Give Love

REX INDUSTRY BHD.

ANNUAL REPORT 2018


cinta
SARDINE
AQUA
Rexcoco
Lychee
Soya Milk
Rexberry
REX ENERGY
Rexcoco Wafer

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting ("**AGM**") 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, 30 November 2018 at 10:00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and Auditors thereon. (Please refer to the Note No. 1)

2. To approve the payment of Directors' fees payable to the Non-Executive Directors amounting to RM216,600 to be paid on a quarterly basis for the financial year ending 30 June 2019 and thereafter. (Resolution 1)

3. To approve the payment of Directors' benefits up to an amount of RM100,000 from 1 December 2018 until the next AGM of the Company. (Resolution 2)

4. To re-elect the following Directors, who are due to retire in accordance with Article 64 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Mr. Chee Cheng Chun; and (Resolution 3)
   (b) Mr. Tai Keat Chai (Resolution 4)

5. To re-elect Encik Adnan bin Ahmad, who is due to retire in accordance with Article 69 of the Company's Articles of Association and being eligible, had offered himself for re-election. (Resolution 5)

6. To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

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

7. **ORDINARY RESOLUTION NO. 1**
   - AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016 (Resolution 7)

   "**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being;

   AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities; **AND FURTHER 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."

8. **ORDINARY RESOLUTION NO. 2** (Resolution 8)
- PROPOSED RENEWAL OF EXISTING SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** subject always to the Companies Act 2016 ("**the Act**"), the Articles of Association of the Company and Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given for the Proposed Renewal of Existing Shareholder Mandate for the Company and its subsidiaries ("**the Group**") to enter into and to give effect to the category of the recurrent transactions of a revenue or trading nature from time to time with the Related Parties as specified in Section 2.5 of the Circular/Statement to Shareholders dated 31 October 2018, provided that such transactions are:-

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

(ii) necessary for the Group'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 such authority shall commence upon the passing of this resolution and shall continue to be in force until:-

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

(ii) the expiration of the period within which the next AGM after that date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier;

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

9. **ORDINARY RESOLUTION NO. 3** (Resolution 9)
- PROPOSED SHARE BUY-BACK OF UP TO 10% OF THE ISSUED SHARES OF THE COMPANY

"**THAT** subject to the Companies Act 2016 ("**the Act**"), rules, regulations and orders made pursuant to the Act, the Articles of Association of the Company, Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements and any other relevant authority or approval for the time being in force or as may be amended from time to time, approval be and is hereby given to the Company to purchase such number of ordinary shares as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company ("**Proposed Share Buy-Back**"), provided that:-

(a) the aggregate number of ordinary shares to be purchased by the Company shall not exceed 10% of the total number of issued shares of the Company at any point in time; and

(b) the maximum fund to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase.

THAT the authority conferred by this resolution shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM at which this resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that next AGM, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) the authority is revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever, occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT upon completion of the purchase by the Company of its own ordinary shares, the Directors be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion in the following manners:-

(a) cancel all the ordinary shares so purchased; and/or

(b) retain the ordinary shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities and/or transfer under an employees' share scheme and/or transfer as purchase consideration; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors be and are hereby authorised to take all such steps as necessary (including the opening and maintaining of depository account(s) under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Board may in their discretion deem necessary and to do all such acts and things the Directors may deem fit and expedient in the best interest of the Company."

10. To consider any other business for which due notice shall have been given.

By Order of the Board

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

Date: 31 October 2018

Explanatory Notes to Special Business:

1. Authority to issue shares pursuant to the Companies Act 2016

The Company had been granted a general mandate by its shareholders at the Twenty-Third AGM of the Company held on 30 November 2017 to issue shares pursuant to the Companies Act 2016.

The Company wishes to renew the mandate on the authority granted to the Directors to issue shares pursuant to the Companies Act 2016 at the Twenty-Fourth AGM of the Company (hereinafter referred to as the "**New General Mandate**").

The New General Mandate will provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time as the Directors may deem fit, without incurring any further cost to convene a separate general meeting to approve such authority. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

2. Proposed Renewal of Existing Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (hereinafter referred to as the "**Proposal**")

The Proposal will enable the Company and its subsidiaries ("**the Group**") to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business 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.

Please refer to the Circular/Statement to Shareholders dated 31 October 2018, which is despatched together with the Company's 2018 Annual Report, for further information.

3. Proposed Share Buy-Back up to 10% of the total Issued Shares of the Company ("**Proposed Share Buy-Back**")

The Proposed Share Buy-Back, if passed, will allow the Company to purchase its own shares up to 10% of the total issued shares of the Company at any time within the time period stipulated in Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Please refer to the Circular/Statement to Shareholders dated 31 October 2018, which is despatched together with the Company's 2018 Annual Report, for further information.

Notes to the Notice of the Twenty-Fourth AGM:-

1. This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements and only requires the Audited Financial Statements to be laid at the Meeting. Therefore, this Agenda item is not put forward for voting.

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

3. A member shall be entitled to appoint up to two (2) proxies to exercise all or any of his/her rights to attend, participate, speak and vote at the Meeting. Where a member appoints two (2) proxies, the proportions of his/her shareholdings to be represented by each proxy must be specified in order for the appointments to be valid.

4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act,1991 ("**SICDA**"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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

6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointor is a corporation, the proxy form must be executed under either seal or under the hand of an officer or attorney duly authorised.

7. For purpose of determining who shall be entitled to attend, participate, speak and vote at this Meeting, the Company shall be requesting Record of Depositors ("**ROD**") as at 23 November 2018. Only a Depositor whose name appears on such ROD shall be entitled to attend, participate, speak and vote at this Meeting or appoint proxy to attend, participate, speak and vote on his/her behalf.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- Tan Sri Dato' Mohd Ibrahim bin Mohd Zain - CHAIRMAN
- Darmendran Kunaretnam
- Chee Cheng Chun
- Tai Keat Chai
- Adnan bin Ahmad

AUDIT COMMITTEE

- Tai Keat Chai - CHAIRMAN
- Tan Sri Dato' Mohd Ibrahim bin Mohd Zain
- Adnan bin Ahmad

REMUNERATION COMMITTEE

- Tan Sri Dato' Mohd Ibrahim bin Mohd Zain - CHAIRMAN
- Tai Keat Chai

NOMINATION COMMITTEE

- Tan Sri Dato' Mohd Ibrahim bin Mohd Zain - CHAIRMAN
- Tai Keat Chai

COMPANY SECRETARIES

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

AUDITORS

- Messrs. Moore Stephens Associates PLT
- Chartered Accountants

Unit 3-3A, 3rd Floor, Surian Tower,
No. 1 Jalan PJU 7/3, Mutiara Damansara,
47810 Petaling Jaya,
Selangor, Malaysia.
Tel : 603 7728 1800
Fax : 603 7728 9800

BANKERS

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

SOLICITORS

- 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
Website : www.rexmalaysia.com

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 Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

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

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, aged 75, a Malaysian, male, was appointed to the Board of the Company on 30 June 2014. He is the Chairman of the Board, Nomination Committee and Remuneration Committee and a member of the Audit Committee of the Company.

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 became its dean of academic. He was subsequently 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 Chief Executive Officer of Setron (Malaysia) 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 6 Board Meetings held in the financial year ended 30 June 2018.

Darmendran Kunaretnam
Non-Independent Executive Director, Group Managing Director

Mr. Darmendran Kunaretnam, aged 57, a Malaysian, male, was appointed to the Board of the Company and as the Group Managing Director on 3 March 2015. Currently, he does not sit in any Board Committees of the Company.

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 10 years as Group Manager in the Audit Division of an international public accounting firm from 1985 to 1995.

Mr. Darmendran then joined Gold Bridge Engineering & Construction Berhad ("**Gold Bridge**") as the General Manager of the 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 of 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 redesignated as Executive Director on 24 August 2009 and continues to hold this position till present. Currently, the only directorship of Mr. Darmendran in other public companies is KSTB, which was delisted on 27 December 2016.

Mr. Darmendran attended all 6 Board Meetings held in the financial year ended 30 June 2018.

Chee Cheng Chun
Non-Independent Non-Executive Director

Mr. Chee Cheng Chun, aged 33, a Malaysian, male, was appointed to the Board of the Company on 3 March 2015. Currently, he does not sit in any Board Committees of the Company.

Mr. Chee graduated from Imperial College, London with a Master of Engineering in Aeronautical Engineering. He worked as Business Development Manager in Kejuruteraan Samudra Timur Berhad ("**KSTB**") before he was appointed to the Board of KSTB. Currently, the only directorship of Mr. Chee in other public companies is KSTB, which was delisted on 27 December 2016.

Mr. Chee attended all 6 Board Meetings held in the financial year ended 30 June 2018.

Tai Keat Chai
Independent Non-Executive Director

Mr. Tai Keat Chai, aged 64, 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 and Remuneration Committee of the Company.

Mr. Tai is a Chartered Accountant and a member of the Malaysian Institute of Accountants. He began his career with KPMG in London and moved on subsequently to PWC in Kuala Lumpur. In 1981, he joined Alliance Investment Bank Berhad for 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's directorships in other public companies and listed issuers include Marine & General Berhad, Omesti Berhad, Microlink Solutions Berhad and MIDF Amanah Asset Management Berhad.

Mr. Tai attended all 6 Board Meetings held in the financial year ended 30 June 2018.

Adnan bin Ahmad
Independent Non-Executive Director

Encik Adnan bin Ahmad, aged 69, a Malaysian, male, was appointed to the Board of the Company on 12 April 2018. He is a member of the Audit Committee of the Company.

Encik Adnan graduated with a Diploma in Industrial Relations. He started his career with Messrs. Hanafiah, Raslan & Mohamad in 1967. He then joined Safeguards G4S Sdn. Bhd., holding various positions, including Head of Human Resource & Administration and Head of Administration and Regulatory and Premises. He was also the Chairman of Koperasi Pelaburan Pekerja-Perkerja Safeguards from 1997 until his retirement on 31 March 2014.

Currently, the only directorship of Encik Adnan in other public companies is KSTB, which was delisted on 27 December 2016.

Encik Adnan attended the 1 Board Meeting held in the financial year ended 30 June 2018 since he was appointed to the Board on 12 April 2018.

Notes:

- None of the Directors has any family relationship with each other or with any other Director and/or Major Shareholder of the Company. None of the Directors has any conflict of interests with the Company.
- None of the Directors has any conviction for offences within the past 5 years other than traffic offences (if any) or any public sanction or penalty by any regulatory bodies during the financial year ended 30 June 2018.
- There was no material contract entered into by the Group involving Directors or Major Shareholders of the Company.
- The details of each Directors' interest in the securities of the Company are disclosed in the Analysis of Shareholdings on page 43 of this Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

Dato' Cheah Teng Lim
Chief Executive Officer of Rex Canning Co. Sdn. Bhd. and Rex Trading Sdn. Bhd.

Dato' Cheah Teng Lim, aged 58, a Malaysian, male, was appointed as the Chief Executive Officer of Rex Canning Co. Sdn. Bhd. and Rex Trading Sdn. Bhd., subsidiaries of the Company on 1 June 2018.

Dato' Cheah graduated with a Diploma in Management Programme. He has more than 30 years of experience in the fast-moving consumer goods industry, primarily in the areas of sales and marketing and business re-engineering. Prior to joining the Group, he held various senior sales and marketing positions in companies such as Rothmans of Pall Mall Berhad, British American Tobacco Malaysia Berhad and Carlsberg Breweries Malaysia Berhad. He then went to head the sustainable development division at IRIS Corporation Berhad for 5 years. He joined the Group in October 2017 as the Marketing Director prior to assuming his current role as Chief Executive Officer.

Dato' Cheah does not hold any directorship in other public companies or listed issuers.

Sandra Lim Geik Fong
Chief Financial Officer of Rex Industry Berhad

Ms. Sandra Lim Geik Fong, aged 44, a Malaysian, female, was appointed as the Chief Financial Officer of the Company 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 an auditor in an audit firm. She then joined the Company in 1999 as an Assistant Accountant and assumed various positions in the Finance Division with increasing responsibilities until her promotion as the Group Accountant in January 2001 before she was promoted as Chief Financial Officer.

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

Nicky Ng Voon Tiak
General Manager of the Sales and Marketing Division of Rex Canning Co. Sdn. Bhd.

Mr. Nicky Ng Voon Tiak, age 51, a Malaysian, male, was appointed as the General Manager of the Sales and Marketing Division of Rex Canning Co. Sdn. Bhd., a subsidiary of the Company, in May 2017.

Mr. Nicky graduated from University of Adelaide (majoring in Economics) and attended MIM (Business Management) to enhance his knowledge in sales and marketing.

Mr. Nicky started his career with companies such as Canon, Marigold, Yakult and Spritzer. He joined the Group in 2017, after having more than 22 years of experience in the fast-moving consumer goods industry, mainly focusing on consumables and food and beverages for the local and export markets.

Mr. Nicky does not hold any directorship in other public companies or listed issuers.

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

Mr. Chu Seang Ming, aged 51, a Malaysian, male, was appointed as the General Manager of P.T. Rex Canning, a subsidiary of the Company, on 1 May 1998.

Mr. Chu holds a Master of Business Administration, Marketing from Washington International University and various certifications, which include 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 started his career with a frozen food manufacturer based in Perak as a Factory Quality Controller where he undertook laboratory quality control tasks for frozen shrimp processing. In 1990, he joined Rex Canning Co. Sdn. Bhd., a subsidiary of the Company, as its Quality Control Supervisor. He then moved to P.T. Rex Canning, Indonesia in 1992 as its Quality Control Manager. From 1997 to 1998, Mr. Chu was tasked with establishing and setting up a 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, before he returned to P.T. Rex Canning in 1998 to be in charge of the general management of P.T. Rex Canning.

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

Chris Kong Wai Fa
General Manager of the Procurement, Logistic and Warehouse of Rex Industry Berhad

Ms. Chris Kong Wai Fa, age 54, a Malaysian, female, was appointed as the General Manager of the Procurement, Logistic and Warehouse of the Company on 1 June 2016.

Ms. Chris started her career in the Finance Department of a logistics business in 1983, working her way up to operations, sales and eventually becoming the Chief Executive Officer of a logistics company involved in land, sea and air transport, forwarding and warehousing.

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

Bong Fook Seng
General Manager of the Confectionery Division of Summit Teamtrade (2011) Sdn. Bhd.

Mr. Bong, aged 55, a Malaysian, male, was appointed as the General Manager of the Confectionary Division of Summit Teamtrade (2011) Sdn. Bhd., a subsidiary of the Company in October 2018. He had more than 34 years of experience in confectionery.

Mr. Bong started his career with SDS Cake House as Factory Manager. He was the Sales Consultant for Harvest Baker Ingredient and prior to joining the Company, he was attached with Huasin Food Industries Sdn. Bhd. as Factory Manager for 18 years.

Mr. Bong does not hold any directorship in other public companies or listed issuers.

Chow Kah Sheng
General Manager of the Sales and Marketing Division of Summit Teamtrade (2011) Sdn. Bhd.

Mr. Chow, aged 35, a Malaysian, male, was appointed as the General Manager of the Sales and Marketing Division of Summit Teamtrade (2011) Sdn. Bhd., a subsidiary of the Company in October 2018. He had more than 16 years of experience in the general trade, modem trade, distribution, van sales and trading.

As soon as Mr. Chow graduated from the Highest Educational Level (STPM), he started his career with companies such as Ringway Marketing Sdn. Bhd. and MP Mineral Water Manufacturing Sdn. Bhd. as Sales Executive. He was with Khobates Industries Sdn. Bhd. for 5 years and subsequently attached with Huasin Food Industries Sdn. Bhd. as Group Sales Manager for 6 years. Prior to joining the Company, he was the Business Development Manager for Jascon Food Sdn. Bhd.

Mr. Chow does not hold any directorship in other public companies or listed issuers.

Notes:

- None of the key senior management has any family relationship with any Director and/or Major Shareholder of the Company.
- None of the key senior management has any conflict of interests with the Company.
- None of the key senior management has any conviction for offences within the past 5 years other than traffic offences (if any) or any public sanction or penalty by any regulatory bodies during the financial year ended 30 June 2018.

The Board of Directors of Rex Industry Berhad (the "**Company**" or "**REX**") (the "**Board**") recognises the importance of practising high standards of corporate governance in the best interest of REX and its stakeholders, and to protect and enhance shareholders' value and the performance of the Company and its subsidiaries (the "**Group**").

