Finance lease payables	795,682	870,054	324,684	324,684	220,686
Trade payables	8,904,111	8,904,111	8,904,111	-	-
Other payables	7,784,896	7,784,896	7,784,896	-	-
	30,702,406	31,432,668	30,887,298	324,684	220,686

Group	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM
31.12.2014					
Bank overdrafts	1,127,310	1,220,031	1,220,031	-	-
BBA	1,000,117	1,037,621	1,037,621	-	-
Term loans	9,231	9,914	9,914	-	-
Bankers' acceptances	17,765,311	18,599,392	18,599,392	-	-
Revolving credit	4,000,000	4,217,000	4,217,000	-	-
Finance lease payables	362,251	404,344	107,126	77,532	219,686
Trade payables	10,367,891	10,367,891	10,367,891	-	-
Other payables	5,693,601	5,693,601	5,693,601	-	-
	40,325,712	41,549,794	41,252,576	77,532	219,686

All of the Company's liabilities at the reporting date mature within one year or repayable on demand.

29. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(e) Equity price risk

Equity price risk mainly arises from the Group's investment in quoted equity securities classified as fair value through profit or loss.

The equity investments are held for long term strategic purposes. Their performance is assessed periodically together with assessment if their relevance to the Group's long term strategic plans.

As at 30 June 2016, it is estimated that an increase of 10% in the market price of the quoted securities, with all other variables held constant, would have increased the Group's equity by RM160,325 (31.12.2014: NIL).

30. FAIR VALUES INFORMATION

The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short term maturity of these financial instruments.

Table below analyses assets and liabilities carried at fair value and those not carried at fair value for which fair value is disclosed together with the carrying amounts shown in the statement of financial position.

The aggregate fair values and the carrying amounts of the financial asset carried on the statement of financial position as at 30 June/31 December are as below:

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
	RM	RM	RM	RM	RM
30.06.2016					
Group					
Asset					
Other investment	2,310,000	-	-	2,310,000	2,109,535
Liability					
Finance lease payables (non-current)	-	-	518,971	518,971	505,563
31.12.2014					
Group					
Liability					
Finance lease payables (non-current)	-	-	280,211	280,211	266,803
30.06.2016					
Company					
Asset					
Other investment	2,310,000	-	-	2,310,000	2,109,535

30. FAIR VALUES INFORMATION (cont'd)

Level 1:

The fair value of other investments at fair value through profit or loss and available-for sale are determined by reference to their quoted closing bid prices at the end of the financial period.

Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly (i.e prices) or indirectly (i.e derived from prices).

Level 3:

The fair value is determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are range from 2.28% to 3.03% (31.12. 2014: 2.28% to 2.88%)

There were no material transfer between Level 1, Level 2 and Level 3 during the financial period.

31. 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. The Group monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The net debt-to-equity ratios at end of the reporting period were:

	Group		Company	
	30.06.2016	**31.12.2014**	**30.06.2016**	**31.12.2014**
	RM	**RM**	**RM**	**RM**
Borrowings (Note 21)	14,013,399	24,264,220	-	-
Less: Cash and cash equivalents (excluding bank overdrafts)	(15,285,714)	(18,543,167)	(750,991)	(29,616)
Total net debts	(1,272,315)	5,721,053	(750,991)	(29,616)
Total equity attributable to the owners of the parent	137,852,462	132,254,412	72,175,034	66,217,470
Debt to equity ratio	N/A	0.04	N/A	0.04

N/A: Not meaningful

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

The Group is in compliance with all externally imposed capital requirements.

32. SIGNIFICANT EVENT

On 15 June 2016, the Company announced the decision of its Board of Directors to dispose one of its wholly-owned subsidiary, JYR for total consideration of RM21,000,000. The disposal consideration is derived based on JYR's net assets of RM22.63 million as at 30 June 2016 less dividend declared but not yet received from JYR of RM1.82 million.