The Board is pleased to present this Corporate Governance ("**CG**") Overview Statement (the "**Statement**") to provide an overview of the CG practices adopted by the Company in achieving the intended outcomes as set out in the new Malaysian Code on Corporate Governance ("**MCCG**") with reference to the following three (3) key principles, under the stewardship of the Board:-

a) Principle A : Board Leadership and Effectiveness;
b) Principle B : Effective Audit and Risk Management; and
c) Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This Statement also serves as a compliance with Paragraph 15.25(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**MainLR**") and should be read together with the CG Report of the Company for the financial year ended 30 June 2018 ("**FYE 2018**") published on the Company's website at www.rexmalaysia.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Intended Outcome 1.0

Every company is headed by a board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

1.1 In setting the Company's strategic aims, the Board relies on the reports provided by the Group Managing Director who oversees the entire business and operations of the Group. At each Audit Committee ("**AC**") Meeting and Board Meeting, and as and when the need arises, the Group Managing Director will brief the Directors on the current operations, issues faced and plans of the Group in order for the Board to be kept abreast on the conduct, business activities and development of the Company, and to discuss and advise the Management in its formulation of the Company's business strategies, both short-term and long-term. Discussions would include the deployment of resources in achieving the objectives to be met and how the Management has performed its duties in order to ensure that all resources are efficiently and effectively utilised. In making its decisions, the Board would be guided by the Company's values and standards.

In the discharge of the Board's duties and responsibilities, the Board has delegated certain duties and responsibilities to three (3) other Board Committees namely, the AC, Nomination Committee ("**NC**") and Remuneration Committee ("**RC**") to assist the Board in overseeing the Company's affairs and in deliberation of issues within their respective functions and terms of reference ("**TOR**"), which outline clearly their objectives, duties and powers. The Chairman of each Committee will report to the Board on the outcome of the Committee's meetings and resolutions, which would also include the key issues deliberated at the Committee's meetings.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company during the FYE 2018, the Board had, amongst others:-

(a) undertaken the MCCG gap analysis prepared by the Company Secretary to identify the non-compliance areas and actions taken accordingly to close the gaps for the purpose of promoting good governance culture within the Company which reinforces ethical, prudent and professional behaviour;
(b) reviewed, challenged and decided on Management's proposals and monitored the implementation by Management;
(c) ensured that the strategic plan of the Company supports long term value creation and sustainability;
(d) supervised and assessed Management performance regularly;

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

(e) ensured there is a sound framework for internal controls and risk management;
(f) understood the principal risks surrounding the Group's business and set the risk appetite to ensure the risks are properly managed;
(g) ensured sufficient succession planning for the Group's continuity in leadership for all key positions;
(h) ensured the Company has in place procedures to enable effective communication with stakeholders; and
(i) ensured the integrity of the Company's financial and non-financial reporting.

1.2 The Board is chaired by Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, an Independent Non-Executive Director ("**INED**"), who is able to provide effective leadership, strategic direction and necessary governance to the Group.

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain had:-

(a) provided leadership to the Board without limiting the principle of collective responsibility for the Board decisions;
(b) led Board meetings and discussion in a manner to encourage constructive discussion and effective contribution from each Director;
(c) reviewed the minutes of the Board meetings to ensure that the minutes accurately reflect the Board's deliberations, and matters arising from the minutes have been addressed;
(d) led the Board in establishing and monitoring good corporate governance practices in the Company;
(e) encouraged active participation and allowed dissenting views to be freely expressed; and
(f) ensured appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.

1.3 The positions of the Chairman of the Board and Group Managing Director are held by two (2) different individuals and each has a clear accepted division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

The Chairman of the Board is primarily responsible for the achievement of the Group's strategic vision and also for leading the Board in its collective oversight of management, while the Group Managing Director has overall responsibilities over the business operations and day-to-day management of the Group and the implementation of the Board's policies and decisions. These division of responsibilities are set out in the Company's Board Charter.

1.4 The Company is supported by two (2) suitably qualified and competent Company Secretaries. Both Company Secretaries are qualified Chartered Secretaries as per Section 235(2)(a) of the Companies Act 2016 and are Fellow members of the Malaysian Association of the Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretaries are the external Company Secretaries from Securities Services (Holdings) Sdn. Bhd. with vast knowledge and experience from being in public practice and are supported by a dedicated team of company secretarial personnel.

During the FYE 2018, the Company Secretaries had discharged their duties and responsibilities accordingly, and had and will continue to constantly keep themselves abreast on matters concerning company law, the capital market, CG, and other pertinent matters, and with changes in the regulatory environment through continuous training and industry updates.

The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging their functions and duties.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

1.5 While the Management strives to circulate all complete meeting materials at least five (5) business days in advance, there had been instances where the financial reports and other documents could not be ready on time.

Nonetheless, detailed minutes of the Board or Board Committee meetings, with the complete and accurate record of the decisions and resolutions of the meetings, would be distributed by the Company Secretaries to all Directors and Board Committee members with sufficient time for review prior to confirmation at the next Board or Board Committee meeting. The signed Board and/or Board Committees Minutes are entered into the Minutes Books kept at the registered office of the Company.

The Management takes cognizance of the importance of providing complete and adequate information to the Directors on a timely basis to enable them to make informed decisions to discharge their duties and responsibilities. They will continue to strive in ensuring that the complete meeting materials are circulated at least five (5) business days in advance of the meetings.

Intended Outcome 2.0

There is demarcation of responsibilities between the Board, Board Committees and Management.

There is clarity in the authority of the Board, its Committees and individual Directors.

2.1 The Board has a Board Charter, which includes a formal schedule of matters reserved for the Board. The said schedule details the responsibilities of the Board and Board-Management relationship, including Management limitations. With this, the respective functions, roles and responsibilities of the Directors and Management are clearly set out in the Board Charter as guidance and clarity to enable them to effectively discharge their duties.

The Board Charter as well as the TORs of the Board Committees were recently reviewed and approved by the Board on 18 October 2018 to ensure they remain relevant and consistent with the Board's objectives and the current regulations. The Board Charter now also includes an outline on what is expected of Directors in terms of their commitment, roles and responsibilities as Board Members. The updated versions of the same are published on the Company's website at www.rexmalaysia.com.

The Board keeps itself abreast of the responsibilities delegated to each Board Committee, and matters deliberated at each Board Committee meeting through the minutes of the Board Committee meetings and reports from the respective Board Committee chairmen, which are presented to the Board during Board meetings at the appropriate regular intervals.

The Board has not appointed a Senior Independent Director.

Activities of the NC

During the FYE 2018, the NC has undertaken the following activities in the discharge of its duties:-

(i) reviewed and confirmed the Minutes of the NC meetings held;
(ii) reviewed the profile of the new Independent Director and recommended the same to the Board for approval;
(iii) examined the composition of the Board;
(iv) reviewed the required mix of skills, experience and other qualities of the Board;
(v) reviewed the contribution and performance of each individual director to assess the character, experience, integrity, and competence to effectively discharge their role as a Director through a comprehensive assessment system;

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Activities of the NC (cont'd)

(vi) conducted evaluation to assess the effectiveness of the Board as a whole and the Board Committees;
(vii) reviewed the term of office of the AC and assessed its effectiveness as a whole;
(viii) reviewed the independence of the Independent Directors and assessed their ability to bring independent and objective judgement to Board deliberations;
(ix) recommended the re-election of the directors who are to retire by rotation at the Twenty-Fourth Annual General Meeting ("**AGM**"); and
(x) reviewed the meeting attendance of the Board and Board Committees.

During the FYE 2018, the Board had convened a total of 6 Board of Directors' Meetings for the purposes of deliberating on the Company's quarterly financial results and discussing other strategic and important matters. During the Board of Directors' Meetings, the Board reviewed the operations and performance of the Group and other strategic issues that may affect the Group's business. Relevant senior management members were invited to attend some of the Board of Directors' Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

The NC has been tasked to review the attendance of the Directors at Board and/or Board Committee Meetings. Upon review, the NC noted the Directors, to the best of their ability, have devoted sufficient time and effort to attend Board and/or Board Committee Meetings for the FYE 2018.

The attendance of Directors during the FYE 2018 is set out below:-

Directors	Directorship	Board	AC	NC	RC
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	INED	6/6	5/5	- (1)	- (1)
Mr. Tai Keat Chai	INED	6/6	5/5	1/1	- (2)
Encik Adnan bin Ahmad *(appointed as a Director on 12 April 2018)*	INED	1/1	0/1 (3)	Not Member	Not Member
Mr. Darmendran Kunaretnam	Non-Independent Executive Director	6/6	Not member	Not member	1/1 (4)
Mr. Chee Cheng Chun	Non-Independent Non-Executive Director	6/6	- (5)	1/1 (5)	1/1 (5)
Encik Mohd Faisal Izan bin Abdul Latiff *(resigned as a Director on 30 November 2017)*	INED	3/3	3/3 (6)	1/1 (6)	0/1 (6)

(1) *appointed as Chairman of NC and RC respectively on 14 February 2018 and there were no NC and RC meetings held thereafter during the FYE 2018.*
(2) *appointed as the member of the RC on 14 February 2018 and there was no RC meeting held thereafter during the FYE 2018.*
(3) *appointed as a member of the AC on 12 April 2018 subsequent to his appointment as a Director of the Company.*
(4) *resigned as the Chairman of the RC on 14 February 2018.*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Activities of the NC (cont'd)

(5) *resigned as a member of the NC and RC respectively on 14 February 2018 and a member of the AC on 12 April 2018.*
(6) *ceased as a member of the AC and RC, and the Chairman of the NC on 30 November 2017 following his resignation as the Director of the Company on the same date.*

In order for the Group to remain competitive, the Board ensures that the Directors continuously enhance their skills and expand their knowledge to meet the challenges of the Board.

The Board has cultivated the following best practices:-

- All newly appointed Directors are to attend the Mandatory Accreditation Programme as prescribed by the MainLR within the stipulated timeframe;
- All Directors are encouraged to attend talks, training programmes and seminars to update their knowledge on the latest regulatory and business environment; and
- The Directors are briefed by the Company Secretaries on updates by Bursa Securities periodically.

Upon assessing the training needs of the Directors, the Board recognised that continuing education would be the way forward in ensuring its members are continually equipped with the necessary skills and knowledge to meet the challenges ahead.

During the FYE 2018, the Board members had participated in the following trainings and/or courses:-

Name of Directors	Dates	Description of Training Programmes
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	a) 19 July 2017 to 20 July 2017 b) 21 September 2017 to 22 September 2017 c) 12 December 2017 to 13 December 2017	a) Unbound London 2017 b) Asia PE-VC Summit 2017 c) Global Entrepreneurship Community Summit 2017
Mr. Tai Keat Chai	9 November 2017	Case Study Workshop for Independent Directors
Encik Adnan bin Ahmad *(appointed as a Director on 12 April 2018)*	-	-
Mr. Darmendran Kunaretnam	25 January 2018	Key Disclosure Obligations of Listed Companies
Mr. Chee Cheng Chun	3 October 2017	Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Intended Outcome 3.0

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The Board, Management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Company.

3.1 The Company had adopted the Group's Codes that are applicable to all Directors, Management and employees of the Group, which set forth the ethical and professional standards of corporate and individual behaviour expected to enhance the standard of corporate governance and corporate behaviour. This includes areas concerning human rights, health and safety, environment, gifts and business courtesies, company records and internal controls, company's assets, exclusive service, integrity and professionalism, personal appearance, confidential information and compliance obligations.

The said Codes are published on the Company's website at www.rexmalaysia.com.

3.2 The Board had on 18 October 2018 adopted a Whistleblowing Policy to facilitate the whistleblower to report or disclose through established channels about any violations or wrongdoings they may observe in the Group without fear of retaliation should they act in good faith when reporting such concerns.

Only genuine concerns should be reported under the whistleblowing procedures. The report should be made in good faith with a reasonable belief that the information and any allegations made are substantially true and the report is not made for personal gain. Malicious and false allegations will be viewed seriously and treated as a gross misconduct and if proven may lead to dismissal.

II. BOARD COMPOSITION

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights.

4.1 The Board currently comprises three (3) INEDs, one (1) Non-Independent Non-Executive Director and one (1) Non-Independent Executive Director.

Such composition is able to provide an unbiased and independent and objective judgement to facilitate a balanced leadership in the Group as well as providing effective check and balance to safeguard the interest of the minority shareholders and other stakeholders, and ensuring high standards of conduct and integrity are maintained.

4.2 None of the existing Independent Directors of the Company has exceeded the tenure of a cumulative term of nine (9) years in the Company as at 30 June 2018. If the Board intends to retain an Independent Director beyond nine (9) years, it will justify and seek annual shareholders' approval appropriately.

4.3 The Board has not adopted a policy which limits the tenure of its Independent Directors to nine (9) years, being a step-up practice.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

4.4 The Board is judicious of the gender diversity recommendation promoted by the MCCG in order to offer greater depth and breadth to board discussions and constructive debates at senior management level.

The Group is an equal opportunity employer and all appointments to the Board and employment of senior management are based on objective criteria, merit, skills and experience, and may not be driven by any age, cultural background or gender considerations.

While there is no female Director on the Board, there are two (2) female members in the senior management team.

4.5 Currently, the Board does not have any formalised Board Diversity Policy or Gender Diversity Policy. Women representation on the Board and in senior management will be taken into consideration when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aims of selecting the best candidate to support the achievement of the Company's strategic objectives.

4.6 During the FYE 2018, there was only one (1) appointment of a new Director who was also appointed as an AC member, namely Encik Adnan bin Ahmad, who was sourced and proposed by the Group Managing Director. Other sources were not used as Encik Adnan bin Ahmad was a suitable candidate based on his credentials and the NC did not see the necessity of tapping into other sources.

Nonetheless, the Board is aware of the guidance to utilise independent sources for future appointments and to disclose how a Board member is sourced in the Company's annual report.

4.7 The NC is chaired by an INED. Tan Sri Dato' Mohd Ibrahim bin Mohd Zain had led the annual review of Board effectiveness, ensuring that the performance of each individual director is independently assessed and will lead the succession planning and appointment of future board members, including the future chairman and group managing director.

Intended Outcome 5.0

Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual Directors.

5.1 During the FYE 2018, the Board, through the NC, has conducted the following annual assessments to determine the effectiveness of the Board, its Committees and each individual Director in the financial year ended 30 June 2017 ("**FYE 2017**"):-

(i) Directors' self-assessment;
(ii) Evaluation on the effectiveness of the Board as a whole and Board Committees;
(iii) Assessment of Independent Directors;
(iv) Review of the term of office and performance of the AC and each of its members; and
(v) Re-election of the retiring Directors.

Based on the aforesaid evaluations conducted for the FYE 2017, the NC was satisfied with the performance of the Board as a whole, NC and individual Board member.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION

Intended Outcome 6.0

The level and composition of remuneration of Directors and senior management take into account the Company's desire to attract and retain the right talent in the Board and senior management to drive the Company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

6.1 The Board has in place a Directors' Remuneration Policy that sets out the criteria to be used in recommending remuneration packages for the Executive Directors, Group Managing Director, Chief Financial Officer and any senior management personnel.

6.2 During the FYE 2018, there was a change in the composition of the RC in compliance with the MCCG. Currently, the RC comprises exclusively of INEDs.

Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of Directors and senior management is commensurate with their individual performance, taking into consideration the Company's performance.

7.1 The breakdown of the remuneration of each individual Director for the FYE 2018 is as follows:-

(i) Company Level

Name of Director	Salaries and other emoluments (RM)	Directors' Fees (RM)	Statutory contribution (RM)	Benefits-in-kind (RM)	Bonus and commission (RM)
Executive Director					
Mr. Darmendran Kunaretnam	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Non-Executive Directors					
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	-	53,600	-	-	-
Mr. Tai Keat Chai	-	101,000	-	-	-
# Encik Adnan bin Ahmad	-	-	-	-	-
Mr. Chee Cheng Chun	-	41,000	-	-	-
## Encik Mohd Faisal Izan bin Abdul Latiff	-	19,600	-	-	-
Total	**-**	**215,200**	**-**	**-**	**-**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION (cont'd)

7.1 The breakdown of the remuneration of each individual Director for the FYE 2018 is as follows:- (cont'd)

(ii) Group Level

Name of Director	Salaries and other emoluments (RM)	Directors' Fees (RM)	Statutory contribution (RM)	Benefits-in-kind (RM)	Bonus and commission (RM)
Executive Director					
Mr. Darmendran Kunaretnam	857,538	-	137,088	-	-
Total	**857,538**	**-**	**137,088**	**-**	**-**
Non-Executive Directors					
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	-	53,600	-	-	-
Mr. Tai Keat Chai	-	101,000	-	-	-
# Encik Adnan bin Ahmad	-	-	-	-	-
Mr. Chee Cheng Chun	-	41,000	-	-	-
## Encik Mohd Faisal Izan bin Abdul Latiff	-	19,600	-	-	-
Total	**-**	**215,200**	**-**	**-**	**-**

appointed as a Director of the Company on 12 April 2018.
resigned as a Director of the Company on 30 November 2017.

7.2 The Board is of the view that it is inappropriate to disclose the remuneration of senior management staff, even in bands of RM50,000, given the competitive human resource environment that may give rise to poaching issues, as well as to maintain the privacy for senior management staff.

7.3 The detailed remuneration of each member of senior management on a named basis will not be disclosed for confidentiality purposes.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AC

Intended Outcome 8.0

There is an effective and independent AC.

The Board is able to objectively review the AC's findings and recommendations. The Company's financial statement is a reliable source of information.

8.1 The AC is chaired by Mr. Tai Keat Chai, who is an INED, while the Chairman of the Board is Tan Sri Dato' Mohd Ibrahim bin Mohd Zain, also an INED. This had ensured that the objectivity of the Board's review of the AC's findings and recommendations is not impaired.

8.2 In order to safeguard the independence of the audit by avoiding the potential threats which may arise when a former key audit partner is in a position to exert significant influence over the audit and preparation of the Company's financial statements, the AC has instituted a policy by way of inclusion in the TOR of the AC that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

None of the AC members were former key audit partners and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of the AC.

8.3 In recommending the re-appointment of the External Auditors to the Board, the AC has consider the following:-

(a) the competence, audit quality, experience and resource capacity of the External Auditors in relation to the audit;
(b) the persons assigned to the audit;
(c) the audit firm's other audit engagements;
(d) the External Auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
(e) the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
(f) obtaining written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

On 26 September 2017, the AC completed the assessments adopted by the Company. The AC was of the view that Messrs. Moore Stephens Associates PLT is suitable, objective and independent to be re-appointed based on the following justifications. The Board has in turn, recommended the same for shareholders' approval at the Twenty-Third AGM of the Company.

8.4 The AC comprises solely Independent Directors.

8.5 The Board ensured that the AC as a whole is financially literate and has sufficient understanding of the Group's business and matters under the purview of the AC including the financial reporting process. The AC has reviewed and provided advice on the financial statements which provide a true and fair view of the Company's financial position and performance.

All members of the AC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Intended Outcome 9.0

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.

9.1 The Board is committed to determine the Company's level of risk tolerance and to actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets by monitoring the internal controls in place with the assistance of the AC, the External Auditors and the outsourced Internal Auditors, who will report on the effectiveness and efficiency of the internal control processes and procedures periodically to ensure that the system is viable and robust.

The 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.

9.2 The Internal Auditors are engaged to prepare internal audit reports, which summarise the results of the risk re-assessment, risk profiles and the risks identified during the risk assessment process of the Group.

The deliverables included in the internal audit reports had been discussed with the senior management of the Group. The results of risk re-assessment represent Management's views on the critical focus areas of the Group. The on-going identification and management of risks remain the responsibility of the Board of Directors and management of the Company.

9.3 Currently, there is no Risk Management Committee in the Company. The proposal for the formation of a formal Risk Management Committee to discharge the risk management function had been discussed in the AC and Board meetings held. The Management is working on the same to be proposed to the Board meetings in 2019.

Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

10.1 The internal audit function of the Group is carried out by an external service provider, namely Finfield Corporate Services Sdn. Bhd. The outsourced Internal Auditors report directly to the AC and provide the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function.

The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.

The internal audit review of the Group's operations encompasses an independent assessment of the Company's compliance with its internal controls and recommendations are made for further improvement.

During the FYE 2018, the AC had reviewed and assessed the adequacy of the scope, functions, competency and resources of the outsourced Internal Auditors for the FYE 2017 and that they have the necessary authority to carry out their work.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (cont'd)

10.2 The internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

The staff involved in the internal audit reviews possess professional qualifications and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The Engagement Partner has a diverse professional experience in internal audit, risk management and corporate governance advisory.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Intended Outcome 11.0

There is continuous communication between the Company and stakeholder to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

11.1 The Board has developed internal corporate disclosure practices to ensure effective communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

The Board has a Corporate Disclosure Policy and Procedure in place to ensure only designated spokespersons will be authorised to disseminate information to ensure consistent and accurate flow of information disclosure to the stakeholders.

The Board ensures that there is effective, transparent and regular communication with its stakeholders through a variety of communication channels as follow:-

(a) Announcements to Bursa Securities

Material information, updates and periodic financial reports are published on a timely basis through announcements to Bursa Securities.

Shareholders and Investors can obtain the Company's latest announcements such as quarterly financial results in the dedicated website of Bursa Securities at www.rexmalaysia.com.

(b) Annual reports

The Company's annual reports to the shareholders remain the central means of communicating to the shareholders, amongst others, the Company's operations, activities and performance for the past financial year end as well as the status of compliance with applicable rules and regulations.

(c) AGM/general meetings

The AGM/general meetings which are used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

I. COMMUNICATION WITH STAKEHOLDERS (cont'd)

(d) Corporate website

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

(e) Investor Relations

Shareholders and other interested parties are welcome to contact the Company should they have any comments, questions or concerns, by writing in, via telephone or facsimile to the Company's general email address.

11.2 The Company is not categorised as a "Large company" and hence, has not adopted integrated reporting based on a globally recognised framework.

II. CONDUCT OF GENERAL MEETINGS

Intended Outcome 12.0

Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at general meetings.

12.1 The AGM provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. Both individuals and institutional shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

The Annual Report, which contains the Notice of Twenty-Third AGM, was sent to shareholders at least twenty-eight (28) days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM. The Notice of AGM, which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.

The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.

12.2 All the Directors of the Company attended the Twenty-Third AGM of the Company held on 30 November 2017. In compliance with the new MCCG that came into effect on 26 April 2017, all the Directors of the Company will endeavour to attend all future general meetings and the Chair of the AC, NC, RC and other committees will provide meaningful response to questions addressed to them.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

II. CONDUCT OF GENERAL MEETINGS (cont'd)

12.3 Shareholders who wish to attend AGM/general meetings are given at least twenty-eight (28) days, to ensure that shareholders are able to make the necessary arrangements to attend general meetings, review agenda items, and formulate questions, if any. Where they are not able to attend, they may appoint proxies to attend on their behalf to vote and represent them.

Prior to implementing the voting in absentia and remote shareholders' participation at general meeting(s), the Board noted several factors/conditions need to be fulfilled prior to making such consideration:-

- Relevant amendments to the Articles of Association of the Company to outline the procedures for enabling such voting/participation;
- Availability of technology and infrastructure;
- Affordability of the technology and infrastructure;
- Sufficient number of shareholders residing/locating at particular remote location(s); and
- Age profile of the shareholders.

In view thereof, the Board will not be recommending the adoption of such voting/participation at the forthcoming AGM of the Company.

The Corporate Governance Overview Statement and the Corporate Governance Report are made in accordance with a resolution of the Board of Directors passed on 18 October 2018.

SUSTAINABILITY STATEMENT

INTRODUCTION

Acknowledging that businesses play a vital role in driving effective sustainable change, the Board of Directors ("Board") is pleased to present the Group's Sustainability Statement for the financial year ended 30 June 2018 ("the Statement"), which has been prepared in accordance with Practice Note 9 of the Main Market Listing Requirements and the Sustainability Reporting Guide and Toolkits, issued by Bursa Malaysia Securities Berhad.

This statement aims to provide meaningful information to the stakeholders' on the journey we are undertaking to embrace sustainability as part of the business and integrating the same into the daily business activities.

This Statement was prepared on a best effort basis and we are committed to further, specifically on the material sustainability issues, in order to narrow any gaps we might have in our reporting. As a result, we are also laying out the action plan to do so in this Statement.

SCOPE

This Statement covers Rex Industry Bhd and three (3) of its subsidiaries located in Malaysia, i.e.:-

- Rex Canning Co. Sdn. Bhd.
- Rex Trading Sdn. Bhd.
- Summit Teamtrade (2011) Sdn. Bhd.

And, collectively referred to as the "Group".

Information disclosed in this Statement comprises activities relating to:-

- Manufacturing of canned food, drinks and confectionaries.
- Trading/ sales of canned food, drinks and confectionaries.
- Manufacturing, trade/ sales of confectionaries.

Collectively, the above contributed to more than 53% of the Group's total revenue. And our reporting period is from 1 July 2017 to 30 June 2018, unless otherwise stated.

GOVERNANCE, STRUCTURE AND PROCESS

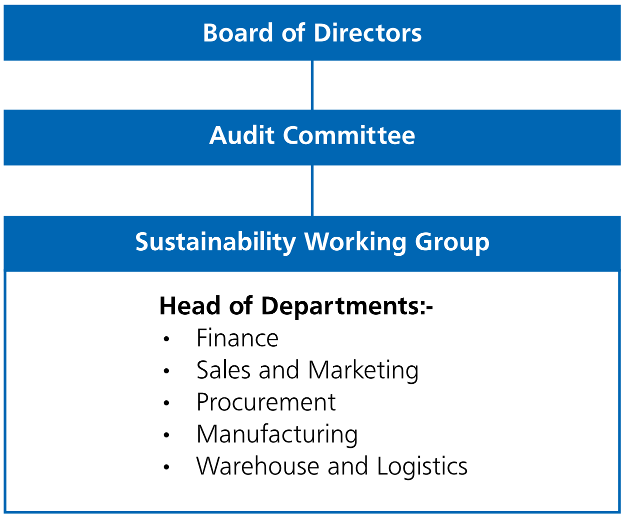
Our Sustainability Working Group ("SWG") was formed in 2018 to enhance our existing governance structure in relation to sustainability. The SWG, reporting to the Audit Committee, is chaired by our Group Managing Director and supported by the Heads of Departments i.e.:-

- Finance
- Sales and Marketing
- Procurement
- Manufacturing
- Warehouse and Logistics

The role of the SWG is to oversee the performance of the Group's sustainability efforts under the leadership of the Audit Committee ("AC"). The SWG is supported by representatives from the relevant departments within the Group. The Board is ultimately accountable for setting up sustainability strategies, with the Group Managing Director, who also chairs the SWG, being tasked to oversee the implementation of sustainability strategies set by the Board.

GOVERNANCE, STRUCTURE AND PROCESS (cont'd)

The sustainability governance structure is illustrated as below:-



SUSTAINABIILTY STRATEGY

We strongly believe that sustainable practices are essential to ensure going concern of our business. As part of our sustainability strategy, we have established Four (4) Sustainability Pillars to ensure that, while running the business effectively, we are also commit to contribution to the larger community. The 4 Sustainability Pillars are illustrated below:-

STAKEHOLDERS ENGAGEMENT

We have identified and prioritized the stakeholders, based on the level of influence and dependence of these stakeholders over the Group, and at the same time, the channels of engagement and the engagement matters with the respective stakeholder prioritized, as illustrated below:-

Stakeholders	Engagement Platforms	Engagement Matters
Shareholders	• Annual General Meeting • Financial statements • Press releases/announcements	• Dividend • Return on investment • Financial performance • Share performance
Board of Directors	• Board meetings • Annual General Meeting • Company organised events	• Corporate Governance • Company business strategy
Employees	• Orientation training • Learning and development programmes • Employee performance appraisal • Corporate organised events	• Occupational safety & health • Human resource management • Fair employment practices • Career development opportunities • Occupational health & safety
Government/Regulators	• Ongoing interactions • Formal and informal meetings	• Manufacturing issues and policies • Foods safety issues and policies • Effluent & waste management • Water & energy management • Compliance to applicable laws • Economic, Environmental and social impacts
Customers	• Face-to-face interaction • Feedback survey	• Manufacturing quality • Manufacturing capacity • Research & Development
Suppliers	• Interviews • Evaluations/Re-evaluations • Face-to-face interaction	• Agreeable contracts • Terms of payments • Maintaining partnerships
Local communities	• Corporate volunteering programmes (e.g. community events, knowledge-sharing initiatives & partnerships with nongovernmental organisations)	• Support towards community development • Job creation for local communities • Undertaking business in a responsible manner

MATERIALITY SUSTAINABILITY MATTERS

We are still in the process of learning and understanding what the Group would prioritise in terms of material sustainability matters, as sustainability involves a very wide and general area in which the Group can play a role.

A list of material sustainability matters has been identified by the Board, however their priority level has not been finalised for the current financial year as further assessment and studies are required to be carried out.

The Group has established the following action plan to be executed and completed by the SWG during the financial year ending 30 June 2019:-

a) To perform studies of what are being practices by peers in similar industry.

b) To perform domestic studies of internal policies & standard operating procedures, and gather inputs from all relevant departments/ functions.

c) To prioritize the material sustainability issues identified, considering its:-
   - Significance to the Group's economic, environment and social impacts; and
   - Influence on the assessments and decisions of stakeholders.

d) To map and present the results on the Group's Materiality Matrix.

e) With reference to data collected from (a) and (b) above, to identify the Key Performance Indicators ("KPI"), to allow the Group to continuously measure and monitor our sustainability performance and adherence to the sustainability practices and policies.

SUSTAINABILITY EFFORTS

Sustainability management is embedded within the Group's operations. The Group's current sustainability efforts in relation to the Material Sustainability Matters are set out below:-

Economic

A. Product Quality and Safety

We place great importance on our product quality and safety to maintain a quality standard on our products that is safe for consumption.

We adhere to numerous food standards and regulations applicable to the food and beverage industry such as Hazard Analysis and Critical Control Point ("HACCP"), Makanan Selamat Tanggungjawab Industri ("MeSTI") and Good Manufacturing Practice ("GMP") certifications. Our products are halal certified as well attained the Halal MS 1500:2009 certification.

We have set in place a proper Quality Assurance ("QA") department and Halal compliance committee which have a clearly defined levels of responsibility, authority and appropriate reporting procedures to ensure the Group's product quality and safety are ensured.

SUSTAINABILITY EFFORTS (cont'd)

Environment

A. Effluent and waste management

Food product manufacturing generally produces significant volume of materials/ resources which would potentially be ended up as wastewater. The effluent discharge from food production is treated through the waste water treatment plant (WWT) before being released. The ongoing upgrade have been carried out on the WWT to cater for the increase in production. Routine monitoring and reporting have been done by an accredited laboratory to ensure wastewater discharged is within the Department of Environment's wastewater effluent discharge standards.

B. Energy consumption

The Group's production facility in Bukit Minyak, Penang is in the midst of retrofitting the natural gas pipeline to exploit the benefits which natural gas provides over the Group's current usage of fuel oil for its production. Natural gas does not release ash or soot to the air and does not contain sulphur in itself during the combustion which in turns increases the life of the boiler and chimney as it would not cause any sulphuric acid corrosion. Moreover, it eliminates the need for fuel oil delivery to be carried out as the natural gas pipeline infrastructure is readily available at the factory area.

Social

A. Workplace Safety & Health

We view workplace safety and health highly as the safety and well-being of the Group's employees is the foundation of success. A safety and health committee have been formed to ensure Occupational Safety and Health Act ("OSHA") 1994 and Factories and Machinery Act ("FAM") 1997 have been adhered to.

Training on quality, safety and health have been conducted to ensure all level of employees are well aware of the significance and to ensure the Group's emphasis on safety and health have been well communicated throughout the Group.

B. Human resource management

Human resources are seen as one of the cores for the Group, as it is important to recruit and retain high calibre employees to add value to the Group. The Group is committed in nurturing a diverse, competent and dedicated talent pool by providing routine staff training and development to encourage their career development and performance enhancement which are relevant to their current or future job functions.

For the non-executive production employees, the Group would ensure the health and safety policies are adhered to as the compliance would benefit the employees, purchasers, investors as well as general public in the form of quality product and environment friendly practices which do not harm the public environment.

C. Contribution to local community

We are particularly conscious about the Group's responsibility towards the local communities. As such, we have embarked on "Love Rex" campaign. A program tailored to serve the disabled, under privileged and homeless in our society. Love REX plays an integral part in achieving the company's corporate social responsibility. Every Rex product that carries the Love Rex emblem signifies that a percentage of its sale will go towards serving the needy. It is our goal that a significant portion of our products will feature the Love Rex emblem in the future.

Moreover, we have carried out activities like feed the homeless in Kuala Lumpur area every fortnight contributing wholesome meals to the community. Along with feed the homes for the under privileged around Klang Valley area, we have managed to visit 7 of such home during the year by sponsoring Rex products to ensure the disabled and under privileged have a healthy and balance meal.