33. COMPARATIVE FIGURES

(i) The following comparative figures have been reclassified to conform with current year presentation:

	As reclassified RM	As previously reported RM
Group		
31.12.2014		
Statements of comprehensive income		
Other income	656,986	372,013
Interest income	-	284,973
Staff costs	(18,520,269)	(18,515,399)
	(17,863,283)	(17,858,413)
Other comprehensive income, net of tax		
Defined benefit plan actuarial gain	4,870	-
	(17,858,413)	(17,858,413)
Statements of financial position		
Current assets		
Trade receivables	22,868,930	-
Other receivables	6,622,706	-
Trade and other receivables	-	29,491,636
Short term investments	-	5,720,574
Fixed deposits with licensed banks	11,740,728	-
Cash and cash equivalents	6,802,439	12,822,593
	48,034,803	48,034,803
Equity		
Statutory reserve fund	2,035,784	-
Retained earnings	58,375,297	60,411,081
	60,411,081	60,411,081
Current liabilities		
Trade payables	10,367,891	-
Other payables	5,693,601	-
Trade and other payables	-	16,061,492
	16,061,492	16,061,492

33. COMPARATIVE FIGURES (Cont'd)

(i) The following comparative figures have been reclassified to conform with current year presentation: (cont'"d)

	As reclassified RM	As previously reported RM
Statements of cash flows		
Adjustments for:		
Inventories written down	318,023	-
Inventories written off	647,592	-
Changes in working capital:		
Inventories	(3,008,034)	(2,042,419)
	(2,042,419)	(2,042,419)

(ii) The comparative were audited by a firm of chartered accountants other than Moore Stephens Associates PLT.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings and accumulated losses of the Group and of the Company as at 30 June 2016 and 31 December 2014 into realised and unrealised profits. Pursuant to Bursa Malaysia Securities Berhad Listing Requirements are as follows:-

	Group		Company	
	30.06.2016	**31.12.2014**	**30.06.2016**	**31.12.2014**
	RM	**RM**	**RM**	**RM**
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries				
- realised	74,167,433	83,228,907	(1,567,387)	(448,155)
- unrealised	(1,797,822)	(2,743,691)	-	-
	72,369,611	80,485,216	(1,567,387)	(448,155)
Less: Consolidation adjustments	(18,948,135)	(22,109,919)	-	-
Total retained earnings/ (accumulated losses)	53,421,476	58,375,299	(1,567,387)	(448,155)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits 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.

Properties Owned By The Group

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

Location/ (Registered Owner)	Description (Lot / Title No)	Tenure (Approx age of building)	Land area (Built up) (sq.ft)	Date of Acquisition / * Revaluation	Net Book Value (30 . 06. 2016) (RM)
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 28 years remaining (28 & 23 years)	1 acre (35,000) sq. ft	* 3 November 2011	3,257,386
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 44 years remaining (16 years)	6 acres (261,586) sq. ft	* 30 August 2012	13,816,200
Plot 126 Bukit Minyak Industrial Park Seberang Perai Tengah (Rex Canning)	Industrial land	60 years with 55 years remaining (5 years)	1.74 acres	* 30 August 2012	9,146,771
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	109,971
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 76 years remaining (20 years)	(4,500) sq. ft	10 October 1990	479,081
JL. Raya Beji Km 4 No 42 Beiji, Pasuraun, Jawa Timur, Indonesia (P.T.Rex Canning)	Industrial land with Factory	130 years with 108 years remaining (22 years)	(252,207) sq. ft	14 January 2005	6,527,826
Jiedong Economic Development Experimental Zone (Jie Yang Rex Foods)	Leasehold Land with factory Expiry Date : 20/01/2046	50 years with 32 years remaining (18 years)	6.88 acres (232,145) sq. ft	30 November 2012	7,247,857
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	617,820
JL. Raja Beji KM4, Desa Beji, Kecematan Beji, Kabupaten Pasuraun, Propinsi Jawa Timur, Indonesia.	Industrial land	-	3.73 acres	5 September 2012	5,409,708

Proxy Form

CDS Account No.

No. of Shares Held

REX INDUSTRY BERHAD (282664-K)
(Incorporated in Malaysia)

*I/We, ____
(full name in capital letters)

of ____
(full address)

being a member of the Company, hereby appoint ______________________________
(full name in capital letters)

of ____
(full address)

*and/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-Second Annual General Meeting of the Company, to be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggiri Dua, Pusat Bandar Seberang Jaya, 13700 Prai, Penang on Friday, 23 September 2016 at 10:00 a.m., and at any adjourment thereof.

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

(please indicate with "X" in the appropriate space above on how you wish for your vote to be casted. If no specific direction as to how a vote is to given, the proxy will vote or abstain at his discretion)

* Strike out whichever is not applicable.

Signed this   day of   , 2016.

For appointment of two (2) proxies, the number of shares and percentage of shareholdings to be represented by each proxy:-

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

Signature of member/shareholder

Common Seal to be affixed here if member/shareholder is a corporation, if applicable

Notes:

1. *Agenda item no. 1 is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 and the Articles of Association of the Company require that the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this agenda item is not a business which requires a resolution to be put to vote by shareholders.*
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 15 September 2016 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.*