AUDIT COMMITTEE REPORT

1. COMPOSITION

The Audit Committee ("**AC**") comprises three (3) members as follows, all of whom are Independent Non-Executive Directors in line with Paragraph 15.09 of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("**Main LR**"):-

Name	Designation	Directorship
Mr. Tai Keat Chai	Chairman	Independent Non-Executive Director
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	Member	Independent Non-Executive Director
Encik Adnan bin Ahmad	Member	Independent Non-Executive Director

2. MEETING ATTENDANCE

The AC held 5 Meetings during the financial year ended 30 June 2018. Each member of the AC attended these Meetings as follows:-

Name	Number of Meetings attended
Mr. Tai Keat Chai (Chairman)	5 of 5
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	5 of 5
Encik Mohd Faisal Izan bin Abdul Latiff #	3 of 3
Mr. Chee Cheng Chun @	0 of 0
Encik Adnan bin Ahmad *	0 of 1

Encik Mohd Faisal Izan bin Abdul Latiff resigned as a Director and consequently, ceased to be a member of the AC on 30 November 2017.
@ *Mr. Chee Cheng Chun was appointed as a member of the AC on 14 February 2018 and ceased to be a member of the AC on 12 April 2018.*
* *Encik Adnan bin Ahmad was appointed as a member of the AC on 12 April 2018.*

3. SUMMARY OF WORK OF THE AC

During the financial year ended 30 June 2018, the AC carried out the following work activities in the discharge of its duties, functions and responsibilities:-

a) Reviewed the audit findings in relation to the financial statements of the Group for the financial year ended 30 June 2017;
b) Met with the external auditors without the presence of the Management twice;
c) Took cognizance and monitored the payment processing and relevant accounting areas of concerns of P. T. Rex Canning as reported by the Management;
d) Reviewed the Company's Quarterly Report for the financial quarters ended 30 June 2017, 30 September 2017, 31 December 2017 and 31 March 2018, and recommended the same to the Board for approval;
e) Discussed the updates on the corporate and business developments and strategies of the Group;

3. SUMMARY OF WORK OF THE AC (cont'd)

f) Reviewed the Audited Financial Statements of the Group for the financial year ended 30 June 2017 to ensure that the financial statements and disclosures presented a true and fair view of the Company's financial position and performance for the said year and are in compliance with the provisions of the Companies Act 2016 as well as the applicable Malaysian Financial Reporting Standards (MFRS), and recommended the same to the Board for approval;
g) Reviewed the internal audit report for the financial quarter ended 30 June 2017;
h) Reviewed the Recurrent Related Party Transactions of a revenue or trading nature ("**RRPTs**") on quarterly basis to ensure that they are within the mandate approved by the shareholders at the previous Twenty-Second Annual General Meeting of the Company held on 23 September 2016 and Twenty-Third Annual General Meeting of the Company held on 30 November 2017;
i) Reviewed the Circular to Shareholders on the Renewal of Shareholders' Mandate for RRPTs that was proposed at the 2017 Annual General Meeting of the Company, and recommended the same to the Board for approval;
j) Reviewed the AC Report and Statement on Risk Management and Internal Control ("**SORMIC**") for inclusion in the 2017 Annual Report, and recommended the same to the Board for approval;
k) Reviewed the effectiveness and independence of the external auditors, and recommended their re-appointment to the Board to recommend the same to the shareholders for approval;
l) Assessed the internal audit function;
m) Reviewed and approved the Audit Planning Memorandum in relation to the audit for the financial year ended 30 June 2018;
n) Reviewed and recommended the proposed audit fees in connection with the audit for the financial year ended 30 June 2018 to the Board for approval; and
o) Reviewed and approved the proposed fees in relation to the following non-audit services:-
   i) Review of the SORMIC; and
   ii) Review of component auditors' working papers.

4. INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to a professional internal audit service provider to assist the Board of Directors to oversee that the management has put in place an effective internal control and governance system. The total costs incurred for the outsourced internal audit function of the Group for the financial year ended 30 June 2018 amounted to RM8,196.

A summary of work of the internal audit function for the financial year ended 30 June 2018 is as follows:-

a) Formulated the internal audit plan and presented the plan for the AC's review and approval;

b) Executed the internal audit reviews covering the following in accordance with the approved audit plan:-

   - Accounts receivable on Rex Trading Sdn. Bhd.
   - Purchasing, account payable and payment on Rex Canning Co. Sdn. Bhd.

c) Based on the audit reviews carried out, reported the results of the audit reviews to the AC. The reports highlighted the internal control weaknesses identified and corresponding recommendations for improvements; and

d) Followed up on the status of implementation of Management action plans carried out and reported the same to the AC.

The internal audit reviews carried out during the financial year ended 30 June 2018 did not reveal weaknesses that have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required to take reasonable steps in ensuring that the financial statements of the Group are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of its results and the cash flows of the Group for the year then ended.

The Directors consider that in preparing the financial statements for the financial year ended 30 June 2018:-

- the Group has adopted the appropriate accounting policies and applied them consistently;
- reasonable and prudent judgements and estimates have been made;
- all applicable approved accounting standards in Malaysia have been followed; and
- the financial statements have been prepared on a going concern basis.

The Directors are also responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy at any time of the financial position of the Group, and which enable them to ensure that the financial statements comply with the Companies Act 2016. The Statement by the Directors pursuant to Section 251 (2) of the Companies Act 2016 is set out in the section headed "Statement by Directors" of the Directors' Report enclosed with the Group's consolidated annual audited financial statements for the financial year ended 30 June 2018.

The Directors have ensured that the quarterly reports and annual audited financial statements of the Group are released to Bursa Malaysia Securities Berhad in a timely manner in order to keep our investing public informed of the Group's latest performance and developments.

The Directors also have general responsibilities for taking such steps that appropriate systems are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities and material misstatements. Such systems, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control ("**Statement**") by the Board of Directors ("**Board**") of Rex Industry Berhad ("**REX**") is made in respect of the financial year ended 30 June 2018 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of Bursa Malaysia.

The Board is committed to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, and is pleased to set out below its Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control of the Group during the year.

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

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

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

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

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

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;

   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 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. During the financial year, the Internal Auditors reviewed the accounts receivable of a subsidiary. Their report has been presented to the Audit Committee.

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

The Board is generally satisfied with the existing system of risk management and internal control which has not resulted in any significant breakdown or weaknesses that could give rise to material losses incurred by the Group during the financial year under review or requires disclosure in the 2018 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.

Conclusion

The risk management and internal control system of the Group, comprising the respective frameworks, procedures, management processes, monitoring processes described in this statement, is considered appropriate. While the Board acknowledges that the risk management and internal control system does not eliminate the possibility of collusion or deliberate circumvention of procedures by employees, human errors and/or other unforeseen circumstances that might result in poor judgment, an assurance was received from the Group Managing Director and Group Financial Officer that the risk management and internal control system of the Group is operating adequately and effectively. The Group continues to take measures to enhance and strengthen the risk management and internal controls environment.

Review of the Statement by External Auditors

The external auditors of REX have reviewed this Statement for inclusion in the Annual Report of REX for the financial year ended 30 June 2018. Their review was conducted in accordance with Recommended Practice Guide 5 (Revised), ["RPG 5(Revised)"], Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by the Malaysian Institute of Accountants ("MIA"). RPG 5 (Revised) does not require the external auditors to, and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. RPG 5 (Revised) also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems. Based on the review of the external auditors, they have reported to the Board that nothing has come to the attention of the external auditors that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

This Statement on Risk Management and Internal Control has been approved by the Board of REX on 18 October 2018.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATON OF PROCEEDS

No proceeds were raised by the Company from any corporate proposal during the financial year ended 30 June 2018.

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 30 June 2018, Messrs. Moore Stephens Associates 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:-

Item	Company (RM)	Group (RM)
Audit services rendered	48,000	194,230
Non-audit services rendered		
a) Review of Statement on Risk Management and Internal Control	5,000	5,000
b) Review of Component Auditors' working papers	10,000	10,000
Total	63,000	209,230

3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There are no material contracts entered into by the Company involving Directors' and Major Shareholders' interests or are still subsisting, since the end of the previous financial year ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Our History and Business

Rex was incorporated on 26 November 1993 as a private limited company under the Companies Act 1965 by the name of Kompetitif Pertama Sdn. Bhd. The Company acquired the entire issued and paid-up share capital of Rex Canning Co. Sdn. Bhd., Rex Trading Sdn. Bhd. and Rex Foods Sdn. Bhd. and took on the function as a holding company in conjunction with the listing of Rex on Bursa Securities. The Company changed its name to Rex Industry Sdn. Bhd. on 5 February 1994. It was converted to a public limited company on 16 February 1994 and adopted its present name. Rex was listed on the Second Board of Bursa Securities on 29 November 1995.

Rex Group is involved in manufacturing of canned food, beverage and confectionary products. Rex Canning Co. Sdn. Bhd. a wholly owned subsidiary of Rex was founded in 1965 and has since grown into a leading manufacturer and exporter of halal canned products, frozen food and beverages company in Malaysia. PT Rex Canning Indonesia began commercial operations in August 1992; the principal activities are manufacturing and exporting of canned processed seafood. PT Rex Canning operates under stringent standards set by the Ministry of Marine Affairs and Fisheries of Indonesia. The majority of PT Rex's canned seafood is exported to the US and EU.

Our specialisation lies in developing products that cater to the taste and needs of our growing population who depend on reliable products that suite their budget.

Our Policy

From the start, as much as providing reliable products that suits the consumer's budget, food safety has been at the core of our business. As firm believers of giving the best to our consumers, we are adept at sourcing reliable supplies and adopting efficient logistics.

We practice good values in our business chain and maintain high quality performance through compliance according to local regulatory requirement.

Financial Performance

For the financial year under review, the Group registered a turnover of RM130.23 million, a nominal increase over Financial Year 2017's turnover of RM130.17 million. The increase would have been more significant if not for the higher than normal incidence of machinery breakdowns resulting in unfulfilled orders. The pre-tax loss of RM15.09 million in this current Financial Year is mainly attributed to higher operational costs because of machinery breakdowns and intense competition in the domestic market. The Company has allocated a higher marketing spend for introduction of new products, market penetration and market share growth. In the current Financial Year, we also incurred an impairment loss of RM2.99 million on trade and other receivables, an allowance of RM0.46 million for inventory obsolescence and a fair value loss of RM0.59 million on other investments.

The Company had instituted several initiatives to strengthen its position including the continued cost rationalisation and streamlining of resources to achieve better efficiency. We will continue to be prudent in managing costs while keeping the drive of developing and delivering new products to the markets.

REX GROUP (All in RM'000)	FY 2017	FY 2018
Revenue	130,175	130,323
Profit/(loss) before tax	2,493	(15,095)

The Board is undertaking measures to improve the Group's financial performance under the prevailing business environment. The Group will strive to ensure that it continues to achieve satisfactory results by implementing prudent measures and improving operational efficiency so as to sustain the current margin while remaining focused on product and service quality.

Financial Highlights

	← 31 December	→			
	2013 RM'000	2014 RM'000	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000
Statement of Profit and Loss					
Turnover (Continuing operations)	156,940	145,022	196,182	130,175	130,323
Turnover (Discontinued operations)	-	-	46,526	9,470	-
Profit/(Loss) before Tax after Minority Interest	3,938	3,555	2,404	2,432	(15,094)
Interest	1,219	1,167	1,231	1,071	1,540
Profit/(Loss) after Tax and Minority Interest	2,107	768	(4,788)	3,254	(15,153)
Dividend	-	-	-	(1,233)	-
Statement of Financial Position					
Paid-up Share Capital	56,052	56,052	61,657	73,742	73,742
Shareholders Funds	128,932	132,254	137,852	142,466	126,422
Borrowings	27,370	24,264	14,013	21,888	29,946
Net Tangible Assets	120,300	123,622	129,963	134,577	118,533

Financial Ratio	← 31 December 2013 RM'000	2014 RM'000 →	30-Jun-16 RM'000	30-Jun-17 RM'000	30-Jun-18 RM'000
Investment Ratio					
NTA per share	2.15	2.21	2.11	2.18	0.48
Basic Earning/(Loss) Per Share (Sen)	3.76	1.38	(8.09)	5.27	(8.05)
Gross Dividend rate (%)	-	-	-	2.00	-
Dividend coverage ratio (times)	-	-	-	2.64	-
Operating Ratio					
After tax return on shareholders' fund (%)	1.63	0.58	(3.47)	2.28	(11.99)
Pre-tax profit margin (%)	2.51	2.45	(0.99)	1.74	(11.53)
Financial Ratio					
Gearing (times)	0.212	0.183	0.102	0.154	0.237
Interest Coverage ratio	4.23	4.05	(0.95)	3.27	(8.76)
Liquidity ratio					
Current ratio	2.67	2.75	3.33	2.45	2.34
Quick ratio	1.24	1.19	1.91	1.31	1.26

Note:

1) The issued ordinary shares of the Company was increased from 61,656,617 to 246,626,468 unit of ordinary shares by way of issuance of 184,969,851 new ordinary shares arising from share split exercise. The share split has been completed following the listing on the Main Market of Bursa Malaysia Securities Berhad on 24 October 2017.
2) Basic Earning/(Loss) per ordinary share for the financial year is calculated by dividing the (loss)/profit after tax attributable to owners of the parent by weighted average number of ordinary shares outstanding during the financial year.

Changes in the composition of the Group

There were no changes in the composition of the Group for the financial year ended 30 June 2018.

Outlook and Prospects

In our pursuit of driving growth, the Company will continue to place emphasis on product innovation and widening of our product portfolio to cater to the evolving needs of our discerning consumers. In this Financial Year alone, we introduced REXCOCO ready to drink and REX ENERGY STUBBY CAN in the beverage segment whilst for the confectionery segment we launched REXCOCO WAFER RANGE. We are pleased to report that these SKUs are well accepted by our target consumers and gaining traction in the market.

Product innovations will remain one of our key business drivers. We will continue to place emphasis on marketing and promotional initiatives to support existing and new product launches in our quest to strengthen our market position and grow market share.

We will also continue to be aggressive in widening our product portfolio for both domestic and the export market. We see potential and growth in the export business in the coming years.

With our emphasis on product innovations, new product offerings and continued drive in cost and production efficiency, the Company remain confident and optimistic of its future both in the domestic and export market.

The Company is committed towards maintaining our business strategy of prudent cost management and continuous investment for the future.

Acknowledgements

I take this opportunity to thank my fellow Board members, our shareholders, customers and business partners for their continued support, trust and unwavering confidence over the past years.

To all our dedicated staff and management team, thank you for your commitment and leading the company forward.

DARMENDRAN KUNARETNAM
Group Managing Director

ANALYSIS OF SHAREHOLDINGS
As At 5 October 2018

Class of Securities	:	Ordinary Share
Total Number of Holders	:	866
Voting Rights	:	One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	18	2.08	368	0.00
100 – 1,000	83	9.58	31,280	0.01
1,001 – 10,000	391	45.15	2,189,376	0.89
10,001 – 100,000	286	33.03	8,554,012	3.47
100,001 – 12,331,322 (*)	86	9.93	183,684,832	74.48
12,331,323 and above (**)	2	0.23	52,166,600	21.15
TOTAL	866	100.00	246,626,468	100.00

Remarks: * Less than 5% of Issued Shares
** 5% and above of Issued Shares

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The names of the substantial shareholders of Rex Industry Berhad and their respective shareholdings based on the Register of Substantial Shareholders as at 5 October 2018 are as follows:

Substantial Shareholders	Direct Interest No. of Shares Held	%	Indirect Interest No. of Shares Held	%
Daiman Taipan Sdn. Bhd.	55,765,700	22.61	-	-
Darmendran Kunaretnam	31,274,852	12.68	55,765,700[1]	22.61
Chee Cheng Chun	-	-	55,765,700[1]	22.61

Notes:
[1] Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his interest in Daiman Taipan Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings of Rex Industry Berhad based on the Register of Directors' Shareholdings as at 5 October 2018 are as follows:

Substantial Shareholders	Direct Interest No. of Shares Held	%	Indirect Interest No. of Shares Held	%
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	3,530,800	1.43	-	-
Darmendran Kunaretnam	31,274,852	12.68	55,765,700[1]	22.61
Chee Cheng Chun	-	-	55,765,700[1]	22.61
Tai Keat Chai	-	-	-	-
Adnan bin Ahmad	-	-	-	-

Notes:
[1] Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his interest in Daiman Taipan Sdn. Bhd.

THIRTY LARGEST SHAREHOLDERS

As At 5 October 2018

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Name of Shareholders	No. of Shares	(%)
1.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. (HDM Capital Sdn. Bhd. for Daiman Taipan Sdn. Bhd.)	33,707,000	13.67
2.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Daiman Taipan Sdn. Bhd.)	18,459,600	7.48
3.	Archer Horizons Sdn. Bhd.	12,000,000	4.87
4.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Darmendran A/L Kunaretnam)	11,404,000	4.62
5.	Divine Wonders Sdn. Bhd.	10,420,000	4.23
6.	CIMSEC Nominees (Tempatan) Sdn. Bhd. (CIMB Bank for Darmendran A/L Kunaretnam)	10,085,252	4.09
7.	Melody Station Sdn. Bhd.	8,294,300	3.36
8.	Cheong Boo Chin	7,958,000	3.23
9.	AMSEC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Central Portfolio Sdn. Bhd.)	6,813,000	2.76
10.	Tan Kee Shang	5,795,656	2.35
11.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Kamlesh Kumar)	5,553,600	2.25
12.	Lee Chai Seng	5,209,020	2.11
13.	Lee Sew Keng	5,183,228	2.10
14.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Darmendran A/L Kunaretnam)	5,060,000	2.05
15.	Taiko Voyage Sdn. Bhd.	4,751,000	1.93
16.	TA Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Tay Ben Chuan)	4,602,000	1.87
17.	Kamlesh Kumar	4,248,600	1.72
18.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (Exempt an for Affin Hwang Asset Management Berhad)	4,234,800	1.72
19.	AMSEC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Seamless Strength Sdn. Bhd.)	4,088,400	1.66
20.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Teo Siew Lai)	3,902,200	1.58
21.	Teo Kwee Hock	3,616,800	1.47
22.	Daiman Taipan Sdn. Bhd.	3,599,100	1.46
23.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Mohd Ibrahim bin Mohd Zain)	3,530,800	1.43
24.	Kenanga Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Thevandran A/L K Ragavan)	3,320,000	1.35
25.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Ng L'Yp-Hau)	3,244,000	1.32
26.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad (Deutsche Trustees Malaysia Berhad for Affin Hwang Flexi FundII)	3,124,000	1.27
27.	Maybank Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Darmendran A/L Kunaretnam)	3,025,600	1.23
28.	Lim Ee Yong	2,961,612	1.20
29.	RHB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Melody Station Sdn. Bhd.)	2,650,000	1.07
30.	AMSEC Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Kuek Boon Siang)	2,645,000	1.07
	TOTAL	**203,486,568**	**82.51**

CORPORATE STRUCTURE

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

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 year.

RESULTS

	Group RM	Company RM
Loss for the year, net of tax	(15,152,912)	(1,181,509)
Loss attributable to:		
Owners of the parent	(15,152,912)	

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES OR DEBENTURES

The Company has not issued any shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIVIDENDS

On 24 May 2017, the Directors declared an interim single tier dividend of RM0.02 per ordinary share for the financial year ended 30 June 2017 amounting to RM1,233,133 based on prior year profit which was paid on 23 August 2017.

The Directors do not recommend any final dividend in respect of the current financial year.

DIRECTORS OF THE COMPANY

The Directors in office during the financial year and at the date of this report are:-

Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	
Darmendran Kunaretnam*	
Chee Cheng Chun*	
Tai Keat Chai*	
Adnan bin Ahmad	Appointed on 12 April 2018
Mohd Faisal Izan bin Abdul Latiff	Resigned on 30 November 2017

* *Being a Director of one or more subsidiaries*

DIRECTORS OF THE SUBSIDIARIES

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) since the beginning of the financial year to the date of this report:

<u>Subsidiaries incorporated under the Companies Act, 2016:</u>

Lee Pek Choon
Vong Nee Toh

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.7.2017 Unit	**Bought Unit**	**Sold Unit**	**At 30.6.2018 Unit**
Name of Director				
Ordinary shares in the Company				
Direct interest:				
Tan Sri Dato' Mohd Ibrahim bin Mohd Zain	882,700	2,648,100	-	3,530,800
Darmendran Kunaretnam	7,062,313	24,212,539	-	31,274,852
Indirect interest:				
Darmendran Kunaretnam*				
- Daiman Taipan Sdn. Bhd.	13,727,650	42,038,050	-	55,765,700
Chee Cheng Chun*				
- Daiman Taipan Sdn. Bhd.	13,727,650	42,038,050	-	55,765,700

* deemed interest via shareholding in a related corporation pursuant to Section 8(4) of the Companies Act, 2016 in Malaysia.

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

DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or its subsidiaries for their services to the Company or its subsidiaries were as follows:

	Company RM	Subsidiaries RM
Salaries and other emoluments	-	856,780
Contributions to defined contribution plan	-	137,088
Social security contribution	-	758
Fee	215,200	50,000
	215,200	1,044,626

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 or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, other than as disclosed in Note 26 to the financial statements.

There were no arrangements during or at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of 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 be 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;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

OTHER STATUTORY INFORMATION (cont'd)

(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 year which secures the liabilities of any other person; or

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

(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 year, 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 year 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 year 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 year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries is RM209,230.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiary by any Director or past Director of the Company.

(g) There was no indemnity given to or insurance effected for any Director, officer or auditor of the Company.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 33 to the financial statements.

SUBSEQUENT EVENT

Detail of subsequent event is disclosed in Note 34 to the financial statements.

AUDITORS

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

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 18 October 2018.

TAN SRI DATO' MOHD IBRAHIM BIN MOHD ZAIN

DARMENDRAN KUNARETNAM

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

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 57 to 122 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 18 October 2018.

TAN SRI DATO' MOHD IBRAHIM BIN MOHD ZAIN

DARMENDRAN KUNARETNAM

STATUTORY DECLARATION
Pursuant to Section 251(1) of the Companies Act, 2016

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 57 to 122 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed
at Kuala Lumpur in the Federal Territory
on 18 October 2018

LIM GEIK FONG

Before me,

TAN KIM CHOOI
W661

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF REX INDUSTRY BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rex Industry Berhad, which comprise the statements of financial position as at 30 June 2018 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 122.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (cont'd)

Key audit matters	Our audit performed and responses thereon
Valuation of inventories As at 30 June 2018, as shown in Note 14 to the financial statements, the Group's inventories amounted to RM49.4 million which represented 28% of the Group's total assets. The balance is a material balance for the Group which requires management judgement in determining an appropriate costing basis and in assessing adequacy of allowance for inventory obsolescence. The Group uses standard costing in measuring its finished goods which includes an element of estimation in the allocation of overhead costs. We focused on this area due to the significance of the inventories balance and the assessment involving management judgement and estimation.	We have performed the following procedures: • Attended and observed physical stock take procedures as at financial year end. • Discussed with management and obtained an understanding of management's process in determining appropriate costing basis, including the allocation of overhead costs. • Designed and performed control effectiveness testing on the standard costing module on sampling basis. • Tested the costing on samples of finished goods by examining elements which made up the standard cost and by comparing the standard cost against actual cost. • Performed net realisable value ("NRV") test on sampling basis to ensure inventories are stated at lower of cost and NRV. • Obtained understanding of management's process in determining allowance for inventory obsolescence and tested the reliability of the inventory aging report and assessed the adequacy of allowance for slow moving and obsolete inventories.
Recoverability of trade receivables As at 30 June 2018, as shown in Note 15 to the financial statements, the Group's trade receivables amounted to RM26.6 million which represented 15% of the Group's total assets. As at the financial year end, the management had exercised judgement by performing impairment assessment on individual trade debtors which exceeded the credit terms granted by the Group. This area was considered to be one of most significant to our audit due to the substantial sum outstanding and the judgement involved pertaining to management's impairment assessment.	We have performed the following procedures: • Verified the balances of trade receivables by representing and receiving confirmations on sampling basis. • Obtained a list of long outstanding trade receivables and identified any debtors with financial difficulty through discussion with management. • Assessed the recoverability of trade receivables on sampling basis by reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends. • Assessed the recoverability of these outstanding trade receivables through our discussion with management and comparing the outstanding amounts as at the financial year end against subsequent receipts.

Key Audit Matters (cont'd)

Key audit matters	Our audit performed and responses thereon
Valuation of goodwill As at 30 June 2018, as shown in Note 13 to the financial statements, the Group's goodwill amounted to RM7.9 million, which represented 4% of the Group's total assets. The Group is required to perform an annual impairment test or when indication of impairment exists on goodwill which arose from the Group's acquisition of the two (2) subsidiaries in prior years. The Group applies the value-in-use ("VIU") method to estimate the recoverable amounts of the goodwill. We have identified the valuation of goodwill as a key audit matter as the impairment test involves significant management judgement in determining the allocation of goodwill to the cash-generating unit ("CGU") and in estimating the underlying assumptions to be applied in the discounted cash flow projections of the VIU calculation. The recoverable amount of the goodwill is highly sensitive to key assumptions applied in respect of future revenue growth rate, gross margin, the long-term growth rate and the pre-tax discount rate used in the cash flow projections. A small change in the assumption can have a significant impact on the estimation of the recoverable amount.	We have performed the following procedures: • Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors. • Compared the key assumptions including forecasted revenue, growth rates, gross margin and discount rates against our knowledge of the Group's historical performance, business and cost management strategies based on facts and circumstances currently available. • Performed a sensitivity analysis by changing certain key assumptions used in the VIU calculations and assessed the impact of the recoverable amounts of the goodwill. • Assessed the appropriateness of the financial statements disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company 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, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are also responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

Other matter

This report is made solely to the members of the Company as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

STEPHEN WAN YENG LEONG
02963/07/2019J
Chartered Accountant

Petaling Jaya, Selangor
Date: 18 October 2018

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Continuing operations					
Revenue	4	130,323,904	130,174,994	-	3,006,000
Changes in manufactured inventories		(6,821,176)	2,378,836	-	-
Raw materials and consumables used		(77,607,732)	(85,245,453)	-	-
Staff costs		(22,059,144)	(22,227,137)	-	-
Depreciation		(3,557,834)	(2,549,045)	-	-
Other expenses		(37,141,020)	(21,384,258)	(1,186,041)	(1,087,482)
Other income		3,307,816	2,415,328	4,532	48,961
(Loss)/profit from operations		(13,555,186)	3,563,265	(1,181,509)	1,967,479
Finance costs	5	(1,539,532)	(1,070,661)	-	-
(Loss)/profit before tax	6	(15,094,718)	2,492,604	(1,181,509)	1,967,479
Income tax expense	7	(58,194)	1,104,142	-	-
(Loss)/profit from continuing operations, net of tax		(15,152,912)	3,596,746	(1,181,509)	1,967,479
Discontinued operations					
Loss for the financial year from discontinued operations, net of tax	8	-	(342,657)	-	-
(Loss)/profit, net of tax		(15,152,912)	3,254,089	(1,181,509)	1,967,479

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		(899,474)	2,629,956	-	-
Items that will not be reclassified subsequently to profit or loss					
Defined benefit plan actuarial gain/(loss)		8,326	(37,361)	-	-
Total other comprehensive income for the year		(891,148)	2,592,595	-	-
Total comprehensive income for the year		(16,044,060)	5,846,684	(1,181,509)	1,967,479
(Loss)/Profit for the year attributable to:					
Owners of the parent		(15,152,912)	3,254,089	(1,181,509)	1,967,479
Total comprehensive income attributable to:					
Owners of the parent		(16,044,060)	5,846,684	(1,181,509)	1,967,479
Basic (loss)/earnings per ordinary share (sen)					
Continuing operations	9	(8.05)	5.83		
Discontinued operations	9	-	(0.56)		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	10	63,023,803	62,478,040	-	-
Investments in subsidiaries	11	-	-	41,888,617	41,888,617
Other investment	12	1,554,000	2,142,000	1,554,000	2,142,000
Goodwill on consolidation	13	7,889,127	7,889,127	-	-
		72,466,930	72,509,167	43,442,617	44,030,617
Current assets					
Inventories	14	49,370,879	57,707,850	-	-
Trade receivables	15	26,589,213	36,456,152	-	-
Other receivables	16	6,652,775	10,475,548	30,745,564	31,593,708
Tax recoverable		3,212,127	2,972,823	31,320	31,320
Cash and bank balances	17	20,480,518	16,703,679	35,598	746,168
		106,305,512	124,316,052	30,812,482	32,371,196
Non-current assets classified as held for sale	18	466,555	-	-	-
		106,772,067	124,316,052	30,812,482	32,371,196
Total assets		179,238,997	196,825,219	74,255,099	76,401,813

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018
(cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	19	73,742,421	73,742,421	73,742,421	73,742,421
Share premium	20	-	-	-	-
Translation reserve	20	(1,670,779)	(771,305)	-	-
Retained earnings/ (Accumulated losses)		54,350,311	69,494,897	(2,014,550)	(833,041)
Total equity attributable to owners of the Company		126,421,953	142,466,013	71,727,871	72,909,380
Non-current liabilities					
Borrowings	21	4,017,659	382,142	-	-
Deferred tax liabilities	22	3,124,286	3,250,738	-	-
		7,141,945	3,632,880	-	-
Current liabilities					
Borrowings	21	25,928,324	21,506,342	-	-
Trade payables	23	7,219,787	13,321,033	-	-
Other payables	24	12,494,821	14,632,931	2,527,228	2,259,300
Tax payable		32,167	32,887	-	-
Dividend payable		-	1,233,133	-	1,233,133
		45,675,099	50,726,326	2,527,228	3,492,433
Total liabilities		52,817,044	54,359,206	2,527,228	3,492,433
Total equity and liabilities		179,238,997	196,825,219	74,255,099	76,401,813

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

	Note	← Attributable to Owners of the Parent → ← Non-distributable → Share Capital RM	Share Premium RM	Translation Reserve RM	Reserve Of Disposal Group Classified As Held For Sale RM	Distributable Retained Earnings RM	Total Equity RM
Group							
At 1 July 2016		**61,656,617**	**12,085,804**	**(3,243,156)**	**13,931,721**	**53,421,476**	**137,852,462**
Transactions with owners							
Realisation of reserves on disposal of subsidiary		-	-	(158,105)	(13,931,721)	14,089,826	-
Dividend to owners of the Company	25	-	-	-	-	(1,233,133)	(1,233,133)
Transfer of share premium upon abolition of par value	19, 20(b)	12,085,804	(12,085,804)	-	-	-	-
Total transactions with owners		12,085,804	(12,085,804)	(158,105)	(13,931,721)	12,856,693	(1,233,133)
Foreign currency translation difference for foreign operations		-	-	2,629,956	-	-	2,629,956
Defined benefit plan actuarial loss	24(a)	-	-	-	-	(37,361)	(37,361)
Total other comprehensive income for the year		-	-	2,629,956	-	(37,361)	2,592,595
Profit for the financial year		-	-	-	-	3,254,089	3,254,089
Total comprehensive income for the year		-	-	2,629,956	-	3,216,728	5,846,684
At 30 June 2017		**73,742,421**	**-**	**(771,305)**	**-**	**69,494,897**	**142,466,013**

		Attributable to Owners of the Parent			
		Non-distributable		Distributable	
	Note	Share Capital RM	Translation Reserve RM	Retained Earnings RM	Total Equity RM
Group					
At 1 July 2017		73,742,421	(771,305)	69,494,897	142,466,013
Foreign currency translation difference for foreign operations		-	(899,474)	-	(899,474)
Defined benefit plan actuarial gain	24(a)	-	-	8,326	8,326
Total other comprehensive income for the year		-	(899,474)	8,326	(891,148)
Loss for the financial year		-	-	(15,152,912)	(15,152,912)
Total comprehensive income for the year		-	(899,474)	(15,144,586)	(16,044,060)
At 30 June 2018		73,742,421	(1,670,779)	54,350,311	126,421,953

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018
(cont'd)

	Note	← Non-distributable Share Capital RM	→ Share Premium RM	Accumulated Losses RM	Total Equity RM
Company					
At 1 July 2016		61,656,617	12,085,804	(1,567,387)	72,175,034
Transactions with owners:					
Dividend to owners of the Company	25	-	-	(1,233,133)	(1,233,133)
Transfer of share premium upon abolition of par value	19, 20(b)	12,085,804	(12,085,804)	-	-
Total transactions with owners		12,085,804	(12,085,804)	(1,233,133)	(1,233,133)
Profit for the financial year, representing total comprehensive income for the year		-	-	1,967,479	1,967,479
At 30 June 2017		73,742,421	-	(833,041)	72,909,380
At 1 July 2017		73,742,421	-	(833,041)	72,909,380
Loss for the financial year, representing total comprehensive income for the year		-	-	(1,181,509)	(1,181,509)
At 30 June 2018		73,742,421	-	(2,014,550)	71,727,871

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows from Operating Activities					
(Loss)/profit before tax from continuing operations		(15,094,718)	2,492,604	(1,181,509)	1,967,479
Loss before tax from discontinued operations	8	-	(60,396)	-	-
(Loss)/profit before tax, total		(15,094,718)	2,432,208	(1,181,509)	1,967,479
Adjustments for:					
Depreciation of property, plant and equipment		3,557,834	2,886,181	-	-
Fair value loss/(gain) on other investment		588,000	(32,465)	588,000	(32,465)
Gain on disposal of property, plant and equipment		(40,655)	(731,466)	-	-
Gain on disposal of subsidiary	8	-	(259,216)	-	-
Gain on disposal of non-current assets classified as held for sale		-	(506,527)	-	-
Impairment loss on:					
- trade receivables		1,352,281	-	-	-
- other receivables		616,044	801,374	-	-
Interest expense		1,539,532	1,070,661	-	-
Interest income		(523,259)	(256,098)	(4,532)	(16,496)
Inventories written off		464,938	-	-	-
Disputed other receivable written off		1,020,000	-	-	-
Property, plant and equipment written off		61,436	-	-	-
Reversal of impairment loss on trade receivables		(168,459)	-	-	-
Reversal of impairment loss on other receivables		(253,133)	-	-	-
Unrealised (gain)/loss on foreign exchange		(1,494,423)	9,099	-	-
Operating (loss)/profit before changes in working capital, balance carried down		(8,374,582)	5,413,751	(598,041)	1,918,518

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Operating (loss)/profit before changes in working capital, balance brought down		(8,374,582)	5,413,751	(598,041)	1,918,518
Changes in working capital:					
Inventories		4,213,331	(4,692,155)	-	-
Trade and other receivables		10,711,276	(8,116,443)	(529)	441
Trade and other payables		(3,038,748)	14,669,251	(190,672)	42,625
Cash generated from/(used in) operations		3,511,277	7,274,404	(789,242)	1,961,584
Dividend paid		(1,233,133)	-	(1,233,133)	-
Interest received		523,259	256,098	4,532	16,496
Interest paid		(1,539,532)	(1,070,661)	-	-
Tax refund		-	1,193,679	-	-
Tax paid		(789,514)	(3,759,911)	-	-
Net cash from/(used in) operating activities		472,357	3,893,609	(2,017,843)	1,978,080
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment	10	(5,564,832)	(16,244,925)	-	-
Proceeds from disposal of property, plant and equipment		76,581	1,372,811	-	-
Proceeds from disposal of non-current assets classified as held for sale		-	3,970,840	-	-
Net cash inflow from disposal of subsidiary	8	-	1,164,802	-	-
Net cash used in investing activities		(5,488,251)	(9,736,472)	-	-
Cash Flows from Financing Activities					
Repayment from/(advances to) subsidiaries		-	-	1,307,273	(1,982,903)
Net drawdown of borrowings		10,507,820	9,437,594	-	-
Repayment of finance lease payables		(662,439)	(433,352)	-	-
Net cash from/(used in) financing activities		9,845,381	9,004,242	1,307,273	(1,982,903)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Net increase/(decrease) in cash and bank balances		4,829,487	3,161,379	(710,570)	(4,823)
Cash and bank balances at beginning of the financial year		15,412,633	12,323,012	746,168	750,991
Effect of exchange rate changes on cash and bank balances		-	(71,758)	-	-
Cash and bank balances at the end of the financial year		20,242,120	15,412,633	35,598	746,168

(i) Cash and bank balances comprise of the following:-

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash and bank balances	4,625,540	2,415,029	35,598	746,168
Short-term repurchase agreement ("REPO")	15,854,978	14,288,650	-	-
	20,480,518	16,703,679	35,598	746,168
Less: Bank overdrafts (Note 21)	(238,398)	(1,291,046)	-	-
	20,242,120	15,412,633	35,598	746,168

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 year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 18 October 2018.

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, 2016 in Malaysia.

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

(i) Adoption of New MFRS and Amendments/Improvements to MFRSs

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

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiative
Annual Improvements to MFRSs 2014-2016 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)

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

(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are 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 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Clarification to MFRS15	Clarification to MFRS 15: Revenue from Contract with Customers
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property (Transfers of Investment Property)
IC Interpretation 22	Foreign Currency Transactions and Advances Consideration
Annual Improvements to MFRSs 2014-2016 Cycle	

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty Over Income Tax Treatment
Annual Improvements to MFRS Standards 2015–2017 Cycle	

Effective for financial periods beginning on or after 1 January 2020

Amendments to references to the Conceptual Framework in MFRS Standards

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

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

(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)

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 effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

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)

(a) Statement of compliance (cont'd)

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

(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)

MFRS 16, Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease- Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on- balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standards on the required effective date.

(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 and the Company'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. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

2. BASIS OF PREPARATION (cont'd)

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

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company'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 diminishing balance 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.

(iii) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimate 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 unit 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.

2. BASIS OF PREPARATION (cont'd)

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

(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 notes 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 judgements 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 whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

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) Fair value estimates for certain financial assets and liabilities

The Group carried certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgements. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

2. BASIS OF PREPARATION (cont'd)

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

(x) 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.

(xi) 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 2018 is RM2,387,679 (2017: RM2,475,741).

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 assumptions 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

Consolidation

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Consolidation (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Business combination (cont'd)

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.

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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 items 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.

(c) Revenue and other income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 scheme, 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 government bond (sourced from IBPA) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 or completed.

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

(f) Income taxes

Current tax

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.

Deferred tax

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income taxes (cont'd)

Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services are not recoverable from the taxation authority, in which case the GST 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 GST included.

The net amount of GST 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 specified 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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 useful life 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iii) Depreciation (cont'd)

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.

(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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Cash and bank balances

Cash and bank balances consist of cash at banks and on hand, fixed deposits with licensed banks and short-term REPO 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 bank balances 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.

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 categorises 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 gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due. Financial guarantee contracts are recognised initially at fair value plus transaction costs and thereafter, at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amounts initially recognised less cumulative amortisation recognised.

(v) 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.

(vi) 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 cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged 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 investments in subsidiaries, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

<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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Impairment (cont'd)

(i) Financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

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.

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 amortisation) 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 reversed 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) that 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 classified as held for sale and assets 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Impairment (cont'd)

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

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.

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.

Ordinary shares

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) Contingent liabilities

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

(ii) Contingent assets

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Continuing operations:-				
Sale of goods	130,323,904	130,174,994	-	-
Dividend income from subsidiary	-	-	-	3,006,000
	130,323,904	130,174,994	-	3,006,000

5. FINANCE COSTS

	Group	
	2018 RM	**2017 RM**
Interest expense:		
- Term loan	114,800	-
- Bank overdrafts	58,945	43,942
- Finance lease	45,156	38,661
- Banker's acceptances	1,154,987	841,776
- Revolving credit	165,644	146,282
	1,539,532	1,070,661

6. (LOSS)/PROFIT BEFORE TAX

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Auditors' remuneration:				
- Current year	194,230	165,990	48,000	40,000
- Underprovision in prior year	1,000	-	-	-
Non-audit fees:				
- Current year	15,000	14,000	15,000	14,000
Depreciation of property, plant and equipment				
- Continuing	3,557,834	2,549,045	-	-
Fair value loss/(gain) on other investment	588,000	(32,465)	588,000	(32,465)
Gain on disposal of property, plant and equipment	(40,655)	(731,466)	-	-
Gain on disposal of subsidiary	-	(259,216)	-	-
Gain on disposal of non-current assets classified as held for sale	-	(506,527)	-	-
Impairment loss on:-				
- Trade receivables	1,352,281	-	-	-
- Other receivables	616,044	801,374	-	-
Interest income	(523,259)	(256,098)	(4,532)	(16,496)
Inventories written off	464,938	-	-	-
Disputed other receivable written off	1,020,000	-	-	-
Property, plant and equipment written off	61,436	-	-	-
Rental of premises	924,969	780,279	-	-
Rental of equipment	44,711	69,553	-	-
Realised loss/(gain) on foreign exchange	1,087,630	(451,284)	-	-
Reversal of impairment loss on trade receivables	(168,459)	-	-	-
Reversal of impairment loss on other receivables	(253,133)	-	-	-
Employees benefits expense (Note a)				
- Continuing	22,059,144	22,227,137	-	-
Unrealised (gain)/loss on foreign exchange	(1,494,423)	9,099	-	-

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

(a) Employees benefit expenses comprise:

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Continuing operations				
Staff costs				
Salaries, wages, allowances and overtime	19,854,704	18,963,520	-	-
Defined benefit plan	285,057	163,782	-	-
Contributions to defined contribution plan	780,283	980,355	-	-
Social security contributions	94,474	99,299	-	-
	21,014,518	20,206,956	-	-
Directors of the Company				
Executive Directors				
- Salaries and other emoluments	856,780	1,855,596	-	-
- Contributions to defined contribution plan	137,088	163,992	-	-
- Social security contributions	758	593	-	-
Non-executive Directors				
- Fees	215,200	249,600	215,200	249,600
	1,209,826	2,269,781	215,200	249,600
Director of a Subsidiary				
Executive Director				
- Fee	50,000	-	-	-
Total Directors' remuneration	1,259,826	2,269,781	215,200	249,600
Total staff costs (excluding non-executive directors)	22,059,144	22,227,137	-	-
Discontinued operations				
Staff costs				
Salaries, wages, allowances and overtime	-	1,172,704	-	-

7. INCOME TAX EXPENSE

	Group 2018 RM	Group 2017 RM
Current income tax - continuing operations:		
- Malaysian tax	4,500	519,900
- Foreign tax	330,045	470,119
Overprovision in prior year:		
- Malaysian tax	(149,899)	(533,534)
	184,646	456,485
Deferred tax (Note 22) - continuing operations:		
(Reversal)/origination of temporary differences	(1,457,652)	64,713
Under/(over) provision in prior year	1,331,200	(1,625,340)
	(126,452)	(1,560,627)
Income tax attributable to continuing operations	58,194	(1,104,142)
Current income tax - discontinued operations (Note 8):		
Foreign tax, representing income tax attributable to discontinued operations	-	282,261
Total income tax expense/(credit) recognised in profit or loss	58,194	(821,881)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% 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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
(Loss)/profit before tax from continuing operations	(15,094,718)	2,492,604	(1,181,509)	1,967,479
Loss before tax from discontinued operations	-	(60,396)	-	-
(Loss)/profit before tax	(15,094,718)	2,432,208	(1,181,509)	1,967,479
Tax at the Malaysian statutory income tax rate of 24%	(3,622,732)	583,730	(283,562)	472,195
Effect of different tax rates in other countries	2,400	23,618	-	-
Non-deductible expenses	1,284,038	882,168	284,650	261,005
Deferred tax assets not recognised	1,441,600	190,000	-	-
Income not subject to tax	(228,413)	(342,523)	(1,088)	(733,200)
(Over)/under provision for prior year				
- income tax	(149,899)	(533,534)	-	-
- deferred tax	1,331,200	(1,625,340)	-	-
Income tax expense/ (credit) recognised in profit or loss	58,194	(821,881)	-	-

The Group has the following estimated unutilised tax losses and unabsorbed capital allowances available for set-off against future taxable profits as follows:-

	Group 2018 RM	Group 2017 RM
Unabsorbed capital allowances	4,776,900	1,595,000
Unutilised tax losses	10,837,200	2,394,000
	15,614,100	3,989,000

The availability of the tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit.

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

In financial period ended 30 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") on 15 June 2016. 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 operations, net of tax".

The disposal of JYR was completed on 11 November 2016 which fell in financial year ended 30 June 2017 and JYR ceased to be a subsidiary of the Company following the completion of the disposal.

Statement of comprehensive income disclosures

	Group 01.07.2016 to 11.11.2016 RM
Revenue	9,470,902
Changed in manufactured inventories	(1,087,756)
Raw materials consumed	(6,366,206)
Staff costs	(1,172,704)
Depreciation	(337,136)
Other expenses	(614,357)
Other income	46,861
Loss before tax from discontinued operations	(60,396)
Income tax expense	(282,261)
Loss from discontinued operations, net of tax attributable to the owners of the parent	(342,657)

Effect of disposal of JYR on the financial position of the Group

	Group 2017 RM
Net assets disposed:	
Assets of disposal group	28,239,495
Liabilities of disposal group	(7,498,711)
Attributable assets disposed	20,740,784
Total disposal proceeds*	21,000,000
Gain on disposal of subsidiary	259,216
Cash inflow arising on disposal:-	
Cash consideration received	15,853,820
Cash and cash equivalent of subsidiary disposed	(14,689,018)
Net cash inflow on disposal	1,164,802

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

* Total disposal proceeds received during the financial year amounted to RM3,326,180 (2017: RM15,853,820). The remaining balance of RM1,820,000 (2017: RM5,146,180) as at reporting period is expected to be recovered by end of 2018.

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per ordinary share for the financial 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 year.

		2018	
	Continuing Operations RM	**Discontinued Operations RM**	**Total RM**
Group			
Loss after tax attributable to the owners of the parent	(15,152,912)	-	(15,152,912)

		2017	
	Continuing Operations RM	**Discontinued Operations RM**	**Total RM**
Group			
Profit/(loss) after tax attributable to the owners of the parent	3,596,746	(342,657)	3,254,089

	Group	
	2018 RM	**2017 RM**
Number of ordinary shares at the beginning of the year	61,656,617	61,656,617
Weighted average ordinary shares issued during the year (Note19)	126,691,679	-
Weighted average number of ordinary shares at the end of the year	188,348,296	61,656,617
Basic (loss)/earnings per ordinary share (sen):		
From continuing operations	(8.05)	5.83
From discontinued operation	-	(0.56)
	(8.05)	5.27

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

10. PROPERTY, PLANT AND EQUIPMENT

2018	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 July 2017		10,318,742	1,471,964	5,576,382	29,663,997	33,828,093	4,301,294	4,097,208	7,527,516	96,785,196
Additions		-	-	-	-	2,512,320	958,261	484,349	1,766,251	5,721,181
Reclassification to non-current assets classified as held for sale	18	-	-	-	(626,306)	-	-	-	-	(626,306)
Disposals		-	-	-	-	-	(6,411)	(457,337)	-	(463,748)
Reclassification		-	-	-	3,229,589	4,343,524	-	-	(7,573,113)	-
Written off		-	-	-	-	(131,366)	-	-	-	(131,366)
Exchange differences		(873,213)	-	-	(141,639)	(504,081)	(63,746)	(110,345)	-	(1,693,024)
At 30 June 2018		9,445,529	1,471,964	5,576,382	32,125,641	40,048,490	5,189,398	4,013,875	1,720,654	99,591,933
Accumulated depreciation										
At 1 July 2017		-	176,656	1,424,362	7,039,034	21,682,820	2,263,163	1,721,121	-	34,307,156
Charge for the financial year		-	24,214	100,266	592,423	1,871,764	431,373	537,794	-	3,557,834
Reclassification to non-current assets classified as held for sale	18	-	-	-	(159,751)	-	-	-	-	(159,751)
Disposals		-	-	-	-	-	(4,221)	(423,601)	-	(427,822)
Written off		-	-	-	-	(69,930)	-	-	-	(69,930)
Exchange differences		-	-	-	(110,297)	(389,740)	(58,605)	(80,715)	-	(639,357)
At 30 June 2018		-	200,870	1,524,628	7,361,409	23,094,914	2,631,710	1,754,599	-	36,568,130
Net carrying amount										
At 30 June 2018		9,445,529	1,271,094	4,051,754	24,764,232	16,953,576	2,557,688	2,259,276	1,720,654	63,023,803

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

2017	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 July 2016	10,218,615	1,471,964	5,576,382	22,712,804	29,816,282	3,658,359	3,659,675	4,001,258	81,115,339
Additions	-	-	-	7,647,803	3,888,822	616,988	1,107,554	3,526,258	16,787,425
Disposals	-	-	-	(748,498)	(44,356)	-	(714,766)	-	(1,507,620)
Exchange differences	100,127	-	-	51,888	167,345	25,947	44,745	-	390,052
At 30 June 2017	10,318,742	1,471,964	5,576,382	29,663,997	33,828,093	4,301,294	4,097,208	7,527,516	96,785,196
Accumulated depreciation									
At 1 July 2016	-	151,981	1,321,620	6,633,658	20,365,107	2,060,009	1,843,734	-	32,376,109
Charge for the financial year	-	24,675	102,742	497,450	1,206,456	179,875	537,847	-	2,549,045
Disposals	-	-	-	(136,921)	(39,593)	-	(689,761)	-	(866,275)
Exchange differences	-	-	-	44,847	150,850	23,279	29,301	-	248,277
At 30 June 2017	-	176,656	1,424,362	7,039,034	21,682,820	2,263,163	1,721,121	-	34,307,156
Net carrying amount									
At 30 June 2017	10,318,742	1,295,308	4,152,020	22,624,963	12,145,273	2,038,131	2,376,087	7,527,516	62,478,040

* 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 RM1,570,639 (2017: RM1,816,301).

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

	Group 2018 RM	Group 2017 RM
Cash	5,564,832	16,244,925
Finance lease arrangement	156,349	542,500
	5,721,181	16,787,425

(iii) The strata titles of certain shoplots of the Group with carrying amount of RM466,555 (2017: RM472,818) are yet to be issued by the relevant authorities and was presented in the statements of financial position as "Non-current asset classified as held for sale" as disclosed in Note 18.

(iv) Leasehold land and building with net carrying amount of RM5,827,641 (2017: RM5,946,572) are held as security for term loan facilities as disclosed in Note 21.

11. INVESTMENTS IN SUBSIDIARIES

	Company 2018 RM	Company 2017 RM
Unquoted shares, at cost		
At beginning/end of the year	42,501,620	42,501,620
Less: Allowance for impairment loss	(613,003)	(613,003)
At beginning/end of the year	41,888,617	41,888,617

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Country of incorporation	Effective equity interest 2018 %	Effective equity interest 2017 %	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 convenience food
Fika Foods Corporation Sdn. Bhd.	Malaysia	100	100	Manufacture and distribution of frozen meat, ceased operation in June 2014
Summit Teamtrade (2011) Sdn. Bhd.	Malaysia	100	100	Manufacture of biscuit
P.T. Rex Canning * #	Indonesia	100	100	Manufacture and export of canned food
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
Gainasia International Limited * ^	British Virgin Islands	100	100	Dormant

* 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.

2017

Disposal of subsidiary

The disposal of the Company's wholly-owned subsidiary (JYR) was completed on 11 November 2016 and the effect of the disposal is disclosed in Note 8.

12. OTHER INVESTMENT

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Fair value through profit or loss investment				
At fair value:				
- Quoted shares				
At beginning of the year	2,142,000	2,109,535	2,142,000	2,109,535
Fair value (loss)/gain	(588,000)	32,465	(588,000)	32,465
At end of the year	1,554,000	2,142,000	1,554,000	2,142,000
At market value	1,554,000	2,142,000	1,554,000	2,142,000

13. GOODWILL ON CONSOLIDATION

	Group 2018 RM	Group 2017 RM
Cost		
At beginning of the year	11,378,743	12,973,086
Written off	-	(1,594,343)
At end of the year	11,378,743	11,378,743
Less: Accumulated impairment loss		
At beginning of year	(3,489,616)	(5,083,959)
Written off	-	1,594,343
At end of the year	(3,489,616)	(3,489,616)
Carrying amount at end of year	7,889,127	7,889,127

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

Goodwill has been allocated to the Group's CGU identified according to the business segment as follows:-

	Group 2018 RM	Group 2017 RM
Manufacturing of canned food	7,037,480	7,037,480
Manufacturing of biscuits	851,647	851,647
	7,889,127	7,889,127

13. GOODWILL ON CONSOLIDATION (cont'd)

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 2019 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 4% to 21%(2017:15% to 20%). Gross margins are based on values achieved previously preceding the start of the budget period. These are increased over the budget for anticipated efficiency improvements.

(ii) Weighted average growth rate

The weighted average growth rate for business operation ranges from 3% to 41% (2017: 5% to 33%). 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.

(iii) Pre-tax discount rate

A pre-tax discount rate of 10.0% (2017: 10.0%) was applied to the calculations in determining the recoverable amount of the CGUs. This is the benchmark used by management to assess operating performance and to evaluate 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	
	2018 RM	**2017 RM**
At cost:		
Raw materials	17,752,228	19,992,194
Manufactured inventories	22,150,996	31,340,218
Packing materials	8,538,981	5,779,621
Consumables	928,674	595,817
	49,370,879	57,707,850

The Group has inventories written-off amounting to RM464,938 (2017: RM nil) during the financial year.

15. TRADE RECEIVABLES

	Group 2018 RM	Group 2017 RM
External parties	28,401,798	37,084,915
Less: Allowance for impairment loss		
At beginning of the year	(628,763)	(1,311,213)
Written off	-	682,450
Reversal	168,459	-
Additions	(1,352,281)	-
At end of the year	(1,812,585)	(628,763)
	26,589,213	36,456,152

The normal credit terms of trade receivables of the Group range from 30 to 90 days (2017: 30 to 90 days).

16. OTHER RECEIVABLES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Sundry receivables	5,292,556	9,112,332	-	-
Less: Allowance for impairment loss				
At beginning of the year	(1,906,546)	(1,895,360)	-	(44,772)
Written off	1,624	790,188	-	44,772
Reversal	253,133	-	-	-
Additions	(616,044)	(801,374)	-	-
At end of the year	(2,267,833)	(1,906,546)	-	-
	3,024,723	7,205,786	-	-
Deposits	2,510,917	2,854,090	27,371	26,842
Prepayments	462,305	332,031	-	-
GST receivable	654,830	83,641	-	-
	6,652,775	10,475,548	27,371	26,842
Amounts due from subsidiaries	-	-	30,718,193	31,566,866
	6,652,775	10,475,548	30,745,564	31,593,708

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

Included in sundry receivables of the Group is the balance disposal proceed receivable amounted to RM1,820,000 (2017: RM5,146,180) arising from disposal of JYR in the previous financial year as disclosed in Note 8.

Included in deposits of the Group is an amount of RM1,412,922 (2017: RM2,128,513) which represents advances paid to suppliers for the supplies of raw materials.

17. CASH AND BANK BALANCES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Short-term REPO	15,854,978	14,288,650	-	-
Cash and bank balances	4,625,540	2,415,029	35,598	746,168
	20,480,518	16,703,679	35,598	746,168

The effective interest rate of the short-term REPO is at 3.51% (2017: 3.47%) per annum.

18. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

	Group 2018 RM	Group 2017 RM
At beginning of the year	-	3,464,313
Reclassified from property, plant and equipment (Note 10)	466,555	-
Disposal	-	(3,464,313)
At end of the year	466,555	-

2018

The Group entered into two (2) separate Sale and Purchase Agreements ("SPA") on 17 May 2018 to dispose 2 shoplot buildings for a total cash consideration of RM1 million. The disposal of the shoplot buildings is expected to be completed after the financial year subject to satisfaction of certain condition precedents of the SPA.

2017

The Group entered into a SPA on 8 January 2016 to dispose a short-term leasehold land and building for a total cash consideration of RM3.97 million. The disposal of the land and building was completed in prior financial year after certain conditions precedent of the SPA were satisfied.

19. SHARE CAPITAL

	Group and Company			
	2018 Number of ordinary shares Unit	2017 Number of ordinary shares Unit	2018 RM	2017 RM
Authorised				
At Beginning of the year	-	100,000,000	-	100,000,000
Abolition of authorised share capital under the Companies Act, 2016	-	(100,000,000)	-	(100,000,000)
At end of the year	-	-	-	-
Issued and fully paid				
At beginning of the year	61,656,617	61,656,617	73,742,421	61,656,617
Issued during the year	184,969,851	-	-	-
Transfer from share premium under the Companies Act, 2016	-	-	-	12,085,804
At end of the year	246,626,468	61,656,617	73,742,421	73,742,421

The issued ordinary shares of the Company was increased from 61,656,617 to 246,626,468 unit of ordinary shares by way of issuance of 184,969,851 new ordinary shares arising from share split exercise as further disclosed in Note 33(i).

"No Par Value" Regime

In prior year, the Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provision of the Act, the amount standing to the credit of the Group's and of the Company's share premium account of RM12,085,804 has become part of the Company's share capital in the previous financial year. These changes do not have an impact on the number of shares in issue or the related entitlement of any of the shareholders. The Company has a period of 24 months from the effective date of the Act to use the existing balance credited in the share premium in a manner as specified by the Act.

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 AND SHARE PREMIUM

(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

	Group and Company 2018 RM	2017 RM
At beginning of the financial year	-	12,085,804
Transfer to share capital under the Companies Act, 2016 (Note 19)	-	(12,085,804)
At end of the financial year	-	-

This reserve comprises the premium paid on subscription of shares in the Company over and above the par value of the shares net of share issuance expenses.

21. BORROWINGS

	Group 2018 RM	2017 RM
Non-current		
Term loans (secured)	3,997,550	-
Finance lease payables (secured)	20,109	382,142
	4,017,659	382,142
Current		
Bank overdrafts (unsecured)	238,398	1,291,046
Bankers' acceptances (unsecured)	21,720,637	16,692,608
Revolving credit (unsecured)	3,000,000	3,000,000
Term loans (secured)	590,658	-
Finance lease payables (secured)	378,631	522,688
	25,928,324	21,506,342
	29,945,983	21,888,484
Maturity profile of borrowings:		
On demand or within 1 year	25,928,324	21,506,342
More than 1 year and less than 5 years	2,705,595	382,142
More than 5 years	1,312,064	-
	29,945,983	21,888,484

21. BORROWINGS (cont'd)

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

	Group 2018 %	Group 2017 %
Bank overdrafts	BLR* + 1.5	BLR* + 1.5
Bankers' acceptances	3.43 - 6.02	3.16 - 5.69
Revolving credit	5.38 - 5.62	5.36 - 5.38
Term loans	BLR* - 1.5	-
Finance lease payables	2.23 - 4.03	2.23 - 4.03

*BLR - Base Lending Rate

Certain bank borrowings of the Group are secured by:

(i) charge over certain property, plant and equipment of the Group as disclosed in Note 10; and
(ii) a corporate guarantee of the Company.

Finance lease payables

	Group 2018 RM	Group 2017 RM
Minimum finance lease payments:		
Within 1 year	407,081	561,516
More than 1 year and less than 2 years	27,993	364,728
More than 2 years and less than 5 years	-	28,083
	435,074	954,327
Less: Future finance charges	(36,334)	(49,497)
Present value of finance lease payables	398,740	904,830

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

	Group 2018 RM	Group 2017 RM
Present value of finance lease payables		
Within 1 year	378,631	522,688
More than 1 year and less than 2 years	20,109	354,284
More than 2 years and less than 5 years	-	27,858
	398,740	904,830
Representing:		
Current	378,631	522,688
Non-current	20,109	382,142
	398,740	904,830

22. DEFERRED TAX LIABILITIES

	Group 2018 RM	Group 2017 RM
At beginning of the year	3,250,738	4,811,365
Recognised in profit or loss (Note 7)	(126,452)	(1,560,627)
At end of the year	3,124,286	3,250,738

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

	Group 2018 RM	Group 2017 RM
Difference between net carrying amount of property, plant and equipment and its tax base	2,705,007	689,500
Revaluation of property, plant and equipment	2,551,086	2,599,355
Unutilised tax losses	(598,454)	(11,700)
Unabsorbed capital allowances	(1,133,653)	(26,417)
Other deductible temporary differences	(399,700)	-
	3,124,286	3,250,738

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

	Group 2018 RM	Group 2017 RM
Unutilised tax losses	8,343,500	2,326,700
Unabsorbed capital allowances	53,300	1,360,500
Other deductible temporary differences	1,899,600	602,500
	10,296,400	4,289,700

Deferred tax assets have not been recognised in respect of the above items as they relate to loss-making subsidiaries and it is not probable that they will be utilised by taxable profits in the foreseeable future.

23. TRADE PAYABLES

The normal trade credit terms granted by the trade creditors to the Group range from 30 to 90 days (2017: 30 to 90 days).

24. OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sundry payables	5,221,265	8,466,991	35,253	173,425
Accruals	3,041,130	2,744,918	179,100	207,600
Retirement benefits [Note (a)]	2,387,679	2,475,741	-	-
	10,650,074	13,687,650	214,353	381,025
Amounts due to Directors	778,699	276,400	-	24,000
Amounts due to subsidiaries	-	-	2,312,875	1,854,275
Amounts due to related parties	1,066,048	668,881	-	-
	1,844,747	945,281	2,312,875	1,878,275
	12,494,821	14,632,931	2,527,228	2,259,300

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 as disclosed in Note 26.

Included in prior financial year's sundry payables of the Group was an amount of RM3,640,000 which represents the balance purchase price of acquisition of a building which was fully settled during the financial year.

(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	
	2018 RM	2017 RM
Movement in the present value of defined benefit obligations		
At beginning of the year	2,475,741	2,178,404
Current service cost and interest	285,057	163,782
Benefit payment	(120,804)	-
Actuarial (gain)/loss in other comprehensive income	(8,326)	37,361
Effect of movement in exchange rates	(243,989)	96,194
At end of the year	2,387,679	2,475,741

24. OTHER PAYABLES (cont'd)

(a) Retirement benefits (cont'd)

Expense recognised in profit or loss

	Group 2018 RM	Group 2017 RM
Current service cost and interest	285,057	163,782

The expense is recognised in the following line item in the statements of comprehensive income:-

	Group 2018 RM	Group 2017 RM
Staff costs	285,057	163,782

Actuarial gain/(loss) recognised directly in other comprehensive income

	Group 2018 RM	Group 2017 RM
At beginning of the year	(105,430)	(68,069)
Recognised during the year	8,326	(37,361)
At end of the year	(97,104)	(105,430)

Actuarial assumptions

	Group 2018 %	Group 2017 %
Discount rate	8.12	9.87
Salary increment rate	7.3	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	-	-

25. DIVIDEND

	Per ordinary share RM	Total Amount RM	Date of payment RM
Interim single tier dividend for the financial year ended 30 June 2017	0.02	1,233,133	23.08.2017

26. 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	
	2018 RM	2017 RM
Related parties:		
Transactions with companies in which the Directors of the Company have substantial interest and are also Directors		
Transportation charges	2,450,343	1,715,586
Upkeep of motor vehicles	86,710	38,430
Information technology services	66,700	450
Travelling expenses	71,791	19,784
	2,675,544	1,774,250

	Company	
	2018 RM	2017 RM
Subsidiaries:		
Dividend income	-	3,006,000
Repayment from/(advances to)	1,307,273	(1,982,903)

26. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the company				
Directors' fee	215,200	249,600	215,200	249,600
Salaries and other emoluments	856,780	1,855,596	-	-
Contributions to defined contribution plan	137,088	163,992	-	-
Social security contributions	758	593	-	-
	1,209,826	2,269,781	215,200	249,600
Director of a subsidiary				
Directors' fee	50,000	-	-	-
	1,259,826	2,269,781	215,200	249,600
Key management personnel				
Salaries and other emoluments	855,128	580,010	-	-
Contributions to defined contribution plan	72,004	45,984	-	-
	927,132	625,994	-	-

27. 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 year are as follows:-

	Group	
	2018 RM	2017 RM
Payable within one year	28,000	84,000
Payable within one year but not more than two years	-	28,000
	28,000	112,000

28. CAPITAL COMMITMENT

	Group 2018 RM	Group 2017 RM
Approved but not contracted for:		
Capital expenditure in progress (Note 10)	-	1,720,654

29. OPERATING SEGMENTS

The Group has only one reportable segment, which is principally engaged in the manufacture and distribution of canned food, frozen food, drinks and biscuits. 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*	
	2018 RM	2017 RM	2018 RM	2017 RM
Continuing:				
Malaysia	67,567,832	70,886,425	51,103,473	57,097,592
USA	44,098,535	30,406,324	-	-
Europe	12,376,516	20,801,909	-	-
Asia (excludes Malaysia)	6,281,021	8,080,336	19,809,457	13,269,575
	130,323,904	130,174,994	70,912,930	70,367,167
Discontinued:				
Asia (excludes Malaysia)	-	7,463,884	-	-
USA	-	2,007,018	-	-
	-	9,470,902	-	-
	130,323,904	139,645,896	70,912,930	70,367,167

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

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Financial assets				
Fair value through profit or loss				
Other investment	1,554,000	2,142,000	1,554,000	2,142,000
Loans and receivables				
Trade receivables	26,589,213	36,456,152	-	-
Other receivables	6,190,470	10,143,517	30,745,564	31,593,708
Cash and bank balances	20,480,518	16,703,679	35,598	746,168
	53,260,201	63,303,348	30,781,162	32,339,876
Financial liabilities				
Financial liabilities measured at amortised cost				
Borrowings	29,945,983	21,888,484	-	-
Trade payables	7,219,787	13,321,033	-	-
Other payables	12,494,821	14,632,931	2,527,228	2,259,300
Dividend payable	-	1,233,133	-	1,233,133
	49,660,591	51,075,581	2,527,228	3,492,433

The Group's activities are exposed to a variety of financial risks which include credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price 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.

30. 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's and the Company's exposure to credit risk arises primarily from their receivables (which consist of trade receivables and other receivables). 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 year, 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 and other receivables). 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 irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Credit risk concentration profile

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

	Group	
	2018 RM	**2017 RM**
Malaysia	19,844,994	27,185,935
USA	5,944,146	7,944,441
Asia (excludes Malaysia)	800,073	1,325,776
	26,589,213	36,456,152

The Group determines concentrations of credit risk by monitoring profiles of its trade receivables on a going basis.

The Group major concentration of credit risk relates to an amount owing from one customer (2017: one customer) which constituted to approximately 10% (2017: 11%) of the Group's total trade receivables as at the end of the reporting period.

30. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

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

Group	Gross RM	Individual impairment RM	Net RM
2018			
Not past due	12,109,609	-	12,109,609
Past due:			
Less than 30 days	5,611,737	-	5,611,737
31 days to 120 days	4,642,992	-	4,642,992
More than 120 days	6,037,460	(1,812,585)	4,224,875
	16,292,189	(1,812,585)	14,479,604
	28,401,798	(1,812,585)	26,589,213

Group	Gross RM	Individual impairment RM	Net RM
2017			
Not past due	21,438,960	-	21,438,960
Past due:			
Less than 30 days	5,045,915	-	5,045,915
31 days to 120 days	5,928,731	-	5,928,731
More than 120 days	4,671,309	(628,763)	4,042,546
	15,645,955	(628,763)	15,017,192
	37,084,915	(628,763)	36,456,152

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 year.

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.

30. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Financial guarantees

The Company provides unsecured corporate guarantees amounting to RM60,376,000 (2017: RM60,888,000) to banks in respect of banking facilities granted to a subsidiary.

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 as the outstanding loan in the subsidiary is adequately secured by subsidiaries' assets as disclosed in Note 21. Should the subsidiary defaults any loan repayment, the proceeds from the realisation of assets will be able to satisfy the outstanding debt.

At the end of the reporting date, there were no indication that the subsidiary which was granted with the banking facility would default on repayment. Hence, the financial guarantee granted by the Company has not been recognised since the fair value on initial recognition was not material.

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			
Group 2018	**USD RM**	**SGD RM**	**RMB RM**	**Total RM**
Trade receivables	6,491,098	296,303	-	6,787,401
Other receivables	2,059,990	-	-	2,059,990
Cash and bank balances	1,077,412	-	23,055	1,100,467
Trade payables	(1,429,350)	-	(9,315)	(1,438,665)
Other payables	(1,504,203)	-	-	(1,504,203)
Borrowings	(6,424,187)	-	-	(6,424,187)
	270,760	296,303	13,740	580,803

30. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) Foreign currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

Group 2017	Denominated in USD RM	SGD RM	RMB RM	Total RM
Trade receivables	8,065,529	848,707	-	8,914,236
Cash and bank balances	960,812	-	23,327	984,139
Trade payables	(4,556,519)	-	(8,548)	(4,565,067)
Other payables	(590,823)	-	-	(590,823)
Borrowings	(7,089,608)	-	-	(7,089,608)
	(3,210,609)	848,707	14,779	(2,347,123)

Foreign currency risk sensitivity analysis

The sensitivities of the Group's profit 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 after tax and equity by the amounts shown below:

	2018		2017	
	Profit after tax RM	Equity RM	Profit after tax RM	Equity RM
Group				
Functional currency/ Foreign currencies				
RM/USD	(10,289)	(10,289)	122,003	122,003
RM/SGD	(11,260)	(11,260)	(32,251)	(32,251)
RM/RMB	(522)	(522)	(562)	(562)

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.

30. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(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.

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	
	2018 RM	**2017 RM**
Floating rate instrument:		
Financial asset		
Short-term repurchase agreement ("REPO")	15,854,978	14,288,650
Financial liabilities		
Bank overdrafts	(238,398)	(1,291,046)
Term loans	(4,588,208)	-
	11,028,372	12,997,604

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	
	2018 RM	**2017 RM**
Effect of profit after tax		
Increase of 10 basis points	8,382	9,878
Decrease of 10 basis points	(8,382)	(9,878)
Effect on equity		
Increase of 10 basis points	8,382	9,878
Decrease of 10 basis points	(8,382)	(9,878)

30. 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 practices 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	More than 5 years RM
2018						
Bank overdrafts	238,398	257,970	257,970	-	-	-
Bankers' acceptances	21,720,637	22,956,541	22,956,541	-	-	-
Revolving credit	3,000,000	3,169,050	3,169,050	-	-	-
Finance lease payables	398,740	435,074	407,081	27,993	-	-
Term loans	4,588,208	5,387,346	813,420	813,420	2,440,260	1,320,246
Trade payables	7,219,787	7,219,787	7,219,787	-	-	-
Other payables	12,494,821	12,494,821	12,494,821	-	-	-
	49,660,591	51,920,589	47,318,670	841,413	2,440,260	1,320,246
2017						
Bank overdrafts	1,291,046	1,397,041	1,397,041	-	-	-
Bankers' acceptances	16,692,608	17,642,417	17,642,417	-	-	-
Revolving credit	3,000,000	3,161,400	3,161,400	-	-	-
Finance lease payables	904,830	954,327	561,516	364,728	28,083	-
Trade payables	13,321,033	13,321,033	13,321,033	-	-	-
Other payables	14,632,931	14,632,931	14,632,931	-	-	-
Dividend payable	1,233,133	1,233,133	1,233,133	-	-	-
	51,075,581	52,342,282	51,949,471	364,728	28,083	-

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

(e) Equity price risk

Equity price risk mainly arises from the Group's investment in quoted equity 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 of their relevance to the Group's long term strategic plans.

As at 30 June 2018, 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 RM155,400 (2017: RM214,200).

31. 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. The disclosure of fair value is not made for floating rate instruments that are repriced to market interest rate on or near the reporting date.

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 statements of financial position.

The aggregate fair values and the carrying amounts of the financial assets carried on the statements of financial position as at the reporting date are as below:

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
2018					
Group					
Asset					
Other investment	1,554,000	-	-	1,554,000	1,554,000
Liability					
Finance lease payables (non-current)	-	-	19,668	19,668	20,109
2017					
Group					
Asset					
Other investment	2,142,000	-	-	2,142,000	2,142,000
Liability					
Finance lease payables (non-current)	-	-	377,703	377,703	382,142
2018					
Company					
Asset					
Other investment	1,554,000	-	-	1,554,000	1,554,000
2017					
Company					
Asset					
Other investment	2,142,000	-	-	2,142,000	2,142,000

31. 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 year.

Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset or 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 year. The interest rate used to discount the estimated cash flows is at 3.62% (2017: 4.00%).

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

32. 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 Group monitors capital using net debt-to-equity ratio which is the net debt divided by total capital. Net debt includes loans and borrowings, less cash and bank balances whilst total capital is equity attributable to owners of the Company.

The net debt-to-equity ratios at end of the reporting period are as follows:-

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Borrowings (Note 21)	29,945,983	21,888,484	-	-
Less: Cash and bank balances	(20,480,518)	(16,703,679)	(35,598)	(746,168)
Total net debts	9,465,465	5,184,805	(35,598)	(746,168)
Total equity attributable to the owners of the Company	126,421,953	142,466,013	71,727,871	72,909,380
Debt to equity ratio	0.07	0.04	N/A	N/A

N/A: Not meaningful

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

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

33. SIGNIFICANT EVENTS

The significant events during the financial year are as follows:

(i) On 21 August 2017, the Company had submitted its application for the Proposed Share Split to Bursa Malaysia Securities Bhd ("Bursa Securities") which entails the subdivision of every one existing ordinary share capital into four split shares held by owners of the Company. The split shares will, upon allotment and issuance, rank pari passu in all respects with each other. The effects of the Proposed Share Split on the issued share capital of the Company are set out below:-

	Number of shares Unit
Issued share capital	246,626,468
Maximum number of shares that can be repurchased	(24,662,646)
	221,963,822

On 25 August 2017, the Company announced that Bursa Securities had, vide its letter dated 25 August 2017, resolved to approve the Proposed Share Split subject to the following conditions:-

i. Shareholders' approval for the Proposed Share Split;

ii. The Company must fully comply with the relevant provisions under the Main Market Listing Requirements ("Listing Requirements") pertaining to the implementation of the Proposed Share Split;

iii. The Company to inform Bursa Securities upon the completion of the Proposed Share Split;

iv. The Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Share Split is completed; and

v. The Company is required to make the relevant announcements pursuant to paragraph 13.10(2) of the Listing Requirements pertaining to the Proposed Share Split.

Shareholders' approval for the Proposed Share Split was obtained via Extraordinary General Meeting ("EGM") held on 28 September 2017.

On 24 October 2017, the Company announced that the Share Split has been completed following the listing of and quotation for 246,626,468 ordinary shares of the Company on the Main Market of Bursa Malaysia Securities Berhad.

(ii) On 14 February 2018, the Company announced a proposal to undertake renounceable rights issue of 54,805,881 Rights Shares at an issue price to be determined and announced later, together with a bonus issue of 41,104,410 Bonus Shares to be credited as fully paid-up, on the basis of 2 Rights Shares for every 9 existing Company Shares held and 3 Bonus Shares for every 4 Rights Shares subscribed for on the Entitlement Date.

Subsequently, the Company announced that the Board would no longer proceed with the Proposed Rights with Bonus Issue after considering the current market condition.

34. SUBSEQUENT EVENT

The Company made an announcement on 20 August 2018, seeking for its shareholders' approval to allow the Company to purchase up to ten percent (10%) of its issued share capital of the Company ("Proposed Share Buy-Back") at the forthcoming Annual General Meeting.

The effects of the Proposed Share Buy-Back on the issued share capital of the Company are set out below:-

	Number of shares Unit
Issued share capital	246,626,468
Maximum number of shares that can be repurchased	(24,662,646)
	221,963,822

35. COMPARATIVE FIGURES

Certain comparative figures are reclassified to conform to the current year's presentations.

	As reclassified RM	**As previously reported RM**
Statements of financial position		
Current assets		
Other receivables	10,475,548	13,317,576
Tax recoverable	2,972,823	130,795
Current liabilities		
Trade payables	13,321,033	12,769,814
Tax payable	32,887	584,106
Statements of cash flows		
Cash flows from operating activities		
Changes in working capital:		
Trade and other receivables	(8,116,443)	(10,958,472)
Trade and other payables	14,669,251	14,118,032
Tax paid	(3,759,911)	(366,663)

PROPERTIES
As At 30 June 2018

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 30/6/2018 (RM)
Plot 125, Bukit Minyak Industrial Park, Seberang Perai Tengah.	Industrial land with factory	60 years with 42 years remaining (17 years)	6.0052 Acre (261,586) sq. ft.	* 30 August 2012	14,060,353
Plot 126, Bukit Minyak Industrial Park, Seberang Perai Tengah.	Industrial land	60 years with 53 years remaining (7 years)	1.74236 Acre	* 30 August 2012	8,426,354#
Plot 42 & 43, Taman Airmas, Seberang Perai (U).	Residential premises (Lot 4639/HS(D)3363) (Lot 4654/HS(D)3378)	Freehold	1,086 sq. ft.	31 December 1996	105,616
JI. Raya Beji Km 4 No. 42 Beji, Pasuraun, Jawa Timur, Indonesia.	Industrial Land with factory	130 years with 106 years remaining (24 years)	(252,207) sq. ft.	* 30 November 2012	6,338,132
JI. Raya Beji Km 4, Desa Beji, Kecamatan Beji, Kabupaten Pasuraun, Propinsi Jawa Timur, Indonesia.	Industrial Land		3.73 Acre	5 September 2012	5,002,378
No. 7A, Jalan TIAJ 2/1, Taman Industri Alam Jaya, Bandar Puncak Alam, 42300 Selangor Darul Ehsan.	3 Storey Semi-Detached Factory Type B	Leasehold	2,024 sq. meters	10 August 2016	4,678,513
22, Jalan Perniagaan Seri Tambun, Pusat Perniagaan Seri Tambun, 14100 Simpang Ampat, Pulau Pinang.	3 Storey terrace shop office		149 sq. meters	5 August 2016	1,412,255
No.42, Lintasan Perajurit 17C, Taman Perdagangan & Perindustrian Ipoh, 31400 Ipoh, Perak.	One and half storey intermediate factory lot	99 years with 77 years remaining 22 years)	186 sq. meters	24 November 2016	376,528

Remark: # Inclusive of capital expenditure-in-progress of RM481,024

This page is
intentionally left blank

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

CDS Account No. ____________

No. of Shares Held ____________

FORM OF PROXY

*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/her, ____
(full name in capital letters)

of ____
(full address)

as *my/our proxy, to vote for *me/us on *my/our behalf at the Twenty-Fourth Annual General Meeting ("**AGM**") 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, 30 November 2018 at 10:00 a.m., and at any adjournment thereof.

No.	Agenda	For	Against
1	To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and the Auditors thereon.		
2	To approve the payment of Directors' fees payable to the Non-Executive Directors amounting to RM216,600 to be paid on a quarterly basis for the financial year ended 30 June 2019 and thereafter. (Resolution 1)		
3	To approve the payment of Directors' benefits up to an amount of RM100,000 from 1 December 2018 until the next AGM of the Company. (Resolution 2)		
4(a)	To re-elect Mr. Chee Cheng Chun, who is due to retire in accordance with Article 64 of the Company's Articles of Association and being eligible, had offered himself for re-election. (Resolution 3)		
4(b)	To re-elect Mr. Tai Keat Chai, who is due to retire in accordance with Article 64 of the Company's Articles of Association and being eligible, had offered himself for re-election. (Resolution 4)		
5	To re-elect Encik Adnan bin Ahmad, who is due to retire in accordance with Article 69 of the Company's Articles of Association and being eligible, had offered himself for re-election. (Resolution 5)		
6	To re-appoint Messrs. Moore Stephens Associates PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 6)		
Special Business			
7	Authority to Issue Shares pursuant to the Companies Act 2016. (Resolution 7)		
8	Proposed Renewal of Existing Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. (Resolution 8)		
9	Proposed Share Buy-Back of up to 10% of the Issued Shares of the Company. (Resolution 9)		

(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/her discretion)

* Strike out whichever is not applicable.

Signed this __________ day of ________________ , 2018

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 to the Notice of the Twenty-Fourth AGM:-

1. This Agenda item is meant for discussion only as Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements and only requires the Audited Financial Statements to be laid at the Meeting. Therefore, this Agenda item is not put forward for voting.
2. For the proxy to be valid, the proxy form, duly completed and signed, must be deposited at the Company's Registered Office at Plot 125, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
3. A member shall be entitled to appoint up to two (2) proxies to exercise all or any of his/her rights to attend, participate, speak and vote at the Meeting. Where a member appoints two (2) proxies, the proportions of his/her shareholdings to be represented by each proxy must be specified in order for the appointments to be valid.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act,1991 ("**SICDA**"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an Exempt Authorised Nominee which hold ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an additional nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointor is a corporation, the proxy form must be executed under either seal or under the hand of an officer or attorney duly authorised.
7. For purpose of determining who shall be entitled to attend, participate, speak and vote at this Meeting, the Company shall be requesting Record of Depositors ("**ROD**") as at 23 November 2018. Only a Depositor whose name appears on such ROD shall be entitled to attend, participate, speak and vote at this Meeting or appoint proxy to attend, participate, speak and vote on his/her behalf.

Then Fold Here

Stamp

The Company Secretaries

REX INDUSTRY BERHAD (Company No. 282664-K)
Plot 125, Jalan Perindustrian Bukit Minyak 5,
14100 Simpang Ampat, Seberang Perai Tengah,
Penang, Malaysia

1st Fold Here

REX INDUSTRY BHD. (82664-K)
Plot 126, Jalan Perindustrian Bukit Minyak 5, 14100 Simpang Ampat, Seberang Perai Tengah, Penang, Malaysia.
Tel: (+6) 04-5088 288   Fax: (+6) 04-5088 566/7   E-mail: rex@rex.net.my
www.rexmalaysia.com